



Statistical release

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Banking sector regulatory capital: 2017 Q2

- The common equity Tier 1 (CET1) capital ratio for the UK banking sector increased by 0.2 percentage points (pp) on the quarter from 14.7% to 14.9%.
- The quarterly increase was driven by a movement 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 sector¹

| | 2016 | | 2017 | | | One quarter | | Four quarters | |
|----------------------|---------------------|-------|-------|-------|-------|----------------------------|--|----------------------------|--|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Change (percentage points) | | Change (percentage points) | |
| | Ratios (per cent) | | | | | | | | |
| Total capital | 19.6 | 20.6 | 20.8 | 20.2 | 20.5 | 0.3 | | 1.0 | |
| Tier 1 | 15.7 | 16.6 | 16.9 | 16.5 | 17.0 | 0.5 | | 1.3 | |
| CET1 | 14.1 | 14.8 | 15.0 | 14.7 | 14.9 | 0.2 | | 0.8 | |
| | Values (£ billions) | | | | | | | | |
| Total Capital | 628 | 640 | 644 | 618 | 609 | -1.5 | | -3.1 | |
| of which: Tier 1 | 505 | 517 | 522 | 505 | 505 | 0.0 | | 0.1 | |
| of which: CET1 | 453 | 460 | 465 | 449 | 443 | -1.4 | | -2.3 | |
| of which: Tier 2 | 123 | 123 | 121 | 113 | 103 | -8.2 | | -16.2 | |
| Risk-weighted assets | 3,213 | 3,112 | 3,093 | 3,053 | 2,965 | -2.9 | | -7.7 | |

Chart 1: Capital ratios for the UK banking sector

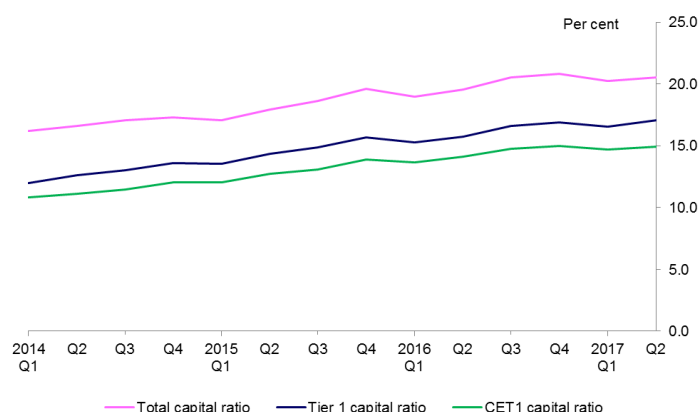
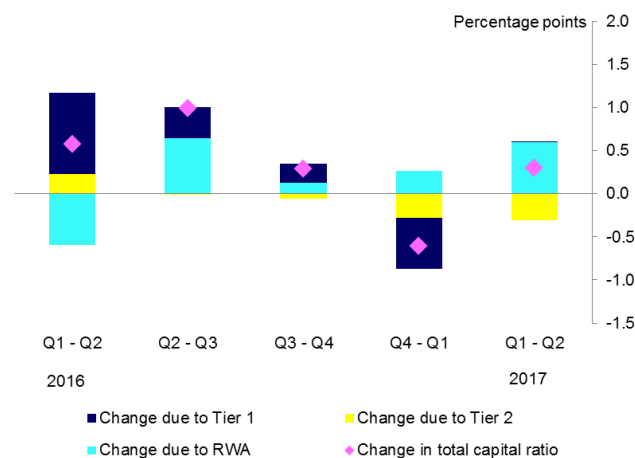


Chart 2: Contributions to quarterly change in total capital ratio²³



¹ Figures may not correspond exactly due to rounding.

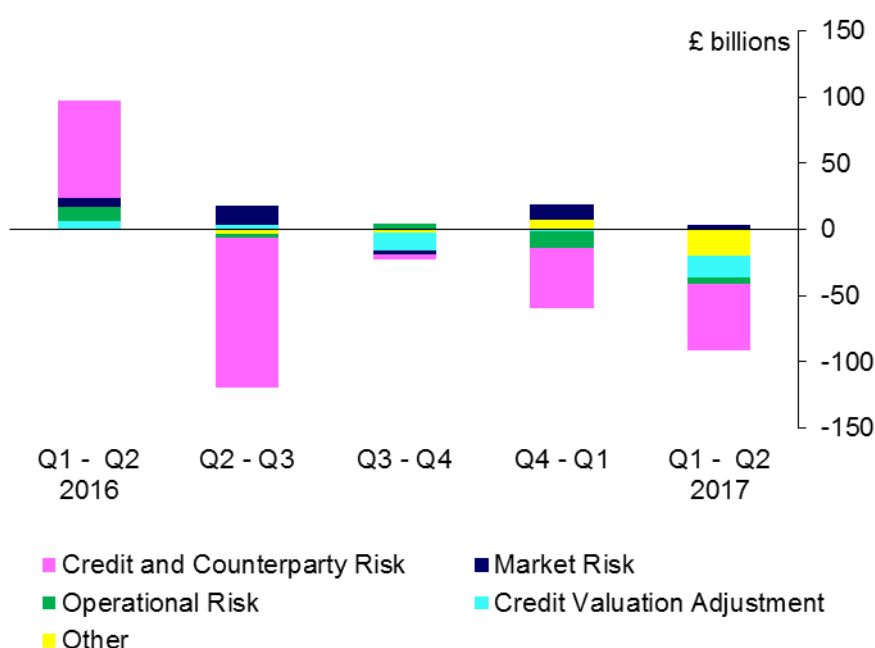
² See ['Further details about these data'](#) for information on the calculation of these contributions.

³ Data for all charts has been sourced from the banking sector regulatory capital [tables](#).

Table B: Risk-weighted assets by risk type⁴

| | 2016 | | | 2017 | | One quarter | Four quarters |
|------------------------------|---------------------|-------|-------|-------|-------|-------------|---------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | | |
| | Values (£ billions) | | | | | | |
| Total risk-weighted assets | 3,213 | 3,112 | 3,093 | 3,053 | 2,965 | -2.9 | -7.7 |
| Credit and counterparty risk | 2,329 | 2,216 | 2,212 | 2,166 | 2,116 | -2.3 | -9.2 |
| Market risk | 350 | 365 | 363 | 375 | 378 | 1.0 | 8.1 |
| Operational risk | 329 | 327 | 331 | 319 | 314 | -1.5 | -4.8 |
| Credit Valuation Adjustment | 161 | 164 | 150 | 148 | 131 | -11.5 | -18.4 |
| Other | 44 | 41 | 38 | 45 | 26 | -43.1 | -41.0 |

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

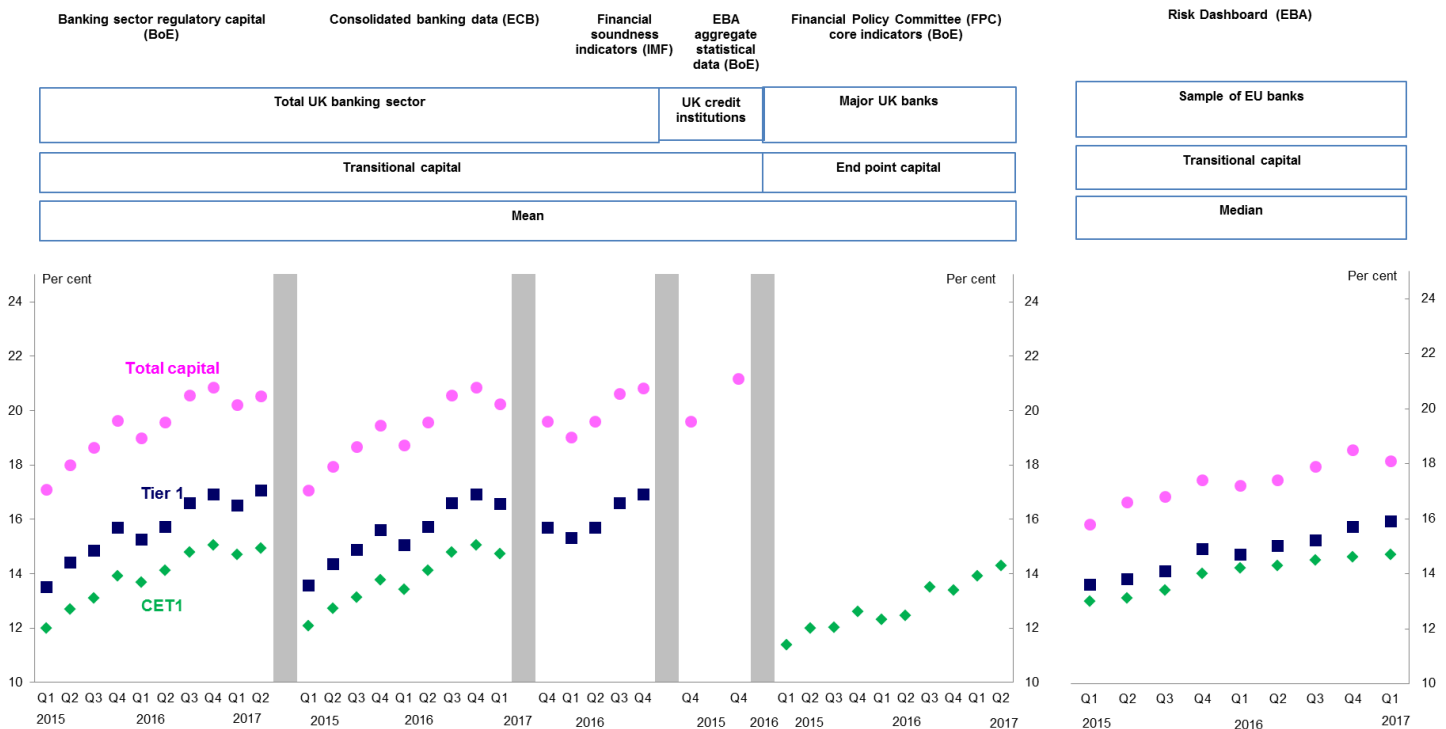


⁴ The categories of risk-weighted assets used are as defined in the reporting templates in the annexes to the Implementing Technical Standards (ITS) on Supervisory Reporting (Regulation (EU) No 573/2013).

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 banks⁵ 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 capital⁶ – 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.

⁵The group currently includes Barclays, Co-operative Banking Group, HSBC, Lloyds Banking Group, Nationwide, RBS and Santander UK.

⁶ 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 | Transitional | Median |