

FI benchmark methods for assessing capital requirements for three important risk types

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Pillar 2 capital requirements for three types of risk: credit-related concentration risk, interest rate risk in the banking book and pension risk.

- FI's methods will be used in this year's supervisory capital assessment (SREP 2015)
- The capital requirements published by FI will include the capital requirements that follow from the new methods as of the third quarter of 2015
- Until then, FI will continue to use the standardized amount of a 2.0 per cent total capital requirement for the ten largest firms.
- New models will be developed on a continuous basis

Credit Concentration Risk

FI intends to assess the capital requirement for single-name concentration, industry concentration and geographical concentration using a method based on the Herfindahl Index for firms that use the Standardised Approach for credit risk, and a method that represents a combination of the Herfindahl Index and the Gordy and Lütkebohmert method for firms with permission to use the Internal Rating Based (IRB) Approach for credit risk.

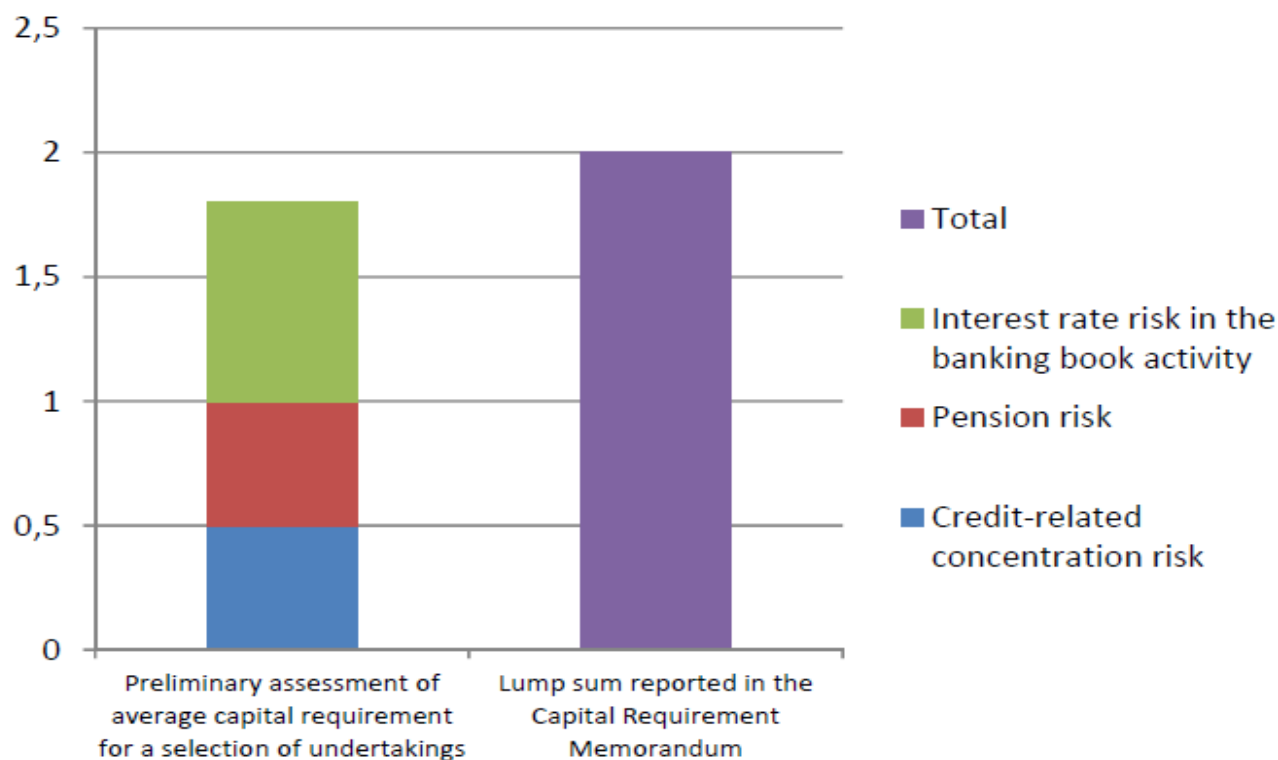
Interest rate risk in the banking book

FI intends to assess the capital requirement using a method that measures the effect that differences in re-pricing dates and maturities between the firm's assets and liabilities have on the firm's economic value in different interest rate scenarios.

Pension risk

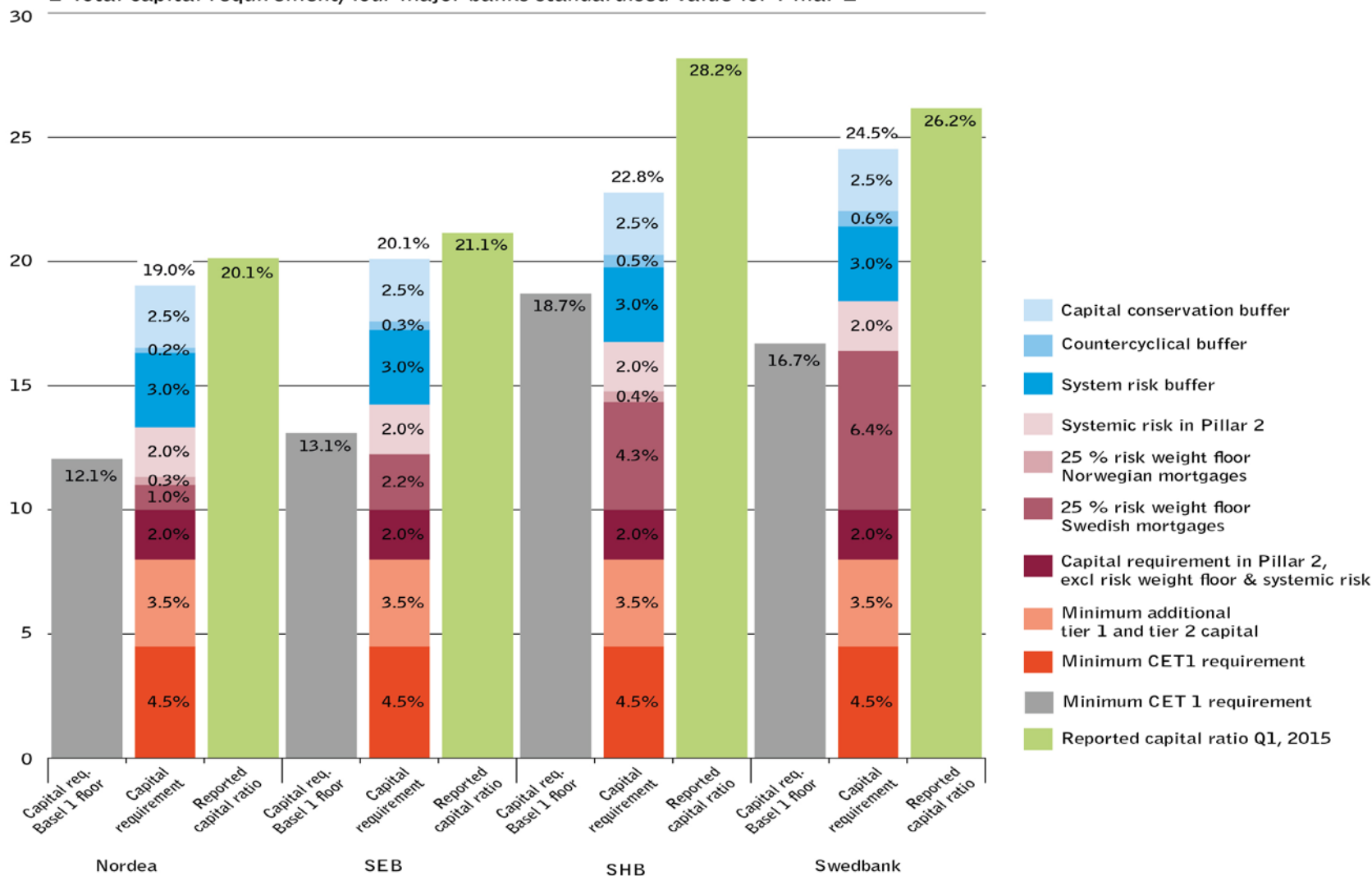
FI intends to assess the capital requirement using a ‘traffic light method’ that is similar to the method used by FI within the area of insurance. Certain adjustments are required to adapt the method to the area of banking.

Preliminary assessment of total capital requirement according to FI's methods for credit-related concentration risk, IRRBB and pension risk as a percentage of riskweighted exposure amount



Published total capital requirement, Q1 2015.

1 Total capital requirement, four major banks standardised value for Pillar 2





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