



# Bank Resolution

## Introduction to Valuations



# Presentation Content

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- Introduction & Background
- Valuations in bank resolution
- Guidance available
- RCU proposed next steps
- Questions / Comments



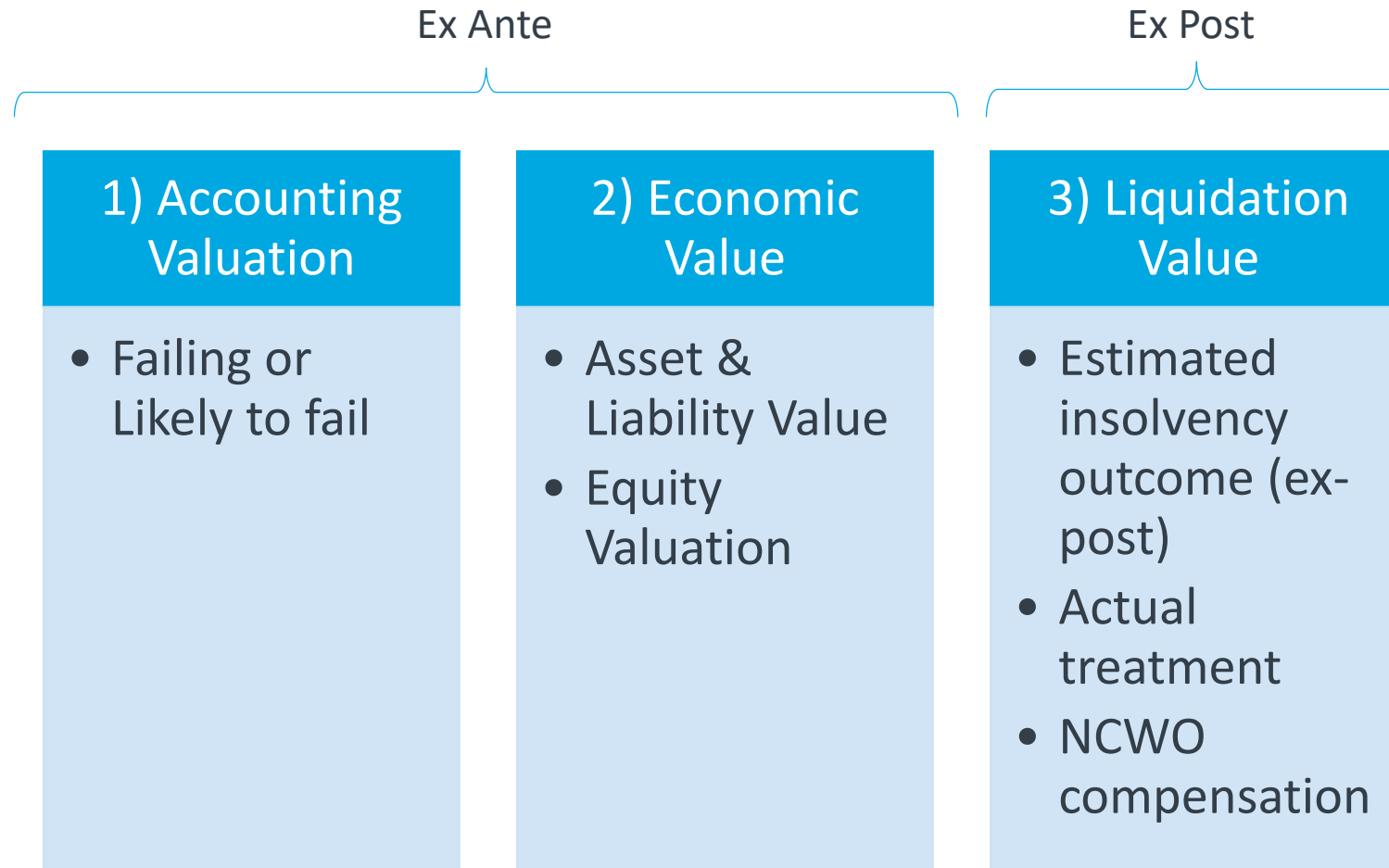
# Introduction & Background

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## Valuations are an essential aspect in resolution (planning) due to:

- Valuations are the basis for determining whether an institution is failing or likely to fail. If this is the case, a more comprehensive valuation informs the choice of resolution tools and the amount of losses to be absorbed. After resolution, another valuation is required to ensure that shareholders and creditors did not receive worse treatment under resolution than under normal insolvency proceedings.
- During a live case, well-documented valuations by independent valuers (IV's) are expected to ensure informed decision making, accountability, and transparency.
- Valuations rely on the timely provision of high-quality data and data provision capabilities from firms within a short timeframe. This is a key enabler for IV's

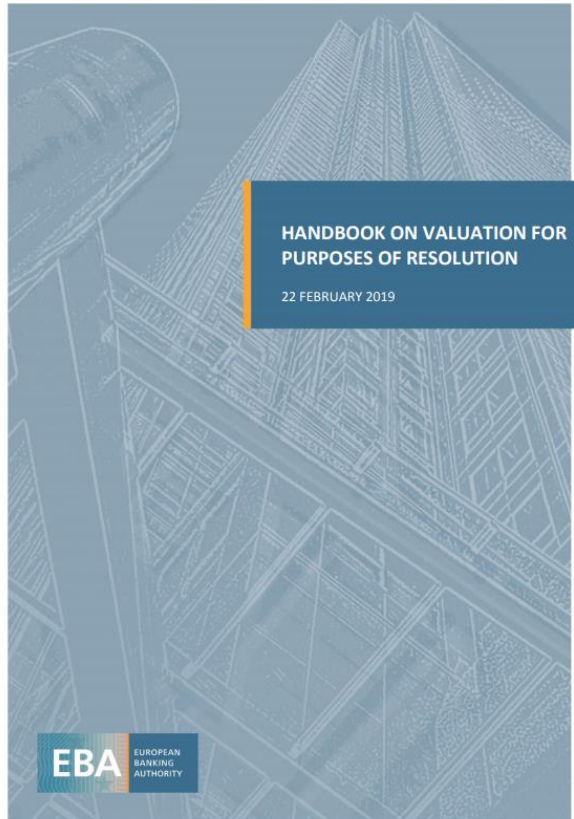
# Valuations in a Bank Resolution (1)



# Valuations in a Bank Resolution (2)

- 1 **Ex ante valuation**
  - Fair and realistic **accounting valuation** that takes into account potential adjustments to the book value, for instance in the form of discounts / haircuts
  - Carried out on the basis of the **current balance sheet structure** without taking into account the resolution strategy
  - **Assumptions applied by an independent valuer** may differ from management assumptions
- 2 **Ex ante valuation**
  - **Economic value** that **fully recognizes all losses** and is fair, prudent and realistic
  - Based on **expected bank structure after resolution**, reflecting impact of chosen resolution tools
  - **DCF, market prices** for same or similar assets, information from **comparable transactions** and **expert judgement** can be used in the valuation exercise
- 3 **Ex-post valuation**
  - Conducting **two separate valuations** to compare the **actual treatment** of creditors and shareholders in resolution with **hypothetical liquidation** via **normal insolvency proceedings**
  - Determine whether shareholders and/or creditors would have received better treatment if the entity had entered into normal insolvency proceedings and **assess potential compensation amount**

# Guidance Available

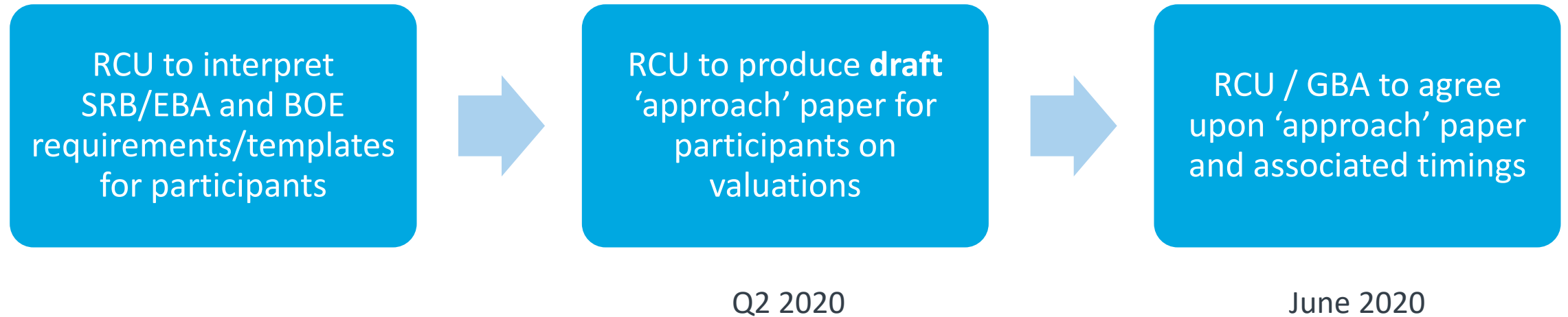


June 2018  
The Bank of England's policy on valuation capabilities to support resolvability  
Responses to Consultation and Statement of Policy



# RCU proposed next steps

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Questions



Comments