

Bank of England

Prudential Regulation Authority

Inclusion of interim or year-end profits in Common Equity Tier 1 capital

Firms only need to obtain permission from the PRA to include interim or year-end profits in Common Equity Tier 1 capital (CET1) if they have not taken a formal decision confirming the final profit for the year. In respect of interim profits, this will mean that a firm will always need a permission to include those profits in CET1. Firms must obtain this permission through the CRR Permission process by reference to the criteria set out in Article 26(2). If firms have taken a formal decision confirming the final profit for the year, permission from the PRA is not required to include year-end profits in CET1. It should be noted that a permission is not needed for losses, whether interim or final. Losses must be deducted in full as soon as they are incurred.

The requirement for a permission in relation to the inclusion of year-end profits in CET1 will depend on the firm's governance process surrounding the confirmation of a formal decision and the timing of the decision/confirmation. For example, the formal decision to approve the interim or year-end profit may be taken or confirmed by the Board or the annual general meeting. Firms will therefore need to determine their own formal decision-making process when considering whether a CRR Permission is required under Article 26(2) in respect of year-end profits.

Firms applying for a permission are required to demonstrate that the following conditions, set out in Article 26(2), are met in relation to the profits sought to be included within the scope of the permission:

- those profits have been verified by persons independent of the firm that are responsible for the auditing of the firm's accounts; and
- that any foreseeable charge or dividend has been deducted from the amount of those profits.

To assist the review of applications, firms are asked to complete and submit the Article 26(2) self-assessment form as supporting documentation in their CRR Permission application.



Inclusion of interim or year-end profits as Common Equity Tier 1 capital

Purpose of this form

This form should be completed by firms applying for permission under CRR Article 26(2) – Inclusion of interim or year-end profits as CET 1 capital. This form does not replace the CRR Permissions application but should be returned alongside the application as supporting documentation.

Filling in the form

- 1 Please:
 - use black ink or type
 - sign the confirmation at the end of the form
- 2 Submit this form alongside your CRR Permissions application.

Firm details

Firm name	
Firm reference number	
Address	

Basis of application:	Individual basis only; Consolidated basis only; or Individual and consolidated bases. <i>(delete as appropriate)</i> <ul style="list-style-type: none">• Please provide separate figures as appropriate• Where applicable, please list the group firms on behalf of which the application is also being made
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Please confirm, with reference to the regulatory technical standard (see 2 below), that:

1.1 The profits have been verified by persons independent of your institution, who are responsible for auditing the accounts of that institution and the application includes a letter from the independent person confirming this.

1.2 Any foreseeable charge or dividend has been deducted from the amount of those profits and the basis of this calculation.

1.3 Profits as verified.

1.4 Foreseeable charges/deductions (e.g. dividends).

1.5 Amount to be included as profit.

1.6 What would your firm's total CET1 be after the inclusion?

1.7 If you have calculated expected dividend pay-out by using a pay-out range instead of a fixed value, please confirm that you have used the upper end of that range.

1.8 Please advise if you wish to seek permission to exclude any exceptional dividends paid during the period covered by the relevant dividend pay-out ratio (if 'yes', please attach further information).

1.9 Please advise the time period covered by the interim or year-end profits. The time period must be on a year to date basis. Therefore if the financial year is from 1 Jan 2023 to 31 Dec 2023, any interim profits must start from 1 Jan 2023.

2 I hereby confirm that, pending the approval of the PRA, the inclusion of these interim or year-end profits complies with:

- Regulation (EU) No 575/2013 (as it forms part of UK law) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms and amending Regulation (EU) No 648/2012 (as it forms part of UK law); and
- The PRA rules on the requirements for reduction of capital instruments: Chapter 4 of the PRA rulebook - Rules Supplementing the CRR with regards to Own Funds Requirements (previously Regulation (EU) NO 241/2014) - Prudential Regulation Authority.

Signature, name, date and IRN:

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