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Bank Brunch

ECB Omnibus opinion, picks and pans, UniCredit report, April USD supply



- The ECB wants all significant institutions to stay in scope of the CSRD in response to the Omnibus proposal
- We update our bank picks and pans
- UniCredit comes with another strong report
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The ECB wants all significant institutions to stay in scope of the CSRD in response to the Omnibus proposal

By **Marine Leleux**

The **European Central Bank** (ECB) last week published its opinion on the amendments proposed by the Commission for the Corporate Sustainability Reporting and Due Diligence Directives (CSRD & CSDDD) as part as the “Omnibus I” package. The ECB supports the broader goal of enhancing the Union’s long-term competitiveness. However, it stresses the importance of striking the right balance when it comes to simplifying sustainability legislation to ensure that the sustainability reporting benefits for the EU economy are maintained while the framework remains proportionate.

In other words, the ECB emphasises that sustainability data supports informed investment decisions and ensures consideration of sustainability-related risks. A lack of such data could imply the rise of systemic risks that threaten financial stability. The ECB also stresses the importance of sustainable information for banking supervision (especially when it comes to credit institution-related risk management activities and processes), financial stability and monetary policy.

Based on this observation, the ECB lays out its opinion and suggests amendments to the Commission’s Omnibus I proposal. Starting with the CSRD’s main proposal, **the 80% scope reduction, the report stresses that this amendment could significantly limit stakeholders’ access to important information and potentially lead to unwanted outcomes.**

Those include the reduced overall availability of sustainability-related information (i.e. GHG emissions produced) as well as some financial institutions falling out of scope of the Directive. The ECB estimates that about an eighth of significant institutions and the vast majority of less significant institutions would no longer be subject to the sustainability reporting requirements, making the set of ESG information incomplete. **Therefore, the**

ECB recommends that at least all significant institutions, regardless of the number of employees, remain in scope of sustainable reporting requirements.

Furthermore, the European Central Bank invites the legislator to further work on the scope of the directive to ensure that it remains “calibrated”. **The opinion piece also suggests that the CSRD applies to large undertakings with an average number of employees of more than 500 but less than 1000 to be in scope.**

When it comes to the treatment of third-country entities, the ECB underlines that the Commission’s proposal to also reduce the scope to only the largest undertakings would increase the data availability gap between the Union and third-country entities, negatively affecting banks’ credit management. It could also, in the short term, create a competitive disadvantage for large undertakings established in the Union. **Therefore, the ECB recommends not to amend the turnover threshold with regard to third-country undertakings.**

The ECB also warns of the over-reliance on voluntary reporting as it could lead to a system-wide lack of sound and comparable data. Indeed, voluntary reporting can lead to self-selection bias, greenwashing and also lacks verification which, in turn, may negatively affect the quality, availability and reliability of sustainability ESG data. **The ECB thus recommends a better calibration of the scope of mandatory sustainability reporting to capture a sufficiently large reporting population.**

When it comes to the Commission’s proposal to revise and streamline the ESRS, the ECB supports such an intention and proposes to provide input to the legislator in the development of the simplified reporting standards. The report recommends retaining most climate change data points (ESRS E1) and biodiversity and ecosystem (ESRS E4) ones.

As a reminder, the Commission published its final proposal for the CSRD and CSDDD omnibus back in February. Alongside came a draft proposal for the Taxonomy for which a final proposal still must be published. Both the Council and Parliament are currently reviewing the proposal and will publish their own opinion on the amendments in the coming months. Before the Omnibus I can be finalised, it will have to go through Trilogue negotiations and be voted by the Parliament. Our piece unfolding the Commission’s full proposal is available [here](#).

We update our bank picks and pans

By Suvi Platerink Kosonen

Picks: Credit Agricole, Banco Sabadell and DNB

Crédit Agricole Groupe

French banks are well-positioned in the current market backdrop. **Crédit Agricole Groupe** (ACAFP) retained very strong capital metrics in 1Q25 with its headroom to MDA at 730bp. The LRE-based headroom was above €45bn. The M-MDA is a tad tighter but still very strong at €>35bn at LE TLAC level. The strong buffers provide support for creditors in times of stress.

The bank reported higher pre-provision income and stable profitability metrics in 1Q25. The cost of risk headed a tad higher YoY but was easily absorbed by pre-provision profit (c.18%).

Crédit Agricole has a large operation in France (64%), on top of which is has some limited exposure in Italy (8%) and the US (5%). Its presence in corporate sectors that we consider sensitive to tariffs is below peers.

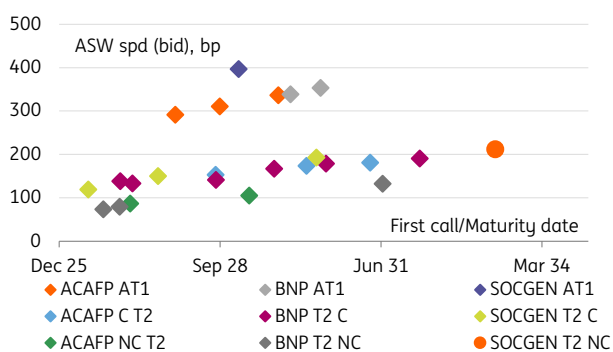
Banco de Sabadell

Spanish banks have enjoyed robust earnings. In 1Q25 **Banco de Sabadell** (SABSM) posted a 59% increase in its net earnings, supported by 14% higher revenues and clearly positive operating jaws. The bank offset the slightly softer NII with higher NFC. The cost-to-income ratio improved to a strong 46.2% and the pre-provision profit to RWA metrics improved to 4.4%.

Loan quality has remained resilient. The cost of risk was down 45% YoY and absorbed only 12% of the pre-provision profit. The bank operates mainly in Spain with some UK exposure. The bank has very limited exposure into sensitive corporate sectors.

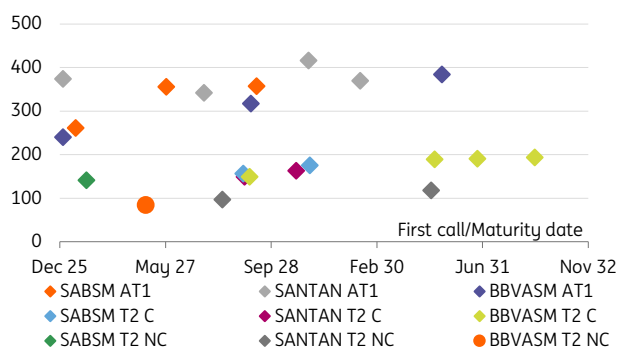
The bank runs with solid capital buffers with the CET1 ratio 440bp ahead of the requirement with limited gap in the T2 bucket. The headroom to M-MDA was above 270bp.

In C T2 prefer ACAFP vs SOCGEN, in AT1 SOCGEN vs ACAFP



Source: ING, IHS Markit

In Sabadell look for value in the 5.75% '27 AT1 and in NC T2



Source: ING, IHS Markit

DNB

DNB (DNB) reported 7% stronger net income in 1Q25, as the performance was supported by a mix of organic and inorganic factors. The Carnegie acquisition is baked in since March 2025. The acquisitions will reflect as stronger earnings generation this year and provide some opportunities for synergies. The profitability metrics are strong with the PPP/RWA at 4.9%.

The CET1 ratio reflected the Carnegie acquisition drifting lower to 18.5%, down from 19.4% QoQ, remaining some 300bp ahead of the MDA restriction point. The bank fills both its AT1 and T2 buckets. The combined impact of the CRR3 and Sbanken acquisition is guided neutral for 2Q, while in 3Q RE risk weight floors will have a 60bp impact on the CET1 ratio.

Pans: Commerzbank, RBI and Deutsche PBB

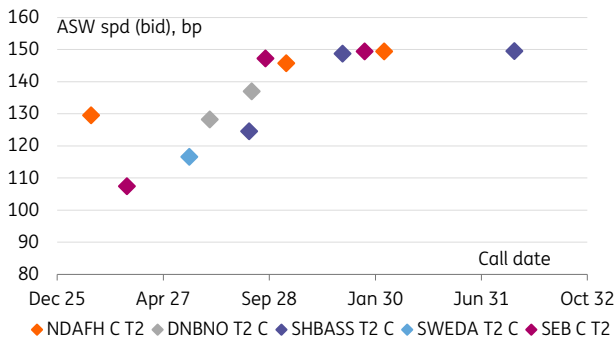
Commerzbank

Commerzbank (CMZB) reported clearly stronger earnings in 1Q25, as the bank benefited from stronger net fee and commission income, that helped offset the slump in NII. The positive operating jaws helped offset the slightly higher cost of risk and resulted in 12% higher net income YoY in 1Q. The headroom to MDA was 485bp.

Commerzbank is very exposed to Germany which we consider vulnerable to US tariffs. The bank has limited diversification with some presence in Poland and it is among those with the largest exposure into tariff-sensitive corporate sectors, including automobiles.

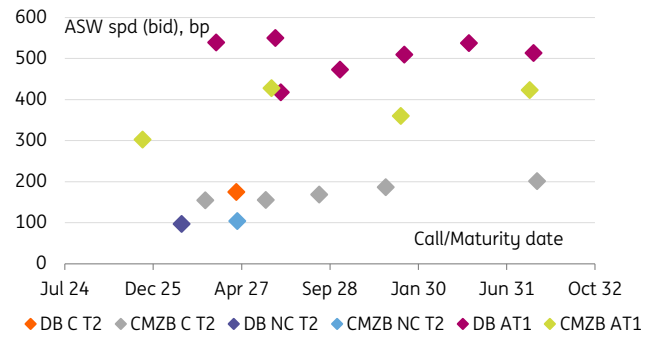
UniCredit has secured approval to increase its stake to 29.9%. A full takeover would be a credit negative for Commerzbank, while only a threat of it may be a positive.

DNB T2 with pickup over SHBASS or SWEDA



Source: ING, IHS Markit

Value in 4-5yr part of the curve in DB vs CMZB in AT1



Source: ING, IHS Markit

Raiffeisen Bank International

Raiffeisen Bank International (RBI) reported 6% higher earnings in 1Q25, as stronger revenues offset the impact from higher operating expenses and impairments.

While RBI had a strong 680bp headroom to capital requirements, the headroom excluding the Russian business at P/B zero would have been a more modest 390bp.

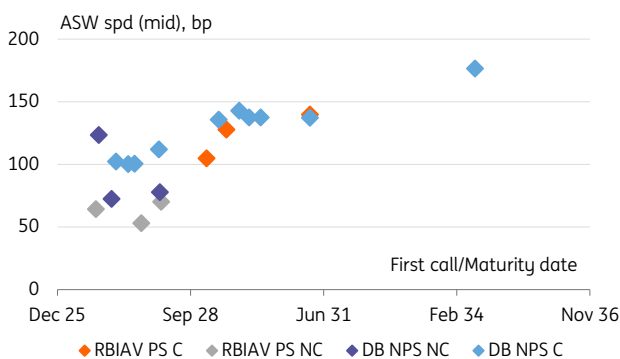
One of the key risks for the bank remains its continuous presence in Russia, alongside the damages related to the case with Rasperia. The court case is only starting in Austria. Any plan to offload the subsidiary would also come with a clear risk for the bank. We would remain cautious on the name until the future of the Russian subsidiary is resolved.

Deutsche Pfandbriefbank

Deutsche Pfandbriefbank (PBBGR) is among the names that have seen the strongest weakening in their loan quality since the ECB started its rate hikes. While the move to a rate-cutting mode is likely to prove supportive, we consider it too early to call the all-clear.

In 4Q24, the bank saw its NII drop by 21% YoY, reflecting as weak profitability metrics. The cost-to-income ratio increased to >55% from 37%, the PPP/assets dropped to below 50bp and PPP/RWA to 1%. The cost of risk absorbed some 57% of the PPP, a clear drag for capital generation. We consider the 245bp capital headroom limited for the risk profile.

RBI PS prices in weakness aligned with DB NPS (A1 vs Baa1)



UniCredit comes with another strong report

By Suvi Platerink Kosonen

UniCredit's (UCGIM) performance remained very strong in 1Q and we continue to consider the bank to exhibit very strong credit metrics. The profitability metrics improved and the capital ratios remain strong. Loan quality has so far remained resilient. While we consider the bank to be very exposed to the weakening from the change in the overall macro picture due to its balance sheet split, which could reflect as weaker trends for the bank's loan quality and volume development over time, we expect the bank to be well positioned to absorb the impacts with its strong buffers.

UniCredit reported another set of strong numbers for 1Q25 as the bank's earnings (+8% YoY) got support from a mix of solid growth in fee income and net trading income, offsetting the decline seen for net interest income (-3% YoY) over the quarter. The bank notes that the trading income was largely client-driven. With string cost developments (=1% YoY), the bank reported a strengthened cost-to-income ratio of 35.4% (-80bp YoY). The PPP/RWA improved to 5.9% from 5.8% YoY.

So far, the loan quality has remained resilient. The cost of risk was €83m (8bp) in 1Q, down from €357m (34bp) in 4Q24 that was burdened by coverage reinforcements. The gross NPE was stable QoQ at 2.6% (net 1.4%).

The bank upgraded its guidance for the year to account for the strong development and expects now its net profit to be above €9.3bn this year with RoTE at above 17%.

The bank's capital ratios remained very healthy. The CET1 ratio improved to 16.1% from 15.9% QoQ despite the negative impact of 60bp from the application of the CRR3. The ratio was supported by 113bp from organic earnings generation, although more or less completely earmarked for distributions including for dividends, CASHES and sharebuybacks. The MDA headroom stands at 581bp (above €16bn) which we consider very strong. The M-MDA headroom is a tad tighter but still solid at €13bn at the subordinated risk-based basis.

The bank fills its AT1 and T2 buckets with some 20bp excess on the AT1 level. The Tier 2 bucket is just filled. Any upcoming redemptions will therefore likely get refinanced in our view to keep the buckets filled.

April USD bond supply rectification

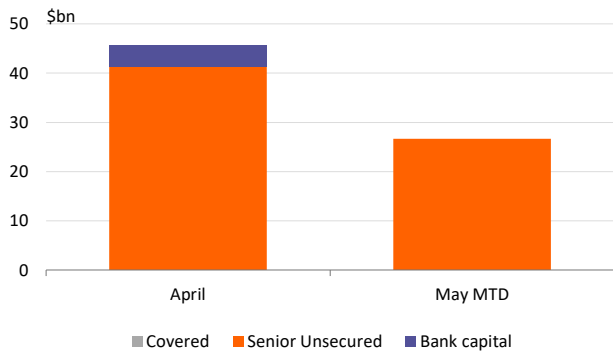
By Marine Leleux

April recorded a very low level of European bank USD-denominated bond supply. However, that level reached \$3.25bn and not \$0bn as stated in our publication last week. This total exclusively stems from French issuers. Overall, the USD bond supply reached over \$45bn in April with the bulk of issuances stemming from US issuers.

We note that just over \$41bn of the total April supply was supplied in the senior unsecured segment or 90% of the total supply. The preference for the senior unsecured issuances seems to hold, so far, this month as we record exclusively senior unsecured issuances.

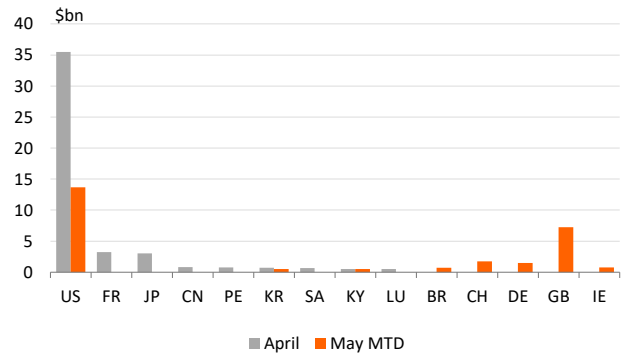
While last month's USD bond supply mainly stemmed from the US, we note a diversification this month with supply from US issuers so far representing about half the total issuance followed by UK names with over \$7bn printed. We also note issuances stemming from Germany and Ireland bringing the European banks' USD-denominated bond supply for May MTD to \$2.25bn, just \$1bn behind April's total level.

Segment split of banks' USD bond supply in April and May MTD



Source: ING

Country split of banks' USD bond supply in April and May MTD



Source: ING

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