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ANNEX II

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**INSTRUCTIONS FOR REPORTING ON OWN FUNDS AND OWN FUNDS REQUIREMENTS**

## **PART II: TEMPLATE RELATED INSTRUCTIONS**

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3.5. C 10.01 and C 10.02 – Equity exposures under the internal ratings based approach (CR EQU IRB 1 and CR EQU IRB 2)

3.5.1. General remarks

92. The CR EQU IRB template consists of two templates: CR EQU IRB 1 provides a general overview of IRB exposures of the equity exposure class and the different methods to calculate total risk exposure amounts. CR EQU IRB 2 provides a breakdown of total exposures assigned to obligor grades in the context of the PD/LGD approach. “CR EQU IRB” refers to both “CR EQU IRB 1” and “CR EQU IRB 2” templates, as applicable, in the following instructions.

93. The CR EQU IRB template provides information on the calculation of risk weighted exposure amounts for credit risk (Article 92(4), point (a), of Regulation (EU) No 575/2013), for exposures subject to Article 495(1), point (b), of Regulation (EU) No 575/2013, treated in accordance with Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013 for equity exposures as referred to in of Article 147(2), point (e), of that Regulation. The equity exposures subject to Article 495(1), point (a), Article 495(2) of of Regulation (EU) No 575/2013 shall be reported in the CR SA template (C 07.00). Equity exposures subject to Article 495a(3) of Regulation (EU) No 575/2013 shall also be reported in the CR SA template (C 07.00).

94. In accordance with Article 147(6) of Regulation (EU) No 575/2013, the exposures referred to in Article 133(1) of Regulation (EU) No 575/2013 shall be assigned to the exposure class ‘equity exposures’, unless they are assigned to the exposure class ‘exposures in the form of units or shares in a CIU”.

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96. In accordance with Article 495(1), point (b) of Regulation (EU) No 575/2013, institutions shall provide the CR EQU IRB template when applying one of the three approaches:

- the Simple Risk Weight approach;

- the PD/LGD approach;

- the Internal Models approach.

In accordance with Article 495(1), point (b), of Regulation (EU) No 575/2013, 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.

Moreover, institutions applying the IRB approach shall also report in the CR EQU IRB template risk-weighted exposure amounts for those equity exposures which attract a fixed risk-weight treatment (without however being explicitly treated in accordance with the Simple Risk Weight approach or the (temporary or permanent) partial use of the Standardised approach for credit risk), e.g. equity exposures attracting a risk-weight of 250 % in accordance with Article 48(4) of Regulation (EU) No 575/2013, respectively a risk-weight of 370 % in accordance with Article 471(2) of the Regulation.

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97a. The following instructions refer to Regulation (EU) No 575/2013 in the version applicable on 8 July 2024.

3.5.2. Instructions concerning specific positions (applicable to both CR EQU IRB 1 and CR EQU IRB 2)

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| **Columns** | |
| 0005 | OBLIGOR GRADE (ROW IDENTIFIER)  The obligor grade shall be a row identifier and shall be unique for each row in the template. It shall follow the numerical order 1, 2, 3, etc. |
| 0010 | INTERNAL RATING SCALE  PD ASSIGNED TO THE OBLIGOR GRADE (%)  Institutions applying the PD/LGD approach shall report in column 0010 the probability of default (PD) calculated in accordance with Article 165(1) of Regulation (EU) No 575/2013.  The PD assigned to the obligor grade or pool to be reported shall be in line with the minimum requirements laid down in Part Three, Title II, Chapter 3, Section 6 of Regulation (EU) No 575/2013. 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 scale 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 0060) shall be used for weighting purposes. |
| 0020 | ORIGINAL EXPOSURE PRE-CONVERSION FACTORS  Institutions report in column 0020 the original exposure value (pre-conversion factors). In accordance with Article 167 of Regulation (EU) No 575/2013, 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 specific credit risk adjustments.  Institutions shall also include in column 0020 the off balance sheet items referred to in Annex I of Regulation (EU) No 575/2013 assigned to the equity 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 165(1) of Regulation (EU) No 575/2013) shall also take into account the offsetting referred to in Article 155(2), second subparagraph of Regulation (EU) No 575/2013. |
| 0030-0040 | 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 recognise unfunded credit protection obtained on equity exposures (Article 155, paragraphs 2, 3 and 4 of Regulation (EU) No 575/2013). Institutions applying the Simple Risk Weight approach or the PD/LGD approach shall report in columns 0030 and 0040 the amount of unfunded credit protection under the form of guarantees (column 0030) or credit derivatives (column 0040) recognised in accordance with the methods set out in Part Three, Title II, Chapter 4 of Regulation (EU) No 575/2013. |
| 0050 | CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE  SUBSTITUTION OF THE EXPOSURE DUE TO CRM  (-) TOTAL OUTFLOWS  Institutions shall report in column 0050 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 Regulation (EU) No 575/2013. |
| 0060 | EXPOSURE VALUE  Institutions applying the Simple Risk Weight approach or the PD/LGD approach shall report in column 0060 the exposure value, taking into account substitution effects stemming from unfunded credit protection (Article 155, paragraphs 2 and 3 and Article 167 of Regulation (EU) No 575/2013).  In the case of equity off-balance sheet exposures, the exposure value shall be the nominal value after specific credit risk adjustments (Article 167 of Regulation (EU) No 575/2013). |
| 0061 | OF WHICH: OFF BALANCE SHEET ITEMS  See CR-SA instructions |
| 0070 | EXPOSURE WEIGHTED AVERAGE LGD (%)  Institutions applying the PD/LGD approach shall report the exposure weighted average of the LGDs assigned to the obligor grades or pools included in the aggregation  The exposure value taking into account unfunded credit protection (column 0060) shall be used for the calculation of the exposure-weighted average LGD.  Institutions shall take into account Article 165(2) of Regulation (EU) No 575/2013. |
| 0080 | RISK WEIGHTED EXPOSURE AMOUNT  Institutions shall report risk-weighted exposure amounts for equity exposures calculated in accordance with Article 155 of Regulation (EU) No 575/2013.  Where institutions applying the PD/LGD approach do not have sufficient information to use the definition of default set out in Article 178 of Regulation (EU) No 575/2013, a scaling factor of 1,5 shall be assigned to the risk weights when calculating risk weighted exposure amounts (Article 155(3) of Regulation (EU) No 575/2013).  With regard to the input parameter M (Maturity) to the risk-weight function, the maturity assigned to equity exposures equals 5 years (Article 165(3) of Regulation (EU) No 575/2013). |
| 0090 | MEMORANDUM ITEM: EXPECTED LOSS AMOUNT  Institutions shall report in column 0090 the expected loss amount for equity exposures calculated in accordance with Article 158, paragraphs 4, 7, 8 and 9 of Regulation (EU) No 575/2013. |

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| **Rows** | |
| CR EQU IRB 1 - row 0020, | PD/LGD APRROACH: TOTAL  Institutions applying the PD/LGD approach (Article 155(3) of Regulation (EU) No 575/2013) shall report the required information in row 0020 of the CR EQU IRB 1 template. |
| CR EQU IRB 1 - rows 0050- 0090 | **SIMPLE RISK WEIGHT APPROACH: TOTAL**  **BREAKDOWN OF TOTAL EXPOSURES UNDER THE SIMPLE RISK WEIGHT APPROACH BY RISK WEIGHTS:**  Institutions applying the Simple Risk Weight approach (Article 155(2) of Regulation (EU) No 575/2013) shall report the required information in accordance with the characteristics of the underlying exposures in rows 0050 to 0090. |
| CR EQU IRB 1 - row 0100 | INTERNAL MODELS APPROACH  Institutions applying the Internal Models approach (Article 155(4) of Regulation (EU) No 575/2013) shall report the required information in row 0100. |
| CR EQU IRB 1 - row 0110 | EQUITY EXPOSURES SUBJECT TO RISK WEIGHTS  Institutions applying the IRB Approach shall report risk weighted exposure amounts for those equity exposures which attract a fixed risk weight treatment (without however being explicitly treated in accordance with the Simple Risk Weight approach or the (temporary or permanent) partial use of the credit risk Standardised approach), including the following exposures:  - the risk weighted exposure amount of equity positions in financial sector entities treated in accordance with Article 48(4) of Regulation (EU) No 575/2013, as well as  - equity positions risk-weighted with 370 % in accordance with Article 471(2) of Regulation (EU) No 575/2013 shall be reported in row 0110. |
| CR EQU IRB 2 | BREAKDOWN OF TOTAL EXPOSURES UNDER THE PD/LGD APRROACH BY OBLIGOR GRADES:  Institutions applying the PD/LGD approach (Article 155(3) of Regulation (EU) No 575/2013) shall report the required information in the CR EQU IRB 2 template.  Institutions using the PD/LGD approach that apply a unique rating scale or that are able to report in accordance with an internal master scale shall report in CR EQU IRB 2 the rating grades or pools associated to this unique rating scale/master scale. In any other case, the different rating scales shall be merged and ordered in accordance with the following criteria: Obligor grades or pools of the different rating scales shall be pooled together and ordered from the lower PD assigned to each obligor grade or pool to the higher. |