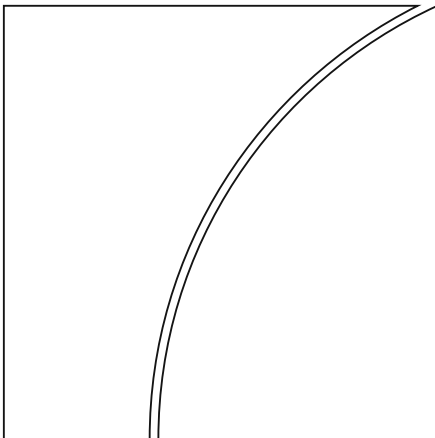


Basel Committee on Banking Supervision



Basel III Monitoring Report

March 2014



BANK FOR INTERNATIONAL SETTLEMENTS

Queries regarding this document should be addressed to the Secretariat of the Basel Committee on Banking Supervision (e-mail: qis@bis.org).

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billion thousand million

The term "country" as used in this publication also covers territorial entities that are not states as understood by international law and practice but for which data are separately and independently available.

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Large internationally active banks' risk-based capital shortfalls continue to decrease

Highlights of the Basel III monitoring exercise as of 30 June 2013

To ascertain the impact on banks of the Basel III framework,¹ the Basel Committee on Banking Supervision monitors the impact of the reforms in order to gather evidence on its dynamics. For this purpose, a semiannual monitoring framework has been set up on the risk-based capital ratio, the leverage ratio, and the liquidity metrics using data collected by national supervisors on a representative sample of institutions in each country. This report is the sixth publication of results of the Basel III monitoring exercise² and summarises the aggregate results using data as of 30 June 2013. The Committee believes that the information contained in the report will provide the relevant stakeholders with a useful benchmark for analysis.

Information considered for this report was obtained by data submissions of individual banks to their national supervisors on a voluntary and confidential basis. A total of 227 banks participated in the study, including 102 Group 1 banks and 125 Group 2 banks.³ Members' coverage of their banking sector is very high for Group 1 banks, reaching 100% coverage for some countries, while coverage is comparatively lower for Group 2 banks and varied across countries.

In general, this report does not take into account any transitional arrangements such as phase-in of deductions and grandfathering arrangements. Rather, the estimates presented generally assume full implementation of the final Basel III requirements based on data as of 30 June 2013. No assumptions have been made about banks' profitability or behavioural responses, such as changes in bank capital or balance sheet composition, since this date or in the future. For this reason, the results are not comparable to current industry estimates, which tend to be based on forecasts and consider management actions to mitigate the impact, and incorporate estimates where information is not publicly available.

¹ Basel Committee on Banking Supervision, *Basel III: A global framework for more resilient banks and the banking system*, December 2010 and revised June 2011; Basel Committee on Banking Supervision, *Basel III: International framework for liquidity risk measurement, standards and monitoring*, December 2010; Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013. These documents are available on the Committee's website at www.bis.org/bcbs/basel3.htm.

² A list of previous publications is included in the Annex.

³ Group 1 banks are those that have Tier 1 capital in excess of €3 billion and are internationally active. All other banks are considered Group 2 banks.

Risk-based capital requirements

In the analysis of the risk-based capital requirements, this report focuses on the following items, assuming the positions as of 30 June 2013 were subject to the fully phased-in Basel III standards:

- Changes to bank capital ratios under the new requirements, and estimates of any capital deficiencies relative to fully phased-in minimum and target capital requirements (including capital surcharges for global systemically important banks – G-SIBs);
- Changes to the definition of capital that result from the new capital standard, referred to as common equity Tier 1 (CET1), including a reallocation of deductions to CET1, and changes to the eligibility criteria for Additional Tier 1 and Tier 2 capital; and
- Increases in risk-weighted assets resulting from changes to the definition of capital, securitisation exposures, trading book and counterparty credit risk requirements.

Capital ratios

Compared to the current regulatory framework, the average CET1 ratio under the full implementation of the Basel III framework would decline from 11.0% to 9.5% for Group 1 banks and from 11.3% to 9.5% for Group 2 banks. The Tier 1 capital ratios of Group 1 banks would decline, on average from 12.0% to 9.7% and total capital ratios would decline from 14.6% to 11.1%. As with the CET1 ratios, the decline in other capital ratios is comparatively less pronounced for Group 2 banks; Tier 1 capital ratios would decline on average from 11.8% to 9.9% and total capital ratios would decline on average from 15.1% to 11.7%.

Capital shortfalls

Assuming full implementation of the Basel III requirements as of 30 June 2013, including changes to the definition of capital and risk-weighted assets, and ignoring phase-in arrangements, Group 1 banks would have an overall shortfall of €3.3 billion for the CET1 minimum capital requirement of 4.5%, which rises to €57.5 billion for a CET1 target level of 7.0% (ie including the capital conservation buffer); the latter target also includes the G-SIB surcharge according to the list of banks published by the Financial Stability Board in November 2013 where applicable.⁴ As a point of reference, the sum of profits after tax prior to distributions across the same sample of Group 1 banks during the year ending 30 June 2013 was €456 billion.

Compared to the previous report, the aggregate CET1 shortfall with respect to the 4.5% minimum for Group 1 banks is €1.1 billion or 48% higher due to increased shortfalls reported at a single bank within the sample. At the CET1 target level of 7.0% (plus the surcharges on G-SIBs as applicable), the aggregate CET1 shortfall for Group 1 banks has actually improved – it is €57.5 billion or 50% lower relative to end-December 2012.⁵

Under the same assumptions, the capital shortfall for Group 2 banks included in the Basel III monitoring sample is estimated at €12.4 billion for the CET1 minimum of 4.5% and €27.7 billion for a CET1 target level of 7.0%. Relative to the prior report, aggregate Group 2 shortfalls at the CET1 target level of 7.0% have risen by €2.1 billion or 8.2% since end-December 2012 due to increases among a

⁴ See Financial Stability Board, *2013 update of group of global systemically important banks (G-SIBs)*, 11 November 2013 (www.financialstabilityboard.org/publications/r_131111.pdf).

⁵ The December 2012 shortfall figures have been adjusted to reflect changes in currency values through 30 June 2013 as well as G-SIB surcharges as of November 2013.

small number of banks within the sample. For reference, the sum of Group 2 bank profits after tax prior to distributions in H2 2012 and H1 2013 was €26 billion.

Leverage ratio

The weighted average Basel III Tier 1 leverage ratios for Group 1 banks and G-SIBs are respectively 4.0% and 3.7%. For Group 2 banks, the average Basel III Tier 1 leverage ratio is 4.6%. Assuming all banks meet an 8.5% Basel III capital ratio plus any G-SIB surcharges (ie the respective target levels of Tier 1 ratios), an additional capital increase of €56.8 billion for Group 1 banks and €11.9 billion for Group 2 banks are required to meet the minimum leverage ratio standard. The analysis in this report also shows that for close to three quarters of the banks in the sample the risk-based ratio would be more constraining than the leverage ratio.

Note that the calculations in this report are only approximations of the agreed leverage ratio exposure measure as published by the Committee in January 2014⁶ and do in particular not fully reflect the newly introduced limited recognition of netting for securities financing transactions, the changes on the treatment of written credit derivatives or the exemptions for centrally cleared client derivative transactions. The weighted average Basel III Tier 1 leverage ratios calculated according to the June 2013 consultative document⁷ are 3.7% for Group 1 banks and 3.4% for G-SIBs, while for Group 2 banks the weighted average is 4.4%.

Liquidity standards

The Liquidity Coverage Ratio (LCR) was revised by the Committee in January 2013⁸ and will come into effect on 1 January 2015. The minimum requirement will be set at 60% and then rise in equal annual steps to reach 100% in 2019. The end-June 2013 reporting period was the second data collection exercise for which a comprehensive calculation of the revised LCR standard could be conducted, which allows for period-over-period comparisons for the LCR to be conducted. Key observations from this comparison include:

- A total of 102 Group 1 and 124 Group 2 banks participated in the liquidity monitoring exercise for the end-June 2013 reference period.
- The weighted average LCR for the Group 1 bank sample was 114%. For Group 2 banks, the average LCR was 132%. These figures compare to average LCRs of 119% and 126% for Group 1 banks and Group 2 banks, respectively, as of December 2012.
- 72% of the 226 banks in the sample reported an LCR that met or exceeded a 100% minimum requirement, compared to 68% as of December 2012, while 91% banks reported an LCR at or above a 60% minimum requirement, compared to 90% as of December 2012.
- The aggregate LCR shortfall at a minimum requirement of 100% was €536 billion, which represents approximately 0.9% of the €62.0 trillion total assets of the aggregate sample. The

⁶ Basel Committee on Banking Supervision, *Basel III leverage ratio framework and disclosure requirements*, January 2014 (www.bis.org/publ/bcbs270.pdf).

⁷ Basel Committee on Banking Supervision, *Revised Basel III leverage ratio framework and disclosure requirements*, consultative document, June 2013 (www.bis.org/publ/bcbs251.pdf).

⁸ Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013 (www.bis.org/publ/bcbs238.pdf).

aggregate LCR shortfall at a minimum requirement of 60% was €168 billion (less than 0.3% of banks' assets). These results compare to shortfalls of €563 billion and €248 billion, respectively, as of 31 December 2012.

While data were collected for this iteration of the Basel III monitoring exercise based on the original NSFR issued in December 2010, results of this NSFR calculation are not presented here in order not to create confusion with the revised NSFR issued by the Committee in a January 2014 consultative document.⁹ Given these proposed revisions to the original NSFR issued in December 2010¹⁰, precise NSFR results could not be calculated based on the data collected as of June 2013.

⁹ Basel Committee on Banking Supervision, *Basel III: the Net Stable Funding Ratio – consultative document*, January 2014 (www.bis.org/publ/bcbs271.pdf).

¹⁰ Basel Committee on Banking Supervision, *Basel III: International framework for liquidity risk measurement, standards and monitoring*, December 2010 (www.bis.org/publ/bcbs188.pdf).

Detailed results of the Basel III monitoring exercise as of 30 June 2013

1. General remarks

At its 12 September 2010 meeting, the Group of Governors and Heads of Supervision (GHOS), the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed the agreements it reached on 26 July 2010.¹ These capital reforms, together with the introduction of two international liquidity standards, delivered on the core of the global financial reform agenda presented to the Seoul G20 Leaders summit in November 2010. Subsequent to the initial comprehensive quantitative impact study published in December 2010, the Committee continues to monitor and evaluate the impact of these capital, leverage and liquidity requirements (collectively referred to as “Basel III”) on a semiannual basis.² This report summarises results of the latest Basel III monitoring exercise using 30 June 2013 data.³

1.1 Scope of the monitoring exercise

All 27 Committee member countries participated in the Basel III monitoring exercise as of 30 June 2013. The estimates presented are based on data submitted by the participating banks to their national supervisors in reporting questionnaires and in accordance with the instructions prepared by the Committee in August 2013.⁴ The questionnaire covered components of eligible capital, the calculation of risk-weighted assets (RWA), the calculation of a leverage ratio, and components of the liquidity metrics. The final data were submitted to the Secretariat of the Committee in January 2014.

The purpose of the exercise is to provide the Committee with an ongoing assessment of the impact on participating banks of the capital and liquidity standards set out in the following documents:

¹ See the 26 July 2010 press release “The Group of Governors and Heads of Supervision reach broad agreement on Basel Committee capital and liquidity reform package” (www.bis.org/press/p100726.htm) and the 12 September 2010 press release “Group of Governors and Heads of Supervision announces higher global minimum capital standards” (www.bis.org/press/p100912.htm).

² A list of previous publications is included in the Annex.

³ The data for Japan are as of the end of March 2013, as banks in that country report on a biannual basis as of the end of March and the end of September to correspond to the fiscal year-end period. Further, the data for Canada reflect a reporting date of 30 April 2013, which corresponds to Canadian banks’ fiscal second-quarter end.

⁴ See Basel Committee on Banking Supervision, *Instructions for Basel III implementation monitoring*, August 2013 (www.bis.org/bcbs/qis/).

- *Revisions to the Basel II market risk framework*⁵ and *Guidelines for computing capital for incremental risk in the trading book*;⁶
- *Enhancements to the Basel II framework*⁷ which include the revised risk weights for re-securitisations held in the banking book;
- *Basel III: A global framework for more resilient banks and the banking system* as well as the Committee's 13 January 2011 press release on loss absorbency at the point of non-viability;⁸
- *Capital requirements for bank exposures to central counterparties*;⁹
- *International framework for liquidity risk measurement, standards and monitoring*;¹⁰
- *Global systemically important banks: updated assessment methodology and the additional loss absorbency requirement* as well as the updated list of G-SIBs published by the Financial Stability Board in November 2012;¹¹
- *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*;¹² and
- *Basel III leverage ratio framework and disclosure requirements*.¹³

1.2 Sample of participating banks

A total of 227 banks participated in the study, including 102 Group 1 banks and 125 Group 2 banks.¹⁴ Group 1 banks are those that have Tier 1 capital in excess of €3 billion and are internationally active. All other banks are considered Group 2 banks. Banks were asked to provide data as of 30 June 2013 at the consolidated level. Subsidiaries are not included in the analyses to avoid double counting. For Group 1 banks members' coverage of their banking sector was very high reaching 100% coverage for some countries. Coverage for Group 2 banks was comparatively lower and varied across countries.

Not all banks provided data relating to all parts of the Basel III framework. Accordingly, a small number of banks are excluded from individual sections of the Basel III monitoring analysis due to incomplete data. In certain sections, data are based on a consistent sample of banks. This consistent

⁵ Basel Committee on Banking Supervision, *Revisions to the Basel II market risk framework*, July 2009 (www.bis.org/publ/bcbs158.htm).

⁶ Basel Committee on Banking Supervision, *Guidelines for computing capital for incremental risk in the trading book*, July 2009 (www.bis.org/publ/bcbs159.htm).

⁷ Basel Committee on Banking Supervision, *Enhancements to the Basel II framework*, July 2009 (www.bis.org/publ/bcbs157.htm).

⁸ The Committee's 13 January 2011 press release on loss absorbency at the point of non-viability is available at www.bis.org/press/p110113.htm.

⁹ Basel Committee on Banking Supervision, *Capital requirements for bank exposures to central counterparties*, July 2012 (www.bis.org/publ/bcbs227.pdf).

¹⁰ Basel Committee on Banking Supervision, *Basel III: International framework for liquidity risk measurement, standards and monitoring*, December 2010 (www.bis.org/publ/bcbs188.htm).

¹¹ Basel Committee on Banking Supervision, *Global systemically important banks: updated assessment methodology and the additional loss absorbency requirement*, July 2013 (www.bis.org/publ/bcbs255.htm); Financial Stability Board, *2013 update of group of global systemically important banks (G-SIBs)*, 11 November 2013 (www.financialstabilityboard.org/publications/r_131111.pdf).

¹² Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013 (www.bis.org/publ/bcbs238.htm).

¹³ Basel Committee on Banking Supervision, *Basel III leverage ratio framework and disclosure requirements*, January 2014 (www.bis.org/publ/bcbs270.pdf).

¹⁴ See Table A.1 in the Statistical Annex for details on the sample.

sample represents only those banks that reported necessary data at the June 2011 (labelled "H1 2011"), December 2011 ("H2 2011"), June 2012 ("H1 2012"), December 2012 ("H2 2012") and June 2013 ("H1 2013") reporting dates, in order to make more meaningful period-to-period comparisons. Unless noted otherwise, the consistent sample includes 97 Group 1 banks, 29 G-SIBs and 102 Group 2 banks. The 29 banks in the G-SIB time series analyses are those banks which have been classified as G-SIBs at the June 2013 reporting date, irrespective of whether they have also been classified as G-SIBs previously.

The Committee appreciates the significant efforts contributed by both banks and national supervisors to this ongoing data collection exercise.

1.3 Methodology

Unless otherwise noted, the impact assessment was carried out by comparing banks' capital positions under Basel III to the current regulatory framework implemented by the national supervisor. Depending on the country, the current regulatory frameworks in place are either national implementations of Basel II or Basel III with phase-in arrangements.¹⁵ With the exception of transitional arrangements for non-correlation trading securitisation positions in the trading book,¹⁶ the fully phased-in Basel III results are calculated without considering transitional arrangements pertaining to the phase-in of deductions and grandfathering arrangements set out in the Basel III framework.

Reported average amounts in this document have been calculated by creating a composite bank at a total sample level, which effectively means that the total sample averages are weighted. For example, the average common equity Tier 1 capital ratio is the sum of all banks' common equity Tier 1 capital for the total sample divided by the sum of all banks' risk-weighted assets for the total sample. Similarly, the average Tier 1 leverage ratio is the sum of all banks' Tier 1 capital for the total sample divided by the sum of all banks' leverage ratio exposures for the total sample.

To maintain confidentiality, many of the results shown in this report are presented using box plot charts. The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the thin vertical lines show the range of the entire sample unless noted otherwise.

To estimate the impact of implementing the Basel III framework on capital, comparisons are made between those elements of Tier 1 capital which are not subject to a limit under the national implementation of Basel I or Basel II, and CET1 under Basel III.

1.4 Data quality

For this monitoring exercise, participating banks submitted comprehensive and detailed non-public data on a voluntary and best-efforts basis. As with the previous studies, national supervisors worked extensively with banks to ensure data quality, completeness, and consistency with the published reporting instructions. Banks are included in the various analyses that follow only to the extent they were able to provide sufficient quality data to complete the analyses.

¹⁵ Although banks in the United States are currently subject to Basel I capital requirements, most submitted data for this exercise on a Basel II basis.

¹⁶ For non-correlation trading securitisations in the trading book, capital charges are calculated as the larger of the capital charge for net long or net short positions. After 31 December 2013, the charge for these positions will change to the sum of capital charges for net long and net short positions.

1.5 Interpretation of results

The following caveats apply to the interpretation of results shown in this report:

- When comparing results to prior reports, sample differences as well as minor revisions to previous periods' data need to be taken into account. Sample differences also explain why results presented for the June 2013 reporting date may differ from the H1 2013 data point in charts and tables showing the time series for the consistent sample of banks as described above.
- The actual impact of the new requirements will almost surely be lower than shown in this report given the phased-in implementation of the standards and interim adjustments made by the banking sector to changing economic conditions and the regulatory environment. For example, the results do not consider bank profitability, changes in capital or portfolio composition, or other management responses to the policy changes since 30 June 2013 or in the future. For this reason, the results are not comparable to industry estimates, which tend to be based on forecasts and consider management actions to mitigate the impact, as well as incorporate estimates where information is not publicly available.
- The Basel III capital amounts shown in this report assume that all common equity deductions are fully phased in and all non-qualifying capital instruments are fully phased out, ie it is assumed that none of these capital instruments will be replaced by eligible instruments. As such, these amounts underestimate the amount of Tier 1 capital and Tier 2 capital held by a bank as they do not give any recognition for non-qualifying instruments that are actually phased out over nine years.
- The treatment of deductions and non-qualifying capital instruments also affects figures reported in the leverage ratio section. The assumption that none of these capital instruments will be replaced by eligible instruments will become less of an issue as the implementation date of the leverage ratio nears.

2. Regulatory capital, capital requirements and capital shortfalls

Table 1 shows the aggregate capital ratios under the current and Basel III frameworks and the capital shortfalls if Basel III were fully implemented ("view 2022"), both for the definition of capital and the calculation of risk-weighted assets, as of June 2013. Details on capital ratios and capital shortfalls are provided in Sections 2.1 and 2.2.

The Basel III framework includes the following phase-in provisions for capital ratios:

- For CET1, the highest form of loss absorbing capital, the minimum requirement will be raised to 4.5% and will be phased-in by 1 January 2015;
- For Tier 1 capital, the minimum requirement will be raised to 6.0% and will be phased-in by 1 January 2015;
- For total capital, the minimum requirement remains at 8.0%;
- Regulatory adjustments (ie possibly stricter sets of deductions that apply under Basel III) will be fully phased-in by 1 January 2018;
- An additional 2.5% capital conservation buffer above the regulatory minimum capital ratios, which must be met with CET1, will be phased-in by 1 January 2019; and

- The additional loss absorbency requirement for G-SIBs, which ranges from 1.0% to 3.5%, will be phased in fully by 1 January 2019. It will be applied as the extension of the capital conservation buffer and must be met with CET1.

The Annex includes a detailed overview of the Basel Committee's phase-in arrangements.

	Fully implemented requirement, in per cent		Capital ratios, in per cent		Capital shortfalls, in billions of euros	
	Minimum	Minimum plus capital conservation buffer	Current	Basel III	Minimum	Overall target ²
Group 1 banks						
CET1 capital	4.5	7.0	11.0	9.5	3.3	57.5
Tier 1 capital	6.0	8.5	12.0	9.7	6.9	104.5
Total capital	8.0	10.5	14.6	11.1	18.6	143.8
Sum					28.8	305.7
Of which: G-SIBs						
CET1 capital	4.5	bank-specific	11.0	9.1	0.0	44.3
Tier 1 capital	6.0	bank-specific	12.2	9.4	1.8	88.6
Total capital	8.0	bank-specific	14.7	10.9	13.0	98.4
Sum					14.8	231.2
Group 2 banks						
CET1 capital	4.5	7.0	11.3	9.5	12.4	27.7
Tier 1 capital	6.0	8.5	11.8	9.9	3.0	7.5
Total capital	8.0	10.5	15.1	11.7	8.4	12.3
Sum					23.7	47.4

¹ The shortfall is calculated as the sum across individual banks where a shortfall is observed. The calculation includes all changes to risk-weighted assets (eg definition of capital, counterparty credit risk, trading book and securitisation in the banking book). The Tier 1 and total capital shortfalls are incremental assuming the higher tier capital requirements are fully met. ² The shortfalls at the overall target level include the capital conservation buffer and the capital surcharges for 29 G-SIBs as applicable.

Source: Basel Committee on Banking Supervision.

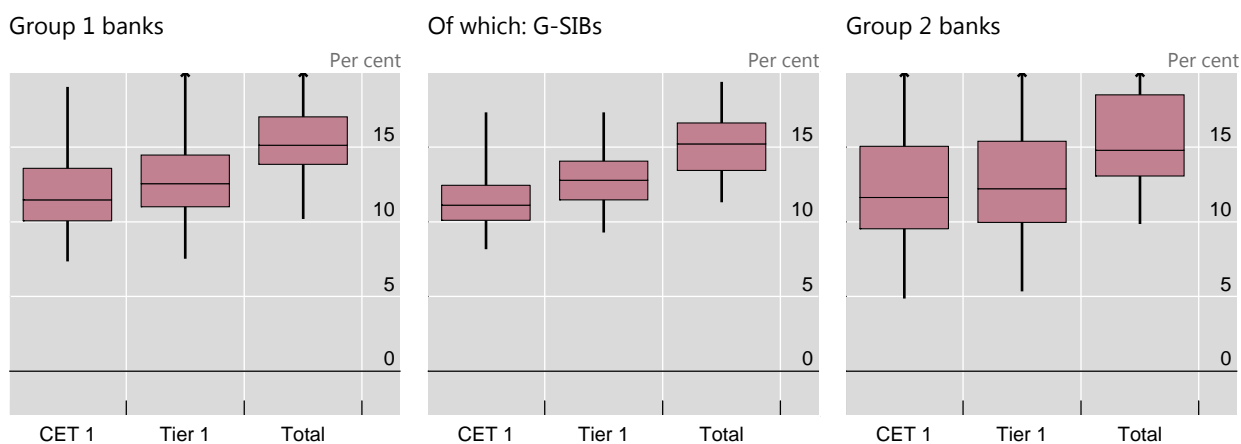
2.1 Capital ratios

As compared to current CET1, the average CET1 capital ratio of Group 1 banks would have fallen from 11.0% to 9.5% (a reduction of 1.5 percentage points) when Basel III deductions and risk-weighted assets are fully taken into account. The reduction in the CET1 capital ratio of Group 2 banks is slightly larger (from 11.3% to 9.5%). Results continue to show significant variation across banks as shown in Graph 1 for the current regime and Graph 2 for Basel III. The reduction in CET1 ratios is driven by the *full* application of the new definition of eligible capital instruments, deductions that were not previously applied at the common equity level of Tier 1 capital in most countries (numerator), and by increases in risk-weighted assets in particular in countries which had not implemented Basel III at the reporting date (denominator). Banks engaged heavily in trading or counterparty credit activities in such countries tend to show the largest denominator effects as these activities attract substantively higher capital charges under the Basel III framework.

Tier 1 capital ratios of Group 1 banks would on average decline 2.3 percentage points from 12.0% to 9.7%, and total capital ratios of this same group would decline on average by 3.6 percentage points from 14.6% to 11.1%. Group 2 banks show somewhat more moderate declines in Tier 1 capital ratios from 11.8% to 9.9%, and a decline in total capital ratios from 15.1% to 11.7%.

Current CET1, Tier 1 and total capital ratios

Graph 1

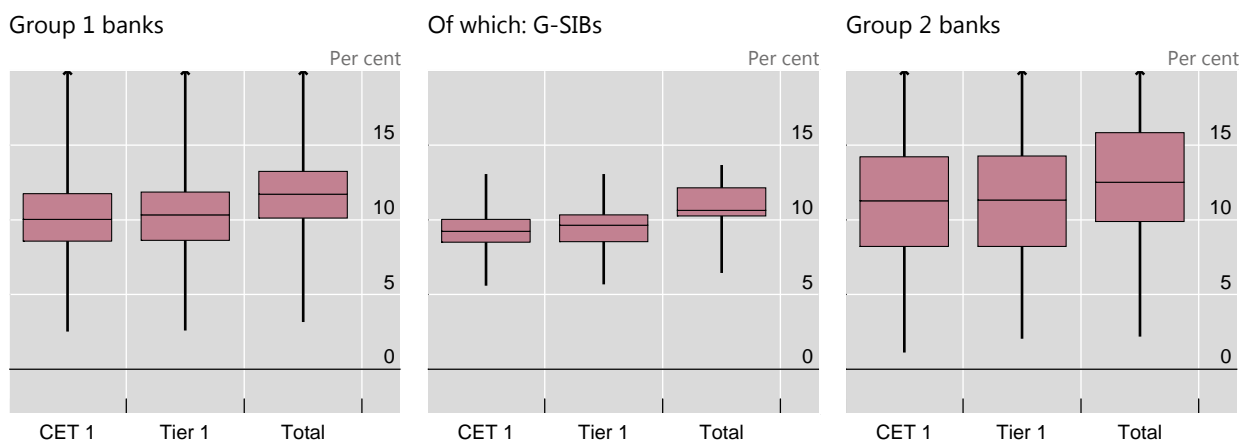


¹ The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the vertical lines generally show the range of the entire sample. In some cases, arrows at the top of the vertical line indicate banks with capital ratios outside the range shown in the graph.

Source: Basel Committee on Banking Supervision. See also Table A.2.

Basel III CET1, Tier 1 and total capital ratios

Graph 2



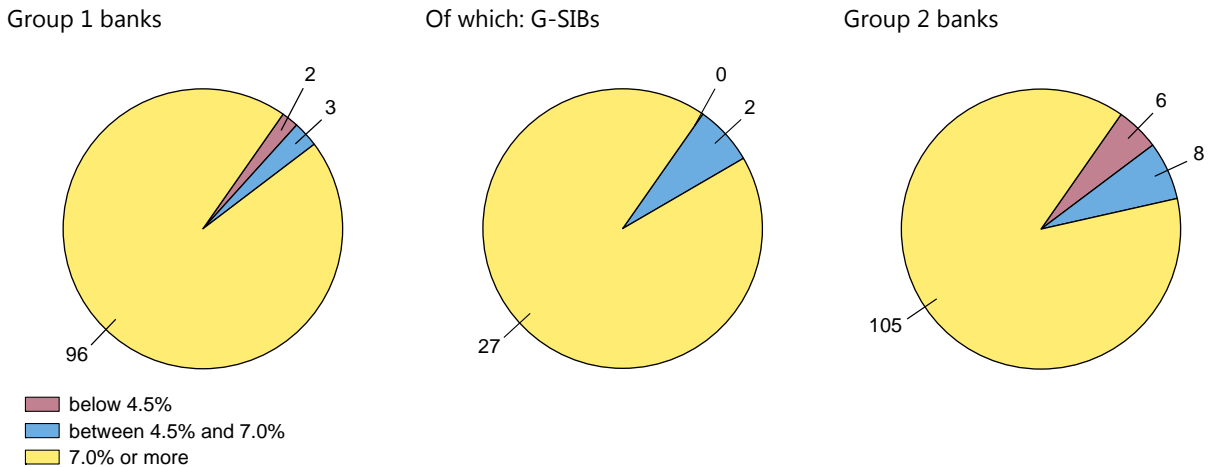
¹ The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the vertical lines generally show the range of the entire sample. In some cases, arrows at the top of the vertical line indicate banks with capital ratios outside the range shown in the graph.

Source: Basel Committee on Banking Supervision. See also Table A.3.

Graph 3 shows that out of the 101 banks in the Group 1 sample, 98% show a CET1 ratio under Basel III that is at least equal to the 4.5% minimum capital requirement and 95% show a CET1 ratio above the 7.0% target ratio (ie, the minimum capital requirement plus the capital conservation buffer). Of the 119 banks in the Group 2 sample, 95% report a CET1 ratio equal to or higher than 4.5%; while 88% also achieve the target of 7.0%.

Distribution of Basel III CET1 ratios

Graph 3



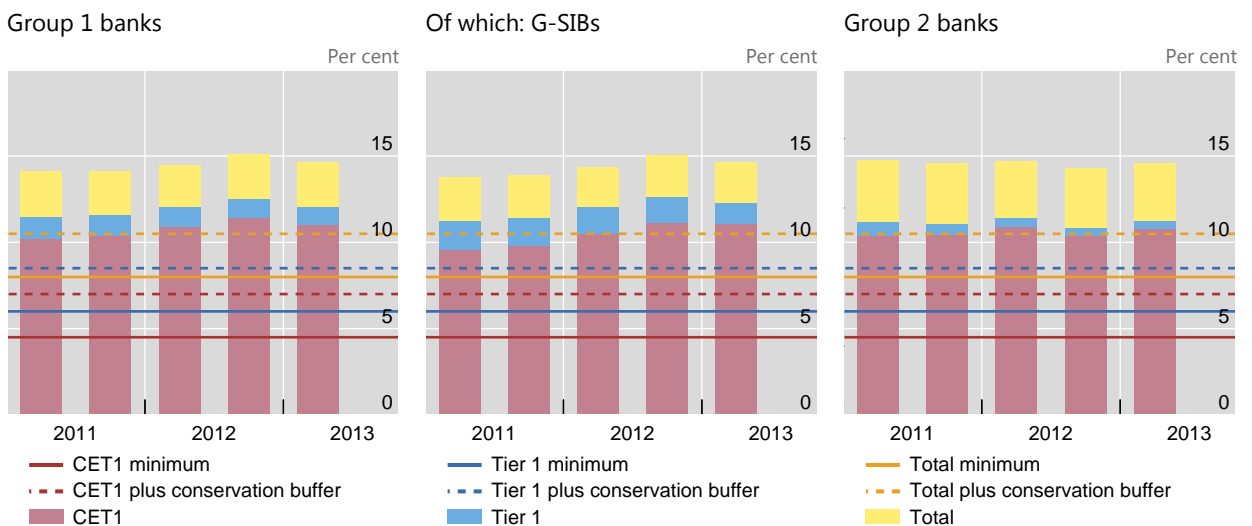
Source: Basel Committee on Banking Supervision.

The graphs below show the average capital ratios under the current regime (Graph 4) and full implementation of Basel III (Graph 5) for a consistent sample of Group 1 and Group 2 banks for the periods end-June 2011, end-December 2011, end-June 2012, end-December 2012 and end-June 2013. Current capital ratios declined moderately for a consistent sample of Group 1 banks, primarily due to the impact of several countries adopting the Basel III framework during the current reporting period. However, the CET1, Tier 1 and total capital ratios for this consistent sample of Group 1 banks under the Basel III framework improved by 0.3, 0.3 and 0.5 percentage points, respectively, over the previous six months. For Group 2 banks, capital ratios also improved moderately. The general improvement in Basel III capital ratios for both groups is due to Basel III-eligible capital added, slightly lower overall risk-weighted assets and to a lesser extent due to lower levels of deductions that reduce CET1.

Average current CET1, Tier 1 and total capital ratios

Consistent sample of banks

Graph 4

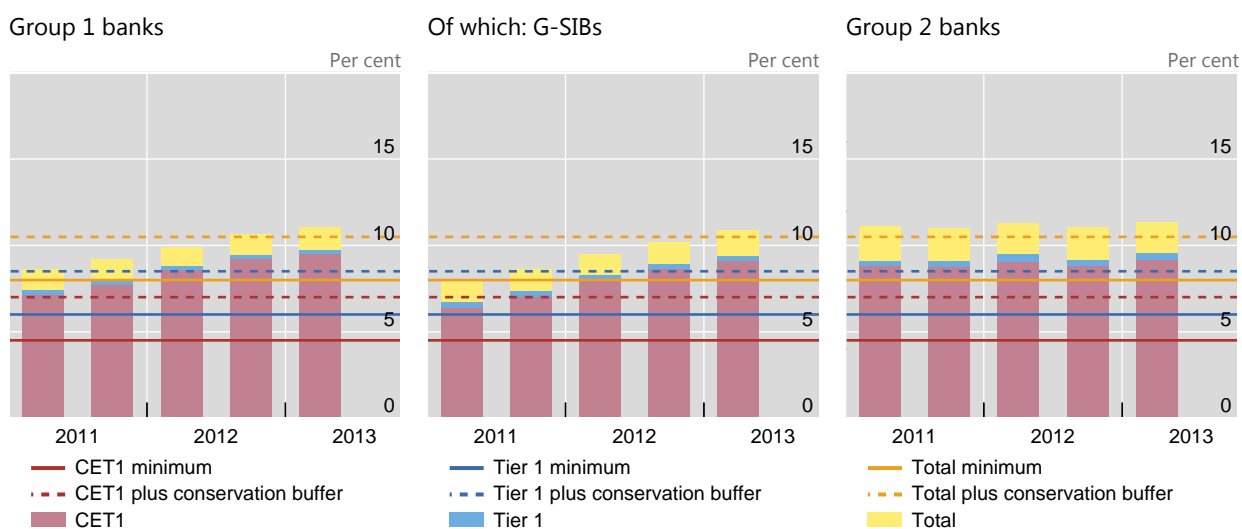


Source: Basel Committee on Banking Supervision. See also Table A.4.

Average Basel III CET1, Tier 1 and total capital ratios

Consistent sample of banks

Graph 5



Source: Basel Committee on Banking Supervision. See also Table A.5.

2.2 Capital shortfalls

Graph 6, Graph 7 and Table 1 provide estimates of the amount of capital that Group 1 and Group 2 banks would need based on data as of 30 June 2013 in addition to capital already held at the reporting date, in order to meet the target CET1, Tier 1 and total capital ratios under Basel III assuming fully phased-in target requirements and deductions. Under these assumptions, the CET1 capital shortfall for Group 1 banks with respect to the 4.5% CET1 minimum requirement is €3.3 billion. The CET1 shortfall with respect to the 4.5% requirement for Group 2 banks, where coverage of the sector is considerably smaller, is estimated at €12.4 billion. For a CET1 target of 7.0% (ie the 4.5% CET1 minimum plus the 2.5% capital conservation buffer) plus any capital surcharge for Group 1 G-SIBs as applicable according to the updated list of banks published by the Financial Stability Board in November 2013, Group 1 banks' shortfall is €57.5 billion and Group 2 banks' shortfall is €27.7 billion. Of the 29 G-SIBs included in this Basel III monitoring exercise,¹⁷ 21 G-SIBs have already reached the CET1 target level plus the surcharge. Six G-SIBs have a shortfall at the CET1 target level due only to the application of the capital surcharge for G-SIBs. As a point of reference, the aggregate sum of after-tax profits prior to distributions for the year ending 30 June 2013 for Group 1 and Group 2 banks was €456 billion and €26 billion, respectively.

Assuming the 4.5% CET1 minimum capital requirements were fully met (ie there were no CET1 shortfalls), Group 1 banks would need an additional €6.9 billion of additional Tier 1 or CET1 capital to meet the minimum Tier 1 capital ratio requirement of 6.0%. Assuming banks already hold 7.0% CET1 capital plus the surcharges on G-SIBs as applicable, Group 1 banks would need an additional €104.5 billion of additional Tier 1 or CET1 capital to meet the Tier 1 capital target ratio of 8.5% (ie the 6.0% Tier 1 minimum plus the 2.5% CET1 capital conservation buffer) plus the surcharges on G-SIBs as applicable, respectively. Group 2 banks would need an additional €3.0 billion and an additional €7.5 billion to meet these respective Tier 1 capital minimum and target ratio requirements.

¹⁷ One additional G-SIB was designated within the Group 1 sample since the end-December 2012 report.

Assuming CET1 and Tier 1 capital requirements were fully met (ie, there were no shortfalls in either CET1 or Tier 1 capital), Group 1 banks would need an additional €18.6 billion of Tier 2 or higher quality capital to meet the minimum total capital ratio requirement of 8.0% and an additional €143.8 billion of Tier 2 or higher quality capital to meet the total capital target ratio of 10.5% (ie the 8.0% Tier 1 minimum plus the 2.5% CET1 capital conservation buffer) plus the surcharges on G-SIBs as applicable. Group 2 banks would need an additional €8.4 billion of Tier 2 or higher quality capital and an additional €12.3 billion of Tier 2 or higher quality capital to meet these respective total capital minimum and target ratio requirements.

As indicated above, no assumptions have been made about bank profits or behavioural responses, such as changes in balance sheet composition, which will serve to reduce the impact of capital shortfalls over time.

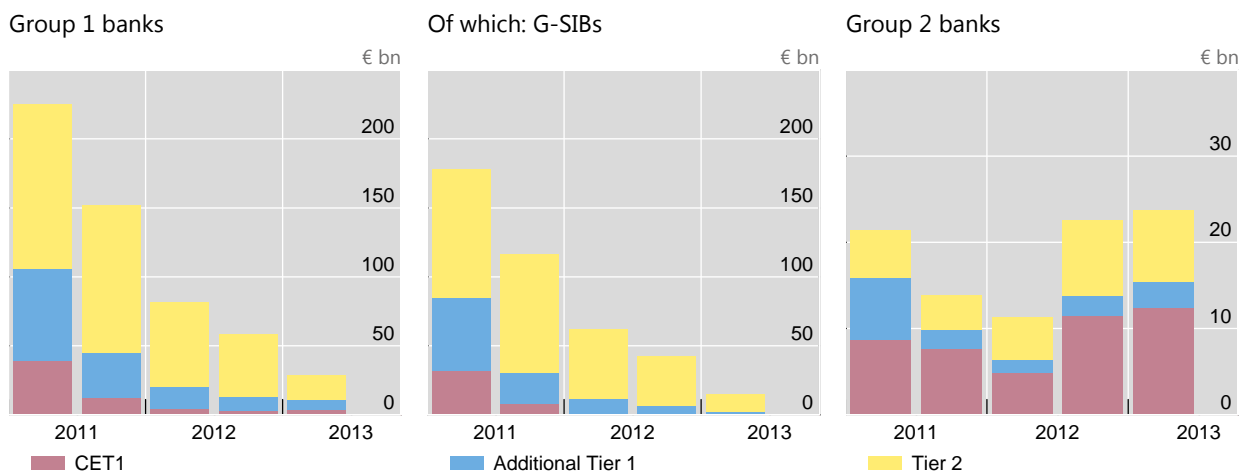
Compared to the December 2012 exercise, the aggregate CET1 shortfall with respect to the 4.5% minimum for Group 1 banks has risen – it is €1.1 billion or 48% higher than previously due to an increased shortfall at a single bank within the sample. At the CET1 target level of 7.0% plus the surcharges on G-SIBs as applicable, the aggregate CET1 shortfall for Group 1 banks improved sharply – it is €57.5 billion or 50% lower than previously (see Graph 7).

For Group 2 banks total shortfalls at the CET1 target level of 7.0% increased modestly compared to the previous period due to a very small part of the sample with an increase in shortfalls.

Estimated overall capital shortfalls at the minimum level

Sample and exchange rates as at the reporting dates

Graph 6



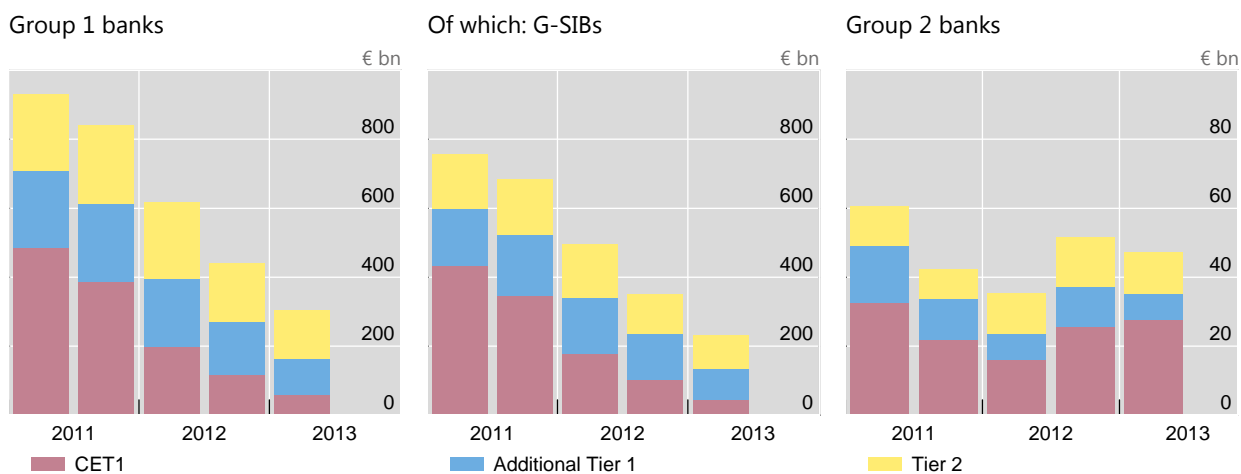
¹ The height of each bar shows the aggregated capital shortfall considering requirements for each tier (ie, CET1, Tier 1, and Total) of capital. The sample of banks is not consistent over the two-year period (Group 1 includes 101 banks in H1 2011 and H2 2011, 100 banks in H1 2012 and H2 2012, and 101 banks in H1 2013; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012 and 119 in H1 2013).

Source: Basel Committee on Banking Supervision. See also Table A.6.

Estimated overall capital shortfalls at the target level

Sample and exchange rates as at the reporting dates

Graph 7



¹ The height of each bar shows the aggregated capital shortfall considering requirements for each tier (ie, CET1, Tier 1, and Total) of capital. The sample of banks is not consistent over the two-year period (Group 1 includes 101 banks in H1 2011 and H2 2011, 100 banks in H1 2012 and H2 2012, and 101 banks in H1 2013; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012 and 119 in H1 2013).

Source: Basel Committee on Banking Supervision. See also Table A.7.

2.3 Level of capital

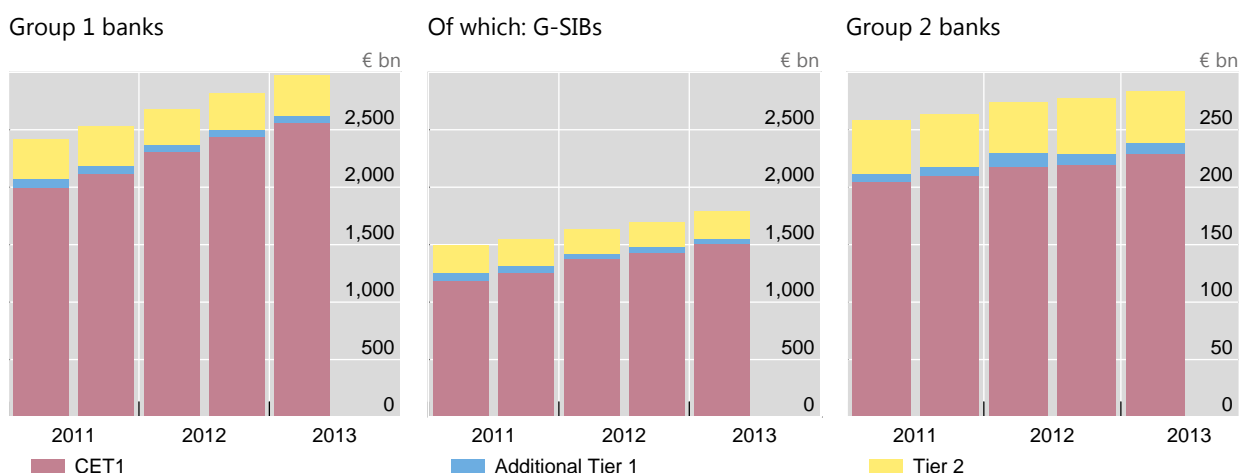
Graph 8 shows the development of the level of CET1 capital of all banks in the sample separately for Group 1 banks, Group 2 banks and G-SIBs. From end-December 2012 to end-June 2013, the level of Group 1 banks' CET1 has increased by €119 billion or 4.9% to €2,538 billion. Nearly two-thirds of this increase, €73 billion, can be attributed to the G-SIBs in the sample which collectively held €1,503 billion of capital at the end-June 2013.

Since June 2011, Group 1 banks have increased their CET1 capital by 28.3%. The overall increase for the G-SIBs included in this sample is somewhat lower at 26.7%, while the CET1 of the consistent sample of Group 2 banks has only increased by 11.7%.

Level of capital

Consistent sample of banks, exchange rates as of 30 June 2013

Graph 8



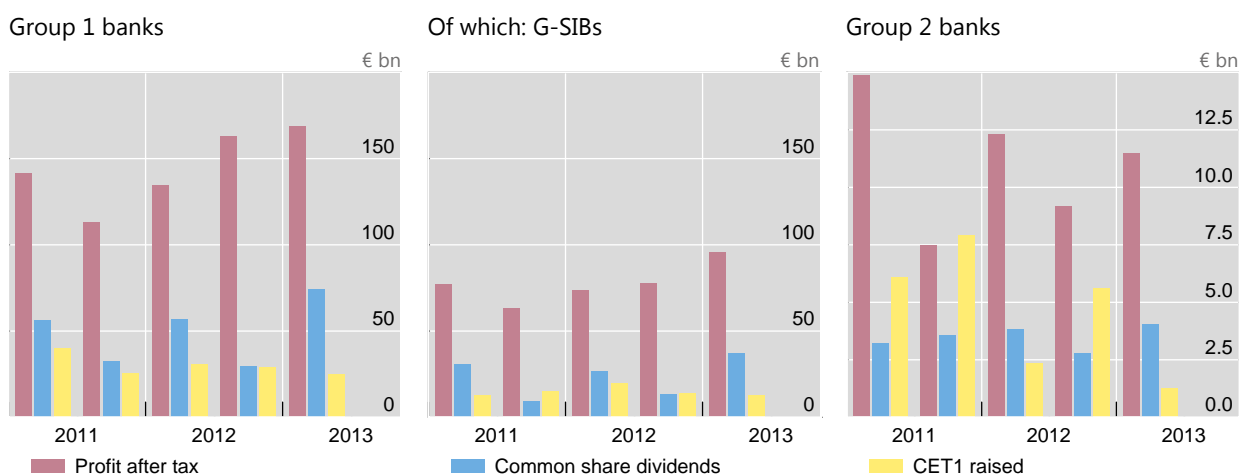
Source: Basel Committee on Banking Supervision. See also Table A.8.

The capital raised by the consistent sample of Group 1 banks (see Graph 9) varied between €41 billion in the first half of 2011 and €25 billion in the current reporting period. Of these amounts, between 31% and 64% were raised by the G-SIBs in the sample.

Profits, dividends and CET1 capital raised

Consistent sample of banks¹, exchange rates as of 30 June 2013

Graph 9



¹ Group 1 includes 97 banks, G-SIB includes 29 banks and Group 2 includes 101 banks.

Source: Basel Committee on Banking Supervision. See also Table A.9.

In the first half of 2013 the full sample of Group 1 banks raised €26 billion of CET1 capital (see Table 2). Approximately half of this amount was raised by 20 of the 29 G-SIBs in the sample.

Capital raised during H1 2013

Full sample of banks, in billions of euros

Table 2

	Number of banks	Number of banks which raised capital	CET1	Additional Tier 1	Tier 2
Group 1	101	47	26.0	7.6	13.8
of which: G-SIBs	29	20	12.6	4.8	12.9
Group 2	119	47	3.9	0.8	3.0

Source: Basel Committee on Banking Supervision.

2.4 Composition of capital

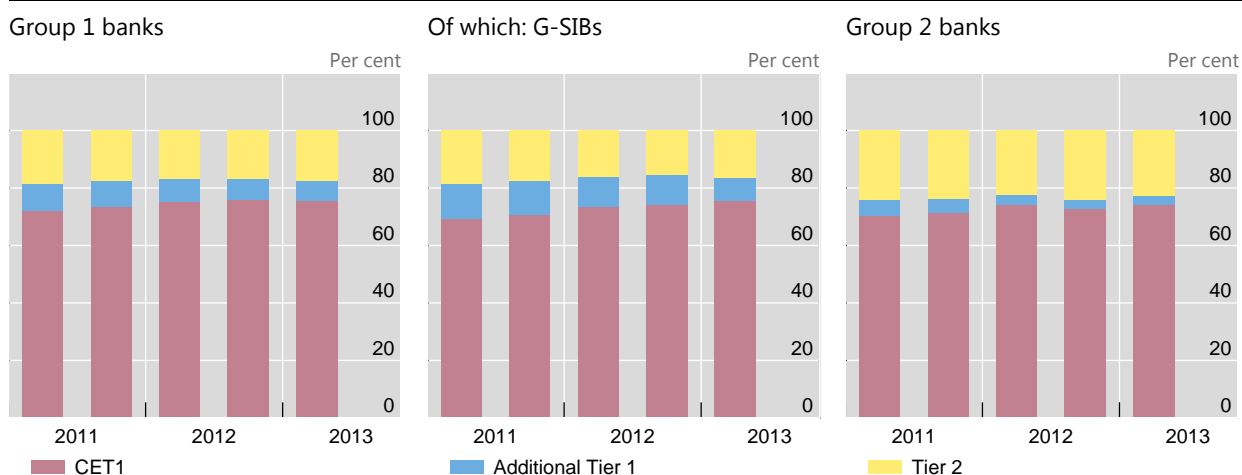
The graphs below show the composition of total capital for Group 1 and Group 2 banks under the current national regime (Graph 10) and after full implementation of Basel III (Graph 11).

For Group 1 banks, the share of Basel III CET1 to total capital is 85.9%. Additional Tier 1 and Tier 2 capital amount to 2.1% and 12.0% of the total capital of Group 1 banks, respectively. Of the Group 1 bank sample, 64% hold Basel III CET1 representing 90% or more of Basel III total capital. In the Group 2 sample, banks hold a somewhat lower share of CET1 at 80.7% with correspondingly higher shares of additional Tier 1 capital (3.5%) and Tier 2 capital (15.8%). Under the current national regime, the share of CET1 to total capital is lower at 75.3% for Group 1 banks and at 74.1% for Group 2 banks, with correspondingly higher shares of additional Tier 1 and Tier 2 capital.

Structure of regulatory capital under the current national regime¹

Consistent sample of banks

Graph 10



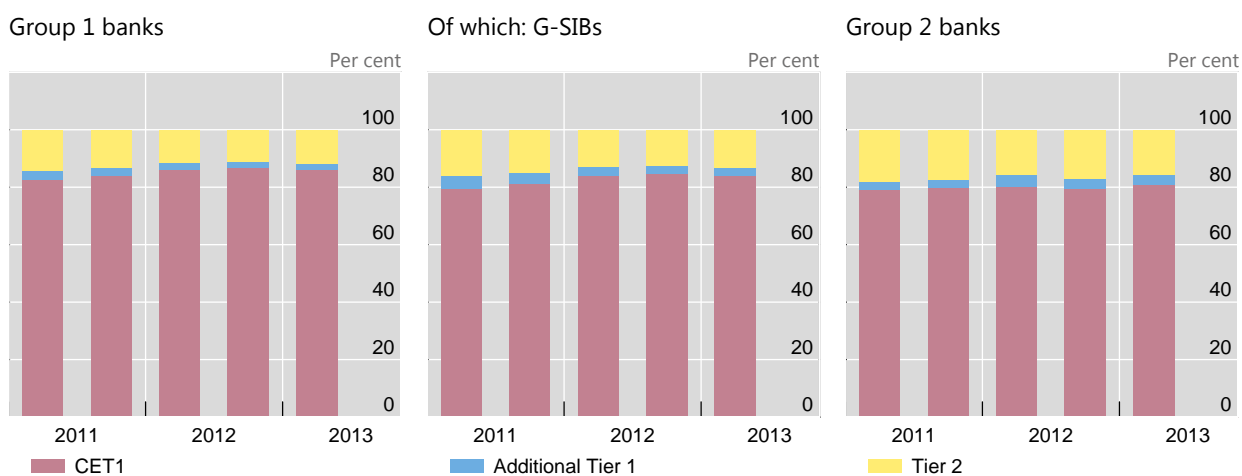
¹ Any remainder represents Tier 3 capital.

Source: Basel Committee on Banking Supervision. See also Table A.10.

Structure of regulatory capital under Basel III

Consistent sample of banks

Graph 11



Source: Basel Committee on Banking Supervision. See also Table A.11.

Regarding the composition of Basel III CET1 capital itself, paid-in capital (44.1% for Group 1 banks and 44.1% for Group 2 banks) and retained earnings (52.6% for Group 1 banks and 47.4% for Group 2 banks) comprises the predominant form of gross CET1 outstanding. Accumulated other comprehensive income (AOCI) makes up a substantial portion of CET1 outstanding in a few countries but only contributes 2.3% of gross CET1 on average for Group 1 banks and 6.3% for Group 2 banks. Meanwhile, total minority interest given recognition in CET1 contributes only 0.9% and 2.2% to outstanding CET1 balances of Group 1 and Group 2 banks, respectively.

2.5 Leverage ratio

The results regarding the leverage ratio are provided using two measures of a Tier 1 capital numerator:

- Basel III Tier 1, which is the fully phased-in Basel III definition of Tier 1 capital; and
- Current Tier 1, which is Tier 1 capital eligible under the regulatory frameworks in place in member countries at the reporting date.

The leverage ratio exposure measure in this report incorporates some of the changes introduced by the leverage ratio framework published in January 2014¹⁸, namely:

- on-balance sheet exposures recorded at accounting values with the exception of securities financing transactions (SFT) and derivatives;
- derivatives exposures (including credit derivatives) recorded at current replacement cost *net* of cash variation margin *received* and including an add-on for potential future exposure based on the current exposure method;
- deductions from the exposure measure of the receivables assets for cash variation margin *provided* and arising from negative mark-to-market values of the derivative contracts, where recorded on the asset side of the balance sheet according to the providing bank's operative accounting framework;

¹⁸ Basel Committee on Banking Supervision, *Basel III leverage ratio framework and disclosure requirements*, January 2014 (www.bis.org/publ/bcbs270.pdf).

- application of credit conversion factors used in the standardised approach to credit risk for off-balance sheet items, except for unconditionally cancellable commitments and for commitments that effectively provide for automatic cancellation due to the deterioration in a borrower's creditworthiness, which are included using a 10% credit conversion factor for leverage ratio exposure measurement purposes;
- use of the scope of consolidation as set out in the risk-based framework.

Note that the calculations in this report are only *approximations* of the agreed leverage ratio exposure measure as published by the Committee in January 2014 and do in particular not fully reflect the newly introduced limited recognition of netting for SFTs¹⁹, the changes on the treatment of written credit derivatives (ie capping of the effective notional amount at the maximum potential loss and the broader recognition of eligible hedges for offsetting) or the exemptions for the clearing member of centrally cleared client derivative transactions. As all those changes tend to reduce the leverage ratio exposure measure, the estimated results obtained in this report are on the conservative side compared to the actual leverage ratio exposure measure.

Total exposures of the 101 Group 1 banks in the sample according to the new definition of the denominator in the Basel III Tier 1 leverage ratio were €66.0 trillion while total exposures for the 119 Group 2 banks were €5.9 trillion. Graph 12 presents leverage ratios based on current Tier 1 and Basel III Tier 1 capital. The graph provides this information for Group 1 banks, G-SIBs and Group 2 banks. The weighted average current Tier 1 leverage ratio for Group 1 banks and G-SIBs is 4.7% and 4.4% respectively, while for Group 2 banks it is 5.1%. The weighted average Basel III Tier 1 leverage ratio for Group 1 banks and G-SIBs is 4.0% and 3.7% respectively, while for Group 2 banks the weighted average is 4.6%.

It is interesting to note that current and Basel III weighted average Tier 1 leverage ratios calculated according to the June 2013 consultative document²⁰ would be on average between 20 and 40 basis points lower. The current weighted Tier 1 leverage ratios would be 4.3% for Group 1 banks and for G-SIBs 4.0%, while it would amount to 4.8% for Group 2 banks. The average Basel III Tier 1 leverage ratios are 3.7% for Group 1 banks and 3.4% for G-SIBs, while for Group 2 banks the weighted average is 4.4%.

The analysis shows that Group 2 banks, while showing a greater dispersion as can be seen in Graph 12, are generally less leveraged than Group 1 banks, and this difference increases under Basel III when the requirements are fully phased in. It is likely that a portion of this effect is due to the changes in the definition of capital, which, as seen in Section 2.4, are likely to affect Group 1 banks more than Group 2 banks.

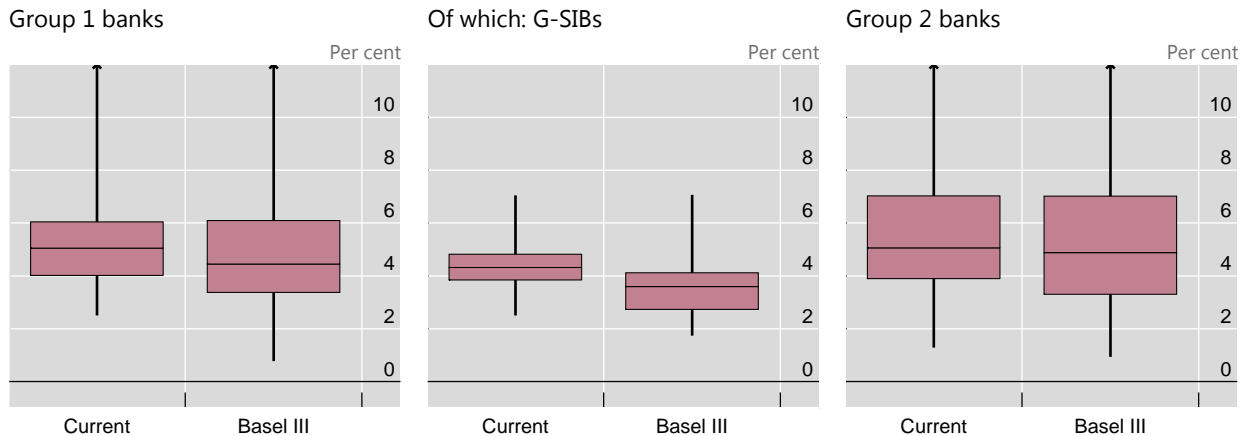
Under the current Tier 1 leverage ratio, 15 banks in the sample would not meet the 3% Tier 1 leverage ratio level, including two Group 1 banks and 13 Group 2 banks. Under the Basel III Tier 1 leverage ratio, 44 banks in the sample would not meet the 3% Tier 1 leverage ratio level, including 19 Group 1 banks and 25 Group 2 banks.

¹⁹ The leverage ratio reporting templates for June 2013 did not provide for any data on the newly defined netting criteria for SFTs. The gross SFT amount has been used instead as a *proxy* for the purposes of this report.

²⁰ Basel Committee on Banking Supervision, *Revised Basel III leverage ratio framework and disclosure requirements*, consultative document, June 2013 (www.bis.org/publ/bcbs251.pdf).

Current Tier 1 and Basel III Tier 1 leverage ratios¹

Graph 12



¹ The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the vertical lines generally show the range of the entire sample. Group 2 banks with leverage ratios above 12% are included in the calculation but are not shown in the graph.

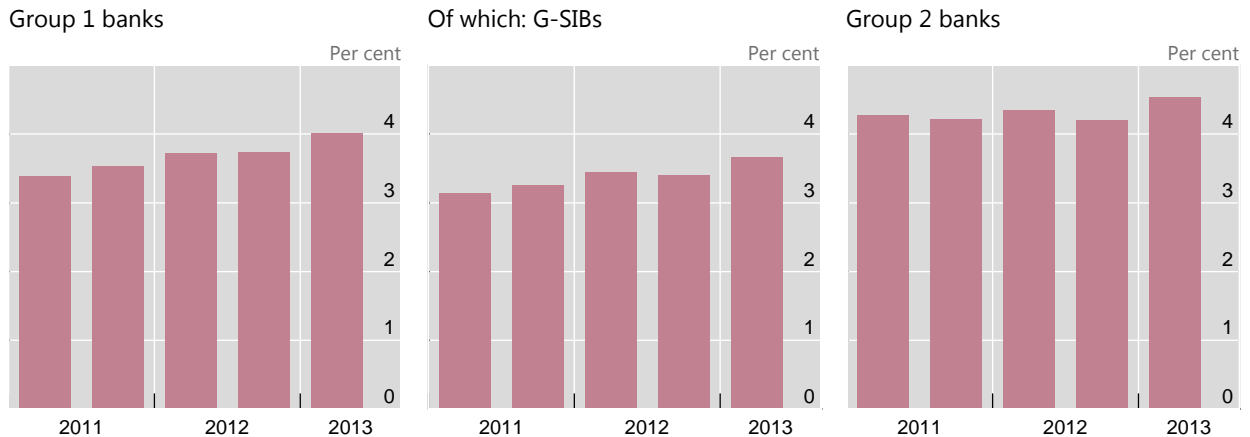
Source: Basel Committee on Banking Supervision. See also Table A.17.

Graph 13 shows how the leverage ratios under the current and Basel III definitions of capital for a consistent sample of 97 Group 1 and 101 Group 2 banks, which provided leverage ratio data for all five reporting dates from June 2011 to June 2013, as well as for G-SIBs have evolved over time.

Basel III Tier 1 leverage ratios

Consistent sample of banks

Graph 13



Source: Basel Committee on Banking Supervision. See also Table A.18.

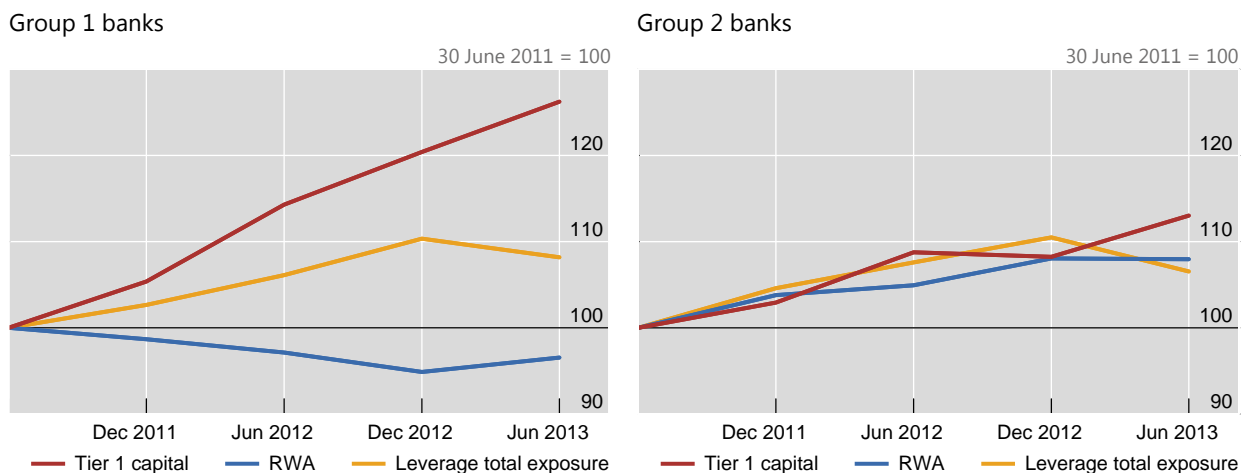
Graph 14 shows the evolution of the components of the capital ratios over time for a consistent sample of banks, ie which have consistently been providing the three data series for the period starting in June 2011 to June 2013. The three components are Tier 1 capital, risk-weighted assets and total leverage exposure. For Group 1 banks, capital has been steadily increasing over the period, whereas leverage ratio exposures, which so far had followed a similar pattern until December 2012, have slightly decreased over the first six months of 2013. Note that a large part of this drop may however be explained by the change in the basis of calculation of the leverage ratio exposure measure as described above rather than by slowing production of credits in the banking systems. This seems to be confirmed by the data on risk-weighted assets at Group 1 banks which had shown a decreasing trend over the observation period, but have slightly picked up over the first half of the year 2013 for the given sample.

For Group 2 banks the three time series have however moved more in tandem over the observation period.

Tier 1 capital, risk-weighted assets and leverage ratio exposure

Consistent sample of banks, exchange rates as of 30 June 2013

Graph 14



Source: Basel Committee on Banking Supervision. See also Table A.19.

2.6 Relationship between the leverage ratio and risk-based capital requirements

Table 3 above shows the migration of the share of banks from bound to non-bound banks after Tier 1 capital raising to meet the 8.5% Tier 1 risk-based capital ratio plus capital conservation buffer and, where applicable, any G-SIB capital surcharges (ie the target Tier 1 ratio). It shows in particular that 13.6% of the banks in the sample remain bound even after Tier 1 capital raising to meet the target risk-based capital requirements. Note that this latter statistics can be argued to be the appropriate measure for the calibration of a backstop regime.

Estimated impact of the new leverage ratio measure on the relative share of banks before and after capital raising to meet the target Tier 1 ratio

Full sample of banks, in per cent

Table 3

		Target Tier 1 ratio binding (<8.5% + G-SIB surcharge)?		Total	Total after capital raising to meet target Tier 1 ratio
		Yes	No		
Leverage ratio binding (<3%)?	Yes	11.4	8.6	20.0	13.6
	No	11.8	68.2	80.0	86.4
	Total	23.2	76.8	100.0	100.0

Source: Basel Committee on Banking Supervision.

The scatter plots in Graph 15 show a similar analysis on the interaction between the Tier 1 leverage and risk-based ratios. The scatter plot on the left hand side of the Graph 15 shows leverage ratios (scaled on the horizontal axis) and risk-based capital ratios (scaled on the vertical axis) using Basel III Tier 1 capital. Group 1 banks' ratios are marked with a red dot, while Group 2 banks' ratios are marked with a blue dot.

The dashed horizontal line represents the 8.5% minimum Tier 1 capital ratio plus capital conservation buffer (*without* G-SIB surcharges), which is not met by 51 banks in the sample (19 from Group 1, 32 from Group 2). The dashed vertical line represents the 3% minimum leverage ratio, which 44 banks do not meet (19 Group 1 and 25 Group 2).

The fraction of banks that do not meet the minimum leverage ratio standard is relatively lower (18.8%) in Group 1 than in Group 2 (21.0%). In total, 25 banks (12 Group 1 and 13 Group 2) meet neither the minimum capital ratio nor the minimum leverage ratio and are thus plotted in the lower-left quadrant of the graph.

The diagonal represents points with an equal proportion of the minimum plus buffer risk-based Tier 1 capital ratio (8.5%) and of the minimum leverage ratio (3%). Due to the definition of the ratios, it also represents a normative proportion of $8.5/3=2.83$ between total exposure and risk-weighted assets. For banks which are plotted above the diagonal, this proportion is currently higher, which means that the risk-based capital ratios are more easily fulfilled than the leverage ratio, with the same amount of Tier 1 capital. For banks which are plotted below the diagonal, the proportion exposure/RWA is lower than 2.83, which means that risk-based capital ratios are more difficult to fulfil (or more *constraining*) than the leverage ratio.

Note that 73.2% (73.3% for Group 1 and 73.1% for Group 2 banks) of the banks in the sample are located below the diagonal line, hence meaning that for close to three quarters of the banks in the sample the risk-based capital ratios are more constraining than the leverage ratios.

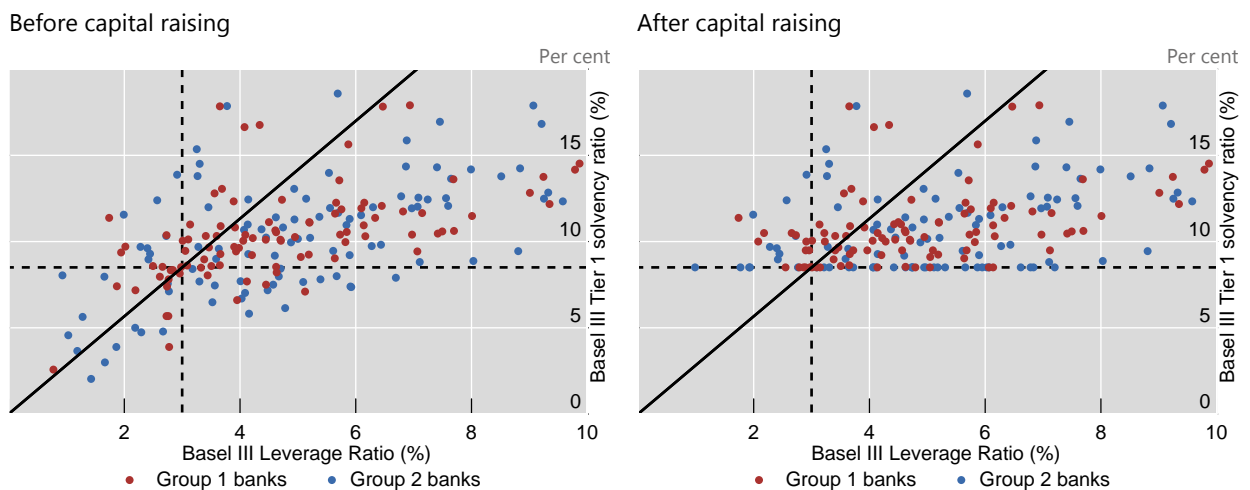
The scatter plot on the right hand side of the Graph 15 shows the change in ratios that result from a capital increase to the 8.5% Tier 1 risk-based standard for those banks that do not meet that standard. The affected banks are located on the dashed horizontal line.

After raising capital, 14 additional banks (six from Group 1, eight from Group 2) meet the 3% minimum Basel III leverage ratio. For the other 30 banks that do not meet the 3% threshold before raising capital, an additional leverage ratio shortfall needs to be filled to meet the 3% threshold. In absolute numbers, this means that assuming all banks meet the 8.5% Basel III capital ratio *plus* any G-SIB surcharges, additional capital increases of €56.8 billion for Group 1 and €11.9 billion for Group 2 banks are required to meet the minimum leverage ratio standard.

Tier 1 capital, risk-weighted assets and leverage ratio exposure

Consistent sample of banks

Graph 15



Source: Basel Committee on Banking Supervision.

3. Liquidity

3.1 Liquidity Coverage Ratio

One of the two standards introduced by the Committee is a 30-day Liquidity Coverage Ratio (LCR) which is intended to promote short-term resilience to potential liquidity disruptions. The LCR has been designed to require global banks to have sufficient high-quality liquid assets to withstand a stressed 30-day funding scenario specified by supervisors. The LCR numerator consists of a stock of unencumbered, high-quality liquid assets that must be available to cover any net outflow, while the denominator is comprised of cash outflows less cash inflows (subject to a cap at 75% of outflows) that are expected to occur in a severe stress scenario.

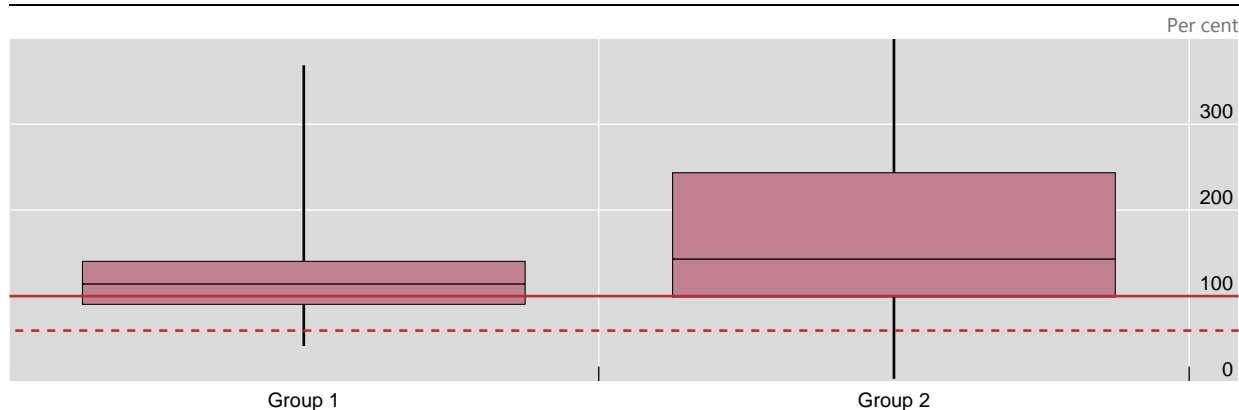
The LCR was revised by the Committee in January 2013²¹ and will come into effect on 1 January 2015. The minimum requirement will be set at 60% and will then rise in equal annual steps to reach 100% in 2019.

102 Group 1 and 124 Group 2 banks provided sufficient data in the 30 June 2013 Basel III monitoring exercise to calculate the LCR according to the revised standard. The weighted average LCR was 114% for Group 1 banks and 132% for Group 2 banks, which compare to average LCRs of 119% and 126% for Group 1 banks and Group 2 banks, respectively, as of December 2012.

The aggregate numbers under the revised LCR standard do not speak to the range of results across participating banks. Graph 16 below gives an indication of the distribution of bank results. 72% of the banks in the Basel III monitoring sample already meet or exceed the final LCR minimum requirement of 100%, while 91% have LCRs that are at or above the initial 60% minimum requirement. These results compare to 68% and 90%, of banks meeting the 100% and 60% minimum requirements, respectively, as of 31 December 2012.

Liquidity Coverage Ratio¹

Graph 16



¹ The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the thin vertical lines show the range of the entire sample. The sample is capped at 400% meaning that all banks with an LCR above 400% were set to 400%. The red horizontal lines represent the 60% minimum (2015, dashed line) and the 100% minimum (2019, solid line).

Source: Basel Committee on Banking Supervision. See also Table A.20.

For the banks in the sample, Basel III monitoring results show a shortfall (ie the difference between high-quality liquid assets and net cash outflows) of €536 billion (which represents

²¹ Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013 (www.bis.org/publ/bcbs238.pdf).

approximately 0.9% of the €62.0 trillion total assets of the aggregate sample) as of 30 June 2013, if banks were to make no changes whatsoever to their liquidity risk profile. This compares to a shortfall of €563 billion as of 31 December 2012.²² This number is only reflective of the aggregate shortfall for banks that are below an LCR minimum requirement of 100% and does not reflect surplus liquid assets at banks above a 100% requirement. At an LCR minimum requirement of 60%, the aggregate shortfall for the banks in the sample was €168 billion (less than 0.3% of banks' assets) as of 30 June 2013, compared to €248 billion as of 31 December 2012. Banks that are below a required minimum have until 2015 to meet the standard by scaling back business activities that are most vulnerable to a significant short-term liquidity shock or by lengthening the term of their funding beyond 30 days. Banks may also increase their holdings of liquid assets.

The key components of outflows and inflows are shown in Table 4. Group 1 banks show a notably larger percentage of total outflows, when compared to balance sheet liabilities, than Group 2 banks. This can be explained by the relatively greater contribution of wholesale funding activities and commitments within the Group 1 sample, whereas Group 2 banks, as a whole, are less reliant on these types of activities.

²² Note that the shortfall improved period-over-period despite the aggregate LCR ratio decreasing for the Group 1 bank sample. This is driven by the fact that improvements were observed for several banks with LCR ratios below the 100% minimum requirement (which factor into the shortfall calculation) while some banks with very high LCR ratios observed decreases in their ratio but still maintained ratios well in excess of the minimum requirement (which do not contribute to the shortfall calculation but are included in the overall weighted average calculation). To this point, between reporting periods the 25th percentile LCR result moved from 90% to 94% and the 75th percentile result from 189% to 163%.

LCR outflows and inflows (post-factor) as a percentage of balance sheet liabilities		
	Table 4	
Category	Group 1	Group 2
Outflows to...		
Unsecured retail and small business customers	2.3	2.3
Unsecured non-financial corporates	3.7	1.9
Unsecured sovereign, central bank, public sector entities (PSEs) and multilateral development banks (MDBs)	0.9	0.7
Unsecured financial institutions and other legal entities	5.3	3.5
Other unsecured wholesale funding incl. unsecured debt issuance	1.3	1.0
Secured funding and collateral swaps	2.1	0.8
Collateral, securitisations and own debt	0.8	0.4
Credit and liquidity facilities	1.7	0.6
Other contractual and contingent cash outflows including derivative payables	2.0	1.9
Total outflows²	20.1	13.1
Inflows from...		
Financial institutions	1.8	2.3
Retail and small business customers, non-financial corporates, central banks and other entities	1.6	1.3
Secured lending and collateral swaps	2.0	0.6
Other cash inflows including derivative receivables	0.8	1.0
Total inflows³	6.1	5.0

¹ As reported in the net stable funding ratio. ² May contain rounding differences. ³ The 75% cap is only applied to the "total inflow" category, which leads the sum of the individual inflow categories for Group 2 banks to exceed the total inflow contribution on account of banks that report inflows that exceeded the cap.

Source: Basel Committee on Banking Supervision.

75% cap on total inflows

As at 30 June 2013, no Group 1 and 21 Group 2 banks reported inflows that exceeded the 75% cap. Of the 21 Group 2 banks, five fail to meet an LCR minimum requirement of 100%, so the cap is binding on them at that required minimum level.

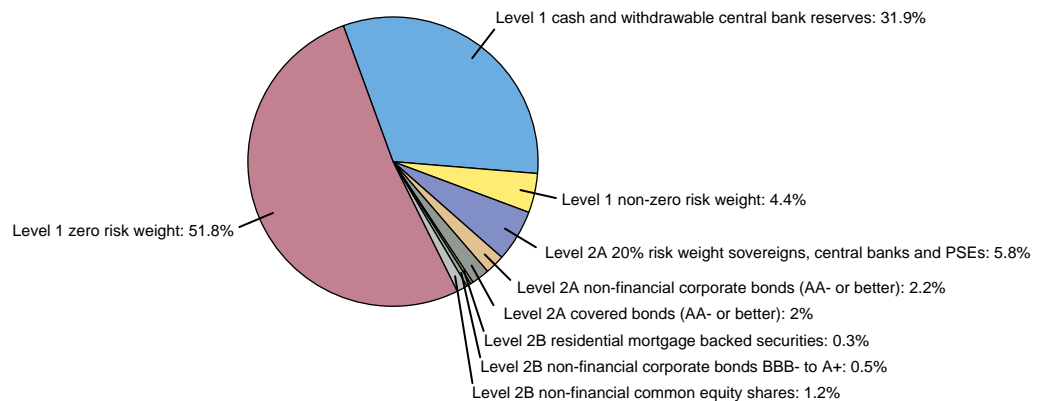
Composition of high-quality liquid assets

The composition of high-quality liquid assets currently held at banks is depicted in Graph 17. The majority of Group 1 and Group 2 banks' holdings, in aggregate, are comprised of Level 1 assets; however the sample, on whole, shows diversity in their holdings of eligible liquid assets. Within Level 1 assets, 0% risk-weighted securities issued or guaranteed by sovereigns, central banks and PSEs, and cash and central bank reserves comprise the most significant portions of the qualifying pool. Comparatively, within the Level 2A asset class, the majority of holdings are comprised of 20% risk-weighted securities issued or guaranteed by sovereigns, central banks or PSEs. Eligible non-financial common equity shares comprise the majority of holdings of Level 2B assets.

Composition of holdings of eligible liquid assets

All banks

Graph 17



Source: Basel Committee on Banking Supervision.

Caps on Level 2B and Level 2 assets

€64.6 billion of Level 2 assets are excluded due to the 15% Level 2B cap and the 40% overall Level 2 cap. In total, 25 banks are constrained, of which six banks are constrained only by the Level 2B cap, 17 banks are constrained only by the Level 2 cap, and two banks are constrained by both caps. Of the 25 total banks that are constrained, 10 fail to meet an LCR minimum requirement of 100%.

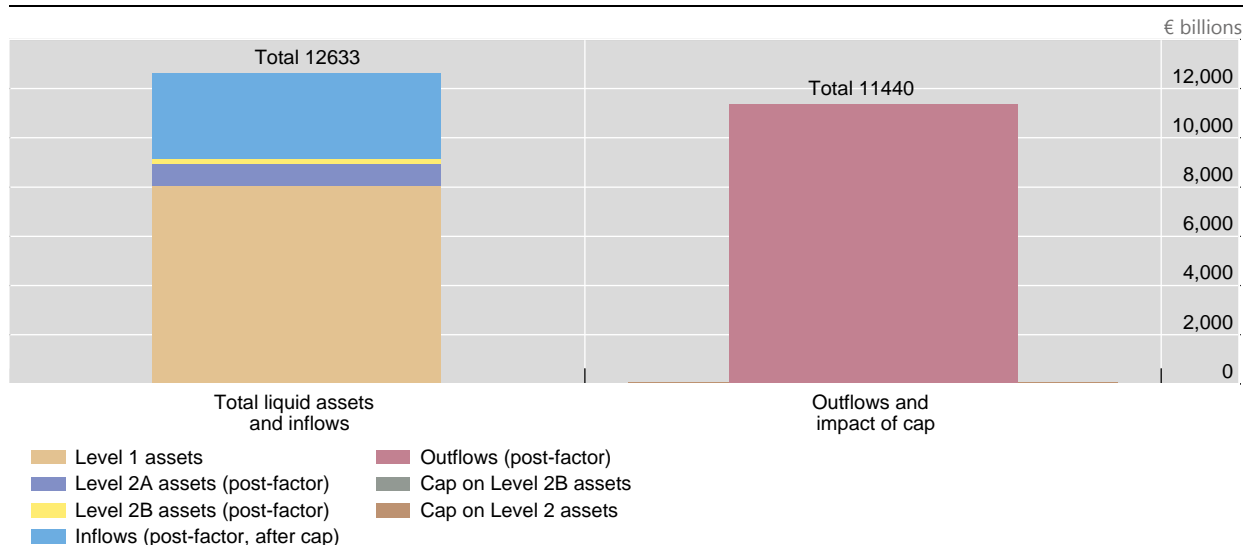
Comparison of liquid assets and inflows to outflows and caps

Graph 18 combines the above LCR components by comparing liquidity resources (pool of high-quality liquid assets and inflows) to outflows. Note that the €1,193 billion gross surplus shown in the graph differs from the €536 billion gross shortfall at an LCR minimum requirement of 100% that is noted above, as it is assumed here that excess assets at one bank can offset those at another. In practice the aggregate position in the industry is likely to lie somewhere between these two numbers depending on how efficiently banks redistribute liquidity around the system.

Comparison of pool of high-quality liquid assets plus inflows to outflows and cap

All banks

Graph 18



Source: Basel Committee on Banking Supervision. See also Table A.21.

3.2 Net Stable Funding Ratio

The second standard introduced by the Basel III reforms is the Net Stable Funding Ratio (NSFR), a longer-term structural ratio to address liquidity mismatches and provide incentives for banks to use stable sources to fund their activities. While data was collected for this iteration of the Basel III monitoring exercise based on the original NSFR issued in December 2010²³, results of this NSFR calculation are not presented here in order not to create confusion with the revised NSFR issued by the Committee in a January 2014 consultative document.²⁴ Given these proposed revisions to the original NSFR issued in December 2010, precise NSFR results could not be calculated for the revised NSFR based on the data collected as of June 2013.

²³ Basel Committee on Banking Supervision, *Basel III: International framework for liquidity risk measurement, standards and monitoring*, December 2010 (www.bis.org/publ/bcbs188.pdf).

²⁴ Basel Committee on Banking Supervision, *Basel III: the Net Stable Funding Ratio – consultative document*, January 2014 (www.bis.org/publ/bcbs271.pdf).

Statistical Annex¹

Number of banks participating in the Basel III monitoring exercise, all banks		Table A.1
	Group 1 banks	Group 2 banks
Argentina	0	3
Australia	4	1
Belgium	1	2
Brazil	2	0
Canada	6	2
China	6	0
France	5	5
Germany	8	38
Hong Kong SAR	0	7
India	5	5
Indonesia	0	2
Italy	2	11
Japan	14	4
Korea	5	3
Luxembourg	0	1
Mexico	0	7
Netherlands	3	16
Russia	0	1
Saudi Arabia	3	0
Singapore	3	0
South Africa	3	3
Spain	2	4
Sweden	4	0
Switzerland	2	5
Turkey	6	0
United Kingdom	5	5
United States	13	0
Total	102	125

¹ Group 1 banks are those that have Tier 1 capital in excess of €3 billion and are internationally active. All other banks are considered Group 2 banks. All data, including for previous reporting dates, reflect revisions received until 30 January 2014.

Current CET1, Tier 1 and total capital ratios

In per cent

Table A.2

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Tier 1	Total	CET1	Tier 1	Total	CET1	Tier 1	Total
Max	19.0	20.4	24.3	17.3	17.3	19.4	95.9	95.9	95.9
75th percentile	13.6	14.5	17.0	12.4	14.1	16.6	15.1	15.4	18.5
Median	11.5	12.5	15.1	11.1	12.8	15.2	11.6	12.2	14.8
25th percentile	10.1	11.0	13.9	10.1	11.5	13.4	9.5	10.0	13.1
Min	7.3	7.5	10.2	8.2	9.3	11.3	4.9	5.3	9.8

Source: Basel Committee on Banking Supervision.

Basel III CET1, Tier 1 and total capital ratios

In per cent

Table A.3

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Tier 1	Total	CET1	Tier 1	Total	CET1	Tier 1	Total
Max	20.2	20.2	20.2	13.1	13.1	13.7	96.1	96.1	96.1
75th percentile	11.7	11.9	13.2	10.0	10.3	12.1	14.2	14.3	15.8
Median	10.0	10.3	11.7	9.2	9.6	10.6	11.3	11.3	12.5
25th percentile	8.6	8.6	10.1	8.5	8.5	10.3	8.2	8.2	9.9
Min	2.5	2.6	3.2	5.6	5.7	6.4	1.1	2.0	2.2

Source: Basel Committee on Banking Supervision.

Current CET1, Tier 1 and total capital ratios

In per cent, consistent sample of banks

Table A.4

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Tier 1	Total	CET1	Tier 1	Total	CET1	Tier 1	Total
H1 2011	10.2	11.5	14.1	9.5	11.2	13.8	10.4	11.2	14.7
H2 2011	10.4	11.6	14.1	9.8	11.4	13.9	10.4	11.1	14.6
H1 2012	10.9	12.0	14.5	10.5	12.0	14.3	10.9	11.4	14.7
H2 2012	11.4	12.5	15.1	11.1	12.6	15.0	10.4	10.8	14.3
H1 2013	11.0	12.0	14.6	11.0	12.2	14.7	10.8	11.2	14.6

Source: Basel Committee on Banking Supervision.

Basel III CET1, Tier 1 and total capital ratios

In per cent, consistent sample of banks

Table A.5

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Tier 1	Total	CET1	Tier 1	Total	CET1	Tier 1	Total
H1 2011	7.1	7.4	8.6	6.4	6.7	8.0	8.8	9.1	11.1
H2 2011	7.7	8.0	9.2	7.0	7.3	8.6	8.7	9.1	11.0
H1 2012	8.6	8.8	9.9	7.9	8.3	9.5	9.0	9.5	11.3
H2 2012	9.2	9.5	10.6	8.6	8.9	10.2	8.8	9.2	11.1
H1 2013	9.5	9.8	11.1	9.1	9.4	10.9	9.2	9.6	11.4

Source: Basel Committee on Banking Supervision.

Estimated overall capital shortfalls at the minimum level

In billions of euros, sample and exchange rates as at the reporting dates

Table A.6

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2
H1 2011	38.8	66.6	119.3	31.7	52.9	93.1	8.6	7.3	5.5
H2 2011	11.9	32.5	107.7	7.6	22.6	86.3	7.6	2.1	4.1
H1 2012	3.7	16.2	61.8	0.1	11.2	50.4	4.8	1.6	5.0
H2 2012	2.2	10.2	45.7	0.0	5.9	36.5	11.4	2.3	8.7
H1 2013	3.3	6.9	18.6	0.0	1.8	13.0	12.4	3.0	8.4

Source: Basel Committee on Banking Supervision.

Estimated overall capital shortfalls at the target level

In billions of euros, sample and exchange rates as at the reporting dates

Table A.7

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2
H1 2011	485.6	221.4	223.2	431.8	166.4	159.9	32.4	16.6	11.6
H2 2011	384.1	226.3	232.0	346.1	175.5	163.0	21.7	11.9	8.6
H1 2012	197.9	197.0	224.0	176.8	163.3	156.9	16.0	7.3	12.0
H2 2012	115.0	154.8	171.3	102.3	132.1	116.1	25.6	11.5	14.6
H1 2013	57.5	104.5	143.8	44.3	88.6	98.4	27.7	7.5	12.3

Source: Basel Committee on Banking Supervision.

Level of capital

In billions of euros, consistent sample of banks, exchange rates as of 30 June 2013

Table A.8

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET 1	Add. Tier 1	Tier 2	CET 1	Add. Tier 1	Tier 2	CET 1	Add. Tier 1	Tier 2
H1 2011	1,994	77	348	1,186	68	244	205	7	46
H2 2011	2,113	70	345	1,252	59	237	210	8	46
H1 2012	2,306	64	311	1,370	53	211	218	12	44
H2 2012	2,439	60	320	1,430	45	217	219	9	49
H1 2013	2,558	62	357	1,503	46	241	229	10	45

Source: Basel Committee on Banking Supervision.

Profits, dividends and CET1 capital raised

In billions of euros, consistent sample of banks, exchange rates as of 30 June 2013

Table A.9

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	Profit after tax	Common share dividend	CET1 raised	Profit after tax	Common share dividend	CET1 raised	Profit after tax	Common share dividend	CET1 raised
H1 2011	141.6	56.6	40.5	77.5	30.7	12.7	14.9	3.3	6.1
H2 2011	113.3	32.3	25.9	63.6	9.3	15.3	7.5	3.6	7.9
H1 2012	134.9	57.3	31.0	74.1	26.9	19.7	12.3	3.8	2.4
H2 2012	163.0	29.7	29.0	77.6	13.3	14.2	9.2	2.8	5.6
H1 2013	168.8	74.4	25.1	96.2	37.5	12.6	11.5	4.1	1.3

Source: Basel Committee on Banking Supervision.

Structure of regulatory capital under the current national regime¹

In per cent, consistent sample of banks

Table A.10

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2
H1 2011	72.0	9.3	18.7	69.1	12.2	18.7	70.3	5.3	24.3
H2 2011	73.3	8.9	17.8	70.4	11.8	17.7	71.3	4.7	24.0
H1 2012	75.2	7.9	16.8	73.1	10.8	16.1	74.0	3.5	22.6
H2 2012	75.7	7.4	16.9	74.1	10.2	15.7	72.5	3.3	24.2
H1 2013	75.3	7.0	17.7	75.3	8.2	16.5	74.1	3.2	22.8

¹ Any remainder represents Tier 3 capital.

Source: Basel Committee on Banking Supervision.

Structure of regulatory capital under Basel III

In per cent, consistent sample of banks

Table A.11

	Group 1 banks			Of which: G-SIBs			Group 2 banks		
	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2	CET1	Add. Tier 1	Tier 2
H1 2011	82.6	3.1	14.2	79.5	4.5	16.0	79.1	2.7	18.2
H2 2011	83.7	2.8	13.5	81.0	3.8	15.1	79.5	3.1	17.4
H1 2012	86.1	2.4	11.5	83.9	3.2	12.9	79.9	4.2	15.9
H2 2012	86.7	2.1	11.2	84.7	2.7	12.7	79.4	3.3	17.3
H1 2013	85.9	2.1	12.0	84.0	2.6	13.4	80.7	3.5	15.8

Source: Basel Committee on Banking Supervision.

CET1 regulatory adjustments as a percentage of CET1 capital prior to adjustments

In per cent

Table A.12

	Number of banks	Goodwill	Intangibles	DTA ¹	Financials	DTA above threshold	Excess above 15% ²	Other ³	Total
Group 1 banks	101	-12.0	-2.9	-2.6	-2.3	-1.0	-0.9	-2.1	-23.9
<i>Change 2013H1 vs 2012H2⁴</i>	97	+0.4	+0.2	-0.1	-0.1	+0.1	+0.2	+0.8	+1.6
Group 2 banks	119	-5.9	-2.1	-2.3	-5.4	-2.7	-1.5	-2.9	-22.8

¹ DTA is the deferred tax assets that are deducted in full under Basel III (ie it excludes DTAs that are related to temporary differences, which are only deducted when they exceed a threshold). ² Excess above 15% pertains to significant investments in the common shares of unconsolidated financial institutions, mortgage servicing rights, and DTAs due to timing differences that do not separately exceed the 10% category thresholds but in the aggregate exceed the 15% basket threshold. ³ Other includes deductions related to investment in own shares, shortfall of provisions to expected losses, cash flow hedge reserves, cumulative changes in fair value due to changes in own credit risk, net pension fund assets, securitisation gains on sale, mortgage servicing rights and deductions from Additional Tier 1 capital to the extent they exceed a bank's Additional Tier 1 capital. ⁴ In percentage points based on consistent sample of banks that submitted data for both the December 2012 and June 2013 exercises. A plus symbol indicates an improvement (smaller deduction relative to December 2012) while a negative symbol indicates a deterioration (increased deduction relative to December 2012).

Source: Basel Committee on Banking Supervision.

Changes in risk-weighted assets versus Basel II

In per cent

Table A.13

	Number of banks	Total ¹	Definition of capital ²			CVA ³	CCR ⁴	Trading book ¹
			50/50	threshold	other			
Group 1 banks	101	9.1	1.2	3.0	-2.5	2.6	1.1	3.6
Group 2 banks	119	7.1	3.7	2.1	-0.5	1.2	0.2	0.4

¹ As data from most countries already include the RWA impact of the Basel 2.5 market risk standards, the incremental impact for changes in market RWA shown in this table has been estimated using the sum of the following elements relative to elements in place under Basel II: the proportion of internally modelled general and specific risk that is attributable to stress value-at-risk, the incremental risk capital charge (IRC), capital charges for the correlation trading portfolio, and capital charges under the standardised measurement method (SMM) for other securitisation exposures and nth-to-default credit derivatives. ² Measures the change in risk-weighted assets as a result of proposed changes to the definition of capital. The column heading "other" includes the effects of lower risk-weighted assets for exposures that are currently included in risk-weighted assets but receive a deduction treatment under Basel III. The column heading "50/50" measures the increase in risk-weighted assets applied to exposures currently deducted under the Basel II framework that are risk-weighted at 1250% under Basel III, primarily certain securitisation exposures. The column heading "threshold" measures the increase in risk-weighted assets for exposures that fall below the 10% and 15% limits for CET1 deduction. ³ Measures the new capital charge for credit valuation adjustment (CVA) risk. The change is reported as zero for banks which are already fully subject to this capital charge at the reporting date. ⁴ Measures the impact of the higher capital charge that results from applying a higher asset value correlation parameter against exposures to financial institutions under the IRB approaches to credit risk; the impact of incorporating stressed parameters for effective expected positive exposure (EEPE), and the impact of the risk-weighted asset effects of capital charges for exposures to central counterparties (CCPs).

Source: Basel Committee on Banking Supervision.

Approximate changes in risk-weighted assets versus Basel II¹

In per cent

Table A.14

	Group 1	Group 2
Max	55.3	50.5
75th percentile	10.5	4.8
Median	5.1	1.8
25th percentile	0.7	0.2
Min	-4.0	-5.2

¹ As data from most countries already include the RWA impact of the Basel 2.5 market risk standards, the incremental impact for changes in market RWA shown in this table has been estimated using the sum of the following elements relative to elements in place under Basel II: the proportion of internally modelled general and specific risk that is attributable to stress value-at-risk, the incremental risk capital charge (IRC), capital charges for the correlation trading portfolio, and capital charges under the standardised measurement method (SMM) for other securitisation exposures and nth-to-default credit derivatives. Furthermore, it should be noted that some countries adopted Basel III by June 2013; therefore, as compared to the prior Basel III monitoring exercises, changes in overall RWA have declined modestly.

Source: Basel Committee on Banking Supervision.

Share in market risk capital charges

Group 1 banks¹, in per cent

Table A.15

	Number of banks	Total	SMM ²	Value-at-risk			Correlation trading (CTP)				SMM non-CTP ⁵	Other
				Current	Stress	IRC ³	Total	Of which				
								CRM	Floor	SMM ⁴		
Relative to total capital requirements	94	6.1	1.6	0.7	1.6	0.7	0.6	0.5	-0.0	0.1	0.6	0.3
Relative to market risk capital requirements	94	100.0	11.6	25.3	11.8	9.5	7.6	0.1	1.7	10.4	5.3	11.6

¹ Group 2 banks are not presented separately because the market risk requirements have a very minor influence on overall Group 2 bank risk-weighted assets. Some of these banks do not have any trading books at all and are therefore not subject to any related capital charges. ² Capital charge according to the standardised measurement method for market risk. ³ Incremental risk capital charge. ⁴ Capital charge for exposures which are part of the correlation trading portfolio and subject to a capital charge according to the standardised measurement method. ⁵ Capital charge according to the standardised measurement method for securitisation exposures and nth-to-default credit derivatives which do not qualify for the correlation trading portfolio.

Source: Basel Committee on Banking Supervision.

Changes in risk-weighted assets for credit valuation adjustment (CVA) risk

In per cent

Table A.16

	Number of banks	CVA vs credit RWA	Of which		CVA vs total RWA	Of which	
			Stand. method	Adv. Method		Stand. method	Adv. method
Group 1 banks	94	3.2	1.8	1.4	2.6	1.5	1.2
Group 2 banks	82	1.9	1.9	-0.0	1.7	1.7	-0.0

Source: Basel Committee on Banking Supervision.

Current and Basel III Tier 1 leverage ratio

In per cent

Table A.17

	Group 1 banks		Of which: G-SIBs		Group 2 banks	
	Current	Basel III	Current	Basel III	Current	Basel III
Max	13.3	13.3	7.0	7.1	19.8	19.8
75th percentile	6.0	6.1	4.8	4.1	7.0	7.0
Median	5.0	4.4	4.3	3.6	5.1	4.9
25th percentile	4.0	3.4	3.8	2.7	3.9	3.3
Min	2.5	0.8	2.5	1.7	1.3	0.9

Source: Basel Committee on Banking Supervision.

Basel III Tier 1 leverage ratios

Consistent sample of banks, in per cent

Table A.18

	Group 1 banks	Of which: G-SIBs	Group 2 banks
H1 2011	3.4	3.1	4.3
H2 2011	3.5	3.2	4.2
H1 2012	3.7	3.4	4.3
H2 2012	3.7	3.4	4.2
H1 2013	4.0	3.7	4.5

Source: Basel Committee on Banking Supervision.

Tier 1 capital, risk-weighted assets and leverage ratio exposure

Consistent sample of banks, exchange rates as of 30 June 2013

Table A.19

	Group 1 banks			Group 2 banks		
	Tier 1 capital	Risk-weighted assets	Leverage ratio exposure	Tier 1 capital	Risk-weighted assets	Leverage ratio exposure
H1 2011	100.0	100.0	100.0	100.0	100.0	100.0
H2 2011	105.4	98.7	102.7	102.9	103.8	104.6
H1 2012	114.3	97.1	106.1	108.8	104.9	107.6
H2 2012	120.4	94.9	110.4	108.2	108.1	110.5
H1 2013	126.2	96.5	108.2	113.0	108.0	106.5

H1 2011 = 100.

Source: Basel Committee on Banking Supervision.

Liquidity Coverage Ratio

Table A.20

	Group 1	Group 2
Max	368.5	400.0
75th percentile	140.5	243.6
Median	114.4	143.3
25th percentile	90.3	99.0
Min	42.1	3.8

Source: Basel Committee on Banking Supervision.

Comparison of pool of high-quality liquid assets to outflows and cap

All banks, in billions of euros

Table A.21

Total liquid assets and inflows

Level 1 assets	8,029
Level 2A assets (post-factor)	909
Level 2B assets (post-factor)	174
Inflows (post-factor, after cap)	3,522

Total	12,633
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Outflows and impact of cap

Outflows (post-factor)	11,376
Cap on Level 2 assets	49
Cap on Level 2B assets	15

Total	11,440
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Source: Basel Committee on Banking Supervision.

Previous monitoring reports published by the Basel Committee

Results of the comprehensive quantitative impact study, December 2010
(www.bis.org/publ/bcbs186.htm).

Results of the Basel III monitoring exercise as of 30 June 2011, April 2012
(www.bis.org/publ/bcbs217.htm).

Results of the Basel III monitoring exercise as of 31 December 2011, September 2012
(www.bis.org/publ/bcbs231.htm).

Results of the Basel III monitoring exercise as of 30 June 2012, March 2013
(www.bis.org/publ/bcbs243.htm).

Basel III monitoring report, September 2013 (www.bis.org/publ/bcbs262.htm).

Basel III phase-in arrangements

Basel III phase-in arrangements

Shading indicates transition periods – all dates are as of 1 January.

	2013	2014	2015	2016	2017	2018	As of 2019
Leverage ratio	Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015					Migration to Pillar 1	
Minimum CET1 ratio	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer				0.625%	1.25%	1.875%	2.50%
G-SIB surcharge				Phase-in			1.0%–2.5%
Minimum common equity plus capital conservation buffer	3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials)		20%	40%	60%	80%	100%	100%
Minimum Tier 1 capital	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total capital plus capital conservation buffer	8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as Tier 1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio			60%	70%	80%	90%	100%
Net stable funding ratio						Introduce minimum standard	