Jersey Financial Services Commission

Completion Guide

Prudential Reporting of Capital Ratios

Guide on the reporting of the risk-based capital ratios in connection with the Required level of own funds, Own funds and Risk-based capital requirements parts of the Code of Practice for Deposit-taking Business (**Banking Code**), as applicable to persons incorporated in Jersey that are registered under the Banking Business (Jersey) Law 1991 (**JIBs**).

In addition, this document establishes detailed requirements relating to the prudential reporting of the Leverage ratio for banks that are not either highly systemic or have material overseas banking operations.

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1 Overview

Introduction

1.1 This document sets out the reporting of component items that make up the calculation of the three risk-based **Capital Ratios** – the three capital ratios for which minima are established in Section 5 of the *Banking Code*, being the:

1.1.1 **CET1 capital ratio**: the ratio of **CET1 capital**, as defined in **Section 2**, to total risk weighted assets, as defined in **Section 5 (total RWAs);**

1.1.2 **Tier 1 capital ratio**: the ratio of **Tier 1 capital**, as defined in **Section 3**, to *total RWAs*; and

1.1.3 **total capital ratio**: the ratio of **total capital**, as defined in **Section 4**, to *total RWAs*.

1.2 The definitions of the component items and calculations that must be used to derive the *Capital Ratios* are set out in the following parts of the Banking Code:

1.2.1 Own funds part

1.2.2 Required level of own funds part

1.2.3 Risk-based capital requirements part

1.3 The Banking Code requires JIBs to internally monitor Capital Ratios daily and notify the JFSC if limits are not complied with or Capital Buffers not maintained. This reporting must be consistent with the reporting set out herein. Where component items are not relevant to a JIB, the JIB's internal monitoring need not reflect the term.

1.4 In a small number of identified cases, items are defined purely for the purpose of the prudential return submission. These items are identified where additional information is considered useful to the *JFSC*, such as a breakdown of the composition of an item.

1.5 *The* Banking Code also *requires* JIBs to submit prudential returns to the JFSC, consistently with this document, for each prudential period end date. The specific mechanics of this are set out in the "Prudential Reporting Guide for JIBs", issued by the JFSC and available at:

1.5.1 http://www.jerseyfsc.org/banking-business/prudential-reporting/

Leverage Ratio

1.6 For prudential reporting purposes only, this Guide also specifies the reporting of the *Leverage Ratio* for a JIB that is not highly systemic and does not have material overseas banking operations in the form of branches or subsidiaries.

1.7 A JIB that is highly systemic and/or has material overseas banking operations in the form of branches or subsidiaries should instead report its leverage ratio in accordance with the 'Completion guide: Prudential reporting on Leverage'.

1.8 A JIB should report under the approach applicable to it and not under both approaches.

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Layout of this Guide

1.9 **Sections 2** to **8** relate to the computation of the *Capital Ratios*.

1.10 **Section 9** relates to the calculation of the *Leverage Ratio*.

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2 CET1 capital – items, deductions and total

Items 1 to 29

Item	Guidance
1	**Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus** as set out in section 2.1 of the Own Funds Part.
2	**Retained earnings** as set out in section 2.2 of the Own Funds Part.
3	**Accumulated other comprehensive income (and other reserves)** as set out in section 2.3 of the Own Funds Part.
5	**Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)** as set out in section 2.4 of the Own Funds Part.
6	**Common Equity Tier 1 capital before regulatory adjustments.** Calculated as the sum of Items 1 to 4.
7	**Prudential valuation adjustments** as set out in section 2.6 of the Own Funds Part.
8	**Goodwill (net of related tax liability).** Calculated as item 80 minus item 80a.
9	**Other intangibles, other than mortgage-servicing rights (net of related tax liability).** Calculated as Item 81 minus Item 81a.
10	**Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability).** Calculated as Item 82a minus Item 82b.
11	**Cash-flow hedge reserve** as set out in section 2.10 of the Own Funds Part.
12	**Shortfall of provisions to expected losses** as set out in section 2.11 of the Own Funds Part.
13	**Securitisation gain on sale** as set out in section 2.12 of the Own Funds Part.
14	**Gains and losses due to changes in own credit risk on fair valued liabilities** as set out in section 2.13 of the Own Funds Part.
14a	**- of which: amount relating to DVAs recognised on origination.** Defined for prudential reporting purposes only. The amount of all *DVAs* that arose on origination (and include in the amount reported for Item 14).
15	**Defined-benefit pension fund net assets** as set out in section 2.14 of the Own Funds Part.
16	**Investments in own shares** as set out in section 2.15 of the Own Funds Part. Do not report here if already netted off paid-in capital on reported balance sheet. For prudential reporting purposes, the amounts entered for items 16, 17, 72 and 73 must, in total, equal: • the amounts entered in the sheet '2.1 BS Assets' for Items:

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Item	Guidance
	• C.5.6: Marketable Bank equity holdings • D.7: Capital Connected Lending • E.10: Capital Investments in Subsidiaries and other associated companies • E.11: Capital Investments in other banks • the amount entered in the sheet '2.4 Off Balance Sheet' for Item A.13: Any of the above, which require capital treatment: Financials

17	**Reciprocal cross-holdings in common equity** as set out in section 2.16 of the Own Funds Part.
	For prudential reporting purposes, the amounts entered for items 16, 17, 72, and 73 must, in total, equal:
	• the amounts entered in the sheet '2.1 BS Assets' for Items:
	  • C.5.6: Marketable Bank equity holdings
	  • D.7: Capital Connected Lending
	  • E.10: Capital Investments in Subsidiaries and other associated companies
	  • E.11: Capital Investments in other banks
	• the amount entered in the sheet '2.4 Off Balance Sheet' for Item A.13: Any of the above, which require capital treatment: Financials

17a	**10% of (Total CET1 capital less deductions for Items 7 to 17).** Calculated as 10% of Item 6 less the sum of Item 7 to Item 17. A floor of zero applies in the case that the sum calculated is negative.
17b	**15% of (Total CET1 capital less deductions for Items 7 to 17).** Calculated as 15% of Item 6 less the sum of Item 7 to Item 17. A floor of zero applies in the case that the sum calculated is negative.
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 share capital (amount above 10% threshold).** Calculated as Item 72 minus (subject to a minimum of zero) Item 17a multiplied by Item 72a: divided by Item 72.
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).** Calculated as Item 73b minus Item 17a subject to a minimum of zero.
20	**Mortgage servicing rights (amount above 10% threshold).** Calculated as Item 74 minus Item 17a subject to a minimum of zero.
21	**Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability).** Calculated as Item 75a minus Item 17a subject to a minimum of zero.
22	**Amount exceeding the 15% threshold.** Calculated as the sum of

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Item	Guidance
	• the lower of Item 73b and Item 17a • the lower of Item 74 and Item 17a • the lower of Item 75a and Item 17a minus Item 17b subject to a minimum of zero.
26	**National specific regulatory adjustments, including Pillar 2 deductions applied to CET1 capital** as set out in section 2.24 of the Own Funds Part.
27	**Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions.** Equal to Item 43a.
28	**Total regulatory adjustments to Common Equity Tier 1.** Calculated as the sum of Items 7 to 22 and Items 26 to 27.
29	**Common Equity Tier 1 capital (CET1 capital).** Calculated as Item 6 minus Item 28.

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3 Tier 1 capital – AT1 items, deductions and total

Items 30 to 45

Item	Guidance
30	**Directly issued qualifying Additional Tier 1 instruments plus related stock surplus** as set out in section 3.1 of the Own Funds Part.
31	**Item 31 - of which: classified as equity under applicable accounting standards.** Defined for prudential reporting purposes only. Item 31 and 32 should be used to report the breakdown of Item 30 into equity items (Item 31) and liability items (Item 32). Report here any part of Item 30 classified as equity under applicable accounting standards.
32	**Item 32 - of which: classified as liabilities under applicable accounting standards.** Calculated as Item 30 minus Item 31.
34	**Additional Tier 1 instruments (and CET1 instruments not included in Item 5) issued by subsidiaries and held by third parties (amount allowed in AT1)** as set out in section 3.2 of the Own Funds Part.
36	**Additional Tier 1 capital before regulatory adjustments.** Calculated as the sum of Item 30 and 34.
37	**Investments in own Additional Tier 1 instruments** as set out in section 3.4 of the Own Funds Part.
38	**Reciprocal cross-holdings in Additional Tier 1 instruments** as set out in section 3.5 of the Own Funds Part.
39	**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).** Calculated as • Item 72: minus Item 17a subject to a minimum of zero multiplied by • Item 72b divided by Item 72
40	**Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions).** Equal to Item 73c.
41	**National specific regulatory adjustments, including Pillar 2 deductions applied to Additional Tier 1 capital** as set out in section 3.8 of the Own Funds Part.
42	**Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions.** Equal to Item 57a.

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Item	Guidance
43	**Total regulatory adjustments to Additional Tier 1 capital.** Calculated as the sum of Items 37 to 42.
43a	**of which: excess AT1 deductions.** Calculated as Item 43 minus Item 36 subject to a minimum of zero.
44	**Additional Tier 1 capital (AT1).** Calculated as Item 36 minus Item 43 subject to a minimum of zero.
45	**Tier 1 capital (T1 = CET1 + AT1).** Calculated as the sum of Item 29 and Item 44.

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4 Total capital – Tier 2 items, deductions and total

Items 46 to 59

Item	Guidance
46	**Directly issued qualifying Tier 2 instruments plus related stock surplus** as set out in section 4.1 of the Own Funds Part.
48	**Tier 2 instruments (and CET1 and AT1 instruments not included in Items 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)** as set out in section 4.2 of the Own Funds Part.
50	**Provisions.** Calculated as • If, Item 76 is more than Item 77, Item77 • otherwise, Item 76 plus • If, Item 78 is more than Item 79, Item79 • otherwise, Item 78
51	**Tier 2 capital before regulatory adjustments.** Calculated as the sum of Item 46, Item 48 and Item 50.
52	**Investments in own Tier 2 instruments** as set out in section 4.5 of the Own Funds Part.
53	**Reciprocal cross-holdings in Tier 2 instruments** as set out in section 4.6 of the Own Funds Part.
54	**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).** Calculated as • Item 72 minus Item 17a subject to a minimum of zero multiplied by • Item 72b divided by Item 72
55	**Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions).** Equal to Item 73d.
56	**National specific regulatory adjustments, including Pillar 2 deductions applied to Tier 2 capital** as set out in section 4.9 of the Own Funds Part.
57	**Total regulatory adjustments to Tier 2 capital.** Calculated as the sum of Items 52 to 56.
57a	**of which: excess Tier 2 deductions.** Calculated as Item 57 minus Item 51 subject to a minimum of zero.
58	**Tier 2 capital (T2).** Calculated as Item 51 minus Item 57 subject to a minimum of zero.

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Item	Guidance
59	**Total capital (T1 + T2).** Calculated as the sum of Item 45 and Item 58.

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5 Capital ratios – total RWAs and ratio calculation

Items 60 to 63

Item	Guidance
60	**Total risk weighted assets.** Calculated as the sum of Items 60a to 60f.
60a	**of which: 250% risk weighted items.** Calculated as 250% multiplied by Item 83
60b	**of which: 1250% risk weighted items.** Calculated as 1250% multiplied by Item 84: 1250% risk weighted items
60c	**of which: credit risk.** Calculated as the sum of Items 85a, 85b, 85c, 85e and 88.
60d	**of which: operational risk.** Equal Item 86b.
60e	**of which: market risk.** Calculated as the sum of Item 87a and 87b.
60f	**of which: Pillar 2 risks** the amount as set out in section 3.7 of the Required level of Own funds part.
61	**Common Equity Tier 1 (as a percentage of risk weighted assets).** Calculated as Item 29 divided by Item 60.
62	**Tier 1 (as a percentage of risk weighted assets).** Calculated as Item 45 divided by Item 60.
63	**Total capital (as a percentage of risk weighted assets).** Calculated as Item 59 divided by Item 60.

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6 Minima and Buffers

Items 64 to 68

Item	Guidance
64	**Institution specific CET 1 minimum ratio.** The minimum *CET1 capital* ratio set by the *JFSC* as set out in section 3.1 of the Risk-based capital requirements part. This will always be set equal to or higher than Item 69 - National Common Equity Tier 1 minimum ratio.
65	**Institution specific Tier 1 minimum ratio.** The minimum *Tier 1 capital ratio* set by the *JFSC* as set out in section 3.1 of the Risk-based capital requirements part. This will always be set equal to or higher than Item 70 - National Tier 1 minimum ratio.
66	**Institution specific total capital minimum ratio.** The minimum *Total capital ratio* set by the *JFSC* as set out in section 3.1 of the Risk-based capital requirements part. This will always be set equal to or higher than Item 71 - National total capital minimum ratio.
67	**Institution specific buffer.** The Capital Buffer required as set out in section 4 of the Risk-based capital requirements part.
68	**Capital available to meet the required buffer (as a percentage of risk weighted assets).** Calculated as the lowest of the following: • Item 61 minus Item 64 • Item 62 minus Item 65 • Item 63 minus Item 66

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7 Memoranda Items

Introduction

7.1 The Memoranda items are items that are relevant to the calculation of the items specified as being necessary to determine capital adequacy, focussing on the determination of the amount of capital and the ratios, rather than the amount of capital required (see **Section 8** for those items).

Items 69 to 82b

Item	Guidance
69	**Item 69 - National Common Equity Tier 1 minimum ratio.** As set out in section 3 of the Risk-based capital requirements part, 4.5% at the time of this publication (January 2027). The individual ratio established (Item 64) will equal or exceed this.
70	**National Tier 1 minimum ratio.** As set out in section 3 of the Risk-based capital requirements part , 6% at the time of this publication (January 2027). The individual ratio established (Item 65) will equal or exceed this.
71	**National total capital minimum ratio.** As set out in section 3 of the Risk-based capital requirements part, 8% at the time of this publication (January 2027). The individual ratio established (Item 66) will equal or exceed this.

72	**Non-significant investments in the capital of other financial institutions.**
	Calculated as the sum of Items 72a to 72c.
	For prudential reporting purposes, the amounts entered for items 16, 17, 72 and 73 must, in total, equal:
	• the amounts entered in the sheet '2.1 BS Assets' for Items:
	  • C.5.6: Marketable Bank equity holdings
	  • D.7: Capital Connected Lending
	  • E.10: Capital Investments in Subsidiaries and other associated companies
	  • E.11: Capital Investments in other banks
	• the amount entered in the sheet '2.4 Off Balance Sheet' for Item A.13: Any of the above, which require capital treatment: Financials.

72a	**of which, the amount of the holdings that is CET1 capital** as set out in section 5.3 of the Own Funds Part.
72b	**of which, the amount of the holdings that is AT1 capital** as set out in section 5.4 of the Own Funds Part.
72c	**of which, the amount of the holdings that is Tier 2 capital** as set out in section 5.5 of the Own Funds Part.
73	**Significant investments in the common stock of financials** as set out in section 5.6 of the Own Funds Part. The full amount of all such holdings must be included here. For prudential reporting purposes, the amounts entered for items 16, 17, 72 and73 must, in total, equal: • the amounts entered in the sheet '2.1 BS Assets' for Items: • C.5.6: Marketable Bank equity holdings

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Item	Guidance
	• D.7: Capital Connected Lending • E.10: Capital Investments in Subsidiaries and other associated companies • E.11: Capital Investments in other banks • the amount entered in the sheet '2.4 Off Balance Sheet' for Item A.13: Any of the above, which require capital treatment: Financials.
73a	**Significant investments in the common stock of financials, net of relevant eligible short positions** as set out in section 5.7 of the Own Funds Part.
73b	**of which, the amount of the holdings that is CET1 capital.** Calculated as Item 73a less the sum of Item 73c and Item 73d.
73c	**of which, the amount of the holdings that is AT1 capital** as set out in section 5.9 of the Own Funds Part.
73d	**of which, the amount of the holdings that is Tier 2 capital** as set out in section 5.10 of the Own Funds Part.
74	**Mortgage servicing rights.** Equals the amount entered in the sheet '2.1 BS Assets' for Item F.6: Mortgage Servicing Rights.
75	**Deferred tax assets arising from temporary differences** as set out in section 5.12 of the Own Funds Part.
75a	**Deferred tax assets arising from temporary differences (net of related tax liability)** as set out in section 5.13 of the Own Funds Part.
76	**Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)** as set out in section 5.14 of the Own Funds Part.
77	**Cap on inclusion of provisions in Tier 2 under standardised approach.** Equal to 1.25% of Item 60c.
78	**Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)** as set out in section 5.16 of the Own Funds Part.
79	**Cap for inclusion of provisions in Tier 2 under internal ratings-based approach.** Equal to 0.6% of Item 60c.
80	**Goodwill** as set out in section 5.18 of the Own Funds Part.
80a	**Goodwill: related deferred tax liability** as set out in section 5.19 of the Own Funds Part.
81	**Other intangibles, other than mortgage-servicing rights** as set out in section 5.20 of the Own Funds Part.
81a	**Other intangibles, other than mortgage-servicing rights: related deferred tax liability** as set out in section 5.21 of the Own Funds Part.
82	**Deferred tax assets.** Equals the amount entered in the sheet '2.1 BS Assets' for Item F.7: Deferred Tax Assets.

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Item	Guidance
82a	**Deferred tax assets that rely on future profitability excluding those arising from temporary differences.** Calculated as Item 82 minus Item 75.
82b	**Deferred tax assets that rely on future profitability excluding those arising from temporary differences: related deferred tax liability** as set out in section 5.24 of the Own Funds Part.

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8 Capital Requirements

Introduction

8.1 The capital requirement items are items that are relevant to the calculation of the items specified as being necessary to determine capital adequacy, focussing on the requirements as opposed to the amount of capital or the ratio (see **Section 7** for those items).

Items 83 to 87h

Item	Guidance
83	**250% risk weighted items.** Calculated as the sum of Items 73b, 74, 75a and Items 19 to 22.
84	**1250% risk weighted items.** Calculated as the sum of Items 84a to 84d.

84a	**1250% risk weighted items: securitisations – equity tranches.** Equals the sum of:
	• any amount entered in the sheet '2.1 BS Assets' for items:
	  • C.5.8: Marketable Securitisation exposures - equity tranche holdings
	  • E.13: Securitisation exposures - equity tranches
	• any amount entered in the sheet '2.4 Off Balance Sheet' for item A.12: Any of the above, which require capital treatment: Securitisation

84b	**1250% risk weighted items: IRB – deductions required** as set out in section 6.4 of the Own Funds Part.
84c	**1250% risk weighted items: settlement risk.** Equals the amount entered in the sheet '5.4 Settlement Risk – Capital' for Item D.0: Total Capital Risk.
84d	**1250% risk weighted items: significant investments (non-financial).** Equals the total of: • any amount entered in the sheet '2.1 BS Assets' for item E.9: Significant investments in Non-financial Companies • any amount entered in the sheet '2.4 Off Balance Sheet' for item A.14: Any of the above, which require capital treatment: Significant (Non-financial)
85a	**Risk weighted assets – credit risk: Standardised Approach.** The sum of RWAs calculated in accordance with the Credit risk: standardised approach (CRR) part and RWAs calculated in accordance with the Counterparty credit risk part excluding any RWAs in relation to settlement risk. The amount reported should equal the sum of the risk-weighted exposure amounts reported in: • cell Y23 of sheet '3A.1 CRSA' of the supplementary return • cell H3 of sheet '3A.2 OTC' of the supplementary return
85b	**Risk weighted assets – credit risk: Foundation IRB.** RWAs calculated in accordance with the Credit risk: internal ratings based approach (CRR) part for FIRB. The amount reported should equal the risk-weighted exposure amount after supporting factors in cell AI10 of 13A.1 IRB RWAs of the supplementary return.

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Item	Guidance
85c	**Risk weighted assets – credit risk: Advanced IRB.** RWAs calculated in accordance with the Credit risk: internal ratings based approach (CRR) part for AIRB. The amount reported should equal the risk-weighted exposure amount after supporting factors for AIRB in cell AI9 of 13A.1 IRB RWAs of the supplementary return
85d	**Risk weighted assets – credit risk: Trading Book**. This item should be left blank.
85e	**Risk weighted assets – credit risk: Standardised Approach - settlement risk re Free Deliveries, 4 days or less since delivery**. Equal to the amount in the sheet '5.3 Settlement Risk–Credit Risk' for Item C.1: Total Counterparty Credit Risk.
86a	**Risk weighted assets – operational risk: Basic Indicator Approach.** This should be left blank.
86b	**Risk weighted assets – operational risk: Standardised Approach.** The RWAs calculated in accordance with the Operational risk part. The amount reported should equal the Operational risk RWAs in cell C5 of 4A.2 ORSA MRC of the supplementary return.
87a	**Risk weighted assets – market risk - Standardised Approach: FX & Gold.** Equals the amount in the sheet '5.1 FX & Gold' for Item D.0: Risk Weighted Asset Equivalent.
87b	**Risk weighted assets – market risk - Standardised Approach: Commodities.** Equals the amount in the sheet '5.2 Commodities' for Item B.0: Risk Weighted Asset Equivalent.
87c	**Risk weighted assets – TB market risk - Standardised Approach: FX & Gold.** This should be left blank.
87d	**Risk weighted assets – TB market risk - Standardised Approach: Interest Rate.** This should be left blank. "Interest Rate".
87e	**Item 87e - Risk weighted assets – TB market risk - Standardised Approach: Equities.** This should be left blank.
87f	**Risk weighted assets – TB market risk - Standardised Approach: Commodities.** This should be left blank.
87g	**Risk weighted assets – TB market risk - TB market risk – IMA: General**. This should be left blank.
87h	**Risk weighted assets – TB market risk – IMA: Specific.** This should be left blank.
88	**Risk weighted assets – credit risk: Securitisation.** RWAs calculated in accordance with the Securitisations (CRR) part. The amount reported should equal the RWAs in cell CP8 of 14A.1 Securitisations of the supplementary return.

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9 Capital ratios under the output floor

Introduction

9.1 The section is only applicable where a JIB has a variance from the JFSC permitting use if the internal ratings based approach and the JFSC has not granted an output floor variance in accordance with the Risk-based capital requirements part.

Items 89a to 98

Item	Guidance
89a	**Unfloored total risk exposure amount (U-TREA).** Equal to Item 60: Total risk weighted items.
89b	**Output floor percentage (x)** Equal to 72.5%.
89c	**Standardised total risk exposure amount (S-TREA)** as set out in section 4.4 of the Required level of own funds part.
89d	**Output floor adjustments (OF-ADJ)** as set out in section 4.2 of the Required level of own funds part.
90	**Total risk exposure amount (TREA).** Calculated as the higher of: • Item 89a • Item 89c multiplied by Item 89b plus Item 89da
91	**Common Equity Tier 1 (as a percentage of risk weighted assets).** Calculated as Item 29 divided by Item 90.
92	**Tier 1 (as a percentage of risk weighted assets).** Calculated as Item 45 divided by Item 90.
93	**Total capital (as a percentage of risk weighted assets).** Calculated as Item 59 divided by Item 90.
94	**Institution specific CET 1 minimum ratio.** Equal to Item 64.
95	**Institution specific Tier 1 minimum ratio.** Equal to Item 65.
96	**Institution specific total capital minimum ratio.** Equal to Item 66.
97	**Institution specific buffer.** Equal to Item 67.
98	**Capital available to meet the required buffer as a percentage of risk weighted assets.** Calculated as the lowest of the following: • Item 91 minus Item 94 • Item 92 minus Item 95 • Item 93 minus Item 96

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10 Leverage Ratio

Items 101 to 122

Item	Guidance
101	**On-balance sheet items (exclude derivatives and SFTs; include collateral).** The total of all on-balance sheet assets, including on-balance sheet derivative collateral and collateral for securities financing transactions (SFTs), but excluding on-balance sheet derivative and *SFT* assets that are covered by Items 104 to 115.
102	**Assets deducted in determining Basel III Tier 1 capital.** The total of all on-balance sheet assets deducted from *Tier 1 capital* (*CET1 Capital* or *AT1 Capital*). Calculated as the sum of the following items in the '6.1 Capital Adequacy' sheet: • Item 7: Prudential valuation adjustments • Item 8: Goodwill (net of related tax liability) • Item 9: Other intangibles, other than mortgage-servicing rights (net of related tax liability) • Item 10: Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) • Item 15: Defined-benefit pension fund net assets • Item 16: Investments in own shares (if not already netted off paid-in capital on reported balance sheet) • Item 17: Reciprocal cross-holdings in common equity • Item 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 share capital (amount above 10% threshold) • Item 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) • Item 20: Mortgage servicing rights (amount above 10% threshold) • Item 21: Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) • Item 22: Amount exceeding the 15% threshold • Item 37: Investments in own Additional Tier 1 instruments • Item 38: Reciprocal cross-holdings in Additional Tier 1 instruments • Item 39: 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) • Item 40: Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)
103	**Total on-balance sheet exposures.** Computed as: • Item 101: On-balance sheet assets minus • Item 102: Assets deducted in determining Basel III Tier 1 capital
104 and **105**	**Replacement cost (net of eligible cash variation margin) and Add-on amount.** The *JIB's* replacement cost (**RC**) for all of its derivatives exposures, including where credit derivatives. This should be equivalent to the "Positive Mark-to-Market"

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Item	Guidance
	element of the Credit Equivalent Amount calculated under the Standardised Approach to Credit Risk. Collateral received may not be netted against derivatives exposures whether or not netting is permitted under its accounting framework. When calculating the exposure amount a *JIB* 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 has reduced the derivatives assets reported on-balance sheet under its accounting framework. The add-on amount must be equivalent to the sum of all "Add-on Amount" elements of the Credit Equivalent Amount calculated under the Standardised Approach to Credit Risk. When an eligible bilateral netting contract is in place the Credit Equivalent Amount calculated under the Standardised Approach to Credit Risk, the *RC* for the set of derivative exposures covered by the contract will be the net replacement cost for all contracts governed by it. The add-on for a set of netted transactions (**ANet**) must equal the weighted average of the gross add-on for the set (**AGross**) and the gross add-on adjusted by the ratio of net current *RC* for the set to the gross current *RC* for the set (**NGR**). This is expressed through the following formula: • *ANet* = 0.4 x *AGross* + 0.6 x *NGR* x *AGross* where: • *NGR* = level of net replacement cost/level of gross replacement cost for transactions subject to legally enforceable netting agreements with the counterparty; and • *AGross* = 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 the counterparty.
106	**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 balance sheet assets under the *JIB's* accounting framework.
107	**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 cash portion 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: • For trades not cleared through a qualifying central counterparty (QCCP), the cash received by the recipient counterparty is not segregated. • Variation margin is calculated and exchanged on a daily basis based on mark-to-market valuation of derivatives positions. • The cash variation margin is received in the same currency as the currency of settlement of the derivative contract. • 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.

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107 cont.	• 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 cash portion of variation margin received may be used to reduce the RC reported in Item 104, and the receivables assets from cash variation margin provided may be deducted from the leverage ratio exposure measure using Item 107 (entering as a negative value), as follows: • In the case of cash variation margin received, the receiving bank may reduce the RC (but not the add-on reported) 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. • In the case of cash variation margin provided to a counterparty by the *JIB*, the posting bank may deduct the resulting receivable from its leverage ratio exposure measure, where the cash variation margin has been recognised as an asset under the bank's operative accounting framework. For the avoidance of doubt, cash variation margin may not be used to reduce the Add-on amount.
108	**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**) 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 104 and 105 but enter an offsetting negative amount in Item 108. 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 104 to 107.
109	**Gross notional credit derivatives sold.** Report the full effective notional value referenced by a written credit derivative. This amount is in addition to any exposure amount reported in relation to the same derivative in Items 104, 105 and 106 and represents the credit exposure arising from the credit worthiness of the reference entity.

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110	**Notional offsets and add-on deductions for written credit derivatives.** A deduction is allowed (i.e. a negative amount entered in the Prudential Return) for the amount determined as the sum of: • 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; • 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 • the individual add-on amount relating to a written credit derivative (not offset by eligible purchased credit protection) reported under Item 105.
111	**Total derivative exposures.** Computed as the sum of: • Item 104: Replacement cost (net of eligible cash variation margin) • Item 105: Add-on amount • Item 106: Gross up for derivatives collateral provided • Item 107: Deductions of receivables assets for cash variation margin provided in derivatives transactions • Item 108: Exempted CCP leg of client-cleared trade exposures • Item 109:- Gross notional credit derivatives sold • Item 110: Notional offsets and add-on deductions for written credit derivatives
112	**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 *JIB* has recognised the securities as an asset on its balance sheet (e.g. under IFRS US GAAP). Where sales accounting is achieved for an SFT under the bank's operative accounting framework, the *JIB* must first reverse all sales-related accounting entries, and then calculate its exposure as if the SFT had been treated as a financing transaction under the accounting framework (i.e. in this last step, the bank must include the sum of exposure amounts here, calculated using the same methodology as that for such a SFT) for the purposes of determining its Exposure Measure.
113	**Netted amounts of cash payables and cash receivables of gross SFT assets.** Report as a negative amount the amount that may be deducted from Item 112 in order that the gross SFTs cash payables and cash receivables with the same counterparty in effect measured on a net basis, where all the following criteria are met: • Transactions have the same explicit final settlement date; • 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

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	course of business and in the event of: (i) default; (ii) insolvency; and (iii) bankruptcy; and • 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.

114	**SFT counterparty exposure.** 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, 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 (Σ(E)) less the total fair value of cash and securities received from the counterparty for those transactions (Σ(C)). This is illustrated in the following formula:
	  • E* = max {0, [Σ(E) – Σ(C)]}

115	**Agent transaction exposures.** Report exposures arising where a JIB 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 114.
116	**Total securities financing transaction exposures.** Computed as the sum of: • Item 112: Gross SFT assets (with no recognition of accounting netting), after adjusting for sale accounting transactions • Item 113: Netted amounts of cash payables and cash receivables of gross SFT assets • Item 114: SFT counterparty exposure • Item 115: Agent transaction exposures
117	**Off-balance sheet exposure at gross notional amount.** Report total off-balance sheet exposure on a gross notional basis, before any adjustment for credit conversation factors.
118	**Adjustments for conversion to credit equivalent amount.** Report a negative amount representing the reduction in gross amount of '2.4 Off Balance Sheet' exposures due to the application of credit conversion factors. The credit conversion factors are those that apply under the Standardised Approach to Credit Risk, except that they are subject to a floor of 10%.

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119	**Other off-balance sheet exposures.** Computed as the sum of: • Item 117: Off-balance sheet exposure at gross notional amount • Item 118: Adjustments for conversion to credit equivalent amount
120	**Tier 1 capital.** Computed, equal to Item 45: Tier 1 Capital on the sheet '6.1 Capital Adequacy', calculated as per **Section 3**.
121	**Total Exposures.** Computed as the sum of: • Item 103: Total on-balance sheet exposures • Item 111: Total derivative exposures • Item 116: Total securities financing transaction exposures • Item 119: Other off-balance sheet exposures
122	**Basel III leverage ratio.** Computed as: • Item 120: Tier 1 capital divided by • Item 121: Total Exposures

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Glossary

Additional Tier 1 capital	Items eligible for inclusion within *Tier 1 capital*, other than *CET1 capital*
AGross	The gross add-on for a set of netted transactions
Anet	The net add-on for a set of netted transactions
AT1 capital	Additional Tier 1 capital
AT1 instrument	An instrument that meets the criteria for inclusion in *AT1 capital*
Banking Code	Code of Practice for Deposit-taking Business, published by the JFSC and available at: • http://www.jerseyfsc.org/the-commission/general-information/codes-of-practice/
Basel II	"*International Convergence of Capital Measurement and Capital Standards, A Revised Framework, Comprehensive Version*", issued by the *Basel Committee* in June 2006 and available at: • https://www.bis.org/publ/bcbs128.pdf
Basel Committee	Basel Committee on Banking Supervision
Capital ratios	The three ratios for which minima are established in Section 5 of the *Banking Code*, being the *CET1 capital ratio*, the *Tier 1 capital ratio* and the *total capital ratio*.
CCP	Central Counterparty
CET1 capital	Common Equity Tier 1 capital, as defined in **Section 2** by reference to the aggregation and deduction of various defined components
CET1 capital ratio	The ratio of *CET1 capital* to total *RWA*s
CET1 instrument	An instrument that meets the criteria for inclusion in *CET1 capital*
CM	Clearing Member
DTAs	Deferred tax assets
DTLs	Deferred tax liabilities
DVA	Debit valuation adjustment
IRB approaches	Internal Ratings Based approaches (either the Foundation or Advanced versions may be permitted by the *JFSC*)
Jersey Resolution Authority	As and when appointed under the Bank (Recovery and Resolution) (Jersey) Law 2017

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JFSC	Jersey Financial Services Commission
JIB	A Jersey incorporated company that is registered by the *JFSC* to undertake deposit-taking business
NGR	The ratio of net current *RC* to gross current *RC* for a set of netted transactions
QCCP	Qualifying *CCP*, defined as in Annex 4, Section I, A. General Terms of *Basel II*
RC	Replacement cost
RWAs	Risk Weighted Assets
SFT	Securities Financing Transaction
Tier 1 capital	defined in **Section 3** by reference to the aggregation and deduction of various defined components
Tier 1 capital ratio	The ratio of *Tier 1 capital* to *total RWAs*
Tier 1 instrument	An instrument that is eligible for inclusion in Tier 1 capital
Tier 2 capital	Defined in **Section 4** by reference to the aggregation and deduction of various defined components
Total capital	Defined in **Section 4** as the total of *Tier 1 capital* and *Tier 2 capital*
Total capital ratio	The ratio of *total capital* to *total RWAs*
Total RWAs	Defined in **Section 5** by reference to the aggregation of various defined components

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