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GUIDELINES FOR IMPLEMENTATION OF THE FRAMEWORK FOR CONSOLIDATED FINANCIAL REPORTING (FINREP)

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CHAPTER I: GENERAL GUIDELINES

1 The objective of this document is to provide guidelines for implementation of the consolidated Financial Reporting framework (FINREP or "the framework") for supervisory purposes. FINREP is based on International Financial Reporting Standards (IFRSs), but the present guidelines do not interpret the IFRSs. It is the responsibility of credit institutions to comply with the IFRS.

1. Accounting and measurement rules governing the financial reporting framework

2 FINREP is based on the International Financial Reporting Standards (IFRSs) as of 31 October 2009, which have been endorsed by the European Commission.

2. Scope of application

3 The framework is designed to be applied by credit institutions when preparing their consolidated or sub-consolidated supervisory financial returns under IFRS as and when required by their national supervisory authority[1].

4 In order to achieve a high level of harmonisation and strong convergence in supervisory reporting requirements, CEBS has decided to adopt a "Maximum Data Model" for FINREP, which sets explicit minimum and maximum reporting requirements based on a common set of data definitions. Member States must rely exclusively on financial information defined in the FINREP framework; they may neither modify the templates based on national need, nor require additional information that exceeds the fixed maximum. Thus FINREP will represent the only source of periodic consolidated supervisory financial reporting based on IAS/IFRS[2].

5 CEBS highly recommends the use of the FINREP framework (including FINREP guidelines) in order to achieve its goals of harmonisation and reduction of the reporting burden. The FINREP framework is not mandatory. Each national supervisor is free to decide whether to apply the framework to supervised credit institutions within its jurisdiction. However in order to reduce reporting burden and increase convergence across the European Union, national authorities that do not implement FINREP should avoid requiring credit institutions to provide IFRS financial reporting data with different breakdowns.

6 National authorities that decide not to apply the FINREP framework must inform the CEBS Secretariat and explain the reasons. In addition they should give adequate disclosure of their decision on both the CEBS and their own websites.

7 An authority that decides to apply the framework must, at the minimum, require institutions to report all the core information.

8 FINREP does not apply to Pillar II reporting requirements (such as those covering liquidity risk, interest rate risk, exchange rate risk, concentration risk, and country

[1] National supervisory authorities may also decide to apply FINREP for solo reporting purposes, taking local specificities into account.

[2] This does not preclude supervisors from requesting other information on a non-periodic, *ad hoc* basis in special circumstances, when they consider it necessary.

risk), reporting of qualitative information or statistical reporting (eg to the ECB, IMF, or BIS).

3. Use of XBRL

9 The use of a common IT solution is requested to increase harmonisation and to reduce the reporting burden and costs of financial reporting.

10 CEBS has translated FINREP's items into XBRL (eXtensible Business Reporting Language), the FINREP XBRL taxonomy.

11 The use of XBRL for reporting purposes is not mandatory for the national authorities. However, CEBS highly recommends its use in order to achieve its goals of harmonisation and reduction of the reporting burden.

12 FINREP XBRL taxonomy can be downloaded from the CEBS website and is freely available (no royalty fee). Technical IT documentation is publicly available on the CEBS website and at www.eurofiling.info.

4. Scope of consolidation

13 The scope of consolidation under FINREP is the Capital Requirements Directive scope (CRD) which shall be applied to all the templates.

14 Furthermore the following templates: 1. Consolidated Balance Sheet Statement [Statement of Financial Position], 2. Consolidated Income Statement, 3. Derivatives held for trading, 4. Derivatives - Hedge accounting, 13. Tangible and intangible assets, 20. Breakdown of selected items of income statement, 21. Statement of comprehensive income and 22. Statement of changes in equity can be collected using the IFRS scope of consolidation in addition to the CRD scope of consolidation. Table 25. Scope of the group provides information on both scopes. All other templates should be collected using the CRD scope of consolidation only. National supervisors should publicly disclose the scope of the consolidation for each template. Information collected with the IFRS scope of consolidation should be consistent with the institution's public financial disclosure.

5. Structure of FINREP

15 The IFRSs do not prescribe the order or format in which financial information is to be presented; they allow different presentational options. FINREP provides a common standardised reporting framework, with the goal of increasing the comparability of the financial information reported by credit institutions to their national supervisory authorities. In order to achieve standardisation and comparability, it has been necessary to limit some of the presentational options available under the IFRSs.

16 FINREP is composed of a set of tables or "templates", divided into two sections which contain "core" and "non-core" quantitative financial information respectively.

5.1. Core information

17 "Core information" refers to the minimum information required of credit institutions if and when their national supervisory authority asks them to prepare consolidated supervisory financial reporting under IFRS.

18 Core information consists of the following tables:

1. Consolidated Balance Sheet
    - 1.1 Assets
    - 1.2 Liabilities
    - 1.3 Equity
2. Consolidated Income Statement

5.2. Non-core information

19 "Non-core information" refers to all of the other FINREP templates. Supervisory authorities exercise national discretion regarding whether and how much non-core information institutions are required to report[3].

20 Non-core information is based on the core information and includes additional data. It provides further details or breakdowns and contributes through standardisation of data items to increasing commonality and convergence of reporting among European credit institutions. For cross-border groups consistent implementation of these templates also produces a reduction of the reporting burden.

5.3. References

21 FINREP contains references to the IFRS. These references are not limited to specific disclosure requirements; they also define the contents of line items, providing guidance on the recognition, derecognition or measurement rules applicable to the data requested.

22 Where no reference to IFRS is available, reference is made to the Capital Requirements Directive (for the links to COREP discussed in Chapter I, point 7 below), to the European Central Bank Regulation or to common practice. Common practice is used to add data items throughout FINREP for several purposes: (i) to complete breakdowns, (ii) to gather data deemed relevant for supervisory purposes, and (iii) to collect data frequently reported by credit institutions to financial markets. Chapter II of these guidelines includes definitions of common practice data.

5.4. Consolidated Balance Sheet (Statement of Financial Position)

23 Under IFRS financial instruments may be presented by type of instrument (instrument approach) or by category of financial instrument (portfolio approach). In FINREP priority has been given to the portfolio approach. Financial instruments are presented by category of financial assets and financial liabilities, as set out in IAS 39.9 and IFRS 7.8 respectively, with an additional breakdown by type of instrument.

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[3] Supervisory authorities may, at national discretion, require institutions to complete all or part of any non-core template. In particular, they may require only certain sub-templates (for example, tables 5A, 5B, 5C and 5D but not 5E), or only certain rows or columns in a template. They may not, however, modify or add to the templates in response to national needs.

24 In accordance with IAS 1.55, specific line items that are considered relevant for understanding a credit institution's financial position have been included in the main section of the consolidated balance sheet.

5.5. Consolidated Income Statement

25 In FINREP income and expenses from continuing operations are reported on the consolidated income statement separately from discontinued operations. Items of income or expense from continuing operations are presented by nature. Major line items are broken down into their component parts with reference to the balance sheet categories of financial instruments.

26 In accordance with the disclosure requirements of IFRS 7.20.(a), gains and losses on financial assets and liabilities are reported on a net basis in the main section of the consolidated income statement. A disaggregation of net gains and losses into their component parts (by category or by type of instrument) must be provided, either in the main section of the consolidated income statement (as part of core information) or elsewhere in the tables (as part of non-core information). This disaggregated information on gains and losses is important in assessing the financial performance of supervised credit institutions.

27 In accordance with IFRS 5.33.(a) and IAS 1.82.(e), income and expenses from discontinued operations are disclosed as a single net amount in a specific line item in the main section of the consolidated income statement.

28 Specific line items which are considered relevant for understanding a credit institution's financial performance have been included in the main section of the consolidated income statement, in accordance with IAS 1.85.

5.6. Non-core tables

29 Some of the non-core tables provide disaggregated information on main line items of the core information in accordance with specific IFRS disclosure requirements or common practice. Others provide additional quantitative information such as: (i) the credit institution's exposure to credit risks arising from financial instruments, in accordance with IFRS 7 and the CRD; (ii) the geographical distribution of assets and liabilities, and (iii) the business of the group (banking, insurance, asset management).

30 Non-core tables provide information which cannot always be fully derived from IFRS, such as breakdowns of financial instrument categories by product, details on provisions, revaluation reserves and other valuation differences attributable to minority interests, interest income and expenses, and derivatives. These breakdowns are designed to complement the general guidance on presentational issues contained in the Standards. In general, the information is commonly available in the banking sector and relevant for supervisory purposes. Some of the breakdowns are included in order to link the data with items in the Common Framework for Reporting of the Solvency Ratio (COREP) when calculating prudential capital under IFRS.

31 Except when otherwise stated, items with the same label reported in different tables have the same meaning.

6. Accounting conventions

6.1. Trade date versus settlement date

32 Under certain circumstances, IFRS allow an entity to recognise or derecognise a financial asset either on the date that the entity commits itself to purchase or sell the asset (trade date) or on the date that the asset is delivered to or by the entity (settlement date) (see IAS 39.38 and IAS 39.AG53-56). This choice may depend on the category of financial assets concerned; however, the method used must be applied consistently.

33 The choice of accounting date may result in timing differences in the recognition of purchases and sales in the income statement and the balance sheet (see IAS 39.IG D.2.1 and D.2.2 for illustrative examples).

34 FINREP does not prescribe which method is to be used. Credit institutions are free to choose unless their national supervisory authority requires a particular method as a matter of national harmonisation. CEBS may reconsider this issue in the future if practical experience indicates that the choice has a significant impact on institutions' financial position or solvency.

6.2. Accrued interest

35 FINREP uses the "dirty prices" approach (including accrued interest) for the reporting of financial instruments on the balance sheet (core and non-core templates).

36 In the income statement, interest income and interest expense from financial instruments held for trading and financial instruments designated at fair value through profit and loss may be reported either as part of interest income/expense ("clean price") or under net gains (losses) from these categories of instruments ("dirty price") as allowed by IFRS 7.20.(a) and IFRS 7.B5.(e) (See point 3.1 of Chapter II).

7. Links to the Framework for Common Reporting of the Solvency Ratio (COREP)

37 The FINREP framework provides several links to COREP including:

- i) information on prudential filters for linking the data with regulatory capital calculations (COREP CA template);
- ii) the use of the economic sector allocation classes presented in point 17 of Chapter II and in Annex 1;
- iii) the information to link the amounts derecognized for accounting and capital requirements purposes in the last column of Table 12 "Transfers of financial assets";
- iv) the use of the product breakdown in table 9B, *Movements in allowances for credit losses,* which is a combination of the requirements of IFRS 7 and Annex XII of the CRD;
- v) the notional amounts needed to calculate the capital requirements for the off-balance sheet items listed in Annex II of the CRD in Table 17 "Loan commitments, financial guarantees and other commitments"; and
- vi) information on the treatment applied to certain equity investments within both the IFRS scope of consolidation and the CRD scope of consolidation in Table 25.

8. Reporting frequency and remittance dates

38 From 2012 onwards, the reporting frequency may be quarterly, semi-annuallyl, or annually. National authorities are free to choose the reporting frequency for each template or sub-template. National authorities may require some tables (in both the core and non-core sections) to be reported at a lower frequency than others.

39 The reporting dates will be 31 March, 30 June, 30 September, and 31 December.

40 National authorities will retain a degree of national discretion regarding reporting deadlines, which should fall within a “corridor” of 20 to 40 business days after the reporting date.

41 Member States will have the option of requiring reporting of audited data on top of the quarterly reporting with a separate reporting deadline depending on national regulations regarding the publication of audited results.

42 National authorities should publicly disclose the reporting frequency for each template.

CHAPTER II: DETAILED GUIDELINES

1. Definitions

1 "Credit institution" refers to the legal definition of a credit institution (by virtue of a banking licence or other local specificities) as defined by local legislation.

2 "Capital Requirements Directive" (hereinafter, CRD) refers to Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006.

3 "European Central Bank (ECB) Regulation" (hereinafter, ECB Regulation) refers to Regulation of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2008/32).

2. Balance sheet (assets, liabilities and equity)

2.1 Cash on hand

4 The item "Cash on hand" includes holdings of national and foreign banknotes and coins in circulation that are commonly used to make payments.

2.2 Investments in entities accounted for using the equity method

5 This item includes investments in associates, joint ventures and subsidiaries accounted for using the equity method. As set out in Chapter I, point 4, the scope prescribed is the CRD, which excludes insurance and non-financial subsidiaries, and is the only mandatory scope for consolidation (although national authorities are free to ask for a limited number of templates using the IFRS scope). When using the CRD scope, credit institutions may need to apply the equity method to investments in insurance and non-financial subsidiaries. This is the reason for including "subsidiaries" in this item and labelling it as investments in entities accounted for using the equity method. In those cases in which the IFRS scope of consolidation is used, these subsidiaries should not be accounted for using the equity method, they should be consolidated in accordance with IAS 27. The carrying amount in this line item also includes related goodwill.

2.3 Share capital repayable on demand

6 "Share capital repayable on demand" (table 1.2) includes the cooperatives' shares that do not meet the IFRIC 2 criteria to be classified as equity. The issuing entity does not have the option to classify this kind of share according to other criteria than those setted by IFRIC 2.

2.4 Equity component of financial instruments

7 The equity component of financial instruments is presented in table 1.3 as part of "other equity". In FINREP, all contractual obligations, including those arising from a derivative financial instrument that will or may result in the future delivery of the issuer's own equity instruments [in accordance with IAS 32.16.(a) and (b), IAS 32.AG27(a)], along with the equity component of compound financial instruments

(i.e. non-derivative financial instruments) issued by the entity (in accordance with IAS 32.28), are reported as an equity component of financial instruments.

2.5 Reserves

8 The item "Reserves" includes retained earnings (legal reserve, statutory reserve, etc.) along with other reserves (consolidation reserve, merger reserve, etc.), actuarial gains and losses recognised directly through equity according to IAS 19.93A and accumulated losses.

2.6 Treasury shares

9 The item "Treasury shares" of table 1.3 and 22 covers all financial instruments that have the characteristics of own equity instruments within the meaning of IAS 32.33 which have been reacquired by the issuing entity. Examples of equity instruments are provided in IAS 32.AG13 (see also IAS 34.AG14).

2.7 Insurance and non-financial activities

10 In an IFRS scope balance sheet the assets arising from insurance and reinsurance contracts are registered in the line item "Assets under insurance and reinsurance contrats" [IFRS 4.IG20.(b)-(c)] of table 1.1 and the liabilities under the item "Liabilities under insurance and reinsurance contracts" [IFRS 4.IG 20.(a)] of table 1.2.

11 Assets and liabilities that due to their nature cannot be classified in specific balance sheet items (such as inventories) must be registered in "Other assets" or "Other liabilities".

3. Income statement

3.1 Interest income and interest expense

12 In table 2, interest income and interest expense from financial instruments held for trading, and financial instruments carried at fair value through profit or loss, may be reported either as part of interest income and expense ("clean pricing") or under net gains and losses from these categories of instrument ("dirty pricing"). National authorities may permit or require credit institutions to report the amounts of interest income and interest expense separately.

13 The line items "Interest income. Derivatives – Hedge accounting, interest rate risk" and "Interest expenses. Derivatives – Hedge accounting, interest rate risk" include the amounts related to those derivatives classified in the category "hedge accounting" which cover interest rate risk. They are to be reported as interest income and expense because they correct interest income and expense from the hedged items to which they are linked.

14 The amounts related to those derivatives classified in the category "held for trading" which are hedging instruments from an economic (but not accounting) point of view may be reported as interest income and expense because they correct interest income and expense from the financial instruments that are hedged. These amounts are included in table 2 as a part of the items "Interest income. Financial assets held

for trading" and "Interest expenses. Financial liabilities held for trading"). Furthermore, these amounts are separately reported in table 20A (see point 11 of this chapter).

15 The item "Interest income - other assets" includes amounts of interest income not shown in the other items, such as interest income related to cash and cash equivalents and non-current assets and disposal groups classified as held for sale, expected return on plan assets used in post-employment defined benefit plans, etc.

16 The item "Interest expenses - other liabilities" includes amounts of interest expense not shown in the other items, such as interest expense related to liabilities included in disposal groups classified as held for sale, increases in the carrying amount of a provision reflecting the passage of time, interest costs related to post-employment defined benefit plans, etc.

3.2 Dividend income

17 Dividend income from financial assets held for trading and from financial assets carried at fair value through profit or loss may be reported in table 2 either as "dividend income" (clean pricing), or under "gains (losses) on financial assets and liabilities held for trading, net" and/or "gains (losses) on financial assets and liabilities carried at fair value through profit or loss, net" (dirty pricing), respectively. National authorities may permit or require credit institutions to report dividend income separately.

3.3 Impairment on financial assets at cost

18 In tables 2 and 9A, the item "Impairment on financial assets at cost (unquoted equity and related derivatives)" includes impairment losses arising from the application of the impairment rules in IAS 39.66.

3.4 Insurance and non-financial activities

19 In table 2, the line item "Revenue from insurance and reinsurance contracts issued" includes the amounts of insurance and reinsurance premiums received without any reduction for reinsurance held [IFRS 4.IG 24.(a)] and the item "Other income/expenses from insurance and reinsurance contracts, net" includes the rest of the gains and losses arising from insurance and reinsurance contracts, such as income from contracts with reinsurers, amounts of reinsurance premium paid, benefits paid, and net provision for insurance contract liabilities [IFRS 4.IG24.(b)-(d)].

20 In the income statement, the income and expenses of insurance and non-financial entities shall also be classified by nature together with those related to the credit institutions' activity. Sales and income from the provision of non-financial services are included in "Other operating income" and the costs associated with those sales (such as reductions in inventories) in "Other operating expenses".

4. Financial instruments

4.1 Derivatives (tables 3 and 4)

21 Credit institutions are required to report the carrying amount and the notional amount of derivatives held for trading (table 3) and of derivatives held for hedge accounting (table 4), broken down by type of underlying risk and type of market (over-the-counter versus organised markets). Credit derivatives are broken down by type of product.

22 All derivatives must be classified into six risk cathegories:

i) Interest rate: Interest rate derivatives are contracts related to an interest-bearing financial instrument whose cash flows are determined by referencing interest rates or another interest rate contract (eg an option on a futures contract to purchase a Treasury bill).

This category is restricted to those deals where all the legs are exposed to only one currency's interest rate. Thus it excludes contracts involving the exchange of one or more foreign currencies (eg cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported as foreign exchange contracts.

Interest rate contracts include forward rate agreements, single-currency interest rate swaps, interest rate futures, interest rate options (including caps, floors, collars and corridors), interest rate swaptions and interest rate warrants.

ii) Equity: Equity derivatives are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices.

iii) Foreign exchange: These derivatives include those contracts involving the exchange of currencies in the forward market and exposure to gold. They therefore cover outright forwards, foreign exchange swaps, currency swaps (including cross-currency interest rate swaps), currency futures, currency options, currency swaptions and currency warrants.

Foreign exchange derivatives include all deals involving exposure to more than one currency, whether in interest rates or exchange rates.

Gold contracts include all deals involving exposure to that commodity.

iv) Credit: Credit derivatives are contracts in which the payout is linked primarily to some measure of the creditworthiness of a particular reference credit. The contracts specify an exchange of payments in which at least one of the two legs is determined by the performance of the reference credit. Payouts can be triggered by a number of events, including a default, a rating downgrade or a stipulated change in the credit spread of the reference asset.

v) Commodity: These derivatives are contracts that have a return, or a portion of their return, linked to the price of, or to a price index of, a commodity such as a precious metal (other than gold), petroleum, lumber or agricultural products.

vi) Other: These derivatives are any other derivative contracts which do not involve an exposure to foreign exchange, interest rate, equity, commodity or credit risk (e.g climatic derivatives and insurance derivatives).

23 When a derivative is influenced by more than one type of underlying risk, the instrument should be allocated to the type of risk to which they are most sensitive. However, if, for practical reasons, reporting institutions are in doubt about the correct classification of multi-exposure derivatives, they should allocate the deals according to the following order of precedence:

i) Commodities: All derivatives transactions involving a commodity or commodity index exposure, whether or not they involve a joint exposure in commodities and any other risk category (ie foreign exchange, interest rate or equity), should be reported in this category.

ii) Equities: With the exception of contracts with a joint exposure to commodities and equities, which are to be reported as commodities, all derivatives transactions with a link to the performance of equities or equity indices should be reported in the equity category. That is, equity deals with exposure to foreign exchange or interest rates should be included in this category.

iii) Foreign exchange: This category will include all derivatives transactions (with the exception of those already reported in the commodity or equity categories) with exposure to more than one currency, be it through interest or exchange rates.

24 The carrying amount must be reported separately for derivatives with a positive fair value ("assets") and for those with a negative fair value ("liabilities").

25 The "Notional amount" is the gross nominal of all deals concluded and not yet settled at the reporting date. In particular, the following rules shall be taken into account in determining the notional amount:

i) For contracts with variable nominal or notional principal amounts, the basis for reporting is the nominal or notional principal amounts at the reporting date.

ii) The value of the notional amount to be reported for a derivative contract with a multiplier component is the contract effective notional amount or par value. For example, a swap contract with a stated notional amount of 1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by ten has an effective notional amount of 10,000,000.

iii) Swaps: the notional amount of a swap is the underlying principal amount upon which the exchange of interest, foreign exchange or other income or expense is based.

iv) Equity and commodity-linked contracts: the notional amount to be reported for an equity or commodity contract is the quantity, eg number of units, of the commodity or equity product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining exchanges of principal in the contract.

v) Credit derivatives: the contract amount to be reported for credit derivatives is the nominal value of the relevant reference credit.

26 The column "notional amount" for derivatives includes, for each line item, the sum of the notional amounts of all contracts in which the reporting entity is counterparty, independently of whether, according to their fair values, the derivatives are considered assets or liabilities on the face of the balance sheet. No netting between the notional amounts is admitted.

27 The column "of which sold" refers to certain line items in which option contracts have to be reported (in particular for "OTC options", "Organised market options", "Commodity" and "Other") and credit derivatives. It includes the notional amounts (strike price) of these contracts in which the counterparties (option holders) of the reporting entity (option writer) have the right to exercise the option; and, for the line items related to credit risk derivatives, the notional amounts of the contracts in which the reporting entity (protection seller) has sold (gives) protection to their counterparties (protection buyers).

28 Data on derivatives held for trading (table 3) which qualify as "economic hedges" are also reported separately for each type of risk (as an "of which"). The item "economic hedges" includes those derivatives accounted as held for trading but used as economic (but not accounting) hedges of assets or liabilities that are not included in the "held for trading" portfolios. This item does not include derivatives held for proprietary trading.

29 The carrying amount and the total notional amount of derivatives held for trading (table 3), and of derivatives held for hedge accounting (table 4), which are traded in the OTC market, must be reported by type of counterparty using the following categories:

i) credit institutions,

ii) other financial corporations, and

iii) rest (all other counterparties).

30 Counterparty breakdown for credit risk derivatives refers to the sector to which the counterparty of the reporting entity in the contract (buyer or seller of protection) is allocated.

31 Derivatives included in hybrid instruments (IAS 39.11, IAS 39.AG27, AG29 and IFRIC 9) which have been separated from the host contract should be included in the balance sheet and tables 3 and 4 according to the nature of the derivative. The amount of the host contract is included in table 11 D. However, if the hybrid instrument is measured at fair value through profit or loss, the contract as a whole should be included in the category of held for trading or financial instruments designated at fair value through profit or loss. In any case, an appropriate disclosure of the hybrid instruments held or issued by the entity is made in tables 11C and 11D (see also point 4.7 of this chapter).

32 Derivatives that are not classified as effective hedging instruments in accordance with IAS 39 should be included in the held for trading category. This applies even to derivatives that are "held for hedging purposes" (as described above) or linked to unquoted equity instruments whose fair value cannot be measured reliably.

4.2 Financial assets (table 5)

4.2.1 Debt securities

33 "Debt securities" are debt instruments held by the reporting entity issued as securities that are not loans in accordance with the ECB Regulation.

4.2.2 Breakdown of financial assets

34 Loans and receivables include finance leases.

35 Table 5E permits an assessment of the overall quality of loans and receivables and held-to-maturity investment portfolios, broken down by type of instrument and by type of counterparty, through their disaggregation into unimpaired and impaired assets. In addition, credit institutions are asked to disclose separately the specific allowances for individually assessed financial assets, the specific allowances for collectively assessed financial assets and the collective allowances for incurred but not reported losses.

36 According to IAS 39, collective evaluation of impairment applies to financial assets that are not individually significant and to financial assets for which there is no objective evidence of individual impairment. This approach does not preclude performing an individual impairment evaluation of loans that are individually insignificant.

37 The collective impairment assessment process can be illustrated as follows:

		A. Significant loans		B. Insignificant loans
		Individually significant loans		Individually insignificant loans
Impaired on individual basis	Step 1	Individual impairment evaluation		Collective impairment assessment
Unimpaired on individual basis	Step 2	Collective impairment assessment		Collective impairment assessment

38 "Specific allowances for collectively assessed financial assets" is the amount of collective impairment losses determined in step 1B, as described above. This is because for practical reasons insignificant loans that are impaired may not be individually measured but rather measured on statistics collected on a portfolio basis.

39 "Collective allowances for incurred but not reported losses" is the amount of collective impairment losses determined as a result of steps 2A and 2B. For an example of amounts to be reported in the column "allowances for incurred but not reported losses", see IAS 39.59.(f), AG87 and AG90.

40 IFRS 7 does not require separate reporting of individually assessed financial assets and collectively assessed financial assets. However, this breakdown is important for supervisors and it is consistent with COREP.

41 Table 5D introduces a breakdown of available-for-sale (AFS) financial assets by instrument. Within this breakdown credit institutions are requested to indicate the

fair value of impaired assets and of unimpaired assets respectively, and the cumulative amount of impairment losses recognised in profit or loss as at the reporting date.

42 The following examples illustrate the possible treatment of a decline in the fair value of an AFS financial asset that is impaired.

43 *Example 1: Impaired AFS financial assets (according to IAS 39.67-68)*

Acquisition cost (T-0)	100	
Fair Value (T-1)	95	cumulative loss = 30
Impaired Fair Value (T-2)	70	

(1) Initial measurement of AFS

(2) Fair value change unimpaired (loss through equity)

(3) Fair value change due to impairment (loss through equity)

(4) Impairment loss (cumulative loss from equity to income statement)

AFS		Equity		P/L		Cash	
(1) 100		(2) 5	5 (4)	(4) 25			100 (1)
	5 (2)	(3) 25	25 (4)	(4) 5			
	25 (3)						

44 *Example 2: Impaired AFS financial assets (according to IAS 39.67-68)*

Acquisition cost (T-0)	100	
Fair Value (T-1)	105	cumulative loss = 30
Impaired Fair Value (T-2)	70	

(1) Initial measurement of AFS

(2) Fair value change unimpaired (gain through equity)

(3) Fair value change due to impairment (loss through equity)

(4) Impairment loss (cumulative loss from equity to income statement)

AFS		Equity		P/L		Cash	
(1) 100		(3) 35	5 (2)	(4) 30			100 (1)
(2) 5			30 (4)				
	35 (3)						

4.3 Breakdown of loans and advances (table 6)

45 Table 6A of the framework covers the collection of breakdowns of all loans and advances by type of product. In this template the “carrying amount” (ie the amount after allowances for credit losses) is reported. For the purpose of the framework, the definitions of types of loan and advance are as follows:

i) “On demand (call) and short notice (current account)” includes balances receivable on demand, at short notice, and other similar balances (eg loans that are overnight deposits for the borrower), regardless of their legal form. This item also includes “overdrafts“, that is debit balances on current accounts .

ii) “Mortgage loans (Real estate collateralized loans)” includes loans formally backed by real estate collateral .

iii) “Other collateralized loans” includes loans formally backed by collateral other than “real estate collateralized loans”, “finance leases” and “reverse repurchase loans” (eg pledges of securities, cash, or other collateral).

iv) ”Trade receivables” includes loans to other debtors granted on the basis of bills or other documents that give the right to receive the proceeds of transactions for the sale of goods or provision of services. This item includes all factoring transactions (both with and without recourse).

v) “Finance leases” includes the carrying amount of finance lease receivables as defined in IAS 17.

vi) “Reverse repurchase loans” includes finance granted in exchange for securities bought under repurchase agreements or borrowed under securities lending agreements.

vii) “Consumer credit” includes “credit for consumption” (loans granted mainly for the personal consumption of goods and services) that are not collateralized, as well as credit granted to “households”, “non-financial corporations”, and “other financial corporations” using delayed debit cards or credit cards (ECB regulation).

viii) “Other term loans” includes debit balances under non-collaterized transactions with contractually fixed maturities or terms that are not included in other items.

This category also includes interbank deposits, whether transferable or not, other fixed-term financial support, “subordinated loans” (loans that provide a subsidiary claim on the issuing institution which can be exercised only after all claims with a higher status have been satisfied) and “project finance” (loans that are recovered solely from the income of the projects financed by them).

ix) “Other” includes advances that cannot be classified as “loans” according to the ECB Regulation, such as gross amounts receivable in respect of suspense items (eg funds that are awaiting investment, transfer, or settlement) and transit items (eg cheques and other forms of payment that have been sent for collection).

x) “Collateralized credit for consumption” includes collateralized “credit for consumption” as defined above.

46 Table 6B provides information on the part of the carrying amount of the loans and advances included in table 6A that are backed by pledges of collateral (real estate and/or other assets) or by financial guarantees .

47 The "maximum collateral/guarantee that can be considered" compared to the net carrying amount of the loans and advances in table 6A, follows the rule that the sum of the amounts of a financial guarantee and/or collateral shown in the related columns of table 6B cannot exceed the carrying amount of the related loan. For example, if a loan of EUR 1 million is covered by a pledge of securities with a fair value of EUR 1.5 million, the maximum collateral that can be considered in column "Other collateralized loans" of table 6B is EUR 1 million. For this purposes, carrying amounts calculated separately by the entity should not be aggregated.

48 Regarding the content of the three columns of table 6B:

i) In "Mortgage loans (Real estate collateralized loans)", "Residential" includes pledges of residential property and "Commercial" pledges of commertial property, in both cases as defined in the CRD.

ii) In "Other collateralized loans", "Cash" includes pledges of deposits with and debt securities issued by the reporting entity and "Rest" includes pledges of securities or other assets".

iii) "Financial Guarantees" includes contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument (IAS 39.9, AG4 and IFRS 4.A).

49 With loans and advances that are backed by more than one type of collateral or guarantee, the amount of the "maximum collateral/guarantee that can be considered" should be allocated among the different columns of table 6B according to the quality of the collateral starting with the one with the highest quality.

50 The information on counterparties refers to the counterparty to the loan, not to the counterparty of the collateral.

4.4 Information on impairment and past due (table 7)

51 In accordance with IFRS 7.37, table 7 requires an analysis of the age of assets that are past due at the reporting date, but not impaired at that date. This information covers financial assets included in the categories available-for-sale, loans and receivables and held-to-maturity.

52 Assets qualify as past due when the counterparty has failed to make a payment when contractually due. The amounts of such assets should be reported and broken down according to the number of days past due. The past due analysis should not include any impaired assets since IFRS 7.37 requires the carrying amount of impaired assets to be disclosed separately from past due assets.

53 The column "Accumulated value adjustments recorded directly to the income statement (Accumulated write-offs)" includes the amounts of the principal and past due interest of any impaired debt securities and loan and advances that the reporting entity no longer recognises, independently of the portfolio in which they were included. These amounts must be reported until the whole of the entity's rights have

been extinguished (by expiry of the statute of limitations period, forgiveness or other causes) or until recovery. For equity instruments, this column includes the amount of the cost written off while there is any possibility of recovery. Write-offs include both reductions in the carrying value of impaired financial assets recognised directly in profit or loss [IFRS 7.B5.(d).(i)] and reductions in the amounts of the allowance accounts charged against the impaired financial assets [IFRS 7.B5.(d).(ii)].

54 The line item "loans and advances" has two breakdowns - by counterparty and by type of product.

4.5 Information on credit risk and impairment (table 9)

55 For table 9 C the criteria for reporting the information on repos and reverse repos are included in the point 4.8 of this Chapter.

56 In table 9 E, the item of "<u>Foreclosure [tangible assets]</u>" refers to the cumulative amount of foreclosed assets at the end of the reporting period that is not classified as "Property, plant and equipment".

4.6 Financial liabilities (table 10)

57 Table 1.2 and the related detailed template 10 contain references to "deposits", "debt securities issued" and "other financial liabilities".

4.6.1 Deposits

58 The item <u>"deposits"</u> is defined in the same way as in the ECB Regulation. Consequently, regulated savings deposits should be classified in accordance with the ECB Regulation (see Annex II, part 2, items 9.2 and 9.3) and distributed according to the counterparty breakdown provided in table 10A. In particular, non-transferable sight savings deposits, which although legally redeemable at demand are subject to significant penalties and restrictions and have features that are very close to overnight deposits, are claissified as deposits redeemable at notice.

4.6.2 Debt securities issued

59 <u>"Debt securities issued"</u> are debt instruments issued as securities by the reporting entity that are not deposits in accordance with the ECB Regulation. This item includes:

i) "Certificates of deposits",

ii) "Customer saving certificates" (including when dematerialised),

iii) Bonds (convertibles and non-convertibles),

iv) Other.

4.6.3 Other financial liabilities

60 "Other financial liabilities" includes all financial liabilities under the scope of IAS 39 other than derivatives, short positions, deposits and debt securities issued. They include, among others, financial guarantees, loan commitments, dividends to be paid and amounts payable in respect of suspense items, transit items and future settlements of transactions in securities and foreign exchange.

4.6.4 Subordinated liabilities

61 "Subordinated liabilities" issued are to be treated in the same way as other financial liabilities incurred. Hence, subordinated liabilities issued in the form of securities are to be classified as "debt securities issued", whereas subordinated liabilities in the form of deposits or loans are to be classified as "deposits". Table 10B provides information on subordinated liabilities.

4.7 Information on fair value (table 11)

62 Tables 11A and 11B provide information on the fair value of financial instruments, using the hierarchy in IFRS 7.27A.

63 Table 11C provides information on the use of the fair value option for financial assets and liabilities designated at fair value through profit or loss.

64 Table 11D provides information on hybrid financial instruments, except for contracts measured at fair value through profit or loss under the fair value option which are shown in table 11C. The column "held for trading" includes the amount of hybrid financial instruments classified as a whole in the "held for trading" portfolio (i.e. it only includes non-separated hybrid instruments; separated embedded derivatives are reported in tables 3 and 4). The other columns include the amount of host contracts that have been separated from the derivatives according to IAS 39 provisions, that is where the entity has not chosen to measure the whole of the hybrid financial instruments at fair value through profit or loss (see also point 4.1 of this chapter).

4.8 Transfer of financial assets and other pledges of collateral (table 12)

65 Table 12A is used to report transferred financial assets part or all of which do not qualify for derecognition (see IAS 39.15-37), and financial assets entirely derecognised for which the entity retains servicing rights. To provide a link with COREP, the table includes a column for financial assets that are derecognised for capital purposes.

66 The associated liabilities should be reported in this template according to the portfolio in which the related transferred financial assets are included (not according to the portfolio in which they are included on the liability side).

67 The column "Amounts derecognised for capital purposes" includes the amounts of the financial assets recognised for accounting purposes but derecognised for prudential purposes because the reporting entity is treating them as securitisation positions for capital purposes in accordance with article 94 of the CRD.

68 "Repurchase agreements" ("repos") are transactions in which the reporting entity receives cash in exchange for financial assets sold at a given price under a

commitment to repurchase the same (or identical) assets at a fixed price on a specified future data. Amounts received by the reporting entity in exchange for financial assets transferred to a third party ("temporary acquirer") are to be classified under "repurchase agreements" where there is a commitment to reverse the operation and not merely an option to do so. The following variants of repo-type operations are all classified under "repurchase agreements":

i) amounts received in exchange for securities temporarily transferred to a third part in the form of securities lending against cash collateral; and

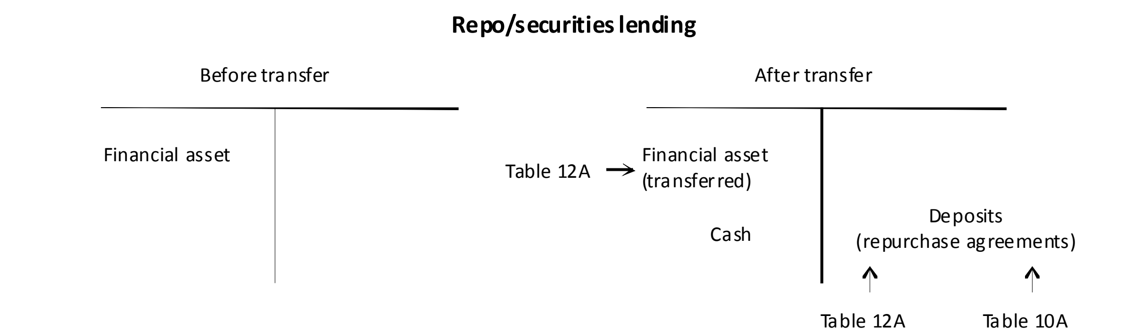
ii) amounts received in exchange for securities temporarily transferred to a third party in the form of a sale/buy-back agreement.

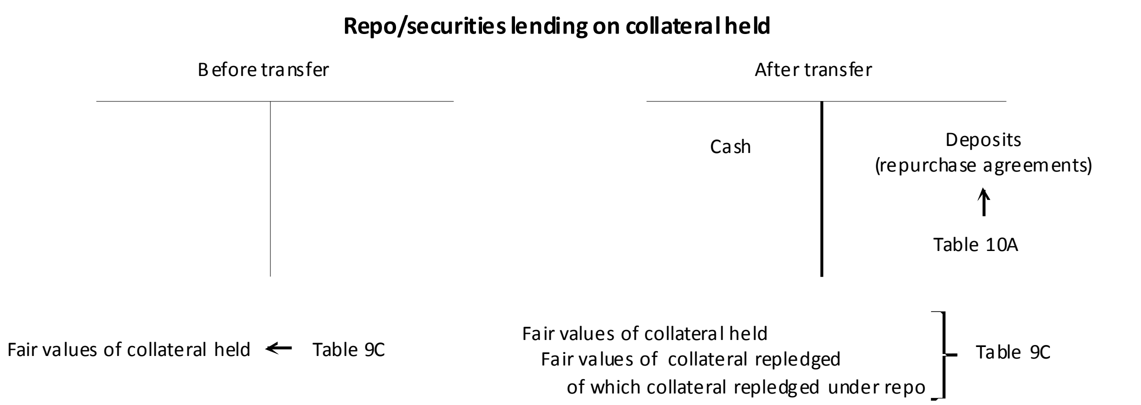
69 "Repurchase agreements" ("repos") and "reverse repurchase loans" ("reverse repos") involve cash received or loaned out by the reporting entity. As these transactions are not presented separately on the face of the balance sheet, tables 6, 10A and 12A provide information on the agreements included in each balance sheet category.

70 Information on "repos" with collateral held (pledged by another party) that could be repledged by the reporting entity under a "repo" as well as collateral held under a "reserve repo" that could be sold are reported in table 9C.

71 *Illustrative examples*

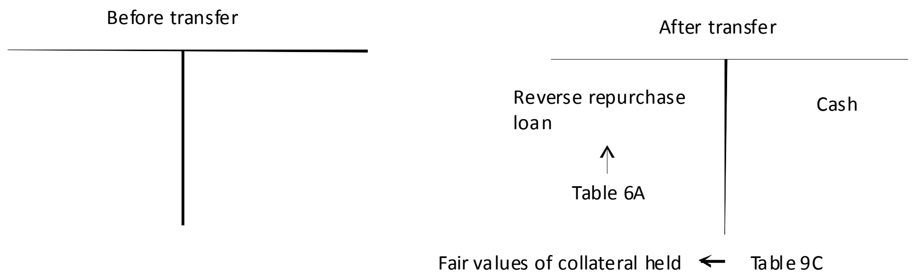
TRANSFEROR



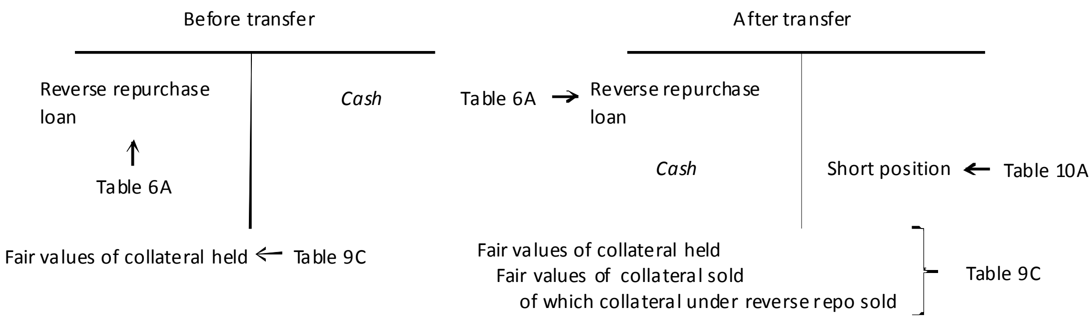


TRANSFEREE

Reserve repo



Collateral held under reverse repo sold by the transferee



72 In a securitisation, when the transferred financial assets are derecognized, the reporting entity should declare the gains (losses) generated in the item of the income statement that corresponding to the IAS 39 category in which the financial assets were included prior to their derecognition. When the transferred financial assets were classified as “held for trading”, the gains (losses) should be distributed in table 20C following the instructions provided in point 11 of this chapter.

73 Table 12B includes the carrying amount of all financial assets pledged as collateral for liabilities or contingent liabilities by the reporting entity. It includes pledges made through the transfer of the financial asset involved when the transferee has the right to sell or repledge the collateral [see IAS 39.37.(a)], such as in “repos”, pledges make through transfers in which the transferee does not have the right to sell or repledge the collateral, such as in a securitization, and other pledges that do not imply the transfer of collateral, such as issues of covered bonds.

5. Tangible and intangible assets (table 13)

74 Table 13A shows the amount of "Property, plant and equipment", "Investment property" and "Other intangible assets" from table 1.1 distributed in accordance with the criteria used for their measurement.

75 Table 13B shows the amount of the items included in table 13A that have been leased by the reporting entity (lessor) to third parties under agreements that qualify as operating leases.

6. Provisions (table 14)

76 Table 14 shows the reconciliation between the carrying amount of the item "Provisions" from table 1.2 at the beginning and end of the period broken down by the types of movement.

77 The item "Provisions for employee benefits" is split into two further items:

i) "Pensions and other post retirement benefit obligations" includes the defined benefit liability of the reporting entity as defined in IAS 19.54. Table 16.A provides additional information on this item (see point 8 of this Chapter).

ii) "Other employee benefits" includes the amount recognised as a liability for the following categories:

a) short term employee benefits in accordance with IAS 19.10 when there is uncertainty about the amount to be paid (if there is not uncertainty, the accrued expense is included in "Other liabilities");

b) defined contribution plans in accordance with IAS 19.44.(a);

c) other long-term employee benefits in accordance with IAS 19.128; and

d) termination benefits in accordance with IAS 19.133.

7. Geographical breakdown (table 15)

78 The FINREP framework provides for collecting geographical breakdowns of assets and liabilities based on the residence of the counterparties. National supervisors who wish to collect additional information on country risk (based either on the residence of the counterparty or the location of the activities) must do so outside FINREP (eg in Pillar II or BIS statistics).

79 The geographical breakdown in tables 15A and 15B distinguishes between domestic, Economic and Monetary Union (EMU) countries, other European Union (EU) countries, and the rest of the world. Domestic means the country of the national supervisory authority receiving the report.

80 When debt securities issued by the reporting entity cannot be allocated by the geographical area of the residency of the holder without incurring undue costs they shall, by convention, be classified geographically according to the residence of the market in which they are traded. For non-financial assets/liabilities that are neither contractual nor statutory, the following classification conventions should be applied: (a) for tangible assets the physical location of the asset shall be used and (b) for non-contractual liabilities and non-contractual intangible assets the residence of the entity that has recognized them in the balance sheet. When, after applying the

previous criteria, the reporting entity is in doubt about the correct allocation of an asset or liability it may classify it as "domestic".

8. Defined benefit plans and employee benefits (table 16)

81 Tables 16A and 16B include accumulated information about all the defined benefit plans of the reporting entity. When there is more than one defined benefit plan, the data to be reported in these tables are the total amount of all the plans, not the separate amounts for each plan.

82 Table 16A "Components of defined benefit plan assets and liabilities" shows the reconciliation of the accumulated present value of all defined benefit obligations, and the fair value of the plan assets linked to them, to the assets and liabilities recognized in the balance sheet [IAS 19.120A.(f)].

83 The item "Defined benefit assets, total" includes, in the event of a surplus, the surplus amounts that should be recognized in the balance sheet because they are not affected by the limits set up in IAS 19.58.(b). The amount of this item and the amount recognized in the memorandum item "Fair value of any right to reimbursement recognized as asset" are included in the item "Other assets" of table 1.1.

84 The amount of the item "Pensions and other post retirement benefit obligations" is the amount included for this liability in the item "Provisions for employee benefits" in table 1.2. The reconciliation between its carrying amount at the beginning and end of the period is shown in table 14 (see point 6 of this Chapter).

85 Table 16B "Movements in defined benefit obligations" shows the reconciliation of opening and closing balances of the accumulated present value of all defined benefit obligations of the reporting entity, showing separately the effects during the period of the different elements listed in IAS 19.120A.(c).

86 The amount of the item "Defined benefit plan obligations [closing balance]" is the sum of the amounts of the items "Present value of whole or partially funded defined benefit obligations" and "Present value of wholly unfunded defined obligations" in table 16A.

87 In Table 16C, the following definitions apply:

i) "Pension and similar expenses" includes the amount recognized in the period as staff expenses for any post-employment benefit obligations (both defined contributions plans and defined benefits plans) and contributions to social security funds in accordance with IAS 19.

ii) "Share based payments" includes the amount recognized in the period as staff expenses for share based payments in accordance with IFRS 2.

9. Off-balance sheet items

88 Off-balance sheet items include items that do not appear on the balance sheet for the following reasons:

i) assets and/or liabilities that are deferred or contingent and do not appear on the balance sheet until or unless they become actual assets or liabilities: eg loan commitments, financial guarantees, and other commitments; and

ii) the bank is not the owner of the assets, but provides management, depositary, or other services relating to those assets: eg assets under management, custody assets, central administration services, and fiduciary transactions.

9.1 Loan commitments, financial guarantees and other commitments (table 17)

89 Table 17 provides information on loan commitments, financial guarantees, and other commitments given and received. Both revocable and irrevocable commitments are to be included. For the purpose of the framework, the definitions of these obligations are as follows:

i) "Loan commitments" are firm commitments to provide credit under pre-specified terms and conditions (see IAS 39.BC15), except those that are derivatives because they can be settled net in cash or by delivering or issuing another financial instrument. (See also IAS 39.2.(h) and IAS 39.4.(a) and (c).)

ii) "Financial guarantees" are the contracts that meet the IAS 39.9 and IFRS 4 A definition of financial guarantee contracts.

iii) "Other commitments" are the items in Annex II of the CRD that are not included in the previous categories.

90 The items "loan commitments given –of which: doubtful", "financial guarantees given –of which doubtful" and "other commitments given –of which doubtful" include the notional amount of those loan commitments, financial guarantees and other commitments whose counterparty has defaulted because events similar to the ones described in the Annex VII, part IV, paragaph 44 of the CRD have taken place.

91 In completing table 17, "notional amount" is the amount that best represents the reporting entity's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements [see IFRS 7.36(a)]. In particular, the following criteria should be used: i) for financial guarantees, the notional amount is the maximum amount the entity could have to pay if the guarantee is called on [IFRS 7.B10.(c)]; and ii) for loan commitments the notional amount is the total amount that the entity has committed to lend [IFRS 7.B10.(d)]. These notional amounts are the exposure values for the purposes of applying article 78 of the CRD (that is before applying the risk weighting percentage).

9.2 Asset management, custody and other services (table 18)

92 Table 18 provides information on business related to asset management, custody functions and other service functions. In completing this table, the following definitions should be used:

i) "Asset management" refers to assets belonging directly to the customers for which the bank is providing management. "Asset management" should be reported by type of customer: collective investments, pension funds, customer portfolios managed on a discretionary basis, and other investment vehicles.

ii) "Custody assets" refers to the services provided as a custodian bank. "Custody assets" should be reported by type of customer for which the bank is holding the assets: collective investments, other institutional customers, and others. The item "of which: entrusted to other entities" refers to the amount of assets included in custody assets for which the reporting entity has given the effective custody to other entities.

iii) "Central administration services for institutional customers" refers to the administration services provided by the bank to institutional customers. For collective investments, for example, it includes the services of transfer agent, accounting, distribution, and shareholder register.

iv) "Fiduciary transactions" refers to the activities where the reporting entity acts in its own name but for the account of and at the risk of its customers. Frequently in fiduciary transactions the reporting entity also provides services, such as custody and asset management services to a structured entity or through managing portfolios on a discretionary basis. Nevertheless, all fiduciary transactions should be reported only in this item ignoring whether the reporting entity also provides other services.

v) "Payment services" refers to the collection on behalf of customers of payments generated by debt instruments that are neither recognised on the balance sheet of the reporting credit institution nor originated by it.

vi) "Customer resources distributed but not managed" refers to products issued by entities outside the group that the reporting entity has distributed to its customers.This item should be reported by type of product.

vii) "Assets involved in the services provided by the entity" shows the amount of assets in relation to which the reporting entity is acting. In principle, the fair value should be used; other measurement bases (such as the nominal value) may be used if the fair value is not available. In those cases where the reporting entity provides services to entities (such as collective investment schemes, pension funds, etc...), the assets concerned may be shown at the value at which those entities report the assets in their own balance sheets. Reported amounts should include accrued interest, if appropriate ("dirty pricing").

viii) "Instruments issued by the entity" shows, for the lines "asset management", the carrying amount of the financial instruments (for example debt securities issued, equity instruments issued, etc...) recognized in the reporting entity's balance sheet that are included in the column "Assets involved in the services provided by the entity".

ix) "Duplicated investments" includes those amounts counted twice in the column "Assets involved in the services provided by the entity" because, when providing asset management services, the reporting entity has bought for one customer financial instruments issued by another entity to which it also provides asset management services. For example, the assets reported under "customer portfolios managed on a discretionary basis" which are invested in collective investments structures managed by the entity. These amounts should be included in the line corresponding to the holder.

93 *Illustrative example*

Credit institution A issues debt securities (carrying amount = 100). These securities are bought by mutual fund B that is managed by the credit institution A (total assets held by B = 100). Afterwards, pension fund C, also under management by credit institution A, buys shares of mutual fund B (total assets held by C = 150, shares of B held by C = 50).

. **18. Asset management, custody and other service functions (this is only a part of the template)**

	Assets involved in the services provided by the entity	Of which: instruments issued by the entity	Of which: duplicated investments	
Asset management [by type of customer]	**250**			**100**
Collective investment	100	-100		0
Pension funds	150		-50	100
Customer portfolios managed on a discretionary basis				
Other investment vehicles				

94 The fees and commission income (and related expenses) generated by these activities are shown in table 19.

10. Fee and commission income and expenses (table 19)

95 Table 19 provides a breakdown, by type, of the fee and commission income and expenses generated by the on-balance and off-balance sheet activities of the group.

96 As a general principle, this template includes fee and commission income and expenses other than: i) those amounts included in the calculation of the effective interest on financial instruments [see IFRS 7.20.(c)] and ii) those arising from financial instruments that are measured at fair value through profit or loss [IFRS 7.20.(c).(i)]. Therefore, transaction costs directly attributable to the acquisition or issue of financial instruments not measured at fair value through profit or loss are not included in table 19; they are part of the initial acquisition/issue value of these instruments and are amortised to profit or loss over their residual life using the effective interest rate [see IAS 39.43.].

97 Transaction costs directly attributable to the acquisition or issue of financial instruments measured at fair value through profit or loss are included in table 2 [as part of the items "Gains (losses) on financial assets and liabilities held for trading, net" and "Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net"] with the corresponding breakdown in table 20. They are not part of the initial acquisition/issue value of these instruments and are immediately recognized in profit or loss.

98 In completing this template, the definitions provided above for tables 17 and 18 should be used (see also IAS 18.Appendix 14). Additionaly, the following definitions should be applied:

i) "Securities. Issued" refers to fees and commissions received for involvement in the origination or issue of securities not originated or issued by the reporting entity.

ii) "Securities. Transfer orders" refers to fees and commissions generated by the reception, transmission and execution on behalf of customers of orders to buy or sell securities.

iii) "Securities. Other" refers to fees and commissions generated by the reporting entity providing other services related to securities not originated or issued by the reporting entity.

iv) "Clearing and settlement" refers to fee and commission income (expenses) generated by (charged to) the reporting entity when participating in counterparty clearing and settlement facilities.

v) "Structured finance" refers to fees and commissions received for involvement in the origination or issue of financial instruments other than securities not originated or issued by the reporting entity.

vi) "Servicing fees from securitization activities" includes, on the income side, the fee and commission income generated by the reporting entity providing loan servicing services and, on the expense side, the fee and commission expense charged to the reporting entity by loan service providers.

vii) "Other" includes the rest of fee and commission income (expenses) generated by (charged to) the reporting entity such as those derived from "other commitments" in table 17, from foreign exchange services (eg exchange of foreign banknotes or coins) or from providing (receiving) other advice and services.

11. Breakdown of selected items in income statement (table 20)

99 Table 20 is used to report breakdowns of gains (or income) and losses (or expenses) for selected line items of table 2.

100 In table 20A, the breakdown of "interest" provided shows the interest income on financial assets (i.e. derivatives held for trading, debt securities and loans and advances) and interest expense on financial liabilities (ie derivatives held for trading, deposits, debt securities issued and other financial liabilities). All instruments in the various portfolios are taken into account except those included in the items "Derivatives - Hedge accounting". For financial assets and financial liabilities held for trading or carried at fair value through profit or loss, interest income and expense are collected only if accounted for separately (see also point 3.1 of this chapter).

101 In table 20A, the item "held for trading derivatives" records the amounts related to those derivatives held for trading which qualify as "economic hedges" as defined in Chapter II, point 4.1, that are included as interest income or expense to correct the income and expense of the financial instruments that are hedged items from an economic, but not accounting, point of view.

102 In table 20B the breakdown of financial instruments not measured at fair value through profit or loss shows all gains and losses that are recognised in the income statement at derecognition (realised gains and losses).

103 In table 20C the line item "Gains (losses) on financial assets and liabilities held for trading, net" of table 2 is disaggregated into a breakdown mixing together the type of instrument and the classification of derivatives by type of risk.

104 The following general rules must be applied in completing table 20C:

i) each line item of the breakdown is the net amount (gains minus losses, realised and unrealised) of the financial instruments and related derivates to which it refers;

ii) gains and losses on "related derivatives", including embedded derivatives, should be presented in the line item corresponding to their underlying risk according to the rules in point 4.1 of this Chapter for their classification in table 3; and

iii) exchange differences gains and losses should be included in the item in which gains and losses arising from the converted instrument are included.

105 Gains and losses on assets and liabilities other than derivatives should be included as follows:

- i) Interest rate instruments: including trading of loans and advances, deposits and debt securities (held or issued);
- ii) Equity instruments: including trading of shares, quotas of UCITS and other equity instruments;
- iii) Foreign exchange trading: including trading on foreign exchanges and gold;
- iv) Credit risk instruments: including trading of credit link notes;
- v) Commodities: including trading of precious metals (other than gold) and other commodities; and
- vi) Other: including trading of financial instruments which cannot be classified in other breakdowns.

106 Table 20E details gains and losses on hedge accounting as mentioned in IFRS 7.24.

107 In table 20G, the item "Other operating income and expenses - operating leases" includes, for the column "income" the returns obtained and for the column "expenses" the costs incurred by the reporting entity as lessor in their operating leasing activities. The costs for the reporting entity as lessee should be included in the item "General and administrative expenses".

12. Statement of comprehensive income (table 21)

108 This table provides information on Other comprehensive income for the period [see IAS 1.81.(b)].

13. Statement of changes in equity (table 22)

109 The statement of changes in equity (IAS 1.106) shows the reconciliation between the carrying amount at the beginning of the period (opening balance) and the end of the period (closing balance) for each component of equity (issued capital, share premium, reserves, etc.).

14. Information on Minority interests and unrealized gains and losses (table 23)

110 Table 23B shows the amount of unrealised gains and losses on available for sale financial assets and other items.

111 In this table the item "Deemed cost on tangible assets [PPE and IP]" refers to those tangible assets (property, plant and equipment and investment property) for which the "deemed cost" on the date of transition to IFRS was the revalued amount under the previous GAAP or its fair value at that date [IFRS 1.30, D5-D8]. The unrealised gains or losses of these tangible assets are recognised in the item "Reserves" in table 1.3.

15. Related party disclosures (table 24)

112 Table 24 should include amounts and/or transactions related to the balance sheet (table 1), off-balance sheet items (table 17) and the income statement (table 2) where the counterparty is a related party as defined by IAS 24. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the FINREP of the group.

113 The "expenses(reversals) from current year in respect of bad or doubtful debts, guarantees and commitments" are included in the corresponding items in table 2.

114 In table 24.C the item "Key management personnel compensation" includes the amount of all employee benefits (including share-based payments) for the period awarded to key management personnel of the entities included in the CRD group. For this purpose the definitions of employee benefits and key management personnel are the same than in IAS 24.9.

16. Scope of the group (table 25)

115 Table 25 contains detailed information on entities (subsidiaries, joint ventures, and associates) included in the consolidated FINREP reporting at the reporting date:

- i) Information on entry or removal from the group (to be included only in the first report after the inclusion or exclusion of the entity): "Entry/removal date" and "Added or removed". When the entity is removed, the rest of the columns of the table should not be completed.
- ii) Information on the investees: "Entity name" (including its identification code); "Security code [eg ISIN code]" (code that identifies the securities), "Share capital" (total amount of capital issued by the investee as at the reporting date); equity, total assets and profit or loss of the investee (amounts of these items in the last financial statements of the investee); "Jurisdiction of incorporation" (country of residence of the investee); "Activity" (main activity of the investee, eg the NACE code).
- iii) Information on the investors in any holding company of the investee: "Holding company" (name of the investor, including is identification code); "Accumulated equity interest (%)" and "Voting rights (%)" (percentages held by the holding company at the reporting date).
- iv) Information on the position of the investee in the group: "Group structure [relationship]" (parent, subsidiary, joint venture or associate).
- v) Information on the accounting treatment and value in the CRD Group and IFRS Group: "Accounting treatment (IFRS Group)" (full integration, proportional integration or equity method); "Accounting treatment (CRD Group)" (full integration, proportional integration or equity method); "Carrying amount" (amounts reported on the balance sheet of the reporting entity); "Acquisition cost" (amount paid by the investors); "Goodwill link to the investee" (amount of goodwill reported on the consolidated balance sheet of the reporting entity for the investee in the items "goodwill" or "investments in entities accounted for using the equity method"); and "Fair value of the investments for which there are published price quotations" (if the shares are quoted).

vi) Information on the scope of consolidation used: IFRS-based or CRD-based.

17. Counterparty breakdown

116 The FINREP framework provides a standardised breakdown by type of counterparty for the information reported in templates 3, 4, 5, 6, 7, 9, 10, 17, and 20. Financial information is broken down into the following economic sector allocation classes:

(1) Central banks;

(2) General governments: central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity (which should be reported under "non-financial corporations"); social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements;

(3) Credit institutions: banks and multilateral banks;

(4) Other financial corporations: all financial corporations and quasi-corporations other than credit institutions such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses;

(5) Non-financial corporations. Corporates: corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB Regulation that fulfil the criteria to be eligible as "corporates" according to the CRD;

(6) Non-financial corporations. Retail: corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB Regulation that fulfil the criteria to be eligible as "retail" according to the CRD;

(7) Households. Corporates: individuals or groups of individuals as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services, provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households and which are principally engaged in the production of non-market goods and services intended for particular groups of households are included. This definition is in accordance with the ECB regulation. Additionally, to be included in this sector the criteria to be eligible as "corporates" according to the CRD must be fulfilled.

(8) Households. Retail: individuals or groups of individuals as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services, provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households and which are principally engaged in the production of non-market goods and services intended for particular groups of households are included. This definition is in accordance with the ECB

regulation. Additionally, to be included in this sector the criteria to be eligible as "retail" according to the CRD must be fulfilled.

117 For the counterparty breakdown of loans and advances in the "held for trading" and "available-for-sale portfolio", financial guarantees (given and received) as well as loan commitments (and other commitments) given, items numbers (5) and (7) are aggregated under the item "Corporates" and items numbers (6) and (8) are aggregate into the item "Retail".

118 For the counterparty breakdown of debt securities the item "corporates" includes all items except numbers (1) to (4).

119 For the counterparty breakdown of equity instruments items numbers (5) and (6) are aggregated under the item "Non-financial corporations".

120 For the counterparty breakdown of financial liabilities as well as loan commitments (and other commitments) received, items number (5) and (6) and items number (7) and (8) are aggregated into the following two items: "Non-financial corporations" and "Households".

121 The economic sector allocation is based exclusively on the nature of the direct counterparty.

ANNEX 1: CORRESPONDENCE TABLES MAPPING ECONOMIC SECTOR ALLOCATIONS IN FINREP TO EXPOSURE CLASSES IN CRD/COREP

1 The following tables are intended to help credit institutions prepare their IT systems, and to provide guidance on the classification of their instruments in the FINREP framework.

2 As it appears from the tables below, there is not a complete matching between FINREP and COREP due to the availability of two different approaches under the CRD and the different purposes of risk based exposure classes and financial reporting. In particular, this is the case for the Standardised Approach.

3 The allocation is based on the exposure classes as defined in the CRD. The CRD uses different exposure class breakdowns for the Standardised Approach and the Internal Ratings Based Approach. COREP is based on these CRD breakdowns for the different approaches. The choice made for the FINREP economic sector allocation classes is a compromise intended to allow credit institutions to organise their systems in a way that enables them to use both COREP approaches within the context of the financial reporting framework .

Standardised Approach

SA exposure classes (CRD article 79.1)	***FINREP economic sector allocation classes***	***Comments***
(a) Central governments and central banks	(1) Central banks (2) General governments	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(b) Regional governments and local authorities	(2) General governments	
(c) Administrative bodies and non-commercial undertakings	(2) General governments	For FINREP purposes, administrative bodies and non-commercial undertakings should not be allocated to credit institutions (even though this is permitted under the CRD)
(d) Multilateral development banks	(3) Credit institutions	
(e) International organisations	(2) General governments	
(f) Institutions (i.e. credit institutions and investment firms)	(3) Credit institutions (4) Other financial corporations	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(g) Corporates	(4) Other financial corporations	

SA exposure classes (CRD article 79.1)	***FINREP economic sector allocation classes***	***Comments***
	(5) Non-financial corporations. Corporates (7) Households. Corporates	
(h) Retail	(4) Other financial corporations (6) Non-financial corporations. Retail (8) Households. Retail	
(i) Secured on real estate property	(2) General governments (3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty.
(j) Past due items	(2) General governments (3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty.
(k) High-risk categories	Equity (2) General governments (3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty. In FINREP equities are reported separately under different categories of financial assets At the minimum they include non-past due items receiving a 150% risk weight.

SA exposure classes (CRD article 79.1)	***FINREP economic sector allocation classes***	***Comments***
(l) Covered bonds	(2) General governments (3) Credit institutions (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty.
(m) Securitisation positions	(2) General governments (3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the underlying risk of the securitisation.
(n) Short-term claims on institutions and corporates	(3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (7) Households. Corporates	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty.
(o) Collective investment undertakings	Equity (4) Other financial corporations	Investments in CIU must be classified as equity instruments in FINREP, regardless of whether the CRD allows look-through.
(p) Other items	Equity Other items	In FINREP Other items may be included under different asset categories.

Internal Ratings Based Approach

IRBA exposure classes (CRD article 86.1)	***FINREP economic sector allocation classes***	***Comments***
(a) Central governments and central banks	(1) Central banks (2) General governments (3) Credit institutions	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(b) Institutions (i.e. credit institutions and investment firms as well as some general governments and multilateral banks)	(2) General governments (3) Credit institutions (4) Other financial corporations	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(c) Corporates	(4) Other financial corporations (5) Non-financial corporations. Corporates (7) Households. Corporates	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(d) Retail	(4) Other financial corporations (5) Non-financial corporations. Retail (6) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the nature of the counterparty
(e) Equity	Equity	In FINREP, equities are separated as products under different categories of financial assets
(f) Securitisation positions	(2) General governments (3) Credit institutions (4) Other financial corporations (5) Non-financial corporations. Corporates (6) Non-financial corporations. Retail (7) Households. Corporates (8) Households. Retail	These exposures should be assigned to FINREP economic sector allocation classes according to the underlying risk of the securitisation positions.
(g) Other non-credit obligations	Other items	In FINREP Other items may be included under different asset categories.