Basel Committee
on Banking Supervision

Basel III
Monitoring Report

March 2015

BANK FOR INTERNATIONAL SETTLEMENTS

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ISBN 92-9131-924-4 (print)

ISBN 92-9197-924-4 (online)

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Conventions used in this report

billion thousand million
trillion thousand billion

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

Components may not sum to totals because of rounding.

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 maintained.

All data, including for previous reporting dates, reflect revisions received up to 28 January 2015.

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Highlights of the Basel III monitoring exercise as of 30 June 2014

All large internationally active banks meet Basel III risk-based minimum capital requirements

To assess the impact of the Basel III framework on banks,[1] the Basel Committee on Banking Supervision monitors the effects and dynamics of the reforms. 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 seventh publication of results from the Basel III monitoring exercise[2] and summarises the aggregate results using data as of 30 June 2014. The Committee believes that the information contained in the report will provide relevant stakeholders with a useful benchmark for analysis.

Information considered for this report was obtained by voluntary and confidential data submissions from individual banks to their national supervisors. A total of 224 banks participated in the study, including 98 large internationally active ("Group 1") banks and 126 other ("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 lower for Group 2 banks and varies by country.

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 2014. No assumptions have been made about banks' profitability or behavioural responses, such as changes in bank capital or balance sheet composition, either since this date or in the future. For this reason, the results are not comparable with current industry estimates, which tend to be based on forecasts and consider management actions to mitigate the impact, and they also 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: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013; Basel Committee on Banking Supervision, *Basel III: the Net Stable Funding Ratio – consultative document*, January 2014, www.bis.org/publ/bcbs271.htm. 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 of more than €3 billion and are internationally active. All other banks are considered Group 2 banks. Not all banks provided data relating to all parts of the Basel III framework.

Risk-based capital requirements

In the analysis of the risk-based capital requirements, this report focuses on the following items, assuming that the positions as of 30 June 2014 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.

Capital ratios

Compared with the current regulatory framework (which is Basel III with transitional arrangements for most banks), the average CET1 ratio under the full implementation of the Basel III framework[4] would decline from 11.4% to 10.8% for Group 1 banks. The Tier 1 capital ratios of Group 1 banks would decline, on average from 12.2% to 11.2% and total capital ratios would decline from 14.9% to 12.6%. For Group 2 banks, the decline in capital ratios is slightly less pronounced than for Group 1. Assuming full implementation of Basel III, the aggregate CET1 ratio would decline from 12.0% to 11.8% and Tier 1 capital ratios would decline on average from 12.2% to 12.0%. Total capital ratios would decline more significantly on average from 15.2% to 13.7% due to the phase-out of Tier 2 instruments which will no longer be eligible in 2022.

Capital shortfalls

Assuming full implementation of the Basel III requirements as of 30 June 2014, including changes to the definition of capital and risk-weighted assets, and ignoring phase-in arrangements, all Group 1 banks would meet the CET1 minimum capital requirement of 4.5%. Group 1 banks would have a shortfall of €3.9 billion for a CET1 target level of 7.0% (ie including the capital conservation buffer); this target also includes the G-SIB surcharge according to the list of banks published by the Financial Stability Board in November 2014 where applicable.[5] The aggregate CET1 target level shortfall for Group 1 banks has decreased by €11.2 billion or 74% since the prior period.[6] As a point of reference, the sum of profits after tax prior to distributions across the same sample of Group 1 banks for the six-month period ending 30 June 2014 was €210.1 billion.

Under the same assumptions, the capital shortfall for Group 2 banks included in the Basel III monitoring sample is estimated at €0.1 billion for the CET1 minimum of 4.5% and €1.8 billion for a CET1 target level of 7.0%. The CET1 shortfall at the 7.0% target level for Group 2 banks is down 81% since end-December 2013.

[4] See Section 1.1 for details on the scope of the exercise.

[5] See Financial Stability Board, *2014 update of list of global systemically important banks (G-SIBs)*, 6 November 2014, www.financialstabilityboard.org/wp-content/uploads/r_141106b.pdf.

[6] The December 2014 shortfall figures have been adjusted to reflect changes in currency values through 30 June 2014.

Leverage ratio

The average current Tier 1 leverage ratios (ie reflecting all applicable transitional arrangements to the definition of capital) would be 5.0% for Group 1 banks and for G-SIBs 4.9%, while it would amount to 5.6% for Group 2 banks. The average fully phased-in Basel III Tier 1 leverage ratios are 4.7% for Group 1 banks and 4.5% for G-SIBs, while for Group 2 banks the average is 5.6%.

Seventeen banks, including seven out of 97 Group 1 banks and ten out of 115 Group 2 banks, do not meet the minimum Basel III leverage ratio of 3%. Moreover, the fraction of banks that do not meet the Basel III Tier 1 leverage ratio is relatively lower in Group 1 (7.2%) than in Group 2 (8.7%).

Combined shortfall amounts

This Basel III monitoring report also analyses the combined shortfall amounts needed to meet both risk-based capital and any applicable Tier 1 leverage ratio requirements (see Section 2.7).

For Group 1 banks, the inclusion of the leverage ratio shortfall raises the additional Tier 1 capital shortfall at the minimum level by €7.0 billion. At the target level, the additional Tier 1 capital shortfall rises by €3.0 billion (from €18.6 billion to €21.7 billion) when the leverage ratio requirement is included. In turn, this inclusion of applicable Basel III leverage ratio shortfalls increases the total capital shortfall by €7.0 billion considering all capital ratio minimums and by €2.6 billion (from €101.2 billion to €103.9 billion) at the target level. Nearly a quarter of this €2.6 billion increase is attributable to G-SIBs within the Group 1 sample (up €0.7 billion from €82.7 billion to €83.4 billion).

With regard to Group 2 banks, the inclusion of applicable Basel III leverage ratio shortfalls raises total capital shortfalls at the target level by €2.8 billion (from €12.9 billion to €15.8 billion).

Liquidity standards

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) was revised by the Committee in January 2013[7] and came into effect on 1 January 2015. The minimum requirement is initially set at 60% for 2015 and will then rise in equal annual steps of 10 percentage points to reach 100% in 2019. The end-June 2014 reporting period was the fourth data collection exercise for which a comprehensive calculation of the revised LCR standard could be conducted. Key observations from a comparison of current period to previous period results include:

- A total of 94 Group 1 and 116 Group 2 banks participated in the LCR monitoring exercise for the end-June 2014 reference period.
- The average LCR for the Group 1 bank sample was 121%. For Group 2 banks, the average LCR was 140%. These figures compare to average LCRs of 119% and 132% for Group 1 banks and Group 2 banks, respectively, as of December 2013.
- 80% of the 210 banks in the LCR sample reported a ratio that met or exceeded a 100% minimum requirement, compared with 76% as of December 2013, while 96% of the banks

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

reported an LCR at or above a 60% minimum requirement, compared with 92% as of December 2013.

- The aggregate LCR shortfall at a minimum requirement of 100% was €305 billion, which represents approximately 0.5% of the €58.7 trillion in total assets of the aggregate sample. The aggregate LCR shortfall at a minimum requirement of 60% was €155 billion (less than 0.3% of bank assets). These results compare to shortfalls of €353 billion and €158 billion, respectively, as of 31 December 2013.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) was revised by the Committee in October 2014. This revised standard modified several aspects of the NSFR framework released in January 2014 for consultation. Given data collected as part of the end-June 2014 reporting period was obtained prior to the release of the revised standard, certain revisions adopted in the revised standard have not yet been incorporated into the NSFR data collection exercise. As such, this report provides analysis of results under the standard outlined in the NSFR consultative paper (CP) issued by the Basel Committee in January 2014 and not the standard approved by the Committee in October 2014. Note that future NSFR data collection exercises will reflect the NSFR framework approved by the Committee in October 2014, starting with the end-December 2014 reporting cycle.

Key observations for the end-June 2014 period include:

- A total of 94 Group 1 and 118 Group 2 banks participated in the NSFR monitoring exercise for the end-June 2014 reference period.
- The weighted average NSFR for the Group 1 bank sample was 110% while for Group 2 banks the average NSFR was 114%.
- 80% of the 212 banks in the NSFR sample reported a ratio that met or exceeded 100% as of June 2014, while 92% of the banks reported an NSFR at or above 90%.
- The aggregate NSFR shortfall – which reflects the aggregate shortfall for banks that are below the 100% NSFR requirement and does not reflect any surplus stable funding at banks above the 100% requirement – was €641 billion at the end of June 2014.

The NSFR, including any potential revisions, will become a minimum standard by 1 January 2018.

Detailed results of the Basel III monitoring exercise as of 30 June 2014

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 had reached on 26 July 2010.[1] These capital reforms, together with the introduction of two international liquidity standards, responded to 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 the results of the latest Basel III monitoring exercise using 30 June 2014 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 2014. 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 July 2014.[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 by 28 January 2015.

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 2014, 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 2014, which corresponds to Canadian banks' fiscal second quarter-end.

[4] See Basel Committee on Banking Supervision, *Instructions for Basel III implementation monitoring*, July 2014, 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]
- *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 2014;[10]
- *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools;*[11]
- *Basel III: the Net Stable Funding Ratio – consultative document;*[12] *and*
- *Basel III leverage ratio framework and disclosure requirements*.[13]

1.2 Sample of participating banks

A total of 224 banks participated in the study, including 98 Group 1 banks and 126 Group 2 banks.[14] Group 1 banks are those that have Tier 1 capital of more than €3 billion and are internationally active. All other banks are considered Group 2 banks. Banks were asked to provide data at the consolidated level as of 30 June 2014. 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 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 sample represents only those banks that reported necessary data at the June 2011 (labelled "H1 2011"),

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.htm.

10 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, *2014 update of list of global systemically important banks (G-SIBs)*, 6 November 2014, www.financialstabilityboard.org/wp-content/uploads/r_141106b.pdf.

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

12 Basel Committee on Banking Supervision, *Basel III: the Net Stable Funding Ratio, consultative document*, January 2014, www.bis.org/publ/bcbs271.htm.

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

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

December 2011 ("H2 2011"), June 2012 ("H1 2012"), December 2012 ("H2 2012"), June 2013 ("H1 2013"), December 2013 ("H2 2013") and June 2014 ("H1 2014") reporting dates, in order to make more meaningful period-to-period comparisons. Unless noted otherwise, the consistent sample includes 92 Group 1 banks, of which 30 are G-SIBs, and 92 Group 2 banks. The 30 banks in the G-SIB time series analyses are those banks which have been classified as G-SIBs as of November 2014, 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 national implementations of Basel III with phase-in arrangements. 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 (CET1) capital for the total sample divided by the sum of all banks' risk-weighted assets for the total sample. Similarly, the average Basel III Tier 1 leverage ratio is the sum of all banks' Tier 1 capital for the total sample divided by the sum of all banks' Basel III leverage ratio exposures for the total sample.

To preserve 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 below only to the extent that they were able to provide data of sufficient quality to complete the analyses.

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 data from previous periods need to be taken into account. Sample differences also explain why results presented for the June 2014 reporting date may differ from the H2 2013 data point in graphs and tables showing the time series for the consistent sample of banks as described above.

- The actual impact of the new requirements will almost certainly be less 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 2014 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 will actually be phased out over eight years.
- The treatment of deductions and non-qualifying capital instruments also affects figures reported in the section on the Basel III leverage ratio. 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 Basel III 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 2014. Details of 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 was phased in on 1 January 2015;
- For Tier 1 capital, the minimum requirement will be raised to 6.0% and was phased in on 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 fully phased in 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.

Aggregate capital ratios and (incremental) capital shortfalls

Table 1

	Fully implemented requirement, in per cent		Capital ratios, in per cent		Risk-based capital shortfalls, in billions of euros[1]		Combined risk-based capital and leverage ratio shortfalls, in billions of euros[1]	
	Min	Target[2]	Current	Fully phased-in Basel III	Min	Target[2]	Min	Target[2]
Group 1 banks								
CET1 capital	4.5	7.0	11.4	10.8	0.0	3.9	0.0	3.9
Tier 1 capital	6.0	8.5	12.2	11.2	0.0	18.6	7.0	21.7
Total capital	8.0	10.5	14.9	12.6	0.0	78.6	0.0	78.3
Sum					0.0	101.2	7.1	103.9
Of which: G-SIBs								
CET1 capital	4.5	8.0–9.5	11.2	10.4	0.0	3.9	0.0	3.9
Tier 1 capital	6.0	9.5–11.0	12.1	11.0	0.0	14.3	4.7	15.0
Total capital	8.0	11.5–13.0	14.7	12.3	0.0	64.4	0.0	64.4
Sum					0.0	82.7	4.7	83.4
Group 2 banks								
CET1 capital	4.5	7.0	12.0	11.8	0.1	1.8	0.1	1.8
Tier 1 capital	6.0	8.5	12.2	12.0	0.3	5.6	3.4	8.6
Total capital	8.0	10.5	15.2	13.7	3.1	5.6	3.1	5.4
Sum					3.5	12.9	6.5	15.8

[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 that the higher-tier capital requirements are fully met. [2] The shortfalls at the target level include the capital conservation buffer and the capital surcharges for 30 G-SIBs as applicable.

Source: Basel Committee on Banking Supervision.

2.1 Capital ratios

As compared with current CET1, the average CET1 capital ratio of Group 1 banks would have fallen from 11.4% to 10.8% (a reduction of 0.6 percentage points) when Basel III deductions and risk-weighted assets are fully taken into account. For Group 2 banks, the CET1 capital ratio of Group 2 banks declines from 12.0% under current rules to 11.8% as a result of the full implementation of Basel III (a reduction of 0.2 percentage points). 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),[15] and by increases in risk-weighted assets in particular in countries which had not implemented Basel III at the reporting date (denominator). Since all countries in the sample have already implemented Basel III as of end-June 2014 the overall change in RWA is very limited and mainly due to different national phase-in plans.

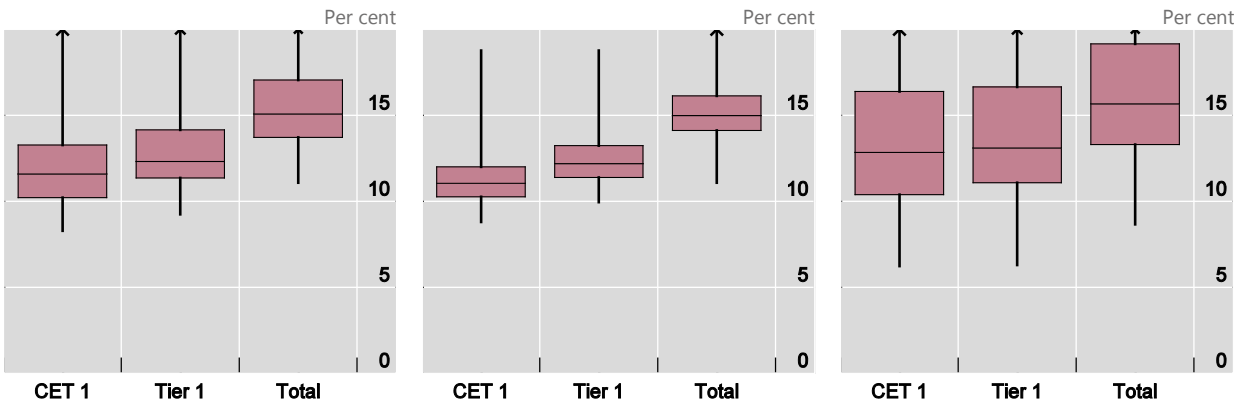
Tier 1 capital ratios of Group 1 banks would on average decline 1.0 percentage points from 12.2% to 11.2%, and total capital ratios of this same group would decline on average by 2.3 percentage

[15] See also Table A.12 and Table A.13.

points from 14.9% to 12.6%. Group 2 banks show somewhat more moderate declines in Tier 1 capital ratios (from 12.2% to 12.0%) and total capital ratios (from 15.2% to 13.7%). The stronger decline of total capital ratios is caused by the phase-out of Tier 2 instruments which will no longer be eligible in 2022.

Current CET1, Tier 1 and total capital ratios

Graph 1

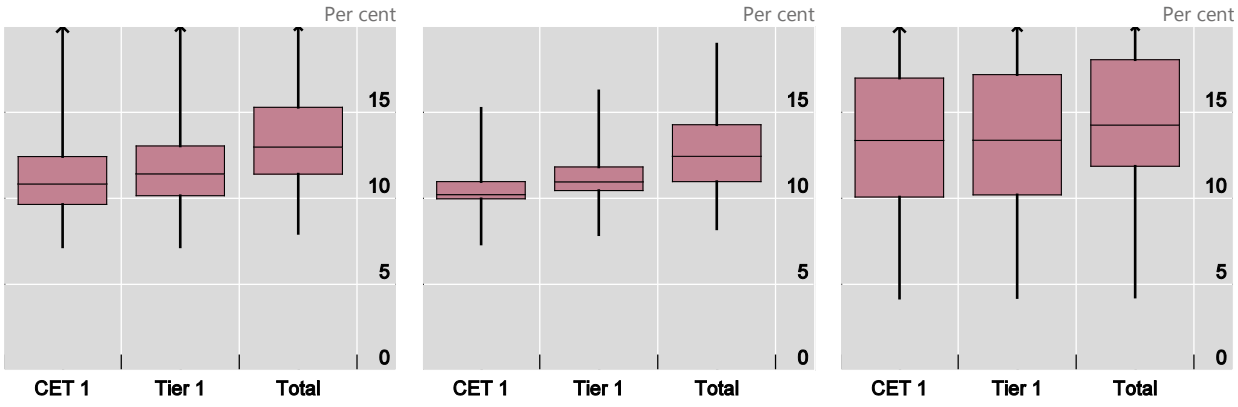


[1] The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the vertical lines generally show the range of the entire sample. In some cases, arrows at the top of the vertical line indicate banks with capital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

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

Fully phased-in Basel III CET1, Tier 1 and total capital ratios

Graph 2



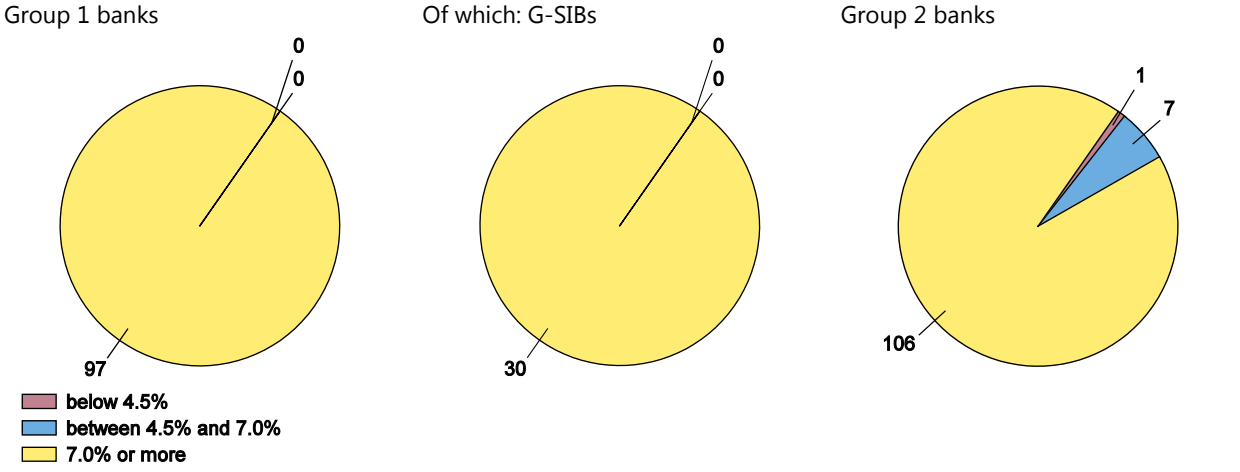
[1] The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the vertical lines generally show the range of the entire sample. In some cases, arrows at the top of the vertical line indicate banks with capital 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 97 banks in the Group 1 sample, all show a CET1 ratio under Basel III that is above both the 4.5% minimum capital requirement and the 7.0% target ratio (ie the minimum capital requirement plus the capital conservation buffer). Of the 114 banks in the Group 2 sample, 99% report a CET1 ratio equal to or higher than 4.5%; while 93% also achieve the target of 7.0%.

Distribution of fully phased-in Basel III CET1 ratios

Graph 3



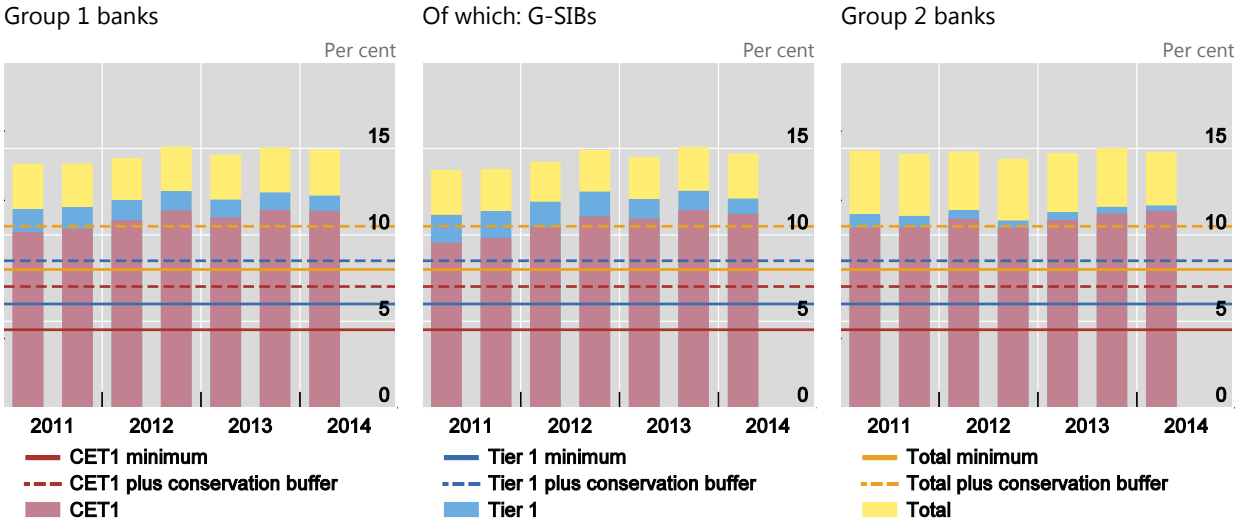
Source: Basel Committee on Banking Supervision.

Graph 4 below shows the average capital ratios under the current regime 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, end-June 2013, end-December 2013 and end-June 2014. Current capital ratios have not changed greatly.

Average current CET1, Tier 1 and total capital ratios

Consistent sample of banks

Graph 4



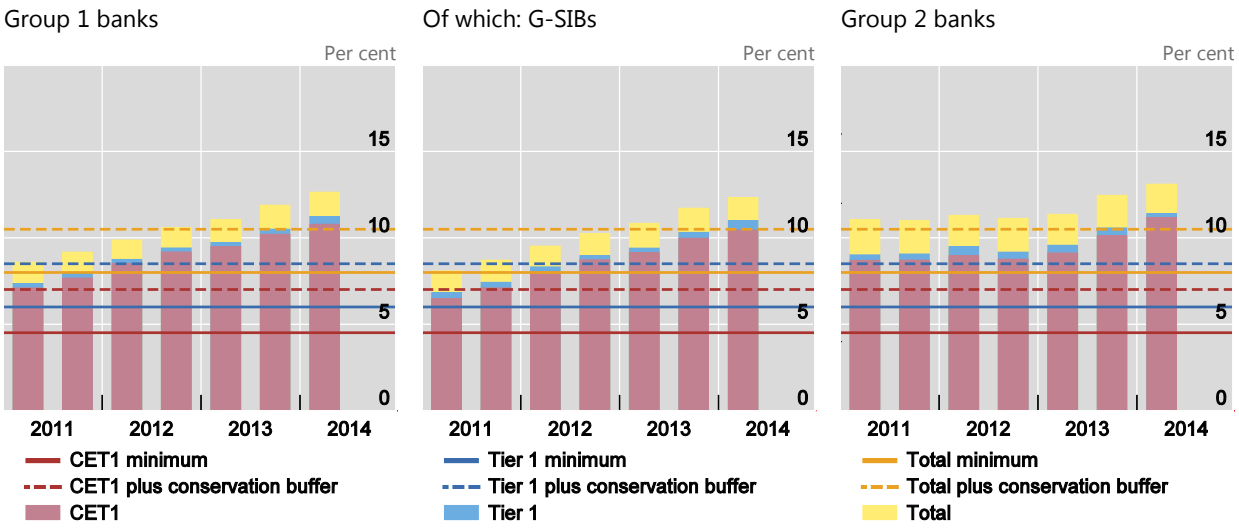
Source: Basel Committee on Banking Supervision. See also Table A.4.

After full implementation of Basel III (Graph 5), the CET1, Tier 1 and total capital ratios for this consistent sample of Group 1 banks improved by 0.6, 0.8, and 0.8 percentage points, respectively, over the previous six months. For Group 2 banks, the improvement in risk-based capital ratios over the reporting period was similar to Group 1 banks. The general improvement in Basel III capital ratios for both groups is due to Basel III-eligible capital added and, to a lesser extent, lower levels of deductions that reduce CET1, in spite of slightly higher overall risk-weighted assets.

Average fully phased-in 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

This section shows the capital shortfalls for the Group 1 and Group 2 bank samples assuming full implementation of the Basel III requirements based on data as of 30 June 2014 and disregarding transitional arrangements. The shortfalls presented are measured against different minimum capital ratio requirements (ie 4.5% CET1, 6.0% Tier 1 and 8.0% total capital) as well as against the target level, which includes the 2.5% capital conservation buffer and capital surcharges for 30 G-SIBs as applicable.

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 2014 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 requirements and deductions. Under these assumptions, there is no CET1 capital shortfall for Group 1 banks with respect to the 4.5% CET1 minimum requirement. 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 €0.1 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 2014, the Group 1 banks' shortfall is €3.9 billion and that of the Group 2 banks is €1.8 billion. Almost all of the 30 G-SIBs included in this Basel III monitoring exercise have already reached the CET1 target level plus the surcharge. As a point of reference, the aggregate sum of after-tax profits prior to distributions for the six-month period ending 30 June 2014 for Group 1 and Group 2 banks was €210.1 billion and €17 billion, respectively.

Group 1 banks would not need 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 €18.6 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 €0.3 billion and an additional €5.6 billion to meet these respective Tier 1 capital minimum and target ratio requirements.

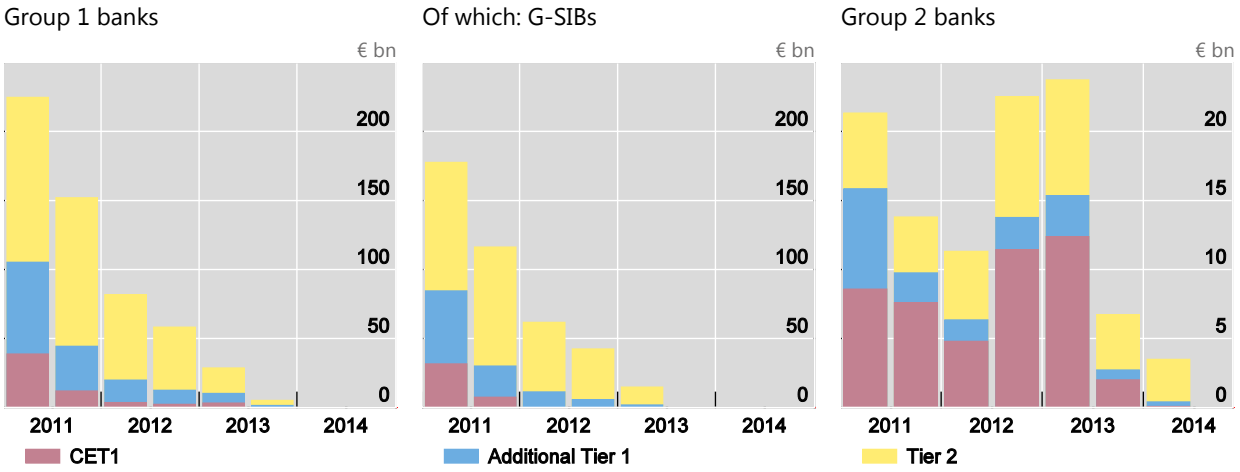
Group 1 banks would not need additional Tier 2 or higher-quality capital to meet the minimum total capital ratio requirement of 8.0% but require an additional €78.6 billion of Tier 2 or higher-quality capital to meet the total capital target ratio of 10.5% (ie the 8.0% Tier 1 minimum plus the 2.5% CET1 capital conservation buffer) plus the surcharges on G-SIBs as applicable. Group 2 banks would need an additional €3.1 billion of Tier 2 or higher-quality capital and an additional €5.6 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 that would serve to reduce the impact of capital shortfalls over time.

Compared with the December 2013 exercise, the aggregate CET1 shortfall with respect to the 4.5% minimum for Group 1 banks has fallen by €0.1 billion to zero due to the improvement at one bank in the sample.

Estimated capital shortfalls at the minimum level

Fully phased-in Basel III, sample and exchange rates as at the reporting dates — Graph 6



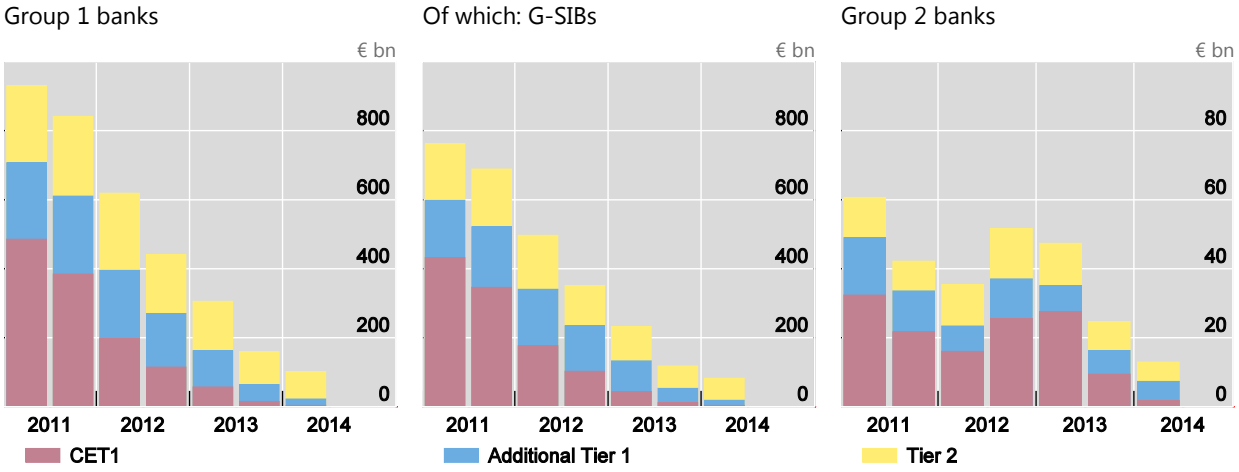
[1] The height of each bar shows the aggregated capital shortfall considering requirements for each tier (ie CET1, Tier 1 and total) of capital. The sample of banks is not consistent over the two-year period (Group 1 includes 101 banks in H1 2011 and H2 2011, 100 banks in H1 2012 and H2 2012, 101 banks in H1 2013 and in H2 2013, and 97 in H1 2014; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012, 119 in H1 2013, 114 in H2 2013 and 115 in H1 2014).

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

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, with the aggregate shortfall falling €11.2 billion or 74% over the six-month period ending 30 June 2014 (see Graph 7). Strong improvements in shortfalls were also observed among Group 2 banks, with the CET1 shortfall at the 7.0% target level down 81% since of end-December 2013.

Estimated capital shortfalls at the target level

Fully phased-in Basel III, 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, 101 banks in H1 2013 and H2 2013, and 97 in H1 2014; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012, 119 in H1 2013, 114 in H2 2013 and 115 in H1 2014).

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

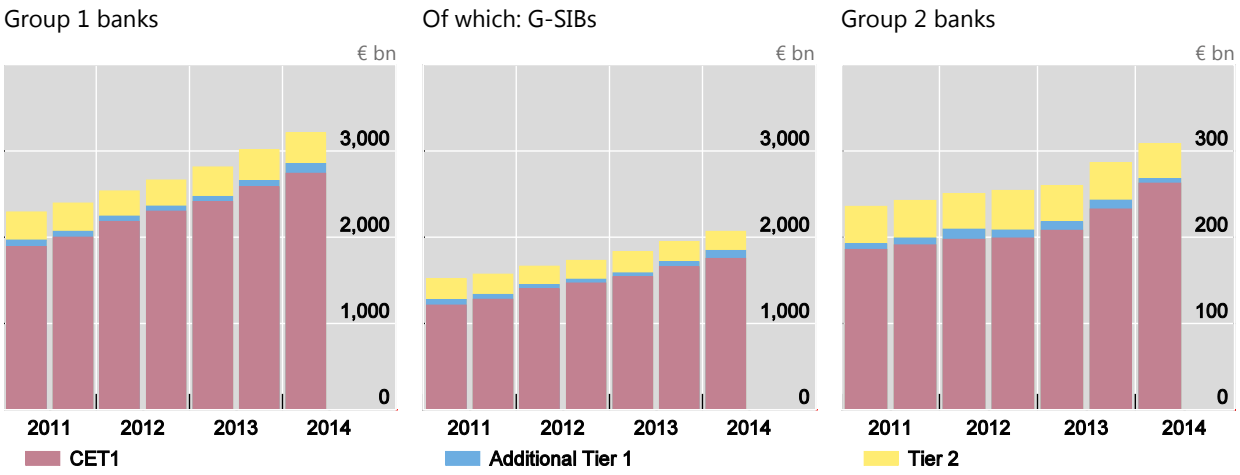
2.3 Level of capital

Graph 8 shows the development of the level of CET1 capital of banks in the consistent sample assuming full implementation of Basel III separately for Group 1 banks, Group 2 banks and G-SIBs. From end-December 2013 to end-June 2014, the level of Group 1 banks' CET1 has increased by €155 billion or 6.0% to €2,740 billion. Over 60% of this increase, or €95 billion, can be attributed to the G-SIBs in the sample, which collectively held €1,753 billion of capital at the end of December 2013. Group 2 banks' CET1 has increased by €30 billion or 12.9% to €263 billion.

Since end-December 2010, Group 1 banks have increased their CET1 capital by 44.9%. The overall increase for the G-SIBs included in this sample is somewhat lower at 44.5%, while the CET1 of the consistent sample of Group 2 banks has increased by 41.4%.

Level of capital after full implementation of Basel III

Consistent sample of banks, exchange rates as of 30 June 2014[1] Graph 8



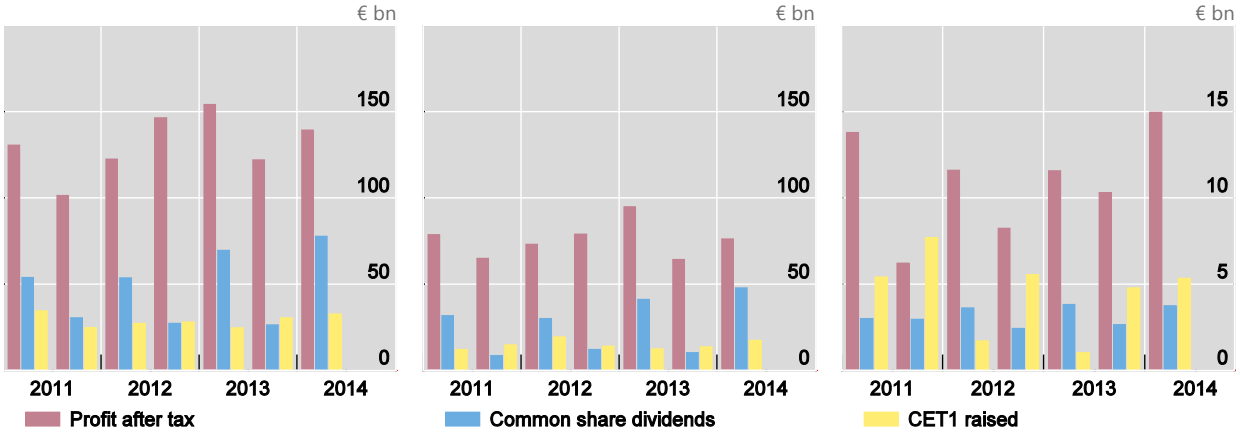
[1] Group 1 includes 92 banks, G-SIB includes 30 banks and Group 2 includes 93 banks.

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

The CET1 capital raised by the consistent sample of Group 1 banks (see Graph 9) varied between €34.6 billion in the first half of 2011 and €24.7 billion in the first half of 2013. Of these amounts, between 35% and 51% were raised by the G-SIBs in the sample. For the consistent sample of Group 2 banks, capital raised was also lowest in the first half of 2013 at €1 billion, while the largest amount raised per semester was €7.7 billion in the second half of 2011.

Profits, dividends and CET1 capital raised

Consistent sample of banks,[1] exchange rates as of 30 June 2014 Graph 9



[1] Group 1 includes 91 banks, G-SIB includes 29 banks and Group 2 includes 92 banks.

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

In the first half of 2014 the full sample of Group 1 banks raised €33 billion of CET1 capital (see Table 2). Slightly more than half of this amount was raised by 23 of the 29 G-SIBs[16] within the sample. Group 2 banks collectively raised €11.3 billion of CET1 capital during the reporting period.

Capital raised during H1 2014

Full sample of banks, gross amounts, in billions of euros — Table 2

	Number of banks	Number of banks that raised capital	CET1	Additional Tier 1	Tier 2
Group 1	96	62	33.0	40.2	44.8
of which: G-SIBs	29	23	17.5	28.0	16.3
Group 2	116	40	11.3	1.4	2.6

Source: Basel Committee on Banking Supervision.

2.4 Composition of capital

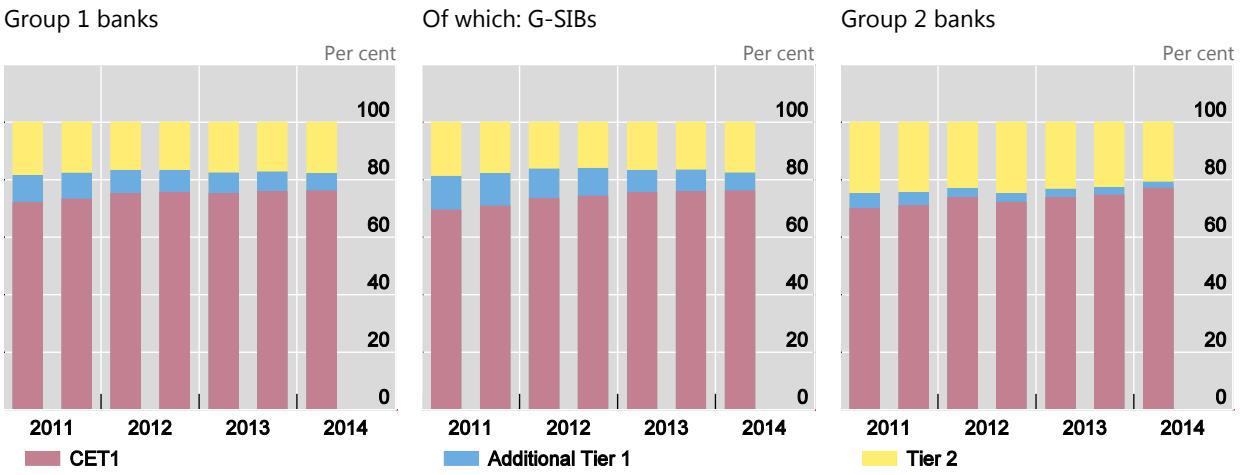
The graphs below show the composition of total capital for Group 1 and Group 2 banks under the current national regime (Graph 10) and after full implementation of Basel III (Graph 11).

For Group 1 banks, the share of Basel III CET1 to total capital is 85.3%. Additional Tier 1 and Tier 2 capital amount to 3.6% and 11.1% of the total capital of Group 1 banks, respectively. Of the Group 1 bank sample, 46% hold Basel III CET1 representing 90% or more of Basel III total capital. In the Group 2 sample, banks hold a similar share of CET1 at 85.2% with shares of additional Tier 1 capital and Tier 2 capital amounting to 1.7 and 13.1, respectively. Under the current national regime, the share of CET1 to total capital is lower at 76.1% for Group 1 banks and at 77.0% for Group 2 banks, with correspondingly higher shares of additional Tier 1 and Tier 2 capital.

[16] One G-SIB in the sample did not provide data on capital raised during H1 2014 and is therefore not included in this analysis.

Structure of regulatory capital under the current national regime[1]

Consistent sample of banks — Graph 10

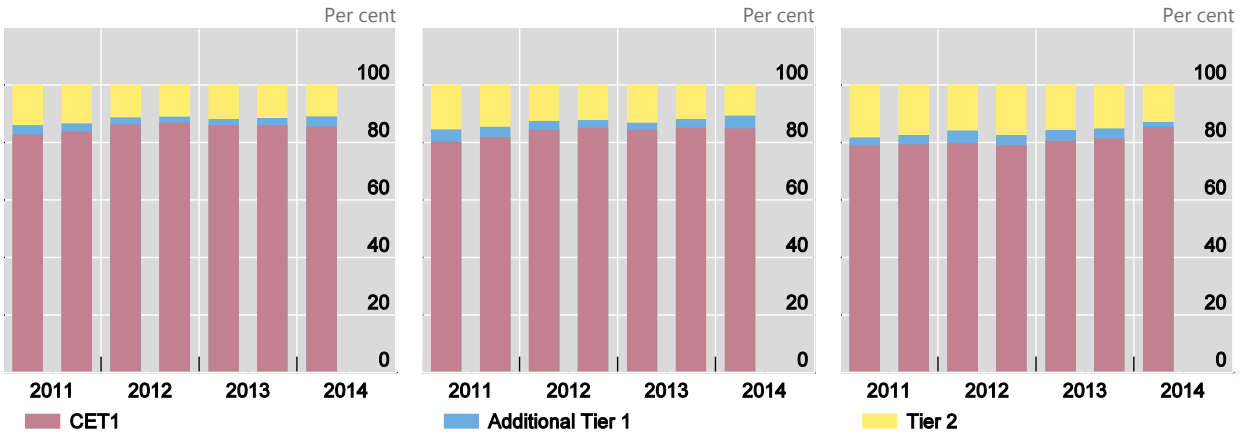


[1] Any remainder represents Tier 3 capital.

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

Structure of regulatory capital under fully phased-in 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, retained earnings (54.4% for Group 1 banks and 44.8% for Group 2 banks) and paid-in capital (41.6% for Group 1 banks and 40.7% for Group 2 banks) comprise 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 contributes only 3.2% of gross CET1 on average for Group 1 banks and 11.9% for Group 2 banks. Meanwhile, total minority interest given recognition in CET1 contributes only a respective 0.8% and 2.6% to the outstanding CET1 balances of Group 1 and Group 2 banks.

2.5 Leverage ratio

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

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

Following publication of the January 2014 *Basel III leverage ratio framework,*[17] the leverage ratio exposure measure in the denominator of the leverage ratio includes:

- on-balance sheet assets, excluding securities financing transactions and derivatives;
- securities financing transaction exposures with limited recognition of netting of cash receivables and cash payables with the same counterparty under strict criteria;
- derivatives exposures at replacement cost (net of cash variation margin meeting a set of strict criteria) plus an add-on for potential future exposure based on the current exposure method;
- written credit derivative exposures at their effective notional amount (net of negative changes in fair value that have been incorporated into the caluclation of Tier 1 capital) reduced by the effective notional amount of purchased credit derivatives that meet offsetting criteria related to reference name, level of seniority and maturity;
- off-balance sheet exposures, obtained by multiplying notional amounts by the credit conversion factors in the standardised approach to credit risk, subject to a floor of 10%; and
- other exposures as specified in the Basel III leverage ratio framework.

Total exposures of the 97 Group 1 banks and the 115 Group 2 banks in the sample were €68.4 trillion. Graph 12 presents summary statistics related to the distribution of 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 ratios would be 5.0% for Group 1 banks and for G-SIBs 4.9%, while it would amount to 5.6% for Group 2 banks. The average Basel III Tier 1 leverage ratios are 4.7% for Group 1 banks and 4.5% for G-SIBs, while for Group 2 banks the average is 5.6%.

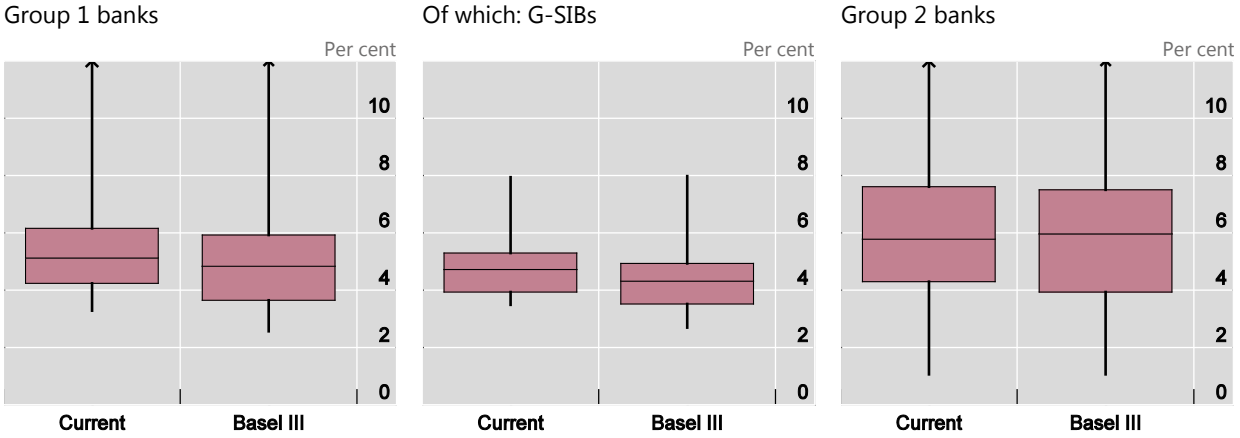
The analysis shows that Group 2 banks, while showing a greater dispersion as can be seen in Graph 12, are generally less leveraged than Group 1 banks, and this difference increases when the Basel III requirements are fully phased in.

Under the current Tier 1 leverage ratio, nine banks in the sample would not meet the 3% Tier 1 leverage ratio level, all of them being Group 2 banks. Under the Basel III Tier 1 leverage ratio, 17 banks in the sample would not meet the 3% Tier 1 leverage ratio level, including seven Group 1 banks and 10 Group 2 banks.

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

Current Tier 1 and fully phased-in Basel III Tier 1 leverage ratios[1]

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. Banks with Basel III leverage ratios above 12% are included in the calculation but are not shown in the graph.

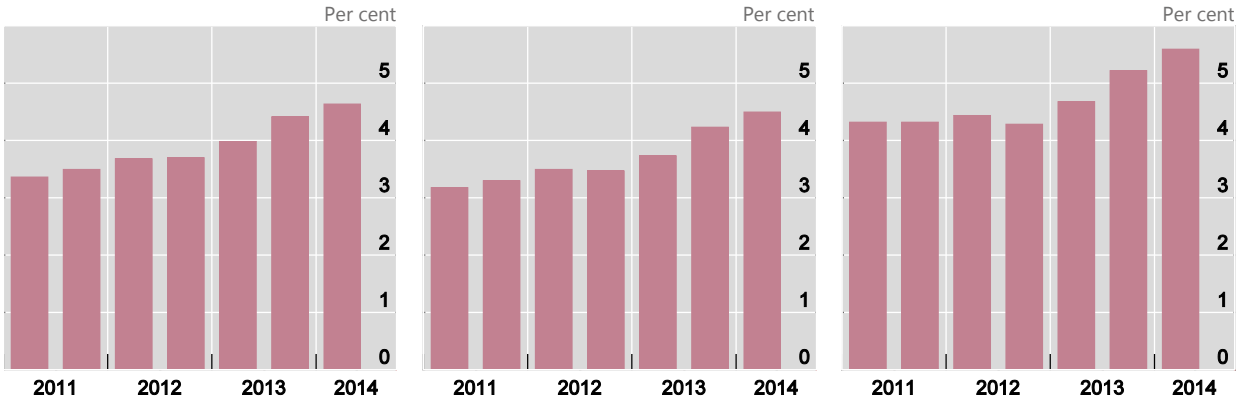
Source: Basel Committee on Banking Supervision. See also Table A.15.

Graph 13 shows how the leverage ratios under Basel III definitions of capital have evolved over time for a consistent sample of 92 Group 1 and 92 Group 2 banks, as well as for G-SIBs, which provided leverage ratio data for all reporting dates from June 2011 to June 2014.

Fully phased-in Basel III Tier 1 leverage ratios[1]

Consistent sample of banks

Graph 13



[1] Note that the data points for H1 2013 use an approximation for the final definition of the Basel III leverage ratio exposure where gross instead of adjusted gross securities financing transaction values are used.

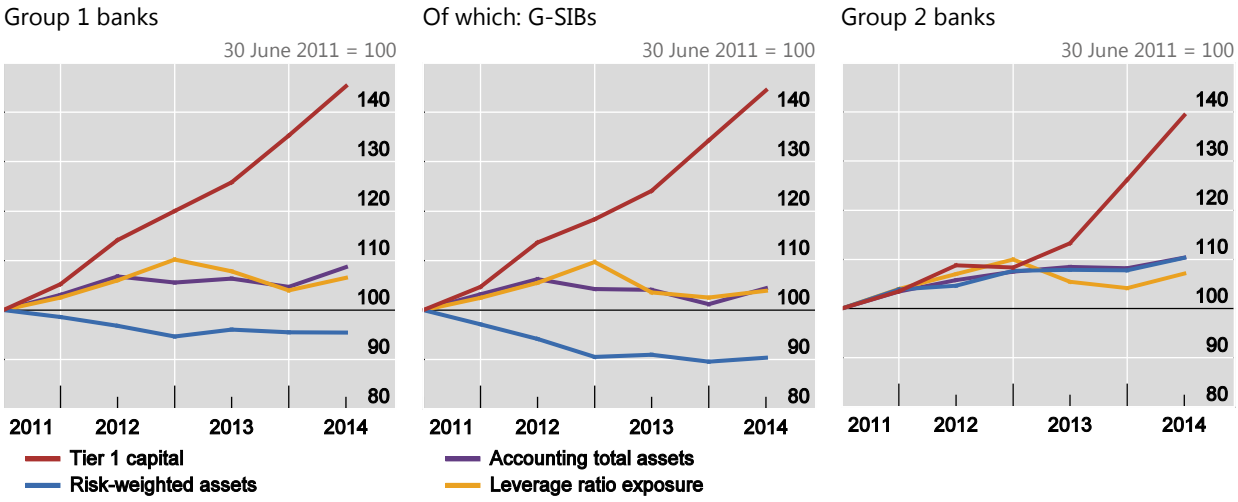
Source: Basel Committee on Banking Supervision. See also Table A.16.

Graph 14 shows the evolution of the components of the capital ratios over time for a consistent sample of banks, ie banks that have consistently been providing the four data series for the period June 2011 to June 2014. The four components are Basel III Tier 1 capital, risk-weighted assets and the leverage ratio exposure measure, all assuming full implementation of Basel III, as well as accounting total assets. For Group 1 banks, capital steadily increased over the period, whereas leverage ratio exposures, which had followed a similar pattern until end-2012, decreased during 2013 and then increased somewhat during the first half of 2014. Nevertheless, since June 2012, changes in leverage ratio exposure, accounting total assets, and risk-weighted assets have been relatively modest. For Group 2

banks these three time series track more closely. Group 2 banks also report significant increases in Basel III Tier 1 capital over the last two reporting periods.

Tier 1 capital, risk-weighted assets, leverage ratio exposure and accounting total assets[1]

Consistent sample of banks, exchange rates as of 30 June 2014 — Graph 14



[1] Tier 1 capital, risk-weighted assets and leverage ratio exposure assume full implementation of Basel III. Note that the data points for H1 2013 use an approximation for the final definition of the Basel III leverage ratio exposure where gross instead of adjusted gross securities financing transaction values are used.

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

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

Table 3 below shows the migration of banks from *bounded* to *non-bounded* after Tier 1 capital raising to meet the target Tier 1 risk-based capital ratio.[18] It shows in particular that 6.6% of the banks in the sample do not meet the minimum Basel III leverage ratio of 3%, even after Tier 1 capital raising to meet the target risk-based Tier 1 capital requirements.

Share of banks meeting the Basel III leverage ratio before and after capital raising to meet the risk-based target Tier 1 ratio

Full sample of banks, in per cent — Table 3

		Target Tier 1 ratio binding (<8.5% + GSIB surcharge)?			
		Yes	No	Total	Total after capital raising to meet **target** Tier 1 ratio
Leverage ratio binding (<3%)?	Yes	2.4	5.7	8.1	6.6
	No	6.6	85.3	91.9	93.4
	Total	9.0	91.0	100.0	100.0

Source: Basel Committee on Banking Supervision.

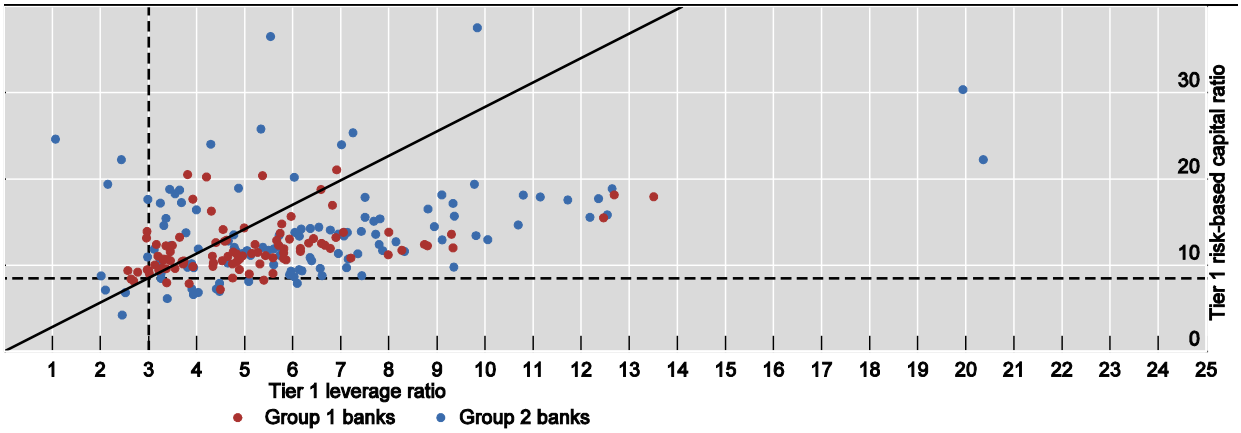
[18] That is, a Tier 1 minimum capital ratio of 6% plus a capital conservation buffer of 2.5% plus, where applicable, any G-SIB capital surcharges.

Graph 15 below shows the interaction between the Basel III Tier 1 leverage ratios (horizontal axis) and the Tier 1 risk-weighted capital ratios (vertical axis). Ratios of Group 1 banks are marked with red dots and those of Group 2 banks with blue dots. The dashed horizontal line represents a Tier 1 target capital ratio of 8.5%,[19] whereas the dashed vertical line represents a Basel III Tier 1 leverage ratio of 3%.

The diagonal line represents points where an 8.5% Tier 1 target capital ratio results in the same amount of required Tier 1 capital as a Basel III leverage ratio of 3%. By construction, it also represents a proportion of 8.5%/3%≈2.83 between risk-weighted assets and the Basel III leverage ratio exposure. Therefore, for banks plotted above the diagonal line, the leverage ratio requires more Tier 1 capital than the Tier 1 capital ratio (ie the Basel III leverage ratio becomes the constraining requirement).[20] For banks plotted below the diagonal line, the target Tier 1 capital ratio requires more capital than the leverage ratio (ie the Tier 1 capital ratio remains the constraining requirement).

Fully phased-in Basel III Tier 1 risk-based capital and leverage ratios

Consistent sample of banks, in per cent[1] Graph 15



[1] Banks with a risk-based Tier 1 capital ratio of more than 40% have been excluded from the graph.

Source: Basel Committee on Banking Supervision.

As shown in Graph 15, 17 banks, including seven Group 1 banks and 10 Group 2 banks, do not meet the minimum Basel III leverage ratio of 3% (ie they are plotted left of the vertical dashed line). Note also that the fraction of banks that do not meet the Tier 1 leverage ratio is relatively lower (7.2%) in Group 1 than in Group 2 (8.7%).

Among the 17 banks that do not meet the Basel III leverage ratio minimum requirement of 3%, five banks including two Group 1 banks and three Group 2 banks also do not meet the Basel III Tier 1 target capital ratio of 8.5% (hence they are plotted in the southwest quadrant of Graph 15).

This graph also shows that the Basel III leverage ratio is constraining for 62 banks, including 33 Group 1 and 29 Group 2 banks – ie they are plotted above the diagonal line. Of these 62 banks, seven Group 1 banks and eight Group 2 banks also do not meet the minimum leverage ratio of 3% (hence they are plotted left of the vertical dashed line and above the diagonal line).

[19] Consisting of a 6.0% Tier 1 minimum capital ratio plus 2.5% capital conservation buffer.

[20] Note that the effect of the G-SIB surcharge is not taken into account. As the G-SIB surcharges only apply to the risk-based requirement, the relevant proportion between risk-weighted assets and total leverage ratio exposure that determines whether the Basel III leverage ratio is constraining or not may vary on a bank by bank basis.

2.7 Combined shortfall amounts

Graph 16 below shows a breakdown of risk-based capital shortfalls and combined risk-based and Basel III leverage ratio capital shortfalls for Group 1 banks, Group 2 banks and G-SIBs. Each box contains four bars. The first left-hand bar in each of the boxes (labelled with "Minimum") shows the capital shortfall arising from a Tier 1 risk-based minimum capital requirement of 6% and a total risk-based minimum capital requirement of 8%, whereas the second left-hand bar (also labelled with "Minimum") shows the *combined* capital shortfall with respect to the Tier 1 minimum capital ratio of 6%, a total risk-based minimum capital ratio of 8% and the leverage ratio requirement of 3%. Similarly, the first right-hand bar (labelled with "Target") shows the capital shortfall compared with the target total capital ratio (8.5% of Tier 1 and 10.5% of total capital plus, where applicable, the G-SIB surcharges), whereas the second right-hand bar shows the combined shortfall arising from the target capital ratios and the Tier 1 leverage ratio of 3%.

As the Basel III leverage ratio is based on the Tier 1 capital measure, the CET1 capital shortfall at the target level of €3.9 billion for Group 1 banks, all of which is attributable to G-SIBs, and €1.8 billion for Group 2 banks is driven purely by the risk-based capital requirements (the red bars do not change when introducing the leverage ratio requirement).

However, the Basel III leverage ratio causes an increase in the additional Tier 1 capital shortfall, both at the minimum and target levels. At the target level, the shortfall triggered by the leverage ratio is smaller (ie the gap between the light blue bar and the dark blue bar narrows down moving from the "Minimum" to the "Target" calculations). This is a natural outcome since banks can use the additional capital raised to meet the capital conservation buffer and G-SIB surcharges to also meet the leverage ratio requirement. Hence, any additional capital buffer requirement (eg a countercyclical capital buffer) would further reduce the additional capital shortfall caused by the leverage ratio. At the Tier 1 target level, the leverage ratio raises the additional Tier 1 capital shortfall by €3.1 billion (from €18.6 billion to €21.7 billion) for Group 1 banks, by €0.7 billion (from €14.3 billion to €15.0 billion) for G-SIBs, and by €3.0 billion (from €5.6 billion to €8.6 billion) for Group 2 banks. In particular, the additional shortfall for G-SIBs due to the Basel III leverage ratio requirement of 3% decreased significantly by 96.5% compared to the previous period.

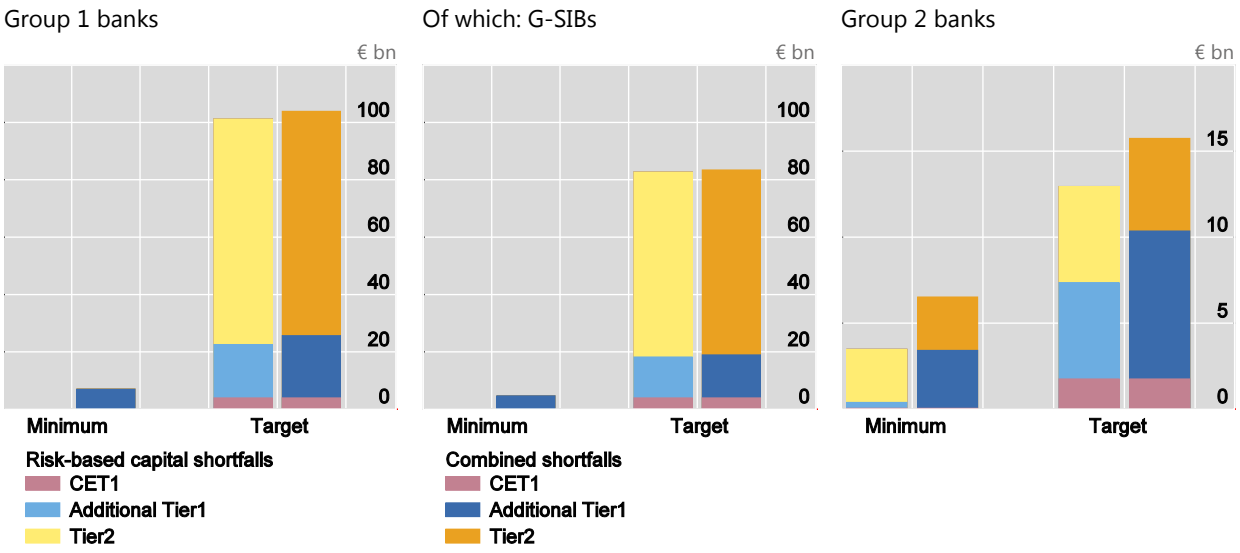
If the Basel III leverage ratio is included in the calculation, Tier 2 capital shortfalls are lower (ie the orange bars are smaller than the yellow bars) by an amount of €0.3 billion for Group 1 banks and €0.2 billion for Group 2 banks. This is explained by the fact that banks can also use the additional Tier 1 capital raised to meet the leverage ratio requirement in case there is a shortfall to meet the total risk-based capital ratio.

Overall, the inclusion of applicable Basel III leverage ratio shortfalls increases the total capital shortfall for Group 1 banks by €7.1 billion considering all capital ratio minimums and by almost €2.7 billion (from €101.2 billion to €103.9 billion) at the target level. Nearly a quarter of this €2.7 billion increase is attributable to G-SIBs within the Group 1 sample (up €0.7 billion from €82.7 billion to €83.4 billion). With regard to Group 2 banks, the inclusion of applicable leverage ratio shortfalls raises total capital shortfalls at the target level by almost €2.9 billion (from €12.9 billion to €15.8 billion).

Risk-based capital shortfalls and combined risk-based and leverage ratio capital shortfalls

Fully phased-in Basel III

Graph 16



Source: Basel Committee on Banking Supervision. See also Table 1.

3. Liquidity

3.1 Liquidity Coverage Ratio

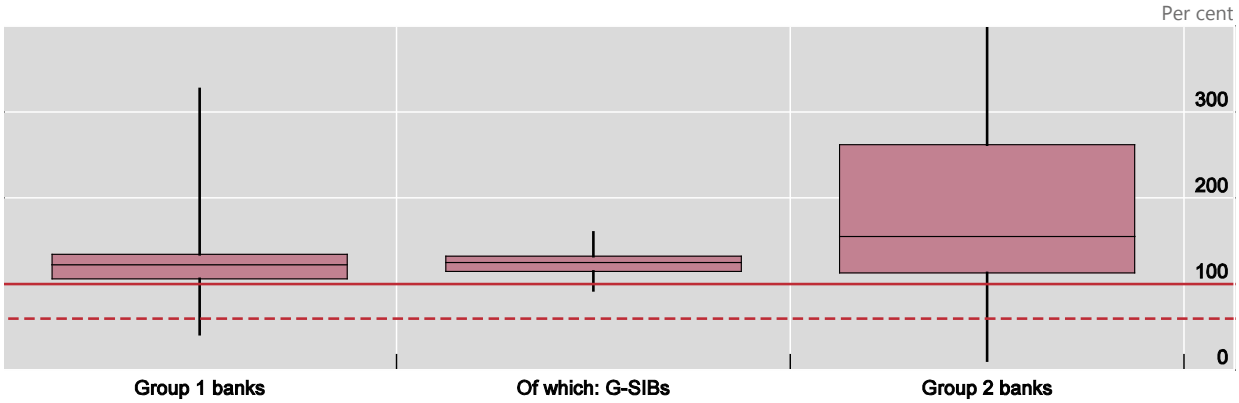
One of the two liquidity standards introduced by the Committee is the 30-day Liquidity Coverage Ratio (LCR) which is intended to promote short-term resilience against potential liquidity disruptions. The LCR has been designed to require global banks to have sufficient high-quality liquid assets to withstand 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 comprises 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 2013 and came into effect on 1 January 2015. The minimum requirement is initially set at 60% in 2015 and will then rise in equal annual steps of 10 percentage points to reach 100% in 2019.

94 Group 1 and 116 Group 2 banks provided sufficient data in the 30 June 2014 Basel III monitoring exercise to calculate the LCR according to the revised standard. The average LCR was 121% for Group 1 banks and 140% for Group 2 banks, which compare to average LCRs of 119% and 132% for Group 1 banks and Group 2 banks, respectively, as of end-December 2013.

The aggregate numbers under the revised LCR standard do not speak to the range of results across participating banks. Graph 17 below gives an indication of the distribution of bank results. Some 80% of all banks in the Basel III monitoring sample already meet or exceed the final LCR minimum requirement of 100%, while 96% have LCRs that are at or above the initial 60% minimum requirement. These results compare to 76% and 92% of all banks meeting the 100% and 60% minimum requirements, respectively, as of end-December 2013.

Liquidity Coverage Ratio[1] Graph 17



[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.18.

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 €305 billion (which represents approximately 0.5% of the €58.6 trillion total assets of the aggregate sample) as of end-June 2014. This compares to a shortfall of €353 billion as of end-December 2013. This number is reflective only 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 €155 billion (less than 0.3% of banks' assets) as of end-June 2014, compared with €158 billion as of end-December 2013.

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 with 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.

LCR outflows and inflows (post-factor) as a percentage of balance sheet liabilities[1]

Table 4

Category	Group 1	Group 2
Outflows to…		
Unsecured retail and small business customers	2.2	2.0
Unsecured non-financial corporates	4.1	1.6
Unsecured sovereign, central bank, public sector entities (PSEs) and multilateral development banks (MDBs)	0.8	0.7
Unsecured financial institutions and other legal entities	5.3	2.9
Other unsecured wholesale funding incl. unsecured debt issuance	1.2	0.7
Secured funding and collateral swaps	1.8	0.2
Collateral, securitisations and own debt	0.7	0.3
Credit and liquidity facilities	1.8	0.6
Other contractual and contingent cash outflows including derivative payables	2.6	1.6
Total outflows[2]	20.2	10.5
Inflows from…		
Financial institutions	2.1	1.9
Retail and small business customers, non-financial corporates, central banks and other entities	1.4	1.0
Secured lending and collateral swaps	1.9	0.2
Other cash inflows including derivative receivables	0.9	0.7
Total inflows[2,3]	6.3	3.6

[1] Uses balance sheet component information reported on the net stable funding ratio worksheet. [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

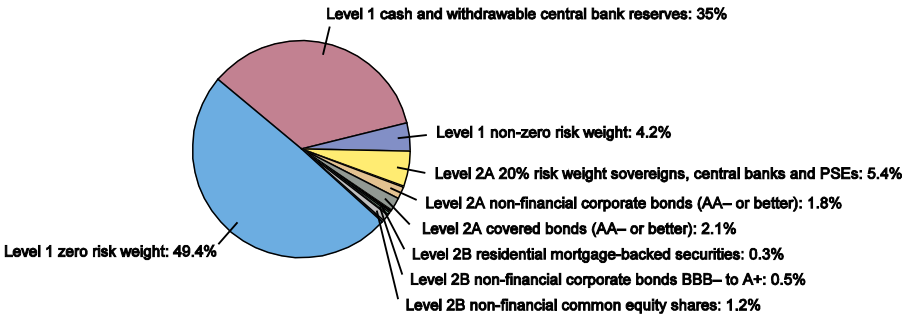
As at end-June 2014, one Group 1 and 26 Group 2 banks reported inflows that exceeded the 75% cap. Of the 26 Group 2 banks, four fail to meet an LCR minimum requirement of 100%, so the cap is binding on them at that required minimum level.

Composition of high-quality liquid assets

The composition of high-quality liquid assets (measured after application of the LCR haircuts) currently held at banks is depicted in Graph 18. The majority of Group 1 and Group 2 banks' holdings, in aggregate, are comprised of Level 1 assets (almost 90%); however, the sample as a 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 public sector entities, and cash and central bank reserves comprise the most significant portions of the qualifying pool. By comparison, within the Level 2A asset class, the majority of holdings comprise 20% risk-weighted securities issued or guaranteed by sovereigns, central banks or public sector entities. 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 18



Source: Basel Committee on Banking Supervision.

Caps on Level 2B and Level 2 assets

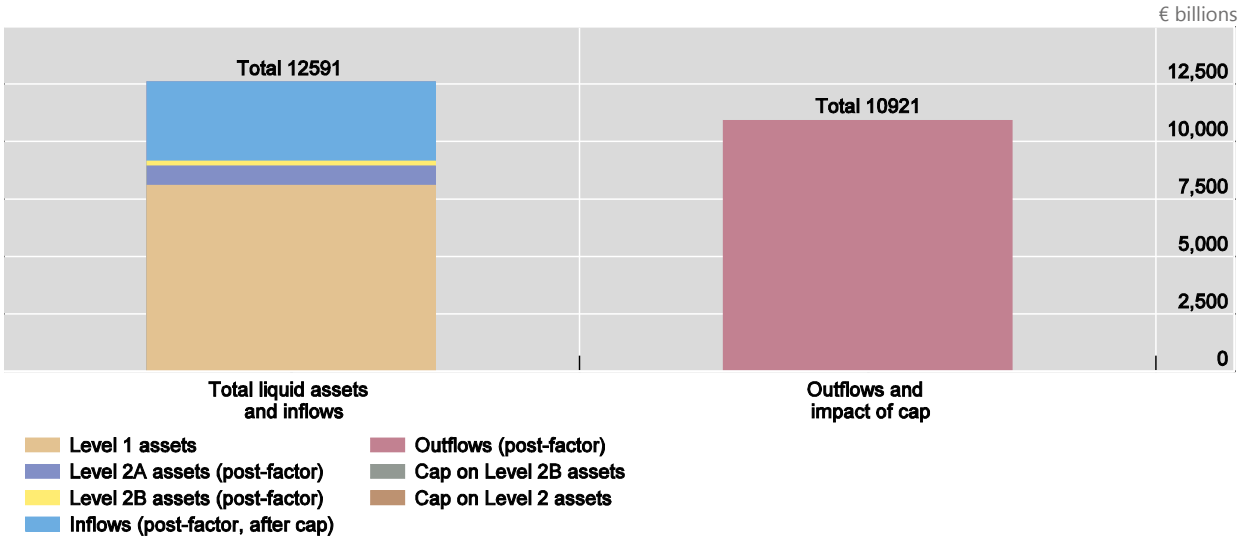
€2.2 billion of Level 2 assets are excluded from high-quality liquid assets due to the 15% Level 2B cap and the 40% overall Level 2 cap. In total, 12 banks are constrained, of which three banks are constrained only by the Level 2B cap and nine banks are constrained only by the Level 2 cap. No banks are constrained by both caps. Of the 12 total banks that are constrained, three fail to meet an LCR minimum requirement of 100%.

Comparison of liquid assets and inflows to outflows and caps

Graph 19 combines the above LCR components by comparing liquidity resources (pool of high-quality liquid assets and inflows) to outflows. Note that the €1,670 billion gross surplus shown in the graph differs from the €305 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 19



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

3.2 Net Stable Funding Ratio

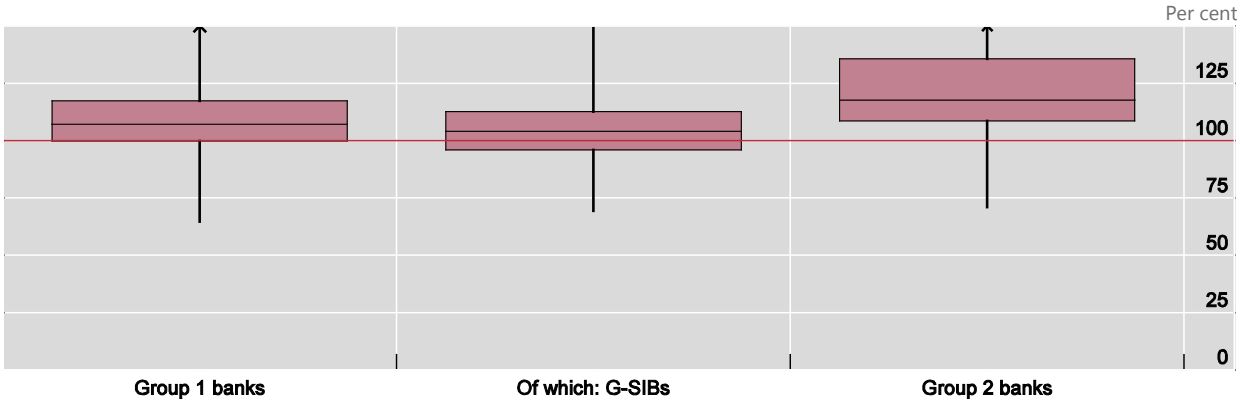
The second liquidity standard introduced by the Basel III reforms is the Net Stable Funding Ratio (NSFR), a longer-term structural ratio to address liquidity mismatches and provide incentives for banks to use stable sources to fund their activities.

94 Group 1 and 118 Group 2 banks provided sufficient data in the June 2014 Basel III monitoring exercise to calculate the revised NSFR according to the consultative document issued by the Committee in January 2014. Some 74% of Group 1 banks and 85% of Group 2 banks already meet or exceed the 100% minimum NSFR requirement, with 92% of Group 1 banks and 92% of Group 2 banks at an NSFR of 90% or higher as of end-June 2014. This compares to 72% of Group 1 banks and 83% of Group 2 banks which met or exceeded the 100% minimum standard as of end-December 2013.

The weighted average NSFR for the sample of Group 1 banks was 110%. For Group 2 banks, the average NSFR was 114%. This compares to a weighted average NSFR of 111% for Group 1 banks and 112% for Group 2 banks as of end-December 2013. Graph 20 shows the distribution of results for Group 1 and Group 2 banks; the red line indicates the 100% minimum requirement, the black horizontal lines inside the boxes indicate the median for the respective bank group.

Net stable funding ratio[1]

Graph 20



[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. Banks with an NSFR of above 150% are included in the calculation but are not shown in the graph.

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

Banks in the sample had a shortfall of stable funding[21] of €640 billion at end-June 2014. By comparison, the aggregate shortfall at end-December 2013 was €789 billion. This number is reflective only of the aggregate shortfall for banks that are below the 100% NSFR requirement and does not reflect any surplus stable funding at banks above the 100% requirement. Banks that are below the 100% required minimum have until 2018 to meet the standard.

[21] The shortfall in stable funding measures the difference between balance sheet positions after the application of available stable funding factors and the application of required stable funding factors for banks where the former is less than the latter.

Analysis of the QIS for the fundamental review of the trading book

This section presents a first assessment on the capital impact and dynamics brought about by the second consultative document on the proposed *Fundamental review of the trading book* ("CP2").[1] The report compares the proposed reforms with the current market risk capital framework of the Basel Committee.[2]

Information considered for this report was obtained by voluntary and confidential data submissions from individual banks to their national supervisors. The report is based on data as of a reporting date of 29 August 2014 for most participating banks.[3] Overall, 67 banks from 19 countries participated in this trading book QIS, comprising 56 Group 1 and 11 Group 2 banks.

The main objective of the trading book QIS is to provide an understanding of the capital impact and implementation dynamics associated with the main areas of focus set out in CP2:

(i) The revised boundary between the banking book and the trading book;

(ii) The revised internal models-based approach, including a new incremental default risk capital charge and capitalisation of non-modellable risk factors;

(iii) The revised standardised approach, which encompasses a proposed standardised capital treatment of securitisation exposures in the trading book; and

(iv) A closer calibration and linkage between the capital charges under the revised internal models-based and standardised approaches.

The revised boundary

To test the capital impact of the revised boundary, a supervisor-defined test portfolio comprising a subset of equity, corporate, sovereign and securitisation exposures was developed for this QIS. The main finding is that moving from the current to the revised boundary results in an overall increase in aggregate capital charges by an average of 3% under the current standardised and internal models-based regimes.

1 Basel Committee on Banking Supervision, *Fundamental review of the trading book: A revised market risk framework*, consultative document, October 2013, www.bis.org/publ/bcbs265.htm.

2 Basel Committee on Banking Supervision, *Revisions to the Basel II market risk framework*, July 2009, www.bis.org/publ/bcbs158.htm; Basel Committee on Banking Supervision, *Guidelines for computing capital for incremental risk in the trading book*, July 2009, www.bis.org/publ/bcbs159.htm.

3 Three banks used 30 June 2014 as the reporting date. One bank used the reporting date of 2 September 2014 for non-US dollar securitisations and the reporting date of 29 August 2014 for cash securities in the test portfolios, respectively.

Additionally, the general conclusion that can be drawn from the results is that the capital impact of the revised trading book capital requirement on banks' current trading books is likely to be larger than the impact of the revised boundary. A definitive quantitative estimate of capital impact cannot be concluded from these results for several reasons:

- The wide dispersion of results, driven by outliers that could not be explained nor justifiably excluded;
- Assumptions made by banks' that deviations from the presumptive list of trading book instruments (ie a key feature of the revised boundary) would either be approved by supervisory authorities, or had no material impact on regulatory capital.[4]
- Importantly, the presumptive list and other key features of the revised boundary rely on restrictions and/or conditions to be enforced by supervisors which are difficult to capture in a point-in-time quantitative assessment.

The revised internal models-based approach

The results from this QIS provided some useful information on the calibration of the revised internally-modelled capital charges which have been proposed:

- For all of the asset classes excluding interest rate, 25% of desks reported a capital charge based on the proposed expected shortfall measure under stressed market conditions to be smaller than their capital charge under current market conditions, the stress period selection being made at the trading book level and not desk by desk.[5] These results appear to be driven mainly by the relative importance of the interest rate asset class in banks' portfolios and its resulting influence on their stressed period selection;
- The average level of diversification benefit banks are able to achieve by calculating the ES on the overall trading book is 24%;[6]
- The incremental default risk capital charge was observed to be more than 50% the sum of capital charges under the other components of the internal models framework;[7]
- Banks generally identified less than 20 non-modellable risk factors across their bank-wide trading portfolio and the total capital requirement for non-modellable risk was found to be at a credible percentage of the overall market risk capital requirement; and
- Based on a comparison between the number of trading desks and total expected shortfall per reporting bank, no strong statistical relationship between the number of desks and the value of

[4] 46% of respondents to qualitative questions in the QIS indicated that the revised boundary had no impact on the net inflow or outflow of total assets in relation to their trading book.

[5] The revised internal models-based approach proposed in CP2 featured a single expected shortfall calculation that is calibrated to a period of significant financial stress, whereby the stressed period is to be determined based on the bank's current portfolio composition.

[6] This conclusion is based on calculations made during the analysis of the difference in capital charges calculated under the bank-wide global expected shortfall model (where diversification benefit across asset classes would be permitted) and the sum of individual asset class expected shortfalls (where diversification benefit is only recognised within, but not across, asset classes).

[7] The aggregate internal models-based capital charges under CP2 comprise the sum of the bank-wide expected shortfall measure, the incremental default risk measure and the measure for non-modellable risk factors.

the bank-wide expected shortfall measure could be found, suggesting that for a majority of banks net risk tends to be clustered among a small number of trading desks.[8]

Aside from the revised internally-modelled capital charges, the impact of the two proposed tools for model validation was assessed. The proposed frameworks for backtesting and profit and loss attribution (P and L attribution) serve to provide objective quantitative thresholds that banks would have to meet in order to retain internal model eligibility. The results reveal an initial range of realistic thresholds that could be set, although further refinement based on better data may be required.

The revised standardised approach

Only a small number of banks were able to provide data that could be used for analysing the capital impact of the revised standardised approach compared to the current standardised approach. This is due to extreme variation in the reported data and incomplete submissions (in particular on the risk treatment for options). As such, precise quantitative estimates on the impact cannot be determined from this QIS.

- On a bank-wide level, for both current and revised trading book boundaries, the capital impact due to a change from the current standardised approach to the revised standardised approach resulted in an increase in market risk capital requirements.
- On an asset-class level, for both current and revised trading book boundaries, the change from the current standardised approach to the revised standardised approach resulted in an increase in market risk capital requirements for general interest rate risk, equity risk, credit spread risk, default risk and FX risk. On the other hand, the market risk capital requirements decreased for commodity risk.

Comparison between the revised standardised and internal models-based approaches

Based on a sample of less than 20 banks, capital requirements under the revised standardised approach were observed to be a multiple of the capital requirements under the revised internal models-based approach. Importantly, the large dispersion in the results for the revised standardised approach suggests that a precise estimate of the relationship between the two approaches cannot be determined from this QIS.

[8] For this QIS, banks reported a total number of trading desks ranging from 2 to 100, and an average of 40 desks.

Statistical Annex

Number of banks included in the sample of the Basel III monitoring exercise

Table A.1

	Group 1 banks				Group 2 banks			
	All	providing RWA and capital data	providing leverage data	providing liquidity data	All	providing RWA and capital data	providing leverage data	providing liquidity data
Argentina	0	0	0	0	3	0	0	3
Australia	4	4	4	4	1	1	1	1
Belgium	1	1	1	1	2	2	2	2
Brazil	2	2	2	2	0	0	0	0
Canada	6	6	6	6	2	2	2	2
China	6	6	6	6	0	0	0	0
France	5	5	5	5	4	4	4	4
Germany	8	8	8	8	36	36	35	36
Hong Kong SAR	0	0	0	0	7	7	7	4
India	5	4	5	4	5	5	5	5
Indonesia	0	0	0	0	4	2	2	2
Italy	2	2	2	2	13	13	13	13
Japan	14	14	14	14	4	4	4	4
Korea	5	5	5	5	3	3	3	3
Luxembourg	0	0	0	0	1	1	1	1
Mexico	0	0	0	0	7	7	7	7
Netherlands	3	3	3	3	16	16	16	16
Russia	0	0	0	0	1	1	1	1
Saudi Arabia	3	3	3	3	0	0	0	0
Singapore	3	3	3	3	0	0	0	0
South Africa	3	3	3	3	3	3	3	3
Spain	2	2	2	2	4	4	4	4
Sweden	4	4	4	4	0	0	0	0
Switzerland	2	2	2	2	7	2	4	4
Turkey	3	3	3	3	0	0	0	0
United Kingdom	5	5	5	3	3	3	3	3
United States	12	12	12	11	0	0	0	0
All	98	97	98	94	126	116	117	118
of which: G-SIBs	30							

Source: Basel Committee on Banking Supervision.

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	20.9	22.1	25.3	18.8	18.8	24.7	69.5	69.5	69.5
75th percentile	13.3	14.1	17.1	12.0	13.2	16.1	16.4	16.6	19.2
Median	11.6	12.3	15.1	11.0	12.2	15.0	12.8	13.1	15.7
25th percentile	10.2	11.4	13.7	10.3	11.4	14.1	10.4	11.1	13.3
Min	8.3	9.3	11.1	8.8	10.0	11.1	6.2	6.3	8.7

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	21.0	21.1	26.1	15.2	16.3	19.0	69.3	69.3	69.3
75th percentile	12.4	13.0	15.3	11.0	11.8	14.3	17.0	17.2	18.1
Median	10.8	11.4	13.0	10.2	11.0	12.4	13.4	13.4	14.3
25th percentile	9.6	10.2	11.4	10.0	10.5	11.0	10.1	10.2	11.9
Min	7.2	7.2	8.0	7.3	7.9	8.2	4.2	4.2	4.3

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	10.1	11.5	14.1	9.5	11.1	13.7	10.4	11.2	14.8
H2 2011	10.3	11.6	14.1	9.8	11.3	13.8	10.4	11.1	14.7
H1 2012	10.8	12.0	14.4	10.4	11.9	14.2	10.9	11.4	14.8
H2 2012	11.4	12.5	15.1	11.0	12.5	14.9	10.4	10.8	14.4
H1 2013	11.0	12.0	14.6	10.9	12.0	14.5	10.9	11.3	14.7
H2 2013	11.4	12.4	15.0	11.4	12.5	15.0	11.2	11.6	15.0
H1 2014	11.3	12.2	14.9	11.2	12.1	14.7	11.4	11.7	14.7

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	6.5	6.8	8.1	8.7	9.0	11.0
H2 2011	7.7	7.9	9.2	7.1	7.4	8.7	8.7	9.1	11.0
H1 2012	8.5	8.7	9.9	8.0	8.3	9.5	9.0	9.5	11.3
H2 2012	9.2	9.4	10.6	8.7	9.0	10.2	8.8	9.2	11.1
H1 2013	9.5	9.7	11.0	9.1	9.4	10.8	9.1	9.6	11.4
H2 2013	10.2	10.5	11.9	10.0	10.3	11.7	10.1	10.6	12.5
H1 2014	10.8	11.2	12.6	10.4	11.0	12.3	11.2	11.4	13.1

Source: Basel Committee on Banking Supervision.

Estimated capital shortfalls at the minimum level

In billions of euros, fully phased-in Basel III, sample and exchange rates as at the reporting dates[1] — 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
H2 2013	0.1	1.4	3.6	0.0	0.0	0.2	2.0	0.7	4.0
H1 2014	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	3.1

[1] 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, 101 banks in H1 2013 and in H2 2013, and 97 in H1 2014; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012, 119 in H1 2013, 114 in H2 2013 and 115 in H1 2014).

Source: Basel Committee on Banking Supervision.

Estimated capital shortfalls at the target level

In billions of euros, fully phased-in Basel III, sample and exchange rates as at the reporting dates[1] 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	164.0	32.4	16.6	11.6
H2 2011	384.1	226.3	232.0	346.1	175.5	167.7	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	99.7	27.7	7.5	12.3
H2 2013	15.1	48.8	95.4	11.8	41.7	64.6	9.4	6.9	8.3
H1 2014	3.9	18.6	78.6	3.9	14.3	64.4	1.8	5.6	5.6

[1] 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, 101 banks in H1 2013 and H2 2013, and 97 in H1 2014; Group 2 includes 110 banks in H1 2011, 108 in H2 2011, 105 in H1 2012, 116 in H2 2012, 119 in H1 2013, 114 in H2 2013 and 115 in H1 2014).

Source: Basel Committee on Banking Supervision.

Level of capital after full implementation of Basel III

In billions of euros, consistent sample of banks, exchange rates as of 30 June 2014[1] 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	1,891	74	329	1,213	65	240	186	7	44
H2 2011	2,002	67	327	1,281	56	233	191	8	44
H1 2012	2,183	61	293	1,402	50	211	198	12	41
H2 2012	2,304	57	305	1,469	43	220	199	9	46
H1 2013	2,414	59	344	1,541	44	248	208	10	42
H2 2013	2,585	75	355	1,658	58	237	233	10	44
H1 2014	2,740	115	355	1,753	92	224	263	5	40

[1] Group 1 includes 92 banks, G-SIB includes 30 banks and Group 2 includes 93 banks.

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 2014[1] 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	130.6	53.9	34.6	78.7	31.9	12.2	13.8	3.0	5.4
H2 2011	101.4	30.5	24.8	65.0	8.7	14.8	6.2	3.0	7.7
H1 2012	122.6	53.7	27.4	73.2	30.1	19.5	11.6	3.6	1.7
H2 2012	146.5	27.4	28.2	79.0	12.2	14.1	8.2	2.4	5.6
H1 2013	154.2	69.7	24.7	94.9	41.2	12.5	11.6	3.8	1.0
H2 2013	122.1	26.3	30.6	64.4	10.3	13.8	10.3	2.7	4.8
H1 2014	139.4	77.9	32.8	76.3	47.8	17.5	15.0	3.7	5.3

[1] Group 1 includes 91 banks, G-SIB includes 29 banks and Group 2 includes 92 banks.

Source: Basel Committee on Banking Supervision.

Structure of regulatory capital under the current national regime

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	9.4	18.6	69.4	11.7	18.8	70.0	5.3	24.8
H2 2011	73.3	8.9	17.8	70.8	11.3	17.8	70.9	4.6	24.5
H1 2012	75.2	8.0	16.8	73.5	10.3	16.3	73.7	3.3	23.0
H2 2012	75.6	7.5	16.9	74.2	9.7	16.1	72.1	3.1	24.8
H1 2013	75.2	7.1	17.7	75.4	7.7	16.8	73.8	2.9	23.3
H2 2013	75.8	6.9	17.3	75.9	7.5	16.7	74.6	2.6	22.8
H1 2014	76.1	6.0	17.9	76.1	6.2	17.7	77.0	2.1	20.8

[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	3.2	14.2	80.1	4.3	15.6	78.8	2.8	18.4
H2 2011	83.7	2.8	13.5	81.7	3.6	14.7	79.2	3.2	17.6
H1 2012	86.2	2.4	11.4	84.3	3.1	12.7	79.5	4.5	16.0
H2 2012	86.7	2.1	11.1	85.1	2.5	12.4	78.9	3.5	17.5
H1 2013	85.9	2.1	12.0	84.3	2.4	13.3	80.4	3.8	15.8
H2 2013	85.9	2.5	11.7	85.0	2.9	12.0	81.2	3.5	15.3
H1 2014	85.3	3.6	11.1	84.8	4.4	10.8	85.2	1.7	13.1

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	97	–10.8	–2.6	–2.2	–1.2	–0.4	–0.1	–1.5	–18.9
Change H1 2014 vs H2 2013[4]	*92*	*+0.4*	*+0.1*	*+0.2*	*+0.1*	*+0.1*	*+0.2*	*+0.1*	*+1.2*
Group 2 banks	116	–5.1	–1.9	–1.3	–3.4	–0.1	–0.5	–2.5	–14.7

[1] DTAs are the deferred tax assets that are deducted in full under Basel III (ie they exclude 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 adjustments 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 a consistent sample of banks that submitted data for all exercises. A plus symbol indicates an improvement (smaller deduction relative to December 2013) while a negative symbol indicates a deterioration (increased deduction relative to December 2013).

Source: Basel Committee on Banking Supervision.

Changes in risk-weighted assets fully passed-in Basel III versus reporting date

In per cent — Table A.13

	Number of banks	Change in RWA due to definition of capital
Group 1 banks	97	0.4
Group 2 banks	114	1.6

Source: Basel Committee on Banking Supervision.

Share in market risk capital charges

Group 1 banks,[1] in per cent

Table A.14

	Number of banks	Total	SMM[2]	Value-at-risk		IRC[3]	Correlation trading (CTP)				SMM non-CTP[5]	Other
				Current	Stress		Total	Of which				
								CRM	Floor	SMM[4]		
Relative to total capital requirements	89	5.7	1.8	0.6	1.5	0.6	0.4	0.2	0.1	0.1	0.7	0.2
Relative to market risk capital requirements	89	100.0	31.4	10.4	25.9	10.9	6.3	2.9	1.1	2.3	12.5	2.7

[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 that 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 that do not qualify for the correlation trading portfolio.

Source: Basel Committee on Banking Supervision.

Current Tier 1 and Basel III Tier 1 leverage ratio

In per cent

Table A.15

	Group 1 banks		Of which: G-SIBs		Group 2 banks	
	Current	Basel III	Current	Basel III	Current	Basel III
Max	13.5	13.5	7.9	8.0	19.9	20.4
75th percentile	6.2	5.9	5.3	4.9	7.6	7.5
Median	5.1	4.8	4.7	4.3	5.8	6.0
25th percentile	4.2	3.6	3.9	3.5	4.3	3.9
Min	3.3	2.6	3.5	2.7	1.1	1.1
Weighted average	5.0	4.7	4.9	4.5	5.6	5.6

Source: Basel Committee on Banking Supervision.

Basel III Tier 1 leverage ratios

Consistent sample of banks, in per cent — Table A.16

	Group 1 banks	Of which: G-SIBs	Group 2 banks
H1 2011	3.4	3.2	4.3
H2 2011	3.5	3.3	4.3
H1 2012	3.7	3.5	4.4
H2 2012	3.7	3.5	4.3
H1 2013	4.0	3.7	4.7
H2 2013	4.4	4.2	5.2
H1 2014	4.6	4.5	5.6

Source: Basel Committee on Banking Supervision.

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

Consistent sample of banks, exchange rates as of 30 June 2014 — Table A.17

	H1 2011	H2 2011	H1 2012	H2 2012	H1 2013	H2 2013	H1 2014
Group 1 banks							
Tier 1 capital	100.0	105.2	114.2	120.0	125.8	135.3	145.2
Risk-weighted assets	100.0	98.6	96.8	94.6	96.0	95.5	95.4
Leverage total exposure	100.0	102.5	106.0	110.2	107.8	104.0	106.5
Accounting total assets	100.0	103.1	106.8	105.6	106.4	104.7	108.7
Of which: G-SIBs							
Tier 1 capital	100.0	104.7	113.6	118.3	124.1	134.3	144.4
Risk-weighted assets	100.0	97.1	94.2	90.5	90.9	89.5	90.4
Leverage total exposure	100.0	102.4	105.5	109.7	103.6	102.5	103.9
Accounting total assets	100.0	103.2	106.3	104.3	104.1	101.2	104.4
Group 2 banks							
Tier 1 capital	100.0	103.5	108.8	108.3	113.3	126.2	139.3
Risk-weighted assets	100.0	103.9	104.6	107.7	107.9	107.8	110.3
Leverage total exposure	100.0	104.0	107.0	110.0	105.5	104.2	107.1
Accounting total assets	100.0	103.5	105.8	107.5	108.5	108.2	110.3

H1 2011 = 100.

Source: Basel Committee on Banking Supervision.

Liquidity coverage ratio and net stable funding ratio

In per cent — Table A.18

	Liquidity coverage ratio			Net stable funding ratio		
	Group 1 banks	Of which: G-SIBs	Group 2 banks	Group 1 banks	Of which: G-SIBs	Group 2 banks
Max	326.8	159.8	400.0	160.0	149.9	1711.5
75th percentile	134.5	132.5	261.7	117.2	112.7	135.7
Median	122.2	124.7	155.1	107.1	104.0	117.7
25th percentile	105.8	114.6	112.5	99.9	96.0	108.6
Min	41.6	92.2	10.7	64.6	69.3	70.9
Weighted average	121.3	125.9	140.1	110.4	110.3	113.9

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.19

Total liquid assets and inflows	
Level 1 assets	8095.9
Level 2A assets (post-factor)	846.5
Level 2B assets (post-factor)	198.9
Inflows (post-factor, after cap)	3450.2
Total	**12591.5**
Outflows and impact of cap	
Outflows (post-factor)	10918.8
Cap on Level 2 assets	1.8
Cap on Level 2B assets	0.4
Total	**10921.0**

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 monitoring report, March 2014, www.bis.org/publ/bcbs278.htm.

Basel III monitoring report, September 2014, www.bis.org/publ/bcbs289.htm.

Basel III phase-in arrangements

Basel III phase-in arrangements

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

	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	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	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	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%
Minimum total capital plus capital conservation buffer	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	