

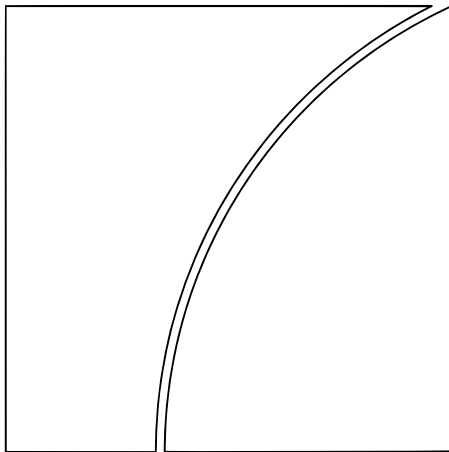
# Basel Committee on Banking Supervision

## LEV

## Leverage ratio

## LEV20

## Calculation



This chapter describes how to calculate the leverage ratio and the minimum requirements.

## **Version effective as of 01 January 2023**

Calculation frequency specified for reporting and disclosure purposes. Also takes account of the revised implementation date announced on 27 March 2020.



BANK FOR INTERNATIONAL SETTLEMENTS

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## 20.1

The Basel III leverage ratio is intended to:

1. restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and
2. reinforce the risk-based capital requirements with a simple, non-risk-based “backstop” measure.

## 20.2

The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that the leverage should adequately capture both the on- and off-balance sheet sources of banks’ leverage.

## 20.3

The leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage ratio} = \frac{\text{capital measure}}{\text{exposure measure}}$$

## 20.4

The capital measure for the leverage ratio is Tier 1 capital – comprising Common Equity Tier 1 and/or Additional Tier 1 instruments – as defined in [CAP10](#). In other words, the capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applicable at that time under the risk-based framework. The exposure measure for the leverage ratio is defined in [LEV30](#).

## 20.5

A bank's total leverage ratio exposure measure is the sum of the following exposures, as defined in [LEV30](#):

1. on-balance sheet exposures (excluding on-balance sheet derivative and securities financing transaction exposures);
2. derivative exposures;
3. securities financing transaction exposures; and
4. off-balance sheet items.

## 20.6

Both the capital measure and the exposure measure are to be calculated on a quarter-end basis. However, banks may, subject to supervisory approval, use more frequent calculations (eg daily or monthly averaging) as long as they do so consistently.

## 20.7

Banks must meet a 3% leverage ratio minimum requirement at all times.