Press release

Basel III monitoring results published by the Basel Committee

All large internationally active banks meet Basel III minimum and CET1 target capital requirements

The Basel Committee today published the results of its latest Basel III monitoring exercise. The Committee established a rigorous reporting process to regularly review the implications of the Basel III standards for banks and it has published the results of previous exercises since 2012.

Data have been provided for a total of 228 banks, comprising 100 large internationally active banks (“Group 1 banks”, defined as internationally active banks that have Tier 1 capital of more than €3 billion) and 128 “Group 2 banks” (i.e. representative of all other banks).

Overview of results

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th></th>
<th>31 December 2015</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Group 1</td>
<td>Of which: G-SIBs</td>
<td>Group 2</td>
<td>Group 1</td>
</tr>
<tr>
<td>Average CET1 ratio (%)</td>
<td>11.5</td>
<td>11.4</td>
<td>12.8</td>
<td>11.8</td>
</tr>
<tr>
<td>CET1 target shortfall (€bn)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td>0.0</td>
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<tr>
<td>AT1 target shortfall (€bn)</td>
<td>3.4</td>
<td>0.0</td>
<td>2.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Tier 2 target shortfall (€bn)</td>
<td>12.8</td>
<td>11.4</td>
<td>5.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Sum (€bn)</td>
<td>16.2</td>
<td>11.4</td>
<td>8.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Leverage ratio (%)</td>
<td>5.2</td>
<td>5.2</td>
<td>5.4</td>
<td>5.6</td>
</tr>
<tr>
<td>LCR (%)</td>
<td>123.6</td>
<td>123.4</td>
<td>140.1</td>
<td>125.2</td>
</tr>
<tr>
<td>NSFR (%)</td>
<td>111.9</td>
<td>114.6</td>
<td>114.0</td>
<td>113.7</td>
</tr>
</tbody>
</table>

All data provided on a fully phased-in basis. Target level capital requirements are 7.0%–9.5% CET1; 8.5%–11.0% Tier 1; and 10.5%–13.0% total capital.
On a fully phased-in basis, data as of 31 December 2015 show that all large internationally active banks meet the Basel III risk-based capital minimum Common Equity Tier 1 (CET1) requirements as well as the target level of 7.0% (plus the surcharges on global systemically important banks – G-SIBs – as applicable). Between 30 June and 31 December 2015, Group 1 banks continued to reduce their capital shortfalls relative to the higher Tier 1 and Total capital target levels; in particular, the Tier 2 capital shortfall has decreased from €12.8 billion to €5.5 billion. As a point of reference, the sum of after-tax profits prior to distributions across the same sample of Group 1 banks for the six-month period ending 31 December 2015 was €206.8 billion.

Under the same assumptions, there is no capital shortfall for Group 2 banks included in the sample for the CET1 minimum of 4.5%. For a CET1 target level of 7.0%, the shortfall remained constant at €0.2 billion since the previous period.

The monitoring reports also collect bank data on Basel III’s liquidity requirements. Basel III’s Liquidity Coverage Ratio (LCR) was set at 60% in 2015, increased to 70% in 2016 and will continue to rise in equal annual steps to reach 100% in 2019. The weighted average LCR for the Group 1 bank sample was 125.2% on 31 December 2015, slightly up from 123.6% six months earlier. For Group 2 banks, the weighted average LCR was 148.1%, up from 140.1% six months earlier. Of the banks in the LCR sample, 85.6% of the Group 1 banks and 82.9% of the Group 2 banks reported an LCR that met or exceeded 100%, while all banks except for one bank each in Group 1 and Group 2 reported an LCR at or above the 60% minimum requirement that was in place for 2015.

Basel III also includes a longer-term structural liquidity standard – the Net Stable Funding Ratio (NSFR). The weighted average NSFR for the Group 1 bank sample was 113.7%, while for Group 2 banks the average NSFR was 115.9%. As of December 2015, 79.6% of the Group 1 banks and 87.0% of the Group 2 banks in the NSFR sample reported a ratio that met or exceeded 100%, while 95.9% of the Group 1 banks and 97.2% of the Group 2 banks reported an NSFR at or above 90%.

**Note to editors**

The results of the monitoring exercise assume that the final Basel III package is fully in force, based on data as of 31 December 2015. That is, they do not take account of the transitional arrangements set out in the Basel III framework, such as the gradual phase-in of deductions from regulatory capital. No assumptions were made about bank profitability or behavioural responses, such as changes in bank capital or balance sheet composition. For that reason, the results of the study may not be comparable with industry estimates.

A major element of the Committee’s post-crisis regulatory reform agenda is its work to address the problem of excessive variability in risk-weighted assets. A key input to assisting the Committee in finalising this work by the end of the year will be the results of a cumulative data collection exercise conducted by the Committee. These data are still subject to further analysis with an aim to publish key results around the end of the year.