ANNEX II

**REPORTING ON OWN FUNDS REQUIREMENTS**

1. This Annex contains additional instructions for the tables (hereinafter “COREP”) included in Annex I of this Regulation. This Annex complements the instructions in format of references included in the tables in Annex I.
2. Table of Contents

## PART I: GENERAL INSTRUCTIONS

1. Structure and conventions
   1. Structure
2. Overall, the framework consists of five blocks of templates:

1. Capital adequacy, an overview of regulatory capital; total risk exposure amount; and, in the case of consolidated groups, an overview of the fulfilment of the solvency requirements by consolidated and individual entities;

Information related to the application of different approaches for the assessment of Pillar I capital requirements for:

2. Credit risk (including counterparty, dilution and settlement risks);

3. Market risk (i.e. position risk in trading book, foreign exchange risk and commodities risk);

4. Operational risk;

1. For each template legal references are provided. Further detailed information regarding more general aspects of the reporting of each block of templates, instructions concerning specific positions as well as examples and validation rules are included in these Guidelines for implementation of the Common Reporting framework.
2. Institutions report only those templates that are relevant depending on the approach used for determining own funds requirements.

Explanatory text for consultation purposes:

E.g. in case an institutions holds securitisation positions and the institution calculates the risk-weighted exposure amounts under the IRB Approach according to Part 3 Title II chapter 5, section 3, subsection 4 of CRR, then only the templates CR SEC IRB and SEC Details shall be reported, but not CR SEC SA.

* 1. Numbering convention

1. The document will follow the labelling convention set in the following table, when referring to the columns, rows and cells of the templates. These numerical codes are extensively used in the validation rules.
2. The following general notation is followed in the instructions: {Template;Row;Column}.

Explanatory text for consultation purposes:

For example: {CRSA;010;020} refers to the data point row 010, column 020 of CRSA template.

1. In the case of validations inside a template, in which only data points of that template is used, notations will not refer to a template: {Row;Column}.
2. In the case of templates with only one column, only rows will be referred to. {Template;Row}

Explanatory text for consultation purposes:

For example: {CA2;010} refers to the row 010 of CA2.

1. An asterisk sign will be used to express that the validation is done for the rows or columns specified before.

Explanatory text for consultation purposes:

For example: “For columns 010 to 050, {CRSA;010;\*}”means row 010 of CRSA, for the columns 010 to 050.

* 1. Sign convention

1. Any amount that increases the own funds or the capital requirements will be reported as a positive figure. On the contrary, any amount that reduces the total own funds or the capital requirements will be reported as a negative figure. Where there is a negative sign (-) preceding the label of an item no positive figure is expected to be reported for that item.

## PART II: TEMPLATE RELATED INSTRUCTIONS

* 1. CR EQU IRB – Equity exposures under the internal ratings based approach
     1. General remarks

1. The CR EQU IRB template provides information on the calculation of risk weighted exposure amounts for credit risk (Article 87(3) point (a) of CRR) according to the IRB method (Part Three, Title II, Chapter 3 of CRR) for equity exposures referred to in Article 142(2) point (e) of CRR.
2. According to Article 142(6) of CRR, the following exposures shall be assigned to the equity exposure class:

non-debt exposures conveying a subordinated, residual claim on the assets or income of the issuer; or

debt exposures and other securities, partnerships, derivatives, or other vehicles, the economic substance of which is similar to the exposures specified in point (a).

1. Collective investment undertakings treated according to the simple risk weight approach as referred to in Article 147 of CRR shall also be reported in the CR EQU IRB template.
2. In accordance with Article 146(1) of CRR, institutions shall provide the CR EQU IRB template only when applying one of the three approaches referred to in Article 150 of CRR:

the Simple Risk Weight approach,

the PD/LGD approach, or

the Internal Models approach.

1. The following equity claims shall not be reported in the CR EQU IRB template:

Equity exposures in the trading book (in case where institutions are not exempted from calculating own funds requirements for trading book positions according to Article 89 of CRR).

Equity exposures subject to the partial use of the standardised approach (Article 145 of CRR), including:

Grandfathered equity exposures according to Article 472(1) of CRR,

Equity exposures to entities whose credit obligations are assigned a 0% risk weight under the Standardised Approach, including those publicly sponsored entities where a 0% risk weight can be applied (Article 145(1) point (g) of CRR),

Equity exposures incurred under legislated programmes to promote specified sectors of the economy that provide significant subsidies for the investment to the institution and involve some form of government oversight and restrictions on the equity investments (Article 145(1) point (h) of CRR).

Equity exposures to ancillary services undertakings whose risk weighted exposure amounts may be calculated according to the treatment of “other non credit-obligation assets” (in accordance with Article 150(1) of CRR).

Equity claims deducted from own funds in accordance with Articles 43 and 45 of the CRR.

* + 1. Instructions concerning specific positions

Instructions by columns

|  |  |
| --- | --- |
| **Columns** | |
| 010 | INTERNAL RATING SYSTEM  PD ASSIGNED TO THE OBLIGOR GRADE  Institutions applying the PD/LGD approach report in column 010 the probability of default (PD) calculated in accordance with the provisions referred to in Article 161(1) of CRR.  The PD assigned to the obligor grade or pool to be reported shall be in line with the minimum requirements as laid down in Part Three, Title II, Chapter 3, Section 6 of CRR. For each individual grade or pool, the PD assigned to that specific obligor grade or pool shall be reported. All reported risk parameters shall be derived from the risk parameters used in the internal rating system approved by the respective competent authority.  For figures corresponding to an aggregation of obligor grades or pools (e.g. “total exposures”) the exposure weighted average of the PDs assigned to the obligor grades or pools included in the aggregation shall be provided. All exposures, including defaulted exposures are to be considered for the purpose of the calculation of the exposure weighted average PD. For the calculation of the exposure-weighted average PD, the exposure value taking into account unfunded credit protection (column 060) shall be used for weighting purposes. |
| 020 | ORIGINAL EXPOSURE PRE CONVERSION FACTORS  Institutions report in column 020 the original exposure value (pre conversion factors). According to the provisions laid down in Article 163 of CRR, the exposure value for equity exposures shall be the accounting value remaining after specific credit risk adjustments. The exposure value of off-balance sheet equity exposures shall be its nominal value after reducing its nominal value by specific credit risk adjustments for this exposure.  Institutions also include in column 020 off balance sheet items referred to in Annex I of CRR assigned to the “equity claims” exposure class (e.g. “the unpaid portion of partly-paid shares”).  Institutions applying the Simple Risk Weight approach or the PD/LGD approach (as referred to in Article 161(1) also consider the offsetting provisions referred to in Article 150(2) of CRR. |
| 030-040 | CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE  UNFUNDED CREDIT PROTECTION  GUARANTEES  CREDIT DERIVATIVES  Irrespective of the approach adopted for the calculation of risk weighted exposure amounts for equity exposures, institutions may recognize unfunded credit protection obtained on equity exposures (Article 150(2),(3) and (4) of CRR). Institutions applying the Simple Risk Weight approach or the PD/LGD approach report in columns 030 and 040 the amount of unfunded credit protection under the form of guarantees (column 030) or credit derivatives (column 040) recognised in accordance with the methods set out in Part Three, Title II, Chapter 4 of CRR. |
| 050 | CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE  SUBSTITUTION OF THE EXPOSURE DUE TO CRM  (-) TOTAL OUTFLOWS  Institutions report in column 050 the part of the original exposure pre conversion factors covered by unfunded credit protection recognised in accordance with the methods set out in Part Three, Title II, Chapter 4 of CRR. |
| 060 | EXPOSURE VALUE  Institutions applying the Simple Risk Weight approach or the PD/LGD approach report in column 060 the exposure value taking into account substitution effects stemming from unfunded credit protection (Article 150(2) and (3), Article 163 of CRR).  As a reminder, in the case of equity off-balance sheet exposures, the exposure value shall be the nominal value after specific credit risk adjustments (Article 163 of CRR). |
| 070 | EXPOSURE WEIGHTED AVERAGE LGD  Institutions applying the PD/LGD approach report in column 070 (rows 040-001 to 040-NNN) the exposure weighted average of the LGDs assigned to the obligor grades or pools included in the aggregation; the same applies for row 020. The exposure value taking into account unfunded credit protection (column 060) shall be used for the calculation of the exposure-weighted average LGD. Institutions shall take into accounts the provisions laid down in 161(2) of CRR. |
| 080 | RISK WEIGHTED EXPOSURE AMOUNT  Institutions report risk-weighted exposure amounts for equity exposures in column 080, calculated in accordance with the provisions laid down in Article 150 of CRR.  In case where institutions applying the PD/LGD approach do not have sufficient information to use the definition of default set out in Article 174 of CRR, a scaling factor of 1.5 shall be assigned to the risk weights when calculating risk weighted exposure amounts (Article 150(3) of CRR).  With regard to the input parameter M (Maturity) to the risk-weight function, the maturity assigned to equity exposures equals 5 years (Article 161(3) of CRR). |
| 090 | MEMORANDUM ITEM: EXPECTED LOSS AMOUNT  Institutions report in column 090 the expected loss amount for equity exposures calculated in accordance with Article 154(4), (7), (8) and (9) of CRR. |

Instructions by rows

1. In accordance with Article 150 of CRR, institutions may employ different approaches (Simple Risk Weight approach, PD/LGD approach or Internal Models approach) to different portfolios when they use these different approaches internally.

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| **Rows** | |
| 020, CR EQU IRB 2 | 1. PD/LGD APRROACH: TOTAL  BREAKDOWN OF TOTAL EXPOSURES UNDER THE PD/LGD APRROACH BY OBLIGOR GRADES:  Institutions applying the PD/LGD approach (Article 150(3) of CRR) report the requested information in rows 020 and CR EQU IRB 2.  In case where institutions using the PD/LGD approach apply a unique rating system or are able to report according to an internal master scale, institutions report in rows 040-001 to 040-NNN the rating grades or pools associated to this unique rating system / masterscale. In any other case, the different rating systems shall be merged and ordered according to the following criteria: Obligor grades or pools of the different rating systems shall be pooled together and ordered from the lower PD assigned to each obligor grade or pool to the higher.  For the calculation of the information relating to the non-defaulted assets (row 030), only those exposure which were not assigned a PD of 100% (in rows 040-001 to 040-NNN) have to be taken into account. |
| 050- 090 | **2. SIMPLE RISK WEIGHT APPROACH: TOTAL**  **BREAKDOWN OF TOTAL EXPOSURES UNDER THE SIMPLE RISK WEIGHT APRROACH BY RISK WEIGHTS:**  Institutions applying the Simple Risk Weight approach (Article 150(2) of CRR) report the requested information according to the characteristics of the underlying exposures in rows 050 to 090. |
| 100 | 3. INTERNAL MODELS APPROACH  Institutions applying the Internal Models approach (Article 150(4) of CRR) report the requested information in row 100. |
| 110 | 4. EQUITY POSITIONS IN FINANCIAL SECTOR ENTITIES RISKWEIGHTED AT 250% AND OTHER EQUITY EXPOSURES SUBJECT TO RISK WEIGHTS  Institutions applying the IRB approach shall report the risk weighted exposure amount of equity positions in financial sector entities treated in accordance with Article 45(2) of the CRR in row 110. |