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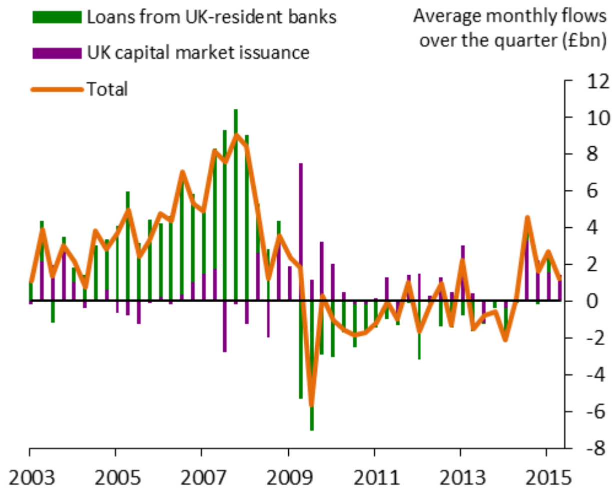
RESPONSE TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON THE POSSIBLE IMPACT OF THE CRR AND CRD IV ON BANK FINANCING OF THE ECONOMY

ANNEX 1: Charts on capital and lending

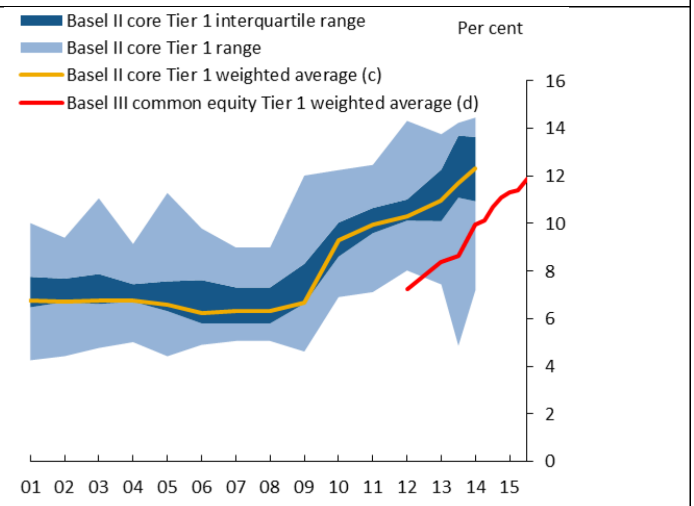
Chart 1: Lending to the economy by UK banks[(a)]



Source: Bank of England

(a) Loans refer to lending from UK Monetary Financial Institutions to UK Private Non-Financial Corporations (PNFCs). UK capital market issuance cover debt issued by UK PNFCs via UK-based Issuing and Paying Agents. Data cover funds raised in both sterling and foreign currency, expressed in sterling.

Chart 2: UK banks' capital ratios[(a)(b)]



Sources: Published accounts, PRA regulatory returns and Bank calculations.

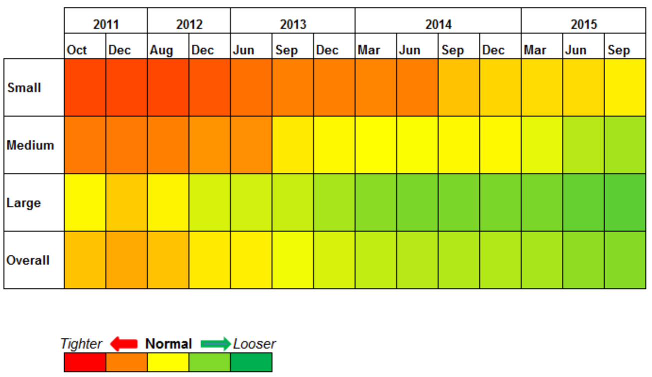
(a) Major UK banks' core Tier 1 capital as a percentage of their risk-weighted assets. The series uses the major UK banks peer group as at 2014 and their constituent predecessors. Data exclude Northern Rock/Virgin Money from 2008.

(b) From 2008, the chart shows core Tier 1 ratios as published by banks, excluding hybrid capital instruments and making deductions from capital based on FSA definitions. Prior to 2008 that measure was not typically disclosed; the chart shows Bank calculations approximating it as previously published in the FSR.

(c) The mean is weighted by risk-weighted assets.

(d) The Basel II series was discontinued with CRD IV implementation on 1 January 2014. The 'Basel III common equity Tier 1 capital ratio' is calculated as aggregate peer group common equity Tier 1 levels over aggregate risk-weighted assets, according to the CRD IV definition as implemented in the UK. The Basel III peer group includes Barclays, Co-operative Banking Group, HSBC, Lloyds Banking Group, Nationwide, RBS and Santander UK. Sources: PRA regulatory returns and Bank calculations.

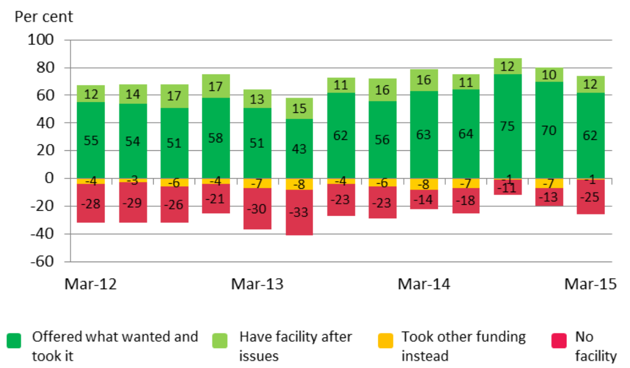
Chart 3: Differences in credit conditions for UK non-financial corporations by size of borrower [(a)]



Source: Bank of England/Network of Agencies national assessments of corporate credit availability

(a) This mapping is based on individual Agencies' national assessments of corporate credit availability, weighted by the gross value added of their regions or countries. The greater the intensity of red, the tighter credit availability; the greater the intensity of green, the looser credit availability. Yellow indicates normal conditions. Includes bank and non-bank credit. Overall availability is an average of small, medium and large corporate credit availability weighted by estimates of the share of bank lending by company size. For more details, see England, D, Hebden, A, Henderson, T and Pattie, T (2015), 'The Agencies and 'One Bank'', *Bank of England Quarterly Bulletin*, Vol. 55, No. 1, pages 47–55; www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2015/q104.pdf

Chart 4: Outcome for small UK firms applying for loan and/or overdraft funding[(a)]



Source: BDRC Continental SME Finance Monitor

(a) Time series: Outcome by **application date.**

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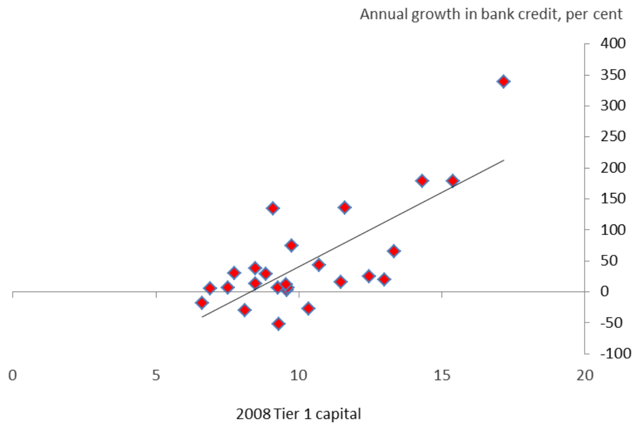
Chart 5: Growth in nominal bank credit from 2009 to 2015 and 2008 Tier 1 capital ratio[(a)]



Source: IMF Financial Soundness Indicators, BIS, Bank calculations

(a) Regulatory Tier 1 capital ratio is measured as regulatory Tier 1 capital to risk-weighted assets, as used in the IMF Financial Soundness Indicators compiled in accordance with the guidelines of either Basel I or Basel II. Bank credit refers to stock of nominal domestic bank lending to the private non-financial sector, measured in domestic currency. Countries include: Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Italy, Luxembourg, Mexico, Norway, Poland, Portugal, Russia, South Korea, Spain, Sweden, the Netherlands, Turkey, and the United Kingdom.