

Autoridade Bancária e de Pagamentos de Timor-Leste

Banking and Payments Authority of Timor-Leste

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Annex to

INSTRUCTION Nº 02/2003
ON THE REPORTING OF CONSOLIDATED FINANCIAL CONDITION

Departamento de Supervisão Bancária
2003

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REGULATORY CAPITAL

This report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report the consolidated data from the headquarters only.

This note should be read in conjunction with Instruction CPO/B-2000/2 of 26 October 2000 on Regulatory Capital, which defines a risk-based approach to the measurement of the capital adequacy.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies must be translated in to American dollars as at the reporting date, according to the bank's Chart of Accounts.

Each form shall be completed with the name of the bank, its identification number with the BPA and the reporting date of reference.

Regulatory Capital

Tier One Capital

1. Paid-up capital on ordinary shares

Comprises the paid-up value of ordinary shares and capital surplus, non-repayable share premium, funds in excess of par value obtained from the sale of shares.

2. Paid-up capital on preferred shares

Comprises paid-up value of issued and fully paid perpetual non-cumulative preferred shares and capital surplus, as defined in item 1.

3. Retained earnings

Disclose retained earnings and include the current financial year profits, net of estimated tax obligations and dividend payments. Deduct from retained earnings any current year losses, unadjusted for any associated tax benefits.

Reserves in general are not included in the Tier One capital; however, profit reserves without a specific destination are equivalent to retained earnings.

4. Subtotal

Calculate the sum of items 1 to 3.

5. Goodwill

Include goodwill paid on equity investments and subsidiaries and associates and other similar intangible assets.

6. Total Tier One Capital

This item is item 4 less item 5.

Tier Two Capital

7. Hybrid Capital Instruments

Include hybrid (debt/equity) capital instruments, including non-cumulative preferred shares, provided that the following requirements are met: (1) they are unsecured, subordinated and fully paid up; (2) they are not redeemable at the initiative of the holder or without the prior consent of the BPA; (3) they are available to participate in losses without the bank being obliged to cease trading unlike conventional subordinated debt; and (4) although the capital instrument may carry an obligation to pay interest that cannot permanently be reduced or waived, unlike dividends on ordinary shareholders' equity, it should allow service obligations to be deferred, as with noncumulative preferred shares, where the profitability of the bank would not support payment.

8. Subordinated Term Debt and Limited Life Redeemable Shares

Include subordinated term debt and limited life redeemable preferred shares, provided that the following requirements are met: (1) they are unsecured; (2) they carry a minimum original fixed term to maturity of over five years; (3) during the last five years to maturity, a cumulative discount (or amortization factor of 20 percent per year will be applied to reflect the diminishing value of these instruments as a continuing source of strength); and (4) the combined total amount of subordinated term debt and limited life redeemable preferred shares eligible for inclusion in Tier Two Capital shall be limited to a maximum of 50 percent of the amount of Tier One Capital.

Notice that only hybrid capital instruments and subordinate term debts can compose Tier Two Capital. Asset revaluation reserves and general provisions for doubtful debts are not eligible to Tier Two according to the present rules.

9. Subtotal

Calculated the sum of items 7 and 8..

10. Eligible Tier Two Capital

Tier Two Capital may not exceed Tier One Capital because it is limited to 100% of Tier One Capital. Consequently if line 9 is greater than the amount on line 6, enter the amount on line 6. If line 9 is equal or less than the amount on line 6, enter the amount on line 9.

11. Subtotal

This is the sum of Tier One Capital (item 6) and Tier Two Capital (item 10).

12. Investments in Capital of Other Banks and Financial Institutions

Report the total amount of equity and other capital investments/instruments in banks and financial institutions.

13. REGULATORY CAPITAL

This is equal to Total Tier One and Tier Two Capital (item 11) less investments in capital of other banks (item 12) and will be the basis for the determination of the capital adequacy ratio.

14. TOTAL RISK-WEIGHTED ASSETS

Report all risk-weighted assets and credit equivalents in this item. The amount shall correspond to the total amount on item 18 of the Report 1.2.

15. CAPITAL ADEQUACY RATIO

Divide 13 by item 14 and multiply the result by 100. The percentage shall be included on this line.

REPORT FORM ON REGULATORY CAPITAL

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No.	Assets	Amount
A.	<p>Tier One Capital</p> <p>1. Issued and fully paid ordinary shares, and related capital surplus</p> <p>2. Issued and fully paid perpetual non-cumulative preferred shares, and related capital surplus</p> <p>3. Retained earnings</p> <p>4. Subtotal 4 = (1 + 2 + 3)</p> <p>5. Goodwill</p> <p>6. Total Tier One Capital 6 = (4 - 5)</p>	
B.	<p>Tier Two Capital</p> <p>7. Hybrid (debt/equity) capital instruments</p> <p>8. Subordinated term debt and limited life redeemable preferred shares. Limit: 50% of Tier One Capital (line 6). If line 8 is greater than 50 % of line 6, enter 50 % of line 6. If line 8 is equal to or less than 50 % of line 6, enter the amount on line 8.</p> <p>9. Subtotal 9 = (7 + 8)</p> <p>10. Eligible Tier Two Capital. Limit: 100 % of Tier One Capital (line 6). If line 9 is greater than the amount on line 6, enter the amount on line 6. If line 9 is equal to or less than the amount on line 6, enter the amount on line 9.</p> <p>11. Subtotal 11 = (6 + 10)</p> <p>12. Inv. in the capital of other banks & financial institutions</p> <p>13. Regulatory Capital 13 = (11 - 12)</p> <p>14. Total Risk-Weighted Assets. Sum all risk-weighted assets and credit equivalents and indicate the total risk-weighted assets here.</p> <p>15. Capital Adequacy Ratio 15 = (13/14) x 100</p>	

RISK-WEIGHTED ASSETS ALLOCATION & CALCULATION

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report the consolidated data from the headquarters only.

This note should be read in conjunction with Instruction CPO/B-2000/2 of 26 October 2000 on Regulatory Capital, which defines a risk-based approach to the measurement of the capital adequacy.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

Amounts should be reported gross without any adjustment for "netting" arrangements.

Where assets have been revalued, the amounts shown in this report should be the revalued amounts.

Risk Weighted Assets

This report allocates balance sheet amounts and credit equivalent amounts of off-balance sheet business to individual risk weight categories.

Do not calculate the risk-weighted amounts. This is done on line only.

Classify the gross amounts of balance sheet assets into risk weight categories, based on the nature of counterpart after taking into account recognized guarantees and eligible collateral, listed from items 1 to 13 of the form.

Classify the credit equivalent amounts of off-balance sheet business, determined according to the credit conversion factors presented on Section III.2 of the above-mentioned instruction, into risk weight categories, based on the nature of counterpart after taking into account recognized guarantees and eligible collateral. List the credit equivalent for each category on items 14 to 16. Keep auxiliary records and worksheets for further BPA examination.

In measuring balance sheet assets:

- Interest accruals should be included in the claims on a counterpart.
- Assets which are on lease to a customer under financial leasing arrangements should be included in the claims on the customer.

- Claims on a counterpart should be net of specific provisions for bad or doubtful debts.
- Capital instruments of another bank, except those held for trading purposes, should be excluded from measurement of a bank's assets.

Underlying guarantees and collateral security is taken into account in risk weighting only in a limited way, as detailed below.

For a “claim secured against cash” to be eligible for a nil (0%) weight, the cash collateral security must be held by the same entity having the claim on the counterpart.

In adjusting amounts for underlying guarantees or collateral:

- Indemnities covering financial obligations are to be regarded in the same light as guarantees;
- Collateral security should be measured at current market value;
- Only that part of a claim which is guaranteed or covered by collateral is eligible for a lower risk weight.

Specific Instructions:

Item 1 – Cash, Claims on the Government, and deposits at Central Bank

Include notes and coins, balances with the Banking and Payments Authority of Timor-Leste, loans and other claims fully secured against cash (US dollars) and any claims on the government of the Timor-Leste, denominated in US dollars. Any loan or other claim fully secured by the government of Timor-Leste shall be included in this item. Other claims on OECD central governments and central banks or claims collateralized by cash of OECD central-government securities or guaranteed by OECD central governments

Item 2 – Cash items in process of collection

List the items in the process of collection, including overnight settlement balances relating to BPA Clearing System.

Item 3 – Trading Securities

Do not list any amount on this Item. List trading securities on items 3.a). or 3.b).

Item 3.a). – Trading Securities – Government

Include all securities issued by the government of Timor-Leste kept on books for trading.

Item 3.b). – Trading Securities – Other

Include all securities issued by entities in Timor-Leste.

Item 4 – Claims on banks and credit institutions in OECD Countries

List all claims including securities on banks and credit institutions incorporated in an OECD country, claims guaranteed by OECD incorporated banks, claims on multilateral development banks and claims guaranteed by, or collateralized by securities issued by such banks, claims on securities firms incorporated in the OECD

subject to comparable supervisory and regulatory arrangements, including in particular risk-based capital requirements, and claims guaranteed by these securities firms.

Item 5 - Claims on banks, credit institutions and government in non-OECD countries

Include claims on banks and credit institutions incorporated outside the OECD with a residual maturity of over one year

Item 6 – Claims on non-OECD banks maturing within one year

This item registers claims on banks incorporated in countries outside the OECD with a residual maturity of up to one year and claims with a residual maturity of up to one year guaranteed by banks incorporated in countries outside the OECD.

Item 7 Loans and Advances

Do not register any amount on this Item. The amounts should be disclosed on items 7.a). to 7.e).

Item 7.a). Public Enterprises

Insert the amount of claims on Timor-Leste public trading enterprises which have corporate status or operate on a commercial basis and commercial companies controlled by the Timor-Leste Government.

Item 7.b). Private Enterprises

Include claims on non-bank private sector, including non-bank financial institutions (not licensed under the “banking law” (Regulation №. 2000/8).

Item 7.c). Individuals

Include claims on individuals, excluding housing loans where is the property is or will be occupied by the borrower or is rented, and where the loan is fully secured by mortgage against the residential property.

Item 7.d). Housing Loans Secured by Mortgage.

Include loans fully secured by mortgage on residential property that are or will be occupied by the borrower or that is rented.

Item 7.e). Less: Provision

Deduct the amount of provisions recorded on the books for bad or doubtful loans if not already deducted from the loans and advances included in items 7.a). to 7.d).

Item 8 Investment Securities

Do not register any amount on this Item, but on items 8.a). and 8.b).

Item 8.a). Government

Include securities kept for investments issued by the government of East Timor and OECD countries in American dollars.

Item 8.b). Other

Include any other security kept for investment not included above.

Item 9 Fixed Assets

Include premises, plant, equipment and other fixed assets as well as real estate and other permanent investments (including non-consolidated investment participation in other companies).

Item 10 Other Assets

Insert the amount of all other assets and claims not included elsewhere.

Item 11 Investment in subsidiary and associates

Insert the amount of investments in banks and other financial institutions that will be deducted from the regulatory capital.

Item 12 Total Assets

This item is the sum of the above items and shall correspond to the Total Assets plus General Provision for Doubtful Loans and Investment in Subsidiaries and Associates.

Item 14 to 16 – Off-balance sheet items

Off-balance items, which represent risk to the bank, are assigned to a risk category in a similar manner as with on-balance sheet assets. First, however, off-balance sheet exposures must be converted to a “Credit Equivalent.” Then, each converted off-balance sheet exposure is assigned to a risk category.

First each account of the off-balance sheet is multiplied by the Credit Conversion Factor located in the table on Section C2 to obtain the Credit Equivalent; then, the Credit Equivalent is assigned to one of the risk weight categories (0% - 20% -100%) for government, banks in OECD countries and others as for on-balance-sheet assets.

Forwards, swaps, purchased options and similar derivative contracts are treated differently from other off-balance-sheet accounts mentioned in the previous paragraphs, because banks are not exposed to credit risk for the full face value of their contracts, but only to the potential cost of replacing the cash flow if the counter party defaults. In order to determine the Credit Equivalent of these off-balance sheet items, apply one of the two sets of conversion factors to the notional principal amounts of each instrument according to the nature of the instrument and its maturity. Then, the Credit Equivalent is assigned to one of the risk weight categories as for on-balance-sheet assets.

Item 17 Total off-balance sheet items

Enter the sum of Items 14 to 16.

Item 18 Total assets and off-balance sheet items

Enter the sum of Items 12 to 17.

REPORT FORM ON RISK-WEIGHTED ASSETS ALLOCATION AND CALCULATION

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

NO	DESCRIPTION	WEIGHTING B/S AMOUNT	B. SHEET AMOUNTS
1.	Cash, Claims on the Government, and deposits at Central Bank	0%	
2.	Cash items in process of collection	20%	
3.	Trading securities at market value		
	a) Government	0%	
	b) Other	20%	
4.	Claims on banks and credit inst. in OECD Countries	20%	
5.	Claims on banks, credit inst. and governments in non-OECD countries	100%	
6.	Claims maturing within one year to non-OECD credit institutions	20%	
7.	Loans and advances to customers (net of provisions)		
	a) Public enterprises	100%	
	b) Private enterprises	100%	
	c) Individuals	100%	
	d) Housing Loans Secured by Mortgages	50%	
	e) Less: Provision assumed (if not already deducted from above)	100%	
8.	Investment securities		
	a) Government	0%	
	b) Other	100%	
9.	Fixed assets	100%	
10.	Other assets	100%	
11.	Invest. in subsidiaries whose capital is to be deducted separately from that of the parent	0%	
12.	TOTAL ASSETS OFF-BALANCE SHEET ITEMS - REPORT BELOW THE AMOUNT OF CREDIT EQUIVALENT AS SECTION C2 OF INSTRUCTION B-2000/2, ACCORDING TO THE CATEGORIES OF RISK.		
13.	Off-balance sheet items (commit. with an original maturity of up to 1 year)	0%	
14.	Off-balance sheet items	20%	
15.	Off-balance sheet items	50%	
16.	Off-balance sheet items	100%	
17.	TOTAL OFF-BALANCE SHEET ITEMS		
18.	TOTAL ASSETS AND OFF-BALANCE SHEET ITEMS (RELATED RISK WEIGHTED VALUATIONS)		

LIQUIDITY RATIO

This report provides information on the liquidity ratio.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report the compiled data for the branch only.

This note should be read in conjunction with Instruction CPO/B-2000/3 of 26 October 2000 on Liquidity, which defines minimum requirements for the management of the liquidity risk.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

1. Vault Cash

Include the amount of cash in currency or coins, in US dollars or foreign currencies.

2. Precious metal (Gold)

Include the stock of gold that can be traded in the financial market valued at the market rates.

3. Deposits with the BPA

Include the total deposits with the BPA in the settlement account and in collateral account.

4. Deposits in Other Financial Institutions

Include all the deposits in other financial institutions, including time deposits up to one-year maturity.

5. Readily Marketable Securities

Include securities that are readily negotiated in the market valued at market rates.

6. Net Inter-Bank Lending and Borrowing

Include the net balance of inter-bank lending and borrowing with a remaining maturity of up to one month. If the net balance favors borrowings, compute it as a liability.

7. Total Liquid Assets

This line is the total of lines 1 to 6

8. Total Liabilities

Include the total of liabilities excluding equity and the amount of inter-bank borrowings in line 6.

9. Liquidity Ratio:

Divide Line 7 by Line 8 and multiply the result by 100. The percentage shall be included on this line.

REPORT FORM ON LIQUIDITY RATIO

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No.	Assets	Amount
1.	Vault Cash	
2.	Precious metals (gold)	
3.	Deposits with the BPA	
4.	Deposits in Other Financial Institutions	
5.	Readily Marketable Securities	
6.	Net Inter-Bank Lending & Borrowing with a Remaining Maturity Period of Up to One Month	
7.	Total Highly Liquid Assets	
8.	Total Liabilities	
9.	Liquidity Ratio [(7 / 8) x 100]	

MATURITY & RE-PRICING SCHEDULE

This guide is designed to assist in the general completion of the Maturity and Re-pricing Analysis Form, which is used to assist BPA understand the re-pricing position of the reporting bank's balance sheet, so as to obtain a high level view of the interest rate risk profile.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

The measurement of on-balance sheet items is to be consistent with the measurement basis adopted by banks in accordance with the Chart of Accounts for Banks. Off-balance sheet items are to be measured consistent with the nature of purpose of use and with the applicable accounting pronouncements.

Maturity profile analysis emphasizes the potential cash flow within balance sheet and commitments. For this reason, the report asks banks to value on the basis of the expected re-pricing profile of assets and liabilities, rather than the contractual re-pricing (i.e. contractual loan repayment rates) or original maturity. The expected re-pricing profile of assets and liabilities should take into account expected loan prepayment/amortization rates and deposit portfolio run-off, rather than contractual re-pricing where these are expected to be materially different.

If a portfolio of assets (e.g. the trading portfolio) is managed for risk management purposes against a benchmark portfolio or index, it is acceptable to use the re-pricing profile of the nominated benchmark or index.

The time buckets on the form indicate the periods when the interest rates applying to portfolios (e.g. investments, loans, deposits and borrowings) will re-price (i.e. term to next interest rate re-pricing/change). They do not indicate the residual term of the original maturity of the instrument itself, however the two may coincide (e.g. bank bills, term deposits/money market loans).

In the case of variable rate loans for example, they do not have a fixed re-pricing term. Accordingly these should be included in either the 0-30 days or 31 to 90 days time buckets, depending on the time frame the institution expects to take the adjust its variable rates after movements in the official or market rate. A five year residential loan with a one year fixed interest rate would be included in the 181 days to one year bucket (when the interest rate on the loan will next change/re-price and not in the over one year bucket (reflecting the maturity/repayment of the loan). In subsequent quarters, as the term of this fixed interest rate runs its course, it should be included in the 91 to 180 days category and so on.

Not all assets and liabilities would be exposed to interest rate risk. Such items should be classified as Non Interest Rate Sensitive Assets/Liabilities and not included in the form.

The totals of the line items shall correspond to the values on the balance sheet.

Interest-Earning Assets

1. Deposits at the BPA/Central Banks

Assets held to meet prudential or statutory requirements are not available to meet on-going liquidity need. (However, since there are no reserve requirements, the total of deposits with BPA shall be recorded on this item as immediate liquidity).

2. Other Deposits

Record deposits with other banks and financial institutions according to maturity.

3. Agreements to Re-Sell Securities

Register the total amount of securities bought under “Repo Agreements”, which the bank has promised to re-sell the securities.

4. Debt instruments

List all debt instruments or securities.

5. Credit and Leases

Include credits and leases net or provision for loan losses.

6. Other Assets

Include any other interest-earning assets not mentioned or listed above.

7. Total Interest-Earning Assets

Calculate the sum of items 1 to 6.

Interest-Bearing Liabilities

8. Deposits

In principle deposits should be considered as a “next day liability”. In normal conditions, however, some part of these deposits – particularly from the non-bank private sector – would be relatively stable and their inclusion in the category “0-30 days” would overstate liquidity needs. Consequently, for the purpose of this report, include banks’ demand deposits as immediate liability. Other deposits should be classified in the categories based on systematic estimates or in the last twelve months performance.

9. Commitments

A similar imprecision arises in the case of commitments uncertain as to date, especially un-drawn overdraft limits. Experience suggests that these commitments are unlikely to be drawn in full. Nonetheless, banks must compute the likely drawn downs.

10. Overdraft Outstanding

Though in principle repayable on demand, overdraft outstanding particularly to long establish customers may stay on a bank’s books over an extended period, and may not provide a ready resource of liquidity to banks. Consequently, banks should include in the report not all the overdraft but only the likely repayments over the next year. The rest shall be computed in the category “over one year”.

REPORT FORM ON MATURITY AND RE-PRICING SCHEDULE

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No	Assets	0–30 Days	31–90 Days	91–180 Days	181 Days–1 Year	Over 1 Year
A.	Interest-Earning Assets 1. Deposit at the Central Bank 2. Other Deposits 3. Agreements to Re-sell Securities 4. Debt Instruments 5. Credits and Leases 6. Other (list) Total Interest-Earning Assets					
B.	Interest-Bearing Liabilities 7. Deposits 8. Owed to the Central Bank 9. Agreements to Re-Purchase Securities 10. Other Borrowings 11. Other (list) Total Interest-Bearing Liabilities					
C.	NET POSITION					

LARGE CREDIT EXPOSURES

This form provides information on the bank's large credit exposures.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only. If the branch does not have any large credit exposures, the bank shall list the 20 largest credit exposures regardless of whether they qualify as large credit exposures.

This note should be read in conjunction with Instruction CPO/B-2000/5 of 26 December 2000 on Large Credit Exposures, which defines minimum requirements and ceilings for those transactions.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

Credit exposures to a person or a group of inter-related persons means the sum of bank's credits, equity interests, debt securities and credit substitutes such as guarantees, acceptances, letters of credit and bills securitized assets and contingent liabilities, such as commitments to extend credit.

Credit exposures which are fully and irrevocably secured by collateral in form of a) cash deposits placed with the reporting bank, b) a guarantee from the Timor-Leste government in domestic currency or c) a guarantee from a government of an OECD country should not be reported.

A group of inter-related persons means two or more persons, whether individual or juridical, holding exposures from the reporting bank and any of its subsidiaries, whether on a joint or separate basis, but who are mutually associated in one of them holds directly or indirectly power of control over the other, or their cumulated exposures represent to the bank a single risk in so much as they are so interconnected with the likelihood that if one of them experiences financial problems the other or all of them are likely to encounter repayment difficulties.

Specific Instructions:

Banks shall calculate the limitation in accordance with Instruction CPO/B-2000/5 and state in the report form as the following:

Regulatory Capital: report the total qualifying capital. The amount shall correspond to the total amount on Item 13 of the Report 1.1.

Definition of Large Credit Exposure: Calculate 10% of the Regulatory Capital and insert on this line.

Maximum Credit Exposure: Calculate 25% of the Regulatory Capital and report on this line.

Total Credit Portfolio: The sum of bank's credits and finance leases less any specific loan loss provisions.

Maximum Portfolio of Large Credit Exposures: Determine 40% of the Total Credit Portfolio above mentioned and include on this line.

Table: The bank shall first list the 10 largest credit exposures in descending order based on the total amount of the exposure. Report the name and identification of person or group of inter-related person and the total amount of credit exposure. Report also the classification of the exposure according to the Instruction CPO/B-2001/4 on Asset Classification. In the event of a person or a group on inter-related person has two or more exposures report the worst classification only.

Sum the total of the 10 largest credit exposures and then continue listing all the exposures classified as large credit exposure as defined by the Instruction 2000/5.

REPORT FORM ON LARGE CREDIT EXPOSURES

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

Calculation of Limitations:

Instruction on Large Credit Exposures, Sections II.C. and III.A.:

Amount of Regulatory Capital as of Current Quarter End:

10% of Regulatory Capital:

25% of Regulatory Capital:

Instruction on Large Credit Exposures, Section III.B.:

Total Credit Portfolio as of Current Quarter End:

40% of Total Credit Portfolio:

List all Large Credit Exposures in descending order based on size:

Us\$ 1,000

Rank By Size	Borrower's Name	Credit Classification	Total Amount
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	SUM OF 10 GREATEST CREDIT EXPOSURES		
11.			
12.			
13.			
etc..			
	SUM OF ALL LARGE CREDIT EXPOSURES		

CREDIT EXPOSURES TO RELATED PERSONS

This form provides information on the bank's credit exposure to related persons.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

This note should be read in conjunction with Instruction CPO/B-2000/6 of 26 December 2000 on Transactions with Related Person, Related Banks and Financial Institutions, and Affiliates, which defines minimum requirements and ceilings for those transactions.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

Credit exposures to a person or a group of inter-related persons means the sum of bank's credits, equity interests, debt securities and credit substitutes such as guarantees, acceptances, letters of credit and bills securitized assets and contingent liabilities, such as commitments to extend credit.

Credit exposures which are fully and irrevocably secured by collateral in form of cash deposits placed with the reporting bank, or a guarantee from the Timor-Leste government or from a government of an OECD country should not be reported.

A group of inter-related persons means two or more persons, whether individual or juridical, holding exposures from the reporting bank and any of its subsidiaries, whether on a joint or separate basis, but who are mutually associated in one of them holds directly or indirectly power of control over the other, or their cumulated exposures represent to the bank a single risk in so much as they are so interconnected with the likelihood that if one of them experiences financial problems the other or all of them are likely to encounter repayment difficulties.

Specific Instructions:

Banks shall calculate the limitation in accordance with Instruction CPO/B-2000/6 and state in the report form the following:

Tier One Capital: report the core constituent of Regulatory Capital. The amount shall correspond to the total amount in the Report 1.1 Line 6.

Regulatory Capital: report the total qualifying capital. The amount shall correspond to the total amount on Item 13 of the Report 1.1.

Global Limit: 40% of Tier One Capital. Calculate 40% of the reported Tier One Capital and report on this line.

Individual Limit: 5% of Regulatory Capital. Calculate 5% of the reported Regulatory Capital and insert on this line.

Table: Report the name and identification of person or group of inter-related person and the Instruction CPO/B-2001/4 on Asset Classification. In the event that a person or a group of inter-related persons has two or more exposures, report the worst classification only.

Report 3.2

REPORT FORM ON CREDIT EXPOSURES TO RELATED PERSONS

Name of Bank:
 BPA Identification Number:
 Report for Quarter Ended:

Calculation of Limitations:

Amount of Tier One Capital as of Current Quarter End:
 Amount of Regulatory Capital as of Current Quarter End:
 40% Tier one capital:
 5% of Regulatory Capital:

List all Credit Exposures to Related Persons, Related Banks & FIs, and Affiliates:

	US \$ 1,000		
No.	Related Party	Credit Classification	Total Amount
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	SUM OF ALL CREDIT TO RELATED PARTIES		

EQUITY INVESTMENTS AND BONDS

This form provides information on the equity investments and bonds including related loans to investee entities.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

This note should be read in conjunction with Instruction CPO/B-2001/2 of 11 April 2001 on Equity Investments of Banks and Instruction CPO/B-2000/6 of 26 December 2000 on Transactions with Related Persons.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies are translated to American dollars on the reporting date, according to the Banks' Chart of Accounts.

Equity Investments

Include all equity interests in a juridical person, especially those which represents a significant interest or exceeds as to its net current value the equivalent of fifteen percent (15%) of the regulatory capital of the bank. Report the percentage of equity the bank holds in any issuer.

A significant interest is a direct or indirect holding of an interest in a juridical person or undertaking that represents the equivalent of twenty percent or more of the equity or of any class of shares with voting rights, or that makes it possible to exercise a significant influence over the management or policies of that juridical person or undertaking.

Report the amount of equity in the appropriate column: financial institution, non-financial institution, holding more than 50% of its equity and non-financial institution with less of 50%. In the last column report the loans granted to entities in which the bank holds an equity ownership.

Bonds

Report the holdings in bonds of other banks and financial institutions, central government, public sector other than the central government and the private sector. If the space is not sufficient include in other pages of this report.

The last column should report the total amount of loans held with the listed entities.

REPORT FORM ON EQUITY INVESTMENTS AND BONDS INCLUDING LOANS RELATED TO INVESTEE ENTITIES

Name of Bank:
 BPA Identification Number:
 Report for Quarter Ended:

US \$ 1,000

Details – Names of Issuers	% Equity	Equity Investment in:			Total Equity	Loans to Entities in Which Equity Ownership
		Financial Institutions	Non-Financial Institutions			
			Majority (>50%)	Minority (<50%)		
A. Total Equity Investment per Category						

BONDS

Details – Names of Issuers	Financial Institutions	Central Government	Other Public Sector	Private Sector	Total Bonds	Loans to Entities in Which Bonds are Held
B. Total Bonds per Category						

ASSET CLASSIFICATION

The reports on Asset Classification include the forms of Report 4.1 – Asset Classification and Allowance for Losses, Report 4.2 (Past Due and Non-Accrual Assets) and Report 4.3 (Charge-Offs and Recoveries) and Report 4.4 (Changes in Allowances for Losses).

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

This note should be read in conjunction with Instruction CPO/B-2001/4 of 11 April 2001 on Asset Classification, which defines procedures for the classification of assets.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies should be translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

The reports cover the full range of credit exposures which the bank holds and is not limited to problem loans.

Credit means any direct or indirect commitment to disburse a sum of money in exchange for a right to repayment of the amount disbursed and outstanding and to payment of interest or other charges on such amount, any extension of the due date of a debt, any debt payment guarantee issued, and any commitment to acquire a right to payment of a sum of money; the term "credit" shall not include bank deposits and the purchase of debt securities in the secondary market.

In measuring off-balance sheet credit exposures the following measurement policies should be adopted:

- a) include under balances outstanding for the appropriate category any direct credit substitution, as guarantees, letters of credit, etc;
- b) include under balances outstanding for the appropriate asset category any commitment to provide funds (potential outstanding) which cannot be cancelled or revoked;
- c) include under balances outstanding for the appropriate category the credit equivalent amounts of foreign exchange, interest rate and other market related exposures. The method to calculate the credit equivalent is outlined in the Instruction

Outstanding balances should be recorded net of interest and other income not taken to profit, and net of any amounts written-off.

Report all items without any adjustment for credit conversion factors (except for certain market rate related exposures detailed above), risk weights, provisions (specific or general), or set-off and/or collateral arrangements.

ASSETS CLASSIFICATION AND ALLOWANCE FOR LOSSES

1. Credit and Leases

Include the amount of credits and leases according to the economic sector of the debtor and the classification of assets (standard, under supervision, substandard, doubtful and loss).

Include also off-balance sheet credit exposures according to sector and classification, following the general instructions above.

2. Securities

Include securities kept for trade or investment.

3. Other Real Estate Owned

Report the value, as recorded in the bank's financial accounts, of real estate acquired as settlement of outstanding obligation or through security enforcement. Exclude real estate acquired for occupation by bank staff, and property controlled under "mortgages in possession" rights.

4. Other Assets

Report any other asset for which the bank faces a credit exposure. Each bank is obliged to review its assets on at least a quarterly basis for purposes of asset classification and for determining whether any asset has suffered an "other than temporary" decline in, or impairment to, value.

5. Total

This item is the sum of items 1 to 4.

6. Percentage of provisioning for credit losses

Include the minimum percentage of provision defined by the Instruction.

7. Amount of Required Provision

Apply the percentage of each column on the total in line 5 and record in this line. The last column will be the total, the sum of other five columns.

8. Provision for Credit Risk

Include the amount of provision for credit losses (provision for loan losses and general credit provision).

Include provisions against all off-balance sheet exposures, including those recorded as "other liabilities" or general provisions.

9. Interest in Suspense

Include the non-accrued amount of interest on adversely classified assets kept in suspense to record as revenue when received only.

REPORT FORM ON ASSET CLASSIFICATION & ALLOWANCE FOR LOSSES

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No	Assets	Standard	Under Supervision	Sub Standard	Doubtful	Loss	Total
1.	Credits / Leases						
	Agriculture, Water and Forestry						
	Industry						
	Manufacturing						
	Construction						
	Transport and Communication						
	Trade and Finance						
	Tourism						
	Services						
	Individuals						
	Others						
2.	Securities						
3.	Other Real Estate Owned						
4.	Other Assets						
5.	TOTAL						
6.	Provisioning for Credit Losses (%)	2%	5%	25%	50%	100%	
7.	Amount of Required Provisioning						
8.	Provisioning for Credit Risk						
	Specific Provisions (Credit Loans)						
	General Provisions for Credit						
9.	Interest in Suspense						

PAST-DUE & NON-ACCRUAL ASSETS

Report all past-due and non-accrual assets in two groups: credits according to the economic sector and assets other than credits.

Credits and assets should be reported net of interest and recorded in either column 3 or 4 but not in both.

Include in column 3 the past-due assets for more than 30 days and up to 90 days but not adversely classified as substandard, doubtful or loss yet.

Include in column 4 all credits that are past due for more than 90 days and all other credits adversely classified and placed on a non-accrual status. Any credit which is past due for less than 90 days but has already been classified should be included.

Column 5 is the sum of columns 3 and 4 and represents the total amount of past-due and non-accrual assets.

Line 3 should be the total of each column.

REPORT FORM ON PAST-DUE AND NON-ACCRUAL ASSETS

Name of Bank:
 BPA Identification Number:
 Report for Quarter Ended:

US \$ 1,000

No.	Assets	Assets Past-Due 30 – 90 Days	Assets 90 Days Past-Due & Non-Accrual Assets	Total Past-Due & Non-Accrual Assets
1.	Credits / Leases Agriculture, Water & Forestry Industry Manufacturing Construction Transport & Communication Trade & Finance Tourism Services Individuals Others			
2.	Assets other than Credits			
3.	TOTAL			

WRITE-OFFS & RECOVERIES

Column “Write-off”

Report the value of items written-off during the quarter against provisions or against profits, as expense.

Follow the economic sectors as adopted by Report 4.2.

Column “Recoveries”

Report the value of recoveries during the quarter of items previously written-off.

Report 4.3

REPORT FORM ON CHARGE-OFFS & RECOVERIES

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No.	Assets	Write-Offs	Recoveries
1.	Credits / Leases Agriculture, Water and Forestry Industry Manufacturing Construction Transport & Communication Trade & Finance Tourism Services Individuals Others		
2.	Assets other than Credits		
3.	TOTAL		

CHANGES IN ALLOWANCES FOR LOSSES

Balance from Previous Report

Report the ending balance from the previous report.

Recoveries

Report the amount of recoveries during the quarter as recorded in Report 4.3

Write-offs

Report the amount of write-offs during the quarter as recorded in Report 4.3.

Current Provisions for Losses

Report the amount of provision recorded during the quarter for exposures newly classified adversely as substandard, doubtful or loss during the quarter.

Prior Period Adjustments

Inform the additional provision or any reversal of provision during the quarter for assets classified in previous periods.

Ending Balance

The ending balance is the result of Item 1 + Item 2 – Item 3 + Item 4 ± Item 5.

Report 4.4

REPORT FORM ON CHANGES IN ALLOWANCES FOR LOSSES

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No	Description	Amount
1.	Balance from Previous Report	
2.	Recoveries	
3.	Write-Offs	
4.	Current Provisions for Losses	
5.	Prior Period Adjustments	
6.	Ending Balance	

TEN LARGEST SOURCES OF FUNDING

This form provides information on the largest sources of funding to the bank.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 20 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies are translated to American dollars on the reporting date, according to the banks' Chart of Accounts.

The bank should include the ten largest sources of funds considering all deposits and borrowings.

List the depositors/lenders in descending order, from the largest depositor/lender. Classify the deposits and borrowings according to the three maturity categories: demand and up to one month borrowings, one to three months maturity, more than three months maturity, either in local currency (US\$) or in foreign currency. The total amount shall correspond to the total funds (deposits and borrowings) from a same source divided in to local and foreign currency.

REPORT FORM ON TEN LARGEST SOURCES OF FUNDING

Name of Bank:
 BPA Identification Number:
 Report for Quarter Ended:

US \$ 1,000

Depositors/Lenders Names	Demand & < 1 Month Maturity		1 To 3 Month Maturity		> 3 Months Maturity		TOTAL	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency	Local Currency	Foreign Currency
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
TOTAL								

CONSOLIDATED DEPOSIT AND LOANS

The report provides statistical information on deposits and loans.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 15 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

A. Demand deposits

Report the aggregate balance of demand deposits, the number of depositors and the amount of the highest deposit.

B. Saving Accounts

Report the aggregate balance of savings deposit accounts, the number of depositors and the amount of the highest deposit.

C. Term deposits

Report the aggregate balance of term or time deposits, the number of depositors and the amount of the highest deposit.

D. Loans

Report the number of outstanding contracts, the total amount of the portfolio, the average loan amount, highest loan amount and the lowest loan amount.

REPORT FORM ON CONSOLIDATED DEPOSIT AND LOANS

Name of Bank:

BPA Identification Number:

Report for Quarter Ended:

US \$ 1,000

No.	Description	Total Aggregate
1.	DEMAND DEPOSITS Aggregate balance Number of depositors Highest Deposits	
2.	SAVING ACCOUNTS Aggregate balance Number of accounts Highest Deposits	
3.	TERM DEPOSITS Aggregate balance Number of depositors Highest Deposits	
4.	LOANS Number of contracts Total amount of the portfolio Average loans Highest value Lowest value	

OFF-BALANCE SHEET ITEMS

This form provides information on the off-balance sheet items.

The report should be completed by banks and branches of foreign banks licensed to operate in Timor-Leste as at the end of March, June, September and December, unless the forms are completed on a more frequent basis as required by the BPA. Banks should submit the completed report to the Banking and Payment Authority of Timor-Leste within 15 business days of the end of the quarter.

Branches of foreign banks should report compiled data for the branch only.

This note should be read in conjunction with Instruction CPO/B-2002/01 of 25 November 2002, which defines a Chart of Accounts for banks.

Amounts are entered in multiples of one thousand American dollars. Balances denominated in foreign currencies are translated to American dollars on the reporting date, according to the Chart of Accounts.

Specific Instructions

1. Managed Funds for Depositors

Include the amount of private or public funds managed by the bank on behalf of depositors in accordance with specific management contracts.

2. Guarantees

This category covers undertakings to support the financial obligations of a client. The credit risk incurred in these transactions is regarded as equivalent to that of a direct claim on the client. Include indemnities or letter of comfort granted which have the effect of guaranteeing the financial obligations of clients. Include share of involvement in the provision of guarantee facilities through risk.

3. Letters of Credit

Also known as financial letters of credit. These instruments generally involve an irrevocable obligation to make a payment to a third party in the event that a customer fails to meet an outstanding financial obligation. Report the outstanding amount of any standby letters of credit issued, including share of involvement in any syndicated standby letters of credit

4. Documentary Letters of Credit/Agency-Type Business

Also known as trade letters of credit. This item comprises documentary letters of credit of terms up to 12 months which are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank. Include also obligations backing the performance of commercial contracts.

5. Paper Endorsement

Include paper and bill endorsements where the papers do not have prior endorsement, or the acceptance, of another bank.

6. FOREX (Forward) Contracts
Report the principal amount in US dollars equivalent of forward foreign exchange contracts.
7. Derivatives with less than one-year maturity
Include all contracts of derivatives (such as single currency and cross-currency interest rate swaps, basis swaps, hedge contracts, currency futures, currency options, and others) used in the banking book or in the trading book where the bank has purchased or sold protection with less than one-year.
8. Derivatives with more than one-year maturity
Include all contracts of derivatives (such as single currency and cross-currency interest rate swaps, basis swaps, hedge contracts, currency futures, currency options, and others) used in the banking book or in the trading book where the bank has purchased or sold protection with more than one-year maturity.
9. Repurchase Agreement
Include sales of loans, securities and other assets which carry a commitment to repurchase at some predetermined date.
10. Loan Commitments
Include standby lines of credit, amounts undrawn under overdraft facilities, credit lines and credit card facilities, commitments to provide lease facilities and undrawn amounts under bill acceptance, bill endorsement and bill discounting lines.
- 11 to 13. Other
Include all the bank's other contingent liabilities such as assets sold with recourse, written put options, underwriting facilities of debts or equity
14. Specific Provisions
Include any amount of specific provision created to compensate any loss or risk on off-balance sheet items.
15. Total
This item is the sum of items 1 to 13 less line 14.

REPORT FORM ON OFF-BALANCE SHEET ITEMS

Name of Bank:
 BPA Identification Number:
 Report for Quarter Ended:

US \$ 1,000

NO	DESCRIPTION	TOTAL AMOUNT
1.	Managed funds for depositors	
2.	Guarantees	
3.	Letters of Credit	
4.	Agency-type Business	
5.	Paper Endorsement	
6.	FOREX (Forward) Contracts	
7.	Derivatives with less than 1 year maturity	
8.	Derivatives with more than 1 year maturity	
9.	Repurchase agreements	
10.	Loan Commitments	
11.	Other 1 (Specify.....)	
12.	Other 2 (Specify.....)	
13.	Other 3 (Specify.....)	
14.	LESS: Specific Provisions	
15.	Total of Off-Balance	

INSTRUCTION № 02/2003
ON THE REPORT OF CONSOLIDATED FINANCIAL CONDITIONS

Section 1
Definitions

Wherever used in this Instruction:

- a). "Bank" means any institution licensed by the Banking and Payments Authority to operate in Timor-Leste pursuant to Regulation 2000/8.
- b). "Chart of Accounts" means the document established by Instruction BPA/B-2002/01 of 25 November 2002.

Section 2
Consolidated Financial Position for Banks in Timor-Leste

1. The annexed Consolidated Financial Position ("Call Report") is hereby established as the standard and uniform document to be used by each registered bank, including branches of foreign banks, licensed to operate in Timor-Leste, to report to the BPA information related to the bank's administration, operations, liquidity, profitability and solvency.
2. Branches of foreign banks are exempted from submitting some forms or are required to submit additional information according to the specific instructions that are attached to each form.
3. All reports shall be prepared and submitted in accordance with the International Accounting Standards, the Chart of Accounts for Banks and specific Instructions of BPA.
4. The guidelines attached to each form shall be considered part of this Instruction.

Section 3
Requirements

1. Banks shall submit the Consolidated Financial Position ("Call Report") to the BPA based on the position at the end of every quarter (March, June, September and December).
2. Banks shall report in compliance with this Instruction with effect from the reports for September 2003.

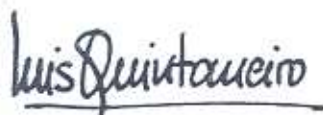


3. The due date for submission of the complete reports to the BPA is no later than the twentieth (20th) business day following the end of the quarter.
4. Banks continue to be obliged to report their monthly balance sheet and income statement according to the Chart of Accounts no later than the tenth (10th) day following the month being reported.
5. The reports on Liquidity, Regulatory Capital, Maturity Profile of Assets and Liabilities, Large Credit Exposures and Credit Exposure to Related Persons, Related Banks and Affiliates required monthly according to Instruction CPO/B-2000/8 of 26 December 2000 shall be waived should banks be required to submit the Consolidated Financial Position.

Section 4
Enter Into Force

This instruction shall enter into force from the date of its issuance.

Signed at Dili, this 18 July 2003



Luis Quintaneiro
Chairman