



Brussels, 26.10.2015  
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ANNEX 1

**ANNEX**

**to the**

**COMMISSION DELEGATED REGULATION (EU) No .../...**

**supplementing Regulation (EU) No 575/2013 of the European Parliament and of the  
Council with regard to regulatory technical standards for prudent valuation under  
Article 105 (14)**

## ANNEX

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

Method 1:

$$\begin{aligned} \text{APVA} &= (\text{FV}-\text{PV})-50\% \cdot (\text{FV} - \text{PV}) \\ &= (50\% \cdot (\text{FV} - \text{PV})) \end{aligned}$$

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

Method 2:

$$\begin{aligned} \text{APVA} &= \max \{0, (\text{FV} - \text{PV}) - 50\% \cdot (\text{EV} - \text{PV})\} \\ &= \max \{0, \text{FV} - 50\% \cdot (\text{EV} + \text{PV})\} \end{aligned}$$

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

Where:

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

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

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

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

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