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I. Introduction

Since the eruption of the global financial crisis in 2008 international setting bodies and local regulators around the world have been hard at work designing and implementing new regulatory frameworks to deal with the regulatory deficiencies that were exposed during the crisis. In particular, there is now a consensus that existing regulations in developed countries were not able to contain excessive risk-taking activities by financial institutions in this group of countries during the pre-crisis period.¹

Among these regulations, the newly proposed set of reform measures developed by the Basel Committee on Banking Supervision (BCBS): “Basel III: A global regulatory framework for more resilient banks and banking systems” (2011) is perhaps the one that has attracted most attention worldwide because a central focus of the recommendations lies on important changes in banks’ regulatory capital requirements. Although there is recognition that the proposed reforms will contribute to global financial stability, there is also a heated debate in developed countries between regulators, representative from financial institutions and academicians regarding the macroeconomic impact from complying with Basel III in the proposed time frame advanced by the BCBS.² While some analysts claim that in the transition to Basel III banks may raise significantly their lending rates and reduce their lending activities, others argue that these effects will be of small magnitude.

Where does Latin America stand with respect to capital requirements? Can banks in the region satisfy with ease the new capital requirements of Basel III or will the implementation of this new set of capital recommendations require large efforts from banks in the region? This paper deals with these questions for the case of four Andean countries: Bolivia, Colombia, Ecuador and Peru.³ There are two key reasons for tackling this issue: The first is

¹ See, for example Calomiris and Herring (2011)

² Strong views in this debate can be found in IIF (2010 (a) and 2010 (b), MAG (2010) and Persaud (2011). See also Ghosh et al (2011)

³ Although this paper deals only with capital requirements under Basel III, it is important to indicate that the new regulatory framework covers a number of other areas not included in Basel II. Among those new issues, the inclusion of recommendations for liquidity requirements stands out (See, BCBS, 2010). In addition, a new “leverage ratio” to complement risk-based capital requirements and new recommendations to cover counterparty credit risk are also included. Basel III also modifies proposals for risk management and supervision (Pillar 2) and market discipline (Pillar 3) advanced in Basel II. The analysis of these recommendations for the case of Latin American countries deserves separate studies altogether.

based on a presumption and relates to the strong performance of the region's financial systems as a whole, and the Andean countries in particular, during the global financial crisis. The fact that no major financial disruption took place in the region is an indicator of adequate level of banks' capitalization resulting from earlier (pre-global crisis) financial sector reforms (involving both regulation and supervision). As such, one would expect that banks in the region would not require large efforts to meet the demands from a new regulatory framework aiming at improve banks' capitalization. This presumption, however, needs to be tested against the data.

The second reason, closely related to the first, involves the issues raised in developed countries regarding the effects on banks' lending and banks' lending rates of raising additional capital. If banks in the Andean countries need to significantly raise more capital to satisfy Basel III requirements, there would be a strong basis to request further investigation about the possible impacts of implementing the new Accord in the region.

To deal with the questions posed above, the rest of this paper is organized as follows: Section II sets up the context of the analysis by relating the most important conceptual changes in capital requirements under Basel III to the new approach to macro prudential regulation. This section also briefly summarizes the definitional and numerical changes in capital requirements under Basel III. Section IV, the core of the paper, compares actual holdings of banks' regulatory capital in the four countries under study with hypothetical calculations of regulatory capital under compliance with Basel III. In doing so, the exercise in this section allows to identify for each country: (a) whether banks would have to raise large amounts of capital to meet Basel III requirements and (b) the sources (if any) of major gaps between actual capital and regulatory capital under Basel III. Finally, Section V concludes the note.

II. New Capital Requirements Under Basel III

As a starting point, it is important to understand the analytical framework that led to changes from Basel II to Basel III. In a nutshell, changes in Basel III were based on the recognition that a *micro prudential approach* to capital requirements needed to be complemented with *macro prudential recommendations*. This section relates changes in capital requirements under Basel III with the new approach to macro prudential regulation. The section also summarizes Basel III's most important definitions of capital and its numerical requirements.

A. Basel III and the New Approach to Macro Prudential Regulation

As explained in Galindo and Rojas-Suarez (2010) micro prudential regulation is based on the view that banks need to correctly assess the risks that they are taking on their individual balance sheets. Under this view, the regulatory framework is based on indicators that reflect the financial soundness of the *individual* financial institutions and requires banks to build buffers against expected and unexpected shocks. A key buffer is the degree of bank capitalization, measured over the last decade as the risk-weighted capital asset *ratio* as defined in Basel II.

In contrast, the macro prudential approach focuses on minimizing the macroeconomic costs of financial disruptions. In particular it aims to limit the eruption of credit crunches derived from a systemic banking crisis, which in turn leads to contractions in economic growth. Under this view, aggregate risk depends on the *collective* behavior of financial institutions and not just on the activities of individual firms. As summarized by Borio (2009) the macro prudential approach has two dimensions: (a) a cross-sectional dimension which derives from common exposures across financial institutions (either because they are directly exposed to the same kind of asset classes or because of linkages and interconnections between institutions); and (b) a time dimension which results from the evolution of risk during the economic cycle. That is, in good times perceptions of risk tend to be low which induce excessive increases in banks' risk-taking activities and the formation of unsustainable credit expansions. As the economic cycle peaks and economic activity slows down, the process reverses, leading to financial stresses and the potential severe contraction of bank

credit, which reinforces the economic downturn. This is what is known as the pro-cyclicality of bank credit.

What does the emphasis on a macro prudential approach mean for capital requirements under Basel III? It has two central implications: (a) the quality and not just the quantity of capital matters and (b) capital requirements need to have a time-varying component. We now explain each of these two implications in turn.

(a) The quality (and not just the quantity) of capital matters

Basel III defines the highest “quality capital” as common shares and retained earnings since this is the type of capital that can best absorb losses. As will be shown below, relative to Basel II, Basel III significantly increases requirements of this type of capital.

Based on our discussion above, the emphasis of Basel III on high quality capital is fully consistent with the macro prudential approach. To illustrate this point, consider capital requirements under Basel II. There, the recommendation is for banks to hold a minimum capital to risk-weighted assets ratio of 8 percent at all times. At times of financial stress, when increases in risk lead to deterioration in asset quality and, therefore, a reduction in capital, banks are required to restore their capital ratios. Since the emphasis is on the capital *ratio*, banks have a strong incentive to comply with the regulatory requirements by reducing assets (i.e., reducing credit and/or selling assets) rather than by increasing capital, which is very costly at times of large financial uncertainties (see Hanson et al, 2011). Thus, complying with Basel II requirements might actually reinforce credit crunches in bad times. This directly conflicts with the objectives of macro prudential regulation.

As stated by Hanson et al (2011), banks’ incentives can be modified if the definition of regulatory capital is made very stringent such that stocks senior to common shares are not included (or are drastically limited). The reasoning is that if part of capital is formed by *senior* stocks, such as preferred stocks, it will be very hard for banks to raise common shares at times of stress since investors would perceive that the new equity will be used to bail out the position of the more senior preferred investors.

Thus, by requiring banks to hold most of its capital in the form of common shares and retained earnings, Basel III makes it relative easier for banks to raise common shares capital during “bad times”.

(b) *Capital requirements need to have a time-varying component*

While the improvements in the definition of “what constitutes regulatory capital” certainly reduce the probability of credit crunches, such changes cannot fully prevent the eruption of severe credit contraction and, therefore, cannot be enough to reach the macro prudential goals. This is because in bad times, the increase in overall risk aversion is usually reflected in a significant reduction in the demand for all types of equity.⁴ Thus, credit crunches might not be avoided even if banks hold *high quality capital* in good times. For this reason, the macro prudential approach calls for banks to accumulate *additional capital* in *good times* (above the minimum consistent with the safe and adequate functioning of banks during *normal times*) that can be used as absorbers of losses during bad times.

To deal with this issue Basel III includes a *countercyclical buffer*, formed solely by high quality capital. Banks need to build up this buffer when local authorities deem that credit growth is expanding at a rate leading to an unsustainable increase in systemic risk. Hence, the main objective of the countercyclical buffer is to avoid credit crunches by preventing the formation of credit bubbles.⁵

B. Summary of Capital Requirements Under Basel III

A very clear summary of capital requirements under Basel III is presented in Annex 1 of BCBS (2011). We reproduce that table here.

⁴ As an illustration, in the global financial crisis of 2008, stock markets around the world, including those in Latin America, experienced a sharp contraction.

⁵ Drehmann, Borio and Tsatsaronis (2011) analyze the performance of alternative credit variables that can be used as anchors for setting the level of the countercyclical regulatory capital buffer requirements for banks.

Table 1: Basel III Summary of Capital Requirements

| | Common Equity Tier 1 | Tier 1 Capital | Total Capital |
|----------------------------------|---------------------------------|-----------------------|----------------------|
| Minimum | 4.50 | 6.00 | 8.00 |
| Conservation buffer | 2.50 | | |
| Minimum plus conservation buffer | 7.00 | 8.50 | 10.50 |
| Countercyclical buffer range | 0 - 2.5 | | |

Relative to Basel II, the most important changes in Basel III are as follows:

- While the *minimum* capital to risk-weighted assets ratio has remained at 8 percent, Basel III introduces two new buffers: a conservation buffer and a countercyclical buffer. Capital accumulated under these two new buffers can be drawn down in periods of stress. While there is a well-defined timetable for compliance with the conservation buffer, the build-up of the countercyclical buffer depends on conditions in the credit markets (see discussion above). The conservation buffer has been set at 2.5 percent of RWA (risk-weighted assets) and the countercyclical buffer has been set as a range between 0 and 2.5 percent of RWA.
- Most capital (minimum and buffers) will need to be formed by the highest quality capital (common shares and retained earnings). In particular, out of the 8 percent minimum capital ratio, 4.5 percent will need to be formed by high quality capital. This is in contrast with Basel II where this ratio needs to reach only 2 percent. Only high quality capital qualifies as capital in both the conservation and countercyclical buffers.
- In addition to common shares and retained earnings, Tier 1 capital can include a limited number of other instruments that can absorb losses. This differs from Basel II, where the number of instruments that qualifies as Tier 1 capital is very large. Also, under Basel III, Tier 1 has been raised to 6 percent, from 4 percent under Basel II.
- Tier 2 capital under Basel III can reach only 2 percent of RWA, down from up to 4 percent under Basel II. Most of Tier 2 in Basel III is formed by subordinated debt with some specific requirements. For example, the debt needs to have a minimum maturity of five years and should not carry special guarantees from the issuer.

- Tier 3 capital, which in Basel II was designed to cover market risk, has been eliminated in Basel III.

Altogether, these changes imply that banks need to hold 10.5 percent capital to RWA at all times (up from 8 percent under Basel II). But the most important change is that out of the 10.5 percent ratio, 7 percent has to take the form of common shares plus retained earnings; up from 2 percent under Basel II.

The following section examines whether banks in a selected group of Latin American countries, those belonging to the Andean group meet the capital requirements recommendations under Basel III.

III. Do Banks in Andean Countries Need to Increase Capital to meet Basel III Criteria?

For over a decade now, a number of reforms to the banking regulatory and supervisory frameworks of Bolivia, Colombia, Ecuador and Peru have taken place for the purpose of complying with the recommendations of the Basel Committee; including those established under Basel I and II. In light of the recent recommended changes for estimating capital requirements under Basel III, an important question is whether applying the new recommendations to the calculation of regulatory capital to the banking systems of the four Andean countries would result in banks' under-capitalization and, therefore, in a need for banks to raise significant amounts of capital. This section answers that question by comparing actual holdings of banks' regulatory capital with hypothetical calculations of regulatory capital under compliance with Basel III (from hereon BIII).

The exercise in this section involves a detailed review of the components currently included in the regulatory capital of Andean countries. Thus, we are able to provide estimations on how much the current capital ratios would be reduced if the countries adopt the new definition of capital under BIII. We also estimate how Tier 1 and Tier 2 capital would be affected. In particular, for Andean countries, the main changes come from the classification of donations, adjustments for inflation or any other revaluation of tangible assets, and subordinated claims. Donations, according to the new regulation, can only count

as capital if they are 100 percent available to absorb losses. Inflation adjustments and some subordinated claims are components that should be removed from the regulatory capital.

Table 2 summarizes the results from the exercise. For each country, the table first shows the existing stocks of Tier 1 and Tier 2 capital as currently defined by the countries' regulatory frameworks. Then, the table shows our estimated deductions from current capital in order to comply with BIII. Among deductions, we introduce a line termed "non-identified Basel III regulatory adjustments" in recognition that the aggregation of capital component in every country's current legislation does not permit to fully identify all necessary deductions from actual Tier 1 capital. We simply indicate this identification problem by writing "n.a." (non-available information) in the relevant cells of the table. Finally, the table presents the difference between current regulatory capital (values and ratio) and capital estimated under Basel III. The last line in the table shows the estimated "losses" in banking capital if countries reach the BIII standards.^{6 7}

**Table 2. Adjustments to meet the Basel III Capital Agreement
(Data is for Sept 2011)**

| | Bolivia | | Colombia 3/ | | | | Ecuador 4/ | | | | Perú 5/ | |
|---|--------------|-----------------------|-------------------|-------------------|-------------|-------------|--------------|-------------------|-------------|-------------|---------------|-----------------------|
| | MM. L.C. 1/ | Capital to RWA (%) 2/ | MM. L.C. 1/ | Capital to RWA 2/ | Scenario 1 | Scenario 2 | MM. L.C. 1/ | Capital to RWA 2/ | Scenario 1 | Scenario 2 | MM. L.C. 1/ | Capital to RWA (%) 2/ |
| 1. Tier 1 Capital according to current legislation | 4 755 | 10.1 | 25 642 876 | 25 642 876 | 10.5 | 10.5 | 1 533 | 1 533 | 9.6 | 9.6 | 15 161 | 10.6 |
| - Identified adjustments under Basel III | - 4 | | - 796 470 | -1 158 004 | | | -34 | -34 | | | -1073 | |
| - Non-identified Basel III regulatory adjustments | n.a. | | n.a. | n.a. | | | n.a. | n.a. | | | n.a. | |
| = Tier 1 Capital according to Basel III | 4 751 | 10.1 | 24 846 405 | 24 484 871 | 10.2 | 10.0 | 1 499 | 1 499 | 9.4 | 9.4 | 14 089 | 9.9 |
| 2. Tier 2 Capital according to current legislation | 879 | 1.9 | 8 801 470 | 8 801 470 | 3.6 | 3.6 | 480 | 480 | 3.0 | 3.0 | 4466 | 3.1 |
| - Regulatory adjustments under Basel III | 0 | | -4 349 124 | -4 349 124 | | | -56 | -350 | | | 1006 | |
| = Tier 2 Capital according to Basel III | 879 | 1.9 | 4 452 346 | 4 452 346 | 1.8 | 1.8 | 423 | 130 | 2.7 | 0.8 | 5 472 | 3.8 |
| 3. Solvency Ratio | | | | | | | | | | | | |
| Total Regulatory Capital according to the current legislation | 5 634 | 12.0 | 34 444 346 | 34 444 346 | 14.1 | 14.1 | 2 013 | 2 013 | 12.7 | 12.7 | 19 627 | 13.7 |
| Total Regulatory Capital adjusted according to Basel III | 5 629 | 12.0 | 29 298 752 | 28 937 217 | 12. | 11.9 | 1 922 | 1 629 | 12.1 | 10.2 | 19 561 | 13.7 |
| Total Adjustments in Capital | -4 | 0.0 | -5 145 594 | -5 507 128 | -2.1 | -2.3 | - 90 | - 384 | -0.6 | -2.4 | - 66 | 0.0 |

n.a.: non-available information

1/ MM. L.C. = Millions of local currency.

2/ RWA = Risk-weighted assets.

3/Scenario 1 assumes that donations are permanent and therefore they can be used to meet losses; 100% of the previous years' net profits have a formal agreement for capitalization; and the net profits from current year included in the regulatory capital, according to the current legislation, will be effectively capitalized. Scenario 2 assumes that none of these sources are converted into equity capital.

4/Scenario 1 assumes that 100% of the current year's net profits have an agreement for capitalization while scenario 2 assumes that 100% of net profits can be distributed.

5/Current Peruvian legislation includes a Tier 3 capital, mainly composed by subordinated claims with 2 to 5 years to maturity. For presentation purposes, these claims are included in Tier 2 Capital.

⁶ For Ecuador and Peru, the estimations were made for the private banking sectors, while for Bolivia and Colombia they were made for the whole banking system. The choice of aggregation was based on data availability.

⁷ Country-specific detail on these estimations is shown in Spanish on Appendix 1.

The most important (and impressive) result from the table is that while capital would decline in the Andean countries after adjustments for compliance with BIII (values in all countries and ratios in some), *all countries would still meet BIII requirements*. Specifically, all countries would maintain capital to RWA ratios on or above 10.5 percent, which includes the 2.5 percent conservation buffer (see Table 1).⁸ Even more important, all countries would hold Tier 1 capital to RWA ratios way above the required 8.5 percent under Basel III.

In the cases of Bolivia and Peru, the capital losses implied by compliance with BIII are very small and do not result in changes in the capital ratios. In Peru, adjustments to meet BIII capital requirements mostly result in a re-composition of capital between Tier 1 and Tier 2 levels.

In the cases of Colombia and Ecuador, the information available imposes some constraints to the exercise conducted in this section. Specifically, it is not clear which part of the current and previous years' net income has a capitalization agreement. Therefore, it is not possible to determine what component of these items can be considered as regulatory capital under BIII. To surpass this limitation, we present two scenarios. Scenario 1 assumes that 100% of net profits have agreements for capitalization and could be included in the regulatory capital. In contrast, scenario 2 assumes that 100% of net profits can be distributed and should not be included as part of regulatory capital. This approach makes it possible to identify a range for capital adjustments needed to meet BIII. In Colombia, independently of whether net profits count with capitalization agreements, there would be a reduction in the capital ratio that would, in turn, be the highest among the countries in the sample (between 2.1 and 2.3 percent). In the case of Ecuador, the presence (or lack) of net profits capitalization agreements makes a significant difference in the results. Based on the two alternative scenarios, the resulting reduction in regulatory capital would fluctuate between 0.6 and 2.4 percent of risk-weighted assets.

⁸ There is a very small shortfall (0.3 percent) under one of the scenarios estimated for Colombia. This scenario, however, is extremely restrictive and, therefore, carries a very low probability.

The following discussion and tables present in more detail the deductions to the existing regulatory capital of each country to meet the BIII recommendations⁹.

Bolivia is the only country in the sample where we were not able to fully reconcile capital reported by the national regulatory agency (11.89% of risk-weighted assets) with capital calculated by its components based on available information (11.98% of risk-weighted assets). However, because the difference is very small, it does not affect the conclusions from the analysis.¹⁰

As shown in Table 3, the only adjustment needed in Bolivia relates to the item on donations. The general principles guiding the computation of capital under Basel III imply that donations can be included as part of regulatory capital only if they are fully capitalized. In Bolivia, however, donations registered as regulatory capital are freely distributable and hence should not be included under BIII. Since this component accounts for only 0.01% of the risk-weighted assets, regulatory capital does not change significantly after deducting donations. Nevertheless, a note of caution is that current legislation does not consider most of the deductions that Basel III recommends to apply to Tier 1 capital (goodwill, cash flow hedge reserves, investments in own shares, among others). However, we were not able to deduct these items since there is not available information to quantify them. In other words, there is a risk that we could be underestimating deductions in a significant manner.

⁹ Additional details about the components of current Tier 1 and Tier 2 capital, and the required adjustments to meet BIII criteria, are shown in Appendix 1. However, given the specificities used by each country to define its regulatory capital, tables are presented in Spanish.

¹⁰ The difference is attributed to capital deductions for which no information is available. They include deficits in provisioning requirements, improperly registered income and non-registered expenses.

Table 3. Bolivia - Adjustments to meet the Basel III Capital Agreement

| | Stock Sep 2011 (MM of Bolivianos) | Capital to RWA (%) |
|---|--------------------------------------|-----------------------|
| 1. Tier 1 Capital estimated according to current legislation ^{1/} | 4 755 | 10.11 |
| - Donations not subject to capitalization | -4 | |
| - Other non-identified regulatory adjustments according to Basel III | n.a. ^{2/} | |
| = Tier 1 Capital according to Basel III | 4 751 | 10.10 |
| ----- | | |
| 2. Tier 2 Capital according to current legislation ^{1/} | 879 | 1.87 |
| - Regulatory Adjustments according to Basel III | 0 | |
| = Tier 2 Capital according to Basel III | 879 | 1.87 |
| ----- | | |
| 3. Solvency Ratio | | |
| Total Regulatory Capital estimated according to the current legislation ^{3/} | 5 634 | 11.98 |
| Total Regulatory Capital adjusted according to Basel III | 5 629 | 11.97 |
| Total Adjustment in Capital | - 4 | -0.01 |

n.a. = non-available information

^{1/}The deductions applied to the total regulatory capital according to the current legislation, are distributed proportionally among Tier 1 and Tier 2 capital.

^{2/}Most of the deductions to capital recommended by the Basel III Agreement are not considered by the current legislation. Since no quantifiable information is available, it is not possible to estimate the required adjustment to the current regulatory capital.

^{3/} There is a small difference between regulatory capital as reported by the National Regulatory Agency and our estimations based on current legislation (see main text above).

Among countries in the sample, Colombia is the one most subject to adjustments (Table 4). Currently, deferred tax assets are not deducted from Tier 1 capital. Given their reliance on future profitability, BIII recommends to deduct this item from the computation of Tier 1 capital. However, this component only accounts for 0.33 percent of risk-weighted assets. Since we do not have detailed information on donations and net profits intended to be capitalized, we construct two scenarios, one assuming full capitalization and another assuming no capitalization. In any case, the values of these components are so small that their deduction does not significantly affect core capital. Therefore, in the worst case scenario (no capitalization of donations and net profits) the reduction in the Tier 1 capital that would result from adopting the BIII criteria would be only 0.47 percent of risk-weighted assets.

Most of the required adjustment falls on Tier 2 capital. Particularly, regulations in Colombia allows for the inclusion as banks' capital of: (a) adjustments for assets' inflation, (b) unrealized profits from investment in unrestricted securities, and (c) revaluation of assets like equipment, art and cultural goods. According to BIII, the first of these components should not count as capital, and the other two do not fulfill the requirement of either

continuance or the capacity to absorb losses that regulatory capital must fulfill. Together, these three components currently account for 1.8 percent of risk-weighted asset. As a result, the required adjustment to meet BIII criteria would imply an overall capital ratio reduction which fluctuates between 2.11 percent and 2.26 percent.

Table 4. Colombia - Adjustments to meet the Basel III Capital Agreement

| | Stock Sep 2011 (MM of Pesos) ^{2/} | | Capital to RWA (%) ^{2/} | |
|---|--|-------------------|----------------------------------|--------------|
| | Scenario 1 | Scenario 2 | Scenario 1 | Scenario 2 |
| 1. Tier 1 Capital according to current legislation | 25 642 876 | 25 642 876 | 10.51 | 10.51 |
| - Donations | 0 | - 4 178 | | |
| - Previous years' net profits | 0 | - 66 158 | | |
| - Current year's net profits | 0 | - 291 198 | | |
| - Deferred tax assets | -796 470 | - 796 470 | | |
| - Other non-identified regulatory adjustments according to Basel III | n.a. | n.a. | | |
| = Tier 1 Capital according to Basel III | 24 846 405 | 24 484 871 | 10.19 | 10.04 |
| 2. Tier 2 Capital according to current legislation | 8 801 470 | 8 801 470 | 3.61 | 3.61 |
| - 50% of adjustments for assets' inflation | -212 551 | - 212 551 | | |
| - 50% of unrealized profits from unrestricted securities | -1 389 830 | -1 389 830 | | |
| - 50% of other assets' revaluations ^{1/} | -2 746 743 | -2 746 743 | | |
| = Tier 2 Capital according to Basel III | 4 452 346 | 4 452 346 | 1.83 | 1.83 |
| 3. Solvency Ratio | | | | |
| Total Regulatory Capital estimated according to the current legislation | 34 444 346 | 34 444 346 | 14.12 | 14.12 |
| Total Regulatory Capital adjusted according to Basel III | 29 298 752 | 28 937 217 | 12.01 | 11.86 |
| Total Adjustment in Capital | -5 145 594 | -5 507 128 | -2.11 | -2.26 |

n.a. = non-available information

1/Other assets' revaluations should not be included as regulatory capital according to Basel III because they arise from tangible real estate, equipment, art and cultural goods.

2/Scenario 1 assumes that donations are permanent and therefore they can absorb losses; 100% of the previous years' net profits have a formal agreement for capitalization and net profits from current year included in the regulatory capital according to the current legislation will be effectively capitalized. Scenario 2 assumes that none of these income sources are converted into shares.

In Ecuador, the current legislation allows for the inclusion of reserves for future capitalization in Tier 1 capital, even though there is no agreement to turn them into shares. However, these reserves do not represent an important share of Tier 1 capital, leading to a reduction of only 0.22 percent of capital to risk-weighted assets if these type reserves are deducted to meet the BIII inclusion criteria for Tier 1. In addition to these reserves, there are other components that the present legislation includes in Tier 1 and do not meet BIII's recommendations. However, these components, which are constituted by donations and subordinated debt that do not meet the inclusion criteria, are currently equal to zero and would not imply additional adjustments (Table 5).

As in Colombia, most of the required adjustment would take place in Tier 2 capital. In the existing legislation, this level of regulatory capital can include items without capitalization agreements, such as some reserves, securities with the option but not the requirement to be converted into shares, and previous years' net profits, as well as subordinated debt with less than 5 year to maturity. These components do not meet the BIII inclusion criteria and would lead to a reduction in capital of 0.09% of risk-weighted assets. Most of the adjustment would depend on the portion of the current year's net profits that is committed for conversion into shares; but current legislation does not provide information on that. If there is full capitalization, the total reduction in the capital ratio would be 0.6 percent. If no profits are converted into shares, then the total adjustment in the capital ratio would be of 2.4 percent, higher than in the case of Colombia under the same scenario. As a result, even when it is evident that there are a number of components that would need to be deducted from Tier 2 capital to meet BIII, it is not clear how large some of these components are and therefore what the overall capital adjustment would need to be.

Table 5. Ecuador: Adjustments to meet the Basel III Capital Agreement

| | Stock Sep 2011 (MM Dollars) 4/ | | Capital to RWA (%) 4/ | |
|--|--------------------------------|--------------|-----------------------|--------------|
| | Scenario 1 | Scenario 2 | Scenario 1 | Scenario 2 |
| 1. Tier 1 Capital according to current legislation 1/ | 1 533 | 1 533 | 9.64 | 9.64 |
| - Special reserves for future capitalization | -34 | -34 | | |
| - Subordinated debt | 0 | 0 | | |
| - Other non-identified regulatory adjustments according to Basel III | n.a. | n.a. | | |
| = Tier 1 Capital according to Basel III | 1499 | 1499 | 9.42 | 9.42 |
| 2. Tier 2 Capital according to current legislation 1/ | 480 | 480 | 3.02 | 3.02 |
| - Other special reserves not subject to capitalization | - 1 | - 1 | | |
| - Securities convertible into share without commitment for conversion 2/ | 0 | 0 | | |
| - Subordinated debt with less than 5 years to maturity 3/ | -11 | -11 | | |
| - 45% of reserves for non-operational income | 0 | 0 | | |
| - 45% of assets' revaluation | - 42 | - 42 | | |
| - Cumulative net profits without capitalization agreement | - 3 | - 3 | | |
| - Current year's net profits without capitalization agreements 4/ | 0 | -293 | | |
| = Tier 2 Capital according to Basel III | 423 | 130 | 2.66 | 0.82 |
| 3. Solvency Ratio | | | | |
| Total Regulatory Capital estimated according to the current legislation | 2013 | 2013 | 12.65 | 12.65 |
| Total Regulatory Capital adjusted according to Basel III | 1 922 | 1 629 | 12.08 | 10.24 |
| Total Adjustment in Capital | - 90 | - 384 | -0.6 | -2.4 |

n.a. = non-available information

1/Deductions applied to total regulatory capital according to current legislation are distributed proportionally among Tier 1 and Tier 2.

2/The balance accounts do not give detailed information about the commitment for conversion into shares for convertible securities. The estimations assume that 100% of the stock on the balance is composed of securities convertible into shares with commitment for conversion. Therefore 100% of this stock would be part of Tier 2 capital according to BIII, and should not be deducted.

3/The estimations assume that 50% of the subordinated debt has over 5 year maturity.

4/Scenario 1 assumes that 100% of the current year's net profits have agreements for capitalization. Scenario 2 assumes that 100% of net profits can be distributed.

The banking system legislation of Peru covers most of the BIII recommendations for regulatory capital in terms of the components that Tier 1 and Tier 2, *taken together*, should count as capital. However, subordinated debt or securities issued by other non-consolidated financial firms should be explicitly deducted from Tier 1 capital to meet the BIII criteria. In Peru, this deduction is currently made in Tier 2 capital, and accounts for 0.74% of risk-weighted assets. Meeting BIII recommendations requires excluding this component from Tier 1 capital and including it in Tier 2 capital. An additional necessary adjustment is the deduction of donations from Tier 1 capital (which carries a very small value). Finally, the current legislation includes a Tier 3 capital, mainly composed of subordinated claims with 2 to 5 years to maturity. This component, which accounts for 0.03% of risk-weighted assets does not meet BIII inclusion criteria and consequently needs to be deducted. The overall result from these adjustments is a small reduction in total capital of only 0.05% of risk-weighted assets.

Table 6. Peru - Adjustments to meet the Basel III Capital Agreement

| | Stock Sep 2011 (MM. Soles) | Capital to RWA (%) |
|---|-------------------------------|-----------------------|
| 1. Tier 1 Capital according to current legislation | 15 161 | 10.60 |
| - Donations not subject to capitalization | -17 | |
| - Subordinated debt or securities issued by non-financial firms currently deducted from Tier 2 Capital | -1,056 | |
| - Other non-identified regulatory adjustments according to Basel III | n.a. | |
| = Tier 1 Capital according to Basel III | 14 089 | 9.85 |
| ----- | | |
| 2. Tier 2 Capital according to current legislation | 4 419 | 3.09 |
| - Reserves than can be drawn from without regulatory agency's authorization | - 3 | |
| + Subordinated debt or securities issued by non-financial firms currently deducted from Tier 2 Capital | 1 056 | |
| = Tier 2 Capital according to Basel III | 5 472 | 3.83 |
| ----- | | |
| 3. Tier 3 Capital according to current legislation | 47 | 0.03 |
| - Subordinated instruments that fulfill conditions for Tier 3 Capital (2 to 5 year term) | - 47 | |
| = Tier 3 Capital according to Basel III | 0 | 0.00 |
| ----- | | |
| 4. Solvency Ratio | | |
| Total Regulatory Capital estimated according to the current legislation | 19 627 | 13.73 |
| Total Regulatory Capital adjusted according to Basel III | 19 561 | 13.68 |
| Total Adjustment in Capital | - 66 | -0.05 |

n.a. = non-available information

IV. Concluding Remarks

The analysis on capital held by banks in Bolivia, Colombia, Ecuador and Peru brings good news: While capital would decline somewhat in these Andean countries (values in all countries and ratios in some) after adjustments for compliance with the definition of capital under Basel III, all countries would still meet Basel III recommendations on banks' capital. Specifically, all countries would maintain capital to risk-weighted-assets ratios on or above 10.5 percent, which includes the 2.5 percent conservation buffer. Even more important, all countries would hold Tier 1 capital to risk-weighted-asset ratios way above the required 8.5 percent under Basel III. In a nutshell, not only the quantity, but also the *quality* of capital is adequate in the countries included in this study and this is consistent with the macro-prudential approach to financial regulation.

Some Andean countries are also moving forward regarding the implementation of the countercyclical capital buffer recommended by Basel III. In particular, in July 2011 Peru introduced legislation on this issue. In the new legislation, the rules to activate and deactivate countercyclical capital requirements are directly connected to the behavior of real GDP growth, and are similar to those for countercyclical provisioning.¹¹

These results, while encouraging, should not be taken as a panacea. Two notes of caution are in order. First, as indicated in the paper, there is the possibility that we might have underestimated somehow the amount of capital reduction that would be needed to comply with the new definitions of Tier 1 and Tier 2 capital in Basel III. This is because we faced some information gaps in the identification of certain capital items.

Second, This paper has focused on only one component of the recommendations of Basel III and, therefore, has not identified potential problems in other areas such as those related to risk management and supervision as well as the functioning of market discipline as a mechanism to control the build-up of excessive risk taking by banks. Moreover, issues related to adequate liquidity and risk coverage procedures have not been dealt with in this paper. Further research is, therefore, needed for a full assessment of the degree of compliance of Andean countries with Basel III recommendations.

¹¹ See, Supervisión d Banca y Seguros (2011)

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Appendix 1

BOLIVIA

I. Cuentas incluidas en el capital regulador según legislación vigente

| Patrimonio Primario | | | | | |
|-----------------------|---|--|--------------------------------------|---|---|
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Bolivianos) | Clasificación según recomendaciones Basilea III | |
| + | 311.00 | Capital pagado | Sí | 3858 | Capital Ordinario de Nivel 1 |
| + | 341.00 | Reservas legales | Sí | 606 | Capital Ordinario de Nivel 1 |
| + | 322.01 | Aportes irrevocables pendientes de capitalización | Sí | 330 | Capital Ordinario de Nivel 1 |
| + | | Otras reservas no distribuibles | | 416 | Capital Ordinario de Nivel 1 |
| | 342.01 | Estatutarias no distribuibles | Sí | 1 | |
| | 342.02 | Por otras disposiciones no distribuibles | Sí | 0 | |
| | 342.03 | Por ajuste inflación del patrimonio no distribuibles | Sí | 70 | |
| | 342.05 | Otras reservas no distribuibles | Sí | 134 | |
| | 343.01 | Voluntarias no distribuibles | Sí | 210 | |
| + | | Donaciones recibidas de libre disposición | | 4 | |
| | 322.02 | Pendientes de capitalización | Sí | 0 | No incluido |
| | 323.01 | No capitalizables | Sí | 4 | No incluido |
| = | Capital Primario Inicial | | | 5214 | |
| - | | Déficit de provisiones de activos no sujetas a cronograma | Sí | 0 | Deducidas del Capital Ordinario de Nivel 1 |
| - | | Déficit de provisiones de pasivos | No | 0 | Deducidas del Capital Ordinario de Nivel 1 |
| - | | Gastos no registrados como tales | No | n.d. | No se deduce |
| - | | Productos financieros devengados por cobrar no castigados correspondientes a créditos con incumplimiento por más de 90 días y calificados en las categorías D, E, F, G y H | No | n.d. | No se deduce |
| - | | Ingresos indebidamente registrados como tales | No | n.d. | No se deduce |
| - | 353.00 | Pérdidas acumuladas | Sí | -16 | Deducidas del Capital Ordinario de Nivel 1 |
| - | 354.00 | Pérdidas de la gestión | Sí | 0 | Deducidas del Capital Ordinario de Nivel 1 |
| = | Capital Primario Después de Ajustes | | | 5197 | |
| Patrimonio Secundario | | | | | |
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 1/ (Mill. Bolivianos) | Clasificación según recomendaciones Basilea III | |
| + | 270.00 | Obligaciones subordinadas, hasta el 50% del capital primario y que cumplan con el Reglamento de Obligaciones Subordinadas Computables como parte del Patrimonio Neto (plazo superior a 5 años, entre otros), y obligaciones subordinadas con el FONDESIF y bajo el PROFOP. | No | 454 | Capital de Nivel 2 |
| + | 253.00 | Provisiones genéricas voluntarias para pérdidas futuras aun no identificadas, hasta el 2% de los activos. | Sí | 506 | Capital de Nivel 2 |
| = | Capital Secundario | | | 960 | |
| + | 333.00 | Ajuste por participación en entidades financieras y afines | Sí | 0 | No incluido |
| = | Capital Secundario Después de Ajustes | | | 960 | |
| Patrimonio Neto | | | | | |
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Bolivianos) | | |
| + | Capital Primario Después de Ajustes | | | 5 197 | |
| + | Capital Secundario Después de Ajustes | | | 960 | |
| - | Inversiones en sociedades anónimas de seguros | | Sí | -398 | Se deduce |
| - | Inversiones en empresas de servicios financieros, burós de información crediticia, cámaras de compensación, sociedades de titularización, administradoras de fondos de pensiones, bancos de segundo piso o sociedades de propiedad mayoritaria que no sean consolidadas | | Sí | -126 | Se deduce del capital correspondiente, usando métodos diferenciados según si las inversiones son significativas (más del 10% del capital ordinario) o no. |
| = | Patrimonio Neto Total | | | 5 634 | |

1/ No se cuenta con información de obligaciones subordinadas según plazo. Se asume que todo el stock tiene plazo mayor a 5 años y por tanto se contabilizaría como parte del capital secundario.

II. Descuentos recomendados por los acuerdos de Basilea no considerados en la legislación vigente

Basilea II

- Derecho de llave o goodwill (Nivel 1)
- Aumentos de capital por operaciones de titulización (Nivel 1)

Basilea III

- Derecho de llave o goodwill (Ordinario)
 - Aumentos de capital por operaciones de titulización (Ordinario)
 - Participaciones cruzadas recíprocas en entidades financieras
 - Reservas de cobertura de flujos de efectivo (Ordinario)
 - Inversiones en acciones propias (autocartera)
 - Activos de fondos de pensiones de prestación definida (Ordinario)
 - Ganancias y pérdidas latentes por variaciones en el valor de pasivos a raíz de variaciones acumuladas en el riesgo de crédito del propio banco (Ordinario)
 - Activos por impuestos diferidos cuya materialización dependa de la rentabilidad futura del banco (Ordinario)
-

COLOMBIA

I. Cuentas incluidas en el capital regulador según legislación vigente

| Patrimonio Primario | | | | | |
|--|---------------|--|-------------------------------------|--|---|
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Pesos) | Clasificación según recomendaciones Basilea III | |
| + | 3105 | Capital suscrito y pagado | Sí | 2 768 822 | Capital Ordinario de Nivel 1 |
| + | 32 | Reserva legal, estatutarias y ocasionales | | 22 530 240 | Capital Ordinario de Nivel 1, siempre que no puedan ser distribuidas |
| + | 3410 | Donaciones, si son de carácter permanente y disponible para atender actividades comerciales y pérdidas 1/ | No | 4 178 | Capital Ordinario de Nivel 1 |
| + | 3420 | Ajuste de cambios | Sí | 0 | No incluido |
| + | 3417 | Revalorización del patrimonio si 3417>0 | Sí | 407 382 | Capital Ordinario de Nivel 1, si corresponde a acciones |
| + | 35 | Resultados de ejercicios anteriores 2/ | Sí | 66 158 | No incluido |
| + | 36 | Resultado del ejercicio en curso en proporción equivalente a las utilidades que el periodo anterior hayan sido capitalizadas o destinadas a incrementar la reserva legal 2/ | Sí | 291 198 | Se suman las ganancias y deducen las pérdidas del Capital Ordinario de Nivel 1 |
| + | 37 | Dividendos decretados en acciones | Sí | 0 | Capital Ordinario de Nivel 1 |
| + | 8101 | Capital garantía, mientras se cumpla con el programa de recuperación convenido con FOGAFIN 3/ | Sí | 0 | Específico al país, no se incluye |
| + | | Bonos subordinados efectivamente suscritos por FOGAFIN con plazos de al menos a 5 años y suscritos hasta el 2002 para fortalecer las entidades financieras emisores de dichos instrumentos | No | n.d. | Específico al país, no se incluye, y de hacerlo deberían ser de carácter permanente |
| + | 2898 | Interés minoritario | Sí | 0 | No incluido |
| - | 35 | Resultados de ejercicios anteriores (si 35<0) | Sí | 0 | Se deduce del Capital |
| - | 36 | Resultados del ejercicio (si 36<0) | Sí | 0 | se deduce del Capital |
| - | 3417 | Revalorización del patrimonio si 3417<0 | | 0 | Se deduce del nivel de capital que |
| - | 8146 | Ajuste por inflación de activos, si este es menor al saldo en la cuenta ajuste por inflación del patrimonio (8246). En caso contrario, 8246. | Sí | - 425 102 | No incluido |
| - | | Inversiones de capital, en bonos obligatoriamente convertibles en acciones, bonos subordinados e instrumentos de deuda subordinada en entidades no consolidadas | No | n.d. | Se deduce del Capital Ordinario de Nivel 1 |
| = Capital Primario Después de Ajustes | | | | 25 642 876 | |

| Patrimonio Secundario | | | | | |
|--|---------------|---|-------------------------------------|--|--|
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Pesos) | Clasificación según recomendaciones Basilea III | |
| + | 8146 | 50% del ajuste por inflación de activos, siempre que dichos activos no se hayan enajenado 4/ | No en detalle | 212 551 | No incluido |
| + | 3413 | 50% de las ganancias o pérdidas acumuladas no realizadas en inversiones disponibles para la venta | Sí | 1 389 830 | No incluido |
| + | 3415 | 50% de la valorización de activos, descontando bienes recibidos en pago (341515) o adquiridos en remate judicial, patrimonio autónomo-saneamiento FOGAFIN (341530) y voluntario | Sí | 2 746 743 | No incluido |
| - | 3416 | 100% de las desvalorizaciones 5/ | Sí | - 25 094 | Si corresponden a cuentas incluidas en |
| + | 29 | Bonos obligatoriamente convertibles en acciones, con plazo máximo de 5 años y emitidos en condiciones que autorice con carácter general la Superintendencia 6/ | Sí, pero sin detalle de plazos | 56 973 | Capital de Nivel 2 |
| + | | Obligaciones dinerarias subordinadas con plazo de al menos 5 años, si son menores al 50% de patrimonio básico. | No | 4 191 361 | Capital de Nivel 2 |
| + | 1498 | Provisiones de carácter general por créditos | Sí | 229 106 | Capital de Nivel 2 |
| + | 189956 | Provisiones de carácter general por leasing | Sí | 0 | Capital de Nivel 2 |
| = Capital Secundario | | | | 8 801 470 | |
| => Patrimonio Neto Total (Primario + Secundario) | | | | 34 444 346 | |

1/ No se cuenta con detalle de donaciones. Se asume que el total es de carácter permanente.

2/ No se cuenta información sobre la proporción de los resultados de ejercicios anteriores capitalizados, por lo que se supone un nivel igual al que permite alcanzar el total de capital primario reportado por la Superintendencia.

3/ Se supone que el capital garantía cumple con el programa.

4/ Se supone que 0% de los activos han sido enajenados

5/ Se supone que el 100% de las desvalorizaciones corresponden al Capital de Nivel 2, y por tanto se descuentan.

6/ Se supone que 100% del stock cumple con los requerimientos para ser incluido en el Capital de Nivel 2.

II. Descuentos recomendados por los acuerdos de Basilea no considerados en la legislación vigente

Basilea II

- Derecho de llave o goodwill (Nivel 1)
- Aumentos de capital por operaciones de titulización (Nivel 1)

Basilea III

- Derecho de llave o goodwill (Ordinario)
 - Aumentos de capital por operaciones de titulización (Ordinario)
 - Participaciones cruzadas recíprocas en entidades financieras
 - Reservas de cobertura de flujos de efectivo (Ordinario)
 - Inversiones en acciones propias (autocartera) (de acuerdo al tipo de capital)
 - Activos de fondos de pensiones de prestación definida (Ordinario)
 - Activos por impuestos diferidos cuya materialización dependa de la rentabilidad futura del banco (Ordinario)
-

ECUADOR

I. Cuentas incluidas en el capital regulador según legislación vigente

| Patrimonio Primario | | | | |
|---|--|------------------------|-----------------------------------|---|
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Dólares) 1/ | Basilea III |
| + | 31 Capital Social | Sí | 1564 | Capital Ordinario de Nivel 1 |
| + | 3201 Prima en colocaciones de acciones | Sí | 1 | Capital Ordinario de Nivel 1 |
| + | 3301 Reservas legales | Sí | 255 | Capital Ordinario de Nivel 1 |
| + | 3302 Reservas generales | Sí | 0 | Capital Ordinario de Nivel 1, si son no distribuibles |
| + | 330310 Reservas especiales - para futuras capitalizaciones | Sí | 34 | Capital Ordinario de Nivel 1 |
| + | 34 Otros aportes patrimoniales y donaciones | Sí | 0 | No incluido |
| + | 3601 Utilidades o excedentes acumulados - saldos auditados, cuando exista acuerdo para su capitalización 2/ | Sí | 37 | Capital Ordinario de Nivel 1 |
| + | 3602 Pérdidas acumuladas - saldos auditados, cuando exista acuerdo para su capitalización 2/ | Sí | -2 | Capital Ordinario de Nivel 1 |
| + | 2608 Préstamo subordinado | Sí | 0 | Capital Secundario |
| + | 2802 Aportes para futura capitalización, siempre que exista constancia escrita de que los recursos no serán retirados 3/ | Sí | 5 | Capital Ordinario de Nivel 1 |
| - | 190530 Plusvalía mercantil | Sí | 0 | Se deduce del Capital Ordinario de Nivel 1 |
| - | 3202 Descuento en Colocación de acciones | Sí | 0 | Se deduce del Capital Ordinario de Nivel 1 |
| = Capital Primario | | | 1 894 | |
| Patrimonio Secundario | | | | |
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Dólares) 1/ | Basilea III |
| + | 2801 Obligaciones convertibles en acciones hasta el 30% del capital y reservas a la fecha que se calcula el patrimonio técnico | Sí | 76 | Capital de Nivel 2, sólo si la conversión es obligatoria 4/ |
| + | 2803 Deuda subordinada de largo plazo | Sí | 21 | Sólo se incluye si el plazo es mayor a 5 años 5/ |
| + | 3303 Reservas especiales | Sí | 1 | No incluido |
| + | 3305 Reservas por revalorización del patrimonio | Sí | 46 | Capital Ordinario de Nivel 1, si corresponde a acciones 6/ |
| + | 3310 45% de las reservas por resultados no operativos | Sí | 0 | No incluido |
| + | 35 45% del superávit por valuaciones | Sí | 42 | No incluido |
| + | 3601 Utilidades o excedentes acumulados, si no existe acuerdo para su capitalización 2/ | Sí | 3 | No incluido |
| - | 3602 Pérdidas acumuladas, si no existe acuerdo para su capitalización 2/ | Sí | 0 | No incluido |
| + | 5-4 Utilidad neta del ejercicio (Ingresos menos gastos) | Sí | 293 | No incluido |
| + | 149930 Provisiones para créditos incobrables - provisión general para cartera de créditos | Sí | 87 | Capital de Nivel 2 |
| + | Plusvalía mercantil | Sí | 36 | No incluido |
| - | Deficiencia de provisiones, amortizaciones y depreciaciones | No | 0 | Se deduce del Capital de Nivel 2 |
| - | Pérdidas activas detectadas mediante auditorías, y valor de los aumentos de capital no sujetos a regulación | Sí | 0 | No incluido |
| + | 1613 Dividendos pagados por anticipado | | -12 | Se deduce del Capital de Nivel 2 |
| = Capital Secundario | | | 593 | |
| Patrimonio Neto | | | | |
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Dólares) 1/ | Basilea III |
| + | Capital Primario Después de Ajustes | | 1 894 | |
| + | Capital Secundario Después de Ajustes | | 593 | |
| - | Capital asignado a sucursal en el exterior o invertido (participación en capital pagado + reservas, exceptuando valuaciones del activo) en instituciones subsidiarias o afiliadas. | Sí | - 472 | Se deduce del Capital Ordinario de Nivel 1 |
| - | 1611 Anticipo para adquisición de acciones, si corresponde a inversiones en acciones, anticipos en la capitalización o constitución de compañías subsidiarias o afiliadas. | Sí | -2 | Se deduce del Capital de Nivel 2 |
| = Patrimonio Neto Total (Primario + Secundario - Deduciones) | | | 2 013 | |

1/ Información para la banca privada de Ecuador, incluyendo Banco del Pacífico.

2/ A Septiembre de 2011, 91% de las ganancias y 100% de las pérdidas acumuladas cuentan con acuerdo para su capitalización.

3/ A Septiembre de 2011, 100% de los recursos en esta cuenta cuentan con acuerdo para su capitalización.

4/ Se supone que 100% del stock en esta cuenta se compone de obligaciones obligatoriamente convertibles en acciones.

5/ Se supone que 50% de la deuda subordinada tiene plazo mayor a 5 años.

6/ Para el cálculo del capital secundario según las recomendaciones de Basilea III, se supone que estas reservas no corresponden a acciones, y por tanto no formarían parte del Capital de Nivel 1.

II. Descuentos recomendados por los acuerdos de Basilea no considerados en la legislación vigente

| Basilea II | Basilea III |
|---|---|
| - Aumentos de capital por operaciones de titulización (Nivel 1) | - Aumentos de capital por operaciones de titulización (Ordinario) - Participaciones cruzadas recíprocas en entidades financieras - Reservas de cobertura de flujos de efectivo (Ordinario) - Activos de fondos de pensiones de prestación definida (Ordinario) - Activos por impuestos diferidos cuya materialización dependa de la rentabilidad futura del banco (Ordinario) |

PERU

I. Cuentas incluidas en el capital regulador según legislación vigente

| Patrimonio Primario | | Información Disponible | Stock Sep 2011 (Mill. Soles) | Clasificación según recomendaciones |
|---------------------------|--|------------------------|------------------------------|-------------------------------------|
| + | 310101 Capital social - acciones comunes | Sí | 10 585 | Capital de Nivel 1 |
| + | 310102 Capital social - acciones preferentes perpetuas con derecho a dividendo no acumulativo | Sí | 83 | Capital de Nivel 1 |
| + | 3301 Reserva legal | Sí | 2 492 | Capital de Nivel 1 |
| + | 3302 Reservas legales especiales | Sí | 0 | Capital de Nivel 1 |
| + | 330301 Reservas facultativas que sólo pueden ser reducidas previa autorización de la | Sí | 1 120 | Capital de Nivel 1 |
| + | 320301 Capital en trámite - acciones comunes | Sí | 0 | Capital de Nivel 1 |
| + | 320302 Capital en trámite - acciones preferentes perpetuas con derecho a dividendo no | Sí | 0 | Capital de Nivel 1 |
| + | 3201 Donaciones | Sí | 17 | No incluidas |
| + | 320201 Primas de emisión - acciones comunes | Sí | 369 | Capital de Nivel 1 |
| + | 320202 Primas de emisión - acciones preferentes perpetuas con derecho a dividendo no | Sí | 0 | Capital de Nivel 1 |
| + | 380101 Utilidades de ejercicios anteriores con acuerdo de capitalización | Sí | 2 | Capital de Nivel 1 |
| + | 390101 Utilidades del ejercicio en curso con acuerdo de capitalización | Sí | 307 | Capital de Nivel 1 |
| + | 380104 Ganancia por método de participación patrimonial correspondiente a inversiones que se deducen del patrimonio efectivo | Sí | 541 | Capital de Nivel 1 |
| + | Otros elementos con características de permanencia y absorción de pérdidas similares al capital social o reservas 1/ | Sí | 1 440 | Capital de Nivel 1 |
| - | 380201 Pérdidas de ejercicios anteriores con acuerdo de capitalización | Sí | - 235 | Se deduce del Capital |
| - | 380203 Provisión por desvalorización de bienes colocados en capitalización inmobiliaria | Sí | 0 | Se deduce del Capital |
| - | 380204 Pérdida no realizada por inversiones disponibles para la venta, si no existen utilidades | Sí | - 15 | Se deduce del Capital |
| - | 380205 Pérdida por método de participación patrimonial correspondiente a inversiones que se deducen del patrimonio efectivo | Sí | - 7 | Se deduce del Capital de Nivel 1 |
| - | 390201 Pérdidas neta del ejercicio en curso | Sí | - 43 | Se deduce del Capital |
| - | Déficit de provisiones respecto a la pérdida esperada | | | Se deduce del Capital |
| - | 190407 - Plusvalía mercantil producto de la reorganización de la empresa o de la adquisición de | Sí | - 401 | Se deduce del Capital de Nivel 1 |
| - | 190409 inversiones, neta de su amortización y deterioro - goodwill | | | |
| - | Autocartera de los instrumentos que cumplan con las disposiciones para ser incluidos en este nivel 2/ | Sí | - 34 | Se deduce del Capital de Nivel 1 |
| - | Descuentos aplicados 50% al capital de Nivel 1 y 50% al capital de Nivel 2, siempre que exista capital de Nivel 2 3/: | Sí | -1 061 | Se deduce del Capital de Nivel 1 |
| | - Inversión en acciones o deuda subordinada de otras empresas del sistema financiero del | | | |
| | - Inversión en acciones o deuda subordinada de otras empresas no consolidadas | | | |
| = Capital Primario | | | 15 161 | |

1/ Las siguientes obligaciones financieras de largo plazo se incluyen en el nivel de capital al que corresponda según sus características: obligaciones subordinadas con Cofide redimibles (2602.02.01.02), no redimibles (2602.02.02.02) y convertibles en acciones (2602.02.03.02), obligaciones subordinadas con el sistema financiero del país redimible (2603.02.01.02), no redimibles (2603.02.02.02) y convertibles en acciones (2603.02.03.02), obligaciones subordinadas con instituciones financieras del exterior (2604.02.01.02), no redimibles (2604.02.02.02) y convertibles en acciones (2604.02.03.02), obligaciones subordinadas con organismos financieros internacionales redimibles (2605.01.01.02), no redimibles (2605.01.02.02), y convertibles en acciones (2605.01.03.02), otros adeudos subordinados redimibles del país (2606.02.01.02), no redimibles (2606.02.02.02) y convertibles en acciones (2606.02.03.02), otros adeudos subordinados del exterior redimibles (2607.01.01.02), no redimibles (2607.01.02.02) y convertibles en acciones (2607.01.03.02), bonos subordinados redimibles (2802.02), no redimibles (2802.03), y convertibles en acciones (2802.4), otros títulos o valores subordinados redimible (2806.01), no redimibles (2806.02), y convertibles en acciones (2806.03).

2/ Incluye las acciones de tesorería que se contabilizan en las cuentas 1303.08 (stock de inversiones en acciones de tesorería - instrumentos representativos del capital), 1308.03.08 (rendimientos devengados de las acciones de tesorería), 1309.03.08 (provisiones, esta cuenta se resta), y los instrumentos de deuda en tesorería subordinados que se contabilizan en 1304.08.01 (stock), 1308.04.08.01 (rendimiento), 1309.04.08.01 (provisiones).

3/ Solo se dispone información del total.

| Patrimonio Secundario | | | | | |
|---|---------------------|--|-------------------------------------|--|----------------------------------|
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Soles) | Clasificación según recomendaciones | |
| + | 330302 | Reservas facultativas que puedan ser reducidas sin autorización de la Superintendencia | Sí | 3 | No incluidas |
| + | 310103 | Capital social - acciones preferentes perpetuas con derecho a dividendo acumulativo si el pago de dividendos puede ser postergado cuando el patrimonio efectivo sea inferior al | Sí | 0 | Capital de Nivel 1 |
| + | 310104 | Capital social - acciones preferentes redimibles a plazo fijo, si el plazo de la redención es mayor o igual a 5 años. Se aplica un factor de descuento anual de 20% de forma que en | Sí | 0 | Capital de Nivel 2 |
| + | 320203 | Primas de emisión de las acciones preferentes perpetuas con derecho a dividendo acumulativo incluidas en el capital de Nivel 2 | Sí | 0 | Capital de Nivel 1 |
| + | 320204 | Primas de emisión de las acciones preferentes redimibles a plazo fijo incluidas en el | Sí | 0 | Capital de Nivel 2 |
| + | 320303 | Capital en trámite - acciones preferentes perpetuas con derecho a dividendo acumulativo incluidas en el capital de Nivel 2 | Sí | 0 | Capital de Nivel 1 |
| + | 320304 | Capital en trámite - acciones preferentes redimibles a plazo fijo, si el plazo de la redención es mayor o igual a 5 años | Sí | 0 | Capital de Nivel 2 |
| + | | Parte de las obligaciones subordinadas que cumplan con las características de capital de Nivel 2 (plazo no menor a 5 años) | Sí | 3 819 | Capital de Nivel 2 |
| + | 14090102 | Provisión genérica obligatoria para créditos comerciales, incluidas en total hasta el 1.25% de los activos ponderados por riesgo | Sí | 561 | Capital de Nivel 2 |
| + | 14090103 | Provisión genérica voluntaria para créditos comerciales | Sí | 0 | Capital de Nivel 2 |
| + | 14090206 | Provisión genérica por sobreendeudamiento | Sí | 0 | Capital de Nivel 2 |
| + | 14090306 | Provisión genérica por sobreendeudamiento | Sí | 4 | Capital de Nivel 2 |
| + | 14090202 - 14091102 | Provisiones genéricas obligatorias por créditos distintos a comerciales | Sí | 909 | Capital de Nivel 2 |
| + | 14090203- 14091103 | Provisiones genéricas voluntarias por créditos distintos a comerciales | | 40 | Capital de Nivel 2 |
| + | 1509040101 | Provisión segun disposiciones SBS para deudores por cuentas por cobrar por fideicomisos | Sí | 0 | Capital de Nivel 2 |
| + | 270102 | Provisiones genéricas para créditos contingentes | Sí | 139 | Capital de Nivel 2 |
| + | 270203 | Provisiones para compromisos de cobertura por fideicomisos (parte correspondiente a provisiones genéricas) | Sí | 0 | Capital de Nivel 2 |
| + | 270204 | Provisiones por cartera transferida con pacto de recompra u opción de compra (parte correspondiente a provisiones genéricas) | Sí | 0 | Capital de Nivel 2 |
| - | | Autocartera de los instrumentos que cumplan con las disposiciones para ser incluidos en | Sí | 0 | Se deduce del Capital |
| - | | Descuentos aplicados 50% al capital de Nivel 1 y 50% al capital de Nivel 2, siempre que exista capital de Nivel 2. Incluye: - Inversión en acciones o deuda subordinada de otras empresas del sistema financiero del - Inversión en acciones o deuda subordinada de otras empresas no consolidadas | Sí | -1 056 | Se deduce del Capital de Nivel 1 |
| = Capital Secundario | | | | 4 419 | |
| Capital de Nivel 3 | | | | | |
| Cuenta | Nombre | Información Disponible | Stock Sep 2011 (Mill. Soles) | Clasificación según recomendaciones | |
| + | 310104 | Acciones preferentes del capital social redimibles a plazo fijo, si el plazo de redención es al menos 2 años y menor a 5 años. Se aplica un factor de descuento anual de 50%. | Sí | 0 | No Incluidas |
| + | 320204 | Primas de emisión del capital adicional en acciones preferentes redimibles a plazo fijo incluidas en este nivel | Sí | 0 | |
| + | 320304 | Capital en trámite en acciones preferentes redimibles a plazo fijo incluidas en este nivel | Sí | 0 | No incluido |
| + | 310109 | Otras acciones del capital social incluidas en este nivel | Sí | 0 | No incluidas |
| + | 320209 | Primas de emisión de otras acciones incluidas en este nivel | Sí | 0 | No incluidas |
| + | 320309 | Capital en trámite de otras acciones incluidas en este nivel | Sí | 0 | No incluido |
| + | | Parte de las obligaciones subordinadas que cumplan con las características de capital de Nivel 3 (plazo de al menos 2 y menor a 5 años) 1/ | Sí | 47 | No incluidas |
| - | | Autocartera de los instrumentos que cumplan con las disposiciones para ser incluidos en | Sí | 0 | No incluidas |
| = Capital de Nivel 3 | | | | 47 | |
| => Patrimonio Total (Primario + Secundario + Nivel 3) | | | | 19 627 | |

II. Descuentos recomendados por los acuerdos de Basilea no considerados en la legislación vigente

| Basilea II | Basilea III |
|---|--|
| - Aumentos de capital por operaciones de titulización (Nivel 1) | - Aumentos de capital por operaciones de titulización (Ordinario Nivel 1) - Activos por impuestos diferidos (Ordinario Nivel 1) - Reservas de cobertura de flujos de efectivo (Ordinario Nivel 1) - Activos y pasivos de fondos de pensiones de prestación definida (Ordinario Nivel 1) - Ganancias y pérdidas latentes por variaciones en el valor de pasivos a raíz de variaciones acumuladas en el riesgo de crédito del propio banco (Ordinario Nivel 1) |