

EESTI PANK
Governor's Decree No. 4
27 March 2007

Reports on prudential ratios of credit institutions and consolidation groups of credit institutions

The Decree is established under subsection 71 (7) of the Credit Institutions Act.

§ 1. Scope of Decree

This decree shall lay down the requirements as regards the content and form of the reports on prudential ratios of credit institutions and consolidation groups of credit institutions (hereinafter reports) as well as the terms and procedure for submitting the reports to the Financial Supervision Authority.

§ 2. Application of Decree

This Decree shall be applied to all credit institutions operating in Estonia.

§ 3. Reports

Credit institutions shall be obliged to draw up the following reports on a solo and consolidated basis:

- 1) "Capital adequacy report" in accordance with Appendix 1;
- 2) "Report on credit risk and counterparty credit risk under the Standardised Approach" in accordance with Appendix 2;
- 3) "Report on credit risk and counterparty credit risk under the Internal Ratings Based Approach" in accordance with Appendix 3;
- 4) "Report on equity investment under the Internal Ratings Based Approach" in accordance with Appendix 4;
- 5) "Report on foreign exchange risk" in accordance with Appendix 5;
- 6) "Report on commodities risk" in accordance with Appendix 6;
- 7) "Report on interest position risk" in accordance with Appendix 7;
- 8) "Report on equity position risk" in accordance with Appendix 8;
- 9) "Report on trading book exposures exceeding the limits of large exposures" in accordance with Appendix 9;
- 10) "Report on options" in accordance with Appendix 10;
- 11) "Report on settlement/delivery risk associated with the trading book" in accordance with Appendix 11;
- 12) "Report on operational risk" in accordance with Appendix 12;
- 13) "Report on large exposures" in accordance with Appendix 13;

14) "Report on holdings" in accordance with Appendix 14. **§ 4. Content of reports**

The reports shall include information about own funds, capital adequacy, concentration of exposures and qualifying holdings of credit institutions and consolidation groups of credit institutions proceeding from the definitions, principles and methods laid down in the Eesti Pank Governor's decree No. 13, 29 December 2006, "Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions" (hereinafter *decree on prudential ratios*).

§ 5. Bases of compiling reports

(1) The reports shall be prepared in Estonian, in the official currency of Estonia and shall be submitted in whole numbers (in thousands), unless otherwise provided for in this decree.

(2) The sums fixed in foreign currencies shall be converted into the official currency of Estonia at the official rate of Eesti Pank as on the last banking day of the reporting period, unless otherwise provided for in this decree.

(3) The data included in the reports shall be presented as at the end of the reporting period. If the data to be presented in the reports are not available, an empty report must be submitted.

§ 6. Storage of data

The person submitting the report shall be obliged to store the data serving as reference data for preparing the report for at least five years.

§ 7. Reporting period and terms for submission of reports

(1) The reporting period regarding reports on a solo basis indicated in section 3 of this decree shall be a calendar month, and a quarter on a consolidated basis.

(2) The reports on a solo basis indicated in section 3 of this decree shall be submitted by the 10th banking day of the month following the reporting period at the latest while reports calculated on a consolidated basis shall be submitted within a month following the month of the reporting period.

§ 8. Form of submission of reports

(1) The reports shall be submitted to the Financial Supervision Authority electronically after formatting into XML (*eXtensible Markup Language*) documents in accordance with Eesti Pank Governor's Decree No. 15, 20 September 2002, "Electronic format of reports".

(2) Report codes are as follows:

- 1) "Capital adequacy report": 60 on solo basis and 660 on consolidated basis;
- 2) "Report on credit risk and counterparty credit risk under the Standardised Approach": 61 on solo basis and 661 on consolidated basis;
- 3) "Report on credit risk and counterparty credit risk under the Internal Ratings Based Approach": 62 on solo basis and 662 on consolidated basis;
- 4) "Report on equity investment under the Internal Ratings Based Approach": 63 on solo basis and 663 on consolidated basis;
- 5) "Report on foreign exchange risk": 64 on solo basis and 664 on consolidated basis;
- 6) "Report on commodity risk": 65 on solo basis and 665 on consolidated basis;
- 7) "Report on interest position risk": 66 on solo basis and 666 on consolidated basis;
- 8) "Report on equity position risk": 67 on solo basis and 667 on consolidated basis;
- 9) "Report on trading book exposures exceeding the limits of large exposures": 68 on solo basis and 668 on consolidated basis;
- 10) "Report on options": 69 on solo basis and 669 on consolidated basis;
- 11) "Report on settlement/delivery risk associated with the trading book": 70 on solo basis and 670 on consolidated basis;
- 12) "Report on options risk": 71 on solo basis and 671 on consolidated basis;
- 13) "Report on large exposures": 80 on solo basis and 680 on consolidated basis;
- 14) "Report on holdings": 85 on solo basis and 685 on consolidated basis.

§ 9. Use of classification and international standards

In reports, the code of the currency shall be determined in accordance with the table of currency codes of the international standard ISO 4217 and indicated in capital letters.

§ 10. Application of the decree

(1) This decree shall be applied when drafting and submitting reports covering reporting periods commencing on 1 January 2007 and henceforth, except in cases laid down in subsection 2.

(2) Until 31 December 2007 credit institutions may - under the terms and conditions established in section 14¹ of the Credit Institutions Act - draft and submit reports on capital adequacy and large exposures under Eesti Pank Governor's Decree No. 12, 2 July 2002, "Prudential ratios of credit institutions".

§ 11. Supplementary reporting regarding credit risk under the Internal Ratings Based Approach

(1) Besides the reports laid down in this decree, the credit institutions that are obliged to meet the own funds requirements under section 141² of the Credit Institutions Act shall draw up a capital adequacy report according section 10 of Appendix 2 "Principles of compiling capital adequacy reports of credit institutions on a solo and consolidated basis" of Decree No 12 of the Governor of Eesti Pank of 2 July 2002 "Prudential ratios of credit institutions".

(2) The report indicated in subsection 1 shall be submitted on solo and consolidated bases for the reporting periods stipulated in subsection 7 (1) of this decree following the procedure laid down by this decree, including the terms determined in subsection 7(2).

§ 12. Establishment of testing period

(1) In order to test the readiness to implement this decree a period of testing reports shall be set up for credit institutions that proceed from subsection 10(2) of this decree when drawing up and submitting reports.

(2) The testing period shall commence on 1 January 2007 and end on 31 December 2007. (3) During the test period the reporting period is a quarter.

(4) Testing period reports shall be drawn up and submitted in accordance with the methods that the credit institution intends to use for calculating capital requirements as of 1 January 2008.

(5) The testing period shall not be applied to reports provided for in Appendices 13 and 14 to this decree.

(6) Test reports shall be submitted electronically to the Financial Supervision Authority in accordance with the requirements provided for in subsection 5(1) of this decree two months following the end of the reporting quarter at the latest in the following format:

- 1) the report on the first quarter of 2007 in Microsoft Excel or XML;
- 2) the reports on the second to fourth quarters of 2007 in XML.

Andres Sutt

Deputy Governor acting as Governor

CAPITAL ADEQUACY REPORT

1. Purpose of report

The purpose of the capital adequacy report is to obtain data required for checking compliance with the capital adequacy ratios.

2. Area of report

The capital adequacy report shall indicate the credit institution's own funds and the following capital requirements:

- 1) Capital requirement for credit risk in the non-trade portfolio;
- 2) Capital requirement for trading book risks;
- 3) Capital requirement for settlement and counterparty risk in the trading book;
- 4) Capital requirement for foreign exchange risk;
- 5) Capital requirement for commodity risk;
- 6) Capital requirement for operational risk;
- 7) Capital requirement for sums exceeding the limits of large exposures.

3. Structure of report lines

- 1) Item identification code
- 2) Value

4. Item identification codes

High-risk instruments under the Standardised Approach	
Paid-up share capital	2101
Share premium	2102
Reserves formed on account of the profits	2103
Retained earnings/losses	2104
Unrealised gain from investment properties brought forward	2111
Unrealised gain from shares in subsidiary and affiliated undertakings brought forward	2112
Unrealised gain from cash flow hedges of financial instruments brought forward	2113
Unrealised gain from securitised assets brought forward	2114
Minority holding (in consolidated accounts only)	2120
Unrealised exchange differences (in consolidated accounts only)	2121
Intangible assets	2129
Losses for the reporting period	2130
Profit for the reporting period	2131
Unrealised gain from investment properties of the current reporting period	2141

Unrealised gain from shares in subsidiary and affiliated undertakings for the reporting period	2142
Unrealised gain from cash flow hedges of financial instruments for the reporting period	2143
Unrealised gain from securitised assets for the reporting period	2144
Other Tier 1 own funds	2150
Total amount of Tier 1 own funds	2100
Subordinated debt	2201
Preferred stock	2202
Subordinated debt and preferred stock exceeding limitations	2203
Fixed assets revaluation reserve	2204
Instruments of unspecified term	2205
Available-for-sale financial instruments	2206
Portion of unrealised gain from investment properties	2207
Portion of unrealised gain from shares in subsidiary and affiliated undertakings	2208
Write-downs and adjustments exceeding expected loss	2209
Other Tier 2 own funds	2210
Tier 2 own funds exceeding limitations	2211
Total amount of Tier 2 own funds	2200
Qualifying holdings in credit and financial institutions	2260
Qualifying holdings in insurers	2261
Other holdings 2262	2262
Expected losses	2263
Securitised positions	2264
Other positions deducted from own funds	2265
Total deductions	2270
Fixed-term subordinated liabilities	2301
Other Tier 3 own funds	2302
Total amount of Tier 3 own funds	2300
Minimum amount of own funds	2400
Tier 1 own funds after deductions	2401
Tier 2 own funds after deductions	2402
Tier 2 own funds for calculation of capital adequacy	2403
Tier 3 own funds for calculation of capital adequacy	2404
Own funds for calculation of capital adequacy	2405
Central governments and central banks under the Standardised Approach	2501
Regional governments and local authorities under the Standardised Approach	2502
Administrative bodies and non-commercial institutions and associations under the Standardised Approach	2503
Multilateral development banks under the Standardised Approach	2504
International organisations under the Standardised Approach	2505
Credit institutions and investment firms under the Standardised Approach	2506
Companies under the Standardised Approach	2507
Retail claims under the Standardised Approach	2508
Claims secured by real estate property under the Standardised Approach	2509
Past due claims under the Standardised Approach	2510
Körge riskiga	2511
Covered bonds under the Standardised Approach	2512
Short-term debt of credit institutions, investment firms and other companies under the Standardised Approach	2513

Shares and units of investment funds under the Standardised Approach	2514
Other assets under the Standardised Approach	2515
Securitised positions under the Standardised Approach	2516
Central governments and central banks under the Internal Ratings Based Approach	2551
Credit institutions, investment firms and local authorities under the Internal Ratings Based Approach	2552
Other companies under the Internal Ratings Based Approach	2553
Retail exposures under the Internal Ratings Based Approach	2557
Securitised positions under the Internal Ratings Based Approach	2558
Equity investment under the Internal Ratings Based Approach	2559
Total capital requirements against credit risks and counterparty credit risk	2500
Capital requirement for foreign-exchange risk	2600
Capital requirement for commodities risk	2650
Capital requirement for interest rate risk	2701
Capital requirement for equity position risks	2702
Capital requirements against options	2703
Capital requirement for trading book exposures exceeding the limits of concentration of exposure	2704
Capital requirement for trading book settlement/delivery risk	2705
Capital requirements against foreign exchange risk, commodities risk and position risk associated with the trading book under the Internal Models Approach	2709
Total capital requirements against foreign exchange risk, commodities risk and position risk associated with the trading book	2700
Basic Indicator Approach to operational risk	2801
Standardised Approach to operational risk	2802
Advanced Measurement Approach to operational risk	2803
Total capital requirements against operational risk	2800
Minimum own funds during the transitional period	2900
Capital requirements for the calculation of adequacy	2950
Capital adequacy	2999

5. Value

The value shall be indicated in Estonian kroons in whole numbers (in thousands).

5.1 Tier 1 own funds

Tier 1 own funds shall be included under the provisions of section 73 of the Credit Institutions Act. Tier 1 own funds shall be marked with identification codes 2100 to 2199.

1) Item 2101 "Paid-up share capital"

This comprises pre-paid share capital at balance-sheet value as at the end of the reporting period.

2) Item 2102 "Share premium"

This comprises paid-up share premium at balance sheet value as at the end of the reporting period.

3) Item 2103 "Reserves formed on account of the profits"

This comprises reserves formed on account of the profits, including the mandatory reserve capital formed in accordance with the Commercial Code at balance sheet value as at the end of the reporting period.

4) Item 2104 "Retained earnings/losses"

This comprises retained earnings/losses at balance sheet value as at the end of the reporting period.

5) Item 2111 "Unrealised gain from investment properties brought forward"

This comprises unrealised gain from investment properties measured at fair value in the amount indicated under item 2104. Earnings and losses from different real estate objects shall not be offset. Unrealised gain shall be shown with a minus sign.

6) Item 2112 "Unrealised gain from shares in subsidiary and affiliated undertakings brought forward"

This comprises unrealised gain from shares in subsidiary and affiliated undertakings measured at fair value in the amount indicated under item 2104. The earnings and losses from different investments shall not be offset. Unrealised gain shall be shown with a minus sign.

7) Item 2113 "Unrealised gain from cash flow hedges of financial instruments brought forward"

This comprises the difference between earnings and losses arising from unrealised gain from cash flow hedges of financial instruments in the amount indicated under item 2104, provided it is positive. Unrealised gain that is bigger than unrealised losses shall be shown with a minus sign. If unrealised losses are bigger than unrealised gain, the value of the item shall be 0 (zero).

8) Item 2114 "Unrealised gain from securitised assets brought forward"

This comprises the difference between unrealised gain and losses from securitised assets in the amount indicated under item 2104, provided it is positive. Unrealised gain that is bigger than unrealised losses shall be shown with a minus sign. If unrealised losses are bigger than unrealised gain, the value of the item shall be 0 (zero).

9) Item 2120 "Minority holding (in consolidated accounts only)"

The consolidated accounts comprise minority holding at balance sheet value as at the end of the reporting period. The value of the item in a solo report shall be 0 (zero).

10) Item 2121 "Unrealised exchange differences"

The consolidated accounts comprise unrealised exchange differences at balance sheet value as at the end of the reporting period. The value of the item in a solo report shall be 0 (zero).

11) Item 2129 "Intangible assets"

This comprises intangible assets at balance sheet value as at the end of the reporting period. Intangible assets shall be shown with a minus sign.

12) Item 2130 "Losses for the reporting period"

This comprises losses for the reporting period at balance sheet value. The losses for the reporting period shall be shown with a minus sign.

13) Item 2131 "Profit for the reporting period"

This comprises profit for the reporting period, provided it has been audited and the requirement to provide evidence in order to enter the profit for the reporting period into own funds as provided for in subsection 73(5), clause 73(5¹) and subsection 73(6) of the Credit Institutions Act has been met. The profit for the reporting period shall be shown at balance sheet value as on the date it was verified by an auditor. If the credit institution posts a loss after such verification, the item shall comprise profit for the reporting period at balance sheet value as at the end of the reporting period. Otherwise the value of the profit shall be shown as 0 (zero).

14) Item 2141 "Unrealised gain from investment properties for the reporting period"

This comprises unrealised gain included in the amount indicated under item 2131 from investment properties measured at fair value. Earnings and losses from different real estate objects shall not be offset. Unrealised gain shall be shown with a minus sign. If the value of the earnings for the reporting period under the item marked with identification code 2131 is 0 (zero), it shall also be indicated as 0 (zero) here.

15) Item 2142 "Unrealised gain from shares in subsidiary and affiliated undertakings for the reporting period"

This comprises unrealised gain included in the amount indicated under item 2131 from investments into subsidiary and affiliated undertakings measured at fair value. Earnings and losses from different investments shall not be offset. Unrealised gain shall be shown with a minus sign. If the value of the earnings for the reporting period under the item marked with identification code 2131 is 0 (zero), it shall also be indicated as 0 (zero) here.

16) Item 2143 "Unrealised gain from cash flow hedges of financial instruments for the reporting period"

This comprises the difference between unrealised gain and losses included in the amount indicated under item 2131 from cash flow hedges of financial instruments, provided it is positive. Unrealised gain that is bigger than unrealised losses shall be shown with a minus sign. If unrealised losses are bigger than unrealised gain, the value of the item shall be 0 (zero). If the value of the earnings for the reporting period under the item marked with identification code 2131 is 0 (zero), it shall also be indicated as 0 (zero) here.

17) Item 2144 "Unrealised gain from securitised assets for the reporting period"

This comprises the difference between unrealised gain and losses included in the amount indicated under item 2131 from securitised assets, provided it is positive. Unrealised gain that is bigger than unrealised losses shall be shown with a minus sign. If unrealised losses are bigger than unrealised gain, the value of the item shall be 0 (zero). If the value of the earnings for the reporting period under the item marked with identification code 2131 is 0 (zero), it shall also be indicated as 0 (zero) here.

18) Item 2150 "Other Tier 1 own funds"

This comprises other Tier 1 own funds in accordance with clause 73(1)7) of the Credit Institutions Act. Other Tier 1 own funds shall be shown at a value covered by a written approval granted to the credit institution by the Financial Supervision Authority under subsection 73(7) of the Credit Institutions Act, but not at a higher value than the balance sheet value thereof at the end of the reporting period. Otherwise 0 (zero) shall be shown under the item.

19) Item 2100 "Total amount of Tier 1 own funds"

This comprises the sum of the values of items 2101 to 2199.

5.2 Tier 2 own funds

Tier 2 own funds shall be reflected as provided for in section 74 of the Credit Institutions Act. Tier 2 own funds shall be marked with identification codes 2200 to 2211.

20) Item 2201 "Subordinated debt"

This item comprises subordinated liabilities of credit institutions that meet the conditions of section 74¹ of the Credit Institutions Act. Subordinated debt with unspecified and fixed terms with residual maturity of less than five years shall be shown at reduced value in accordance with subsection 74¹(7) of the Credit Institutions Act (during five years as from the residual maturity the initial sum shall be reduced by 20 per cent a year, i.e. by 5 per cent after every three months).

21) Item 2202 "Preferred stock"

This comprises the nominal value of preferred stock issued by credit institutions less redeemed preferred stocks at balance sheet value (acquisition cost) as at the end of the reporting period.

22) Item 2203 "Subordinated debt and preferred stock exceeding limitations"

This comprises the amount by which the sum of subordinated debt and preferred stock marked by identification codes 2201 to 2202 exceeds the limitations laid down in subsection 78(2) (the sum by which total items marked with identification codes 2201 and 2202 exceeds 50 per cent of the sum shown under the item marked with identification code 2100). The sum exceeding the limitation shall be shown with a minus sign. If the sum of subordinated debt and preferred stock does not exceed this limitation, it shall be indicated by 0 (zero).

23) Item 2204 "Fixed assets revaluation reserve"

This comprises the fixed assets revaluation reserve at balance sheet value as at the end of the reporting period.

24) Item 2205 "Instruments of unspecified term"

This comprises the balance sheet value of securities of unspecified term and other instruments meeting the conditions laid down in section 74² of the Credit Institutions Act as at the end of the reporting period.

25) Item 2206 "Available-for-sale financial instruments"

This comprises 45 per cent of the total revaluation of available-for-sale equity and

debt instruments included on the balance sheet under equity capital as at the end of the reporting period.

26) Item 2207 "Portion of unrealised gain from investment properties"

This comprises 45 per cent of the unrealised gain from investment properties shown under items marked with identification codes 2111 and 2141. Unrealised gain shall be shown with a minus sign.

27) Item 2208 "Portion of unrealised gain from shares in subsidiary and affiliated undertakings"

This comprises 45 per cent of the unrealised gain from shares in subsidiary and affiliated undertakings shown under items marked with identification codes 2112 and 2142. In case of minor holdings identification code 0 (zero) shall be shown under the item. Unrealised gain shall be shown with a plus sign.

28) Item 2209 "Write-downs and adjustments exceeding expected loss"

This comprises the sum by which write-downs and adjustments shown under Item 17 of the "Report on credit risk and counterparty credit risk under the Internal Ratings Based Approach" (henceforth *credit risk report under the Internal Ratings Based Approach*) exceed the expected losses calculated in accordance with sections 63 to 66 and 68 to 69 of the decree on prudential ratios, but not more than by 0.6 per cent of the risk-weighted exposure amounts shown under Item 16 of the credit risk report under the Internal Ratings Based Approach. If expected losses exceed the sum of value adjustments and write-downs or if the credit institution applies the Standardised Approach for the calculation of capital requirement for credit risk, the value of the item shall be 0 (zero).

29) Item 2210 "Other Tier 2 own funds"

This comprises other instruments that meet the conditions laid down in subsection 74(5) of the Credit Institutions Act. Other Tier 2 own funds shall be shown to the extent the inclusion of which into Tier 2 own funds has been authorised under subsection 74(4) of the Credit Institutions Act.

30) Item 2211 "Tier 2 own funds exceeding limitations"

This comprises Tier 2 own funds exceeding the limitations on Tier 2 own funds under subsection 78(1) of the Credit Institutions Act (a sum by which total Tier 2 own funds shown under items marked with identification codes 2201 to 2250 exceed total Tier 1 own funds shown under the item marked with identification code 2100). The sum exceeding Tier 1 own funds shall be shown with a minus sign. If the sum shown under Items 2201 to 2250 is smaller than the sum shown under Item 2100, the value of the item shall be 0 (zero).

31) Item 2200 "Total amount of Tier 2 own funds"

This comprises total Tier 2 own funds reflected under items 2201 to 2211.

5.3 Deductions

Deductions are reflected as laid down in section 75 of the Credit Institutions Acts. Deductions shall be shown under items 2260 to 2270. Deductions shall be shown under respective report items with a plus sign.

32) Item 2260 "Qualifying holdings in credit and financial institutions"

This comprises qualifying holdings, subordinated claims and other instruments in other credit and financial institutions contained in the own funds of the second party at balance sheet value as at the end of the reporting period. Holdings shall be shown with a minus sign.

33) Item 2261 "Qualifying holdings in insurers"

This comprises qualifying holdings, subordinated claims and other instruments in insurers, re-insurers and insurance holding companies contained in the own funds of the second party at balance sheet value as at the end of the reporting period.

34) Item 2262 "Other holdings"

This comprises holdings smaller than qualifying holdings, subordinated claims and other instruments in other credit and financial institutions contained in the own funds of the second party. The holdings shall be shown at balance sheet value, but not at a higher value than 10 per cent of the sum of Tier 1 and Tier 2 own funds shown under the items marked with identification codes 2100 and 2200.

35) Item 2263 "Expected losses"

This comprises the sum by which expected losses calculated in accordance with sections 63 to 66 and 68 to 69 of the decree on prudential ratios based on the data submitted in the credit risk report under the Internal Ratings Based Approach exceed write-downs and adjustments shown under item 17 of the same report. If expected losses are smaller than the sum of adjustments and write-downs or if a credit institution applies the Standardised Approach when calculating capital requirement for credit risk, the value of the item shall be 0 (zero).

36) Item 2264 "Securitised positions"

This comprises securitised positions in accordance with subsection 75(3) of the Credit Institutions Act in cases where credit institutions do not consider these positions when calculating capital requirements. Securitised positions are shown at balance sheet value as at the end of the reporting period.

37) Item 2265 "Other positions deducted from own funds"

This comprises other positions deducted from own funds.

38) Item 2270 "Total deductions"

This comprises the sum of deductions shown on Items 2260 to 2265.

5.4 Tier 3 own funds

The presentation of Tier 3 own funds proceeds from the provisions of section 77 of the Credit Institutions Act. Tier 3 own funds are reflected under Items 2300 to 2302.

39) Item 2301 "Fixed-term subordinated liabilities"

This comprises subordinated liabilities in accordance with the provisions of section 72¹ and clause 74¹(1) of the Credit Institutions Act. Subordinated liabilities shall be shown at balance sheet value as at the end of the reporting period.

40) Item 2302 "Other Tier 3 own funds"

This comprises other instruments meeting the requirements of Tier 3 own funds in accordance with section 77 of the Credit Institutions Act.

41) Item 2300 "Total amount of Tier 3 own funds"

This comprises the sum of Tier 3 own funds.

5.5 Own funds used upon calculation of prudential ratios

The presentation of own funds used for calculation of prudential ratios is based on sections 72 to 78 of the Credit Institutions Act.

42) Item 2400 "Minimum amount of own funds"

This comprises minimum own funds calculated in accordance with subsections 72(1) and 75(5) and section 77¹ of the Credit Institutions Act and own funds used for calculating the limits of the concentration of exposures and limitations on the holdings in companies. Own funds are calculated as follows:

- a) 50 per cent of the sum of deductions marked with identification codes 2260 to 2262 are deducted from the sum of Tier 1 own funds (marked with identification code 2100);
- b) 50 per cent of the sum of deductions marked with identification codes 2260 to 2262 are deducted from the sum of Tier 2 own funds (marked with identification code 2200). If the sum to be deducted exceeds Tier 2 own funds, the difference shall be deducted from Tier 1 own funds;
- c) after the deductions indicated under items a) and b) the remaining Tier 1 and Tier 2 own funds are added up.

43) Item 2401 "Tier 1 own funds after deductions"

This comprises Tier 1 own funds (marked with identification code 2100) of which 50 per cent of the sum of the deductions marked with identification codes 2260 to 2264 has been deducted.

44) Item 2402 "Tier 2 own funds after deductions"

This comprises Tier 2 own funds (marked with identification code 2200) of which 50 per cent of the sum of the deductions marked with identification codes 2260 to 2264 has been deducted. If the sum to be deducted exceeds the amount of Tier 2 own funds, the difference shall be deducted from Tier 1 own funds.

45) Item 2403 "Tier 2 own funds for calculation of capital adequacy"

This comprises the own funds used for the calculation of capital adequacy, taking account the limitations laid down in subsections 78(2) to 78(6) of the Credit Institutions Act.

46) Item 2404 "Tier 3 own funds for calculation of capital adequacy"

This comprises Tier 3 own funds used for the calculation of capital adequacy, considering the limitations laid down in subsections 78(2) to 78(6) of the Credit Institutions Act.

47) Item 2405 "Own funds for calculation of capital adequacy"

This comprises the sum of Tier 1,2 and 3 own funds used for the calculation of capital adequacy shown under items 2401, 2403 and 2404.

5.6 Capital requirements

Capital requirements are reflected in accordance with the provisions laid down in Chapter 3 of the decree on prudential ratios. Capital requirements are marked with identification codes 2501 to 2800.

48) Items 2501 to 2516 "Capital requirements against credit risk and counterparty credit risk calculated under the Standardised Approach"

This comprises capital requirements against credit risk and counterparty credit risk calculated on the basis of reference data presented in the "Report on credit risk and counterparty credit risk under the Standardised Approach" across classes of exposures shown under item 2 of the report line.

49) Items 2551 to 2558 "Capital requirements against credit risk and counterparty credit risk calculated under the Internal Ratings Based Approach"

This comprises capital requirements against credit risk and counterparty credit risk calculated on the basis of reference data presented in the "Report on credit risk and counterparty credit risk under the Internal Ratings Based Approach" across classes of exposures shown under item 2 of the report line.

50) Item 2559 "Equity investment under the Internal Ratings Based Approach"

This comprises the capital requirement for equity investment calculated on the basis of reference data presented in the "Report on equity investment under the Internal Ratings Based Approach".

51) Item 2500 "Total capital requirements against credit risks and counterparty credit risks"

This comprises total capital requirements against credit risk shown under items 2501 to 2559.

52) Item 2600 "Capital requirement for foreign-exchange risk"

This comprises the capital requirement for foreign exchange risk calculated on the basis of the reference data presented in the "Report on foreign exchange risk".

53) Item 2650 "Capital requirement for commodities risk"

This comprises the capital requirement for commodities risk calculated on the basis of the reference data presented in the "Report on commodities risk".

54) Item 2701 "Capital requirement for interest rate risk"

This comprises the capital requirement for interest rate risk calculated on the basis of the reference data presented in the "Report on interest position risk".

55) Item 2702 "Capital requirement for equity position risks"

This comprises the capital requirement for equity position risks calculated on the basis of the reference data presented in the "Report on equity position risk".

56) Item 2703 "Capital requirements against options"

This comprises capital requirements against options calculated in accordance with Division 3 of Chapter 3 of the decree on prudential ratios, except capital requirements calculated in accordance with Section 251 of the decree on prudential ratios, which are reflected under other capital requirement items based on underlying instruments.

57) Kirje 2704 "Riskikontsentratsiooni piirmäärasid ületavate kauplemisportfelli positsioonide kapitalinõue"

Siin näidatakse "Riskikontsentratsiooni ületavate kauplemisportfelli positsioonide aruandes" esitatud alusandmete alusel arvutatud riskikontsentratsiooni piirmäärasid ületavatelt kauplemisportfelli positsioonidelt arvutatud kapitalinõue.

57) Item 2704 "Capital requirement for trading book exposures exceeding the limits of concentration of exposure"

This comprises the capital requirement for exposures of the trading book exceeding the limits on large exposures calculated on the basis of the reference data presented in the "Report on trading book exposures exceeding the limits of large exposures".

58) Item 2705 "Capital requirement for trading book settlement/delivery risk"

This comprises the capital requirement for trading book settlement/delivery risk calculated on the basis of the reference data presented in the "Report on settlement/delivery risk associated with the trading book".

59) Item 2709 "Capital requirements against foreign exchange risk, commodities risk and position risk associated with the trading book under the Internal Models Approach"

This comprises capital requirements calculated for covering foreign exchange risk, commodities risk and position risk associated with the trading book, if credit institutions apply the Internal Models Approach for the calculation of capital requirements under subdivision 4 of Division 6 of Chapter 3.

60) Item 2700 "Total capital requirements against foreign exchange risk, commodities risk and position risk associated with the trading book"

This comprises the sum of capital requirements shown under items 2701 to 2709.

61) Items 2800 to 2803 "Capital requirements against operational risk"

This comprises capital requirements against operational risk calculated on the basis of reference data presented in the "Report on operational risk" by the methods applied and altogether.

62) Item 2900 "Minimum own funds during the transitional period"

This comprises minimum own funds as laid down in section 141² of the Credit Institutions Act, if credit institutions apply the Internal Ratings Based Approach for calculating capital requirement for credit risk or the Advanced Measurement Approach for calculating capital requirement for operational risk:

- a) during reporting periods from 1 January 2007 to 31 December 2007, 95 per cent of the amount of capital requirement shown in the capital adequacy report (henceforth *earlier adequacy report*) calculated in accordance with Eesti Pank Governor's Decree No 12 of 2 July 2002, Prudential ratios of credit institutions, and drawn up under clause 10 of Appendix 2, Principles of compiling capital adequacy reports;

- b) during reporting periods from 1 January 2008 to 31 December 2008, 90 per cent of total capital requirements shown in the earlier adequacy report;
- c) during reporting periods from 1 January 2009 to 31 December 2009, 80 per cent of total capital requirements shown in the earlier adequacy report.

If credit institutions do not apply the Internal Ratings Based Approach for calculating capital requirement for credit risk or the Advanced Measurement Approach for calculating capital requirement for operational risk, the value of the item is 0 (zero).

63) Item 2950 "Capital requirements for the calculation of adequacy"

This comprises total capital requirement sums shown under Items 2500, 2600, 2650, 2700 or the sum shown under item 2900, depending on which sum is higher.

64) Item 2999 "Capital adequacy"

This comprises the ratio of own funds shown under item 2405 to capital requirement shown under item 2950 multiplied by 10 (capital adequacy). Capital adequacy shall be shown as a coefficient with four digits following the decimal point.

REPORT ON CREDIT RISK AND COUNTERPARTY CREDIT RISK UNDER THE STANDARDISED APPROACH

1. Purpose of report

The purpose of the report is to collect data about capital requirements against credit risk under the Standardised Approach, counterparty credit risk of OTC derivative instruments and trading book shown under items 2501 to 2516 of the capital adequacy report.

2. Area of report

The report includes:

- 1) Reference data regarding capital requirements against credit risk under the Standardised Approach;
- 2) Reference data regarding capital requirements against counterparty credit risk of OTC derivative instruments in the trading book under the Standardised Approach;
- 3) Reference data regarding capital requirements against counterparty credit risk associated with the trading book under the Standardised Approach.

3. Structure of report lines

- 1) Types of exposure
- 2) Classes of exposure
- 3) Kinds of exposure
- 4) Original value
- 5) Write-downs and adjustments
- 6) Protection against credit risk with replacement effect
- 7) Expenses
- 8) Income
- 9) Adjusted exposure
- 10) Volatility-adjusted exposure
- 11) Protection against credit risk with reduction factor
- 12) Risk weighting

4. Explanation of the structure of report lines

- 1) Item "Types of exposure" shall indicate the type of transaction from which exposure arises. Identification codes of types of exposure shall be as follows:

On-balance sheet position	1
Off-balance sheet position	2

Repurchase, securities or commodities lending transactions, long settlement transactions or margin lending transactions	3
Derivatives	4
Contractual netting	5

2) Item "Classes of exposure" shall indicate the class of exposure into which the exposure shown under the item belongs in accordance with classes of exposures laid down in subsection 86³(1) of the Credit Institutions Act and abbreviated definitions laid down in subsection 16(1) of the decree on prudential ratios. Identification codes of classes of exposures shall be as follows:

Central governments and central banks	1
Regional governments and local authorities	3
Administrative bodies and non-commercial institutions and associations	4
Multilateral development banks	5
International organisations	6
Credit institutions and investment firms	7
Companies	8
Retail exposures	9
Exposures secured by real estate property	10
Past due exposures	11
High-risk instruments	12
Covered bonds	13
Short-term debts of credit institutions, investment firms and other companies	14
Shares and units of investment funds	15
Other assets	16
Securitised positions	17

3) Item "Types of risk" shall indicate the risk against which the capital requirement is calculated. Identification codes of the types of risks shall be as follows:

Credit risk	1
Counterparty credit risk	2

4) Item "Original value" shall indicate the gross value of exposures before adjustment and write-downs.

5) Item "Write-downs and adjustments" shall indicate book write-downs and adjustments of the exposures presented on the report line. Write-downs and adjustment shall be shown with a minus sign.

6) Item "Protection against credit risk with replacement effect" shall indicate the instrument mitigating credit risk against exposure indicated on the report line, if it meets the requirements laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios and if, for the purpose of considering the effect thereof, the exposure arising from the debtor is replaced by the exposure arising from the credit protection provider in the amount covered by credit protection.

Identification codes of protection against credit risk with replacement effect shall be as follows:

Guarantees with replacement effect	1
Credit derivative with replacement effect	2
Financial collateral under Standardised Approach	3
Other credit protection with replacement risk	4

Identification codes 1 and 2 shall indicate the guarantees and credit derivatives that meet the requirements laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios whose effect is recognised by applying the risk weight of the credit protection provider to the protected part of the credit risk.

Identification code 3 shall be used for financial collateral complying with the requirements laid down in section 111 of the decree on prudential ratios, if the Financial Collateral Simple Method laid down in sections 135 and 136 of the decree on prudential ratios is used for recognising the effect of financial guarantees

Identification code 4 shall indicate cash and cash equivalents deposited in other credit institutions, life insurance policies and securities issued by credit institutions or investment firms to be repurchased by them that comply with the requirements laid down in sections 117 to 119 of the decree on prudential ratios and have been received as collateral.

With all other credit protection instruments and in the absence of credit protection compliant with the requirements laid down in the decree on prudential ratios identification code 0 (zero) shall be shown under the item.

7) Item "Expenses" shall indicate the value of exposures carried over to other report lines as a result of considering the effect of credit protection with replacement risk shown under item 6.

This comprises the value of credit protection offered by guarantees adjusted for any currency mismatch and any maturity mismatch, credit derivatives or other credit protection instruments regarded as a guarantee (G_A) calculated in compliance with section 156 of the decree on prudential ratios.

Expenses shall be shown with a minus sign.

8) Item "Income" shall indicate the value of exposures carried over to this report line from other report lines or exposure classes covered by the Internal Ratings Based Approach to credit risk as a result of considering the impact of credit protection with replacement effect.

This comprises the value of credit protection offered by guarantees adjusted for any currency mismatch and any maturity mismatch, credit derivatives or other credit protection instruments regarded as a guarantee (G_A) calculated in compliance with section 156 of the decree on prudential ratios and classified on the basis of the exposure class of the credit protection provider.

In case of other protection against credit risk and financial guarantees the value of the item shall be 0 (zero).

9) Item "Adjusted exposure" shall indicate exposure value after write-downs and adjustments and application of credit protection with replacement effect (the sum of items 4, 5, 7 and 8). In case of off-balance sheet exposure the conversion factor laid down in section 87 of the decree on prudential ratios shall be applied upon calculation of adjusted exposure.

10) Item "Volatility-adjusted exposure" shall indicate the aggregate volatility adjustment in accordance with subsection 136(1) of the decree on prudential ratios added to exposure arising from securities under the Financial Collateral Comprehensive Method laid down in sections 137 to 149 of the decree on prudential ratios. If exposure has been fixed in cash or in case of replacement effect or the Financial Collateral Simple Method the value of the item shall be 0 (zero).

11) Item "Protection against credit risk with reduction factor" shall indicate the value of credit protection mitigating the credit risk of the exposure shown on the report line, if it meets the requirements laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios and if - in order to consider such effect - the value of the exposure is reduced.

This comprises the value of financial collateral compliant with the requirements laid down in section 111 of the decree on prudential ratios, if upon calculation thereof the Financial Collateral Comprehensive Method laid down in sections 137 to 149 of the decree on prudential ratios is applied.

This also comprises the value of securities or commodities purchased, borrowed or received under a repurchase transaction or securities or commodities lending or borrowing transaction indicated in section 109, subsection 110(4) and clause 124(1)3) of the decree on prudential ratios, the sum of on-balance sheet netting and the value of credit linked notes treated as cash or financial collateral in accordance with sections 127 and 128 of the decree on prudential ratios.

In case of counterparty credit risk of instruments associated with the trading book the value of instruments treated as financial collateral in accordance with subsection 304(6) of the decree on prudential ratios shall be shown.

The value of credit protection with reduction factor shall be shown in accordance with subsection 160(1) of the decree on prudential ratios after adjustment for currency and maturity mismatch (C_{VAM}) in whole numbers (in thousands) with a minus sign. In case of credit protection with replacement effect and if the Financial Collateral Simple Method is applied the value of the item shall be 0 (zero).

12) Item "Risk weighting" shall indicate the risk weighting assigned to the exposure specified on the report line in accordance with subdivision 3 of Division 1 of Chapter 2 of the decree on prudential ratios. The risk weighting shall be shown as a coefficient rounded to the nearest hundredth (with two digits after the decimal point).

REPORT ON CREDIT RISK AND COUNTERPARTY CREDIT RISK UNDER THE INTERNAL RATINGS BASED APPROACH

1. Purpose of report

The purpose of the report is to collect data about capital requirements against credit risk under the Internal Ratings Based Approach, counterparty credit risk of OTC derivative instruments and counterparty credit risk of trading book shown under items 2551 to 2558 of the capital adequacy report.

2. Area of report

The report includes:

- 1) Capital requirements against credit risk under the Internal Ratings Based Approach;
- 2) Capital requirements against counterparty credit risk of OTC derivative instruments in the trading book under the Internal Ratings Based Approach;
- 3) Capital requirements against counterparty credit risk associated with the trading book under the Internal Ratings Based Approach.

The report does not include equity investment covered by the Internal Ratings Based Approach.

3. Structure of report lines

- 1) Types of exposure
- 2) Classes of exposure
- 3) Kinds of exposure
- 4) Obligor grade
- 5) Method
- 6) Probability of default
- 7) Original value
- 8) Protection against credit risk with replacement effect
- 9) Expenses
- 10) Income
- 11) Adjusted exposure
- 12) Protection against credit risk with reduction factor
- 13) Value of credit protection with reduction factor
- 14) Average loss given default
- 15) Average maturity
- 16) Risk-weighted exposure amounts
- 17) Write-downs and adjustments
- 18) Number of debtors

4. Explanation of the structure of report lines

1) Item "Types of exposure" shall indicate the type of transaction from which the exposure arises. Identification codes of types of exposure shall be as follows:

On-balance sheet position	1
Off-balance sheet position	2
Repurchase, securities or commodities lending transactions, long settlement transactions or margin lending transactions	3
Derivatives	4
Contractual netting	5

2) Item "Classes of exposure" shall indicate the class of exposure into which the exposure shown under the item belongs in accordance with classes of exposures laid down in subsection 86⁹(1) of the Credit Institutions Act and abbreviated definitions laid down in subsection 16(1) of the decree on prudential ratios. Identification codes of classes of exposures shall be as follows:

Central governments and central banks	1
Credit institutions, investment firms and local authorities	3
Companies	8
Securitised positions	17
Retail exposures secured by real estate property	18
Revolving retail exposures	19
Other retail exposures	20
Other assets	21
Specialised exposures	22

Exposures shall be classified in accordance with section 42 of the decree on prudential ratios.

3) Item "Types of risk" shall indicate the risk against which the capital requirement is calculated. Identification codes of the types of risks shall be as follows:

Credit risk	1
Counterparty credit risk	2
Dilution risk	3

4) Item "Obligor grade" shall indicate the internal obligor grade into which the exposure belongs. Identification codes of obligor grades shall be serial numbers of obligor grades starting from 1. Obligor grades shall be sequenced starting with the obligor grade containing exposures with the highest rating that is marked with identification code 1.

5) Item "Method" shall indicate the Internal Ratings Based Approach applied. Identification codes of the methods shall be as follows:

Foundation Approach	1
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Advanced Approach	2
Alternative treatment	3

Identification code 1 "Foundation Approach" shall be applied when credit institutions do not apply their own estimates of loss given default and conversion factors as regards exposures indicated on the report line. Identification code 1 "Foundation Approach" shall also be applied if credit institutions proceed from the provisions of subsection 303(4) of the decree on prudential ratios upon calculating capital requirement for counterparty credit risk associated with the trading book and apply loss rates provided for in section 74 of the decree on prudential ratios.

Identification code 2 "Advanced Approach" shall be applied if own estimates of loss rates and conversion factors are applied regarding exposures indicated on the report line, including retail exposure classes (item "Exposure class" marked with identification codes 18 to 20).

Identification code 3 "Alternative treatment" shall be applied if in the case of specialised exposures credit institutions apply the Alternative treatment laid down in section 53 of the decree on prudential ratios. Identification code 3 shall be applied only when item 2 of the report line "Exposure class" is marked with identification code 22 "Specialised exposures".

6) Item "Probability of default" shall indicate the probability of default regarding the exposure reflected on the report line, which is applied for calculating risk-weighted exposure amounts and expected loss. Probability of default shall be shown as a coefficient rounded to the nearest thousand (with three digits after the decimal point).

7) Item "Original value" shall indicate gross exposure value before adjustment and write-downs. In case of dilution risk (marked with identification code 2 under item "Types of exposure") the sum of purchased claims shall be shown.

8) Item "Protection against credit risk with replacement effect" shall indicate the credit risk hedge instrument against the exposure shown on the report line, if it meets the requirements laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios and, if in order to consider the effect thereof, the probability of default of the borrower is replaced with the probability of default of the credit protection provider to the extent of the exposure included in the basket of exposures protected by credit protection, or with the probability of joint default of the borrower and the credit risk provider. This also comprises such credit protection instruments that, if considered, lead to the replacement of the exposure under the Internal Ratings Based Approach with the exposure covered by the Standardised Approach.

Under the Advanced Internal Ratings Based Approach (on item 5 marked with identification code 2) only such credit protection instruments shall be shown that, if considered, lead to the adjustment of own estimates of probability of default when calculating risk-weighted exposure amounts and expected loss. This does not comprise credit protection instruments whose impact is considered in own estimates of loss rates or whose impact is considered in accordance with subsection 1 of section 51 of the decree on prudential ratios.

Identification codes of protection against credit risk with replacement effect are as follows:

Guarantee with replacement effect	1
Credit derivative with replacement effect	2
Other credit protection with replacement effect	4

Guarantees and credit derivatives meeting the requirements laid down in sub-subdivision 2 of subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios shall be marked with identification codes 1 and 2, if the replacement approach is applied in order to consider the credit protection effect thereof.

Cash on deposit with or cash assimilated instruments held by third party institutions, life insurance policies and securities issued by credit institutions or investment firms which will be repurchased by them that meet the requirements of sections 117 to 119 of the decree on prudential ratios shall be marked with identification code 4.

With all other credit protection instruments and in the absence of credit protection that meets the requirements of the decree on prudential ratios, identification code 0 (zero) shall be shown under the item.

9) Item "Expenses" shall indicate the value of exposure carried over to other report lines or classes of exposure under the Standardised Approach as a result of considering the credit protection with replacement effect shown under item 8.

This comprises the credit protection value adjusted for any currency mismatch and any maturity mismatch of a guarantee, credit derivative or other credit protection instrument treated as a guarantee (G_A) and calculated in accordance with section 156 of the decree on prudential ratios if the Foundation Internal Ratings Based Approach (on item 5 marked with identification code 1).

Under the Advanced Internal Ratings Based Approach (on item 5 marked with identification code 2) the nominal value of guarantees or credit derivatives shall be shown only if credit institutions consider unfunded protection when estimating the probability of default in accordance with subsection 78(2) of the decree on prudential ratios. This does not comprise adjustment of loss rates under that section.

Expenses shall be shown with a minus sign.

10) Item "Income" shall indicate the value of exposures carried over from other report lines into that report line as a consequence of considering the impact of credit protection with replacement effect.

Under the Foundation Internal Ratings Based Approach (on item 5 marked with identification code 2) the guarantee value calculated in accordance with section 156 of the decree on prudential ratios adjusted for any currency mismatch and any maturity mismatch or the value of credit protection provided by the credit derivative (G_A) classified shall be shown in accordance with the probability of default of the credit

protection provider or shared probability of default of the debtor and the credit risk provider estimated in accordance with section 157 of the decree on prudential ratios.

Under the Advanced Internal Ratings Based Approach (on item 5 marked with identification code 2) the nominal value of guarantees or credit derivatives shall be shown only if credit institutions consider unfunded protection when estimating the probability of default in accordance with subsection 78(2) of the decree on prudential ratios. This does not comprise adjustment of loss rates under that section. Income shall be classified on the basis of guarantee or default adjusted for credit derivative.

In case of other funded credit protection and financial collateral the value of the item shall be 0 (zero).

11) Item "Adjusted exposure" shall indicate exposure value after application of credit protection with replacement effect (the sum of item 7 "Original exposure", item 9 "Expenses" and item 10 "Income"). In case of off-balance sheet positions also the conversion factor laid down in section 87 of the decree on prudential ratios shall be applied for calculation of adjusted exposure.

12) Item "Protection against credit risk with reduction factor" shall indicate the instrument hedging the exposure shown on the report line, if it meets the requirements laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios and if the value of the exposure is reduced in order to consider the impact thereof. Under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item 5 "Method") also such credit protection shall be indicated that has been considered in order to determine the own estimates of loss rates. This does not comprise the credit protection instruments whose impact is considered in order to evaluate the probability of default.

Identification codes of credit protection with reduction factor:

Guarantee with reduction factor	4
Credit derivative with reduction factor	5
Other funded credit protection reducing loss rate	6
Financial collateral	7
Mortgage	8
Pledged receivables as collateral	9
Other physical collateral	10
Unfunded credit protection reducing loss rate	11

Identification codes 4 and 5 shall only be applied under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item "Method"), and guarantees and credit derivatives shall be indicated only if these are considered in the own estimates of loss rates.

Identification code 6 shall be applied only under the Advanced Internal Ratings Based Approach and it shall comprise cash and cash equivalents deposited in other credit institutions, life insurance policies and securities issued by credit institutions or

investment firms to be repurchased by them received as collateral, if these are considered in own estimates of loss rates.

Financial collateral shall be marked with identification code 7 as follows:

- a) in case of counterparty risk of instruments associated with the trading book instruments treated as financial collateral in accordance with subsection 304(6) of the decree on prudential ratios;
- b) under the Foundation Internal Ratings Based Approach (marked with identification code 1 under item 5 "Method") financial collateral that meets the requirements laid down in section 111 of the decree on prudential ratios and securities purchased or received in the course of repurchase transactions and lending or borrowing securities or commodities indicated in section 109, subsection 110(4) and clause 124(1) 3) or lent securities and commodities, on-balance sheet netting and credit linked notes treated as cash or financial collateral under sections 127 and 128 of the decree on prudential ratios;
- c) under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item 5 "Method") financial collateral considered in the own estimates of loss rates.

Under the Foundation Internal Ratings Based Approach (marked with identification code 1 under item 5 "Method") identification code 8 shall indicate mortgages and finance lease transactions involving real estate in accordance with the requirements laid down in sections 114 and 115 of the decree on prudential ratios. Under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item 5 "Method") the mortgages and other real estate collateral considered in the own estimates of loss rate shall be indicated.

Under the Foundation Internal Ratings Based Approach (marked with identification code 1 under item 5 "Method") identification code 9 shall indicate claims received as collateral that meet the requirements laid down in section 116 of the decree on prudential ratios. Under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item 5 "Method") the collateral claims considered in the own estimates of loss rates shall be indicated.

Under the Advanced Internal Ratings Based Approach (marked with identification code 2 under item 5 "Method") identification code 10 shall indicate other physical collateral.

Identification code 11 comprises unfunded credit protection instruments (guarantees and credit derivatives) whose impact is considered by applying the double default treatment calculated in accordance with subsection 51(1) of the decree on prudential ratios.

In case of all other credit protection instruments and in the absence of credit protection that meets the requirements laid down in the decree on prudential ratios identification code 0 (zero) shall be indicated under the item.

13) Item "Value of credit protection with reduction factor" comprises the value of the instrument corresponding to the identification code of credit protection with reduction factor indicated under item 12 with a minus sign.

If the Advanced Internal Ratings Based Approach is applied, identification codes 4 and 5 shall indicate the nominal value of guarantees and credit derivatives reflected in the own estimates of loss rates.

With identification code 6 under the Advanced Internal Ratings Based Approach the value of cash and cash equivalents deposited in other credit institutions, life insurance policies and securities issued by credit institutions or investment firms to be repurchased by them shall be indicated.

With identification code 7 the value of counterparty credit risk of the instruments associated with the trading book and, under the Foundation Internal Ratings Based Approach, the volatility-adjusted value of the collateral further adjusted for any currency and maturity mismatch (C_{VAM}) calculated in accordance with subsection 137(2) and section 160 of the decree on prudential ratios shall be indicated. Under the Advanced Internal Ratings Based Approach the market value of the financial collateral considered in the own estimates of loss rates shall be indicated.

With identification code 8 under the Foundation Internal Ratings Based Approach the market value of mortgages or finance lease transactions involving real estate that have been estimated in accordance with the requirements laid down in section 150 of the decree on prudential ratios shall be indicated. Under the Advanced Internal Ratings Based Approach this comprises the market value of mortgages taken or other real estate collateral considered in the own estimates of loss rates.

With identification code 9 under the Foundation Internal Ratings Based Approach the amount receivable based on collateral claims in accordance with section 151 of the decree on prudential ratios shall be indicated. Under the Advanced Internal Ratings Based Approach the amount receivable based on collateral claims considered in the own estimates of loss rates shall be indicated.

With identification code 10 under the Advanced Internal Ratings Based Approach the market value of physical collateral considered in the own estimates of loss rates shall be indicated.

With identification code 11 the value of unfunded credit protection instruments (guarantees and credit derivatives) considered upon calculation of double default treatment laid down in subsection 51(1) of the decree on prudential ratios shall be indicated.

In case of all other credit risk instruments and in the absence of credit protection that meets the requirements laid down in the decree on prudential ratios the value of the item shall be 0 (zero).

14) Item "Average loss given default" shall indicate the weighted average of loss rates applied to the exposure indicated on the report line in accordance with sub-subdivision 4 of subdivision 2 of Division 2 of Chapter 3 of the decree on prudential ratios whereas the value of adjusted exposure indicated under item 20 shall serve as the weight. The weighted average shall be indicated as a coefficient and rounded to the nearest thousand (with three digits after the decimal point).

15) Item "Average maturity" shall indicate the weighted average maturity calculated for the exposure shown on the report line in accordance with subdivision 2 of Division 2 of Chapter 3 of the decree on prudential ratios. Maturity shall be indicated in calendar days.

16) Item "Risk-weighted exposure amounts" shall indicate the risk-weighted exposure amounts calculated for the exposure shown on the report line in accordance with sub-subdivision 2 of subdivision 2 of Division 2 of Chapter 3 of the decree on prudential ratios. Under alternative treatment (marked with identification code 3 under item "Method") the original value indicated under item 7 multiplied by the respective risk weight laid down in section 53 of the decree on prudential ratios shall be shown.

17) Item "Write-downs and adjustments" shall indicate the sum of write-downs accounted for and value adjustment of exposure shown on the report line.

18) Item "Number of debtors" comprises the number of debtors corresponding to the exposure shown on the report line.

REPORT ON EQUITY INVESTMENT UNDER THE INTERNAL RATINGS BASED APPROACH

1. Purpose of report

The purpose of the report is to obtain data about the calculation of capital requirements shown under item 2559 "Report on equity investment under the Internal Ratings Based Approach" of the capital adequacy report.

2. Area of report

The report includes the reference data of capital requirements against equity investment under the Internal Ratings Based Approach.

3. Structure of report lines

- 1) Types of exposure
- 2) Method
- 3) Obligor grade
- 4) Probability of default
- 5) Original value
- 6) Protection against credit risk with replacement effect
- 7) Expenses
- 8) Income
- 9) Adjusted exposure
- 10) Average loss given default
- 11) Risk-weighted exposure amounts
- 12) Write-downs and adjustments

4. Explanation of the structure of report lines

1) Item "Types of exposure" shall indicate the type of transaction from which the exposure arises. Identification codes of types of exposure shall be as follows:

On-balance sheet position	1
Off-balance sheet position	2

2) Item "Method" shall indicate the method applied upon calculating the risk weighting in accordance with sections 54 to 56 of the decree on prudential ratios. Identification codes of the methods are as follows:

Simple Risk Weight Approach	1
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PD/ LGD (probability of default/loss given default) Approach	2
Own Estimates Approach	3

3) Item "Obligor grade" shall indicate the internal obligor grade the exposure belongs to. Identification codes of obligor grades are sequence numbers starting from 1. Obligor grades shall be ranked starting from the grade with the highest graded exposure, which shall be marked with identification code 1.

4) Item "Probability of default" under the PD/LGD Approach (marked with identification code 2 under item 2 of the report line) shall indicate the probability of default corresponding to the obligor grade shown under item 3 of the report line, which shall be applied for calculating the risk-weighted exposure amounts and expected losses. Probability of default shall be shown as a coefficient rounded to the nearest thousand (with three digits after the decimal point). Under other approaches the value of the item shall be 0 (zero).

5) Item "Original value" shall indicate the gross value of the exposure before adjustments and write-downs. Under the Own Estimates Approach (marked with identification code 3 under item 2 of the report line) identification code 0 (zero) shall be shown under the item.

6) Item "Protection against credit risk with replacement effect" shall indicate the unfunded credit protection instrument for hedging the credit risk of the equity instrument shown on the report line, if it meets the requirements for unfunded credit protection laid down in subdivision 3 of Division 2 of Chapter 3 of the decree on prudential ratios and if, in order to consider the impact thereof, the exposure is replaced with protection against the exposure associated with the credit protection provider to the extent covered by credit protection. Under the Own Estimates Approach (marked with identification code 3 under item 2 of the report line) identification code 0 (zero) shall be shown under the item.

Identification codes of protection against credit risk with replacement effect shall be as follows:

Guarantee with replacement effect	1
Credit derivative with replacement effect	2

7) Kirjel "Väljaminek" kajastatakse kirjel 6 näidatud asendusefektiga krediidiriski kaitse mõju arvesse võtmise tulemusena teistele aruanderidadele kantavate omakapitali instrumentide väärtus. Siin näidatakse vastavalt usaldatavusnormatiivide määruse §-le 156 arvutatud valuuta mittevastavuse ja lõpptähtaegade mittevastavusega korrigeeritud garantii või krediididerivatiivi poolt pakutava krediidiriski kaitse väärtus (G_A). Väljaminek näidatakse miinusemärgiga.

7) Item "Expenses" shall indicate the value of equity instruments carried over to other report lines as a consequence of considering the impact of credit protection with replacement effect shown under item 6. This comprises the value of credit protection offered by guarantees adjusted for any currency mismatch and any maturity mismatch

or credit derivatives (G_A) calculated in compliance with section 156 of the decree on prudential ratios. Expenses shall be shown with a minus sign.

8) Item "Income" shall indicate the value of exposures carried over from other report lines into that report line as a consequence of considering the impact of credit protection with replacement effect.

Under the Own Estimates Approach (marked with identification code 3 under item 2 of the report line) identification code 0 (zero) shall be shown on the report line.

9) Item "Adjusted exposure" shall indicate exposure value after credit protection with replacement risk has been applied (the sum of items 5 "Original exposure", 7 "Expenses" and 8 "Income"). With off-balance sheet exposure also the conversion factor laid down in section 87 of the decree on prudential ratios shall be applied upon calculation of adjusted exposure.

10) Item "Average loss given default" under the PD/ LGD Approach shall indicate the weighted average of loss rates applied to the exposures indicated on the report line in accordance with subsection 59(3) of the decree on prudential ratios. The weighted average shall be indicated as a coefficient and rounded to the nearest thousand (with three digits after the decimal point). Under all other approaches the value of the item shall be 0 (zero).

11) Item "Risk-weighted exposure amounts" shall indicate the risk-weighted exposure amounts calculated for the exposure shown on the report line in accordance with sub-subdivision 2 of subdivision 2 of Division 2 of Chapter 3 of the decree on prudential ratios.

Under the Simple Risk Weight Approach (marked with identification code 2 under item "Method") the original value indicated under item 5 multiplied by the respective risk weight laid down in section 58 of the decree on prudential ratios shall be shown.

Under the PD/ LGD Approach (marked with identification code 2 under item "Method") risk-weighted exposure amounts calculated in accordance with subsections 59(1) and 59(2) of the decree on prudential ratios shall be indicated herein.

Under the Own Estimates Approach (marked with identification code 3 under item "Method") risk-weighted exposure amounts calculated in accordance with section 60 of the decree on prudential ratios shall be indicated herein.

12) Item "Write-downs and adjustments" shall indicate the sum of write-downs accounted for and value adjustment of exposure shown on the report line.

REPORT ON FOREIGN EXCHANGE RISK

1. Purpose of report

The purpose of the report is to obtain data about calculating foreign exchange risk specified under item 2600 of the capital adequacy report.

2. Area of report

The report reflects reference data related to capital requirements against foreign exchange risk calculated in accordance with Division 4 of Chapter 3 of the decree on prudential ratios.

3. Structure of report lines

- 1) Type of position
- 2) Currency 1
- 3) Currency 2
- 4) Type of position
- 5) Long position
- 6) Short position

4. Explanation of report line structure

- 1) Type of position

This comprises the type of foreign exchange position in accordance with sections 255 and 256 of the decree on prudential ratios. The identification codes of types of foreign exchange are as follows:

Related currencies	1
Correlated currencies	2
Other currencies	3
Gold	4
Structural position	5

Identification code 1 shall indicate foreign exchange positions treated as a single currency subject to binding international agreements in accordance with subsection 256(5) of the decree on prudential ratios.

Identification code 2 shall indicate positions of correlated currencies in accordance with subsections 255(2) and (3) of the decree on prudential ratios.

Identification code 3 shall indicate all foreign exchange positions not marked with identification codes 1 and 2. Identification code 3 shall also indicate investment into shares and units of collective investment undertakings, which are treated as separate foreign exchange positions under subsection 256(2) of the decree on prudential ratios. Identification code 4 shall indicate positions in gold.

Identification code 5 shall indicate structural positions referred to in subsection 256(7) of the decree on prudential ratios.

In case of positions in the Estonian kroon and in the euro identification code 0 (zero) shall be shown under the item.

2) Currency 1

This comprises the currency (incl. the Estonian kroon and the euro) code. Shares and units of collective investment undertakings treated under subsection 256(2) of the decree on prudential ratios shall be indicated with code CIU. Foreign exchange whose total net long and short positions converted into Estonian kroons are smaller than 200 000 EEK may be indicated as one line with code XXZ.

In case of gold, code XAU shall be indicated. Currency code shall be indicated in capital letters.

3) Currency 2

This comprises the code of the currency indicated under item "Currency 1" of types of position "Related currencies" and "Correlated currencies" or the code of correlated currency. In case of other types of position code XXX shall be indicated under the item.

4) Type of position

This shall indicate whether foreign exchange positions are on-balance sheet or off-balance sheet positions. The identification codes of the type of position are as follows:

On-balance sheet position	1
Off-balance sheet position	2

5) Long position

This comprises the value of all on- and off-balance-sheet assets fixed in a given foreign exchange, sums received under forward exchange transactions, delta-weighted net value of foreign-currency and gold options and the market value of other options affected by changes in the exchange rate of the currency in question, excluding foreign-currency and gold options.

With related currencies and correlated currencies the position shall be indicated in accordance with the code shown under entry "Currency 1".

The absolute value of a long position shall be indicated in respective currency in whole numbers (in thousands). In case of currency code XXZ foreign exchange shall be converted into Estonian kroons at Eesti Pank's rate as on the last banking day of the reporting period.

6) Short position

This comprises the balance-sheet value of all on-balance sheet items fixed in foreign currency, the value of the part of off-balance sheet items likely to be realised, amounts transferred through forward transactions, the value of delta-weighted foreign exchange and gold put options and the market value of other put options fixed in foreign currency, except foreign currency and gold options.

In case of related currencies and correlated currencies the position shall be indicated in accordance with the code shown under entry "Currency 1".

The absolute value of a short position shall be indicated in respective currency in whole numbers (in thousands). In case of currency code XXZ foreign exchange shall be converted into Estonian kroons at Eesti Pank's rate as on the last banking day of the reporting period.

REPORT ON COMMODITIES RISK

1. Purpose of report

The objective of the report is to obtain data about calculating the capital requirement for commodities risk shown under item 2650 of the report on capital adequacy.

2. Area of report

The report shall reflect reference data for capital requirement calculated in accordance with Division 5 of Chapter 3 of the decree on prudential ratios.

3. Structure of report line

- 1) Method
- 2) Commodities
- 3) Maturity band
- 4) Long position
- 5) Short position

4. Explanation of report line structure

1) Method

This comprises the method applied upon calculation of the capital requirement for commodities risk. Identification codes of the method are as follows:

Maturity Ladder Approach	1
Simplified Approach	2

2) Commodities

This comprises the type of commodity for which the capital requirement is calculated. The commodities treated as one position under subsection 260(1) of the decree on prudential ratios shall be indicated with one name.

3) Maturity band

This shall indicate the maturity band in accordance with section 262 of the decree on prudential ratios under the Maturity Ladder Approach. The identification codes of maturity bands are as follows:

Up to one month	28
More than one month and up to three months	29
More than three months and up to six months	4

More than six months and up to twelve months	5
More than twelve months and up to two years	6
More than two years and up to three years	7
More than three years	30

Under the Simplified Approach the identification code of the maturity band shall be 0 (zero).

4) Long position

This comprises the absolute value of long commodities position as at the end of the reporting period. In case of options associated with commodities the absolute value of delta-weighted long position shall be indicated.

5) Short position

This comprises the absolute value of short commodities position as at the end of the reporting period. In case of options associated with commodities the absolute value of delta-weighted short position shall be indicated.

REPORT ON INTEREST POSITION RISK

1. Purpose of report

The purpose of the report is to obtain data about calculating the capital requirement for interest rate risk indicated on item 2701 of the report on capital adequacy.

2. Area of report

The report shall reflect the reference data for calculating the capital requirement for interest rate risk on the debt instruments associated with the trading book in accordance with sub-subdivisions 2 and 4 of subdivision 2 of Division 6 of Chapter 3 of the decree on prudential ratios. If the credit institution is under the Credit Institutions Act exempt from calculating the capital requirement associated with the trading book, the positions shall not be indicated in the report.

3. Structure of report line

- 1) Type of risk
- 2) Currency
- 3) Zone
- 4) Risk weights
- 5) Long position
- 6) Short position

4. Explanation of report line structure

- 7) Type of risk

This comprises the type of risk for which the capital requirements are calculated. The identification codes of risk types are as follows:

Specific risk	1
General risk under maturity-based approach	2
General risk under duration-based approach	3

- 2) Currency

This comprises the code of the currency in which the value of the debt instrument has been fixed or, in case of derivative instruments, the value of underlying instruments. In case of specific risk, the identification code of the currency shall be EEK.

- 3) Zone

In case of general risk, this comprises the zone corresponding to the maturity of the

instrument in accordance with the conditions laid down in subsections 288(2) and (4) of the decree on prudential ratios. The identification codes of the zone shall be as follows:

Zone 1	1
Zone 2	2
Zone 3	3

In case of specific risk, the identification code of the zone shall be 0 (zero).

4) Risk weights

In case of specific risk, the rate of capital requirement shall be indicated in accordance with section 284 of the decree on prudential ratios. In case of general risk under the maturity-based approach the risk weight shall be indicated in accordance with subsection 288(2). In case of general risk calculated under the duration-based approach, the modified duration of the debt instrument computed in accordance with section 289 of the decree on prudential ratios shall be multiplied by the assumed interest-rate change.

The risk weight shall be indicated as a coefficient rounded to four digits after the decimal point.

5) Long position

This comprises the absolute value of the long position in debt instruments as at the end of the reporting period in the currency indicated under item 2 of the report line in whole numbers (in thousands). In case of options associated with debt instruments, the absolute value of the delta-weighted long position shall be indicated.

6) Short position

This comprises the absolute value of the short position in debt instruments as at the end of the reporting period in the currency indicated under item 2 of the report line in whole numbers (in thousands). In case of options associated with debt instruments, the absolute value of the delta-weighted short position shall be indicated.

REPORT ON EQUITY POSITION RISK

1. Purpose of report

The purpose of the report is to obtain data about calculating the capital requirement shown under item 2702 of the capital adequacy report.

2. Area of report

The report reflects the reference data for calculating the capital requirement for equity position risk on shares associated with the trading book in accordance with sub-subdivisions 3 and 4 of subdivision 2 of Division 6 of Chapter 3 of the decree on prudential ratios. If the credit institution is under subsection 79(3) of the Credit Institutions Act exempt from calculating the capital requirement associated with the trading book, the positions shall not be indicated in the report.

3. Structure on report line

- 1) Type of risk
- 2) Long position
- 3) Short position
- 4) Capital requirement rate

4. Explanation of report line structure

- 1) Type of risk

This comprises the type of risk for which the capital requirements are calculated. The identification codes of risk types are as follows:

Specific risk	1
General risk	2

- 2) Long position

This comprises the absolute value of long equity position. In case of options, the absolute value of delta-weighted long position shall be shown. Shares and units of the collective investment undertakings that are treated in accordance with section 299 of the decree on prudential ratios shall be indicated as separate positions.

- 3) Short position

This comprises the absolute value of short equity position risk. In case of options, the absolute value of delta-weighted short position shall be shown. Shares and units of the collective investment undertakings that are treated in accordance with section 299 of the decree on prudential ratios shall be indicated as separate positions.

4) Rate of capital requirement

This comprises the rate of capital requirement for specific or general risk in accordance with section 293 or 294 of the decree on prudential ratios. The rate of capital requirement shall be indicated as a coefficient rounded to four digits after the decimal point.

REPORT ON TRADING BOOK EXPOSURES EXCEEDING THE LIMITS OF LARGE EXPOSURES

1. Purpose of report

The purpose of the report is to obtain data about calculating the capital requirement shown under item 2704 of the capital adequacy report.

2. Area of report

The report reflects reference data related to the additional capital requirement calculated on trading book exposures exceeding the limits of large exposures in accordance with subdivision 5 of Division 6 of Chapter 3 of the decree on prudential ratios. If the credit institution is exempt from calculating trading book capital requirements under subsection 79(3) of the Act on Credit Institutions or if the credit institution does not have trading book exposures exceeding the limits of large exposures, the positions shall not be indicated in the report.

3. Structure of report line

- 1) Instrument
- 2) Value of position
- 3) Original capital requirement
- 4) Period
- 5) Conversion factor

4. Explanation of report line structure

- 1) Instrument

This comprises the instrument on which the capital requirement shall be calculated. Derivative instruments shall be classified according to underlying assets. The identification codes of the instruments are as follows:

Shares	1
Debt instruments	2

- 2) Value of position

This comprises the position of the instrument indicated on the report line associated with the trading book exceeding the limits of concentration of exposures as at the end of the reporting period.

- 3) Original capital requirement

This comprises the sum of capital requirements calculated to cover the specific risk,

trading book settlement/delivery risk and counterparty credit risk associated with the instrument shown on the report line as at the end of the reporting period.

4) Period

This comprises the duration of exceeding the limits of concentration of exposures in days. The identification codes of the duration are as follows:

Up to ten days	1
Ten days and more	2

5) Conversion factor

This comprises the conversion factor in accordance with subsection 318(2) of the decree on prudential ratios. If the duration of exceeding the limits is shorter than ten days, the rate of capital requirement shall be indicated under the entry in accordance with subsection 318(1) of the decree on prudential ratios. The conversion factor shall be indicated as a coefficient rounded to two digits after the decimal point.

REPORT ON OPTIONS

1. Purpose of report

The purpose of the report is to obtain data about calculating the capital requirement shown under item 2703 of the capital adequacy report.

2. Area of report

The report reflects reference data related to the capital requirements calculated on options in accordance with Division 3 of Chapter 3 of the decree on prudential ratios. If the credit institution is exempt from calculating trading book capital requirements under subsection 79(3) of the Act on Credit Institutions, the positions shall not be indicated in the report.

3. Structure of report line

- 1) Method
- 2) Type of underlying assets
- 3) Market price of underlying assets
- 4) Type of option
- 5) Difference between strike price and market price
- 6) Net gamma impact
- 7) Net vega impact
- 8) Capital requirement ratio

4. Explanation of report line structure

1) Method

This comprises the method of calculating capital requirements on options in accordance with Division 3 of Chapter 3 of the decree on prudential ratios. The identification codes of the methods are as follows:

Simplified Method	1
Delta-Plus Method	2

2) Type of underlying assets

This comprises the type of the underlying assets of options. The identification codes of the type of the underlying assets are as follows:

Debt instrument	1
Interest rate and interest rate indices	2

Equity	3
Commodities	4
Currency	5

3) Market price of underlying assets

This comprises, under the Simplified Method, the market price of the underlying assets of options as at the end of the reporting period. Under the Delta-Plus Method 0 (zero) shall be indicated under the item.

4) Type of option

Under the Simplified Method this shall indicate whether options are covered or uncovered. The identification codes of types of options are as follows:

Uncovered (naked)	1
Covered	2

Under the Delta-Plus Method the identification code shall be 0 (zero).

5) Difference between strike price and market price

This comprises the difference between the strike price and the market price of the options indicated on the report line, if the option is in the money. Under the Delta-Plus Method or if the option is not in the money the identification code shall be 0 (zero).

6) Net gamma impact

This comprises the net gamma impact calculated in accordance with section 253 of the decree on prudential ratios. Under the Simplified Method 0 (zero) shall be indicated under the item.

7) Net vega impact

This comprises the net vega impact calculated in accordance with section 254 of the decree on prudential ratios. Under the Simplified Method 0 (zero) shall be indicated under the item.

8) Capital requirement ratio

This comprises the capital requirement rate applied to the option under the Simplified Method in accordance with section 249 of the decree on prudential ratios. The capital requirement rate shall be indicated as a coefficient rounded to four digits after the decimal point. Under the Delta-Plus Method 0 (zero) shall be indicated under the item.

REPORT ON SETTLEMENT/DELIVERY RISK ASSOCIATED WITH THE TRADING BOOK

1. Purpose of report

The purpose of the report is to obtain data about calculating the capital requirement shown under item 2705 of the capital adequacy report.

2. Area of report

The report shall reflect reference data related to the capital requirement calculated on trading book exposures in accordance with section 301 of the decree on prudential ratios. If the credit institution is exempt from calculating trading book capital requirements under subsection 79(3) of the Act on Credit Institutions, the positions shall not be indicated in the report.

3. Structure of report line

- 1) Settlement price
- 2) Market price
- 3) Rate of capital requirement

4. Explanation of report line structure

- 1) Settlement price

This comprises the settlement price regarding transactions not settled by the prescribed due delivery dates.

- 2) Market price

This comprises the current market price of an unsettled transaction.

- 3) Rate of capital requirement

This comprises the rate of capital requirements set on unsettled transactions in accordance with subsection 301(3) of the decree on prudential ratios. The capital requirements shall be indicated as a coefficient rounded to four figures after the decimal point.

REPORT ON OPERATIONAL RISK

1. Purpose of report

The purpose of the report on operational risk is to obtain data about calculating the capital requirement shown under item 2800 of the capital adequacy report.

2. Area of report

The report on operational risk shall reflect the reference data of capital requirements for operational risk calculated in accordance with Division 7 of Chapter 3 of the decree on prudential ratios.

3. Structure of report line

- 1) Method
- 2) Combination of reports
- 3) Business line
- 4) Indicator 1
- 5) Indicator 2
- 6) Indicator 3
- 7) Rate of capital requirement
- 8) Original capital requirement
- 9) Operational risk hedges
- 10) Impact of hedging operational risk
- 11) Capital requirement

4. Explanation of report line structure

1) Method

This comprises the method applied upon calculating the capital requirement for operational risk in accordance with Division 7 of Chapter 3 of the decree on prudential ratios. The identification codes of operational risk methods shall be as follows:

Basic Indicator Approach	1
Standardised Approach	2
Alternative Standardised Approach	3
Advanced Measurement Approach	4

2) Combination of methods

It shall be indicated whether a method is applied in combination with other methods

in accordance with section 86⁴³ or 86³⁹ of the Credit Institutions Act. The identification codes of combining operational risk methods shall be as follows:

Non-combined	1
Combined	2

3) Business line

This comprises business lines under the Standardised Approach and under the Advanced Measurement Approach. The identification codes of business lines shall be as follows:

Corporate Finance	1
Trading and Sales	2
Retail Banking	3
Commercial Banking	4
Payment and Settlement	5
Agency Services	6
Asset Management	7
Retail Brokerage	8

The definitions of business lines shall be based on section 320 of the decree on prudential ratios. Under the Basic Indicator Approach and the Advanced Measurement Approach 0 (zero) shall be indicated under the item.

4) Indicator 1

This comprises net income from operations earned during the financial year preceding the reporting period calculated in accordance with subsections 319(3) and (4) of the decree on prudential ratios or the balance-sheet value of issued loans and advances as at the end of the preceding financial year proceeding from subsection 323(3) of the decree on prudential ratios. These sums shall be indicated under item "Indicator 1" as follows:

- a) under the Basic Indicator Approach total net income from operations of the credit institution;
- b) under combined Basic Indicator Approach total net income from operations in the areas covered with the Basic Indicator Approach;
- c) under Standardised Approach net income from operations associated with the respective business line;
- d) under Alternative Standardised Approach net income from operations associated with the business line corresponding to the identification code indicated under item 3 of the report line, in case of retail banking and commercial banking business lines the balance-sheet value of issued loans and advances as at the end of the preceding financial year;
- e) under combined Standardised Approach total net income from operations in the areas covered with the Standardised Approach or the balance-sheet value of issued loans and advances as at the end of the preceding financial year;
- f) under Advanced Measurement Approach 0 (zero) shall be indicated under the item.

5) Indicator 2

This comprises net income from operations earned during the financial year preceding the financial year indicated under "Indicator 1" or the balance-sheet value of issued loans and advances. The implementation of the item is based on the implementation principles under "Indicator 1".

6) Indicator 3

This comprises net income from operations earned during the financial year preceding the financial year indicated under "Indicator 2" or the balance-sheet value of issued loans and advances. The implementation of the item is based on the implementation principles under "Indicator 1".

7) Rate of capital requirement

This comprises the rate of capital requirements set for the Basic Indicator Approach and Standardised Approaches under subsection 319(1), subsection 320(4) or subsection 323(2) of the decree on prudential ratios. The rate of capital requirement shall be indicated as a coefficient rounded to four figures after the decimal point. Under the Advanced Measurement Approach 0 (zero) shall be indicated under the item.

8) Original capital requirement

This comprises, under the Advanced Measurement Approach, gross capital requirements calculated by applying the advanced measurement before reflecting the insurance cover. In case of the Basic Indicator Approach and the Standardised Approach 0 (zero) shall be indicated under the item.

9) Operational risk hedges

This comprises, under the Advanced Measurement Approach, insurance cover to hedge operational risk or other risk transfer mechanisms, if these are compliant with the conditions laid down in section 328 of the decree on prudential ratios. The identification codes of hedging operational risk are as follows:

Insurance cover	1
Other risk transfer mechanisms	2

In the absence of hedging against operational risk in accordance with the conditions laid down in section 328 of the decree on prudential ratios, as well as in case of the Basic Indicator Approach and the Standardised Approach 0 (zero) shall be indicated under the item.

10) Impact of operational risk hedges

This comprises the effect reducing capital requirement for operational risk of risk transfer mechanisms indicated under item "Hedging operational risk" in case of the Advanced Measurement Approach. In the absence of operational risk hedges compliant with the conditions laid down in section 328 of the decree on prudential ratios and in case of the Basic Indicator Approach and the Standardised Approach 0 (zero) shall be indicated under the item.

11) Capital requirement

This comprises, under the Advanced Measurement Approach, the capital requirement

calculated by applying the advanced measurement. In case of the Basic Indicator Approach and the Standardised Approach 0 (zero) shall be indicated under the item.

REPORT ON LARGE EXPOSURES

1. Purpose of report

The purpose of the report is to obtain data for monitoring compliance with the requirements for concentration of exposures and the limits of the concentration of exposures.

2. Area of report

The report shall indicate the exposure of credit institutions or companies in consolidation groups of credit institutions to a client or to a group of connected persons that exceeds 10 per cent of the credit institutions' own funds calculated on a solo or consolidated basis, and the exposure to persons connected with credit institutions and shareholders in accordance with the conditions laid down in subsection 85(6) of the Credit Institutions Act. The report shall not indicate those positions mentioned in subsection 85(1¹) of the Credit Institutions Act that are not considered upon calculating the concentration of exposures.

3. Structure of report line

- 1) Group identifiers
- 2) Client names
- 3) Clients' registration numbers
- 4) On-balance sheet exposures associated with non-trade portfolio
- 5) Off-balance sheet exposures associated with non-trade portfolio
- 6) Exposures associated with the trading book
- 7) Deductions
- 8) Value of deductions
- 9) Past due claims
- 10) Write-downs

4. Explanation of report line structure

1) Group identifiers
This comprises clients or groups of clients associated with the exposure. Companies in the same consolidation group as the credit institution shall be marked with identification code 9 and persons connected with the credit institution shall be marked with identification code 10. In case of other groups of connected people each group of connected people shall be marked with an identical number, which shall be the identification code of the group. Identification code 9 shall only be use in reports on a solo basis.

2) Names of clients

This comprises names of clients indicated in a manner that excludes both quotation marks and semicolons. Persons connected with the credit institution shall be presented on one line and their client name shall be "Persons connected with credit institutions".

3) Clients' registration numbers

This comprises clients' registration numbers or or commercial registry codes. In case on persons connected with credit institutions, the identification code shall be 0 (zero).

4) On-balance sheet exposures associated with non-trade portfolio

This comprises the on-balance sheet exposures associated with the non-trade portfolio as at the end of the reporting period in accordance with clause 331(6)1) of the decree on prudential ratios.

5) Off-balance sheet exposures associated with non-trade portfolio

This comprises the off-balance sheet exposures associated with non-trade portfolio as at the end of the reporting period in accordance with clauses 331(6)2)-3) of the decree on prudential ratios.

6) Exposures associated with the trading book

This comprises the exposures associated with the trading book as at the end of the reporting period in accordance with subsection 331(4) of the decree on prudential ratios. If the credit institution is exempt from calculating trading book capital requirements under subsection 79(3) of the Act on Credit Institutions, the value of the position shall be 0 (zero) and the position itself shall be indicated as a position associated with the non-trade portfolio.

7) Deductions

This comprises the positions that are deducted from the exposure under section 332 of the decree on prudential ratios or by which the value of the exposure is reduced under section 333 of the decree on prudential ratios.

Identification codes of deductions are as follows:

Positions with 0 per cent risk weights	1
Financial collateral	2
Secured claims	3
Up to one-year claims on financial institutions	4
Covered bonds	5
Holdings in insurers	6
Medium/low-risk off-balance sheet items	7
Low-risk off-balance sheet items	8
Consolidated positions	9
Other write-downs	10

Identification code 1 shall indicate claims or contingent claims specified in subsections 332(2) and (3) of the decree on prudential ratios to which the risk weight of 0 per cent shall be applied under the Standardised Approach, as well as exposures that are fully secured with the debt instruments with associated claims to which the risk weight of 0 per cent could be applied under the Standardised Approach.

Identification code 2 shall indicate the financial collateral specified in sections 333(1) to (3) of the decree on prudential ratios, if the Financial Collateral Comprehensive Method is applied.

Identification code 3 shall indicate the claims covered by monetary deposits, certificates of deposit, securities and mortgage specified in subsections 332(4), (5), (9) and (10) of the decree on prudential ratios.

Identification code 4 shall indicate up to one-year claims on financial institutions or collective investment undertakings specified in subsection 332(6) of the decree on prudential ratios.

Identification code 5 shall indicate covered bonds that meet the requirements laid down in section 36 of the decree on prudential ratios.

Identification code 6 shall indicate holdings in insurers and reinsurers specified in subsection 332(8) of the decree on prudential ratios.

Identification code 7 shall indicate medium/low-risk off-balance sheet items specified in subsection 332(11) of the decree on prudential ratios.

Identification code 8 shall indicate low-risk off-balance sheet items specified in subsection 332(12) of the decree on prudential ratios that can be deducted from the exposure.

Identification code 9 shall indicate exposures against Member State companies included in the same consolidation group as the credit institution, which do not fall under limits of concentration of exposures in accordance with subsection 85(8) of the Credit Institutions Act.

Identification code 10 shall indicate positions unspecified above that can be deducted from the exposure in accordance with the decree on prudential ratios.

8) Deduction value

This comprises the value of deducted positions or parts thereof according to the classification of positions presented under item 7 of the report line.

In case of identification code 2 the sum by which the exposure is reduced under subsections 333(1)-(3) of the decree on prudential ratios shall be indicated.

50 per cent of the value of the claim secured in accordance with the requirements of the decree on prudential ratios shall be indicated here in case of residential real estate mortgages marked with identification code 3. 50 per cent of the value of off-balance sheet items shall be indicated here in case of medium/low-risk and low-risk off-balance sheet items marked with identification code 8.

50 per cent of the value of off-balance sheet items shall be indicated here in case of medium/low-risk off-balance sheet items marked with identification code 7.

9) Past due claims

This comprises the past due part of the exposures indicated under items 4 to 6 of the report line.

10) Write-downs

This comprises the sum of exposure write-downs indicated under items 4 to 6 of the report line as at the end of the reporting period.

REPORT ON HOLDINGS

1. Purpose of report

The purpose of the report is to obtain data for monitoring holdings of credit institutions and their compliance with set limits.

2. Area of report

The report shall indicate long-term holdings that credit institutions or companies in consolidation groups of credit institutions hold in other companies.

3. Structure of report line

- 1) Company name
- 2) Company registration number
- 3) Value of holdings
- 4) Relative importance of holdings
- 5) Relative importance of voting rights
- 6) Exemption from restrictions
- 7) Value of exemption

4. Explanation of report line structure

- 1) Company name

Names of Companies shall be indicated in a manner that excludes both quotation marks and semicolons. Insignificant holdings shall be marked with the common name "Other".

- 2) Company registration number

This comprises companies' registration numbers or commercial registry codes. In case on insignificant holdings, the identification code shall be 0 (zero).

- 3) Value of holdings

This comprises the balance-sheet value of holdings as at the end of the reporting period.

- 4) Relative importance of holdings

This shows the relative importance of holdings held by credit institutions or companies in consolidation groups of credit institutions in the share capital of their investment objects (the nominal value of the holdings to the share capital of the investment object ratio). The relative importance of holdings shall be indicated as a

coefficient rounded to four figures after the decimal point. In case of insignificant holdings identification code 0 (zero) shall be indicated under the item.

5) Relative importance of votes

This shows the relative importance of the votes held by credit institutions or companies in consolidation groups of credit institutions in total votes of their investment objects (the votes held by credit institutions or companies in consolidation groups of credit institutions to total votes ratio). The relative importance of votes shall be indicated as a coefficient rounded to four figures after the decimal point. In case of insignificant holdings identification code 0 (zero) shall be indicated under the item.

6) Exemption from restrictions

This comprises the holdings contained in holdings indicated on report line 3, which have been exempted from restrictions under subsection 81(4) of the Credit Institutions Act. The identification codes of exemptions from restrictions shall be as follows:

Significant holdings in other financial institutions	1
Significant holdings to hedge against losses	2
Holdings on accounts of other persons	3

Identification code 1 shall indicate significant holdings in other credit and financial institutions, insurers and re-insurers or ancillary services companies associated with reporting credit institutions.

Identification code 2 shall indicate significant holdings obtained in order to anticipate or avoid losses or through underwriting issues that the credit institution is not holding for more than one year.

Identification code 3 shall indicate significant holdings that have been acquired on behalf of the credit institution and on account of other persons.

In case of insignificant holdings the identification code shall be 0 (zero).

7) Value of exemption

This comprises the balance-sheet value of the holdings exempted from restrictions. In case of insignificant holdings the identification code shall be 0 (zero).