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ANNEX

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to the

COMMISSION DELEGATED REGULATION (EU).../...

amending Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation under Article 105(14) of Regulation (EU) No 575/2013

ANNEX

Formulae to be used for the purpose of aggregating AVAs under Article 9(6), Article 10(7) and Article 11(7)

Formula for Method 1

$$\begin{aligned} \text{APVA} &= (\text{FV} - \text{PV}) - \alpha \cdot (\text{FV} - \text{PV}) \\ &= (1 - \alpha) \cdot (\text{FV} - \text{PV}) \end{aligned}$$

$$\text{AVA} = \Sigma \text{APVA}$$

Formula for Method 2

$$\begin{aligned} \text{APVA} &= \max \{0, (\text{FV} - \text{PV}) - \alpha \cdot (\text{EV} - \text{PV})\} \\ &= \max \{0, \text{FV} - \alpha \cdot \text{EV} - (1 - \alpha) \cdot \text{PV}\} \end{aligned}$$

$$\text{AVA} = \Sigma \text{APVA}$$

Where:

FV = The valuation exposure-level fair value after any accounting adjustment applied in the institution's fair value that can be identified as addressing the same source of valuation uncertainty as the relevant AVA,

PV = The valuation exposure-level prudent value determined in accordance with this Regulation,

EV = The expected value at a valuation exposure level taken from a range of possible values,

α = The aggregation factor,

APVA= The valuation exposure-level AVA after adjusting for aggregation,

AVA = The total category-level AVA after adjusting for aggregation.

Institutions shall set the aggregation factor ' α ' at 66% until 31 December 2020, after which they shall set the aggregation factor at 50 %.'