

Question ID	2013_694
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	111, 389
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)
Article/Paragraph	Annex II, Annex IX
Date of submission	27/12/2013
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Disclose name of institution / entity	Yes
Name of institution / submitter	Czech National Bank
Country of incorporation / residence	Czech Republic
Type of submitter	Competent authority
Subject matter	Reporting on own funds and own funds requirements - Exposure value calculation
Question	What is the correct calculation of the exposure value of non-trading book, non-derivative and non-repostyle exposures for the purposes of STA (Art 111) and large exposures (Art 389)? More specifically, are Additional Value Adjustments (AVA) according to Art 34 deducted?
Background on the question	The definition of exposures in Art 389 refers to Part Three, Title II, Chapter 2 without applying the risk weights or degrees of risk. Therefore, the definition of exposure value for Art 389 should be in compliance with Art 111. Art 111 stipulates that the exposure value of an asset is the accounting value after specific credit risk adjustments in accordance with Art 34 and 110 and other own funds reductions related to the asset. However, in ITS on supervisory reporting requirements a different treatment is suggested. While AVA is not deducted for STA purposes, it is deducted for large exposure purposes (see

	the appendix).
Final answer	<p>According to Article 111 of the Regulation (EU) No. 575/2013 (CRR), under the standardized approach the exposure value of an asset item shall be its accounting value remaining after specific credit risk adjustments, additional value adjustments in accordance with Articles 34 and 110 CRR and other own funds reductions related to the asset item have been applied. Under Article 34 of CRR, institutions shall apply the requirements of Article 105 CRR (requirements for prudent valuation for all trading book positions) to all their assets measured at fair value when calculating the amount of their own funds and shall deduct from Common Equity Tier 1 capital the amount of any additional value adjustments necessary.</p> <p>As a result, under the standardized approach, additional value adjustments shall be applied to all assets measured at fair value (including those that are non-trading book, non-derivative and non-repo exposures) for the purpose of calculating the exposure value. The instructions of column 010, 030 and 200 of the C 07.00 (CR SA) Template will be amended accordingly (reference to Article 111 of CRR will be included).</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_694

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