



Statistical release

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Banking sector regulatory capital: 2016 Q4

- The common equity Tier 1 (CET1) capital ratio for the UK banking sector increased by 0.3 percentage points (pp) on the quarter to 15.1%, 1.1 pp higher than in Q4 2015.
- The quarterly increase was driven by small movements in both the level of CET1 capital (increase) and in the level of total risk-weighted assets (decrease) (see Table A and Chart 2).
- The reduction in risk-weighted assets was driven by small decreases in most risk categories (Table B and Chart 3).

Table A: Capital ratios and levels of capital and risk-weighted assets in the UK banking sector

	2015		2016			One quarter		Four quarters	
	Q4	Q1	Q2	Q3	Q4	Change (percentage points)		Change (percentage points)	
Ratios (per cent)									
Total capital	19.6	19.0	19.6	20.6	20.8	0.3		1.2	
Tier 1	15.7	15.3	15.7	16.6	16.9	0.3		1.2	
CET1	13.9	13.7	14.1	14.8	15.1	0.3		1.1	
Values (£ billions)									
Total Capital	588	591	628	640	645	0.8		9.6	
of which: Tier 1	470	475	505	517	523	1.3		11.3	
of which: CET1	417	426	453	460	465	1.2		11.7	
of which: Tier 2	118	116	123	123	121	-1.4		3.0	
Risk-weighted assets	2,997	3,116	3,213	3,112	3,092	-0.6		3.2	

Chart 1: Capital ratios for the UK banking sector

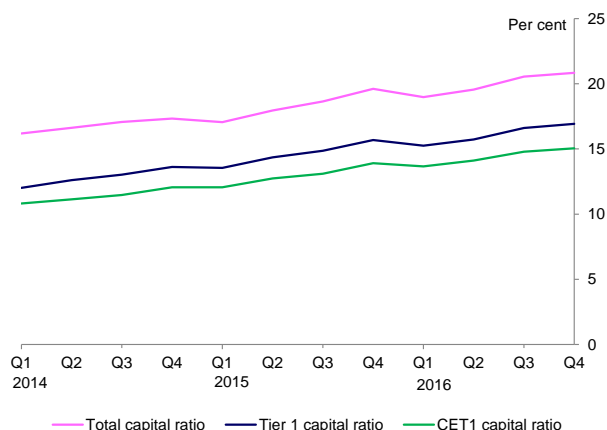
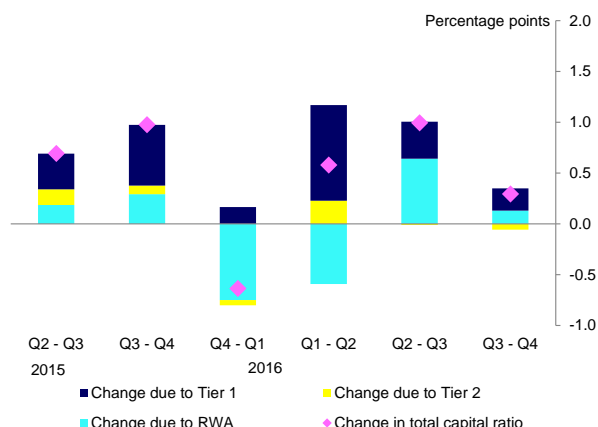


Chart 2: Contributions to quarterly change in total capital ratio¹



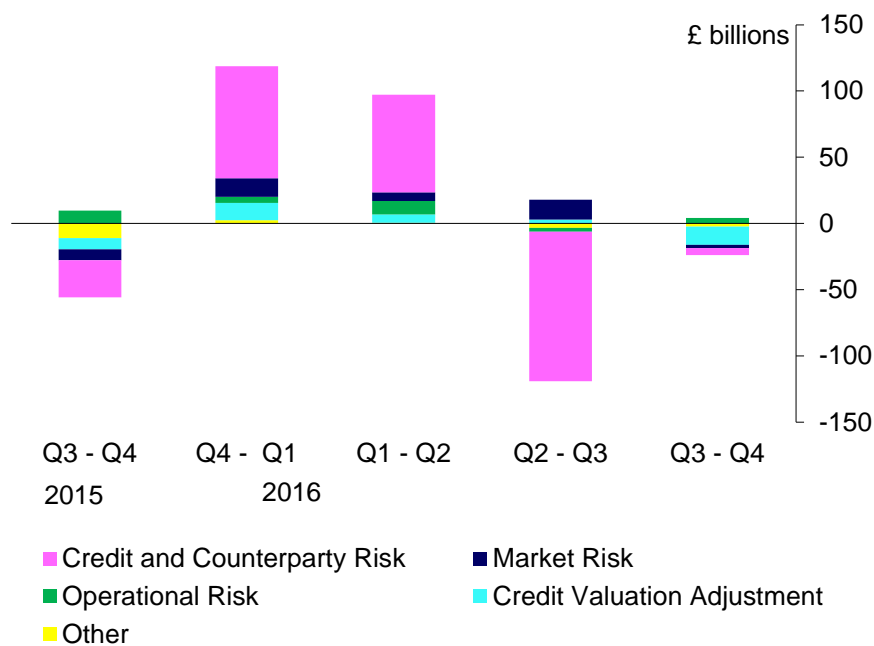
¹ See ['Further details about these data'](#) for information on the calculation of these contributions.

Table B: Risk-weighted assets by risk type²

	2015	2016				One quarter	Four quarters
	Q4	Q1	Q2	Q3	Q4		
	Values (£ billions)					Change (per cent)	
Total risk-weighted assets	2,997	3,116	3,213	3,112	3,092	-0.6	3.2
Credit and counterparty risk	2,171	2,255	2,329	2,216	2,211	-0.2	1.9
Market risk	330	344	350	365	363	-0.7	10.0
Operational risk	315	319	329	327	331	1.3	5.2
Credit Valuation Adjustment	142	155	161	164	150	-8.4	5.7
Other	41	43	44	40	38	-5.7	-6.2

² The categories of risk-weighted assets used are as defined in the reporting templates in the annexes to the Implementing Technical Standards (ITS) on Supervisory Reporting (Regulation (EU) No 573/2013).

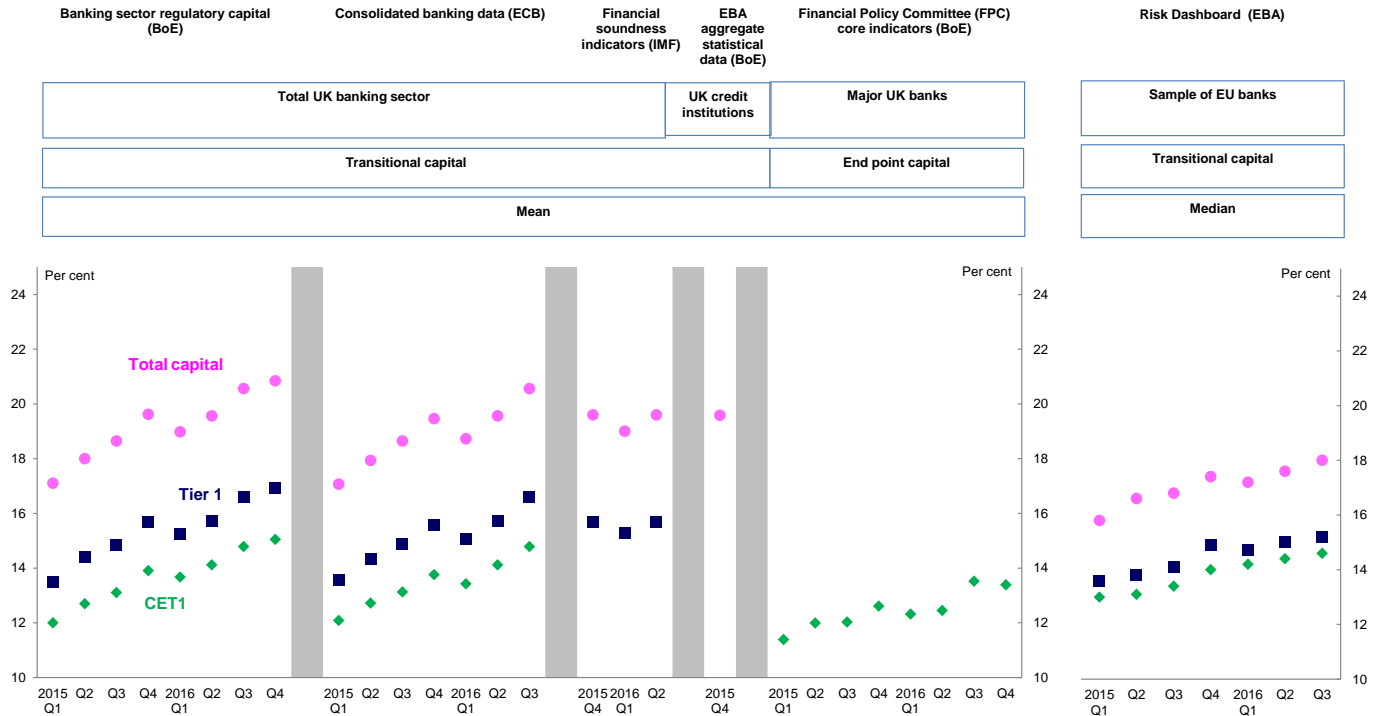
Chart 3: Changes in risk-weighted assets by risk type



Comparison of published capital ratios for the UK and the EU

Capital ratios for the UK banking sector are published by a number of organisations; the Bank of England (BoE), the European Central Bank (ECB), the International Monetary Fund (IMF) and the European Banking Authority (EBA). These ratios are not identical due to differences in firm coverage, use of transitional or endpoint capital, method of averaging and data revisions as explained below. Chart 4 shows a comparison of published capital ratios for the UK in the panel on the left with EU average ratios published by the EBA in the panel on the right. Table C provides descriptions of the underlying datasets and provides links to their definitions.

Chart 4: Comparison of published capital ratios for the UK and the EU



The effects of the differences in datasets and methodologies can be generalised as follows:

- Firm coverage – the BoE, the ECB and the IMF publish capital ratios that represent averages of the total UK banking sector. While they all use the same data, the ECB and IMF publications are less timely and may include minor differences when compared with BoE data due to revisions. EBA aggregate statistical data exclude [designated investment firms](#) that are subsidiaries of banks headquartered outside the UK. The Financial Policy Committee's (FPC) core indicator covers major UK banks³ only, rather than the total UK banking sector, and this generally has a downward effect on the ratio. The EBA publish tables showing average capital ratios for a sample of EU banks, including UK banks, which have been included in Chart 4 for comparison. While they also publish charts showing UK ratios, the data behind these charts are not currently available for publication in this release.
- Averaging method – the EBA Risk Dashboard presents key risk indicators as percentiles (medians shown in Table C) rather than as weighted means, which will tend to have an upward effect.
- Use of transitional or endpoint capital⁴ – the use of endpoint capital will tend to have a slight downward effect on ratios, compared to those using transitional capital.
- Timing – both timeliness and frequency vary across datasets. The banking sector regulatory capital statistical release and FPC core indicators are the timeliest. The EBA aggregate statistical data are published annually while all other datasets are published quarterly.

³The group currently includes Barclays, Co-operative Banking Group, HSBC, Lloyds Banking Group, Nationwide, RBS and Santander UK.

⁴ See [explanatory notes](#) for more detail.

Table C: Description of different published capital ratios for the UK

Publishing institution	Dataset	Firm coverage	Transitional or endpoint capital	Averaging method
Bank of England	Banking sector regulatory capital	Total UK banking sector	Transitional	Mean
European Central Bank	Consolidated banking data	Total UK banking sector	Transitional	Mean
International Monetary Fund	Financial soundness indicators	Total UK banking sector	Transitional	Mean
Bank of England	FPC core indicators	Major UK Banks	Endpoint	Mean
Bank of England	EBA aggregate statistical data	UK credit institutions	Transitional	Mean
European Banking Authority	Risk Dashboard and Key Risk Indicators	EU banking sector, currently 198 banks across the EU	Transitional	Median