FORM SR-2A (extract): CAPITAL DEFINITION (CET1, ADDITIONAL TIER 1, TIER 2, TOTAL CAPITAL, MEMORANDUM ITEMS) – COMPLETION GUIDANCE

Item	Description	Guidance
A	**Common Equity Tier 1 Capital: instruments and reserves**	
A.1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	Common share capital plus related share premium. Instruments in this classification must meet all of the criteria in ***Annex A***.
A.2	Retained earnings	Retained earnings from prior years, net of current year losses but only including auditor certified profits.
A.3	Accumulated other comprehensive income (and other reserves)	Enter the total of all other reserves that meet the CET1 qualifying criteria (as set out for A.1), net of any reduction in the current year but only including increases that are auditor certified.
A.4	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	Data should only be entered by banks that own subsidiaries that have issued common share capital that is held by third parties, and only then in the case of prudential reporting submitted on a consolidated basis. The amount allowed is limited to the amount required to meet regulatory requirements in respect of CET1 capital.
A.5	**Common Equity Tier 1 capital before regulatory adjustments**	**Automatically completed, being the sum of A.1 to A.4**
A.6	**Less: Common Equity Tier 1 capital: regulatory adjustments**	
A.7	Prudential valuation adjustments	Data should be entered if the bank holds any assets at fair value that are illiquid. Where applicable, banks should consider the guidance contained in section VIII, “Treatment for illiquid positions”, of the Basel Committee paper titled “Revisions to the Basel II market risk framework”, issued July 2009. It should be noted that this guidance applies adjustments to positions in the banking book.
A.8	Goodwill (net of related tax liability)	All goodwill should be shown here (net of any related deferred tax liability).

Item	Description	Guidance
A.9	Other intangibles, other than mortgage-servicing rights (net of related tax liability)	All other intangibles (with the exception of mortgage servicing rights) should be shown here (net of any related deferred tax liability). See line A.20 for mortgage servicing rights.
A.10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	Report all deferred tax assets ("DTAs") that rely on future profitability of the bank. For this purpose, DTAs may be netted with associated deferred tax liabilities ("DTLs") but only if the DTAs and DTLs relate to taxes levied by the same taxation authority and offsetting is permitted by that taxation authority. Where DTAs relate to temporary differences, the proposed amount to be deducted is set out in Item A.21 below.
A.11	Cash-flow hedge reserve	Report adjustments to the amount of the cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet (including projected cash flows) and hence derecognised in the calculation of CET1 capital. This means that positive amounts should be deducted and negative amounts should be added back.
A.12	Shortfall of provisions to expected losses	This is only applicable to banks using advanced approaches. Enter the amount (if any) that expected losses, as calculated under IRB rules, exceed the stock of provisions. No adjustment can be made for any tax effects that could be expected to occur if provisions were to rise to the level of expected losses.
A.13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	This only applies to banks that issue securitised debt instruments. Report any increase in equity capital resulting from a securitisation transaction, such as that associated with expected future margin income.
A.14	Gains and losses due to changes in own credit risk on fair valued liabilities	Report gains or losses resulting from revaluation of own fair valued liabilities that arise due to own-credit related factors. This means that gains will be deducted and losses will be added back. This must include the part of a derivative valuation that relates to own-credit risk (referred to as a "debit valuation adjustment, or "DVA") including any DVA that arises on origination (to be included here and in addition reported separately in item A.14a).
A.14a	*of which: amount relating to DVAs recognised on origination*	*Report the amount of DVAs that arose on origination (and include in the amount reported for Item A.14)*

Item	Description	Guidance
A.15	Defined-benefit pension fund net assets	For each defined benefit pension fund that is an asset on the balance sheet, the asset should be reported here, net of any associated deferred tax liability which would be extinguished if the asset should become impaired or derecognised under the relevant accounting standards.
A.16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet).	This is applicable only for banks that hold treasury shares. All of a bank's investments in its own common shares (treasury shares), whether held directly or indirectly, should be deducted here (unless already derecognised under the relevant accounting standards).
A.17	Reciprocal cross-holdings in common equity	Report reciprocal cross holdings in common equity issued by banking, financial and insurance entities.
A.18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	This is only applicable for banks that have multiple non-significant (below 10% of the issuing entity's issued share capital) holdings of capital instruments issued by banking, financial and insurance entities. Report the amount by which the total of all such holdings exceeds 10% of total CET1. Where the holding is partly or wholly comprised of Tier 2 or AT1 instruments, report the amount by which total holdings exceed 10% of CET1 divided in the same proportions as the relevant holding (also see items B.9 and C.8).
A.19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	This is applicable where either:- • An individual holding is significant (CET1, AT1 and Tier 2 in the case of banks) - more than 10% of issuing entity's issued share capital; or • Where the holding is in the entity that is an associate, which includes all subsidiaries of the bank. In both cases, report the full amount of such holdings less an allowance of 10% of the bank's CET1 capital, after deductions (see A.22 regarding this allowance).

Item	Description	Guidance
A.20	Mortgage servicing rights (amount above 10% threshold)	This is only applicable where an intangible asset is held that arose in connection with providing mortgage servicing, typically in connection with the mortgage assets transferred to a securitisation vehicle. Report the full amount of all such assets less an allowance of 10% of CET1 capital, after deductions (see A.22 regarding this allowance).
A.21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	This is applicable where deferred tax assets that do not rely on future profitability (see Item A.10). Report the full amount of all such assets less an allowance of 10% of CET1 capital, after deductions (see A.22 regarding this allowance).
A.22	Amount exceeding the 15% threshold	Report an amount equal to: • The sum of the exposures connected to items A.19, A.20 and A.21 that fall within the individual allowances (10% of CET1 capital, after deductions); less • An allowance of 15% of CET1 capital, after deductions. For example, if DTA were 21% and the other two items were 7% (mortgage servicing rights) and 5% significant investments, then the deductions required would be:- • 11% reported under A.21 (after applying the 10% allowance); and • 7% reported here under A.22 (being 10% plus 7% plus 5% less the 15% allowance). All exposures of this nature (A.19 to A.21) that are not deducted (here or in items A.19 to A.21) would be risk weighted at 250%.
A.23	*of which: significant investments in the common stock of financials*	*Items A.23, A.24 and A.25 should be used to provide a break-down of the amount reported in A.22 into three sub-components.*
A.24	*of which: mortgage servicing rights*	
A.25	*of which: deferred tax assets arising from temporary differences*	

Item	Description	Guidance
A.26	National specific regulatory adjustments, including Pillar 2 deductions applied to CET1 capital	Report deductions required by the Authority as a result of the ICAAP / SREP.
A.27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	This is calculated automatically as being equal to the sum calculated for B.13a, **“of which: excess AT1 deductions”**. This corresponds to the amount of any deductions that would ordinarily be eligible to be deducted from lower quality capital but could not be, due to the deduction exceeding the amount of such capital.
A.28	**Total regulatory adjustments to Common Equity Tier 1**	**Automatically calculated as completed as the sum of A.7 to A.27 not including sub-category items A.14a, A.23, A.24 and A.25.**
A.29	**Common Equity Tier 1 capital (CET1)**	**Automatically calculated as A.5 minus A.28.**
B	**Additional Tier 1 capital: instruments**	
B.1	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	Report amounts of instruments meeting the qualifying criteria in ***Annex B*** that have been issued by the bank itself. Stock surplus (i.e. share premium) that is not eligible for inclusion in Common Equity Tier 1, will only be permitted to be included in Additional Tier 1 capital if the shares giving rise to the stock surplus are permitted to be included in Additional Tier 1 capital.
B.2	*of which: classified as equity under applicable accounting standards*	*B.2 and B.3 are used to report the breakdown of item B.1 into equity and liability items.*
B.3	*of which: classified as liabilities under applicable accounting standards*	

Item	Description	Guidance
B.4	Additional Tier 1 instruments (and CET1 instruments not included in A.5) issued by subsidiaries and held by third parties (amount allowed in AT1)	This only applies in the case of prudential reporting submitted on a consolidated basis, where the bank owns a subsidiary that is itself a regulated bank that has issued:- • AT1 instruments that are held by third parties; or • Common share capital that is held by third parties but exceeds the amount eligible in item A.4 (i.e. the amount needed to meet regulatory requirements in respect of CET1 capital). The amount allowed is limited to the amount required to meet the subsidiary's regulatory requirements in respect of Tier 1 capital.
B.5	**Additional Tier 1 capital before regulatory adjustments**	**Calculated automatically as the sum of B.1 and B.4 only.**
B.6	**Less: Additional Tier 1 capital: regulatory adjustments**	
B.7	Investments in own Additional Tier 1 instruments	Report any holdings of instruments issued, including any held through consolidated subsidiaries.
B.8	Reciprocal cross-holdings in Additional Tier 1 instruments	Report reciprocal cross holdings in AT1 instruments issued by banking, financial and insurance entities.
B.9	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	This is only applicable for banks that have multiple non-significant (below 10% of the issuing entity's issued share capital) holdings of AT1 capital instruments issued by banking, financial and insurance entities. Report the amount by which the total of all such holdings exceeds 10% of total CET1. Where the holding is a mix of CET1, AT1 and Tier 2 instruments, report the amount by which total holdings exceed 10% of CET1 divided in the same proportions as the relevant holding.

Item	Description	Guidance
B.10	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	This is applicable where either:- • An individual holding is significant (CET1, AT1 and Tier 2 in the case of banks) - more than 10% of issuing entity's issued share capital; or • Where the holding is in the entity that is an associate, which includes all subsidiaries of the bank. In both cases, report the full amount of such holdings.
B.11	National specific regulatory adjustments, including Pillar 2 deductions applied to Additional Tier 1 capital	Report deductions required by the Authority as a result of the ICAAP / SREP.
B.12	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	This is calculated automatically as being equal to the sum calculated for C.11a, **"of which: excess Tier 2 deductions"**. This corresponds to the amount of any deductions that would ordinarily be eligible to be deducted from lower quality capital but could not be, due to the deduction exceeding the amount of such capital.
B.13	**Total regulatory adjustments to Additional Tier 1 capital**	**Automatically calculated, being the sum of B.7 to B.12**
B.13a	***Of which: excess AT1 deductions***	***Automatically calculated as B.13 minus B.5, subject to a minimum of zero***
B.14	**Additional Tier 1 capital ("AT1")**	**Automatically calculated as B.5 minus B.13, subject to a minimum of zero.**
B.15	**Tier 1 capital (T1 = CET1 + AT1)**	**Automatically calculated as A.29 plus B.14.**

Item	Description	Guidance
C	**Tier 2 Capital**	
C.1	Directly issued qualifying Tier 2 instruments plus related stock surplus	Report amounts of instruments meeting the qualifying criteria in ***Annex C*** that have been issued by the bank itself. Stock surplus (i.e. share premium) that is not eligible for inclusion in Tier 1, will only be permitted to be included in Tier 2 capital if the shares giving rise to the stock surplus are permitted to be included in Tier 2 capital.
C.2	Tier 2 instruments (and CET1 and AT1 instruments not included in items A.5 or B.5) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	This only applies to banks that report on a consolidated basis and own subsidiaries that have issued: • Tier 2 instruments that are held by third parties; or • Common share capital or AT1 instruments that are held by third parties but exceed the amount eligible in Items A.4/B.4 (i.e. the amount needed to meet regulatory requirements in respect of CET1 capital/AT1 capital). The amount allowed is limited to the amount required to meet the subsidiary's regulatory requirements in respect of total capital.
C.3	Provisions	Report the amount of provisions allowed, subject to the following rules: *Standardised approach* Provisions or loan-loss reserves held against future, presently unidentified losses are freely available to meet losses which subsequently materialise and therefore qualify for inclusion within Tier 2. Provisions ascribed to the identified deterioration of particular assets or known liabilities, whether individual or grouped, should be excluded. Furthermore, general provisions/general loan-loss reserves eligible for inclusion in Tier 2 will be limited to a maximum of 1.25 percentage points of credit risk-weighted assets (in Form SR-2C) calculated under the standardised approach. *Internal ratings-based approach ("IRB Approach")* Where the total expected loss amount is less than total eligible provisions, as explained in para 380 to 383 of the June 2006 comprehensive version of Basel II, banks may recognise the difference in tier 2 capital up to a maximum of 0.6% of credit risk-weighted assets calculated under the IRB Approach.

Item	Description	Guidance
C.4	**Tier 2 capital before regulatory adjustments**	**Automatically calculated as the sum of C.1 to C.3.**
C.5	**Less: Tier 2 capital: regulatory adjustments**	
C.6	Investments in own Tier 2 instruments	Report holdings of own Tier 2 instruments issued, including any held through consolidated subsidiaries.
C.7	Reciprocal cross-holdings in Tier 2 instruments	Report cross holdings in Tier 2 instruments issued by banking, financial and insurance entities.
C.8	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	This is only applicable for banks that have multiple non-significant (below 10% of the issuing entity's issued share capital) holdings of Tier 2 capital instruments issued by banking, financial and insurance entities. Report the amount by which the total of all such holdings exceeds 10% of total CET1. Where the holding is a mix of CET1, AT1 and Tier 2 instruments, report the amount by which total holdings exceed 10% of CET1 divided in the same proportions as the relevant holding.
C.9	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	This is applicable where either:- • An individual holding is significant (CET1, AT1 and Tier 2 combined in the case of banks) - more than 10% of issuing entity's issued share capital; or • Where the holding is in the entity that is an associate, which includes all subsidiaries of the bank. In both cases, report the full amount of such holdings.
C.10	National specific regulatory adjustments, including Pillar 2 deductions applied to Tier 2 capital	Report deductions required by the Authority as a result of the ICAAP / SREP.

Item	Description	Guidance
C.11	**Total regulatory adjustments to Tier 2 capital**	**Automatically calculated, being the sum of C.6 to C.10**
C.11a	***Of which: excess Tier 2 deductions***	***Automatically calculated as C.11 minus C.4, subject to a minimum of zero***
C.12	**Tier 2 capital (T2)**	**Automatically calculated as C.4 minus C.11 subject to a minimum of zero**
D	**Total capital (TC = T1 + T2)**	**Automatically calculated as B.15 plus C.12**

E	**Capital Memorandum Items**	
Amounts below the threshold for deduction (before risk weighting)		
E.1	Non-significant investments in the capital of other financial institutions	Report non-significant investments in the capital of other financials, being the total amount of such holdings that are not reported in items A.18, B.9 and C.8.
E.2	Significant investments in the common stock of financial institutions	Report significant investments in the common stock of financials, being the total amount of such holdings that are not reported in items A.19 and A.23.
E.3	Mortgage servicing rights (net of related tax liability)	Report mortgage servicing rights, being the total amount of such holdings that are not reported in items A.20 and A.24.
E.4	Deferred tax assets arising from temporary differences (net of related tax liability)	Report deferred tax assets arising from temporary differences, being the total amount of such holdings that are not reported in items A.21 and A.25.
Applicable caps on the inclusion of provisions in Tier 2		
E.5	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	Report provisions eligible for inclusion in Tier 2, in respect of exposures subject to standardised approach, prior to the application of the cap (as relevant to C.3).
E.6	Cap on inclusion of provisions in Tier 2 under standardised approach	Report an amount equal to 1.25% of credit risk weighted assets (as reported in section A of Form SR-2C) calculated under the standardised approach.

E.7	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	Report provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach, prior to the application of the cap (as relevant to C.3).
E.8	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	Report an amount equal to 0.6% of credit risk weighted assets (as reported in section A of Form SR-2C) calculated under the internal ratings-based approach.

Annex A

Criteria for classification as common shares for regulatory capital purposes

1. Represents the most subordinated claim in liquidation of the bank.

2. Entitled to a claim on the residual assets that is proportional with its share of issued capital, after all senior claims have been repaid in liquidation (i.e. has an unlimited and variable claim, not a fixed or capped claim).

3. Principal is perpetual and never repaid outside of liquidation (setting aside discretionary repurchases or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law).

4. The bank does nothing to create an expectation at issuance that the instrument will be bought back, redeemed or cancelled nor do the statutory or contractual terms provide any feature which might give rise to such an expectation.

5. Distributions are paid out of distributable items (retained earnings included). The level of distributions is not in any way tied or linked to the amount paid in at issuance and is not subject to a contractual cap (except to the extent that a bank is unable to pay distributions that exceed the level of distributable items).

6. There are no circumstances under which the distributions are obligatory. Non-payment is therefore not an event of default.

7. Distributions are paid only after all legal and contractual obligations have been met and payments on more senior capital instruments have been made. This means that there are no preferential distributions, including in respect of other elements classified as the highest quality issued capital.

8. It is the issued capital that takes the first and proportionately greatest share of any losses as they occur. Within the highest quality capital, each instrument absorbs losses on a going concern basis proportionately and pari passu with all the others.

9. The paid in amount is recognised as equity capital (i.e. not recognised as a liability) for determining balance sheet insolvency.

10. The paid in amount is classified as equity under the relevant accounting standards.
11. It is directly issued and paid-in and the bank cannot directly or indirectly have funded the purchase of the instrument.

12. The paid in amount is neither secured nor covered by a guarantee of the issuer or related entity or subject to any other arrangement that legally or economically enhances the seniority of the claim.

13. It is only issued with the approval of the owners of the issuing bank, either given directly by the owners or, if permitted by applicable law, given by the Board of Directors or by other persons duly authorised by the owners.

14. It is clearly and separately disclosed on the bank's balance sheet.

Annex B

Criteria for inclusion in Additional Tier 1 capital

An instrument issued by a bank must meet or exceed the following minimum set of criteria for in order for it to be included in Additional Tier 1 capital.

1. Issued and paid-in.

2. Subordinated to depositors, general creditors and subordinated debt of the bank.

3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

4. Is perpetual, i.e. there is no maturity date and there are no step-ups or other incentives to redeem.

5. May be callable at the initiative of the issuer only after a minimum of five years.
    a. To exercise a call option a bank must receive prior supervisory approval; and

b. A bank must not do anything which creates an expectation that the call will be exercised; and

c. Banks must not exercise a call unless:

i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank[1]; or

ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.[2]

6. Any repayment of principal (e.g. through repurchase or redemption) must be with prior supervisory approval and banks should not assume or create market expectations that supervisory approval will be given.

7. Dividend/coupon discretion:

a. the bank must have full discretion at all times to cancel distributions/payments

b. cancellation of discretionary payments must not be an event of default

c. banks must have full access to cancelled payments to meet obligations as they fall due

d. cancellation of distributions/payments must not impose restrictions on the bank except in relation to distributions to common stockholders.

8. Dividends/coupons must be paid out of distributable items.

9. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking organisation's credit standing.

10. The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of national insolvency law.

11. Instruments classified as liabilities for accounting purposes must have principal loss absorption through either (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point.

The write-down will have the following effects:

a. Reduce the claim of the instrument in liquidation;

b. Reduce the amount re-paid when a call is exercised; and

[1] Replacement issues can be concurrent with but not after the instrument is called.

[2] Minimum refers to the total minimum capital requirement prescribed by the Authority comprising Pillar 1 and Pillar 2.

c. Partially or fully reduce coupon/dividend payments on the instrument.

The trigger point for write-down/conversion of loss absorbing instruments classified as liabilities must be at least the minimum for Common Equity Tier 1 capital (8.5% of RWAs).

The write-down/conversion must generate CET1 under the relevant accounting standards and the instrument will only receive recognition in Additional Tier 1 up to the minimum level of CET1 generated by a full write-down/conversion of the instrument.
The aggregate amount to be written-down/converted for all such instruments on breaching the trigger level must be at least the amount needed to immediately return the bank's CET1 ratio to the minimum ratio required or, if this is not possible, the full principal value of the instrument.

The terms and conditions must have a provision that enables such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of a trigger event, where:

- any compensation paid to the instrument holders as a result of the write-off must be paid immediately in the form of common stock (or its equivalent in the case of non-joint stock companies);
- the prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur; and
- the trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority.

12. Neither the bank nor a related party over which the bank exercises control or significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument.

13. The instrument cannot have any features that hinder recapitalisation, such as provisions that require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.

14. If the instrument is not issued by the bank itself, proceeds must be immediately available without limitation to the bank in a form which meets or exceeds all of the other criteria for inclusion in Additional Tier 1 capital.

Annex C

Criteria for inclusion in Tier 2 Capital

1. Issued and paid-in.

2. Subordinated to depositors and general creditors of the bank.

3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and general bank creditors.
4. Maturity:
    a. minimum original maturity of at least five years
    b. recognition in regulatory capital in the remaining five years before maturity will be amortised on a straight line basis
    c. there are no step-ups or other incentives to redeem

5. May be callable at the initiative of the issuer only after a minimum of five years:
    a. To exercise a call option a bank must receive prior supervisory approval;
    b. A bank must not do anything that creates an expectation that the call will be exercised[3]; and
    c. Banks must not exercise a call unless:
        i. They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank[4]; or
        ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

6. The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation.

7. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking organisation's credit standing.

8. Neither the bank nor a related party over which the bank exercises control or significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument. For

[3] An option to call the instrument after five years but prior to the start of the amortisation period will not be viewed as an incentive to redeem as long as the bank does not do anything that creates an expectation that the call will be exercised at this point.

[4] Replacement issues can be concurrent with but not after the instrument is called.

example, if the instrument is held by a holding company, any lending to the holding company by the bank (directly or indirectly) will result in an amount equal to that lending becoming ineligible.

9. If the instrument is not issued by the bank itself, proceeds must be immediately available without limitation to the bank in a form which meets or exceeds all of the other criteria for inclusion in Tier 2 Capital.

10. The terms and conditions must have a provision that enables such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of a trigger event, where:
    - Any compensation paid to the instrument holders as a result of the write-off must be paid immediately in the form of common stock (or its equivalent in the case of non-joint stock companies).
    - The prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur.

    For this purpose, a trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority; or (3) minimum Common Equity Tier 1 capital is significantly below the level required in order to continue to operate, which for these purposes is defined at 50% of the minimum level required (4.25% of RWAs).

FORM SR-2C (extracts): CAPITAL RATIOS – COMPLETION GUIDANCE

The guidance for section A to D shown below is identical to current guidance in force. Only the guidance covering sections E and F is new.

Item	Description	Guidance
A	**Credit Risk**	
A.1	Credit Risk - RWA Equivalent: SSA	If the bank uses SSA for credit risk then record the total RWA reported for the bank, as calculated by Form SR-1B.
A.2	Credit Risk - RWA Equivalent: SAC	If the bank uses SAC for credit risk then record the total RWA reported for the bank, as calculated by Form SR-1B.
A.3	Credit Risk - RWA Equivalent: FIRB	If the bank uses FIRB for credit risk then record the total RWA calculated for the bank using that approach.
A.4	Credit Risk - RWA Equivalent: AIRB	If the bank uses AIRB for credit risk then record the total RWA calculated for the bank using that approach.
	TOTAL CREDIT RISK RWA	**Calculated by the sheet, being the sum of A.1 to A.4 (for banks using the SSA or SAC this will equal the amount reported under that approach only)**
B	**Operational Risk**	
B.1	Operational Risk - RWA Equivalent: BIA	If the bank uses BIA for operational risk then record the total RWA equivalent reported for the bank, as calculated by form SR-1C. ***This line will be automatically generated from SR-1C.***
B.2	Operational Risk - RWA Equivalent: SAO	If the bank uses SAO for operational risk then record the total RWA equivalent reported for the bank, as calculated by form SR-1C. ***This line will be automatically generated from SR-1C.***
B.3	Operational Risk - RWA Equivalent: ASA	If the bank uses ASA for operational risk then record the total RWA equivalent reported for the bank, as calculated by form SR-1C. ***This line will be automatically generated from SR-1C.***
B.4	Operational Risk - RWA Equivalent: AMA	If the bank uses AMA for operational risk then record the total RWA equivalent calculated for the bank using that approach.
	TOTAL OPERATIONAL RISK RWA	**Calculated by the sheet, being the sum of B.1 to B.4 (normally equivalent to only one of the above lines).**

Item	Description	Guidance
C	**Market Risk in the Banking Book**	
C.1	Market Risk - RWA Equivalent - SAM: FX & Gold	If the bank uses SAM for market risk then record the total RWA equivalent reported for these exposures, as calculated by form SR-4 in the section on “Foreign Currency Exposure”. ***This line will be automatically generated from SR-4.***
C.2	Market Risk - RWA Equivalent - SAM: Commodities	If the bank uses SAM for market risk then record the total RWA equivalent reported for commodities, as calculated by form SR-4 in the section on “Commodity Risk”. ***This line will be automatically generated from SR-4.***
	TOTAL BANKING BOOK MARKET RISK RWA	**Calculated by the sheet, being the sum of C.1 and C.2.**
D	**TOTAL SETTLEMENT RISK RWA**	If the bank uses SAM for market risk then record the total RWA equivalent reported for these exposures, as calculated by form SR-4 in the section on “Settlement Risk”. ***This line will be automatically generated from SR-4.***
E	**TOTAL RISK WEIGHTED ASSETS (Pillar 1)**	**Calculated by the sheet, being the sum of the totals of A to D above.**
E.1	*Of which: 250% risk weighted assets*	*This line will be automatically generated from SR-1B portfolio K.1.*
E.2	*Of which: 1,250% risk weighted assets*	*This line will be automatically generated from SR-1B portfolio K.2*

F	Capital Ratios	
F.1	CET1 ratio (as a % of risk weighted assets)	*Actual ratio* Calculated automatically, being the amount of CET1 capital as reported in line A.29 of SR-2A divided by the RWAs in E above. *Bank specific minima* Enter the minimum CET1 ratio required for the bank, as established by the Authority as a result of the Pillar 2 process (ICAAP and SREP). The figure should be entered as a number only (e.g. if the prescribed minimum is 9% it should be entered as "9"). *National minima* This is fixed at 8.5%.
F.2	Tier 1 ratio (as a % of risk weighted assets)	*Actual ratio* Calculated automatically, being the amount of Tier 1 capital as reported in line B.15 of SR-2A divided by the RWAs in E above. *Bank specific minima* Enter the minimum Tier 1 ratio required for the bank, as established by the Authority as a result of the Pillar 2 process (ICAAP and SREP). The figure should be entered as a number only (e.g. if the prescribed minimum is 9% it should be entered as "9"). *National minima* This is fixed at 8.5%.

F.3	Total capital ratio (as a % of risk weighted assets)	*Actual ratio* Calculated automatically, being the amount of Total capital as reported in line D of SR-2A divided by the RWAs in E above. *Bank specific minima* Enter the minimum total capital ratio required for the bank, as established by the Authority as a result of the Pillar 2 process (ICAAP and SREP). The figure should be entered as a number only (e.g. if the prescribed minimum is 10.5% it should be entered as "10.5"). *National minima* This is fixed at 10%.
F.4	Bank specific buffer (as a % of risk weighted assets)	*Bank specific minima* Enter the total capital ratio <u>notification</u> level (inclusive of any capital planning buffer) required for the bank, as established by the Authority as a result of the Pillar 2 process (ICAAP and SREP). This may be set at the standard 1% figure above the bank specific minima. The figure should be entered as a number only (e.g. if the prescribed notification level is 13% it should be entered as "13"). *National minima* The minimum notification requirement for all banks is set at 1% above the national minima for total capital (i.e. 11%).
F.5	Eligible (total) capital required to support Pillar 1 risks	Calculated by the sheet, being 10% of the total risk weighted assets reported in E above.
F.6	Eligible (total) capital required to support Pillar 2 risks (pre buffer)	Calculated by the sheet, being the agreed bank specific minimum total capital ratio reported in F.3 multiplied by the total risk weighted assets reported in E, less the amount reported in F.5 covering pillar 1 risks.
F.7	Eligible (total) capital required to support notification level (inclusive of any capital planning buffer)	Calculated by the sheet, being the agreed bank specific buffer (notification) total capital ratio reported in F.4 multiplied by the total risk weighted assets reported in E, less the amounts reported in F.5 covering pillar 1 risks and F.6 covering pillar 2 risks.

F.8	Total eligible capital required (to meet bank specific notification level)	Calculated by the sheet, being the sum of the capital amounts reported in F.5 to F.7. (This should also equate to line E multiplied by the bank specific ratio in line F.4).
F.9	Surplus (total) eligible capital	Calculated by the sheet being the total amount of capital available shown in line D of Form SR-2A less the total required capital as reported in F.8 above.

<u>**FORM SR-2D: LEVERAGE RATIO – COMPLETION GUIDANCE**</u>

Glossary

The following abbreviations are used within the document:

CCF	Credit Conversion Factors
CCP	Central Counterparty
CM	Clearing Member
MNA	Master Netting Agreement
OBS	Off Balance Sheet
PFE	Potential Future Exposure
QCCP	Qualifying Central Counterparty
RC	Replacement Cost
SFT	Securities Financing Transaction

Leverage ratio calculation

The leverage ratio calculation is to be used by locally incorporated banks to calculate and report the leverage ratio. The leverage ratio is intended as a complementary measure to the risk-based capital adequacy framework under Pillars 1 and 2 and addresses potential model risk and measurement error under Pillar 1 by complementing the risk-based measure with a simple, transparent and independent measure of risk.

Detailed guidance

Item	**Description**	**Guidance**
A	**On-balance sheet exposures**	
A.1	On-balance sheet items (exclude derivatives and SFTs; include collateral)	Report all on-balance sheet assets including on-balance sheet derivative collateral and collateral for securities financing transactions ("SFTs")[5] (but excluding on-balance sheet derivative and SFT assets which are addressed further below).

[5] Securities Financing Transactions are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depend on market valuations and the transactions are often subject to margin agreements.

Item	Description	Guidance
A.2	Less: Assets deducted in determining Basel III Tier 1 capital	Report on-balance sheet assets deducted from Tier 1 capital. To ensure consistency, on-balance sheet assets deducted from Tier 1 capital (as set out in items A.8 to A.27 and items B.7 to B.12 of form SR-2A) should be included here. It should be noted that liability items (e.g. gains and losses due to changes in own credit risk on fair valued liabilities) should not be included.
A.3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**The figure is automatically calculated as being A.1 minus A.2**

B	Derivative exposures	
B.1	Replacement cost (net of eligible cash variation margin)	Report the bank's Replacement Cost ("**RC**") for all of its derivatives exposures, including where credit derivatives. This should be equivalent to the "Positive Mark-to-Market" element of the Credit Equivalent Amount as calculated under the Standardised Approach to Credit Risk. Note: collateral received may not be netted against derivatives exposures whether or not netting is permitted under the bank's operative accounting or risk-based framework. When calculating the exposure amount a bank must not reduce the exposure amount by any collateral received from the counterparty. Furthermore, the RC must be grossed up by any collateral amount used to reduce its value, including when collateral received by a bank has reduced the derivatives assets reported on-balance sheet under its operative accounting framework. However, where an eligible bilateral netting contract is in place, as described in ***Annex 1*** below, then the **RC** for the set of derivative exposures covered by the contract will be the net replacement cost. *Cash variation margin received* - In the case of cash variation margin received, if the conditions listed under guidance for Item B.4 are met, the receiving bank may reduce the RC of the exposure amount of the derivative asset by the amount of cash received if the RC of the derivative contract(s) has not already been reduced by the same amount of cash variation margin received under the bank's operative accounting standard.

B.2	Add-on amount	Report the add-on for Potential Future Exposure (“**PFE**”). This should be equivalent to the “Add-on Amount” element of the Credit Equivalent Amount as calculated under the Standardised Approach to Credit Risk. Where an eligible bilateral netting contract is in place, as described in the Annex below, then the add-on for the set of derivative exposures covered by the contract will be A_{Net} as described in ***Annex 1***. Note - cash variation margin may not be used to reduce the PFE amount.
B.3	Gross up for derivatives collateral provided	Report the amount of any derivatives collateral provided where the provision of that collateral has reduced the value of their balance sheet assets under their operative accounting framework.

B.4	Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	Report adjustments permitted regarding the treatment of cash variation margin. In the treatment of derivative exposures for the purpose of the leverage ratio, the <u>cash portion</u> of variation margin exchanged between counterparties may be viewed as a form of pre-settlement payment (and hence not as collateral), if the following conditions are met: (i) For trades not cleared through a qualifying central counterparty (QCCP)[6] the cash received by the recipient counterparty is not segregated. (ii) Variation margin is calculated and exchanged on a daily basis based on mark-to-market valuation of derivatives positions. (iii) The cash variation margin is received in the same currency as the currency of settlement of the derivative contract. (iv) Variation margin exchanged is the full amount that would be necessary to fully extinguish the mark-to-market exposure of the derivative subject to the threshold and minimum transfer amounts applicable to the counterparty. (v) Derivatives transactions and variation margins are covered by a single master netting agreement (MNA) between the legal entities that are the counterparties in the derivatives transaction. The MNA must explicitly stipulate that the counterparties agree to settle net any payment obligations covered by such a netting agreement, taking into account any variation margin received or provided if a credit event occurs involving either counterparty. The MNA must be legally enforceable and effective in all relevant jurisdictions, including in the event of default and bankruptcy or insolvency. If these conditions are met, the <u>cash portion</u> of variation margin may be used to reduce the RC reported in B.1. Further, In the case of cash variation margin provided to a counterparty, the posting bank may report the resulting receivable in this line, where the cash variation margin has been recognised as an asset under the bank's operative accounting framework.

B.5	Less: exempted CCP leg of client-cleared trade exposures	Report certain deductions relating to the treatment of clearing services. Where a bank acting as clearing member (CM)[7] offers clearing services to clients, the clearing member's trade exposures to the central counterparty (CCP) that arise when the clearing member is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the CCP defaults, must be captured by applying the same treatment that applies to any other type of derivatives transactions. However, if the clearing member, based on the contractual arrangements with the client, is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that a QCCP defaults, the clearing member need not recognise the resulting trade exposures to the QCCP in the leverage ratio exposure measure. Hence it should include the exposure in Items B.1 and B.2 but enter an offsetting negative amount in Item B.5. *Note* - Where a client enters directly into a derivatives transaction with the CCP and the CM guarantees the performance of its clients' derivative trade exposures to the CCP, the bank acting as the clearing member for the client to the CCP must calculate its related leverage ratio exposure resulting from the guarantee as a derivative exposure, as if it had entered directly into the transaction with the client, including with regard to the receipt or provision of cash variation margin, and include the amounts within Items B.1 to B.4.

[6] A qualifying central counterparty (QCCP) is an entity that is licensed to operate as a central counter party (CCP) (including a license granted by way of confirming an exemption), and is permitted by the appropriate regulator/overseer to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.

[7] A clearing member is a member of, or a direct participant in, a CCP that is entitled to enter into a transaction with the CCP, regardless of whether it enters into trades with a CCP for its own hedging, investment or speculative purposes or whether it also enters into trades as a financial intermediary between the CCP and other market participants.

B.6	Gross notional credit derivatives sold	Report the full effective notional value[8] referenced by a written credit derivative. This amount is in addition to any exposure amount reported in relation to the same derivative in Items B.1, B.2 and B.3 and represents the credit exposure arising from the credit worthiness of the reference entity.
B.7	Less: notional offsets and add-on deductions for written credit derivatives	Report an amount determined as the sum of: (i) The effective notional amounts which may be reduced by purchased credit protection. The effective notional amount of a written credit derivative may be reduced by the effective notional amount of a purchased credit derivative on the same reference name provided: • the credit protection purchased is on a reference obligation which ranks pari passu with, or is junior to, the underlying reference obligation of the written credit derivative in the case of single name credit derivatives; and • the remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative. (ii) The effective notional amounts, which may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative; and (iii) The individual add-on amount relating to a written credit derivative (not offset by eligible purchased credit protection) reported under Item B.2.
B.8	**Total derivative exposures**	**The figure is automatically calculated as being the sum of B.1 to B.3, plus B.6, minus B.4, B.5 and B.7.**

[8] The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

C	Securities financing transaction (SFT) exposures	
C.1	Gross SFT assets (with no recognition of accounting netting), after adjusting for sale accounting transactions	Report gross SFT assets recognised for accounting purposes (i.e. with no recognition of accounting netting) , adjusted to exclude the value of securities received in an SFT where the bank has recognised the securities as an asset on its balance sheet (e.g. under IFRS or US GAAP).
C.2	Netted amounts of cash payables and cash receivables of gross SFT assets	Report gross SFTs cash payables and cash receivables in SFTs with the same counterparty measured net, if all the following criteria are met: a) Transactions have the same explicit final settlement date; b) The right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable both currently in the normal course of business and in the event of: (i) default; (ii) insolvency; and (iii) bankruptcy; and c) The counterparties intend to settle net, settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement, that is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. To achieve such equivalence, both transactions are settled through the same settlement system and the settlement arrangements are supported by cash and/or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day and the linkages to collateral flows do not result in the unwinding of net cash settlement.

C.3	SFT counterparty exposure	This item is used to report a measure of counterparty credit risk as current exposure, to be calculated as follows: • Where no qualifying MNA is in place, the current exposure (E*) for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each transaction is treated as its own netting set, as shown in the following formula: $E^* = \max \{0, [(E) - (C)]\}$ where E is the total fair value of securities and cash lent and C is the total fair value of cash and securities received under the transaction. • Where a qualifying MNA is in place (***see Annex 2***) the current exposure (E*) is the greater of zero and the total fair value of securities and cash lent to a counterparty for all transactions included in the qualifying MNA ($\Sigma(E)$) less the total fair value of cash and securities received from the counterparty for those transactions ($\Sigma(C)$). This is illustrated in the following formula: $E^* = \max \{0, [\Sigma(E) - \Sigma(C)]\}$
C.4	Agent transaction exposures	Report exposures arising where a bank acts as an agent in an SFT and provides a guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of collateral the borrower has provided. This exposure should be calculated using the same methodology as that used for Item C.3.
C.5	**Total securities financing transaction exposures**	Automatically completed as the sum of Items C.1 to C.4.
D	**Other off-balance sheet exposures**	
D.1	Off-balance sheet exposure at gross notional amount	Report total off-balance sheet ("OBS") exposure on a gross notional basis, before any adjustment for credit conversation factors according to D.2.
D.2	Less: adjustments for conversion to credit equivalent amount	Report an amount representing the reduction in gross amount of OBS exposures due to the application of credit conversion factors ("CCFs"). The CCFs are those that apply under the Standardised Approach to Credit Risk except that they are subject to a floor of 10%.

D.3	**Other off-balance sheet exposures**	**The figure is automatically calculated as D.1 minus D.2**
E	**Capital and Total Exposures**	
E.1	**Tier 1 capital (end of reporting period value)**	**Used to report Tier 1 capital. The figure is automatically calculated from Item B.15 in Form SR-2A**
E.2	**Total Exposures (end of reporting period value)**	**Automatically calculated as the sum of A.3, B.8, C.5 and D.3**
F	**Leverage Ratio**	**Automatically calculated as E.1 divided by E.2 with the ratio expressed as a percentage.**

Annex 1

Bilateral netting

1. For the purposes of the leverage ratio, the following will apply:

   a) Banks may net transactions subject to novation under which any obligation between a bank and its counterparty to deliver a given currency on a given value date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations.

   b) Banks may also net transactions subject to any legally valid form of bilateral netting not covered in (a), including other forms of novation.

   c) In both cases (a) and (b), a bank will need to satisfy the Authority that it has:
      (i) a netting contract or agreement with the counterparty that creates a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;

      (ii) written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:
      - the law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of jurisdiction in which the branch is located;
      - the law that governs the individual transactions; and

- the law that governs any contract or agreement necessary to effect the netting.

The Authority, after consultation when necessary with other relevant supervisors, must be satisfied that the netting is enforceable under the laws of each of the relevant jurisdictions; and

(iii) procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.

2. Contracts containing walkaway clauses will not be eligible for netting for the purpose of calculating the leverage ratio requirements pursuant to this framework. A walkaway clause is a provision that permits a non-defaulting counterparty to make only limited payments, or no payment at all, to the estate of a defaulter, even if the defaulter is a net creditor.

3. Credit exposure on bilaterally netted forward transactions will be calculated as the sum of the net mark-to-market replacement cost, if positive, plus an add-on based on the notional underlying principal. The add-on for netted transactions (A_{Net}) will equal the weighted average of the gross add-on (A_{Gross}) and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (NGR). This is expressed through the following formula:

$$A_{Net} = 0.4 \cdot A_{Gross} + 0.6 \cdot NGR \cdot A_{Gross}$$

where:

NGR = level of net replacement cost/level of gross replacement cost for transactions subject to legally enforceable netting agreements

A_{Gross} = sum of individual add-on amounts (calculated by multiplying the notional principal amount by the appropriate add-on factors) of all transactions subject to legally enforceable netting agreements with one counterparty.

4. For the purposes of calculating potential future credit exposure to a netting counterparty for forward foreign exchange contracts and other similar contracts in which the notional principal amount is equivalent to cash flows, the notional principal is defined as the net receipts falling due on each value date in each currency. The reason for this is that offsetting contracts in the same currency maturing on the same date will have lower potential future exposure as well as lower current exposure.

Annex 2

Qualifying master netting agreement: the effects of bilateral netting agreements covering repo-style transactions will be recognised on a counterparty-by-counterparty basis if the agreements are legally enforceable in each relevant jurisdiction upon the occurrence of an event of default and regardless of whether the counterparty is insolvent or bankrupt. In addition, netting agreements must:

a) provide the non-defaulting party with the right to terminate and close out in a timely manner all transactions under the agreement upon an event of default, including in the event of insolvency or bankruptcy of the counterparty;
b) provide for the netting of gains and losses on transactions (including the value of any collateral) terminated and closed out under it so that a single net amount is owed by one party to the other;
c) allow for the prompt liquidation or setoff of collateral upon the event of default; and
d) be, together with the rights arising from provisions required in (a) and (c) above, legally enforceable in each relevant jurisdiction upon the occurrence of an event of default regardless of the counterparty's insolvency or bankruptcy.

Netting across positions in the banking book and trading book will only be recognised when the netted transactions fulfil the following conditions:

a) All transactions are marked to market daily, and
b) The collateral instruments used in the transactions are recognised as eligible financial collateral in the banking book.

FORM SR-1B (extracts): CREDIT RISK – COMPLETION GUIDANCE

The guidance below is for the new section K of Form SR-1B only.

Item	Description	Guidance
K.1	**250% risk weighted assets**	
K.1.1	Significant investments in the common stock of banking, financial and insurance entities	Only amounts excluded from deduction (i.e. below the threshold) under items A.19 and A.22 (re A.23) of Form SR-2A should be reported here. A 250% risk weighting applies.
K.1.2	Mortgage servicing rights	Only amounts excluded from deduction (i.e. below the threshold) under items A.20 and A.22 (re A.24) of Form SR-2A should be reported here. A 250% risk weighting applies.
K.1.3	Deferred Tax Assets arising from temporary differences	Only amounts excluded from deduction (i.e. below the threshold) under items A.21 and A.22 (re A.25) of Form SR-2A should be reported here. A 250% risk weighting applies.
	SUBTOTAL	**Total for "K.1: 250% risk weighted assets", calculated by the sheet as the sum of K.1.1 to K.1.3.**
K.2	**1,250% risk weighted assets**	
K.2.1	Securitisations - equity tranches	Includes all first loss tranches. Also include tranches rated below BB-, including those with short term ratings of lower than A-3 (or equivalent - see tables 3 & 4 of the prudential returns guidance to credit risk for the standardised approach re Form SR-1B). A 1,250% risk weighting applies (note: the current guidance in tables 3 and 4 refer to a capital deduction).
K.2.2	Significant investments in commercial entities	The proportion of significant (minority and/or majority) investments in commercial entities exceeding the following materiality levels: (a) 15% of the bank's capital for individual investments in commercial entities; and (b) 60% of the bank's capital for the aggregate of such investments. A 1,250% risk weighting applies. The amount below materiality thresholds should be reported under item L.2 of Form SR-1B (as equity).
	SUBTOTAL	**Total for "K.2: 1,250% risk weighted assets", calculated by the sheet as the sum of K.2.1 to K.2.2.**