

CAPITAL ADEQUACY RETURN DEFINITIONS

SECTION A - SUMMARY SCHEDULE

S10 Tier 1: Core Capital

This should equate to the amount in item 620 of Section B.

S20 Tier 2: Supplementary Capital

This should equate to the amount in item 690 of Section B.

S25 Tier 3: Shorter-Term Capital

This should equate to the amount in item 692 of Section B.

S30 Total (Gross) Capital

This is the sum of items S10 and S20.

S40 Investments in subsidiaries and associates

This should equate to the amount in 220 of Section B.

S50 Investments in the capital of other banks

This should equate to the amounts in items 230.1 and 230.2 of Section B.

S60 Related party lending of a capital nature

This should equate to the amount in item 340 of Section B.

S70 Off-balance sheet items of a capital nature

This should equate to the amounts in items 410.6, 440.6, 450.6, 460.6, 480.5 and 510.7 of Section B.

S80 Other deductions

These are to be agreed on a case by case basis with the Bermuda Monetary Authority (the Authority) relating in particular to amounts reported in items 350, 360 and 370 of Section B.

S90 Total (Net) Capital

This should equal item S30 less any amounts reported in items S40-S80.

S100-S140 Credit Risk Weighted Risk Assets

By weight band, i.e. 10%, 20%, 50%, 100%, total the amounts reported in the “amount” column for items 10-320, 380, 410-510 and 540 of Section B (credit converted amounts for off-balance sheet items) and apply the appropriate risk weight. Where a memorandum item has been deducted from total capital, the weighted amount already included in the on- or off-balance sheet section of the return should be deducted from the appropriate weight band, e.g. any amount reported in items 340.1-340.5 of Section B should be deducted from the appropriate weight band.

S160 Total Credit Risk Weighted Risk Assets

This is the sum of items S100-S140 and any amount reported in item S150 (sum of items 520 to 533 of Section B).

S161 Market Risk using standardized approach

This should equal item F of Section C (sum of items A3, B3, C, D&E of Section C).

S162 Market Risk using acceptable internal models

This should be obtained from the reporting institution’s calculations based on models approved by the Authority. For more detailed information/instructions on use of Internal Models, see Section F of Appendix 3 to the Authority’s paper titled “The Assessment and Measurement of Capital Adequacy: Banks and Deposit Companies.”(the “Capital Adequacy Paper”).

S163 Total Market risk

This is the sum of items S161 & S162 i.e. Total Market risk from the standardized approach and internal models.

165 Total Market Risk Adjusted Risk-Weighted Assets

This is the product S163 multiplied by S164 (the multiplier of 12.5).

S170 Total Risk Weighted Assets

This is the sum of items S160 & S165.

S180 Risk Asset Ratio

Divide S90 by S160 and multiply the result by 100. The ratio should be shown to 2 decimal places (with rounding of 0.005 and above to the next highest digit).

SECTION B – BANKING BOOK

ASSETS

10 Cash

Holdings of notes and coin excluding gold coin.

20 Gold bullion and coin

Physical holdings of gold bullion and gold coin beneficially owned by the reporting institution, including that held on an allocated basis by other institutions. Gold held as custodian for others should not be reported. Short positions in gold should not be reported here but recorded within liabilities in this return.

The treatment of other precious metals (silver, platinum and palladium) should be discussed with the Authority. (See also item 320).

30 Cash items in the course of collection

The total amount of cheques, etc. drawn on and in the course of collection from other banks, and debit items in transit between domestic offices of the reporting institution in each country. Report cheques that have been credited to customers' accounts but are held overnight before being presented or paid into the reporting institution's account with another institution.

40 Items in suspense

All debit balances not in customer's names but relating to customers' funds, e.g. debit balances awaiting transfer to customers' accounts rather than forming part of the reporting institution's own internal funds. Also report funds of the reporting institution lodged with applications for new issues, even if the funds may be returnable, and items in the course of settlement (amounts receivable in respect of transactions not due until a future settlement date, where the asset is to be reported on a contract date basis).

Items in the course of settlement resulting from securities transactions should be treated as follows:

- (a) Sales of securities where delivery will only take place against receipt of cash ("cash against documents");
 - (i) amounts receivable where the transactions have not reached settlement date should be reported in the 0% band;
 - (ii) amounts receivable where the transactions are up to and including 21 days past due settlement date should be reported in the 0% band;

- (iii) all unsettled transactions more than 21 days past the due settlement date should be weighted according to the counterparty of the transaction (i.e. the purchaser, not the issuer of the securities).
- (b) Sales of securities which may have been delivered but where the cash has not yet been received (“free delivery”):
 - (i) amounts receivable up to and including the day following the due settlement date should be reported in the 0% band;
 - (ii) all unsettled transactions more than one day past the due settlement date should be weighted according to the counterparty of the transaction.

50-90 DEPOSITS

50 Central Governments, Central Banks and Public Sector Entities

Report all deposits with any government, central monetary authority, central bank or other public sector entities. For definition of Public Sector entities refer to paragraph 20 of Capital Adequacy Guidance Notes. Also include regional governments and local authorities and those bodies which carry out non-commercial functions on behalf of and are responsible to regional governments or local authorities. Bodies which are owned by the central or regional government or local authority which perform regulatory or other non-commercial functions should also be included as a public sector entity.

60 Deposits with Banks

Include all balances held with banks. Commercial paper should not be reported under this section but rather under Loans, Advances, Bills and Finance Leases

For the definition of banks and multilateral development banks (MDBs), see Guidance Notes 15 and 16.

70 Deposits with Subsidiaries and Associated Companies

Refer to Guidance Note 18, for definition of subsidiaries and associated companies.

Claims on those group companies, which are not required to be consolidated for the purpose of this return, should be recorded. Those claims, which are eligible for inclusion in the 0% band, should be agreed with the Authority.

80 Deposits with Other

Report here deposits with Financial Institutions not already included in lines 60-70.

100-170 LOANS, ADVANCES, BILLS AND FINANCE LEASES

Funds lent to customers/counterparties, **including** also:

- (a) the book value of assets leased out under finance lease agreements, but legally owned by the reporting institution;
- (b) holdings of certificates of deposit (other than those issued by the reporting institution) and negotiable deposits made on terms identical to those on which a certificate of deposit would have been issued, but for which it has been mutually convenient not to have issued a certificate (these items should be reported on a contract date basis);
- (c) loans made under conditional sale agreements and hire purchase contracts;
- (d) acceptances discounted;
- (e) advances purchased by or assigned to the reporting institution under a transferable loan facility, purchase and resale agreements, factoring, or similar arrangement;
- (f) initial margin payments with futures markets. These are effectively exposures to a recognized exchange and will therefore attract a weight of 20%.

Exclude unearned finance charges and any funds placed with customers/counterparties that are included in items 50-80 above.

Bills, etc.

Enter at book value all bills, promissory notes and other negotiable paper owned (including a forfait paper). These items should be reported in the categories below according to the drawee; the weighting for accepted bills, however, should be determined according to the acceptor.

Accruals

Wherever possible, accruals should be reported against the relevant category of counterparty (see Guidance Note 7).

Export credit

Report in the 0% band of the relevant counterparty category all lending which carries the explicit guarantee of

- a) a Zone A government, central government or central bank
- b) a Zone B government, central government or central bank
denominated in the local currency and funded by that currency.

Lending under equivalent schemes operated by other Zone A countries, and Zone B countries where denominated in the local currency and funded in that currency, should be reported in the 0% band to the extent of the cover. Reporting institutions should agree with the Authority which schemes may be regarded as “equivalent” and merit a 0% weighting.

100 Central Governments and Central Banks

Loans made to central governments and central banks. Include in the 10% weighting band Treasury bills and any other bills (by definition with one year or less original maturity) issued by central governments and central banks.

110 Lending to Group Companies

Claims on those group companies, which are not required to be consolidated for the purpose of this return, should be recorded. Those claims, which are eligible for inclusion in the 0% band, should be agreed with the Authority.

120 Banks

For the definition of banks and multilateral development banks (MDBs), see Guidance Notes 15 and 16.

130 Public Sector Entities

For the definition of public sector entities, see Guidance Note 20.

140 Loans Secured by Mortgage(s) on Residential Property

Report loans to individuals secured by mortgage on residential properties (both freehold and leasehold) which are or will be occupied by the borrower, or which are rented, where such loans are fully secured by a first priority charge. If any part of the property is used for non-residential purposes, the mortgage loan should not be reported here but should be reported in item 150. However, mortgage loans secured on property where the occupier works at home but no structural alterations are required to return the property to full residential use may be reported here.

Report mortgage sub-participations which are fully and specifically secured against residential mortgage loans which are eligible for a 50% weight.

For the purpose of this item the following definitions apply:

“Fully secured” means that the value of the property must be greater than or equal to the value of the loan (i.e. a maximum loan to value ratio of 100%). Whilst there is no requirement for reporting institutions to re-value properties on a regular basis, where such valuation has been made and it is found that the loan to value ratio exceeds 100%, such loans should be weighted at 100% (and reported in item 100). (However, if the shortfall in the security value is fully covered by a specific provision, the net amount of the exposure can continue to be weighed at 50%). Conversely, where revaluation indicates that the loan to value ratio has fallen to 100% or less, the loan may be weighted at 50% and reported in item 140.

“First priority charge” means a first fixed (legal or equitable) charge or a first floating charge. In the case of the latter, reporting institutions must ensure (by, for example, including a negative pledge to this effect in the documentation) that no prior ranking charges can be taken over the assets concerned.

The above treatment may *also* be applied to loans to *special purpose mortgage finance vehicles* which include covenants restricting the vehicles’ activities to mortgage business and which provide for the loan to be repaid on demand should the covenants be breached and which also meet the criteria to be met by mortgage backed securities qualifying for a 50% risk weighting set out in item 140 (see item 140).

150 Other Loans, Advances and bills held

Report here exposures to counterparties not already included above.

160 Unanalysed

Report here any claims not reported above.

180-250 INVESTMENTS

Report securities, together with any associated accrued interest, with an original maturity of over one year such as equities, euro-bonds and FRNs (instruments of original maturity of one year or less should be reported in items 100 –160). All securities should be reported on a contract day basis, with the payments due or receivable in respect of such transactions to be shown gross in items 770 and 40. Only long positions in securities should be reported in this section of the return (see Guidance Note 24). Where it is not possible to identify separately interest accruals they should be reported in item 320 in the appropriate risk weighting band.

Enter in items 190, 200, 210, 230 and 240 securities guaranteed by central governments or central banks meeting the conditions for guarantees (see Guidance Note 25) at either 10% or 20% depending on whether the residual maturity of the security is one year or less or over one year respectively. If the guarantor is a Zone B central government or central bank, the security must be in the local currency of the issuer and guarantor.

180 Central Governments and Central Banks

Holdings of securities and debt instruments (other than bills – see item 100) issued by central governments and central banks.

Only holdings of certificates of tax deposit should be reported in the 0% band together with interest accruals on holdings of securities and debt instruments where the issuer is a Zone A central government or central bank or where the issuer is a Zone B central bank or government and the security is in the local currency of the issuer. For the determination of the appropriate weight band for other securities held see Guidance Note

9. Where it is not possible to identify separately interest accruals they should be reported in item 320 in the appropriate risk weighting bands.

Report the gross long position. The total (item180) should be the sum of the gross long positions. If there are no short positions relevant to a particular band, the net long position box must nevertheless be completed showing an amount equal to the gross long position.

190 Public Sector Entities

For the definition of public sector entities, see Guidance Note 20.

200 Banks (unsubordinated FRNs etc.)

Unsubordinated FRNs and similar types of non-capital debt instruments issued by banks (for definition, see Guidance Note 15) with an original maturity of over one year. In the case of securities issued by Zone B banks, the weight will be 20% if the residual maturity is one year or less and 100% if over one year.

Holdings of subordinated debt issued by any MDBs attract a risk weighting of 100%.

210 Mortgage Backed Securities

Only holdings of US GNMA securities with a floating rate, or with a fixed rate if the residual maturity is one year or less, should be reported in item 210.1. Fixed rate GNMA securities with a residual maturity of over one year together with FHLMC and FNMA mortgage backed securities should be reported in item 210.2.

Stripped bonds should be reported in the 100% risk weight category regardless of counterparty.

Report in item 210.3 holdings of securities issued by *special purpose mortgage finance vehicles* which meet the following. Holdings of securities which do not meet these conditions should be reported in item 210.4:

- (i) They are fully secured at all times against residual mortgage loans which meet the conditions set out in item 140. The nature of the security may be a first fixed or floating charge, either legal or equitable;
- (ii) The vehicle's activities are restricted by its articles of association to mortgage business. The vehicle may also hold assets qualifying for a risk weighting of less than 50%;
- (iii) The mortgage loans must not be in default at the time at which they are transferred to the vehicle;
- (iv) The notes embody an express promise to repay the bearer;
- (v) The issue documentation contains provisions which would ultimately enable the noteholders to initiate legal proceedings directly against the

issuer of the mortgage backed security. As an example such provisions would allow noteholders to proceed against the issuer where the trustee, having become bound to take steps and/or to proceed against the issuer, fails to do so within a reasonable time and such failing is continuing;

- (vi) The documentation contains provisions which would ultimately enable noteholders to acquire the legal title to the security (i.e. the mortgagee's interest in it) and to realize the security in the event of a default by the mortgagor.

Report in item 210.4 any notes:

- (i) issued by companies whose business is not limited as specified above by their articles of association; and, or
- (ii) which absorb more than their pro rata share of losses in the event of arrears or default, e.g. junior notes; and, or
- (iii) where the security agreement does not provide that noteholders remain fully secured at all times; and, or
- (iv) where mortgage loans backing the securities were in default at the time when they were transferred to the vehicle.

220 Investments in Subsidiaries and Associated Companies

The same accounting treatment should be adopted as that used in the preparation of statutory accounts. Do not report investments in subsidiary and associated companies where these companies are required to be included in the consolidation for the purposes of this return.

230 Investments in the Capital of Other Banks and Financial Institutions

All items reported in this section should be shown at full book value, with no reduction for any amortisation which the issuer may be applying in calculating its own capital base.

Report holdings of equity in item 230.1 and capital debt instruments (including hybrid debt instruments and subordinated FRNs) in item 230.2. Also report in item 230.2 holdings of subordinated and unsubordinated loan capital (with an original maturity in excess of five years) issued by bank holding companies, or financing vehicles within banking groups. If doubt exists as to the appropriate treatment of an item refer to the Authority. Also include securities issued by special purpose finance companies which have been set up to hold ("repackage") bank capital instruments (unless it has been agreed with the Authority that the principal and interest on the securities are fully protected from any risk on the underlying bank capital instruments).

Investments in the capital of other banks should be reported here even where the investment is guaranteed by a central government or public sector body. (See Guidance Note 25)

Report holdings of equity in item 230.1 and of debt instruments in item 230.2.

240 Other Investments

Report here investments in counterparties not already included above.

260-320 OTHER ASSETS

270 Other Intangible Assets

Only report in item 270.1, mortgage servicing rights where there is an active and liquid market in which they can be traded. This condition is only met in respect of mortgage servicing rights traded in the US market.

280 and 290 Own Premises and Other Property/Real Estate

Own premises should include the value in its books of property occupied or being developed for occupation by the reporting institution. Also report in item 280, property which is occupied or is for the purpose of occupation by employees of the reporting institution. Other property and real estate beneficially owned by the reporting institution but not occupied or used in the operation of its business should be reported in item 290.

300 Operating Leases

Report equipment owned by the reporting institution, which has been leased out under an operating lease. Report any contracted future rental payments (net of future finance charges) weighted according to the lessee; the residual value of the asset should be reported in the 100% weighting band.

310 Plant, Equipment and Other Fixed Assets

Plant and equipment owned or recorded as such by the reporting institution and used in connection with its own business. Equipment leased out under operating leases should not be reported here but in item 300. Equipment leased out under finance leases should be reported in items 100-160.

Where the reporting institution is the lessee under a finance lease, or a hirer under a hire purchase contract, the asset should be recorded in the 100% band. If the reporting institution is acting as a broker or agent for a sub-lease or back-to-back lease, the asset should not be reported on the balance sheet provided that there is no recourse to the reporting institution in the event of a default.

320 Other Assets

Report any other assets not reported elsewhere, e.g. sundry debtors, prepayments and accruals not identified elsewhere (see Guidance Note 7).

Overall net positive mark-to-market valuations of interest rate and foreign exchange related contracts should be weighted at 0% here – see items 520/530. Overall net negative mark-to-market values should be included under item 770. Assets relating to premia paid out on interest rate and foreign exchange options contracts bought on exchanges and subject to daily margining requirements should be reported under item 320.1.

Net long positions in physical commodities and traded warrants (including in silver, platinum and palladium where not already included under item 20) should be weighted at 100% here; positions in different commodities should not be netted. Net short positions in any commodity should be reported in item 770.

Deferred tax assets should be included in item 320.4.

340-390 MEMORANDUM ITEMS

340 Related party Lending of a Capital Nature

Report all related party lending of a capital nature and indicate, in the lines provided, in which weight band on the assets section of this return the lending has been reported. Also report both long term subordinated loans and one-off payments by the reporting institution to vehicles established for loan packaging schemes, where the reporting institution is the servicing agent. For the definition of a related party see Guidance Note 19.

Do not report loans to subsidiaries and associated companies where the loan has already been reported in item 220.

Any items included here should be excluded from total risk assets in the appropriate risk weight band on the Summary Schedule (see note to items S100-S140). If doubt exists as to the inclusion of an asset in this item refer to the Authority for guidance.

350 Loans to Directors, Controllers and their Associates

Directors, controllers, and their associates are as defined in Section 7 of the Banks and Deposit Companies Act 1999. Indicate, in the lines provided, in which weight band on the assets side of this return the lending has been reported.

If a loan reported here is of a capital nature, it should be included additionally in item 340.

360 Loans to Non-group Companies with which Directors and Controllers are Associated

A director (including an alternate director) or controller of the reporting institution is deemed to be associated with another company, whether registered or resident in

Bermuda or overseas, if he holds the office of director (or alternate director) with that company (whether in his own right, or as a result of a loan granted by, or financial interest taken by, the reporting institution to, or in, that company, or even by virtue of a professional interest unconnected with the reporting institution), or if he and/or his associates together hold 20% or more of the equity share capital of that company. For the purpose of this item, include as a director an employee of the reporting institution who is not a direct but who is appointed a director of another company.

The definition should be consistent with that adopted for Large exposures reporting purposes.

Indicate, in the lines provided, in which weight band on the assets section of this return the lending has been reported.

If a loan reported here is of a capital nature, it should be included additionally in item 340.

370 Direct Credit Substitutes Given on Behalf of Related parties

For the definition of related parties see Guidance Note 19. Indicate, in the lines provided, in which weight band within item 410 the direct credit substitute has been reported.

380 Investments in Central Governments and Central Banks (Net Short Positions)

Report net short positions in central governments and central bank securities. This should equal item 770 after allowing for any long positions in the same securities (see Guidance Note 24).

All positions after weighting shown here should be reported with a positive sign.

390 Encumbered Assets

List in these lines any assets not freely available to meet the claims of the generality of creditors in a liquidation of the reporting institution because they are subject to a charge, pledge or other restriction.

Under item 390.1, list the assets and the item number on the return to which they refer, which have been given as security in connection with the reporting institution's participation in a payments/settlements system. The particular payments/settlements system should be listed with the liabilities being secured at the reporting date recorded under column 1. For the purpose of detailing the total amount of assets securing liabilities, assets pledged in excess of the actual liability to individual systems at the reporting date should not be reported.

Under item 390.2, list the assets and the item number on the return to which they refer, which have been given as security to secure the reporting institution's other liabilities (for

example, property which has been mortgaged and hire purchase agreements pledged as collateral). Assets reported should exclude any element of unearned finance charges.

Total liabilities being secured at the reporting date (item 390, column 1) should equal the sum of 390.1 and 390.2 below. Total assets at the reporting date securing liabilities reported in column 1 (item 390, column 2), will not necessarily equal the sum of items 390.1 and 390.2 below as any asset which is securing more than one creditor should not be double counted in the total.

400 Analysis of Total Loans Advances, Bills and Finance Leases

Pass

Enter the total outstanding debt which has been identified as one that will be fully repaid and on time.

Special Mention

Enter the total outstanding debt which has been identified as having potential weakness in regard to the borrower's credit-worthiness.

Substandard

Enter the total outstanding debt, the normal repayment of which may be in jeopardy by reasons of an adverse trend or severe financial weakness.

Doubtful

Enter the total outstanding debt, the full liquidation of which appears questionable and the accounts suggest that there will be a loss, the exact amount of which cannot be determined as yet.

Loss

Enter the total outstanding debt, where neither the interest nor principal amount will be repaid.

400.1 Analysis of Loans, Advances, Bills and Finance Leases by Sector

All loans and advances should be broken down by sector into the indicated categories. If unsure of which sector to use, please contact the Authority.

Agriculture and Fishing

This does not involve products sold by wholesalers, grocers, etc.

Construction

Involves all areas of the construction industry, including materials, and labour. Both commercial and residential construction financing fall under this category.

Energy, Waste and Water

Any financing provided for electricity, water, wastage, pollution control, oil or gas, etc.

Retail Trade Business

Financing provided for the retail trade in merchandise for sale to the general public i.e. foodstuffs, clothing, appliances, cars, etc.

Wholesale Trade Business

Financing provided for the wholesale trade in merchandise for sale to the general public, i.e. foodstuffs, clothing, appliances, cars, etc.

Hospitality Industry

Includes all tourist services, hotels, guest houses, restaurants, boat charters, etc.

Transport and Communication

Includes services such as taxis and public transportation, telephone and telex communication and courier facilities.

Personal

Financing for land and buildings for personal/residential use, plus any consumer financing to individuals.

Other Businesses and Services

Includes any activity not covered above. Examples in this category might be real estate companies, government, etc.

Other Financial Institutions

Other

Enter all other financing not covered above

OFF-BALANCE SHEET

The credit equivalent amount for off-balance sheet items is derived by first multiplying the nominal/principal amount by the given credit conversion factor. The weighted

amount column is then derived by multiplying the resultant credit equivalent amount by the appropriate risk weight or by deducting it from the reporting institution's capital base (see Guidance Note 9).

Intra group off-balance sheet items should be reported under the relevant item and weighted according to the terms agreed with the Authority.

Multi-option facilities and other composite products should be disaggregated into their component parts, e.g. into a credit commitment, note issuance facility, etc. and each component weighted according to the usual classification. However, components carrying the lowest conversion factors should be disregarded to the extent that the total value of all components exceeds the value of the facility.

410 Direct Credit Substitutes

Direct credit substitutes relate to the financial requirements of a counterparty, where the risk of loss to the reporting institution on the transaction is equivalent to a direct claim on the counterparty, i.e. the risk of loss depends on the creditworthiness of the counterparty. Report instruments such as:

- (a) acceptances granted and risk participations in bankers' acceptances. Where a reporting institution's own acceptances have been discounted by that institution the nominal value of the bills held should be deducted from the nominal amount of the bills issued under the facility and a corresponding on-balance sheet entry made;
- (b) guarantees given on behalf of customers to stand behind the current obligations of the customer and to carry out these obligations should the customer fail to do so, e.g. a loan guarantee;
- (c) guarantees of leasing operations;
- (d) guarantees of a capital nature. Such guarantees given to a company which is not related to the reporting institution should be weighted at 100% and those to a related company should be deducted from the reporting institution's capital base (item 410.6);
- (e) letters of credit not eligible for inclusion in item 430;
- (f) standby letters of credit, or other irrevocable obligations, serving as financial guarantees where the institution has an irrevocable obligation to pay a third party beneficiary if the customer fails to repay an outstanding commitment, e.g. letters of credit supporting the issue of commercial paper, delivery of merchandise, or for stock lending (standby letters of credit which are related to non-financial transactions should be reported in item 420 below);
- (g) re-insurance or window letters of credit;
- (h) acceptances drawn under letters of credit, or similar facilities where the acceptor does not have specific title to an identifiable underlying shipment of goods (e.g. sales of electricity).

Direct Credit Substitutes of a Capital Nature

Any direct credit substitutes which are of a capital nature and connected to the reporting institution or given to another bank should be reported in item 410.6 and will be deducted from capital in the calculation of the risk asset ratio.

Include:

- (a) a guarantee which takes the place of capital, e.g. where a regulatory body allows a company to gear up on such guarantees (but see also 410(d) above);
- (b) a guarantee of a bank capital instrument (unless otherwise agreed with the Authority, e.g. do not include here the subordinated guarantee of loan stocks raised by vehicle company subsidiaries of the reporting institution, where the loan stock is treated as subordinated debt of the reporting institution).

420 Transaction Related Contingents

Transaction related contingents relate to the on-going trading activities of a counterparty where the risk of loss to the reporting institution depends on the likelihood of a future event which is independent of the creditworthiness of the counterparty. They are essentially guarantees which support particular non-financial obligations rather than supporting customers' general financial obligations. Report such items as:

- (a) performance bonds, warranties and indemnities (indemnities given for lost share certificates or bills of lading and guarantees of the *validity* of papers rather than the *payment* under certain conditions should not be reported in this return);
- (b) bid or tender bonds;
- (c) advance payment guarantees;
- (d) standby letters of credit relating to a particular contract or to non-financial transactions (including arrangements backing, *inter alia*, subcontractors' and suppliers' performance, labour and materials contracts, and constructions bids).

430 Trade Related Contingents

Report short-term, self liquidating trade-related items such as documentary letters of credit issued by the reporting institution which are, or are to be, collateralised by the underlying shipment. Such letters should be weighted according to the counterparty on whose behalf the credit is issued and reported whether or not the terms and conditions of the credit have yet to be complied with.

Letters of credit issued by the reporting institution without provision for the reporting institution to retain title to the underlying shipment or where the title has passed from the reporting institution should be reported under direct credit substitutes (item 410). A memorandum of pledge and a trust receipt are not regarded as giving the reporting institution title, and transactions secured by these should be shown under item 410.

Letters of credit issued on behalf of a counterparty back-to-back with letters of credit of which the counterparty is a beneficiary (“back-to-back” letters) should be reported in full.

Letters of credit advised by the reporting institution or for which the reporting institution is acting as reimbursement agent should not be reported.

440 Sale and Repurchase Agreements

See Guidance Note 26.

Report sale and repurchase agreements (“repos”), i.e. when the reporting institution is the seller of the asset where the asset sold is not reported on the balance sheet. If the asset sold is kept on the balance sheet it should not be reported here but in the relevant line in the on-balance sheet section of this return. When the asset does not appear on the balance sheet the weighting category is to be determined by the issuer of the security (or borrower in the case of a loan) and not according to the counterparty with whom the transaction has been entered into.

Repos associated with reverse repos should not be reported in item 440; the liability under such repos should be reported under item 770.

The reporting institution should refer to the Authority where it has a repo in item 440 and offsettable short stock positions on balance sheet in item 380 or 770 which would meet the general requirements for the netting of stock positions (See Guidance Note 24).

450 Asset Sales with Recourse

Asset sales with recourse where the credit risk remains with the bank fall into the weighting category determined by the asset and not according to the counterparty with whom the transaction has been entered into. Report put options written where the holder of the asset is entitled to put the asset back to the reporting institution, e.g. if the credit quality deteriorates. Also report put options written by the reporting institution attached to marketable instruments or other physical assets.

460 Forward Asset Purchases

The weight should be determined by the asset to be purchased, not the counterparty with whom the contract has been entered into. Include commitments for loans and other on-balance sheet items with certain drawdown. Exclude foreign currency spot deposits with value dates one or two working days after trade date.

470 Forward Forward Deposits Placed

Agreements between two parties whereby one will pay, and the other receive, an agreed rate of interest on a deposit to be placed by one with the other at some predetermined date in the future. Exclude foreign currency spot deposits with value dates one or two working days after trade date.

The weight should be determined according to the counterparty with whom the deposit will be placed.

480 Uncalled Partly-paid Shares and Securities

Only report if there is a specific date for the call on the unpaid part of the shares and securities held. If there is no specific date, the unpaid part should be treated as a long-term commitment (see item 510).

490 NIFs and RUFs

Note Issuance Facilities (NIFs) and Revolving Underwriting Facilities (RUFs) should include the total amounts of the reporting institution's underwriting obligations of any maturity. Where the facility has been drawn down by the borrower and the notes are held by anyone other than the reporting institution, the underwriting obligation should continue to be reported at the full nominal amount.

The reporting institution's own holding of the notes should be reported in items 100-160 and therefore the nominal amount of the notes held should be deducted from the nominal amount of the facility to be shown here.

500 Endorsement of Bills

Endorsements of bills (including per aval endorsements) should be reported at the full nominal amount, less any amount for bills which the reporting institution now holds but had previously endorsed.

Where the reporting institution is the first endorser of a bill which has been accepted by a bank other than the reporting bank, such endorsements should be reported in item 500.1. (Where a reporting institution has endorsed its own acceptances no further amount should be reported than the acceptance reported in item 410). If the reporting institution is not the first endorser of a bill already by a bank, such endorsements need not be reported.

Endorsements of bills which have not been accepted by a bank should be reported in items 500.2 – 500.4 according to the risk weight category of the issuer; where such a bill has been previously endorsed by a bank, the reporting institution's endorsements will

warrant a 20% weight. Endorsements of bills which have been previously endorsed by two or more banks need not be reported.

510 Other Commitments

Report here other undrawn commitments, classified as to whether:

- (i) they have an original maturity of one year or less or are unconditionally cancellable at any time (item 510.1); or
- (ii) they have an original maturity of over one year (items 510.2-510.7).

The reporting institution is regarded as having a commitment from the date the customer is advised of the facility (e.g. the date of the letter advising the customer) regardless of whether the commitment is revocable or irrevocable, conditional or unconditional, and in particular whether or not the facility contains a “material adverse change” clause.

Rolling or undated/open-ended commitments (“evergreens” and including overdrafts) should be included under (i) providing that they are unconditionally cancellable at any time without notice and subject to credit review at least annually. Other rolling or undated commitments should be reported under (ii).

Unused credit card lines should be reported under (i).

Underwriting Commitments

Commitments arising from the underwriting of discrete issues of equities or bonds should be included in item 510.8 and will attract a risk weighting of 100% unless concessionary treatment has previously been agreed in a particular case with the Authority. (NIFs and RUFs, however, should be reported in item 490.)

Commitments to provide capital to related parties (and other banks)

Amounts reported under item 510.7 should be multiplied by the 50% credit conversion factor before entering, so that an appropriately reduced amount is carried through to the summary page (item S70). If, however, the item would normally attract a credit conversion factor of 0% for the reasons above, it should continue to be reported under item 510.1.

Commitments with certain drawdown

Commitments for loans and other on-balance sheet items with certain drawdown should not be reported here but in item 460.

The maturity of a commitment

See Guidance Note 8 for general guidance on maturity.

The maturity of a commitment should be determined in accordance with the following:

(a) *Original and remaining maturity*

The maturity of a commitment should be measured as from the date when the commitment was entered into based on original maturity, i.e. from the date of firm offer, until the final date by which it must be drawn down in full. (However, see Guidance Note 8).

(b) *Renegotiations of the term of a commitment*

In the case where the terms of a commitment have been renegotiated the maturity should be measured as from the date of the renegotiation until the end of the period of the renegotiated commitment providing the renegotiation involves a full credit assessment of the customer and lender's right, without notice, to withdraw the commitment.

Where these conditions are not met the original starting date of the commitment must be used to determine its maturity rather than the date of renegotiation.

(c) *A commitment to provide a loan (or purchase an asset) which has a maturity of over one year but which must be drawn down within a period of one year or less.*

Such commitments should be treated as having a maturity of one year or less so long as any undrawn portion of the facility is automatically cancelled at the end of the draw-down period.

(d) *A commitment to provide a loan (or purchase an asset) to be drawn down in a number of tranches, some one year or less and some over one year.*

The whole commitment should be considered as having a maturity of over one year.

(e) *Commitments for fluctuating amounts*

Where a commitment provides for a customer to have a facility limit which varies during the period of the commitment, e.g. for seasonal reasons, the amount of the commitment should at all times be taken as the maximum amount that can be drawn under the commitment for the remaining period of the commitment.

(f) *Forward commitments*

A forward commitment is where the reporting institution is committed to granting a facility at a future date. The original maturity of the commitment is to be measured from the date the commitment is entered into until the final date by which the facility must be drawn in full.

(g) *Commitments for off-balance sheet transactions*

A distinction is drawn between a commitment to provide an off-balance sheet facility which may or may not be drawn by the customer, and a commitment to provide an off-balance sheet instrument with *certain* drawdown. For example:

- (i) a commitment over one year to provide a trade related contingent *facility* at a future date which may or may not be drawn down should be given a credit conversion factor (ccf) of 50% (the ccf for long-term commitments) multiplied by 20% (the ccf for trade-related contingents), i.e. an effective ccf of 10%. Report 20% of the principal amount in the relevant section in item 510, depending on the counterparty weight. Similarly, a long-term commitment to provide a guarantee *facility* would receive a ccf of 50% multiplied by 100%, i.e. an effective ccf of 50%; report 100% of the principal amount in the relevant section of item 510;
- (ii) a commitment (short-term or long-term) to provide a trade-related contingent *item*, where it is certain that the drawdown will occur at some point in the future, including a range of dates, a ccf of 20% should be applied, i.e. without multiplying by the relevant ccf for a commitment. Similarly, a commitment to issue a guarantee with certain drawdown at a particular point in the future should receive a ccf of 100% and be reported under item 410.

Appendix I – OTC Derivative Contracts

520 Interest Rate Related Contracts

Report single currency interest rate swaps, basis swaps, forward rate agreements and products with similar characteristics, interest rate futures, interest rate options purchased (including caps, collars and floors purchased as stand-alone contracts) and similar instruments. Bond futures and bond options purchased should also be reported here. Interest rate futures and options should not be reported where the contracts concerned are traded on exchanges subject to daily margining requirements. In such instances, the initial cash margin payment should be reported in item 100 in the 100% weight band.

530 Foreign Exchange Related Contracts

Only exchange rate contracts of over 14 days original maturity (excluding a settlement period of up to 2 days) are to be reported.

Foreign currencies are to include gold, silver, platinum and palladium.

Report cross currency swaps, cross currency interest rate swaps (the exchange of principal on such swaps should be excluded from the on-balance sheet section of this

return), outright forward foreign exchange contracts, currency futures, currency options purchased and similar instruments. Equity options purchased and equity futures should also be reported here. Also include futures, swaps and similar instruments involving physical commodities. Such futures and options traded on exchanges subject to daily margining requirements should not be reported. In such instances, the initial cash margin payment should be reported in item 150 in the 100% weight band.

Swaps attached to loans and bonds

Under certain conditions the risk attached to a floating (or fixed) rate loan/bond and a linked interest rate or currency swap may be equivalent to a fixed (or floating) rate loan. In this case the swap need not be reported providing the following conditions are met:

- (i) the swap and loan should have matching obligations (i.e. identical interest periods);
- (ii) the swap and loan should be explicitly linked such that if the counterparty defaults under the loan or swap, or goes into liquidation, all payments under the swap agreement cease and the loan becomes immediately repayable;
- (iii) netting of floating (or fixed) rate payments on the loan and the swap must meet all the existing (or future) on-balance sheet netting criteria (see Guidance Note 23).

531 Equity Contracts

Equity options purchased and written, forward purchases and sales of equities, and equity futures should also be reported here.

532 Precious Metals other than gold

All positions in respect of physical amounts of precious metals (not gold) and derivative positions relating to precious metals (other than gold) should be reported in the Trading Book for institutions to which trading book capital requirements apply. The reporting institution may agree with the Authority a different reporting treatment.

533 Other Commodities

All positions in respect physical commodities and derivative positions relating to commodities should be reported in the Trading Book for institutions to which trading book capital requirements apply. The reporting institution may agree with the Authority a different reporting treatment.

520-533 OTC Derivative Contracts

Reporting institutions should complete Appendix I (Replacement cost method).

For the purposes of measuring the counterparty risk inherent in such contracts, a risk weight of 50% should be applied in respect of counterparties which would attract a weight of 100% elsewhere on this return.

The following is offered as guidance for the completion of Appendix I:

Notional principal amount (column 1)

The notional principal amount for each contract should be reported in this column, regardless of whether it is matched by another contract or whether it has a positive mark-to-market value.

For *exchange rate contracts*, the notional principal should be taken as the amount of principal underlying the contract, as regards the currency being received by the reporting institution, translated into BD\$ at the spot exchange rate on the reporting date.

For an *amortising swap*, i.e. one based on a steadily declining notional principal, the notional principal should be taken as that which is outstanding at the reporting date.

For a swap based on a *fluctuating level of principal*, the notional principal should be taken as the maximum notional principal outstanding over the remaining life of the swap.

For amortising interest rate swaps with *cash-flow mismatches in payments*, the notional principal may differ between the two sides of the swap – the higher of the two should be used.

For swaps involving *physical commodities*, the notional principal should relate to the total volume over the whole contract (not simply the volume per settlement period), e.g. for a two-year oil swap involving one million barrels with quarterly settlement, the exposure should be reported as covering the full period of the contract (not just one quarter at a time) and the notional principal would be eight million barrels (not just one million), converted to BD\$ at the spot rate on the day of the report. (The reported principal in this example would decline as each quarterly settlement is made.)

For *options purchased*, the notional principal should be taken as the underlying principal of the option, using, for currency options, the received currency at the spot rate on the reporting date.

Remaining maturity

The remaining maturity of a swap should be taken as the time until final expiry of the swap. For FRAs and similar products, the remaining maturity should be taken as the time

from the reporting date until the end of the period to which the interest rate underlying the contract relates, e.g. for an FRA with three months until settlement based on a one year rate, the remaining maturity would be 15 months. Where settlement of an FRA takes place at the start of the period to which the interest rate underlying the contract relates, no account should be taken of the FRA following such settlement, i.e. the FRA should no longer be reported; where settlement takes place at the end of this period, the FRA should continue to be reported until settlement takes place given that, even after the settlement amount is fixed, the contract will continue to have a mark-to-market value which will be subject to fluctuation.

For *interest rate options*, the remaining maturity should be taken as the time from the reporting date until the end of the period to which the interest rate underlying the option relates, i.e. in a similar way to FRAs.

For *swaps with interim mark-to-market settlements*, the remaining maturity should be taken as the time until final maturity, and not the time until the next interim settlement.

Replacement Cost Method (Appendix I)

Replacement cost/Mark-to-Market amount (column 2)

Reporting institutions should mark-to-market in a prudent and consistent manner; only contracts with a positive mark-to-market value should be reported under this heading (but all contracts should be reported in column 1). Contracts whose mark-to-market value is reported as an asset in the balance sheet, i.e. those with a positive mark-to-market value, should also be reported here but that mark-to-market value allocated to the 0% band in the on-balance sheet section (see also item 320).

In general, no readily observable market prices will be available for these instruments. Reporting institutions should develop their own methodology for calculating market values, details of which should be made available to the Authority. The Authority will monitor the approaches adopted by institutions and will be concerned that such approaches should be broadly comparable across all institutions in line with best market and supervisory practice. The following general guidelines should be observed:

For swaps, forward rate agreements and products with similar characteristics, outright forward foreign exchange contracts and futures (if appropriate), the mark-to-market approach should be based on an estimation of the net present value of the future cash flows of the contract, using interest rates based on current market rates and relevant to the periods in which the cash flows will arise (commonly for example, the rates from a derived yield curve for zero-coupon government bonds).

For options purchased, the mark-to-market approach should be based on a valuation of the option reflecting, inter alia, the amount by which the option is “in the money” (i.e. the amount, if any, by which the rate at which the option can be exercised is more favorable

than the current market rate when applied to the notional principal underlying the option), the time to expiry of the option, the volatility of the underlying exchange of interest rate, and (for currency options) the interest rate differential between the currencies. Typically such valuations will be based on a mathematically complex formula, and will value the option at an amount above its “in the money” value. Reporting institutions whose involvement in options is limited and who have not developed suitable methodology may, with the written consent of the Authority, value options at their “in the money” value.

Future credit exposure (Add-ons) (columns 3 and 4)

For the replacement cost method, the notional principal amount of all contracts (column 1 on Appendix I) should be multiplied by the following factors (column 3 on Appendix I) to obtain the future credit exposure:

	Residual maturity of contracts		
	1 year or less	1-5 years	Over 5 years
Interest rate related contracts	0.00	0.005	0.015
Foreign exchange and gold contracts	0.010	0.050	0.075
Equity contracts	0.060	0.080	0.100
Precious metals (other than gold)	0.070	0.070	0.080
Other commodities	0.100	0.120	0.150

For single currency interest rate basis swaps, there is deemed to be no future credit exposure, i.e. such contracts are treated in the same way as interest rate contracts with a residual maturity of one year or less.

540 Report Aggregate Net Short Open Foreign Currency Position

Reporting institutions to which trading book capital requirements apply, should not report a number in this item, as the capital requirement for foreign exchange position risk requirement should be calculated via item C. All other reporting institutions should report the net short open foreign currency position in column 7 of the Foreign Currency Exposure Return. This figure should be reported with a positive sign.

LIABILITIES

CORE CAPITAL – TIER 1

550 Ordinary Shares/Common Stock

This should be reported at nominal paid-up value; where shares have been issued at a premium, the premium should be reported under reserves (item 500.1). Partly-paid shares should be reported at the amount paid. Do not report the unpaid element of partly-paid shares, or authorised but unissued share capital; also exclude holdings by the reporting institution of its own shares and shares reflecting the capitalisation of property revaluation reserves.

560 Perpetual Non-Cumulative Preferred Shares/Stock

Report perpetual non-cumulative preferred shares/stock and perpetual non-cumulative preferred shares convertible into ordinary shares, including any such shares redeemable at the option of the issuer and with the Authority's prior consent. Only shares which have been issued and paid up should be reported.

570 Reserves

570.1 Share Premium Account

Report any amount received by the reporting institution in excess of the nominal value of shares reported in items 550 or 560. Any share premium in respect of Tier 2 instruments should be reported indistinguishably with those instruments.

570.2 Disclosed Prior Year Reserves Disclosed Current Year's Positive Movements on Reserves and Negative Movements on Reserves

Report the disclosed, undistributed balance on profit and loss account attributable to previous years (i.e. revenue reserves), reserves arising from exchange rate translation differences and other reserves (e.g. capital redemption reserves and capital gifts). Do not report reserves arising from the revaluation of fixed assets; such reserves should be shown under item 640.

Before publication of full year prior reserves, include here any prior year's earnings which have been verified by external auditors in accordance with the requirements of the Authority's paper titled "The Measurement of Capital: Banks and Deposit Companies".

Report here disclosed (i.e. published) current year's *positive* movements on reserves (other than those shown under item 640). If current year's movements on reserves are *negative* report these here (whether or not disclosed).

570.3 Current Year's Retained Profit Verified by External Audit

Report only current year's earnings (net of foreseeable charges and distributions) where they have been verified by external auditors in accordance with the requirements of the Authority's paper titled "The Measurement of Capital: Banks and Deposit Companies". Interim retained earnings of subsidiaries within banking groups which have been verified by external auditors may also be reported even if they are not separately disclosed. Current year's losses should be reported in item 580.

Pension fund assets arising from either a pension fund surplus or deficiency should be deducted from this item. Pension fund liabilities arising from pension fund surpluses should be added; whereas pension fund liabilities arising from pension fund deficiencies should not be added back but should be added to 770.

580 Current Year's Losses

Report all current year's losses. Unpublished losses from the previous accounting period should also be shown here.

590 Minority Interests (in Tier 1 Capital)

Enter any claim by outside interests in Tier 1 capital items (see items 550 and 560) of any partly-owned subsidiary company or minority owned company which is included in this particular return.

600 Total of Items 550-590

This should equal the sum of items 550-590, taking account of any negative figures, i.e. those in brackets.

610 Goodwill and Other Intangible Assets

This should equal the sum of items 260 and 270.2

620 Total Tier 1 Capital

Tier 1 capital equals item 600 less any amounts reported in item 610.

SUPPLEMENTARY CAPITAL – TIER 2

630 Capitalisation of Property Reserves

Report fully paid shareholders' equity arising from the capitalisation of property reserves after 1 January 1992.

640 Fixed Asset Revaluation Reserves

Report reserves relating to the revaluation of fixed assets including any shares issued by the capitalisation of property revaluation reserves.

650 General Provisions

Report general provisions that are held against possible or latent loss but where the losses have not as yet been identified. Provisions earmarked or held specifically against lower valuations of particular claims or classes of claims should not be reported here, but netted against the value of the asset against which they have been made (see Guidance Note 6).

General provisions should not exceed 1.25% of total weighted risk assets. Any general provisions exceeding these amounts should be reported in item 720.

655 Unrealized gains on ‘available for sale’ equities and investment property

Report here the portion of any net unrealized gains on equities held in the “available-for-sale” financial assets category and unrealized gains on investment property allowed by the Authority. Refer to the paragraph 11 (d) of the Authority’s paper titled “The Assessment and Measurement of Capital Adequacy: Banks and Deposit Companies” (the “Capital Adequacy Paper”) for further guidance.

660 Hybrid (debt/equity) Capital Instruments

Report:

- (i) Perpetual cumulative preferred shares, including such shares redeemable at the option of the issuer with the prior consent of the Authority, and including also share premia on these instruments;
- (ii) Perpetual subordinated debt which meets the conditions for primary perpetual subordinated debt set out in the Authority’s paper titled “The Measurement of Capital: Banks and Deposit Companies”, including such debt which is convertible into equity, either mandatorily or at the option of either the issuer or the lender.

670 Minority Interests in Tier 2 Capital

Where the reporting institution reports on a consolidated basis, enter the claim by outside interests in any partly-owned subsidiary or minority owned company in the form of any Tier 2 capital item.

680 Subordinated Term Debt

Report only that part that is eligible for inclusion in Tier 2, i.e. after amortisation and only if such debt does not exceed 50% of Tier 1 elements (item 620). Subordinated term debt that is not eligible for inclusion here should be reported in item 710. See also item 770.

690 Total Tier 2 Capital

This is the total of items 630-680 provided this sum does not exceed Tier 1 capital (item 620), in which case a figure equal to item 620 should be reported here and any surplus should be reported in item 700.

SHORTER-TERM CAPITAL – TIER 3

691 Subordinated short-term debt

Report short term subordinated debt which has been approved by the Authority as qualifying for inclusion in Tier 3 capital detailed in paragraphs 16-18 of the Authority’s “Capital Adequacy Paper.”

692 Total Tier 3 Capital

This should be equal to item 691 provided that it does not exceed 150% of Total Tier 1 Capital (item 620), in which case a figure equal to 150% of item 620 should be reported here and the surplus reported in item 725.

OTHER CAPITAL

700 Surplus Tier 2 Capital

Report any amount that has been excluded from item 690, i.e. the amount by which Tier 2 capital exceeds Tier 1 Capital. Do not include here subordinated term debt or general provisions that are not eligible for inclusion as Tier 2 capital (see items 710 and 720).

710 Subordinated Term Debt (not eligible for inclusion in item 680)

Report subordinated term debt that qualifies for inclusion as capital but which has not been reported in item 680 because:

- (i) the debt is being amortised over the last four years, i.e. the difference between the nominal amount of the stock and the amortised amount;
- (ii) the amount of such debt which exceeds 50% of Tier 1 capital.

See also item 770.

For treatment of subordinated term debt that does not qualify for inclusion as capital (under the terms of the Authority’s “Capital Adequacy: Paper”), see item 710.

720 General Provisions (not eligible for inclusion in item 650)

Report those general provisions that exceed the maximum amount allowable for inclusion in item 650.

725 Surplus Tier 3 Capital

Report any amount that has been excluded from item 692, i.e. the amount by which Tier 3 capital exceeds 150% of Tier 1 Capital.

730 Other Capital

Report preference shares perpetual loan stocks and subordinated term debt not accepted by the Authority as qualifying for inclusion as capital within the terms of the Authority’s “Capital Adequacy: Paper.”

Report current year’s profits which have not been verified by external auditors in accordance with the Authority’s “Capital Adequacy: Paper” and also any undisclosed profits relating to the previous year which have not been so verified.

Report other items relating to:

- (i) any unrealised gains or losses on cash flow hedges of financial instruments measured at cost or amortised cost;
- (ii) any unrealised gains or losses on debt instruments held in the available-for sale financial assets category;
- (iii) portion of any unrealised gains or losses on equity instruments held in the available-for sale financial assets category and unrealised gains on investment property excluded from capital; and

OTHER NON-CAPITAL LIABILITIES

740 DEPOSIT LIABILITIES

740.1 Savings

Savings deposits are taken to include interest bearing accounts maintained with the reporting institutions without a stated maturity and which allow for an unlimited amount of withdrawals, deposits and transfers, and incorporates the use of a passbook or equivalent.

740.2 Demand

Enter all balances of accounts which are payable on demand, whether interest bearing or not, maintained with the reporting institution which are repayable upon demand without interest penalty.

740.3 Term - Remaining Maturity

Enter all other accounts maintained with the reporting institution bearing a fixed rate of interest and with fixed repayment dates. All deposits which have not been classified under savings or demand should be entered here under the item best meeting its remaining maturity.

Call accounts repayable after the expiry of 7 days' notice should be included in the category best representing the period remaining of the call terms. For example, 90 day or 180 day call accounts should be reported in Item 8.3.1.

750 Items in the Course of Collection

This comprises credit items in the course of transmission and items in suspense including items in the course of settlement.

760 Promissory Notes and Other Borrowings

Report promissory notes, bills and other negotiable paper issued (including commercial paper) by the reporting institution including bills drawn under an acceptance credit facility provided by another institution.

770 Other

Report all internal accounts and other liabilities not reported elsewhere, including liabilities in respect of sale and repurchase agreements, and short positions in gold and other precious metals.

780 Total Non-Capital Liabilities

This is the total of items 740 to 770.

790 Total Liabilities

This is the sum of items 690, 700-730 and 780 and should equal item 330.

MEMORANDUM ITEMS

800 ANALYSIS OF DEPOSITS

Enter all deposit liabilities against the category best meeting the description of the depositor.

CURRENT YEAR'S PROFIT & LOSS ACCOUNT

This page covers the reporting institution's profit & loss account for the current financial year up to the reporting date. It should be completed on both an unconsolidated and consolidated basis (see Guidance Notes 3 & 4).

INCOME

10 & 20 Interest Received and Receivable/Interest Paid and Payable

Include under these headings both interest actually received and paid, and interest receivable and payable which has accrued but has not yet been received or paid. Amounts accrued should be based on the latest date to which these calculations were made; thus for an institution which accrues profits on a daily basis, accruals should include amounts up to and including the reporting date. Also include under this heading income accrued in respect of the amortisation of discounts (and premiums) on the purchase of fixed maturity investments which are not held for dealing (e.g. Treasury Bills).

30 Net Interest Income

Show under this heading the net interest received and receivable (i.e. item 10 less item 20). Where interest paid and payable exceeds interest received and receivable the net figures should be shown in brackets to indicate a negative figure.

40 Profit/(Loss) on Foreign Exchange Dealing

Revaluations of foreign exchange positions and, if identifiable, fees and commissions of foreign exchange business should be included under this heading. If it is not possible to identify fees and commissions derived from this activity separately, they should be included with other fees and commissions in item 70.

A net loss should be shown in brackets to indicate a negative figure.

50 Profit/(Loss) on Investments

Include all profits or losses (including revaluation profits or losses) other than those arising from the sale of investments in subsidiary or associated companies, trade investments or the amortisation of premiums or discounts on the purchase of fixed maturity investments which are not held for dealing.

70 Income from Fees and Commissions

Include charges made for services provided by the reporting institution, e.g. for the provision current account facilities, corporate advice, investment management and trustee services, guarantees and indemnities, commission on the sale of insurance or travellers

cheques etc. Only include fees and commissions from customers for the provision of foreign exchange services if they cannot be separately identified and included under item 40.

80 Dividends/Share of Profits from Subsidiary and Associated Companies

Reporting institutions reporting on an unconsolidated basis should include the dividends from other group companies only, together with the revaluation of any investment in subsidiaries or associates if equity accounting; when reporting on a consolidated basis, include only the share of profits from associated companies according to the normal accounting convention used.

90 Profit/(Loss) on Fixed Assets (including revaluation)

Include the profit or loss on the sale of non-trading assets of the reporting institution, e.g. premises, equipment, subsidiary and associated companies and trade investments. In respect of revaluation surpluses/deficits, reporting institutions should follow normal accounting practice: amounts in respect of surpluses/deficits normally taken to the profit and loss account, e.g. movements in provisions against trade investments, should be included in this item; amounts normally taken direct to reserves should not be included here.

100 Other Income

Include under this heading income from any other source (other than extraordinary items which should be included under item 200).

EXPENSES

Operating Expenses

110 Staff

Include salary costs, employer's payroll tax, the employer's contribution to any pension scheme, and the costs of staff benefits paid on a per capita basis such as medical insurance; general staff benefits, such as subsidized restaurants, should be included under "occupancy" (item 120) or "other" (item 130) as appropriate.

120 Occupancy

Include rates, rent, insurance of building, lighting, heating, depreciation and maintenance costs.

130 Other

This comprises all other expenditure.

140 Net Charge/(Credit) for Provisions

150

This should equal item 40 in Provisions Against Bad and Doubtful Debts (see relevant definition).

160 Provisions for Taxation

For returns covering less than a year, the taxation charge should be estimated by applying a reasonable estimate of the reporting institution's effective tax rate applicable for the year in question.

170 Provisions for Dividends

For returns covering less than a year, provision should be made for an appropriate portion of the estimated total dividend to be paid for the year.

200 Extraordinary Items

Extraordinary items should be reported net of attributable taxation. Where extraordinary charges exceed extraordinary income, the net negative figure should be shown in brackets.

PROVISIONS AGAINST BAD AND DOUBTFUL DEBTS AND INVESTMENTS

General Provisions

10 Previous Balance

Show the balance outstanding on the general provisions account at the end of the previous accounting year relating to debts considered bad or doubtful. Do not include provisions made against the value of investments. The date to which the balance refers should be shown in the space provided.

20 Adjustments for Acquisitions/Disposals

Enter any adjustments made as a result of an acquisition or disposal of a subsidiary company the balance sheet of which includes specific or general provisions and is included in the consolidation for this particular return. Where the net adjustment is negative, report the amount in brackets.

30 Adjustments for Exchange Rate Movements

Enter any adjustments made for exchange rate movements in respect of provisions denominated in currencies other than BD\$. Where the adjustment is negative, report the amount in brackets.

40 Charge/Credit to Profit and Loss Account

Enter the net charge or credit to the profit and loss account in respect of provisions. A net credit should be shown in brackets. The gross charge for new provisions should be offset by other items including any provisions made in earlier years but now released in the current year.

50 Amounts Written Off

Enter the gross amount written off (before recoveries which should be reported in item 60).

60 Recoveries of Amounts Previously Written Off

Enter the total amount of loans recovered which have previously been written-off.

70 Other

Enter any other items, including exceptional provisions and transfers between general and specific provisions.

80 Current Balance

The current balance should be the sum of items 10-70.

Specific Provisions Against Bad and Doubtful Debts**90 Previous Balance**

Show the balance outstanding on the general provisions account at the end of the previous accounting year relating to debts considered bad or doubtful. Do not include provisions made against the value of investments. The date to which the balance refers should be shown in the space provided.

100 Adjustments for Acquisitions/Disposals

Enter any adjustments made as a result of an acquisition or disposal of a subsidiary company the balance sheet of which includes specific or general provisions and is included in the consolidation for this particular return. Where the net adjustment is negative, report the amount in brackets.

110 Adjustments for Exchange Rate Movements

Enter any adjustments made for exchange rate movements in respect of provisions denominated in currencies other than BD\$. Where the adjustment is negative, report the amount in brackets.

120 Charge/Credit to Profit and Loss Account

Enter the net charge or credit to the profit and loss account in respect of provisions. A net credit should be shown in brackets. The gross charge for new provisions should be offset by other items including any provisions made in earlier years but now released in the current year.

130 Amounts Written Off

Enter the gross amount written off (before recoveries which should be reported in item 140).

140 Recoveries of Amounts Previously Written Off

Enter the total amount of loans recovered which have previously been written-off.

150 Other

Enter any other items, including exceptional provisions and transfers between general and specific provisions.

160 Current Balance

The current balance should be the sum of items 90-150.

170 – 190 Suspended Interest**200 Current Balance**

The current balance should be the sum of items 170-190.

SECTION C – TRADING BOOK

STANDARDIZED APPROACH

A Interest Rate Risk

A1 Interest Rate Risk - Specific Risk

This should be equal to item A70 (sum of items A33, A43, A53 & A63).

A2 Interest Rate Risk - General Market Risk

This should be equal to item A82 or A92 depending on the calculation method used i.e. the maturity or duration method.

A3 Total Interest Rate Risk

This is the sum of A1 and A2.

B Equity Position Risk

B1 Equity Position Risk - Specific Risk

This item should contain the total capital requirement for specific risk arising from positions in equities and their derivatives. This should be equal to item B20.

B2 Equity Position Risk - General Market Risk

This item should contain the total capital requirement for general market risk arising from positions in equities and their derivatives. This should be equal to item B60.

B3 Total Equity Position Risk

This item should be the sum of the capital requirements for specific (B1) and general market risk on equities (B2).

C Foreign Exchange Risk

This item should equal to item C30 i.e. the total capital requirement for Foreign Exchange Risk.

D Commodities Risk

Report here the total capital requirement for commodity position risk under the standardized approach. This item should equal to item D20 or D40 depending on the calculation method used i.e. the Maturity Ladder Method or the Simplified Approach.

E Options Price Risk

Report here the total capital requirement for Options Price risk under the standardized approach. This item should equal to item E20, E30 or E40 depending on the calculation method used i.e. the Simplified Approach or the Scenario Approach or the Delta-Plus Method.

F Total Market Risk under the Standardized Approach

This equals the sum of items A3, B3, C, D and E.

A10 – A92 Interest Rate Risk - Detailed calculation.

For more detailed information/instructions on the calculation of capital for Interest Rate Risk, see Section A of Appendix 3 to the Authority's Capital Adequacy Paper.

B10 – B60 Equity Position Risk - Detailed calculation.

For more detailed information/instructions on the calculation of capital for Equity Position Risk, see Section B of Appendix 3 to the Authority's Capital Adequacy Paper.

C10 – C30 Foreign Exchange Risk - Detailed calculation.

For more detailed information/instructions on the calculation of capital for Foreign Exchange Risk, see Section C of Appendix 3 to the Authority's Capital Adequacy Paper.

D10 – D40 Commodities Risk - Detailed calculation.

For more detailed information/instructions on the calculation of capital for Commodities Risk, see Section D of Appendix 3 to the Authority's Capital Adequacy Paper.

E10 – E40 Options Price Risk - Detailed calculation.

For more detailed information/instructions on the calculation of capital for Options Price Risk, see Section E of Appendix 3 to the Authority's Capital Adequacy Paper.