

A

- Accelerated book building, 498
- Accounting *vs.* regulatory consolidation:
 accounting recognition of investments in
 non-structured entities, 275–276
 accounting *vs.* regulatory objectives, 3
 adjustments accommodating both, 311
 Basel III capital recommendations on, 275–311
 capital enhancement initiative treatment in, 504–508,
 510–515
 case studies of, 298–309, 354–369
 consideration transfers in, 277–278, 358, 512
 control in, 275–277, 283–286, 294–295, 307–309,
 364–369, 504–507
 deferred tax assets in, 411–415, 442–448, 454–455
 entities consolidated for regulatory purposes, 309–310
 equity investments in non-financial entities in, 399–405,
 514–515
 equity method consolidation accounting,
 275–276, 295–309, 310, 335–337, 354–364, 377,
 400–402, 512–513
 exemptions to, 311, 335–337
 fair valuation of, 276–281, 284–292, 294–297, 301–303,
 307–309, 336–337, 356–358, 366–367
 financial institution capital instrument investments in,
 335–337, 356–369
 full consolidation accounting, 275, 276–293, 309–310,
 335, 336–337, 364–369, 377
 goodwill and intangible assets in, 76–86,
 278–280, 281, 284–286, 288–289, 296, 297, 298,
 303–304, 308, 358–359, 361, 367–368, 400, 512, 513,
 514
 identifiable assets and liabilities in, 278, 285–286,
 356–357, 511–512
 IFRS *vs.* regulatory consolidation, 309–311
 initial recognition in, 277–280, 284–286, 296,
 359, 510–513
 insurance entity capital instrument investments in, 310,
 336–337, 377–379
 intercompany or intragroup item elimination in, 282–283,
 290–293
 investment carrying in, 304–306, 361–364
 investment elimination in, 281, 286, 288–289
 loss of control in, 294–295
 noncontrolling interests in, 278–280, 281–282, 284–286,
 288–291, 308, 367–368
 public tender offers in, 306–307
 reporting dates for, 281
 for step acquisitions, 280, 364–369
 subsequent recognition in, 280–283, 286–293, 296–297,
 359–360, 513
 uniform accounting policies for, 281, 287–288
 working examples of, 283–293, 294–295, 297–298
- Accumulated other comprehensive income:
 basis spread component reserve as, 69
 case study of, 69–74
 cash flow hedge reserve as, 66, 87, 89, 96–97, 401
 as CET1 capital, 43, 58–74, 87, 89, 96–97,
 114, 117–118
 credit risk reserve as, 69
 deferred tax assets recognised in, 425, 426–427, 440–441
 defined benefit plans gains/losses as, 69, 114, 117–118
 fair value through OCI for profit and loss of, 66–69,
 70–74, 229–230, 247, 276, 296–297, 336–337, 388,
 405, 415–435
 forward instruments reserve forward
 component as, 69
 interim OCI profits and losses as, 69
 options time value hedge reserve as, 69
 profit and loss reclassification of, 59, 89
 revaluations of property, plants, equipment as, 69
 from shareholders' equity, 43
 tax effects of, 69, 74, 97
 translation differences in, 59–65, 327, 366
- Acquisitions. *See* Mergers and acquisitions
- Additional tier 1 (AT1) capital:
 asset protection scheme with, 159–163
 Basel III capital recommendations on, 144–171
 capital enhancement initiatives with, 499
 case study of, 158–171
 CET1 capital deductions of, 142, 154–158
 CoCos qualifying as, 187, 188, 201–226, 346
 criteria governing instruments inclusion in, 144–151
 deductions from, 151–153, 154–158
 direct and indirect holdings of own, 152–153
 distribution and dividend requirements with,
 146, 147
 Enhanced Capital Notes exchange for, 163–171
 financial institutions' holdings impacting, 154–158, 340,
 345–346, 348–349, 352–354
 foreseeable tax charges related to, 153
 grandfathering of noncompliant, 37–38

- holdings of own, 154–158
 - minimum capital requirements for, 11–12, 24, 37–38, 144, 145, 197–200, 202
 - minority interests inclusion in, 312, 316–319, 322–323, 324
 - reciprocal cross holdings of, 154
 - redemption or repurchase of, 150–151
 - requirements of, 145–146
 - risk-weighted assets in relation to, 144, 156–157, 159–161
 - special purposes entities for indirect issuance of, 149–150, 316
 - tier 2 exchange offer for, 158–171
 - write-down or conversion of, 147–149, 193
 - Additional valuation adjustments (AVAs):
 - Basel III capital recommendations on, 228–274
 - case study of, 241–242
 - cash flow hedges and, 246
 - CET1 capital deduction of, 76, 228
 - close-out costs adjustments as, 248, 249, 266–267
 - concentrated positions adjustments as, 249, 269–271
 - confidence level impacting, 244
 - core approach to, 245, 248–274
 - day one profit/loss impacting, 240–241
 - debit (DVA) *vs.* credit valuation adjustments (CVA) as, 102–108, 109, 238–239, 268
 - early termination costs adjustments as, 249, 272
 - expert-based approach to, 262, 266–268
 - fair valuation accounting framework for, 229–241
 - fair value hedges and, 247
 - fair *vs.* prudent value with, 228–229, 243–248, 265
 - fall-back approach to, 246
 - funding valuation adjustments (FVA) as, 102, 238, 269
 - future administrative costs adjustments as, 249, 271–272
 - general credit risk adjustments and, 247–248
 - hierarchy of financial assets impacting, 233–237
 - independent price verification for, 249–250
 - investing and funding costs adjustment as, 249, 269
 - market price uncertainty adjustments as, 248, 249, 250–265
 - mid-to-bid or mid-to-offer adjustments as, 237–238, 266–267
 - model risk adjustments as, 249, 267–268
 - model uncertainty adjustments as, 239–240
 - operational risk adjustments as, 249, 272–274
 - overview of, 228–229
 - positions subject to, 246
 - unearned credit spread adjustments as, 249, 268–269
 - zero AVA positions, 255
 - Amortised costs:
 - CoCos's early amortisation rights, 217–218
 - deferred taxes in relation to, 429, 430, 431
 - fair value *vs.*, 66, 67, 70
 - goodwill as, 84–85, 327
 - intangible assets and, 82–83, 84–85, 327
 - liability as, 99–100
 - tier 2 capital amortisation, 176–177, 184–186
 - Asset protection schemes (APSS):
 - accounting and regulatory treatment of, 473–475, 477–479, 483–486
 - AT1 capital exchange for tier 2 capital with, 159–163
 - bad bank schemes *vs.*, 469, 486–494
 - Basel III capital recommendations on, 469–494
 - benefits and goals of, 475–476, 481, 485, 493
 - capital enhancement initiatives with, 501
 - capital securities issuance in, 470–471, 477–479, 482–483
 - case studies of, 159–163, 469–493
 - dividend ties to, 470, 476, 477–478, 482, 483, 485
 - fair value of, 484, 485
 - fees associated with, 481–482, 483
 - ING's asset back-up facility with Dutch State as, 469–476
 - loss coverage in, 475–476, 479–481, 482, 493
 - NAMA as bad bank scheme *vs.*, 489–493
 - repurchase of capital securities in, 470, 475, 479
 - rights issue in, 474–475, 476
 - risk-weighted assets impacted by, 476, 484, 493
 - Royal Bank of Scotland's, 476–486
 - SAREB as bad bank scheme *vs.*, 486–489
 - termination or exit of, 472, 481–482, 483
 - terms, accounting, and regulatory impacts of, 470–473, 479–483
 - weaknesses of, 485–486, 493
 - Asset sales, as capital enhancement initiatives, 499, 502–516
 - Associates:
 - accounting *vs.* regulatory consolidation for, 275–276, 285–309, 310, 311, 335–337, 377, 400–402
 - goodwill and investments in, 79
 - AT1 capital. *See* Additional tier 1 (AT1) capital
 - Available-for-sale instruments, 142–143, 440–441
- B**
- Bad bank schemes. *See under* Asset protection schemes
 - Bail-in power, 193–195, 215
 - Banco BPI, partial bond disposal by, 69–74
 - Banco de Sabadell, NPL disposal by, 502
 - Banco Popular, Värde Partners and Kennedy Wilson joint venture with, 508–516
 - Banco Santander:
 - dividend policy and CET1 capital impacts of, 54–58
 - DTA conversion into tax credits by, 451
 - sale and leaseback of headquarters by, 463–467
 - Santander Brasil minority interests repurchase by, 326–333
 - Banking business cycle, 496–497
 - Bank Recovery and Resolution Directive 2014/59/EU (BRRD), 190–195, 215
 - Barclays:
 - badwill from Lehman acquisition, 85–87
 - Barclays Non-core disposal of non-strategic assets and businesses, 499–500
 - equity convertible CoCo, 200–209
 - Bargain purchases, badwill from, 85–86
 - Basel Committee on Banking Supervision (BCBS):
 - Application to Own Credit Risk Adjustments to Derivatives by, 102
 - Basel I Accord by, 2

- Basel II: International Convergence of Capital Measurement and Capital Standards by, 2
- Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems by, 1, 2–3, 319, 335 (see also Basel III capital recommendations)
- Global Systemically Important Banks by, 20
- Basel III capital recommendations:
 - accounting *vs.* regulatory consolidation (see Accounting *vs.* regulatory consolidation)
 - additional tier 1 capital (see Additional tier 1 (AT1) capital)
 - additional valuation adjustments (see Additional valuation adjustments)
 - asset protection schemes and bad banks (see Asset protection schemes)
 - capital enhancement initiatives (see Capital enhancement initiatives)
 - common equity tier 1 capital (see Common equity tier 1 (CET1) capital)
 - contingent convertibles (see Contingent convertibles)
 - deferred tax assets (see Deferred tax assets)
 - equity investments in non-financial entities (see Equity investments in non-financial entities)
 - expected and unexpected losses addressed in, 3–4 (see also Losses; Profit or loss)
 - financial institution capital instrument investments (see Financial institution capital instrument investments)
 - history of Basel Accords, 2–3
 - insurance entity capital instrument investments (see Insurance entity capital instrument investments)
 - minimum capital requirements (see Minimum capital requirements)
 - minority interests treatment (see Minority interests)
 - overview of, 1–10
 - risk-weighted assets in (see Risk-weighted assets)
 - three-pillar approach to bank capital in, 4–8, 11–12, 200
 - tier 2 capital (see Tier 2 capital)
- Basis spread component reserve, 69
- BBVA, Garanti acquisition by, 354–360
- BNP Paribas, Fortis Bank acquisition by, 300–501
- Bonds:
 - Banco BPI's partial disposal of, 69–74
 - contingent convertible, 166–167, 169, 170–171, 187–227, 346
 - deferred tax assets conversion into, 450
 - deferred taxes associated with, 428–435
 - fair value through OCI for profit and loss on, 66–69, 70–74
 - liability management exercises with, 518–521
 - liability valuation changes for, 109
 - mandatory convertible bonds, 328–330, 499
 - mandatory exchangeable bonds, 300, 301–303, 309, 395–405
 - tier 2 capital issued as, 174, 183–186
- BRRD (Bank Recovery and Resolution Directive 2014/59/EU), 190–195, 215
- C
- CaixaBank:
 - Barclays Spain disposition to, 500
 - Repsol mandatory exchangeable bond, 395–405
- Call options:
 - AT1 capital eligibility impacted by, 146
 - on bank acquisition, 299, 300–301, 302–303, 305, 308–309, 356, 357–358
 - fair valuation of, 357–358
 - on repurchase of bank's own shares, 126, 134–140
 - tier 2 capital eligibility impacted by, 176
- Capital conservation buffers:
 - CoCo conversion and, 195, 205, 214
 - minimum capital requirements for, 13–14, 38, 195, 205, 214, 314, 317, 319
 - minority interests and, 314, 317, 319
- Capital conservation plan, 199
- Capital enhancement initiatives:
 - accelerated book building or private placement as, 498
 - accounting *vs.* regulatory treatment of, 504–508, 510–515
 - asset protection schemes and synthetic securitisations as, 501
 - asset sales as, 499, 502–515
 - AT1 or tier 2 instrument issuance as, 499
 - banking business cycle affecting, 496–497
 - Basel III capital recommendations on, 495–522
 - business disposals and discontinuances as, 499–500
 - capital raising as, 498–499, 501–502
 - case studies of, 501–522
 - CET1 capital ratio enhancement initiatives as, 497–501
 - deferred tax asset reduction as, 459–468, 501
 - defined benefit pension plan optimisation as, 501
 - equity-linked instrument issuance as, 499
 - intangible asset reduction as, 501
 - joint ventures as, 508–516
 - liability management exercises as, 501, 516–522
 - mergers and acquisitions as, 500–501
 - minority interest capital attribution reduction as, 501
 - misconceptions regarding, 496
 - organic capital generation as, 497–498
 - regulatory capital volatility reduction with, 495
 - rights issue as, 498, 501–502
 - risk-weighted assets impacted by, 495, 499–500, 508
- Capital Requirements Directive 2013/36/EU (CRD IV):
 - accounting *vs.* regulatory consolidation in, 309–310
 - Basel III capital recommendations incorporated in, 1
 - CoCos under, 189, 195–200
 - insurance entity capital instrument investments in, 378
 - minimum capital requirements in, 12, 13, 15, 20, 21, 22–23, 195–200
- Case studies, by name. *See also* Examples
 - artificial creation of minority interests, 325–326
 - Banco BPI's partial bond disposal, 69–74
 - Banco Popular's Värde Partners and Kennedy Wilson joint venture, 508–516
 - Banco Santander's dividend policy, 54–58
 - Banco Santander's minority interests repurchase, 326–333
 - Banco Santander's sale and leaseback of headquarters, 463–467

- Bank ABC's interest rate swaps as cash flow hedges, 89–97
- Barclays's badwill from Lehman acquisition, 85–87
- Barclays's equity convertible CoCo, 200–209
- BBVA's Garanti acquisition, 354–369
- CaixaBank's Repsol mandatory exchangeable bond, 395–405
- Citigroup's Costco credit card loan portfolio purchase and agreement, 467–468
- Co-operative Bank's liability management exercises, 516–522
- Danske Bank's goodwill impairment, 84–85
- Danske Bank's share buyback programme, 124–125
- Deutsche Bank's CoCo write-down, 210–226
- Deutsche Bank's Postbank acquisition, 298–309
- Deutsche Bank's rights issue, 501–502
- Deutsche Bank's tier 2 capital issuance, 183–186
- Deutsche Bank's treasury shares strategy, 125–140
- Goldman Sachs's fair value of ICBC investment, 241–242
- HSBC's DTA reduction through offshore retention of capital, 462–463
- ING's asset back-up facility with Dutch State, 469–476
- ING's double leverage, 371–377
- Lloyds's de-risking of defined benefit pension plans, 119–121
- Lloyds's expected utilisation of DTAs, 452–459
- Lloyds's insurance entity capital initiatives, 379–383
- Lloyds's tier 2 exchange offer for AT1 securities, 158–171
- Mitsubishi UJF Financial Group's corporate stakes, 405–410
- NAMA as bad bank scheme, 489–493
- Royal Bank of Scotland's asset protection scheme, 476–486
- SAREB as bad bank scheme, 486–489
- Spanish banks' DTA conversion into tax credits, 449–452
- UBS's deferred tax assets, 435–442
- UBS's dividend policy, 48–54
- UBS *vs.* JP Morgan G-SIB strategies, 25–36
- Case studies, by topic. *See also* Examples
- of accounting *vs.* regulatory consolidation, 298–309, 354–369
 - of accumulated OCI, 69–74
 - of additional valuation adjustments, 241–242
 - of asset protection schemes and bad banks, 159–163, 469–493
 - of AT1 capital, 158–171
 - of capital enhancement initiatives, 501–522
 - of CET1 capital, 48–58, 69–74, 84–87, 89–97, 119–121, 124–140
 - of contingent convertibles, 200–226
 - of deferred tax assets, 435–442, 449–459, 462–468
 - of defined benefit pension plans, 119–121
 - on dividend policies, 48–58
 - of double leverage, 371–377
 - of equity investments in non-financial entities, 395–410
 - of fair value, 241–242
 - of financial institution capital instrument investments, 354–369
 - on goodwill and intangible assets, 84–87
 - of insurance entity capital instrument investments, 371–377, 379–383
 - of interest rate swaps as cash flow hedges, 89–97
 - of mandatory exchangeable bonds, 395–405
 - of minimum capital requirements, 25–36
 - of minority interests, 325–333
 - of NPL and REO disposal, 502–516
 - of share buyback programme, 124–140
 - of tier 2 capital, 183–186
 - of treasury shares strategy, 125–140
- Cash flow hedges:
- accounting mechanics of, 88–89, 90–91, 93–95, 401
 - additional valuation adjustments from, 246
 - cash flow hedge reserve as accumulated OCI, 66, 87, 89, 96–97, 401
 - cross-currency swaps as, 89
 - deferred taxes related to, 440
 - fair value through profit or loss from, 87–97
 - futures as, 89
 - hedged item and hedging instrument in, 91–92, 93, 246, 401
 - interest rate swaps as, 89–97
- CET1 capital. *See* Common equity tier 1 (CET1) capital
- Citigroup, Costco credit card loan portfolio purchase and agreement by, 467–468
- Close-out costs adjustments, 248, 249, 266–267
- CoCos. *See* Contingent convertibles
- Common equity tier 1 (CET1) capital:
- accounting *vs.* regulatory consolidation on impact to, 304–306
 - accumulated other comprehensive income as, 43, 58–74, 87, 89, 96–97, 114, 117–118
 - additional valuation adjustments for, 76, 228 (*see also* Additional valuation adjustments)
 - AT1 capital deductions relative to, 142, 154–158
 - AT1 capital write-down or conversion to, 147–149
 - available-for-sale instrument treatment with, 142–143
 - Basel III capital recommendations on, 39–143
 - capital enhancement initiatives for, 497–501
 - capital instruments in, 43–45
 - case studies of, 48–58, 69–74, 84–87, 89–97, 119–121, 124–140
 - cash flow hedges and, 66, 87–97, 246
 - CET1 ratio relative to, 39, 50, 56, 73, 97–98, 140–141, 166–169, 181–182, 189, 202–203, 213, 313–315, 402–405, 408–409, 497–501
 - CoCos enhancing, 187
 - criteria governing instruments inclusion in, 40
 - deductions from, generally, 75–76, 140–141, 228
 - deferred tax assets impacts on, 87, 141–142, 411, 449, 455–458
 - defined benefit pension plans impacting, 69, 110–121
 - dividend policy impacts on, 43, 44, 45, 46–58
 - eligibility requirements of CET1 instruments, 39–48, 340–341, 342–344, 447–448
 - employee share plans preserving, 44–45
 - fair value through OCI impacting, 66–69, 70–74
 - fair value through profit or loss impacting, 66, 69, 87–97
 - financial sector entities' holdings as, 140, 141–142, 339–346, 349–350, 352–354, 363–364
 - foreseeable dividends or charges considered in, 46–47, 48
 - foreseeable tax charges related to, 142

- funds for general banking risks as, 75
- goodwill and, 59–60, 62, 63, 65, 76–80, 84–87, 279–280, 327
- holdings of bank's own, 121–140
- IFRS accounting perspective on, 50–51, 66, 69–70, 71, 75, 76, 77–84, 85–86, 87–89, 97–98, 99–102, 107
- index holdings of, 122–124
- indirect holdings of, 121, 122–124, 140
- insurance entity capital instrument investments deduction from, 371, 379–383
- intangible assets deductions from, 76–87, 279–280, 327
- liability valuation changes due to credit standing changes impacting, 99–109
- major components of, 40–41, 42
- maximum distribution amount of, 24, 47, 195–200
- minimum capital requirements for, 11–12, 13–14, 15, 20, 21, 24, 25, 30, 36, 39, 195–200, 202, 213–214
- minority interests as, 75, 312–315, 320–324
- negative amounts from expected loss calculations deductions from, 97–98
- non-cash asset distribution preserving, 50–51
- other reserves as, 74
- profit or loss considered in, 43, 45–47, 48, 59, 66–69, 70–74, 87–109, 113–115, 117–118, 124–140, 142–143, 392–393
- prudential filters for, 75–76
- reciprocal cross holdings of, 140
- repurchase of own, 124–140, 150–151
- retained earnings as, 43, 45, 53–54
- risk-weighted assets in relation to, 39, 73, 97–98, 140–141, 189, 202–203, 314, 402–405, 408–409
- scrip *vs.* cash dividends preserving, 44, 45, 47, 53–58
- securitised asset equity increases excluded from, 98
- shareholders' equity in, 41–69, 98, 124–140
- share premium in, 42, 43–44, 53, 134
- synthetic holdings of, 121, 140
- translation differences in, 59–65
- treasury shares as, 43, 51–52, 125–140
- Concentrated positions adjustments, 249, 269–271
- Contingent convertibles (CoCos):
 - as AT1 capital, 187, 188, 201–226, 346
 - bail-in power relative to, 193–195, 215
 - Basel III capital recommendations on, 187–227
 - BRRD recovery and resolution impacting, 190–195, 215
 - case studies of, 200–226
 - combined buffer requirements for, 195–200, 205, 213–214
 - conversion process, 204, 206
 - derivative status determination for, 218–226
 - early amortisation rights with, 217–218
 - ECN exchange offer for, 166–167, 169, 170–171
 - equity convertible, 187–188, 200–209
 - equity instrument status of, 207–209, 218–222
 - investor benefits and risks with, 226–227
 - maximum distributable amount for, 196–200, 204, 205, 213–214
 - point of non-viability impacting, 192–193
 - principal write-down, 187–188, 210–226
 - ranking of rights with, 216
 - statutory conversion or write-down of, 190–195, 204, 214, 227
 - as tier 2 capital, 187, 188
 - trigger levels for, 189–190, 202–203, 204, 210, 212, 214–215
 - types of, 187–188
 - write-down and write-up mechanisms for, 214–216
- Co-operative Bank, liability management exercises by, 516–522
- Costco, Citigroup credit card loan portfolio purchase and agreement with, 467–468
- Countercyclical buffers:
 - calculating exposures in, 18–19
 - CoCo conversion and, 195
 - credit-to-GDP gap and, 15, 16, 17
 - ECN countercyclical features, 165
 - minimum capital requirements on, 13, 14–19, 195, 314, 317, 319
 - minority interests and, 314, 317, 319
 - reciprocity principle for, 16–19
 - CRD IV. *See* Capital Requirements Directive 2013/36/EU
- Credit risk:
 - asset protection schemes for transfer of, 469, 483–484
 - calculation of, 9, 18–19
 - countercyclical buffer for, 13, 14–19, 165
 - counterparty, 9, 102–107, 109, 122, 153, 268
 - credit risk reserve as accumulated OCI, 69
 - defined benefit pension plans', 120
 - equity investments in non-financial entities in relation to, 384–385, 389–391
 - fair value accounting framework consideration of, 238
 - fair value through OCI impacted by, 73
 - financial institution capital instrument investments and, 340, 342, 344, 354
 - general credit risk adjustments, 247–248
 - intangible assets deducted from calculation of, 76–87
 - liability valuation impacted by bank's own, 99–109
 - in risk-weighted assets, 8, 9
 - Credit-to-GDP gap, 15, 16, 17
 - Credit valuation adjustments (CVAs), 102–108, 109, 238–239, 268
 - Cross-currency swaps, 89
 - CRR. *See* Regulation (EU) No 575/2013
- D**
- Danske Bank:
 - goodwill impairment of, 84–85
 - share buyback programme of, 124–125
- Debit valuation adjustments (DVAs), 102–108, 109, 238–239, 268
- Deferred tax assets (DTAs):
 - accounting perspective on, 411–415, 442, 454–455
 - accumulated OCI recognition of, 425, 426–427, 440–441
 - Basel III capital recommendations on, 411–468
 - case studies of, 435–442, 449–459, 462–468
 - CET1 capital impacts of, 87, 141–142, 411, 449, 455–458
 - conversion into tax credits, 449–452
 - current tax *vs.*, 412–413, 424, 444

- deductible deferred taxes as base for, 413–415, 416–420, 422–423, 431–435, 436–438, 461
 - deferred taxes, defined, 413
 - equity investments in non-financial entities disposal impacting, 408
 - exceptions to, 417–418, 432, 449
 - fair valuation of, 415–435
 - financial statements including, 425–427, 436–437
 - future profit availability impacting, 418–423, 432–435, 441–442, 443–452, 455–459
 - goodwill and intangible assets in relation to, 417–418, 442, 443
 - income producing asset purchase impacting, 467–468
 - initiatives to reduce bank capital impacts of, 459–468, 501
 - Lloyds's expected utilisation of, 452–459
 - netting of DTLs and, 443, 455, 459, 461
 - offsetting with DTLs, 419, 424–425, 427, 436, 454
 - offshore retention of capital impacting, 462–463
 - regulatory perspective on, 442–448, 454–455
 - risk-weighting of, 443, 444, 445, 448, 456–457, 458
 - sale and leaseback transactions impacting, 463–467
 - shareholders' equity recognition of, 440–441
 - Spanish banks', 449–452
 - tax base impacting, 414, 416, 419, 429–432
 - tax credit carry forwards underlying, 413, 414–415, 445, 460
 - tax loss carry forwards underlying, 413, 414, 420, 438–440, 445, 455, 456, 457–459, 460, 462–463
 - tax planning with, 419, 420, 422–423, 433, 434, 459–460, 467–468
 - tax rate impacting, 414, 419, 423–424, 435, 441, 462
 - temporary differences underlying, 413, 414, 415–435, 438, 443–448, 455–459, 461
 - valuation allowances as unrecognized, 436–437, 450–439, 453, 458
 - worked examples of, 428–435
 - Deferred tax liabilities (DTLs):
 - accounting perspective on, 411–415, 417, 454–455
 - acquisition, bad will and, 86, 87
 - case studies of, 435–442, 452–459
 - for CET1 items, 142
 - defined benefit pension plans and, 116
 - goodwill and, 86, 87, 417–418
 - Lloyds's expected utilisation of, 452–459
 - netting of DTAs and, 443, 455, 459, 461
 - offsetting with DTAs, 419, 424–425, 427, 436, 454
 - regulatory perspective on, 442–448, 454–455
 - taxable deferred taxes as base for, 413, 416–418, 422–423, 431–434, 436–438
 - temporary differences underlying, 413, 414, 415–435, 438, 443–448, 455–459, 461
 - Defined benefit pension plans:
 - accounting treatment of, 110–115
 - actuarial gains/losses on, 69, 114, 115, 117–118
 - assets of, 110–112, 113–117
 - case study of, 119–121
 - CET1 capital impacted by, 69, 110–121
 - changes (profits or losses) in, 69, 113–115, 117–118
 - deferred taxes related to, 116, 441, 442, 443
 - defined contribution pension plans *vs.*, 110
 - de-risking of, 119–121
 - fair value of, 111, 112
 - going concern *vs.* gone concern capital of, 118
 - initiatives to enhance CET1 impact of, 116–118
 - net defined benefit liability or assets for, 110–111, 114, 115–117, 121
 - obligations of, 110, 111, 112–117
 - optimisation of, as capital enhancement initiative, 501
 - regulatory treatment of, 115–116
 - Defined contribution pension plans, 110
 - Deutsche Bank:
 - Postbank acquisition by, 298–309
 - principal write-down CoCo, 210–226
 - rights issue by, 306, 501–502
 - sale and leaseback of headquarters by, 463
 - tier 2 capital issuance, 183–186
 - treasury shares strategy of, 125–140
 - Dividends:
 - asset protection schemes tied to, 470, 476, 477–478, 482, 483, 485
 - AT1 capital eligibility in relation to, 146, 147
 - case studies on dividend policy, 48–58
 - dividend access shares, 483
 - dividend pass-through mechanism, 399
 - dividend policy impacts on CET1 capital, 43, 44, 45, 46–58
 - dividend pusher/stopper clauses on, 147
 - ECB's recommendation on, 48
 - equity investments in non-financial entities disposal impacting, 410
 - exceptional, 47
 - foreseeable, 46–47, 48
 - formally approved or proposed payout ratio for, 46–47
 - goodwill impairment impacting, 85
 - insurance entity capital instrument investments impacted by, 373, 375, 377, 380–381, 382, 383
 - non-cash asset distribution *vs.*, 50–51
 - scrip *vs.* cash, 44, 45, 47, 53–58
 - from shareholders' equity, 43
 - translation differences for, 63
 - treasury shares as, 51–52
 - Domestically important institutions (D-SII), systemic risk buffers for, 19, 21
- ## E
- Early termination costs adjustments, 249, 272
 - Employee share plans, 44–45, 151
 - Enhanced Capital Notes (ECNs), 163–171
 - Equity investments in non-financial entities:
 - accounting *vs.* regulatory impacts of, 399–405, 514–515
 - banking book treatment of, 384–393
 - Basel III capital recommendations on, 384–410
 - case studies of, 395–410
 - disposal impacts of, 407–410
 - expected losses from, 389, 392–393, 404, 408, 515
 - fair value of, 388, 401, 404, 405
 - high-risk items in, 386
 - internal models approach to, 387, 391, 393
 - Internal Ratings-Based approach to, 385, 386–393, 394–395, 407–408, 515

- Japanese banks', 405–410
- mandatory exchangeable bonds as, 395–405
- PD/LGD (probability of default/loss given default)
 - approach to, 387, 388–391, 393, 403–404, 407–408
- qualified holdings threshold for, 393–394, 402–403, 514–515
- simple risk weight approach to, 387–388, 393, 407–408
- standardised approach to, 385–386, 392, 394
- temporary exemption from IRB treatment of, 394–395
- Euro:
 - systemic risk buffer calculations relative to, 27–29, 32–33, 34–35
 - translation differences relative to, 59–65
- European Central Bank, dividend recommendation of, 48
- European Union:
 - asset protection scheme adjustments by, 473–474
 - Bank Recovery and Resolution Directive 2014/59/EU in, 190–195, 215
 - CRD IV in (*see* Capital Requirements Directive 2013/36/EU)
 - CRR in (*see* Regulation (EU) No 575/2013)
 - European System Risk Board (ESRB) in, 20
 - ING agreement with, 373, 374
 - reciprocity principle in, 18
 - supervisory review process in, 7
- Examples. *See also* Case studies, by name; Case studies, by topic
 - of accounting *vs.* regulatory consolidation, 283–293, 294–295, 297–298
 - of deferred tax assets, 428–435
 - of financial institution capital instrument investments, 347–354
 - of minority interests, 319–325
- Exceptional dividends, 47
- F**
- Fair value:
 - accounting *vs.* regulatory consolidation using, 276–281, 284–292, 294–297, 301–303, 307–309, 336–337, 356–358, 366–367
 - additional valuation adjustments to, 228–248, 265
 - case study of, 241–242
 - of CoCos, 224–226
 - of deferred tax assets and liabilities, 415–435
 - of defined benefit pension plans, 111, 112
 - definition of, 230, 231
 - of equity investments in non-financial entities, 388, 401, 404, 405
 - fair valuation accounting framework, 229–241
 - fair value hedges, 247
 - fair value option, 100–101
 - fair value through other comprehensive income (FVTOCI), 66–69, 70–74, 229–230, 247, 276, 296–297, 336–337, 388, 405, 415–435
 - fair value through profit or loss (FVTPL), 66, 69, 87–97, 99–109, 229–230, 276, 336–337, 388, 415–427, 484, 485
 - hierarchy of financial assets in, 233–237
 - prudent value *vs.*, 228–229, 243–248, 265
- Financial institution capital instrument investments:
 - accounting *vs.* regulatory treatment of, 335–337, 356–369
 - AT1 capital impacted by holdings of, 154–158, 340, 345–346, 348–349, 352–354
 - Basel III capital recommendations on, 334–369
 - call options as, 356, 357–358
 - case study of, 354–369
 - CET1 capital impacted by holdings of, 140, 141–142, 339–346, 349–350, 352–354, 363–364
 - deferred tax assets as, 456
 - index securities as, 338
 - indirect holdings of, 140, 338
 - insurance entity capital instrument investments and, 336–337, 346–347, 370, 378, 380–383
 - non-significant investments, 334, 336, 337, 338–342, 351–354
 - overview of, 334
 - reciprocal cross holdings of, 140, 154, 179, 180, 335
 - risk-weighting of, 334, 335, 340, 342, 344, 349, 353–354, 368–369
 - significant investments, 334, 336, 337–338, 342–346, 347–350, 362–364, 380–381
 - synthetic holdings of, 140, 338
 - tier 2 capital impacted by holdings of, 179–183, 340, 345, 348–349, 352–354
 - worked examples of, 347–354
- Financial Stability Board (FSB), 20, 25, 30
- Foreseeable dividends or charges, 46–47, 48
- Foreseeable tax charges, 142, 153
- Fortis Bank, BNP Paribas acquisition of, 500–501
- Forwards:
 - forward instruments reserve forward component, 69
 - on repurchase of bank's own shares, 126–129
- Funding valuation adjustments (FVAs), 102, 238, 269
- Future administrative costs adjustments, 249, 271–272
- Futures, as cash flow hedges, 89
- G**
- Garanti, BBVA acquisition of, 354–369
- General credit risk adjustments, 247–248
- Global systemically important institutions (G-SII):
 - absolute exposures of, 34–35
 - complexity of, 26, 27, 28, 29, 33, 36
 - cross-jurisdictional activity of, 26, 27, 28, 29, 33, 36
 - interconnectedness of, 25, 26, 28, 29, 33, 36
 - market effects on, 35
 - short-term wholesale funding of, 31–32, 33, 36
 - size of, 25, 26, 28, 29, 33, 36
 - substitutability/financial institution infrastructure of, 26, 27, 28, 29–30
 - systemic risk buffers (G-SIB) for, 19, 20–23, 25–36, 38, 205, 214, 314, 317, 319
 - time effects on, 35
 - UBS *vs.* JP Morgan case study of, 25–36
- Going concern *vs.* gone concern capital:
 - business as usual *vs.* recovery *vs.* resolution stages of, 191–192
 - CoCos as going concern capital, 187

- defined benefit pension plans', 118
- maximum distribution amount in, 24
- minimum capital requirements on, 11, 23–25, 144, 172
- point of non-viability in, 24, 191, 192–193
- tier 2 as gone concern capital, 172, 175
- Goldman Sachs, ICBC investment by, 241–242
- Goodwill:
 - accounting *vs.* regulatory consolidation calculation of, 76, 77–80, 85–86, 278–280, 281, 284–286, 288–289, 296, 297, 298, 303–304, 308, 358–359, 361, 367–368, 400, 512, 513, 514
 - amortisation of, 84–85, 327
 - badwill or negative goodwill *vs.*, 85–87, 296, 442
 - case studies on, 84–87
 - CET1 capital deduction of, 76–80, 84–87, 279–280, 327
 - deferred tax assets and liabilities in relation to, 86, 87, 417–418, 442
 - full *vs.* partial goodwill methods, 79–80, 278, 279–280, 284–286, 308, 367
 - IFRS accounting perspective on, 76, 77–80, 85–86, 327
 - impairment testing for, 80, 84–85, 280, 281, 297, 304, 327, 359, 361, 400
 - initial recognition of, 77–78
 - joint venture and associates investment and, 79
 - minority interests and, 327
 - noncontrolling interests and, 78, 79, 80, 278–280, 284–286, 288–289, 308, 367–368
 - subsidiary acquisition and, 77–78
 - translation differences for, 59–60, 62, 63, 65, 327
- H**
- Handbook of Corporate Equity Derivatives and Equity Capital Markets* (Ramirez), 498
- HBOS, Lloyds's takeover of, 158–159, 453
- HSBC:
 - amortised intangible assets of, 83
 - CET1 capital of, 41, 42
 - DTA reduction through offshore re-creation of capital, 462–463
 - sale and leaseback of headquarters by, 463
- I**
- IFRS. *See* International Financial Reporting Standards
- Impairment charges:
 - equity method consolidation testing for, 297, 303, 304, 359, 361
 - fair value through OCI for, 66–67
 - goodwill and intangible asset valuations testing for, 80, 83–85, 280, 281, 297, 304, 327, 359, 361, 400
- Index holdings or securities, 122–124, 178, 338
- Industrial and Commercial Bank of China, Goldman Sachs investment in, 241–242
- Inflation rate risk, 119
- ING Group:
 - asset back-up facility with Dutch State by, 469–476
 - double leverage by, 371–377
- Insurance entity capital instrument investments:
 - accounting *vs.* regulatory consolidation of, 310, 336–337, 377–379
 - bancassurance model of, 372–373, 379
 - banking-insurance separation of, 373–377
 - Basel III capital recommendations on, 370–383
 - case studies of, 371–377, 379–383
 - CET1 capital deduction of, 371, 379–383
 - dividends impacting, 373, 375, 377, 380–381, 382, 383
 - double leverage concept with, 370–377
 - Financial Conglomerates Directive approach to, 378–379
 - financial institution capital instrument investments and, 336–337, 346–347, 370, 378, 380–383
 - risk-weighting of, 346, 347
 - temporary exemption from deduction of, 346–347
- Intangible assets:
 - acquired in business combination, 81
 - amortisation of, 82–83, 84–85, 327
 - case studies on, 84–87
 - CET1 capital deduction of, 76–87, 279–280, 327
 - cost *vs.* revaluation model for valuation of, 82
 - deferred tax assets and liabilities in relation to, 86, 87, 417–418, 442, 443
 - defined, 81
 - derecognition of, 84
 - goodwill as, 59–60, 62, 63, 65, 76–80, 84–87, 278–280, 281, 284–286, 288–289, 296, 297, 298, 303–304, 308, 327, 358–359, 361, 367–368, 400, 417–418, 442, 512, 513, 514
 - government grant for, 81
 - IFRS accounting perspective on, 76, 77–84, 85–86, 327
 - impairment testing for, 80, 83–85, 280, 281, 297, 304, 327, 359, 361, 400
 - initial recognition of, 77–78, 81–82
 - internally generated, 82
 - mortgage servicing rights as, 77, 83
 - reduction of, as capital enhancement initiative, 501
 - separately acquired, 81
 - software routines as, 77
 - subsequent expenditures on, 84
- Interest expense:
 - CoCo payment of, 212–213, 227
 - defined benefit pension plans', 114–115
 - effective interest rate (EIR) for, 184–186
 - repurchase of bank's own shares incurring, 127–129, 131–133
 - tier 2 capital issuance and, 184–186
- Interest income:
 - deferred taxes in relation to, 429, 431
 - defined benefit pension plans', 114–115
 - fair value through OCI for, 66–67, 70, 71–72, 73, 429
 - interest rate risk for, 73, 120, 247
 - interest rate swap generating, 96
- Interest rate risk, 73, 120, 247
- Interest rate swaps, 89–97, 103–104, 247, 254–262
- Internal capital adequacy assessment process (ICAAP), 7
- International Accounting Standards Board (IASB):
 - on accounting consolidation, 275
 - on CET1 capital, 50, 59, 63, 69, 70, 71, 81, 82–83, 110–115, 117–118
 - on deferred tax assets and liabilities, 411, 413, 415, 417, 419–421, 424, 428, 432, 441, 442
 - on leases, 466

- International Financial Reporting Standards (IFRS):
 for accounting consolidation, 76–86, 275–283, 296–298, 309–311, 400, 504, 510–512
 for asset protection schemes, 483
 for AT1 capital, 153
 for cash flow hedges, 87–89
 for CET1 capital, 50–51, 66, 69–70, 71, 75, 76, 77–84, 85–86, 87–89, 97–98, 99–102, 107
 for CoCos, 206, 218–219
 for deferred tax assets and liabilities, 411
 for equity investments in non-financial entities, 400, 401
 for fair valuation accounting framework, 229–241
 for fair value hedges, 247
 for goodwill and intangible assets, 76, 77–84, 85–86, 327
 for leases, 466
 for liability valuation changes, 99–102, 107
- Investing and funding cost adjustments, 249, 269
- Irish banks, NAMA as asset relief scheme for, 489–493
- J**
- Japanese banks, equity investments in non-financial entities by, 405–410
- Joint ventures:
 capital enhancement initiatives with, 508–516
 equity consolidation in, 275, 295–309, 310, 335–337, 354–364, 377, 512–513
 goodwill and investments in, 79
- JP Morgan Chase, G-SIB strategies of, 25, 31–36
- K**
- Kennedy Wilson, Banco Popular joint venture with, 508–516
- L**
- Lehman Brothers, Barclays's badwill from acquisition of, 85–87
- Leverage:
 double leverage, 370–377
 leverage ratio, 4–5, 202, 210, 212
- Liabilities:
 accounting consolidation on identifiable, 278, 285–286, 356–357, 511–512
 as amortised costs, 99–100
 categories of, 99–100
 CET1 capital impacted by valuation of, 99–109
 CoCo redemption consideration as, 207
 debit (DVA) *vs.* credit valuation adjustment (CVA) to, 102–108, 109
 deferred tax (*see* Deferred tax liabilities)
 exposure at default profile calculations for, 104–106, 107
 fair value option for, 100–101
 fair value through profit and loss of, 99–109
 funding valuation adjustment (FVA) to, 102
 liability management exercises, 501, 516–522
 market factors affecting, 103–104
 netting set of, 103–104
 partial repurchases of, 100
 probability of default calculations for, 106–107
 time grid for valuation of, 104, 107
 unrealised gains or losses on, 108–109
- Liquidity:
 CoCos not enhancing, 187
 liquidity coverage ratio, 5, 6, 32
 liquidity risk, 73
- Lloyds Banking Group:
 defined benefit pension plan de-risking by, 119–121
 expected utilisation of DTAs by, 452–459
 insurance entity capital initiatives, 379–383
 tier 2 exchange offer for AT1 securities, 158–171
- Losses. *See also* Profit or loss
 asset protection schemes terms for, 475–476, 479–481, 482, 493
 CET1 capital consideration of, 43, 45–47, 48, 59, 66–69, 70–74, 87–109, 392–393
 expected and unexpected, generally, 3–4, 389
 expected losses from equity investments in non-financial entities, 389, 392–393, 404, 408, 515
 going concern *vs.* gone concern absorption of, 11, 23–25
 negative amounts from expected loss calculations, 97–98, 177–178
- M**
- Mandatory convertible bonds, 328–330, 499
- Mandatory exchangeable bonds, 300, 301–303, 309, 395–405
- Market:
 fair valuation accounting framework consideration of, 232
 market discipline, 5, 7–8
 market effects on G-SII, 35
 market factors affecting liabilities, 103–104
 market price uncertainty adjustments, 248, 249, 250–265
 market risk, 8, 9, 238, 340, 354
 principal *vs.* most advantageous, 232
- Market discipline, 5, 7–8
- Market risk, 8, 9, 238, 340, 354
- Maximum distribution amount (MDA):
 available distributable items as, 213
 of CET1 capital, 24, 47, 195–200
 CoCo restrictions including, 196–200, 204, 205, 213–214
 minimum capital requirements and, 24, 196–200, 204, 205, 213–214
- Mergers and acquisitions:
 accounting *vs.* regulatory consolidation for, 280, 364–369
 Barclays's Lehman acquisition, 85–87
 BBVA's Garanti acquisition, 354–369
 BNP Paribas's Fortis Bank acquisition, 500–501
 call and put options on bank acquisition, 299, 300–301, 302–303, 305, 308–309, 356, 357–358
 as capital enhancement initiatives, 500–501
 deferred tax liabilities, bad will and, 86, 87
 Deutsche Bank's Postbank acquisition, 298–309
 goodwill and subsidiary acquisition, 77–78
 right of first refusal in bank acquisition, 299, 300, 301
 step acquisitions as, 280, 364–369
 translation differences on acquisition date, 61
- Mid-to-bid or mid-to-offer adjustments, 237–238, 266–267
- Minimum capital requirements:
 AT1 capital in, 11–12, 24, 37–38, 144, 145, 197–200, 202
 Basel III capital recommendations on, 4–6, 11–38
 capital conservation buffer in, 13–14, 38, 195, 205, 214, 314, 317, 319
 case study of, 25–36

- CET1 capital in, 11–12, 13–14, 15, 20, 21, 24, 25, 30, 36, 39, 195–200, 202, 213–214
 components and, 11–13
 countercyclical buffer in, 13, 14–19, 195, 314, 317, 319
 going concern *vs.* gone concern capital in, 11, 23–25, 144, 172
 grandfathering of noncompliant AT1 and Tier 2 instruments in, 37–38
 leverage ratio in, 4–5
 liquidity coverage ratio in, 5, 6, 32
 maximum distribution amount and, 24, 196–200, 204, 205, 213–214
 minimum capital buffer requirements, 12–13
 minority interests in relation to, 314, 317, 318–319, 320–321, 322–325
 net stable funding ratio in, 5, 6
 phase-in *vs.* fully loaded calculation basis for, 36–38
 risk-weighted assets in, 15, 18, 20, 21, 31–32, 36, 39
 subsidiaries', 22, 314, 317, 318–319
 systemic risk buffer in, 13, 19–23, 25–36, 38, 195, 205, 214, 314, 317, 319
 three-pillar approach to bank capital on, 4–6, 11–12, 200
 tier 2 capital in, 11–12, 24–25, 37–38, 172, 173, 197–200
 transitional provisions in, 36–38
- Minority interests.** *See also* Noncontrolling interests
 artificial creation of, 325–326
 AT1 capital inclusion of, 312, 316–319, 322–323, 324
 Basel III capital recommendations on, 312–333
 capital enhancement initiative reduction of excess capital attributable to, 501
 case studies of, 325–333
 CET1 capital eligibility as, 75, 312–315, 320–324
 combined buffer requirements for, 314, 317, 319, 320, 322
 exceptions to general treatment of, 315
 general treatment of, 313–315
 goodwill and, 327
 illustrative examples of impact of, 319–325
 initial public offering impacting, 327–328
 mandatory convertible bond sale impacting, 328–330
 minimum capital requirements in relation to, 314, 317, 318–319, 320–321, 322–325
 repurchase of, 326–333
 SPE funding of, 313, 316, 325
 surplus Tier 1 capital attributed to, 313–314, 317, 318, 321, 323–325, 331, 501
 tier 2 capital inclusion of, 312, 316–319, 322–323, 324–325
- Mitsubishi UJF Financial Group, corporate stakes of,** 405–410
- Model risk adjustments,** 249, 267–268
- Model uncertainty adjustments,** 239–240
- Mortgage servicing rights (MSRs),** 77, 83, 304, 344, 350, 363, 379
- N**
- NAMA (National Asset Management Agency),**
 bad bank scheme with, 489–493
- Net stable funding ratio, 5, 6
- Non-cash assets, distribution of in lieu of dividends, 50–51
- Noncontrolling interests. *See also* Minority interests
 accounting *vs.* regulatory consolidation calculation of, 278–280, 281–282, 284–286, 288–291, 308, 367–368
 deferred taxes related to, 441
 goodwill valuation including, 78, 79, 80, 278–280, 284–286, 288–289, 308, 367–368
 shareholders' equity and, 43
 translation differences for, 62
- Non-financial entities, investments in. *See* Equity investments in non-financial entities
- NPL (non-performing loan portfolio) disposal, 502–516
- O**
- Operational risk:**
 operational risk adjustments, 249, 272–274
 in risk-weighted assets, 8, 10
- Options:**
 call options (*see* Call options)
 options time value hedge reserve, 69
 put options, 126, 129–134, 299, 300–301, 302–303, 305, 308–309
- Organic capital generation, 497–498
- Other comprehensive income. *See* Accumulated other comprehensive income
- Other systemically important institutions (O-SII), systemic risk: buffers for, 19, 21–23, 314, 317, 319
- P**
- Pension plans. *See* Defined benefit pension plans
- Perpetual instruments, 174, 201, 210, 518–521
- Point of non-viability, 24, 191, 192–193
- Postbank, Deutsche Bank acquisition of, 298–309
- Profit or loss:**
 accounting *vs.* regulatory consolidation on, 276, 277, 278, 279–280, 281–283, 287–293, 295, 296–298, 303, 308, 365, 368, 400, 401, 513, 515
 accumulated OCI reclassification to, 59, 89
 amortised costs associated with, 66, 67–68, 70
 capital enhancement initiatives impacting, 500
 CET1 capital consideration of, 43, 45–47, 48, 59, 66–69, 70–74, 87–109, 113–115, 117–118, 124–140, 142–143, 392–393
 day one profit/loss, fair value of, 240–241
 deferred tax assets recognised in, 425, 426
 defined benefit pension plan changes as, 69, 113–115, 117–118
 equity investments in non-financial entities', 389, 392–393, 400, 401, 404, 405, 408, 515
 fair value through OCI of accumulated OCI profit and loss, 66–69, 70–74, 229–230, 247, 276, 296–297, 336–337, 388, 405, 415–435
 fair value through profit or loss based on, 66, 69, 87–97, 99–109, 229–230, 276, 336–337, 388, 415–427, 484, 485
 future profit availability impacting deferred tax assets, 418–423, 432–435, 441–442, 443–452, 455–459
 interim OCI profits and losses, 69
 liability valuation changes creating, 99–109
 maximum distributable amount as percentage of, 196–197, 199

- repurchase of bank's own CET1 capital generating, 124–140
 - from shareholders' equity, 43
 - unrealised, on available-for-sale instruments, 142–143
 - unrealised, on equity investments in non-financial entities, 405, 408
 - unrealised, on liabilities, 108–109
 - Prudential filters, for CET1 capital, 75–76
 - Put options:
 - on bank acquisition, 299, 300–301, 302–303, 305, 308–309
 - on repurchase of bank's own shares, 126, 129–134
- R**
- Reciprocal cross holdings, 140, 154, 179, 180, 335
 - Reciprocity principle, 16–19
 - Regulation (EU) No 575/2013 (CRR):
 - additional valuation adjustments in, 228, 243–244, 247–248
 - AT1 capital in, 144–158
 - Basel III capital recommendations incorporated in, 1
 - CET1 capital in, 40–41, 43, 45–46, 48, 76, 97, 108–109, 122, 340–341, 342–344
 - CoCo trigger events in, 190
 - deferred tax assets in, 411, 442–443, 444–445, 449, 451
 - equity investments in non-financial entities in, 385–386, 387, 389–390, 391–394
 - financial institution capital instrument investments in, 338, 340–341, 342–344
 - insurance entity capital instrument investments in, 346–347, 378–379
 - minimum capital requirements transitional provisions in, 36
 - minority interests in, 312, 313–319
 - significant subsidiaries disclosure requirements in, 7–8
 - tier 2 capital in, 172–183
 - Regulatory consolidation. *See* Accounting *vs.* regulatory consolidation
 - REO (real estate owned) disposal, 502–516
 - Retained earnings:
 - asset protection schemes impacting, 479
 - as CET1 capital, 43, 45, 53–54
 - minority interests and, 312, 316, 332
 - from shareholders' equity, 43
 - Right of first refusal, in bank acquisition, 299, 300, 301
 - Rights issue, 162–166, 306, 354, 362, 470, 474–475, 476, 498, 501–502
 - Risk-weighted assets (RWAs):
 - asset protection schemes impacting, 476, 484, 493
 - AT1 capital ratio in relation to, 144, 156–157, 159–161
 - bad bank schemes impacting, 494
 - Basel III capital recommendations on, 8–10
 - capital charges link to, 10
 - capital enhancement initiatives impacting, 495, 499–500, 508
 - CET1 ratio relative to, 39, 73, 97–98, 140–141, 189, 202–203, 314, 402–405, 408–409
 - countercyclical buffers for, 15, 18
 - credit risk in, 8, 9
 - deferred tax assets in relation to, 443, 444, 445, 448, 456–457, 458
 - equity investments in non-financial entities as, 384–410
 - financial institution capital instrument investments as, 334, 335, 340, 342, 344, 349, 353–354, 368–369
 - insurance entity capital instrument investments as, 346, 347
 - market risk in, 8, 9
 - minimum capital requirements relative to, 15, 18, 20, 21, 31–32, 36, 39
 - operational risk in, 8, 10
 - other risk in, 8
 - securitisation exposures in, 9–10
 - systemic risk buffers for, 20, 21, 31–32
 - tier 2 capital ratio in relation to, 172–174, 177–178, 182
 - Royal Bank of Scotland, asset protection scheme of, 476–486
- S**
- Santander. *See* Banco Santander
 - SAREB (Sociedad de Activos de Reestructuración Bancaria), bad bank scheme with, 486–489
 - Scrip dividends, 44, 45, 47, 53–58
 - Securitised assets, CET1 capital exclusion of equity increases from, 98
 - Shareholders' equity:
 - accounting *vs.* regulatory consolidation on, 281–282, 290, 291, 293, 295, 298, 302, 306–307, 512
 - in AT1 capital, 165
 - in CET1 capital, 41–69, 98, 124–140
 - CoCos as equity instrument impacting, 207–209, 218–222
 - deferred tax assets and liabilities recognised in, 440–441
 - dividends from, 43 (*see also* Dividends)
 - noncontrolling interests in, 43 (*see also* Noncontrolling interests)
 - ordinary shares in, 42
 - other comprehensive income from, 43 (*see also* Accumulated other comprehensive income)
 - other equity instruments in, 43
 - profit or loss from, 43 (*see also* Profit or loss)
 - retained earnings from, 43 (*see also* Retained earnings)
 - securitised assets increasing, 98
 - share buyback programme impacting, 124–140
 - share premium in, 42 (*see also* Share premium)
 - treasury shares in, 43 (*see also* Treasury shares)
 - Share premium:
 - asset protection schemes impacting, 479
 - as CET1 capital, 42, 43–44, 53, 134
 - deferred taxes related to, 441
 - minority interests and, 312, 316
 - Spanish banks. *See also* specific banks
 - DTA conversion into tax credits by, 449–452
 - SAREB for restructuring of, 486–489
 - Special purposes entities/vehicles (SPE/SPVs):
 - accounting *vs.* regulatory consolidation of, 77, 277, 310, 504, 505
 - bad bank structure with, 490
 - for indirect issuance of AT1 capital, 149–150, 316
 - minority interests funding through, 313, 316, 325
 - NPL disposal to, 503–504, 505, 507, 508
 - sales and leaseback transaction involving, 464
 - Subsidiaries:
 - CET1 capital regulatory exclusions for, 77

- deferred tax assets and liabilities of, 462
 - foreign subsidiary net assets, 59–61
 - foreign subsidiary translation differences, 59–65
 - fully consolidated, 275, 276–293, 310, 335, 336–337, 364–369, 377
 - goodwill valuation related to, 77–78
 - insurance entity, 378, 379–383
 - loss of control of, 294–295
 - minimum capital requirements for, 22, 314, 317, 318–319
 - minority interests of, 75, 312–333
 - significant subsidiaries disclosure requirements, 5, 7–8
- Supervisory review and evaluation process, 5, 6–7
- Swaps:
- cross-currency swaps, 89
 - interest rate swaps, 89–97, 103–104, 247, 254–262
 - liability valuation changes for, 103–104, 109
- Systemic risk buffers:
- CoCo conversion and, 195, 205, 214
 - global systemically important institution buffer as, 19, 20–23, 25–36, 38, 205, 214, 314, 317, 319
 - interaction between, 21–23
 - minimum capital requirements on, 13, 19–23, 25–36, 195, 205, 214, 314, 317, 319
 - minority interests and, 314, 317, 319
 - other systemically important institution buffer as, 19, 21–23, 314, 317, 319
 - systemic risk buffer, generally, as, 19–20, 21–23
 - UBS *vs.* JP Morgan case study of, 25–36
- T**
- Tax effects:
- accounting *vs.* regulatory consolidation on, 283, 304, 507
 - of accumulated OCI, 69, 74, 97
 - of amortisation (*see* Amortised costs)
 - on AT1 capital, 151, 153
 - of bad will, 86
 - on CoCo redemption, 217–218, 224
 - of deferred tax assets (*see* Deferred tax assets)
 - of deferred tax liabilities (*see* Deferred tax liabilities)
 - of foreseeable AT1 capital tax charges, 153
 - of foreseeable CET1 items tax charges, 142
 - of goodwill impairment, 84–85, 304, 327
 - of goodwill tax deductibility, 80
 - of income tax, 411–415
 - of NPL disposal, 507
 - prudential filters for, 75–76
 - of tax credit carry forwards, 413, 414–415, 445, 460
 - of tax loss carry forwards, 413, 414, 420, 438–440, 445, 455, 456, 457–459, 460, 462–463
- Three-pillar approach to bank capital:
- market discipline in, 5, 7–8
 - minimum capital requirements in, 4–6, 11–12, 200
 - supervisory review and evaluation process in, 5, 6–7
- Tier 1 capital. *See* Additional tier 1 (AT1) capital; Common equity tier 1 (CET1) capital
 - Tier 2 capital:
 - amortisation of, 176–177, 184–186
 - AT1 capital exchange for, 158–171
 - Basel III capital recommendations on, 172–186
 - calculation of, 172–174
 - capital enhancement initiatives with, 499
 - case study of, 183–186
 - CoCos qualifying as, 187, 188
 - criteria governing instruments inclusion in, 150–151, 174–177
 - deductions from, 153, 178–183
 - direct and indirect holdings of own, 178–179
 - Enhanced Capital Notes as, 163–171
 - expected losses impacting, 97–98, 177–178
 - financial institutions' holdings impacting, 179–183, 340, 345, 348–349, 352–354
 - grandfathering of noncompliant, 37–38
 - minimum capital requirements for, 11–12, 24–25, 37–38, 172, 173, 197–200
 - minority interests inclusion in, 312, 316–319, 322–323, 324–325
 - reciprocal cross holdings of, 179, 180
 - redemption or repurchase of, 150–151, 174, 177, 516–522
 - risk-weighted assets in relation to, 172–174, 177–178, 182
 - “Too big to fail” problem, 19, 21
 - Transitional provisions:
 - for CET1 capital prudential filters, 75
 - for minimum capital requirements, 36–38
 - Translation differences:
 - for accumulated OCI, 59–65, 327, 366
 - on acquisition date, 61
 - deferred taxes related to, 441
 - on first reporting date, 62–65
 - for foreign subsidiary net assets, 59–61
 - for goodwill, 59–60, 62, 63, 65, 327
 - for noncontrolling interests, 62
 - Treasury shares:
 - as CET1 capital, 43, 51–52, 125–140
 - as dividends, 51–52
- U**
- UBS:
- deferred tax assets, 435–442
 - dividend policy and CET1 capital impacts of, 48–54
 - G-SIB strategies of, 25, 27–31
- Unearned credit spread adjustments, 249, 268–269
- V**
- Valuation allowances, 436–437, 438–439, 453, 458
- Värde Partners, Banco Popular joint venture with, 508–516
- W**
- Working examples. *See* Examples