A handful of European banks have figured out a way to boost their profit and capital ahead of new regulations: grab back their bonds.

With the European crisis knocking down the value of banks' longer-term debt, some are taking advantage by buying back their debt from investors at a discount from the original value. Banks can book the difference in price as an accounting gain, adding to their bottom line—and their ability to withstand losses.

Banks including Société Générale SA, Commerzbank AG, Intesa Sanpaolo SpA, Banco Santander SA and Banco Comercial Português SA recently have taken the moves, in part because traditional ways of boosting capital, such as selling businesses or raising equity in the market, are proving difficult. Europe's debt crisis has virtually cut off many European banks from private funding because investors are wary of lending to them.

But some analysts say that by using the maneuver, banks are killing off avenues of low-cost, long-term funding that are needed to fund loans and operations. That, in turn, could make banks more dependent on the low-cost funding lifeline from the European Central Bank.

The wave of debt buybacks, the analysts say, is the latest illustration of European banks' quick-fix solution to capital problems, in exchange for potential funding problems down the road.

"If you have poor access to the private markets, these [buybacks] will tend to beget further central bank usage," said Alastair Ryan, an analyst with UBS in London. "And the more central bank funding you have, the less likely you are to get private money in the future."

The ability of banks to borrow at long-term maturities from investors appears to be getting more difficult. The total issuance of European bank debt so far this year, in durations ranging from 1½ years to more than 10 years, has been $400 billion, compared with $645 billion in the same period a year ago, according to Dealogic, a data provider.

To be sure, as a normal course of business, banks frequently buy back and reissue debt in order to manage their funding and ensure they have a mix of short-term and long-term borrowings.

However, European banks recently have been employing the move specifically to help infuse profits and, subsequently, capital measures. The repurchases are helping banks boost their core Tier 1 capital ratios—a key measure of a bank's loss-absorbing buffer—ahead of Basel III banking rules.

In its half-year results reported Aug. 1, French bank Société Générale pointed to the buyback of €1.7 billion ($2.09 billion) in bonds of various maturities, some due as far out as 2025, for helping it post a pretax gain of €305 million and boosting the bank's key capital ratio by 0.06 percentage point.

In July, the U.K. subsidiary of Banco Santander repurchased £1.87 billion of debt, some of it long term, also to boost capital. Banco Bilbao Vizcaya Argentaria SA, along with Portugal's Banco BPI SA and Banco Comercial Português SA, have made similar moves.

In some of the more-complicated transactions, banks have been able to book multiple gains. In March, Commerzbank bought back €965 million of debt securities and other capital instruments at a discount for new Commerzbank shares. The bank booked gains from the discounted price of the debt, the elimination of interest payments and the new equity issued to the buyers.
Altogether, the move will provide the bank an extra €1.2 billion by 2017, said a spokesman.

It was "an opportunistic measure and allowed Commerzbank to strengthen its core Tier 1 capital, given current market conditions," the spokesman said.

Santander, BBVA and Société Générale said the moves haven't harmed their ability to get more funds and that they have plenty of liquidity regardless of the repurchases. A spokesman for Intesa declined to comment but pointed to a recent presentation in the bank's results that said the bank has ample funding and liquidity resources.

Portugal's BPI said that when market conditions improve, the bank will reissue debt.

"From a financial point of view, it makes sense for banks to buy back their bonds," said Andre Rodrigues, an analyst at Portugal's Caixa Banco de Investimento. "Of course, it is true that the banks are losing source of private funding."

But he said that for the Portuguese banks, at least, "they are already heavily reliant on borrowings from the European Central Bank" and the move can at least help their capital levels.

Spanish banks, too, have grown more reliant on the liquidity lifeline from the ECB. According to the Bank of Spain, at the end of July, Spanish banks had borrowed €410 billion from the ECB—a euro-era record.

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