

Overview of the eligibility conditions for interim profits across Europe

Country	Approved by the auditor	Net of any foreseeable charge or dividend	Detailed conditions
Austria	Yes	Yes	the interim profit in the current business year shall be counted towards the disclosed re-serves only if a) it has been calculated in accordance with the principles set out in Chapter XII after deducting all foreseeable taxes, charges and dividends, and b) the bank auditor has verified the accuracy of the calculation pursuant to lit a
Belgium	No reference	Yes	Only on consolidated basis
Cyprus	Yes	Yes	If bank prepares interim financial statements and profits are verified by persons responsible for auditing the accounts and are net of any foreseeable charge or dividends.
Czech Republic	Yes	Yes	If bank prepares interim financial statement, they may include interim profit as per interim financial statements and reflecting the estimated dividends and other payments, provided that such profit has been confirmed by the external auditors and the Czech National Bank has not rejected the intention, accompanied by documentation confirming the auditors' consent, to include the profit in Tier 1 within one month of the date of submission of the documentation or has not, within the aforesaid period, provided notification of extension of the period by up to one month
Denmark	Yes	Yes	Original own funds may also include interim profits according to the periodic accounts, provided that: - The size of the interim profits is verified and approved by the auditors - It is calculated net of foreseeable taxes and dividends and other predictable expenses
Estonia	Yes	Yes	
Finland	Yes	Yes	Interim profits are allowed to be part of the own funds according to the auditors' statement on the quarterly balance and the quarterly profit and loss account if they have been calculated in accordance with the valuation, allocation and other principles laid down in the accounting regulations. The contents and extent of the audit must at least be comparable with the recommendation on a general review given by the Association of Chartered Accountants. Here are also included profits from the trading book and the portion of unrealised gains on fair value measurement of investment property which is needed for the coverage of capital adequacy requirement of these assets. Any dividend under non-restricted equity capital during the previous accounting period and the projected dividend for the current accounting period.
France	Yes	Yes	Original own funds may also include the profit as recorded on dates other than the end of the annual accounting period, provided that: - it is determined after booking to account all the charges relating to the period and allocations to the depreciation, provision and value adjustment accounts; - it is calculated net of foreseeable taxes and of interim dividends or forecast dividends; - and it is verified by the auditors.
Germany	Yes	Yes	From January 2007 Germany will introduce a more flexible recognition of interim profits in line with Art. 57.

			<p>Interim accounts will still have to be approved by external auditors.</p> <p>Current rule</p> <p>If an institution draws up a set of interim accounts that satisfy the requirements of the annual accounts, those interim accounts shall be deemed comparable to the annual accounts for the purpose of calculating the own funds; interim profits shall be assigned to the core capital insofar as they are not earmarked for anticipated profit distributions or tax payments. Losses arising from interim accounts are to be deducted from the core capital. An institution which assigns interim profits to its core capital must draw up a set of interim accounts for at least five consecutive years. If an institution ceases to draw up interim accounts, it may not again assign interim profits to its core capital until after five years, at the earliest. The institution shall submit the interim accounts to both the Federal Financial Supervisory Authority and the Deutsche Bundesbank without delay. The external auditors shall submit their audit report on the interim accounts (interim audit report) to the Federal Financial Supervisory Authority and the Deutsche Bundesbank without delay after concluding the audit. A truncated set of annual accounts covering a period of less than twelve months and drawn up in the wake of a merger shall not constitute a set of interim accounts within the meaning of this subsection.</p>
Greece	Yes.	Yes	Interim profits have to be audited or at least reviewed by external auditors in order to be included in original own funds . For IFRS banks, in which prudential filters are applicable, internal auditors' verification is also accepted for interim profits other than semi annual.
Hungary	Yes	The requirements are not precisely mentioned in the law	Hungary does not have precise requirements on the deduction of foreseeable charges and dividends in their regulations, but in practice the deductions are made
Ireland	Yes	Yes	Interim Declared Profits, net of foreseeable charges or dividends, where amounts have been verified for external audit purposes and have been approved by the Financial Regulator may included in Tier 1 Own Funds. It is my understanding that a full audit is not required
Italy	Yes, or approved by the internal auditors	Yes	The interim balance sheet is verified by external or internal auditors on the basis of instruments which permit the main same control of end-year balance sheet (i.e. application of valuation criteria; application of principle of time consistency of valuation criteria, application of principle of economic attribution)
Latvia	Yes	Yes	Profit of the current operating year, with the Financial and Capital Market Commission's consent, provided there is an auditor's report or an audit company's report on existence of such profit and the profit is calculated considering all required provisions for depreciation of assets, expected tax payments and dividends. Where the unaudited profit of the current operating year within the following months exceeds the approved interim profit, the interim profit shall be taken for calculation. Where the profit of the current operating year within the following months reduces and its amount becomes less than the approved interim profit, the profit of the current operating year shall be taken for calculation. An increase in the unaudited profit of the current operating year after the reduction shall not be taken for calculation

Lithuania	Yes	No explicit reference	Interim profits and losses are included in Tier2
Luxembourg	Yes	Yes	They are determined after accounting for all changes relating to the period and after the allocations to amortisation accounts, provisions and value adjustments. They are calculated net of interim dividends or proposed dividends
Malta	Yes	Yes	Report only interim profits net of any foreseeable charge or dividend, provided that these profits have been verified by the external auditors of the reporting credit institution. The proviso is only applicable when the solvency ratio is to be published and/or to be made known to the general public. Publication/ announcement of the solvency ratio is however allowed if interim profits which have not been verified by the external auditors are completely excluded from the computation.
Netherlands	Yes	Yes	Interim profits as reviewed by the external auditor, excluding declared dividends
Norway	Yes	Yes reduced by 50%.	We use this clause for the inclusion of cumulated profits pursuant to published and auditor-certified interim accounts, subject to the sum being reduced by 50 per cent and loss potential being reviewed in conformity with regulations governing entry in the accounts and evaluation of non-performing assets. The 50 per cent reduction of interim profit in Norway is a way of complying with the requirement that the profit shall be net of any foreseeable charge or dividend. If foreseeable charge and dividend amounts to more than 50 %, this sum shall be deducted.
Poland	Yes	Yes	Interim profits and profits realised in current reporting period, calculated in accordance with obligatory accounting principles, reduced by any known charges against this and dividends in the amounts not exceeding the amounts of profits examined by auditors
Portugal	Yes	Yes	They are determined after accounting for all costs relating to the period in question and after complying with all regulations regarding to the building up of provisions and depreciation For institutions that prepare their financial statements in accordance with IAS/IFRS (consolidated basis) or in accordance with the adjusted IAS framework (solo basis), the "interim profit" to be considered under this item is that arising after the application of the "prudential filters". Should a negative value result from the application of the "prudential filters", it shall be considered as "material loss of the current financial year".
Slovakia	Not permitted		
Slovenia	Yes	Yes	Profit for the current financial year after the deduction of any (partial) dividends paid out during the year, taxes and other levies charged against profit, in the part that is reasonably deemed on the basis of the decision of the competent bodies of the bank to be allocated to reserves, which will not be available for payments to shareholders or other persons, and subject to a verification of the amount of profit made by a certified external auditor. For the calculation during the year permitted inclusion is up to 50% of profit, while a higher percentage of profit for the financial year may be included according to the situation as at the last day of the financial year.
Spain	Yes (in the case of credit institutions only for 31	Yes (in the case of credit institutions only for 31 December)	For 31 December's profits and until the time of the distribution of profits, credit institutions shall be able to incorporate in this item the proportional amount of the previous year's results which are to be carried forward to reserves, provided that: - A formal decision regarding the distribution of profits has been taken by the institution's Board of Directors. - The accounts in which said results are recorded have been verified to the satisfaction of the institution's

	December)		<p>external auditors.</p> <ul style="list-style-type: none"> - It is shown that the amount to be incorporated is net of any foreseeable charge, and in particular charges related to taxes, dividends and allocations to the social projects of savings banks and credit co-operatives. These profits may be incorporated retroactively to the relevant year-end own funds Investment firms shall be able to incorporate in this item the amount of the results which are to be carried forward to reserves, provided that: <ul style="list-style-type: none"> - A formal commitment regarding the distribution of profits has been taken by the institution's Board of Directors. - The accounts in which said results are recorded have been verified to the satisfaction of the institution's external auditors. - It is shown that the amount to be incorporated is net of any foreseeable charge, and in particular charges related to taxes and dividends
Sweden	Yes	Yes	
United Kingdom	Yes	Yes	The FSA requires that interim profits are verified in accordance with the relevant Auditing Practices Board's Practice Note. It requires that interim profits are calculated after the deduction of tax, declared dividends and other appropriations.

The table represents unofficial English translations of the original laws of the countries.