

Basel III Endgame Capital Impact Analysis

What Every Community Bank CEO Needs to Know

Prepared by Amberoon Inc. | Statum KPI

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Based on FFIEC CDR Call Report Data (Q4 2025)



Executive Summary

The Bottom Line

Amberoon's Statum KPI model analysis of 4,236 U.S. banks reveals that the Basel III Endgame rule changes would free up an estimated \$96.3 billion in net regulatory capital across the industry. The Federal Reserve estimates aggregate CET1 requirements decrease 4.8% for Category I/II banks, 5.2% for Category III/IV, and 7.8% for smaller banks. Our bank-level analysis produces directionally consistent results.

An overwhelming 99.5% of banks (4,216 of 4,236) stand to benefit from these changes - and community banks are among the biggest winners in relative terms. The average community bank gains approximately 82 basis points on its CET1 capital ratio, with many gaining well over 100 basis points.

What This Means for YOUR Bank

For the typical community bank, Basel III Endgame translates into real, deployable capital. Lower risk weights on bread-and-butter loan categories - residential mortgages, commercial real estate, and consumer loans - mean your bank needs less capital to support the same loan portfolio. That freed-up capital can be used to expand lending, improve regulatory ratios, fund acquisitions, increase dividends, or simply strengthen your balance sheet for whatever comes next.

Key Findings at a Glance:

- Net capital freed across all banks: \$96.3B
- Lending risk weight relief: +\$161.7B
- AOCI headwind (unrealized bond losses): -\$52.5B
- Operational risk charge: -\$7.5B
- MSA (mortgage servicing) headwind: -\$5.4B
- Banks that benefit: 4,216 of 4,236 (99.5%)
- Average community bank CET1 improvement: ~82 BPS

Section 1: What Is Basel III Endgame?

A Plain-Language Overview

Basel III Endgame is the final phase of an international banking reform effort that began after the 2008 financial crisis. The "endgame" refers to the last set of rules



being implemented by U.S. regulators to bring American banks into alignment with global standards set by the Basel Committee on Banking Supervision.

In practical terms, these rules change how much capital a bank must hold against different types of assets. Capital requirements are calculated using "risk weights" - a percentage applied to each asset category that determines how much capital is needed. A lower risk weight means less capital is required; a higher risk weight means more.

Why It Matters to Community Banks

Community banks have historically been caught in a regulatory framework designed primarily for the largest, most complex financial institutions. The revised risk weights under Basel III Endgame recognize that traditional community bank lending - residential mortgages, small business loans, consumer credit - is generally less risky than the complex trading activities of Wall Street banks.

The result: most community banks will see their risk-weighted assets decrease, meaning they can operate with less capital or deploy excess capital for growth.

Timeline

- March 2026: Revised proposal released by federal banking agencies
- Comment period closes June 18, 2026 (your opportunity to be heard)
- Q1 2027 (projected): Final rule issued
- 2028-2030: Phased implementation begins

Key Changes in Simple Terms

- Residential mortgages: Risk weights drop significantly for well-underwritten loans
- Commercial real estate: More granular risk weights that reward lower-risk CRE exposure
- Consumer loans: Reduced risk weight from ~87.5% blended to 75%
- Operational risk: A new standardized charge for Category I and II institutions (GSIBs) only
- AOCI: Unrealized gains/losses on securities flow through capital for larger banks

Section 2: Industry Impact at a Glance

Net Capital Impact by Bank Category

The following table summarizes the net capital impact across all five regulatory categories. The figures represent the change in required capital - positive

numbers mean capital is freed up, while negative numbers mean additional capital is needed.

Category	Count	Net Impact	Lending Relief	AOCI	Op Risk	MSA	Avg BPS
GSIBs (9 banks)	9	\$42.8B	+\$52.9B	\$0.0B	-\$7.5B	-\$2.7B	+44
Category III (8 banks)	8	-\$8.8B	+\$28.6B	-\$35.4B	\$0.0B	-\$2.0B	-36
Category IV (13 banks)	13	\$2.3B	+\$20.1B	-\$17.1B	\$0.0B	-\$0.7B	+4
Regional (70 banks)	70	\$24.6B	+\$24.6B	\$0.0B	\$0.0B	-\$0.0B	+90
Community (4,136 banks)	4136	\$35.4B	+\$35.4B	\$0.0B	\$0.0B	-\$0.0B	+82
TOTAL	4,236	\$96.3B	+\$161.7B	-\$52.5B	-\$7.5B	-\$5.4B	-

Note: 'Regional' and 'Community' are Statum KPI segmentation categories based on asset size, not formal regulatory designations.

The \$96.3 Billion Waterfall

The net capital impact of \$96.3B is the sum of four major components:

+\$161.7B Lending Risk Weight Relief: Lower risk weights on residential mortgages, CRE, consumer loans, and other standard lending categories reduce the capital required to support existing loan portfolios.

-\$52.5B AOCI Headwind: Category III and IV banks must now include unrealized gains and losses on their securities portfolios in regulatory capital. With current interest rates, most of these banks are sitting on unrealized bond losses that reduce capital.

-\$7.5B Operational Risk Charge: A new standardized operational risk capital charge applies to GSIBs (Category I/II) only, based on their Business Indicator Component (BIC). This replaces the previous advanced measurement approaches.

-\$5.4B MSA Headwind: Mortgage Servicing Assets receive a 250% risk weight, creating additional capital requirements for banks with significant servicing portfolios. This primarily affects the largest mortgage servicers.

Who Wins: Community Banks Lead in Relative Terms

While GSIBs receive the largest absolute dollar benefit (\$42.8B), community and regional banks are the clear winners in relative terms. Community banks average a gain of approximately 82 basis points on their CET1 ratio, while regional banks



average approximately 90 basis points. This is because community and regional banks hold loan-heavy portfolios that benefit most from the revised risk weights, and they are not subject to the AOCI pass-through or operational risk charges that offset gains for larger banks.

Who Faces Challenges: Category III Banks

Category III banks - institutions with \$250B-\$700B in assets - are the only group with a net negative impact (-\$8.8B). This is driven almost entirely by the AOCI pass-through requirement. Banks in this category that accumulated significant bond portfolios during the low-rate era now face large unrealized losses that must flow through to regulatory capital. Notable examples include Charles Schwab Bank, Truist Financial, and U.S. Bank.

Fed Reserve Comparison

Our bottom-up analysis of all 4,236 banks, using actual FFIEC Call Report data, produces a net capital impact of \$96.3B. The Federal Reserve estimates aggregate CET1 requirements decrease 4.8% for Category I/II banks, 5.2% for Category III/IV, and 7.8% for smaller banks. Our bank-level analysis produces directionally consistent results.

Section 3: How Community Banks Benefit

Lower Risk Weights = Less Capital Required

The fundamental mechanism is straightforward: when a loan category receives a lower risk weight, your bank needs less capital to support that lending. The capital that is freed up becomes available for other purposes - expanding your loan portfolio, improving your regulatory ratios, paying dividends, or pursuing strategic initiatives.

Risk Weight Changes: Current vs. New

The table below shows the key risk weight changes that affect community bank loan portfolios:

Asset Class	Current RW	Est RW	Change	Impact
Residential Mortgages	50%	38% (blended)	-12%	Significant relief for resi lenders
Commercial Real Estate	100%	85%	-15%	Major benefit for CRE-heavy banks

Asset Class	Current RW	Est RW	Change	Impact
Multifamily	100%	70%	-30%	Largest single-category improvement
Acquisition/Dev/Const.	100%	130%	+30%	Higher charge for ADC lending
C&I Loans	100%	95% (IG: 65%)	-5%	Modest improvement; IG borrowers benefit more
Consumer Loans	100%	75%	-25%	Substantial relief on consumer portfolios
Other Assets	100%	90%	-10%	Broad-based improvement
Mortgage Servicing Assets	100%	250%	+150%	Significant headwind for mortgage servicers

Worked Example: A \$500M Community Bank

Consider a hypothetical \$500M community bank with a typical loan mix: 35% residential mortgages, 25% CRE, 15% C&I, 15% consumer, and 10% other assets. Under the current rules, the bank's risk-weighted assets for this loan portfolio total approximately \$335M.

Under the new risk weights, the same portfolio produces risk-weighted assets of approximately \$285M - a reduction of about \$50M. At the minimum CET1 requirement of 7% (including the capital conservation buffer), this translates to roughly \$3.5-\$5.0M in freed capital, depending on how far above the minimum the bank currently operates.

What You Can Do with Freed Capital

- Expand lending: Deploy capital into additional loans, growing your community impact
- Strengthen ratios: Boost CET1 and total capital ratios for safety and soundness
- Pursue M&A: Use the capital cushion to fund strategic acquisitions
- Increase dividends: Return value to shareholders if capital levels are strong
- Invest in technology: Fund digital transformation and operational improvements

Assumptions and Limitations



This analysis is based on Statum KPI scenario estimates, not regulatory determinations. All figures reflect our interpretation of the March 19, 2026 NPR applied to Q4 2025 FFIEC Call Report data.

Key risk weight assumptions: Our lending relief estimates use an ERBA opt-in scenario where banks elect the Expanded Risk-Based Approach where favorable. Under this scenario, CRE receives an 85% risk weight and consumer loans receive 75%. Under the NPR Standardized Approach alone, CRE = 95% and consumer = 90%, which would reduce aggregate net capital impact from approximately \$96 billion to approximately \$68 billion.

AOCI phase-in: The NPR specifies a 5-year transition for AOCI recognition at Category III/IV banks. Our model shows the full day-1 impact (\$52.5 billion). Near-term impact will be reduced by the phase-in schedule.

Limitations: This model does not capture commitment conversion factor (CCF) changes, securitization risk weight floor changes, market risk/CVA impacts, or portfolio restructuring responses. 169 banks (4.0%) use estimated loan composition from peer-group averages where granular FFIEC data was unavailable.

Your bank has better data than our system-wide model. Your actual LTV distributions, ERBA election plans, off-balance-sheet commitments, and AFS portfolio details can produce a more precise estimate. Use the interactive estimator at statumkpi.ai, or contact statum@amberoon.com for a customized institution-level analysis. We welcome feedback on our assumptions and methodology.

Section 4: What Should You Do Now?

The Basel III Endgame represents both an opportunity and a call to action. Here are five concrete steps every community bank CEO and board should take:

1. **Assess YOUR Bank's Exposure.** Use the Statum KPI Capital Impact Dashboard at statumkpi.ai/capital-impact-dashboard to see exactly how the new risk weights affect your specific loan portfolio. Every bank's mix is different, and the impact ranges from modest to transformative depending on your asset composition.
2. **Identify Your Biggest Relief Opportunities.** Look at your loan concentrations. If you are heavy in residential mortgages, multifamily, or consumer lending, your relief could be well above average. If you carry significant ADC or MSA balances, you may need to plan for offsets.

3. Model the Impact on Your Strategic Plan. Work with your CFO and finance team to model how freed capital flows through your earnings projections, dividend capacity, and growth plans. Consider how improved capital ratios change your competitive position.
4. Prepare for the Comment Period. The public comment period is your opportunity to shape the final rule. Engage with your state banking association and national trade groups (ICBA, ABA) to ensure community bank perspectives are represented. Comments that include specific data - like the impact estimates from Statum KPI - carry extra weight.
5. Contact Amberoon for a Detailed Peer Analysis. Amberoon's Statum KPI platform provides detailed, bank-specific impact analysis with customized peer comparisons. We can show you exactly how you compare to your peers, identify your biggest opportunities, and help you build a board-ready capital strategy. Contact us at statum@amberoon.com.

Section 5: Methodology

Data Source

This analysis uses FFIEC CDR Bulk Data for Q4 2025, covering all 4,236 FDIC-insured commercial banks and savings institutions that file Call Reports. Data fields include risk-weighted assets, CET1 capital, loan portfolio composition, securities holdings, and operational metrics.

Risk Weight Assumptions

The following risk weights were applied in the Statum KPI reconciled model:

Asset Class	Statum KPI Risk Weight	Notes
Residential Mortgages	38% (blended)	Weighted average across LTV buckets per SA methodology
Commercial Real Estate	85%	Income-producing CRE; reflects diversified portfolios
Multifamily	70%	Reduced from 100% under current standardized approach
Acq/Dev/Construction	130%	Higher-risk development and construction exposures
C&I Loans	95% (IG: 65%)	Standard corporate; investment-grade corporates receive 65%



Asset Class	Statum KPI Risk Weight	Notes
Consumer Loans	75%	Regulatory retail category; revolving and installment
Other Assets	90%	Blended rate for remaining on-balance-sheet items
Mortgage Servicing Assets	250%	Consistent with Basel III standardized approach

Model Components

Operational Risk: Calculated using the Business Indicator Component (BIC) methodology for Category I and II institutions (GSIBs) under the expanded risk-based approach. The BIC aggregates interest, services, and financial income components to derive a standardized operational risk charge.

AOCI Pass-Through: Applied to Category III and IV banks using actual unrealized gains and losses reported in their Call Reports. Community and regional banks remain exempt from AOCI recognition in regulatory capital under the current proposal.

Model Validation: The Statum KPI reconciled model produces a net capital impact of \$96.3B. The Federal Reserve estimates aggregate CET1 requirements decrease 4.8% for Category I/II banks, 5.2% for Category III/IV, and 7.8% for smaller banks. Our bank-level analysis produces directionally consistent results.

Interactive Dashboard

Explore the full dataset interactively at: statumkpi.ai/capital-impact-dashboard

The dashboard allows you to search for any bank, compare peers, and model custom scenarios.

About Amberoon

Amberoon Inc. provides enterprise-grade analytics and technology solutions purpose-built for community banks and credit unions. We believe every community financial institution deserves the same caliber of data-driven insights that the largest banks use to compete - without the complexity or cost.

About Statum KPI



Statum KPI is Amberoon's flagship predictive performance analysis platform. It delivers customized peer grouping, regulatory capital modeling, earnings forecasting, and strategic benchmarking - all powered by comprehensive FFIEC Call Report data. Statum KPI helps bank CEOs and boards make data-informed decisions with confidence.

Contact Us

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