**CAPITAL ADEQUACY AND LEVERAGE**

**Regulation 38**

(17) Instructions relating to the completion of the form BA 700 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 700, as follows:

***Line items relating to the summary information of capital adequacy***

| **Line item number** | **Description** |
| --- | --- |
| 2 | **Risk equivalent amount in respect of concentration risk**  Based on the relevant requirements specified in regulation 24 of the amended Regulations and such further requirements as may be specified in writing by the Authority, this item shall reflect the relevant risk equivalent amount related to any capital requirement in respect of the large exposure framework. |
| 3 | **Risk weighted exposure in respect of threshold items and other specified items**  Based on the relevant requirements specified in subregulation (5)(b), this line item shall reflect the relevant amount reported in item 193 of the form BA 700, after applying the relevant risk weight of 250%, plus the relevant amount reported in item 194 of the form BA 700, after applying the relevant risk weight of 1250%. |
| 5 and 9 | **Risk weighted exposure equivalent amounts specified by the Authority, such as capital floors or add-ons**  These items shall reflect the relevant risk exposure equivalent amount related to any additional requirement specified in writing by the Authority that relates to items such as capital floors or other specified add-ons. |
| 8 | **Non-modelling approaches**  Only standardised approaches should be applied for the calculation of RWA reported in this line item. |

***Columns relating to the summary information of capital adequacy, items 1 to 8***

| **Column number** | **Description** |
| --- | --- |
| 1 of item 1 | This item shall reflect the relevant required aggregate amount of risk weighted credit exposure respectively reported in the specified items of the forms specified below:  Item 41, column 8, of the form BA 200; **plus**  Item 209, column 13, of the form BA 200; **plus**  Item 1, column 2, of the form BA 500; **less**  Item 40, column 8, of the form BA 200; **less**  Item 208, column 13, of the form BA 200 **less**  Item 142 column 20, of the form BA 200 **less**  Item 357, column 20, of the form BA 200 |
| 2 of item 1 | This item shall reflect the relevant required aggregate amount of risk weighted counterparty credit exposure reported in the items of the form BA 200 specified below:  Item 142 column 20, of the form BA 200 **plus**  Item 357, column 20, of the form BA 200  These line-item references shall remain in place until such a time that the revised credit valuation adjustment framework becomes effective, at which time the risk weighted exposure amount will be remapped. |

***Columns relating to the summary information of capital adequacy, items 1 to 8***

| **Column number** | **Description** |
| --- | --- |
| 3 of item 1 | This item shall reflect the relevant required risk weighted exposure equivalent amount related to operational risk reported in item 52, column 10, of the form BA 400. |
| 4 of item 1 | This item shall reflect the relevant required risk weighted exposure amount related to market risk calculated in the manner specified below.  Item 32, column 3, of the form BA 320, **multiplied by** 12,5 or such imputed variable as may be applicable from time to time. This line item reference shall remain in place until such time that the revised market risk approach becomes effective, at which time the risk weighted exposure amount will be remapped. |
| 5 of item 1 | This item shall reflect the relevant required aggregate amount of risk weighted credit exposure related to equity instruments held in the bank’s banking book, as reported in the relevant items of the form BA 340 specified below:  Item 1, column 3, of the form BA 340; **plus**  Item 2, column 3, of the form BA 340; **plus**  Item 3, column 3, of the form BA 340; **plus**  Item 6, column 4, of the form BA 340; **plus**  Item 36, column 6, of the form BA 340. |
| 6 of item 1 | This item shall reflect the relevant required risk weighted exposure equivalent amount in respect of assets or risks other than credit risk, counterparty credit risk, operational risk, market risk, risk related to equity instruments held in the bank’s banking book, or the relevant risk weighted exposure amount related to threshold items including any relevant amount of risk weighted exposure related to items reported in-  Item 79, column 3, of the form BA 200;  Item 176, column 3, of the form BA 200; and  any other relevant amount of risk weighted exposure related to an asset or exposure specified in writing by the Authority. |
| 1 of item 7 | This item shall reflect the relevant required aggregate amount of risk weighted credit exposure that the reporting bank would have been required to hold if only non-modelled approaches where used, that is, the standardised approach for credit risk, the external ratings-based approach (SEC-ERBA) and the standardised approach (SEC-SA) for securitisation.  Accordingly, the item shall reflect the amount that would be reported in the specified items of the forms specified below:  Item 41, column 8, of the form BA 200; plus  Items 3 to 7, column 2 of the form BA 500; less  Item 40, column 8, of the form BA 200; less  Item 142 column 20, of the form BA 200  and the amount reported in the specified items of the forms specified below will be zero:  Item 209, column 13, of the form BA 200;  Item 2, column 2, of the form BA 500;  Item 208, column 13, of the form BA 200; and  Item 357, column 20, of the form BA 200 |
| 2 of item 7 | This item shall reflect the relevant required aggregate amount of risk weighted counterparty credit exposure that the reporting bank would have been required to hold if only non-modelled approaches were used, that is, the standardised approach for credit risk and the standardised approach for counterparty credit risk (SA-CCR).  Accordingly, this item shall reflect the amount that would be reported in item 40, column 8, of the form BA 200 and the amount reported in item 142 column 20, of the form BA 200 will be zero. |
| 9 of item 9 | **Output floor**  To reduce excessive variability of risk weighted assets and to enhance the comparability of risk weighted capital ratios, banks will be subject to a floor requirement that is applied to total risk weighted assets. The output floor ensures that banks’ capital requirements do not fall below a prescribed percentage of capital requirements derived under standardised approaches. |

***Line items relating to required capital adequacy ratios and amounts***

| **Line item number** | **Description** |
| --- | --- |
| 13 | **Additional idiosyncratic capital requirement specified by the Authority**  This item shall reflect any relevant additional capital requirement in respect of idiosyncratic risk specified in writing by the Authority as envisaged in subregulation (8)(e)(iii), which capital add-on shall be allocated to the respective specified categories of required capital in accordance with such requirements as may be specified in writing by the Authority from time to time. |
| 21 | **Specified floors or add-ons**  This item shall reflect any additional capital requirement specified in writing by the Authority. |

***Line items relating to Common Equity Tier 1 capital and reserve funds***

| **Line item number** | **Description** |
| --- | --- |
| 29 | **Paid in capital**  This item shall reflect the relevant aggregate amount of any issued common stock, including any related premium, and other instruments that comply with the relevant criteria specified in these Regulations, net of any shares or instruments derecognised in terms of relevant Financial Reporting Standards issued from time to time, but shall exclude any relevant amount related to minority interests. |
| 30 | **Retained earnings**  This item shall reflect the relevant aggregate amount of retained earnings prior to the application of any regulatory adjustment, provided that any negative amount due to accumulated losses shall be reported in line item 198, as part of regulatory adjustments or deductions, and not in this line item 29. |
| 41 | **Minority interest**  This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as Common Equity Tier 1 capital, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital to third parties. |

***Line items relating to Common Equity Tier 1 capital and reserve funds***

| **Line item number** | **Description** |
| --- | --- |
| 46 | **Deferred tax assets (excluding temporary differences)**  This item shall reflect the relevant aggregate amount of deferred tax assets that rely on the future profitability of the bank to be realised, provided that-   * the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority; * any relevant amount related to an overinstallment of tax, giving rise to a claim or receivable amount from the government or local tax authority, which amount is typically classified as part of current tax assets, shall be reported in the form BA 200, and assigned the relevant risk weight. |
| 53 | **Securitisation gain on sale (expected future margin income)**  This item shall reflect the relevant aggregate amount related to any relevant securitisation gain on sale, which amount shall be equal to line item 39 column 1 plus line item 39 column 2 of the form BA 500. |

***Line items relating to additional Tier 1 capital and reserve funds***

| **Line item number** | **Description** |
| --- | --- |
| 67 | **Additional Tier 1 instruments issued**  This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as additional Tier 1 capital. Provided that the bank shall report any relevant premium received in line item 71. |

***Line items relating to additional Tier 1 capital and reserve funds***

| **Line item number** | **Description** |
| --- | --- |
| 70 | **Minority interest**  This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as additional tier 1 capital and reserve funds, prior to the deduction of any relevant surplus amount, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties, provided that any minority interest in respect of common or ordinary shares of non-banking entities shall be included in this line item 70 and not in line item 41. |

***Line items relating to Tier 2 capital and reserve funds***

| **Line item number** | **Description** |
| --- | --- |
| 78 | **Tier 2 instruments issued**  This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as Tier 2 capital. Provided that the bank shall report any relevant premium received. |
|  |  |
| 79 | **Minority interest**  This item shall reflect the relevant aggregate amount of minority interests in shares or instruments qualifying as Tier 2 capital, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties. |

***Line items relating to reconciliation in respect of unappropriated profits***

| **Line item number** | **Description** |
| --- | --- |
| 93 | **Unappropriated profits**  This item shall reflect the relevant aggregate amount in respect of unappropriated profits, provided that any negative amount due to accumulated losses shall be reported in line item 198, as part of regulatory adjustments or deductions. |

***Line items relating to capital adequacy***

| **Line item number** | **Description** |
| --- | --- |
| 95 columns 1 to 3 | **Capital adequacy ratio, excluding unappropriated profits after the application the transitional arrangements in respect of the capital floor**  This item shall reflect the relevant adjusted capital adequacy ratio after the capital floor is fully phased in. |
| 95 columns 4 to 6 | **Capital adequacy ratio, excluding unappropriated profits after the application the transitional arrangements in respect of the capital floor**  These items shall reflect the relevant adjusted capital adequacy ratio excluding the capital floor, as publicly disclosed. |

***Line items relating to specified regulatory adjustments and deductions***

| **Line item number** | **Description** |
| --- | --- |
| 158 to 164 | **Risk weighted assets of amounts below the threshold, not deducted**  These items shall reflect the relevant aggregate amounts in respect of assets or instruments held in the bank’s banking book or trading book respectively, and which assets or instruments-   * are risk weighted and reported in accordance with the relevant requirements respectively specified in regulations 23 and 28 of these Regulations; * shall not be included in line item 3, column 6, of the form BA 700. |
| 184 | **Net deferred tax assets due to temporary differences**  This item shall reflect the relevant aggregate amount of deferred tax assets relating to temporary differences such as allowance for credit impairment, provided that the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority. |

***Line items relating to capital distribution and income***

| **Line item number** | **Description** |
| --- | --- |
| 207 to 208 | **Income and distributions**  These items shall only be completed by banks that have utilised part of their specified capital buffers and that have reported a percentage lower than 100 per cent in line item 225 of the form BA 700, provided that, when required to be completed, the items shall be completed based on six-month rolling balances. |
| 210 to 216 | **Distributions**  All relevant specified distributions shall be reported in the period in which they are recognised in the relevant accounting records of the bank in accordance with the relevant Financial Reporting Standards, provided that the bank shall reverse or derecognise any relevant tax implication or impact of making such payments. |

***Line items relating to leverage***

| **Line item number** | **Description** |
| --- | --- |
| 228 | **Leverage exposure measure**  A bank’s total leverage ratio exposure measure is the sum of the on-balance sheet exposures (excluding on-balance sheet derivatives and security financing transaction exposures) and adjusted derivative exposures, securities financing transaction exposures, and off-balance sheet items. |
| 254 | **Securities financing transaction exposures**  Banks must disclose the amounts of adjusted gross securities financing transaction (SFT) assets based either month-end or quarter-end values, depending on whether the reporting period coincides with the end of a quarter, and on an average of daily values over the month or quarter as part of the reporting on this line item. This is in addition to disclosure of the total leverage exposure and the leverage ratio as calculated using the averaged value of SFTs given the heightened volatility in SFT markets around quarter-end dates. |