

INSTRUCTION BPA/B-2002/01
CHART OF ACCOUNTS FOR BANKS

I. AUTHORITY

The Banking and Payments Authority of East Timor, hereinafter referred to as “BPA”, pursuant to Sections 23.1 and 31.2 of Regulation No. 2000/8 of 25 February 2000, on Bank Licensing and Supervision, issue this Instruction, which applies to every bank and to all of their subsidiaries as well as to branches of foreign banks licensed to operate in East Timor.

The objective of the present Instruction is to establish a sound and consistent standard of accounting for banks permitting the effective surveillance of the banking system and the preparation of reliable monetary statistics for East Timor.

II. DEFINITIONS

Wherever used in this Instruction:

- (a) “Bank” means any institution licensed by the Banking and Payments Authority to operate in East Timor pursuant to Regulation 2000/8.
- (b) “Chart of Accounts” means the list of all the accounts of the bank, and their account numbers in the ledger, including assets, liabilities, capital, income and expenses as well as commitments and contingencies.

III. CHART OF ACCOUNTS FOR BANKS IN EAST TIMOR

- 1. The annexed chart of accounts is hereby established as the standard chart of accounts to be used by all banks, including branches of foreign banks, licensed to operate in East Timor.
- 2. Branches of foreign banks may keep their books according to the chart of accounts of their home countries; however, they shall report to the BPA in accordance with the standard chart of accounts established by this Instruction.

3. When branches of foreign banks keep the home country chart of accounts, they shall keep a manual setting out the translation from that chart to the standard chart of accounts established by this Instruction. Branches shall also keep subsidiary records with evidence of the origin of the reported amounts.

IV. REQUIREMENTS

1. Banks shall submit all balance sheets and statements of income required by the BPA according to the standard chart of accounts established by this Instruction.
2. Banks shall report in compliance with this Instruction starting with the balance sheet as at 31 December 2002.
3. The due dates for reporting are those established by Instruction BPA/B-2000/8 of 26 December 2000, on Bank Reporting and Publication.

V – EFFECTS OF PREVIOUS INSTRUCTION

The Instruction CPO-B-2001/10 of 22 November 2001 shall be superseded by the present Instruction.

25 November 2002

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General Manager**

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CHART OF ACCOUNTS FOR BANS

DEPARTMENT OF SUPERVISION

2002

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INTRODUCTION

Section 31 of Regulation UNTAET 2000/8 dated 25 February 2000 provides for the establishment of an accounting system appropriate to the nature and characteristic of banking businesses in the Republic Democratic of East Timor. Pursuant to this regulation, Central Payments Office, the predecessor institution to Banking and Payments authority of East Timor, approved the chart of accounts for banks vide Instruction CPO/B-2001/10 dated 22 November 2001.

The document has been revised to incorporate the general Principles and accounting policies to be adopted by banks, the description of each account and the guidelines on reporting to the public and to the Banking and Payments Authority.

CHAPTER I – GENERAL PRINCIPLES

1. Objectives

The objective of the norms in this Chart of Accounts are:

- (a) To enhance uniform practice and administrative procedures amongst banks with respect to recording and accounting for and transactions;
- (b) To rationalize the use of the accounts;
- (c) To establish rules, criteria and necessary procedures for obtaining and publishing data;
- (d) To promote better performance evaluation and the control by ensuring that the prepared financial statements express, with accuracy and clarity, the real economic and financial position of banks

The Chart of Accounts, its guidelines as well as the existence of account titles do not presuppose the permission for the practice of operations or services prohibited by law, regulation or administrative instruments, or dependent of previous authorization of the Banking and Payments Authority of East Timor.

2. Bookkeeping

- (a) The bookkeeping shall be complete, keeping permanent registries of all transaction; operations, acts and administrative facts that modify or can modify, immediately or not the net worth composition.

- (b) The simple registry of a transaction on the books doesn't constitute sufficiently supporting element, owing the bookkeeping to be based in legitimate and legal documents.
- (c) Banks shall in respect to the bookkeeping:
- i. Maintain at all times accounts and records in accordance with the international accounting standards;
 - ii. Observe the fundamental principles of accounting;
 - iii. Adopt uniform methods and criteria in 4e time, and important modifications should be presented in explanatory notes, quantifying the effects in the financial statements, when applicable;
 - vi. Register the incomes and expenses in the period that they arise and not in the date of the effective cash-in or payment, according to the competence regime;
 - v. Carry out, as a minimum, monthly appropriation of incomes -and expenses;
 - vi. Determine the result by the end of the financial year;
 - vii. Reconcile the accounts with the respective analytic controls and update them, keeping the documentation filed and available to this Authority.
- (d) The financial year shall be one calendar year, ending on December 31. Branches of foreign banks may keep the financial year of headquarters.

3. Structure of the Chart of Accounts

- (a) The structure of the Chart of Accounts is based on seven classes of accounts. The classification structure is hierarchical and uses a digit numerical code to identify individual accounts. The first digit of the code represents a class of asset, liability, capital and reserves, income or expenditure. The second digit of the code represents a group of accounts within each class. The third and following digits of the code represent the individual account and respective sub accounts within each group.

(b) The grouping of the accounts is reflected in the following classes:

1. -Assets
- 2 -Liabilities
- 3 -Capital Accounts
- 4 -Income Accounts
- 5 -Expenses Accounts
- 7 -Contingent Accounts
- 8 -Memoranda Items

(c) Each class in the chart of Accounts reflects the application of the following hierarchization criteria: nature of the patrimonial element, institutional sector, residence situation, maturity and other specific criteria.

(d) Banks are not allowed to offset assets and/or liabilities balances relative to the following accounts:

- Accounts of third persons
- Accounts of income or gains and of costs or losses of the classes 4 and 5
- Any internal accounts, except for the interdepartmental accounts.

(e) For effective accounting classification in accordance with the maturity of the operation, the following standards should be used:

- i. Very short term: operations of up to two days.
- ii. Short term: operations with more than two days up to one year
- iii. Medium and long term: operations with more than one year.

(f) By the end of the financial year banks shall classify assets and liabilities according to the maturity, segregating the Items into the short term, medium and long term.

(g) The creation of new accounts or the alteration of the structure presented in the Chart of Accounts is exclusively reserved for the Banking and Payments Authority of East Timor. However, at internal level, banks shall be free to develop sub-accounts, to satisfy the needs of statistical information and bank supervision.

CHAPTER II – DEFINITION AND CONCEPTS

1. Residents

Residents are defined as:

- (a) Any individual person living in the country for more than one year;
- (b) Any company or entity incorporated or publicly registered in East Timor, including state-owned entities endowed with administrative and financial autonomy;
- (c) The branches and agencies, in national territory, of non resident companies and entities, as well as any other form of representation in the East Timor territory;
- (d) The private companies or entities incorporated or registered in East Timor, even if their main activities are exercised abroad, concerning to the activities conducted in East Timor.

2. Financial institutions

Financial institutions are classified in bank and non-bank financial institutions.

- (a) *Bank* means a person engaged in the business of accepting deposits from the public in East-Timor and using such funds, either in whole or in part, to make extensions-of credit or investments for the account of and at the risk of the person carrying on the business.
- (b) *Non-bank financial institution* means a juridical person is not a bank and is engaged in one or more of the following activities: extending credit, underwriting, dealing in, booking, or distributing securities, acting as investment company, manager or investment advisor.

3. Public Sector

This sector includes all the institutional units whose main economic function consists of the production of non-marketable services destined to the satisfaction of citizens needs and/or operations of income of redistribution. Their resources come mainly from imposed and obligatory tax and social contributions other resident institution sectors. They embrace the central administration (State, autonomous services and autonomous funds), local administration and social security.

4. Public Enterprise Sector

It is constituted by economic unit's controlled or owned by the government and conducting business activities, which means that they usually produce or sell to the public goods and services at market prices, in wide scale.

CHAPTER III-SPECIFIC NORMS OF ACCOUNTING

1. Cash

- 1.1. Cash consists of currency notes and coins with legal course in East Timor or abroad.
- 1.2. Checks and other paper items registered as cash cannot compose the balance of the account by the end of the day. The account shall express the existing cash exclusively. The cash items not represented by domestic and foreign currencies shall be liquidated, daily, for reclassification to the account of ultimate disposition.
- 1.3. Any cash item or unposted debit representing a transaction done during the normal business hours or after business hours cannot be postdated and shall form an integral part of the movement of the day, for accounting effects.
- 1.4. Cash differences shall be posted as other assets/liabilities.
- 1.5. The institution shall carry out a cash count to verify cash balances at least for the monthly trial balance sheet and yearly financial statements.
- 1.6. Domestic currency shall be recognized at nominal value. Convertible foreign currency shall be recognized at the closing rate. Non-convertible foreign currency shall be recognized at historical rate or closing rate, whichever is lower.

2. Due from Banking and Payments Authority and due from Banks

- 2.1. The Cash Reserve Account shall represent the obligatory reserve requirement that the institution keeps with the Banking and Payments Authority pursuant to specific rules issued by the authority.
- 2.2. Any funds representing free reserves and deposited by the institution with the Banking and Payments Authority shall be registered as Current Account Other Specific transactions shall be registered as other and, if necessary, disclosed in explanatory notes.
- 2.3. The accounts including holdings with commercial banks and other deposit taking institutions can be established with institutions in East Timor or abroad.
- 2.4. Transactions recorded in those accounts can only be completed if in accordance with Regulation 2000/8 of 20 February 2000 and instructions issued by the Banking and Payments Authority.

3. Items in course of collection

- 3.1. Checks and other documents delivered to the clearing house or directed collections and settlement shall be registered in the pertinent sub-account of this title.
- 3.2. The maintenance of checks drawn against the own bank in this count is not admitted.

4. Securities

- 4.1. When securities are purchased, a bank should determine whether they are intended for trading, sale or investment. The recording of securities as investment shall be documented with management approval.
- 4.2. The purchase of securities shall be recorded on the trade date at cost, including transaction costs.
- 4.3. Securities for investment are held to maturity and carried at cost.
- 4.4. At least monthly, when preparing the interim financial statements, banks have to accrue the interest of securities in the portfolio at the closing date using the effective interest rate method and record the interest as income and receivable asset.
- 4.5 Any discount or premium paid on securities for investment be reflected at least monthly in the income statement as accretion of discount or amortization of premium according to the period from the purchase to the maturity of the securities.
- 4.6. Securities purchased for trading or sale shall be initially recorded at cost and the interest shall be accrued monthly using the effective interest rate method.
- 4.7. After initial recognition, securities for trading or sale shall be measured at the fair value, without any deduction for transaction costs. A recognized gain or loss from a change in the fair value shall be included in the income statement as gain on securities or loss on securities.
- 4.8. As a result of sales, banks shall recognize the gain or loss at the e date.
- 4.9. If banks, under unusual circumstances, transfer securities from the trading account to investment account or vice-versa, the securities shall be transferred a the fair value.

5. Investments in gold

- 5.1. Investments in gold shall be registered at the purchase cost, including the transaction costs; on the trade date.
- 5.2. At least monthly, the stock of gold shall be revalued at its fair value, determined in accordance with the quotation in the international market on the date of the valuation. The gain or loss arising from changes in the fair value of the holdings shall be included in Gain or Loss on Securities and recognized in the Profit and Loss Statement.
- 5.3. The results obtained by the sale or transfer of the gold, corresponding to the difference between the proceeds from the sale or transfer and the value of the asset as re-measured at the far value, shall be included in Gain or Loss on Securities.

6. Financial Options and Futures

- 6.1. Contracts of futures and options shall be classified in one of the following categories: trade or hedging. The positions are supposed to be for trade, unless recorded and clearly documented by the bank as a hedging transaction.
- 6.2. Transactions for hedging of trade positions or of assets available for sale are also classified as positions for trade.
- 6.3. Positions for trade in futures and options quoted in organized exchanges shall be recognized at the fair value. Profit and loss, realized or unrealized, shall be recorded as income or expenses.
- 6.4. Premium received for written options shall be recorded as liabilities at the fair value until the expiration date, the exercise of the option or the reversal of the position (asymmetrical position). Profit and loss, realized or unrealized, shall be recorded as income or expenses.
- 6.5. If the option is not exercised until the expiration date, the premium value of the option at the date shall be registered as a profit.
- 6.6. When the option is exercised, the asset is written-off and the premium value is added to the price of exercise to determine the profit or loss on the transaction.
- 6.7. Premium of purchased options shall be maintained as assets at the fair value until the expiration date, the exercise or the reversal of the position. Profit and loss, realized or unrealized, shall be recorded as income or expenses.
- 6.8. When the option is exercised, the asset is recorded and the premium is added to the purchasing cost.
- 6.9. If the option is not exercised until the expiration date, the premium value of the option shall be registered as a loss.
- 6.10. Contracts of futures and options shall be classified for hedging if satisfying the following conditions; (i) the hedged position is clearly identified and is a risk exposure, the bank can have a loss as a consequence of fluctuation or modification of the interest rate, exchange rate or market prices affecting assets, liabilities, off-balance sheet items and cash flow; (ii) internal documents and reports specify that the contracts are recorded for the hedging of the hedged position; (iii) adjustments on the price of the contracts are highly and inversely correlated to the price of the hedged position, in such way the risk of the loss on the hedged position has been reduced or eliminated.
- 6.11. If a contract of future *or* option doesn't fulfill the conditions or change to the conditions to be classified as a contract of hedge, the contract shall be reclassified as a contract for trade.
- 6.12. The results obtained with contract for hedge shall be posted following the same principle followed for the hedged position and shall be deferred up to the date the results of the hedged position are recorded.
- 6.13. Purchased over-the-counter options shall be registered at cost until the exercise or expiration date.

- 6.14. Over-the-counter options written (sold) shall be recognized according to a prudent system of revaluation of the contract and recorded as income or expense.
- 6.15. Banks shall record in off-balance sheet accounts the amount of future contracts purchased or sold and the classification as for trade or for hedge.

7. Swaps of interest rates.

- 7.1 An interest-rate swap, which is a contract to exchange interest payments of two different kinds, in the same currency, over a number of successive interest-contract periods, shall be classified for hedge or for trade.
- 7.2. The positions are supposed to be for trade, unless recorded and clearly documented by the bank as a hedging transactions.
- 7.3. The contracts for trade can be revalued following one of the following procedures: (i) the zero-coupon valuation method, when all coupons and the principal to be paid or received are valued individually by discounting at a zero-coupon rating for the corresponding maturity and the net value correspond to the swap's- value; (ii) the cost of replacement, consisting of a construction, at the date of the revaluation, of a hypothetical swap with the same characteristics and conditions, except the interest rates, which shall be the market rates.
- 7.4. The amount corresponding to the revaluation shall be recorded as income or expense at the date of the revaluation.
- 7.5. If the revaluation result that the bank is in the money”(an income), the bank shall consider the counterpart credit risk exposure and constitute, if necessary, the required allowed or provision.
- 7.6. The contracts of swaps shall be classified for hedging if they satisfy the following conditions: (i) the hedged position is clearly identified and is risk exposure, the bank can have a loss as a consequence of fluctuation or modification of the interest rate affecting assets, liabilities, off-balance sheet items and cash flow; (ii). internal documents and reports specify that the contracts are recorded for the hedging of the hedged position; (iii) adjustments on the price of the con 'tracts are highly and inversely correlated to the price of the hedged position, in such way the risk of the loss on the hedged position has been reduced or eliminated.
- 7.7. If a contract of swap doesn't fulfill the conditions or changes the conditions to be classified as a contract of hedge, the contract shall be reclassified as a contract for trade.
- 7.8. The results obtained with contracts for hedge shall be posted following the same principle followed for the hedged position and shall be deferred up to e date the results of the hedged position are recorded.
- 7.9. The revaluation *of* futures, options and swaps shall be done at least monthly, being recommended the daily revaluation.

8. Repurchase Agreements

- 8.1. The sale of repurchase agreement is considered a loan from a bank to the selling bank for a short period of time, normally one day. Consequently, the securities negotiated are in fact being used as a collateral and not as an effective transfer.
- 8.2. Repurchase agreements (repos) are registered as liabilities into the account "2.3. Securities sold under repo agreement".
- 8.3. The securities sold under repurchase agreements are transferred into the specific sub-account of account "1.2 Investments" or 1.3 Securities to resale".
- 8.4. The reverse repurchase agreement shall be registered by the buying bank as "Due from banks" and the securities bought under the agreement are not registered as assets. Transactions and balances cannot be offset.
- 8.5. Banks shall keep subsidiary records to control reserve funds sold, reserve funds purchased, securities purchased under reverse repo agreement and securities sold under repo agreements.
- 8.6. Transactions shall be recorded at the trade date and income or expenses shall be appropriated for the period in which they arise.

CHAPTER IV – ACCOUNTING FOR LENDING ACTIVITIES

1. General

1.1. The lending activities of a bank can be classified in different ways. Generally it can be classified according to the following modalities:

- a) *Time and demand loans* -made to a variety of borrowers, including individuals, industries, commerce, farmers, containing a provision for maturity, may e secured by a collateral and guaranteed or endorsed by third parties;
- b) *Real estate mortgage loans* - loans to commercial or residential proprietors, or to finance construction, usually secured by the first mortgage on the property;
- c) *Discounted notes and other commercial effects* - operations or discount of notes or other commercial effects with a discount corresponding to the prepayment of interests;
- d) *Retail credit and other consumer loans* – operations specifically destined to finance personal purchases of specified goods and services or credit card expenses;
- e) *Lease financing* - operations where the bank becomes the owner and lessor or personal property at customers' specific request and for the use of those customers, normally paid by installments and containing an option for purchasing by the lessee at the expiration of the contract.

1.2. The bank shall use sub-accounts of internal use to segregate the lending operations according to the predominant activity of the borrower, as specified by the Banking and Payments Authority, to allow the completion of the required statistics.

1.3. The credit balances in the account "loans, advances and discounts" shall be classified, daily, for the global value, in accounts of resident deposits, or non-resident deposits, according to the case.

1.4. Discounted checks and other credit documents on foreign banks in favor of customers shall be classified under the account "Loans, Advances and Discounts" until the collection through correspondent banks.

2 . Account for lending

2.1. The bank shall record on the appropriate sub-account of "Loans, Advances and Discounts" the lending transactions by the value of the capital of the granted credit.

- 2.2. Interest income on loans shall be accrued daily or monthly as "1.5.1 -Account Receivable - Interest Accrued" and credited to operating income based on the outstanding principal amount of the loans.
- 2.3. Upon liquidation of the credit or accrued interest, the bank shall credit the respective accounts of "Loans, Advances and Discounts" and "1.5.1 -Account Receivable -Interest Accrued".
- 2.4. In the case of past due loans, the bank shall transfer those capital items from" the Standard loans to the account "1.4.2. Past Due Loans" and the interest accrued to the specific sub-account of interest accrued on non-performing loans.
- 2.5. The interest of discounted loans, which is included in the face amount of the loans, shall be recognized as income over the life of the loans, using the effective interest rate method. The loan is registered for the full amount in the account "Loans, Advances and Discounts" and the amount of interest is registered at "2.6.9 -Unearned Interest". The bank shall, on monthly basis record the interest in the income account "4.1 Interest income" corresponding the record to the account "2.6.9 -Unearned Interest".
- 2.6. Overdraft in any deposit account provided by the bank without a loan contract shall also be classified as loans and recorded daily for the global value, in accounts of resident loans, or non-resident loans, as appropriate.
- 2.7. Any non-refundable fee charged by banks in relation to a loan or commitment to provide a loan shall be considered adjustment of the loan interest yield and recognized as income over the expected life of the loan according to the outstanding balance.

3. Past Due Loans

- 3.1. The account "1.4.2 Past Due Loans" shall register all credits classified as substandard, doubtful or loss", according to the criteria specified by instruction of the Banking and Payments Authority representing the principal amount The accrued interest related to the loans transferred to this account shall be posted to specific sub-account "1.5.1.3 .2, Accounts Receivable: Interest Accrued on non-performing loans".
- 3.2. The principal of a credit not liquidated until 30 days after the maturity date shall also be "transferred to the account "1.4.2 Past Due Loans" irrespective of its classification.
- 3.3. Equal treatment shall be given to the installments of principal contractually established for future periods but that can be considered past due, for reasons of the non execution of one of the installments, either of the principal or interest, or when the possibility of collection of those installments is doubtful." "
- 3.4. Advance in deposit accounts (overdraft), not covered by a loan contract, is considered past due if not recovered within 30 days and the period of 30 days starts from the date of the initial advance or supply of resources.
- 3.5. The bank shall keep subsidiary report on the credits listed as substandard," doubtful, loss, due over 30 days and overdraft over 30 days.

- 3.6. Banks shall review all credits and all relevant information available for purpose of classification on at least a quarterly basis.
- 3.7. An impaired and/or adversely classified loan or contract shall only be restored to unimpaired status when the contractual amount of principal and interest is deemed to be fully collectible in accordance with the terms of the contract. Specifically, the bank has received repayment of the past due principal and interest and expects repayment of the remaining contractual obligations as scheduled in the contract; the obligor has resumed paying the full amount of the scheduled contractual principal and interest payments for at least six months and all remaining contractual payments are deemed to be collectible in a timely manner or the asset otherwise becomes well-secured and is in the process of collection.
- 3.8. The accrued interest that is past due for more than 30 days shall also be re-classified to the account "1.4.2 Interest Accrued Non-Performing Loans.
- 3.9. Contracts which are impaired and/or adversely classified or contracts with payments which are contractually 90 days or more in arrears shall be placed on non-accrual basis.
- 3.10. For non-accrual contract acts, the bank shall cease to recognize its interest income interest except when it is realized in cash or cash equivalent.
- 3.11. When a contract is placed on non-accrual status, uncollected interest that had been accrued shall be revised.
- 3.12. The reversal of accrued interest shall be registered as a debt in the account "4.1 Interest Income", if the interest refers to the financial year; otherwise, the regularization is done as an expense in the account "5.4.2 Adjustment for Prior Periods".

4. Provisions and allowance for loan loss

- 4.1. Banks shall provide for bad and doubtful loans by debiting account "5.3.8 Operating Expense -Provisions", in the specific sub-account and by crediting the appropriate provision accounts, according to their nature: "1.4.3 Provision for Loan Losses" and "3.1 -Capital Accounts - Provisioning for Loans".
- 4.2. Potential loan loss will be recognized by debiting the appropriate provision account and crediting a corresponding account linked to the risk situation.
- 4.3. To revert or annul constituted provisions, the bank shall reverse the account record if it was done in the same financial year. If it refers to prior financial year, an adjustment shall be done as income in the account "4.3.2 Adjustment for prior period",
- 4.4. The provisions for past due loans shall be determined according to the credit classification and by applying the percentages established by the Banking and Payments Authority.
- 4.5. The institution shall create provision for general risks of credits corresponding to 2% of the granted credit classified as standard plus 5% of the granted credit classified under supervision.
- 4.6. Loans shall be written off when they are deemed uncollectible. The amount shall be charged first on debt of the constituted allowances and, if the constituted provision is not sufficient, any difference shall be charged as loss.

CHAPTER V – ACCOUNTING FOR FOREIGN EXCHANGE TRANSACTIONS

1. Foreign exchange transaction is a transaction which is denominated or requires settlement in a foreign currency. Foreign exchange transactions include:
 - a. Borrowing or lending when the amounts payable or receivable are denominated in an foreign currency;
 - b. Acquiring or disposing assets, or incurring or settling liabilities denominated in an foreign currency; and
 - c. Dealing in foreign exchange spot or future contracts.
2. Foreign exchange transactions are recorded at the rate at which I they are transacted and posted on the dealing date. On the value date, entries must be posted.
3. Banks shall use the multi-currency system of accounting for the record of foreign exchange operations. Assets and liabilities denominated in different foreign currency are recorded in separate ledgers. Ledgers are maintained for each foreign currency. Individual foreign currency balances shall be obtained, translated and consolidated to prepare financial statements in the domestic currency. For transactions denominated in one foreign currency, double entries shall be made within that currency ledger. For transactions involving two foreign currencies, a "position account" is used as a balancing account within each currency ledger to permit the double entry.
4. The position account shall serve as a control for the posting of entries and shall provide the net position in each foreign currency. A credit balance in a "position account" indicates net assets in the currency involved, whereas a debit balance indicates net liabilities. Foreign currency ledgers and the domestic currency general ledger shall be fully integrated and all entries shall be handled simultaneously.
5. Banks shall revalue the positions in foreign currency daily, weekly or monthly at mid-spot market rate at the closing of the revaluation date.
6. Assets and liabilities which do not affect the foreign currency positions shall be translated to the domestic currency using the same closing rate for revaluation.
7. Banks can provide for foreign exchange risks if:
 - a) The risk is not reflected in the value of the .foreign currency position;
 - b) The position is not protected by hedge transactions;
 - c) It is probable that future events will confirm that an asset has been impaired or a liability incurred; .
 - d) A reasonable estimate of the amount of loss can be made.

8. Foreign exchange gains or losses arising on the settlement of foreign exchange b contracts shall be recognized as income or expenses in the period in which they arise.
9. The cost of position in foreign currency shall be determined using the weighted average method of inventory valuation
10. Accounting entries to reflect the valuation adjustment of the foreign currency positions shall be also registered as gain or loss but registered in a different sub-account for internal control of the unrealized gains.
11. The revaluation of foreign exchange positions requires the revaluation of:
 - (a) Spot position;
 - (b) Amortization of premium/discounts related to currency actions;
 - (c) Revaluation of "forward" contracts.
12. The spot position in a currency is the net balance of:
 - (a) Assets and liabilities on that currency;
 - (b) Spot transactions to be settled;
 - (c) "Forward" transactions to be settled in the two subsequent business days.
13. The net balance of the revaluation of the spot position is registered in the gain or loss.
14. Forward position is the balance of all forward contracts to be settled, except those to be settled on the two subsequent days.
15. Foreign currency swap position is composed of transactions done intended to fix an exchange rate. The spot and forward transactions that compose the transaction are not considered in the spot position or in the forward position. The premium or discount shall be amortized during the period of the transaction. They are first registered as "1.9 Prepaid expenses" or "2.6.9 Unearned interest" and appropriated to "4.1. Other interest income" or "5.1.5 Other interest expenses". Similar treatment shall be done to the forward contracts when the bank has done identified accounting registries to cover the contract and the amounts are equivalent.
16. Forward contracts shall be recorded at the market exchange rate for the remaining period or, if the market rate does not exist, based on the rate applicable to each contract. Differences shall be registered as gain or loss.
17. Monthly the assets and liabilities denominated in foreign currency shall be converted to the domestic currency based on the indicative exchange rate publicized y the BP A. The conversion will modify the foreign exchange position in each currency against the position in domestic currency. '
18. The accounting of options, futures and "currency' swaps, defined as the agreement to exchange one type of interest and principal in one currency for other type of interest and principal in another currency, shall follow the procedures established in Chapter III, Sections 6 and 7.

CHAPTER VI – ACCOUNTING FOR FOREIGN EXCHANGE TRANSACTIONS

A -Balance Sheet Accounts

Summary of classes

1. Assets
2. Liabilities
3. Capital and Reserves

Class 1- Assets

Groups

1.1 Liquid Funds

Includes all holdings of domestic and foreign currency, deposits with central bank, commercial bank and other deposit taking institutions as well as items in course of collection.

Sub-accounts are used to identify assets denominated in domestic and foreign currency. Placements with other banks are segregated in head office (parent bank), local banks and other overseas banks.

1.2 Investments

Includes holdings of securities for investment, which means securities that the bank intends to hold to maturity at the "trade date. Securities are classified in accounts representing domestic and foreign currencies and in sub accounts for public sector and other securities.

Securities sold under repurchase agreements shall be "transferred to the specific sub accounts.

1.3 Securities Purchased/for resale .

Securities purchased for a short time or with a view to resale shall be classified under this group. Securities sold under repurchase agreements shall be transferred to the specific sub accounts.

1.4 Loans, Advances and Discounts

Includes all credit transactions as loans, advances and discounts to resident and non residents, government, banks, enterprises and other economic agents. The main accounts are "standard loans", which registers the current and unimpaired credit transactions, and "past due loans" to record the classified credit transactions. Sub-accounts were created for residents and non-residents and for sectors (government, financial institutions, business enterprises and others).

Overdraft on deposit accounts shall be classified under this group at least on the date of either interim or final balance sheet. Subsidiary records shall evidence daily the overdraft on deposit accounts. Overdraft not covered in 30 days shall be classified as loan loss and fully provisioned. The account "provision for loan losses" records the provision created for classified loans registered in "past due loans".

1.5 Accounts Receivable

Includes accrued interest from assets and earned commissions to be settled, as well as any other receivable.

1.6 Fixed Assets

Includes all tangible assets (such as buildings, equipment, machinery, etc.) to be or being used during more than one financial year in the supply of services or for administrative purposes. Non-physical assets to be used during more than one year are also registered under this group. Permanent Investments, represented by participation in other companies or financial institutions and authorized by the BPA, are also registered under this group.

1.9. Other Assets

Includes all other assets not included other groups, for example, miscellaneous small value items and prepaid expenses.

Class 2 - Liabilities

Groups

2.1 Due to Central Bank

Includes all liabilities to the Central Bank, except responsibilities for securities sold under repurchase agreements.

2.2 Due to Commercial Banks

Includes all liabilities denominated in domestic and foreign currencies. Accounts are used to identify local or foreign banks and parent banks, for branches or subsidiaries, and sub accounts identify domestic and foreign currencies, deposits, loans and other transactions, except responsibilities for securities sold under repurchase agreements.

2.3 Securities Sold Under Repurchases agreements

Includes responsibilities to central bank and other counter-parties for funds obtained through the selling of securities under repurchase agreements. ':

2.4 Deposits

Includes all deposits from residents and non-residents, as demand deposits, time deposits and other deposits. Sub accounts are used to identify the counter parties (government, financial institutions, business enterprises and others) and the currency (domestic or foreign).

2.6 Other Sundry Current Liabilities

Includes accounts for settlement of transactions, liability provisions, accounts payable and accrual accounts.

2.8 Other Liabilities

Includes all other liabilities. Sub accounts can be created in the books to identify particular types of liabilities.

Classe 3 – Capital Accounts

Group

3.1 Provisioning

That account includes the provisions constituted by the bank for general risks on loans, securities, exchange rates and other risks, when a specific provision is not required as reduction of the assets.

3.2 Capita/Paid Up and Assigned

That account is representative of the capital of the institution or, in the case of foreign banks, the capital allocated to branch in East Timor. The value of the capital is defined in the charter of the bank. The capital is recorded according to the type of shares in which it is represented.

3.3 Share Premium

That account records the premium paid to the company by shareholders when subscribing new shares of the bank.

3.4 Reserves

That account includes reserves constituted from the profits, revaluation reserves and capital reserves.

Statutory reserves are normally constituted from the profits generated by the bank, as the legal reserve and reserves for specific reasons, as expansion or contingencies.

Revaluation reserves correspond to the increase of the value attributed to the fixed assets in use for the bank operations, being the revalued amount the fair value of the assets at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Capital reserves are represented by gains of capital not related to the operations of the bank as received grants, tax subsidies or subventions, gains on the re-selling of its own shares kept in treasury among others.

3.5 Retained Earnings

Holds the portion of earnings referring to previous financial years kept with the bank without a specific allocation according to the decision of the shareholders.

3.6 Unappropriated Profits/Losses

That account registers the profits or losses of the previous financial year until the shareholders have decided the destination of the earnings. It also registers the results of the current financial year when the bank prepares the monthly interim balance sheet.

B. INCOME STATEMENT

Summary of Classes

- 4 -Income Accounts
- 5 -Expense Accounts

Class 4 Income Statement

Groups

4.1-Interest Income

Includes all the interest accrued on due from banks, repurchase agreements, securities, loans and other assets as well as fees on loans, advances and discounts with an interest character and calculated either in relation to the maturity or amount of the credit or commitment; income corresponding to the amortization of the premium on the assets purchased below the pair value and on the liabilities placed above of the pair value, except the issuance premium; and the income on forward contracts with interest character.

4.2- Non-Interest Income

Includes the income for gains on sale of securities, on securities held for investment, on foreign currency transactions, commissions or fees for services rendered to customers and third parties and other operational income with a non-interest character. All the income related to the foreign currency shall be registered in "4.2.4 Foreign Exchange Gains" unless the income has an interest character. However, bank shall keep sub accounts to control the gains on foreign currency transactions from the gains occurred by favorable revaluation of the foreign currency positions.

4.3 -Extraordinary Income

The account "4.3 Extraordinary Account" includes the gains obtained with the disposal of fixed assets, adjustments referring to prior periods and other extraordinary income generated by the bank. Such income shall be disclosed in explanatory notes when material or significant

Class 5 Expense Accounts

Groups

5.1. Interest Expense

That group includes all interest accrued on liabilities to remunerate third parties funds including fees or commissions with interest character and calculated either in relation to the maturity or the amount of the credit or commitment; amortization costs of assets purchased above the reimbursement value and costs with an interest character on forward contracts.

The records shall be made with the accounts corresponding to due to banks, individual or legal entities deposits, reverse repurchase agreements and other borrowings, in sub accounts corresponding to the liabilities accounts.

5.2 Non-Interest Expense

The account records fees, commissions and other costs paid by the bank for financial services that don't have an interest character, losses on transactions with securities, losses on investment securities, and losses on foreign exchange transactions. Unfavorable revaluation of foreign exchange position shall be registered in the account "5.2.3 Foreign Exchange Losses" in a sub account of internal control to distinguish from the loss in transactions.

5.3 Operating Expenses

Under this group the bank will register the cost of its operations including salaries and employee benefits, administrative expenses, advertising and public relations, professional fees, rents paid, expenses with premises and other fixed assets, insurance, depreciation and amortization of assets, provision for loan losses and other operational costs.

The services of repair, conservation and maintenance are registered as operational expenses, unless the services enlarge the period of life and use of the good, when the expenses shall be incorporated to the cost of the fixed assets.

5.4 Extraordinary Expense

The account "5.4.3 Extraordinary Expense" includes the losses obtained with the disposal of fixed assets, adjustments referring to prior periods and other extraordinary expenses generated by the bank. Such income shall be disclosed in explanatory notes when material or significant.

C -OFF-BALANCE SHEET ACCOUNTS

Summary of Classes

- 7 -Contingent Accounts
- 8 -Memoranda Items

Class 7 Contigent Accounts

1. Accounts of these classes record the contingent liabilities or commitments assumed by the institution or third parties and that are not recorded as liabilities, namely: the responsibilities for guarantees and letter of credit financial commitments related to granting of loans or irrevocable granted and undisbursed; current commitments related to forward, future and option contracts of exchange rate and interest rate or quotations; the purchase or sale of assets with option pr agreement to revert the position; collateral received or assets assigned as collateral; obligations related with the bank services, as administration of funds or trusts, custodian of values, collection of values, etc.

2. Sub accounts of internal use can be created to supply complementary information required for publication or considered relevant for the administration of the institution.

3. The account "7.1 Acceptances, guarantees and letters of credit records the contingent liabilities assumed by the institutions with acceptances, guarantees and issued letters of credit. Other confirmed credit papers shall be registered on the account "7.2 Other confirmed credit paper".

4. The account "7.3 Unused Lines of Credit" represents the values of granted lines of credit that are not being used on the date. Granted loans that will require the disbursement of funds in the future shall be registered on the account "7.4 Undisbursed Loan Funds" for the amount of the loans to be disbursed.

5. The account "7.5 Commitments" registers the commitments assumed by the bank to grant loans, buy or sell securities, and lease.

6. The account "7. Pending litigation" holds the amounts that the bank is being demanded by employees, government, customers, suppliers or any other third party while the account "7.7 Assets sold with recourse" registers the value of assets sold by the banks with the option of recourse conceded to the purchaser.

Classe 8 Memorandum Items

Accounts under that class are included to supply complementary information that is demanded for publication or considered relevant for the administration of the institution as the classification of past due loans, assets charged off; bad loans recovered, credit facilities, assets held in trust, funding to related persons, among other items.

CHAPTER VII – CATALOG OF ACCOUNTS

| LEVEL CODE | DESCRIPTION [ITEMS] |
|-------------|---------------------------------------------------|
| 1 | ASSETS |
| 1.1 | LIQUID FUNDS |
| 1.1.1 | Notes and Coins |
| 1.1.1.1 | Domestic Currency |
| 1.1.1.2 | Foreign Currency |
| 1.1.2 | Due from Central Bank |
| 1.1.2.1 | Current Account |
| 1.1.2.2 | Cash Reserve Account |
| 1.1.2.3 | Other |
| 1.1.3 | Items in Course of Collection |
| 1.1.3.1 | From Central Bank |
| 1.1.3.2 | From Other Banks |
| 1.1.3.2.1 | Domestic Currency |
| 1.1.3.2.2 | Foreign Currency |
| 1.1.4 | Due from Commercial Banks |
| 1.1.4.1 | Domestic Currency |
| 1.1.4.1.1 | Loans at Call |
| 1.1.4.1.1.1 | Head Office / Parent |
| 1.1.4.1.1.2 | Local Banks |
| 1.1.4.1.1.3 | Overseas |
| 1.1.4.1.2 | Call Deposits |
| 1.1.4.1.2.1 | Head Office |
| 1.1.4.1.2.2 | Local Banks |
| 1.1.4.1.2.3 | Overseas |
| 1.1.4.1.3 | Others |
| 1.1.4.1.3.1 | Head Office |
| 1.1.4.1.3.2 | Local Banks |
| 1.1.4.1.3.3 | Overseas |
| 1.1.4.2 | Foreign Currency |
| 1.1.4.2.1 | Local Banks |
| 1.1.4.2.2 | Head Office/Parent Co. (abroad) |
| 1.1.4.2.3 | Other Overseas Banks |
| 1.1.5 | Due from Other Deposit Taking Institutions |
| 1.1.5.1 | Domestic Currency |
| 1.1.5.1.1 | Call Funds |
| 1.1.5.1.2 | Time Funds |
| 1.1.5.2 | Foreign Currency |
| 1.1.5.2.1 | Local Institutions |
| 1.1.5.2.2 | Overseas Institutions |
| 1.1.6 | Gold |
| 1.2 | INVESTMENTS |
| 1.2.1 | Domestic Currency Investments |
| 1.2.1.1 | Public Sector Securities |
| 1.2.1.1.1 | Local |
| 1.2.1.1.1.1 | Securities |

| | |
|-------------|---------------------------------------------------|
| 1.2.1.1.1.2 | Securities Sold under REPO Agreement |
| 1.2.1.1.2 | Foreign |
| 1.2.1.1.2.1 | Securities |
| 1.2.1.1.2.2 | Securities Sold under REPO Agreement |
| 1.2.1.2 | Other Local Securities |
| 1.2.1.2.1 | Local |
| 1.2.1.2.1.1 | Securities |
| 1.2.1.2.1.2 | Securities Sold under REPO Agreement |
| 1.2.1.2.2 | Foreign |
| 1.2.1.2.2.1 | Securities |
| 1.2.1.2.2.2 | Securities Sold under REPO Agreement |
| 1.2.2 | Foreign Currency Investments |
| 1.2.2.1 | Government Foreign Currency Securities |
| 1.2.2.2 | Foreign Government Securities |
| 1.2.2.3 | Other Foreign Currency Securities |
| 1.2.3 | Provision for Investment Losses |
| 1.3 | SECURITIES PURCHASED WITH A VIEW TO RESALE |
| 1.3.1 | From Central Bank |
| 1.3.2 | Local |
| 1.3.2.1 | Securities |
| 1.3.2.2 | Securities Sold under REPO Agreement |
| 1.3.3 | Foreign |
| 1.3.3.1 | Securities |
| 1.3.3.2 | Securities Sold under REPO Agreement |
| 1.4 | LOANS, ADVANCES & DISCOUNTS |
| 1.4.1 | Standard Loans |
| 1.4.1.1 | Resident |
| 1.4.1.1.1 | Government |
| 1.4.1.1.1.1 | National |
| 1.4.1.1.1.2 | Local |
| 1.4.1.1.1.3 | Pension Funds |
| 1.4.1.1.2 | Financial Institutions |
| 1.4.1.1.2.1 | Banks |
| 1.4.1.1.2.2 | Others |
| 1.4.1.1.3 | Business Enterprises |
| 1.4.1.1.4 | Others |
| 1.4.1.2 | Non-Resident |
| 1.4.1.2.1 | Financial Institutions |
| 1.4.1.2.2 | Business Enterprises |
| 1.4.1.2.3 | Others |
| 1.4.2 | Past Due Loans |
| 1.4.2.1 | Resident |
| 1.4.2.1.1 | Government |
| 1.4.2.1.1.1 | National |
| 1.4.2.1.1.2 | Local |
| 1.4.2.1.1.3 | Pension Funds |
| 1.4.2.1.2 | Financial Institutions |
| 1.4.2.1.2.1 | Banks |
| 1.4.2.1.2.2 | Others |
| 1.4.2.1.3 | Business Enterprises |
| 1.4.2.1.4 | Others |

| | |
|-----------|-----------------------------------------------|
| 1.4.2.2 | Non-Resident |
| 1.4.2.2.1 | Financial Institutions |
| 1.4.2.2.2 | Business Enterprises |
| 1.4.2.2.3 | Others |
| 1.4.3 | Provision for Loan Losses |
| 1.4.3.1 | Resident |
| 1.4.3.1.1 | Government |
| 1.4.3.1.2 | Financial Institutions |
| 1.4.3.1.3 | Business Enterprises |
| 1.4.3.1.4 | Others |
| 1.4.3.2 | Non-Resident |
| 1.4.3.2.1 | Financial Institutions |
| 1.4.3.2.2 | Business Enterprises |
| 1.4.3.2.3 | Others |
| 1.5 | ACCOUNTS RECEIVABLE |
| 1.5.1 | Interest Accrued |
| 1.5.1.1 | Due from Banks & Other Financial Institutions |
| 1.5.1.2 | Investments |
| 1.5.1.3 | Loans |
| 1.5.1.3.1 | Performing Loans |
| 1.5.1.3.2 | Non-Performing Loans |
| 1.5.2 | Commissions |
| 1.5.3 | Other Receivables |
| 1.5.4 | Provision for Losses on Receivables |
| 1.6 | FIXED ASSETS |
| 1.6.1 | Permanent Investments |
| 1.6.2 | Premises |
| 1.6.2.1 | Offices |
| 1.6.2.1.1 | Land |
| 1.6.2.1.2 | Buildings |
| 1.6.2.2 | Offices under Construction |
| 1.6.2.3 | Leasehold Improvement |
| 1.6.3 | Furniture and Fixture |
| 1.6.4 | Machinery and Equipment |
| 1.6.5 | Vehicles |
| 1.6.6 | Non Physical Assets |
| 1.6.9 | Reserve for Depreciation |
| 1.9 | OTHER ASSETS |
| 1.9.1 | Prepaid Expenses |
| 1.9.2 | Inter Branch Transactions (NET) |
| 1.9.2.1 | Domestic Currency |
| 1.9.2.2 | Foreign Currency |
| 1.9.3 | Office Accounts |
| 1.9.4 | Assets Held in Respect of Debt Satisfaction |
| 1.9.5 | Items in Suspense |
| 1.9.6 | Miscellaneous Assets |
| 2 | LIABILITIES |
| 2.1 | Due to Central Bank |
| 2.1.1 | Loans and Advances |
| 2.1.2 | Discounts |
| 2.1.3 | Other |

| | |
|-----------|---------------------------------------------|
| 2.2 | Due to Commercial Banks |
| 2.2.1 | Local Banks |
| 2.2.1.1 | Domestic Currency |
| 2.2.1.1.1 | Loans at Calls |
| 2.2.1.1.2 | Call Deposits |
| 2.2.1.1.3 | Others |
| 2.2.1.2 | Foreign Currency |
| 2.2.1.2.1 | Loans at Calls |
| 2.2.1.2.2 | Call Deposits |
| 2.2.1.2.3 | Others |
| 2.2.2 | Foreign Banks |
| 2.2.2.1 | Domestic Currency |
| 2.2.2.1.1 | Loans at Calls |
| 2.2.2.1.2 | Call Deposits |
| 2.2.2.1.3 | Others |
| 2.2.2.2 | Foreign Currency |
| 2.2.2.2.1 | Loans at Calls |
| 2.2.2.2.2 | Call Deposits |
| 2.2.2.2.3 | Others |
| 2.2.3 | Head Office / Parent Bank |
| 2.2.3.1 | Domestic Currency |
| 2.2.3.2 | Foreign Currency |
| 2.3 | Securities Sold Under REPO Agreement |
| 2.3.1 | To Central Bank |
| 2.3.1.1 | Normally Eligible as Liquid Assets |
| 2.3.1.2 | Other |
| 2.3.2 | To Other Counter-Parties |
| 2.3.2.1 | Normally Eligible as Liquid Assets |
| 2.3.2.2 | Other |
| 2.4 | Deposits |
| 2.4.1 | Resident Domestic Currency |
| 2.4.1.1 | Demand Deposits |
| 2.4.1.1.1 | Financial Institutions |
| 2.4.1.1.2 | Government |
| 2.4.1.1.3 | Business Enterprises |
| 2.4.1.1.4 | Others |
| 2.4.1.2 | Time Deposits |
| 2.4.1.2.1 | Financial Institutions |
| 2.4.1.2.2 | Government |
| 2.4.1.2.3 | Business Enterprises |
| 2.4.1.2.4 | Others |
| 2.4.1.3 | Others |
| 2.4.1.3.1 | Financial Institutions |
| 2.4.1.3.2 | Government |
| 2.4.1.3.3 | Business Enterprises |
| 2.4.1.3.4 | Others |
| 2.4.2 | Non-Resident Domestic Currency |
| 2.4.2.1 | Demand Deposits |
| 2.4.2.1.1 | Financial Institutions |
| 2.4.2.1.2 | Government |
| 2.4.2.1.3 | Business Enterprises |
| 2.4.2.1.4 | Others |

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|-----------|-----------------------------------------|
| 2.4.2.2 | Time Deposits |
| 2.4.2.2.1 | Financial Institutions |
| 2.4.2.2.2 | Government |
| 2.4.2.2.3 | Business Enterprises |
| 2.4.2.2.4 | Others |
| 2.4.2.3 | Others |
| 2.4.2.3.1 | Financial Institutions |
| 2.4.2.3.2 | Government |
| 2.4.2.3.3 | Business Enterprises |
| 2.4.2.3.4 | Others |
| 2.4.3 | Resident Foreign Currency |
| 2.4.3.1 | Demand Deposits |
| 2.4.3.1.1 | Financial Institutions |
| 2.4.3.1.2 | Government |
| 2.4.3.1.3 | Business Enterprises |
| 2.4.3.1.4 | Others |
| 2.4.3.2 | Time Deposits |
| 2.4.3.2.1 | Financial Institutions |
| 2.4.3.2.2 | Government |
| 2.4.3.2.3 | Business Enterprises |
| 2.4.3.2.4 | Others |
| 2.4.3.3 | Others |
| 2.4.3.3.1 | Financial Institutions |
| 2.4.3.3.2 | Government |
| 2.4.3.3.3 | Business Enterprises |
| 2.4.3.3.4 | Others |
| 2.4.4 | Non-Resident Foreign Currency |
| 2.4.4.1 | Demand Deposits |
| 2.4.4.1.1 | Financial Institutions |
| 2.4.4.1.2 | Government |
| 2.4.4.1.3 | Business Enterprises |
| 2.4.4.1.4 | Others |
| 2.4.4.2 | Time Deposits |
| 2.4.4.2.1 | Financial Institutions |
| 2.4.4.2.2 | Government |
| 2.4.4.2.3 | Business Enterprises |
| 2.4.4.2.4 | Others |
| 2.4.4.3 | Others |
| 2.4.4.3.1 | Financial Institutions |
| 2.4.4.3.2 | Government |
| 2.4.4.3.3 | Business Enterprises |
| 2.4.4.3.4 | Others |
| 2.6 | Other Sundry Current Liabilities |
| 2.6.1 | Cheques & Other Items in Course of PMT |
| 2.6.1.1 | Domestic Currency |
| 2.6.1.2 | Foreign Currency |
| 2.6.2 | Staff Expenses |
| 2.6.3 | Provision for Taxation |
| 2.6.3.1 | Income Tax |
| 2.6.3.2 | Other Taxes |
| 2.6.4 | Accounts Payable |
| 2.6.4.1 | Transfer to be paid |

| | |
|-----------|--------------------------------------------|
| 2.6.4.2 | Collected Tax |
| 2.6.4.3 | Collected Bills |
| 2.6.5 | Interest Accrued |
| 2.6.5.1 | On Deposits & Other Prescribed Liabilities |
| 2.6.5.1.1 | Domestic Currency |
| 2.6.5.1.2 | Foreign Currency |
| 2.6.5.2 | Other |
| 2.6.6 | Items in Suspense |
| 2.6.7 | Dividends Payable |
| 2.6.8 | Restricted Deposits |
| 2.6.8.1 | Resident |
| 2.6.8.2 | Non-Resident |
| 2.6.9 | Unearned Interest |
| 2.6.10 | Sundry Liabilities |
| 2.8 | Other Liabilities |
| 2.8.1 | Inter Branch Transaction (NET) |
| 2.8.1.1 | Domestic Currency |
| 2.8.1.2 | Foreign Currency |
| 2.8.2 | Other |
| 2.8.2.1 | Domestic Currency |
| 2.8.2.2 | Foreign Currency |
| 3 | CAPITAL ACCOUNTS |
| 3.1 | Provisioning |
| 3.1.1 | Provision on Loans |
| 3.1.2 | Provision on Securities |
| 3.1.3 | Provision on Exchange Rate |
| 3.1.4 | Other Provision |
| 3.2 | Capital Paid up and Assigned |
| 3.2.1 | Ordinary Shares |
| 3.2.2 | Preference Shares |
| 3.2.2.1 | Cumulative |
| 3.2.2.2 | Non-cumulative |
| 3.2.3 | Other |
| 3.2.3.1 | Cumulative |
| 3.2.3.2 | Non-cumulative |
| 3.3 | Share Premium |
| 3.4 | Reserves |
| 3.4.1 | Statutory Reserve Fund |
| 3.4.2 | Retained Earnings Reserve Fund |
| 3.4.3 | Other Reserves |
| 3.4.3.1 | Redemption Reserve |
| 3.4.3.2 | Capital Reserve |
| 3.4.3.3 | Revaluation Reserve |
| 3.4.3.4 | General Reserve |
| 3.5 | Retained Earnings / (Accumulated Deficit) |
| 3.6 | Unappropriated Profits / (Losses) |
| 3.6.1 | Previous Financial Year |
| 3.6.2 | Current Financial Year |
| 4 | INCOME ACCOUNTS |
| 4.1 | INTEREST INCOME |

| | |
|---------|----------------------------------------------------|
| 4.1.1 | Interest on Due from Banks |
| 4.1.2 | Interest on Overnight Placements |
| 4.1.3 | Interest (dividends) on Securities Bought for Sale |
| 4.1.4 | Interest & Fees on Loans, Advances & Discounts |
| 4.1.5 | Other Interest Income |
| 4.2 | NON - INTEREST INCOME |
| 4.2.2 | Gains on Securities Bought for Sale |
| 4.2.3 | Gains on Investment Securities |
| 4.2.4 | Foreign Exchange Gains |
| 4.2.5 | Commission Income & Transaction Fees |
| 4.2.6 | Other Non Interest Income |
| 4.3 | EXTRAORDINARY INCOME |
| 4.3.1 | Gains with disposal of Fixed Assets |
| 4.3.2 | Adjustment for Prior Periods |
| 4.3.3 | Other Extraordinary |
| 5 | EXPENSE ACCOUNTS |
| 5.1 | INTEREST EXPENSE |
| 5.1.1 | Interest on Due to Banks |
| 5.1.2 | Interest on Individual Deposits |
| 5.1.2.1 | Saving Deposits |
| 5.1.2.2 | Time deposits |
| 5.1.2.3 | Demand deposits |
| 5.1.3 | Interest on Legal Entities Deposits |
| 5.1.3.1 | Saving Deposits |
| 5.1.3.2 | Time deposits |
| 5.1.3.3 | Demand deposits |
| 5.1.4 | Interest on Overnight Borrowings |
| 5.1.5 | Interest Expense on Other Borrowings |
| 5.2 | NON-INTEREST EXPENSE |
| 5.2.1 | Losses on Securities Bought for Sale |
| 5.2.2 | Losses on Investment Securities |
| 5.2.3 | Foreign Exchange Losses |
| 5.2.4 | Commission Income & Transaction Fees |
| 5.2.5 | Other Non Interest Expense |
| 5.3 | OPERATING EXPENSE |
| 5.3.1 | Salaries and Employee Benefits |
| 5.3.2 | Administrative Expenses |
| 5.3.3 | Advertising & Public Relations |
| 5.3.4 | Audit, Legal & Professional Fees |
| 5.3.5 | Rents Paid |
| 5.3.6 | Expenses Of Premises & Fixed Assets |
| 5.3.7 | Depreciation and Amortization |
| 5.3.8 | Provision |
| 5.3.8.1 | Provision for Loans Losses |
| 5.3.8.2 | Provision for Securities Losses |
| 5.3.9 | Other Operating Cost |
| 5.4 | EXTRAORDINARY EXPENSE |
| 5.4.1 | Losses with disposal of Fixed Assets |
| 5.4.2 | Adjustment for Prior Periods |
| 5.4.3 | Other Extraordinary |
| 5.9 | INCOME TAX PROVISION |

| | |
|---------|--------------------------------------------|
| 7 | CONTINGENT ACCOUNTS |
| 7.1 | Acceptances Guarantees & Letters of Credit |
| 7.1.1 | Guarantees Issued |
| 7.1.1.1 | Commercial Paper |
| 7.1.1.2 | Other |
| 7.1.2 | Letters of Credit Issued |
| 7.2 | Other Confirmed Paper |
| 7.3 | Unused Lines of Credit |
| 7.4 | Undisbursed Loan Funds |
| 7.4.1 | Domestic Currency |
| 7.4.2 | Foreign Currency |
| 7.5 | Commitments |
| 7.5.1 | To Grant Loans |
| 7.5.1.1 | Domestic Currency |
| 7.5.1.2 | Foreign Currency |
| 7.5.2 | To Buy Securities |
| 7.5.3 | To Sell Securities |
| 7.5.4 | To Lease |
| 7.6 | Pending Litigation |
| 7.7 | Assets Sold with Recourse |
| 7.8 | Other |
| 8 | Memoranda Items |
| 8.1 | Authorized Capital |
| 8.2 | Subscribed Capital |
| 8.3 | Paid-Up/Assigned Capital |
| 8.3.1 | Domestic Currency |
| 8.3.2 | Foreign Currency |
| 8.4 | Past Due Loan |
| 8.4.1 | 90 Days |
| 8.4.2 | 90 - 180 Days |
| 8.4.3 | 180 - 270 Days |
| 8.4.4 | Write-Offs |
| 8.5 | Interest Capitalized During the Month |
| 8.6 | Charged off Assets During the Month |
| 8.6.1 | Loans |
| 8.6.2 | Other |
| 8.7 | Bad Loans Recovered During the Month |
| 8.8 | Syndicated Loans |
| 8.8.1 | Lead Institution |
| 8.8.2 | Participating Institution |
| 8.9 | Loan Participation |
| 8.9.1 | Acquired by the Institution |
| 8.9.1.1 | With Recourse |
| 8.9.1.2 | Without Recourse |
| 8.9.2 | Conveyed to Others |
| 8.9.2.1 | With Recourse |
| 8.9.2.2 | Without Recourse |
| 8.10 | Credit Card Receivables |
| 8.10.1 | Domestic Currency |
| 8.10.2 | Foreign Currency |
| 8.11 | Loan to Staff |

| | |
|--------|------------------------------------------------|
| 8.11.1 | Mortgage Loans |
| 8.11.2 | Other Loans |
| 8.12 | Total Credit Facilities |
| 8.13 | Investment in Shares |
| 8.13.1 | Quoted |
| 8.13.2 | Unquoted |
| 8.14 | Own Securities Assigned as Collateral |
| 8.14.1 | Ordinarily Eligible as Liquid Securities |
| 8.14.2 | Other |
| 8.15 | Unused Portion of L/C in Favor Own Institution |
| 8.16 | Assets Held in Trust |
| 8.17 | Funding to Connected Parties |
| 8.17.1 | Placements |
| 8.17.2 | Investments |
| 8.17.3 | Credits |
| 8.17.4 | Accounts Receivables |
| 8.17.5 | Other |
| 8.18 | Funding from Connected Parties |
| 8.18.1 | Capital |
| 8.18.2 | Deposits |
| 8.18.3 | Accounts Payable |
| 8.18.4 | Other |

CHAPTER VIII – FINANCIAL STATEMENT –FORMS

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| Balance Sheet – Publication form | page 34 |
| Income Statement – Publication form | page 35 |
| Balance Sheet – Reporting form | page 36 |
| Income Statement – Reporting form | page 38 |

BALANCE SHEET [PUBLICATION FORM]

AT THE END _____

BANK: _____

in US\$ 1,000.00

| Accounts code | Assets Items | Current FY | Prior FY | Accounts Codes | Liabilities Items | Current FY | Prior FY |
|---------------|--------------------------------------------|------------|----------|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------|----------|
| 111+112+113 | Cash and due from Central Bank | - | - | 21 221+222+223 | Due to Central Bank Due to other banks and credit institutions | - | - |
| 114 | Due from Commercial Banks | - | - | 22111+22121+22211+22221 22112+22122+22212+22222 | Loans at calls Call deposits | - | - |
| 115 | Due from Other Deposit Taking Institutions | - | - | 22113+22123+22213+22223 | Others | - | - |
| 12 + 13 | Investment securities | - | - | 231 + 232 | Securities sold under repurchase agreements | - | - |
| 141 + 142 | Loans and Advances to Customers | - | - | 241 + 242 | Due to other depositors | - | - |
| 143 | Provision for Loans and Losses | - | - | 2411 + 2421 2412 + 2422 | Demand deposits Time deposits | - | - |
| 16 | Fixed Assets | - | - | 2413 + 2423 | Others | - | - |
| 169 | Accumulated for depreciation | - | - | | | | |
| 15 + 19 | Other Assets | - | - | 26 + 28 3 32 33 34 + 31 35 + 36 | Other Liabilities Capital Capital paid up and assigned Share premium Reserves Retained earnings/(Accumulated deficit) | - | - |
| | Total Assets | | | | Total Liabilities & Capital | - | - |

MEMORANDUM ITEMS

| | |
|---------------------------------------------------------------------|---|
| Acceptances Guarantees, Letters of Credit and Other Confirmed Paper | - |
| Commitments | |
| Nominal Value of Trading Portfolio | - |
| Nominal Value of Investment Portfolio | - |
| Market Value of Investment Portfolio | - |

INCOME STATEMENT [PUBLICATION FORM]

For the Period of _____

BANK: _____

In US\$ 1,000.00

| Accounts Code | Description | Current FY | Prior FY |
|---------------|----------------------------------------------------------------|------------|----------|
| 4.1 | Interest and Similar Income | 0 | 0 |
| 5.1 | Interest Expenses | 0 | 0 |
| | Net Interest Income | | |
| 4.2 - 5.2 | Other Operating Income | | |
| | Gross Operating Income/(Loss) | | |
| 5.3.8 | Specific Loss Provisions and Write-Offs | | |
| 5.3.8.1 + | a. Specific Loss Provision Expenses (NET) | | |
| 5.3.8.2 | aa. Specific Loss Provision on Loans to Customers | | |
| 5.3.8.1 | ab. Specific Loss Provision on Other Assets | | |
| 5.3.8.2 | b. Bad Loans Written Off (not previously provided for) | | |
| | Operating Income/(Loss) Net of Specific Loss Provisions | | |
| 5.3 | Operating Expenses | | |
| 5.3.1 | a. Salaries and Employee Benefits | | |
| 5.3.2 + 5.3.3 | b. Administrative Expenses | | |
| 5.3.4 | c. Auditing and Consulting Expenses | | |
| 5.3.5 | d. Rents Paid | | |
| 5.3.7 | e. Depreciation and Amortization | | |
| 5.3.9 + 5.3.6 | f. Other | | |
| | Other Provisions and Write-Offs | | |
| | a. Investment | | |
| | b. Other Balance Sheet Items | | |
| | c. Off-Balance Sheet Items | | |
| | Net Operating Income/(Loss) | | |
| 4.3 - 5.4 | Extraordinary Gains/(Losses) | | |
| 4.3.1 - 5.4.1 | a. Gains/(Losses) on Revaluation of Assets (NET) | | |
| 4.3.2 - 5.4.2 | b. Adjustment for prior period | | |
| 4.3.3 - 5.4.3 | c. Other Gains/(Losses) | | |
| | Net Income/(Loss) Before Tax | | |
| 5.9 | Income Tax | | |
| | Net Income/(Loss) After Tax | | |
| | Transfer to General Provisions | | |
| | Dividends Declared | | |
| | Retained Earnings for the Year | | |
| | Retained Earnings at the Beginning of the Year | | |
| | Retained Earnings at the End of the Year | | |

BALANCE SHEET [REPORTING FORM]

At the End _____

BANK: _____

In US\$ 1.00

| ACCOUNTS CODE | DESCRIPTION | AMOUNT |
|--------------------|---------------------------------------------|--------|
| A S S E T S | | |
| 1.1 | LIQUID FUNDS | - |
| 1.1.1 | C a s h | - |
| 1.1.2 | Due from Central Bank | - |
| 1.1.3 | Items in Course of Collection | - |
| 1.1.4 | Due from Commercial Banks | - |
| 1.1.5 | Due from Other Deposit Taking Institutions | - |
| 1.1.6 | Gold | - |
| 1.2 | INVESTMENT | - |
| 1.2.1 | Domestic Currency Investments | - |
| 1.2.2 | Foreign Currency Investments | - |
| 1.2.3 | Less: Provision for Investment Losses | - |
| 1.3 | SECURITIES PURCHASED WITH A VIEW TO RESALE | - |
| 1.3.1 | From Central Bank | - |
| 1.3.2 | Local | - |
| 1.3.3 | Foreign | - |
| 1.4 | LOANS, ADVANCES AND DISCOUNT | - |
| 1.4.1.2+1.4.2.2 | Non-Resident | - |
| 1.4.3 | Less: Provision for Loan Losses | - |
| 1.5 | ACCOUNTS RECEIVABLE | - |
| 1.5.1 | Interest Accrued | - |
| 1.5.2 | Commissions | - |
| 1.5.3 | Other Receivables | - |
| 1.5.4 | Less: Provision for Losses on Receivables | - |
| 1.6 | FIXED ASSETS | - |
| 1.6.1 | Permanent Investments | - |
| 1.6.2 | Premises | - |
| 1.6.3 | Furniture and Fixtures | - |
| 1.6.4 | Machinery Equipment | - |
| 1.6.5 | Vehicles | - |
| 1.6.6 | Non Physical Assets | - |
| 1.6.9 | Less: Reserve for Depreciation | - |
| 1.9 | OTHER ASSETS | - |
| 1.9.1 | Prepaid Expenses | - |
| 1.9.2 | Inter Branch Transactions (Net) | - |
| 1.9.3 | Office Accounts | - |
| 1.9.4 | Assets Held in Respect of Debt Satisfaction | - |
| 1.9.5 | Items in Suspense | - |
| 1.9.6 | Miscellaneous Assets | - |
| | TOTAL ASSETS | - |

| LIABILITIES AND CAPITAL AACCOUNTS | | |
|------------------------------------------|-------------------------------------------|----------|
| 2 | LIABILITIES | - |
| 2.1 | DUE TO CENTRAL BANK | - |
| 2.1.1 | Loans and Advances | - |
| 2.1.2 | Discounts | - |
| 2.1.3 | Others | - |
| 2.2 | DUE TO COMMERCIAL BANKS | - |
| 2.2.1 | Local Banks | - |
| 2.2.2 | Foreign Banks | - |
| 2.2.3 | Head Office / Parent Bank | - |
| 2.3 | SECURITIES SOLD UNDER REPO AGREEMENT | - |
| 2.3.1 | To Central Bank | - |
| 2.3.2 | To Other Country-Party | - |
| 2.4 | DEPOSITS | - |
| 2.4.1 | Resident Domestic Currency | - |
| 2.4.2 | Non-Resident Domestic Currency | - |
| 2.4.3 | Resident Foreign Currency | - |
| 2.4.4 | Non-Resident Foreign Currency | - |
| 2.6 | OTHER SUNDRY CURRENT LIABILITIES | - |
| 2.6.1 | Cheques & Other Items in Course of PMT | - |
| 2.6.2 | Staff Expenses | - |
| 2.6.3 | Provision for Taxation | - |
| 2.6.4 | Accounts Payable | - |
| 2.6.5 | Interest Accrued | - |
| 2.6.6 | Items in Suspense | - |
| 2.6.7 | Dividends Payable | - |
| 2.6.8 | Restricted Deposits | - |
| 2.6.9 | Unearned Interest | - |
| 2.6.10 | Sundry Liabilities | - |
| 2.8 | OTHER LIABILITIES | - |
| 2.8.1 | Inter Branch Transactin (Net) | - |
| 2.8.2 | Other | - |
| | TOTAL LIABILITIES | - |
| 3 | CAPITAL ACCOUNTS | - |
| 3.1 | Provisioning | - |
| 3.1.1 | Provision on Loans | - |
| 3.1.2 | Provision on Securities | - |
| 3.1.3 | Provision on Exchange Rate | - |
| 3.1.4 | Other Provision | - |
| 3.2 | Capital Paid up and Assigned | - |
| 3.2.1 | Ordinary Shares | - |
| 3.2.2 | Preference Shares | - |
| 3.2.3 | Other | - |
| 3.3 | Share Premium | - |
| 3.4 | Reserves | - |
| 3.5 | Retained Earnings / (Accumulated Deficit) | - |
| 3.6 | Unappropriated Profits / (Losses) | - |
| 3.6.1 | Previous Financial Year | - |
| 3.6.2 | Current Financial Year | - |
| | TOTAL LIABILITIES & CAPITAL | - |

INCOME STATEMENT [REPORTING FORM]

For the Period of _____

Bank: _____

In US\$ 1.00

| ACCOUNTS CODE | DESCRIPTION | AMOUNT |
|------------------|-----------------------------------------------------------------|--------|
| 4.1 | INTEREST INCOME | |
| 4.1.1 | Interest on Due from Banks | |
| 4.1.2 | Interest on Overnight Placements | |
| 4.1.3 | Interest (dividends) on Securities Bought for Sale | |
| 4.1.4 | Interest and Fees on Loans, Advances & Discounts | |
| 4.1.5 | Other Interest Income | |
| | TOTAL INTEREST INCOME | |
| 5.1 | INTEREST EXPENSE | |
| 5.1.1 | Interest on Due to Banks | |
| 5.1.2 | Interest on Individual Deposits | |
| 5.1.2.1 | Saving Deposits | |
| 5.1.2.2 | Time Deposits | |
| 5.1.2.3 | Demand Deposits | |
| 5.1.3.1 | Saving Deposits | |
| 5.1.3.2 | Time Deposits | |
| 5.1.3.3 | Demand Deposits | |
| 5.1.4 | Interest on Overnight Borrowings | |
| 5.1.5 | Interest Expense on Other Borrowings | |
| | TOTAL INTEREST EXPENSES | |
| | NET INTEREST INCOME | |
| 5.3.8 | SPECIFIC LOAN & LEASE LOSS PROVISIONS AND WRITE-OFFS | |
| 5.3.8.1 + | | |
| 5.3.8.2 | Specific Loss Provision Expenses (NET) | |
| 5.3.8.1 | Specific Loss Provision Expenses on Placement with Banks | |
| 5.3.8.2 | Specific Loss Provision on Loans to Customers | |
| | Bad Loans Written Off (not previously provided for) | |
| | NET INTEREST INCOME NET OF SPECIFIC LOSS PROVISIONS | |
| 4.2 | NON INTEREST INCOME | |
| 4.2.2 | Gains on Securities Bought for Sale | |
| 4.2.3 | Gains on Investment Securities | |
| 4.2.4 | Foreign Exchange Gains | |
| 4.2.5 | Commission Income & Transaction Fees | |
| 4.2.6 | Other Non Interest Income | |
| | TOTAL NON INTEREST INCOME (LOSSES) | |
| 5.2 | NON INTEREST EXPENSES | |
| 5.2.1 | Losses on Securities Bought for Sale | |
| 5.2.2 | Losses on Investment Securities | |
| 5.2.3 | Foreign Exchange Losses | |
| 5.2.4 | Commission Expense & Transaction Fees | |

| | |
|-------|---------------------------------------|
| 5.2.5 | Other Non Interest Expense |
| | TOTAL NON INTEREST EXPENSES |
| | OPERATING INCOME / (LOSS) |
| 5.3 | OPERATING EXPENSES |
| 5.3.1 | Salaries and Employee Benefits |
| 5.3.2 | Administrative Expenses |
| 5.3.3 | Advertising and Public Relations |
| 5.3.4 | Auditing, Legal and Profesional Fees |
| 5.3.5 | Rents Paid |
| 5.3.6 | Expenses of Premises & Fixed Assets |
| 5.3.7 | Depreciation and Amortization |
| 5.3.9 | Other Operating Expense |
| | TOTAL OPERATING EXPENSE |
| | NET OPERATING INCOME (LOSS) |
| 4.3 | EXTRAORDINARY INCOME |
| 4.3.1 | Gains with disposal of Fixed Assets |
| 4.3.2 | Adjustment for Prior Periods |
| 4.3.3 | Other Extraordinary |
| | TOTAL EXTRAORDINARY INCOME |
| 5.4 | EXTRAORDINARY EXPENSE |
| 5.4.1 | Losses with disposal of Fixed Assets |
| 5.4.2 | Adjustment for Prior Periods |
| 5.4.3 | Other Extraordinary |
| | TOTAL EXTRAORDINARY EXPENSE |
| | NET INCOME / (LOSS) BEFORE TAX |
| 5.9 | INCOME TAX |
| | NET INCOME / (LOSS) AFTER TAX |

CHAPTER IX -FINANCIAL STATEMENTS -PREPARATION AND REPORTING

1. Introduction

- 1.1. Bank, to prepare the trial balance, the balance sheet and the income statement, shall observe the law, regulation, instructions and the following rules and procedures.
- 1.2. The bank shall calculate the income and expenses for the period based on the contract, law, international account standards and observe the determination of this chart of account.
- 1.3. The bank shall accrue as effective expenses of the period the costs of rents and leases taxes, services rendered by third parties, wages and other remunerations, even if those payments will only happen in subsequent date.
- 1.4. The income and expenses, observed the monthly competence, shall be recorded:
 - a) when referring to the current period, in the appropriate accounts of income and expenses by nature;
 - b) when referring to the following periods, in the accounts of "Unearned Interest", " Sundry Liabilities" or "Prepaid Expenses";
 - c) when referring to previous periods, in the accounts" Adjustment for Prior Periods" as Income or expense.
- 1.5. The bank shall observe the regulation and instructions on the treatment of the past due credit and in the constitution of provisions for loans and losses.
- 1.6. To value the assets and liabilities according with the guidelines contained in this hart of account.
- 1.7. All the assets and liabilities recorded in the balance sheet, as well as the registered in the contingent accounts and memoranda items shall be reconciled by occasion of the preparation of e trail balance and, in the case of the fixed assets, to be inventoried by occasion of the annual balance sheet.
- 1.8. Thee reports of reconciliations and inventories, including the support documents as, maps, and conference minutes, constitute accounting documents and shall be filed properly authenticated by the responsible, for future auditing and verification.
- 1.9. Banks are obliged to balance and compensate, on the date of trial balances and the balance sheet, the debits and credits among the dependences, recorded as assets or liabilities in the accounts "Inter-branch Transactions", reflecting on the financial statements the net balance to those activities.
- 1.10. The bank shall constitute, monthly, the provision for the tax on the profit, calculate in accordance with the fiscal legislation, debiting the account "5.9 Income tax provisions" and crediting the account "2.6.3.1 -Provision for the Taxation-Income Tax".
- 1.11. Payments of income tax as anticipation or retention shall be registered at the account 1 .9.1 other Assets -Prepaid Expenses" and corresponded with the account "2.6.3.1 Provision for the Taxation -Income Tax by the end of the financial year.

2. Preparation of Financial Statements

2.1 Banks shall prepare the following financial statements, observing the standard chart of accounts, complemented by accounting policies and explanatory notes or other indications, whenever necessary to the complete disclosure of the net worth position and the results:

a) Monthly, on the last day of the month:

1. Interim balance sheet
2. Interim income statement

b) Quarterly, on the last day of the quarter:

1. Interim balance sheet
2. Interim Income Statement
3. Report on the Statement of Conditions ("Call Report"), as requested by the Banking and Payments Authority.

c) On December 31:

1. Interim balance sheet and income statement
2. Balance Sheet
3. Income statement
4. Flow of Funds
5. Report on the Statement of Conditions ("Call Report"), as requested by the Banking and Payments Authority.

2.2. The preparation and remittance of the financial Statement to the Banking and Payments Authority shall start from the date of the license. 23. Banks are not allow to include in the financial statements for publication or remittance to the Banking and Payments Authority accounts and sub accounts not catalogued in the standard chart of accounts.

2.4. The financial statements can be presented excluding the accounts and sub accounts with zero balance.

2.5. Branches of foreign banks shall prepare on December 31 the financial statements as they prepare by the end of their financial year.

3. Publication

3.1. Banks shall publish within 30 days of the end of each calendar quarter in a national newspaper a fair and true summary of its quarterly balance sheet and income statement as of the end of the previous calendar quarter.

3.2. Branches of foreign banks shall publish their financial statements on both an individual and a consolidated basis.

3.3. Within four months of the end of its financial year banks shall publish a fair and true summary of the financial statements and auditor's opinion, provided that branches offices of foreign banks shall publish the financial statements both on individual and consolidated basis.

- 3.4 The financial statements shall be compared with the previous period and the values can be expressed in US\$ thousand.
- 3.5. The obligation to publish the financial statements starts on the date of the license.
- 3.6. Whenever between the date of the balance sheet and the date of its publication, important fact occurs that modifies or can modify the net worth position or can substantially influence future results; such fact shall be indicated and detailed in explanatory notes.
- 3.7 The Department of supervision can determine, without preclusion of other administrative measures, the republication of financial demonstrations, with the necessary corrigendum., for faithful expression of the economic and financial reality of the institution.

4. Accounting policies and explanatory notes

- 4.1 The financial statements shall be directed to the Banking and Payments Authority and published accompanied of Explanatory Notes, which shall make disclosures especially on:
- 1) The basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events;
 - 2) The information required by International Accounting Standards that is not presented elsewhere in the financial statements;
 - 3) The adjustments accomplished relatively to the values published in the previous financial year with view to establish a correct comparability;
 - 4) Eventual situations that values registered in one account could be, in the whole or partly, included in other accounts;
 - 5) The valuation Criteria applied to the accounts, as well as the methods used for the measurement of assets and liabilities. Relatively to the elements contained in the financial year accounts that are or were originally denominated in foreign currency, the bank shall inform the rates used for translation to the domestic currency;
 - 6) The existence of any derogations to the criteria of measurement and valuation defined in the present Chart of accounts, justifying the reasons for such procedure and indicating the influence on the net worth, the financial situation, the results and the future tax burden;
 - 7) When the valuation presented in the balance sheet differs by an important amount of an valuation based on the known market value on the closing date of the balance sheet, the amount of the difference shall be indicated globally, by class or group of the balance sheet accounts;
 - 8) An appropriate listing and description of holdings in other companies, directly or indirectly; in a percentage of 200% or more of the equity or of any class of shares with voting rights, including the name and the headquarters of companies, the proportion of ownership interests, amount of own capital invested, methods used to account such investments, the approved result of the last financial year of the companies, as Well as the difference between the value of the participations and the value corresponding to the proportional part in the net worth. of the owned companies;
 - 9) The amount of the securities classified according to the maturity, specially the amount maturing up to the date of the closing of the "balance sheet;
 - 10) The credits represented *or* not by a title *or* security, provided directly *or* indirectly to related persons or companies that the institution has a significant participation, as defined by specific Instruction, and that are included as assets;

- 11) The concentration *of* assets, as well as liabilities and off-balance sheet items;
- 12) Inventory *of* the security portfolio;
- 13) Movements and balances of the fixed *assets*;
- 14) The assets pledged as security, the contingences and commitments;
- 15) Amount and nature of the assets sold with a repurchase agreement, identifying the accounts or sub accounts of the balance sheet in which the assets are included;
- 16) The amount of loans and other credits on customers, recorded as assets, according to the residual maturity, for the following periods:
 - Up to 3 months
 - Of 3 months to one year
 - Of one year to five years
 - More than five years
 - Uncertain duration;
- 17) The revaluation of fixed assets, tangible assets and permanent financial investments, occurred during the financial year and respective fiscal treatment, with indication of:
 - The amount of the revaluation reserves in the beginning of the financial year;
 - The revaluation differences transferred to the revaluation reserves during the financial year;
 - The amounts that have been turned into capital or, by any other way, transferred from the revaluation reserves during the financial year, with the indication of the nature of such transfers;
 - The amount of the revaluation reserves at the end of the financial year.

Beside the previous indications, the value of tangible assets and permanent financial investment that have already been revaluated shall be disclosed by the historical cost, the value of the corresponding revaluation and the pertinent accumulated amortization or depreciation;

- 18) Summary description of establishment and development expenses.
Relatively to the development expenses they should be suitable and whether they exist, the following situations justified:
 - Amortization for a period over to 5 years;.
 - Distribution of results whether the amount of available reserves and accumulated earnings is lower than the un-amortized expenses;
- 19) Exceptional modification in the value of fixed assets motivated by measures of fiscal nature;
- 20) The amount of debits, corresponding to liabilities not represented by demand deposits, according to the residual maturity, for the following periods:
 - Up to 3 months
 - From 3 months to one year
 - From one to five years
 - More than five years
 - Undetermined maturity;
- 21) The amount of issued securities or liabilities maturing up to the closing date of the following balance sheet; .

- 22) Liabilities held with related companies, which the institution has a significant interest, as defined by instruction, and that are included among the recorded liabilities
- 23) Liabilities held With associated companies, which the institution has a participation representing 15% or more of the regulatory capital of the bank, and that are included among the recorded liabilities;
- 24) Amount of assumed commitments, including warranties, with indication of their nature and expressed mention of collaterals, specifying the commitments assumed with related companies;
- 25) Commitments assumed regarding to pensions and respective coverings;
- 26) Balances of the following accounts of provisions:
 - For past due credit, with the following disclosure:
 - Due from local banks and deposit taking institutions
 - Due from banks and deposit taking institutions abroad:
 - Due from related companies with significant interest
 - Due from other related companies
 - Other credits
 - For depreciation of securities
 - For other applications
 - For permanent financial investments
 - For general credit risk
 - For foreign exchange risk
 - For retirement pensions
 - For other bank risks;
- 27) Balances of the following accounts: "Prepaid Expenses", "Items in Suspense" and "Sundry Liabilities" when material;
- 28) Decomposition of any general account, as "other assets" and "other liabilities", with details of the elements and amounts, when material;
- 29) The funds that the bank administers in its proper name but due to third parties, mentioning the account or sub accounts of the balance sheet in which they are included, as well as those funds or portfolios, including trust activities, that have not been recorded in the balance sheet accounts;
- 30) The positions of derivatives transactions, including future and options, indicating those that have the objective of hedging against the effects of interest rate, exchange rate or market price fluctuations;
- 31) Annual average number of employees, classified by main professional categories
- 32) Relatively to the members of board, administration and auditing, in global value for each category:
 - The amount of the remuneration during the financial year in reference,
 - The amount of commitments or liabilities incurred regarding pensions or

retirements for former members of the above-mentioned organs,

-The amounts of loans or other forms of credit conceded to the above-mentioned persons, including any kind of commitment or warranty;

- 33) Indication that the institution renders administration and representation services to third parties if assuming a material or significant dimension;
- 34) The global amount of assets and liabilities denominated in foreign currencies;
- 35) The effective rate of income tax. on the current results and on the extraordinary results;
- 36) Amount of financial leasing transactions with identification of the accounts where the transactions have been recorded;
- 37) The main components of the accounts "Other Operating Costs" and "Other Extraordinary Expenses", "Other Extraordinary Income" and "Adjustment for Prior Periods".

4.2. Notes to the financial statements shall be presented in a systematic manner and each item in the financial statements shall be cross-referenced to any information in the notes.

5. Remittance to the Banking and Payments Authority

- 5.1. Banks, including branches of foreign banks, shall submit monthly reports, including the interim balance sheet and interim statement of income no later than the tenth (10th) day following the previous month-end, observed the present Chart of Accounts. Quarterly reports shall be submitted no later than the twentieth (20th) day following the previous quarter end.
- 5.2. The remittance of reports after the dates for submission shall subject the banks to an administrative penalty according to the Regulation 2000/8 of 20 February 2000.
- 5.3. Banks can submit the financial statements, in hard copy or electronic copy (Excel), consisting of the code of the accounts, the name of the accounts and the final balance of each account, according to the model distributed by the Banking and Payments Authority. Banks are not allowed to include new accounts or sub accounts, not included in the chart of accounts; however, they are allowed to exclude those accounts with zero balance on the date.
- 5.4. The financial statements submitted by the end of the financial year shall be considered provisional until the external auditing and management approval of the financial statements.
- 5.5. The financial statements shall be signed, at least, by the director responsible for the accounting area, and for the accounting professional legally qualified, identified for stamps that contain the full name and the registration number, if this is the case.
- 5.6. Within four months of the end of the financial year, banks shall submit to the BP A the approved financial statements, the published annual report, the audit report, the auditor's opinion and the management letter.
- 5.7. The financial statements presented with errors shall be returned to the remitting institution and the delivery, after the regulatory deadline mentioned on the number 1 above characterizes a delay in the delivery of those documents.
- 5.8. The existence of consultations or disputes doesn't grant suspensive rights of the deadline for the remittance of the financial statement to the Banking and Payments Authority.
- 5.9 The delivery or the substitution of the documents above mentioned, after the reporting deadline shall be covered by correspondence signed by the director of the accounting area, indicating the

accounts that they are being altered, the previous value and the actual and the detailed reasons of the modifications.

- 5.10 If the substitution happens after the regulatory reporting period, the institution shall also be subject to an administrative penalty.
- 5.11 The institution shall indicate to the Banking and Payments Authority- Department of Supervision the name of the Directors responsible for the accounting area within the period of 30 (thirty) days counted from the date of this chart account or, in the future, from the date of the license.

