

EBA/ITS/2019/02

12 July 2019

Final Report

Draft Implementing Standards

amending Commission Implementing Regulation (EU) No 680/2014
with regard to the reporting of financial information (FINREP)

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1. Executive summary

1. Non-performing exposures (NPEs) are one of the key priorities for supervisors and one of the biggest challenges faced by many institutions across Europe. High NPE levels ultimately have a negative impact on institutions' profitability, solvency and, consequently, lending capacity to the overall economy.
2. The European Council published, in July 2017, its Action Plan to tackle non-performing loans and advances (NPLs) in Europe. The European Banking Authority (EBA) was invited by the Council to contribute to this Action Plan with a number of initiatives and action points, in particular in the area of supervision and the development of secondary markets for distressed assets. The EBA was asked to issue, among other things, guidelines on the management of non-performing loans.
3. This amendment to the Commission's Implementing Regulation (EU) No 680/2014 (Implementing Technical Standards (ITS) on Supervisory Reporting) covers the reporting of non-performing exposures and forbore exposures, which is key to assessing institutions' strategies on the management of NPLs and the overall effectiveness of these strategies. On a more general level, this proposal for changes to the ITS on Supervisory Reporting aims to strengthen supervisors' ability to assess and monitor non-performing portfolios by collecting more granular information on these assets on a recurring basis, thereby closing the identified data gaps.
4. To be proportionate, the amended reporting requirements envisage two complementary 'modules'. Module 1 covers revisions to existing templates, introducing additional breakdowns on performing and non-performing exposures, forbore exposures and collateral obtained. Module 2 introduces new templates to provide deeper insights into institutions' NPE portfolios and NPE management strategies, which must be reported only by institutions with elevated levels of NPEs that are not 'small and non-complex'.
5. The envisaged amendments to the ITS on Supervisory Reporting also concern the reporting of profit or loss (P&L) items as part of the reporting of financial information (FINREP). Expenses play a crucial role in institutions' performance but are, compared with institutions' income, asymmetrically represented in the current reporting framework. Given the prominent role in the EU banking sector, amendments to FINREP are proposed that aim to improve insights into operating and administrative expenses in particular are proposed. Furthermore, the information collected on fee and commission income and expenses is revised to reflect sources of income and expenses that so far have been unrepresented.
6. International Financial Reporting Standards (IFRS) 16 Leases (IFRS 16) has replaced International Accounting Standards (IAS) 17 as the new standard for the accounting of leases, since 1 January 2019. Under IFRS 16, the main change is to the accounting of leases by the lessee: the differentiation between finance and operating leases has been removed and assets and

liabilities are, with limited exceptions, recognised in respect of all leases. Considering the revised accounting rules, some minor changes to FINREP are made to obtain a complete view of the main impacts on lessees' financial situation and profit or loss.

Next steps

The draft implementing technical standards will be merged with the draft Implementing Standards included in the final report on the draft implementing standards amending Implementing Regulation (EU) No 680/2014 with regard to common reporting (COREP) and the liquidity coverage ratio (EBA/ITS/2019/01), which will be submitted to the Commission for endorsement before being published in the *Official Journal of the European Union*. The technical standards will apply from 1 June 2020.

2. Background and rationale

Revisions to the reporting on non-performing exposures and forborne exposures

Rationale

7. Non-performing exposures are one of the key priorities for supervisors and one of the biggest challenges faced by many institutions across Europe. High NPE levels ultimately have a negative impact on institutions' profitability, solvency and, consequently, lending capacity to the overall economy.
8. The Council of the European Union (the Council) published, in July 2017, its Action Plan to tackle NPEs in Europe¹. The Council stressed that a comprehensive approach combining a mix of complementing policy actions, at the national level and at the European level where appropriate, is the most effective way to address the existing stock of NPEs and the emergence and accumulation of new NPEs on banks' balance sheets.
9. The EBA, along with other bodies and institutions, was invited by the Council to contribute to this Action Plan with a number of initiatives and action points, in particular in the area of supervision and the development of secondary markets for distressed assets. Among others, the EBA published guidelines (GL) on the management of non-performing exposures and forborne exposures (FBEs) (EBA/GL/2018/06) in October 2018. These guidelines will apply from 30 June 2019. Moreover, to enhance disclosure requirements regarding non-performing exposures and forborne exposures, the EBA issued guidelines on the disclosure of non-performing exposures and forborne exposures (EBA/GL/2018/10) that will apply from 31 December 2019.
10. This revision of the ITS on Supervisory Reporting covers the reporting of non-performing exposures and forborne exposures, including detailed data on changes to the stock of NPLs (inflows/outflows) as well as more comprehensive information on provisioning. This information is key to assessing institutions' strategy on the management of NPLs and the overall effectiveness of these strategies, which sheds light on the measures available at different points of the lifecycle of an exposure, such as the granting of forbearance measures or closure actions such as collateral liquidations and the sale of non-performing portfolios.
11. At a more general level, this proposal for changes to the ITS on Supervisory Reporting aims to strengthen supervisors' ability to assess and monitor non-performing portfolios by way of collecting more granular information on these assets on a recurring basis, thereby closing the identified data

¹ Council conclusions on Action Plan to tackle non-performing loans and advances in Europe, 11 July 2017 (<https://www.consilium.europa.eu/en/press/press-releases/2017/07/11/conclusions-non-performing-loans/>).

gaps. It benefits from the experience of competent authorities on the supervision of institutions with significant NPE portfolios.

Main features of the proposal

12. The amended reporting requirements envisage two complementary ‘modules’. Module 1, which applies to all reporting institutions, covers revisions to existing templates, introducing additional breakdowns and new information on performing and non-performing exposures, forborne exposures and collateral obtained (mainly templates 13, 18 and 19). Module 2, which applies to reporting institutions that are ‘not small and non-complex’ with material levels of non-performing loans and advances, introduces new templates (templates 23 to 26 and 47) to provide deeper insights into institutions’ NPE portfolios and NPE management strategies.

Module 1

13. Module 1 comprises the following new, revised or enhanced elements:

- new information on commercial real estate (CRE) exposures and new information on exposures secured by immovable property, by level of collateralisation;
- enhanced and new information on performing exposures, NPEs and FBEs towards selected counterparty types (small and medium-sized enterprises (SMEs), households);
- enhanced and new information on performing exposures and NPEs, broken down by IFRS 9 impairment stages, to monitor the connection between credit quality status and accounting treatment;
- new information on inflows into and outflows from NPE portfolios, aimed at capturing the dynamics of the development of institutions’ NPE portfolios;
- minor revisions to the ‘days past due’ buckets in the NPEs template, to facilitate the close monitoring of the gradual provisioning of different types of NPEs;
- enhanced information on collateral and guarantees received (more granular breakdowns by type of collateral and guarantees received, information on negative value changes since recognition).

14. Module 1 supports the monitoring of the specific risks borne by CRE loans (i.e. exposures to real-estate developers and exposures collateralised by income-producing real estates) as a portfolio for which particular scrutiny is expected from the supervisors in accordance with the recommendation of the European Systemic Risk Board (ESRB) on closing real-estate data gaps (ESRB/2016/14). In addition, information on exposures secured by immovable property with a high loan-to-value (LTV) ratio is collected to gain insights into exposures with potentially insufficient collateral coverage.

15. The revisions to the templates on non-performing exposures and forbore exposures close a data gap that was identified with regard to exposures to SMEs, a type of counterparty that is of particular interest from an economic perspective.

16. The request for more granular information on different collateral types aims to gain a comprehensive view on the coverage of different sub-portfolios, in terms of collateral and financial guarantees, and deeper insights into the use of collaterals with different liquidity levels. The information on collateral obtained by taking possession provides an indication of an institution's foreclosure management and, considering the transformation of a non-performing exposure to an asset obtained by taking possession as an additional step in the credit cycle, of an institution's strategy for dealing with non-performing assets in a broader sense.

Module 2

17. Module 2 complements Module 1 by introducing new templates containing information that provides further insights into institutions' portfolios of performing and non-performing loans and advances and forbore loans and advances and on the collateral obtained by taking possession, such as:

- exposures in (pre-)litigation status, exposures with a very high coverage in terms of impairments, etc., or accumulated partial write-offs;
- drivers for inflows into or outflows from the NPLs portfolio, the flow of impairments and write-offs;
- information on in- and outflows of collateral obtained by taking possession (recognition in the balance sheet) and its vintage;
- more granular information on the forbearance management and quality of forbearance.

18. Complementary information on performing and non-performing exposures and on forbore exposures is requested, with a breakdown by exposures to households and to non-financial corporations and, occasionally, to SMEs, to take account of the peculiarities in exposures to these counterparties. Considering the low or very low relevance of market-based funding to both SMEs and households in most EU countries, only information on loans and advances is requested with this additional breakdown.

19. Exposures in litigation or pre-litigation status are singled out in the revised reporting requirement, because they are managed differently from other exposures within institutions, i.e. they are transferred either internally to legal departments or externally to legal firms.

20. Information is also requested on items reflecting provisioning policies and write-offs to understand and evaluate institutions' practices and strategies with regard to the management of loans with a heightened credit risk.

21. The aim of collecting more granular information on inflows and outflows from the NPLs portfolio is to understand the key drivers for the development of the NPLs portfolio in the reporting period in question.
22. Foreclosure may be one of the means chosen by institutions to deal with and reduce the level of non-performing exposures. If the collateral obtained by taking possession is included in institutions' balance sheets, it may become a relevant source of credit risk. Therefore, supervisors need to have a clear view on the level of foreclosed assets in institutions' and their composition, development in terms of value, liquidity and accounting policies applied (derecognised loan amounts, gross carrying amount of foreclosed assets, provisioning, asset types and vintages) to understand and assess the effectiveness of institutions' strategies in the area of collateral obtained by taking possession.
23. Forbearance measures aim to foster the return of less well-performing exposures into a situation of sustainable repayment or to maximise the recovery from non-performing exposures. Considering the variety of potential measures to improve or reinstate obligors' capacity to pay, the forbearance measures applied by institutions deserve closer monitoring to understand to what extent the envisaged goals are achieved.
24. Loans and advances measured at cost or amortised costs account for the vast majority of non-performing exposures. However, IFRS 9 may entail the classification of certain loans and advances into fair-value categories (i.e. fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL)). For this reason and because loans and advances accounted for at fair value are of particular relevance in certain Member States, the revised reporting requirements also cover, with a few exceptions, fair-value portfolios.

Proportionality

25. NPEs are a problem at multiple levels: at the microprudential level, heightened NPEs are associated with lower profitability and lower efficiency; at the macroprudential level, high levels of NPEs are connected to stagnant growth, as capital is tied up with NPEs, and to decreased new lending into the real economy. In addition, a high stock of NPEs negatively affects the resilience of the banking sector to shocks and hence increases systemic risk. All of these effects must be tackled in a comprehensive manner. Against this background, relevant information on NPEs needs to be collected and relevant data need to be monitored from as many institutions as possible with an appropriate level of granularity. On the other hand, the burden that the reporting requirement implies for institutions has to be duly considered.
26. To introduce proportionality, this revised reporting requirement is structured around two complementary modules. Module 1 addresses the key reporting elements on NPEs, FBEs and collateral obtained, which are relevant to all institutions. Module 2 aims to enable close monitoring of the NPEs strategy of reporting institutions that have material NPL portfolios. It is consequently considered that Module 2 should be requested only from institutions with elevated levels of NPLs,

measured as an NPL ratio of 5% or above. The threshold of 5%² aligns the reporting criteria to the criteria used in the draft EBA guidelines on the disclosure of non-performing exposures and forborne exposures and is also compatible with the draft EBA guidelines on the management of non-performing exposures and forborne exposures in the identification of institutions that should set an NPE strategy and related operational and governance aspects³.

27. NPEs are of particular relevance not only for significant institutions, but also for less significant institutions, especially when concentrated in one particular market or jurisdiction. Nevertheless, the sizeable reporting burden inherent to Module 2 is acknowledged; to balance the benefits and the burden, it is envisaged that Module 2 should be requested only from institutions that do not qualify as ‘small and non-complex institutions’ and that exceed the threshold of 5% for the NPL ratio. The definition of ‘small and less complex’ institutions is aligned with the definition included in point (145) of Article 4(1) of Regulation (EU) No 575/2013 (the Capital Requirement Regulation (CRR)) as amended by Regulation (EU) 2019/876 of 20 May 2019 (CRR 2)⁴.

Fostering consistency between reporting and disclosure requirements

28. The information included in the reporting framework is the basis for supervisors to form a clear picture on the situation of an institution in terms of business model/profitability, solvency/risk profile, liquidity and relevance for the financial system. Similarly, the information disclosed by institutions is the basis for market participants to understand and assess institutions’ situation to exercise market discipline. The information relevant to market participants should be equally relevant to supervisors.

29. Against this background, the reporting requirements are designed bearing in mind the disclosure requirements, and vice versa. Improving the consistency between the reporting and disclosure requirements, including a standardisation of formats and definitions, should also increase the efficiency and reduce the burden with regard to institutions’ reporting and disclosure obligations, and should therefore facilitate compliance with both.

Examples of reporting in selected templates

30. The examples below reflect reporting in accordance with the final draft implementing standards, i.e. were adjusted to reflect changes made in response to consultation comments received, where appropriate.

² The NPL ratio is the ratio between the gross carrying amount of non-performing loans and advances and the total gross carrying amount of loans and advances subject to the definition of non-performing exposures as presented in -point 17, Part 2, of Annex V of the ITS on Supervisory Reporting. For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits must be excluded from both the denominator and the numerator.

³ See also the impact assessment regarding the 5% threshold on page 89 of the [Consultation Paper on the Draft Guidelines on management of non-performing exposures and forborne exposures](#).

⁴ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (Text with EEA relevance.), (OJ L 150, 7.6.2019, p. 1).

Examples of template F 25.01 (collateral obtained by taking possession other than collateral classified as property, plant and equipment (PP&E) — inflows and outflows)

Example 1

Obtaining possession of the collateral (31 December 2017)

31. The reporting institution has on its balance sheet a non-performing loan with a gross carrying amount of currency unit (CU) 100 (A). Based on the estimate for the discounted expected cash flows from a potential liquidation of the collateral provided by the debtor, the institution books an accumulated impairment of CU 20 (B).
32. The non-performing loan is secured by a single type of collateral, which the institution obtains in November 2017 and recognises in its balance sheet with a value of CU 70 (C).
33. At the time of obtaining possession of the collateral, the part of the non-performing loan not covered by the collateral obtained (CU 30) is considered uncollectible by the institution and derecognised (write-off of CU 10 + use of previously booked impairment of CU 20) (D).

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in fair value due to credit risk	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance				
0020	Inflows of collateral during the period				70 (C)
0030	Inflow due to new collateral obtained by taking possession	100 (A) or (C) + (D)	-20 (B)	70 (C)	70 (C)
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				
0060	Outflow for which cash was collected				
0070	Cash collected net of costs				
0080	Profits/(-) losses from sale of collateral obtained by taking possession				
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				
0120	Closing balance	100 (A) or (C) + (D)	-20 (B)	70 (C)	70 (C)

Value of collateral obtained earlier increases (31 March 2018)

34. In Q1 2018, the value of the collateral obtained by taking possession in the previous year decreases by 15 (E) to CU 55 in total.

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in fair value due to credit risk	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance	100	-20	70	70
0020	Inflows of collateral during the period				
0030	Inflow due to new collateral obtained by taking possession				
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				-15 (E)
0060	Outflow for which cash was collected				
0070	Cash collected net of costs				
0080	Profits/(-) losses from sale of collateral obtained by taking possession				
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				-15 (E)
0120	Closing balance	100	-20	70	55

Value of collateral obtained earlier increases (30 June 2018)

35. In Q2 2018, the value of the collateral obtained by taking possession in the previous year increases by 5 to CU 60 in total. Compared with the carrying amount at the beginning of the financial year, the collateral still lost CU 10 in value, i.e. the outflow due to negative changes in value since the beginning of the financial year is amended from –15 to –10 (F).

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in fair value due to credit risk	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance	100	-20	70	70
0020	Inflows of collateral during the period				
0030	Inflow due to new collateral obtained by taking possession				
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				-10 (F)
0060	Outflow for which cash was collected				
0070	Cash collected net of costs				
0080	Profits/(-) losses from sale of collateral obtained by taking possession				
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				-10 (F)
0120	Closing balance	100	-20	70	60

Selling the collateral (30 September 2018)

36. The reporting institutions decide to liquidate the collateral (sale against cash) and recover CU 50 (G). The third-party servicer responsible for the liquidation requests a fee of CU 5. The net cumulative recoveries are CU 45 (= gross recovery (CU 50) – costs (CU 5)) (H).

37. Accordingly, the loss from the sale of the collateral item is CU 15 (I).

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in fair value due to credit risk	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance	100	-20	70	70
0020	Inflows of collateral during the period				
0030	Inflow due to new collateral obtained by taking possession				
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				-70
0060	Outflow for which cash was collected	-100	+20	-70	-60 (H) + (I)
0070	Cash collected net of costs				-45 (H)
0080	Profits/(-)losses from sale of collateral obtained by taking possession				-15 (I)
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				-10
0120	Closing balance	0	0	0	0

Example 2

Obtaining possession of the collateral (31 March 2018)

38. In March 2018, the reporting institution has on its balance sheet a non-performing loan with a gross carrying amount of CU 100 (A), for which an accumulated impairment of CU 20 is booked (B).

39. The non-performing loan is secured by a single type of collateral, which the institution obtains on 31 March 2018. The collateral has a value of CU 70 (C) at that date. CU 70 of the loan is derecognised in exchange for the recognition of the repossessed collateral.

40. As the institution still expects at least CU 10 to be recoverable from the borrower, the loan's remaining gross carrying amount of CU 30 (D) is not derecognised on 31 March 2018 and therefore

not reported as a debt balance reduction. The accumulated impairment of 20 will cover the gross carrying amount of 30 that remains in the balance sheet.

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in fair value due to credit risk	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance				
0020	Inflows of collateral during the period				70 (C)
0030	Inflow due to new collateral obtained by taking possession	70 (A)-(D) or (C)		70 (C)	70 (C)
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				
0060	Outflow for which cash was collected				
0070	Cash collected net of costs				
0080	Profits/(-) losses from sale of collateral obtained by taking possession				
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				
0120	Closing balance	70 (A)-(D) or (C)		70 (C)	70 (C)

Additional write-offs (30 June 2018)

41. On 15 April 2018, the institution books an additional impairment of CU 10, not expecting any more payment from the borrower. Later that month, it decides to derecognise the remaining CU 30 of the loan, as it considers this uncollectible.

42. The data reported in template F 25.01 remain exactly the same as those reported in March, as the 'debt balance reduction' must reflect the gross carrying amount of the exposure derecognised at the moment of the exchange for the collateral obtained by taking possession.

Examples of the F 24 templates (flows of non-performing exposures, impairment and write-offs since the end of the last financial year — loans and advances)

Example 3: inflows and outflow from the NPEs portfolio

43. On 1 October 2015, the institution has an exposure (loan) to a counterparty with a gross carrying amount of CU 100 that is partially secured by a portfolio of securities (expected to be worth CU 65). This loan becomes non-performing in December 2015 and a forbearance measure is applied. By the

end of June 2017, it meets the conditions for being reclassified as performing forborne under probation (A).

44. On 2 January 2018, the loan becomes non-performing again (B).

45. On 30 March 2018, the institution takes possession of the collateral, now valued at CU 50 (D). In this moment, it recognises a partial write-off of CU 15 (E). The institution still expects a cash recovery from the loan's unsecured part (CU 35).

46. Because of a further deterioration of the debtor's financial situation, the institution forgives the remaining CU 35 of the non-performing loan that is written off in September 2018 (F).

47. The following information is reported in template F 24.01 on 30 September 2018:

		Gross carrying amount
		0010
0010	Opening balance	0* (A)
0020	Inflows	
0030	Inflow due to reclassification from performing not forborne	
0040	Inflow due to reclassification from performing forborne	100 (B)
0050	of which reclassified from performing forborne exposures under probation previously reclassified from non-performing	100 (A, B)
0060	Inflow due to purchase of exposures	
0070	Inflow due to accrued interest	
0080	Inflow due to other reasons	
0090	Of which inflow more than once	0* (B**)
0100	Of which inflow of exposures granted in the past 24 months	
0110	Of which inflow of exposures granted during the period	
0120	Outflows	
0130	Outflow due to reclassification as performing not forborne	
0140	Outflow due to reclassification as performing forborne	
0150	Outflow due to partial or total loan repayment	
0160	Outflow due to collateral liquidations	
0170	Net cumulated recoveries from collateral liquidation	
0180	of which write-offs in the context of collateral liquidations	
0190	Outflow due to taking possession of collateral	-65 (E-D)
0200	Net cumulated recoveries from taking possession of collateral	50 (D)
0210	of which write-offs in the context of taking possession of collateral	-15 (E)
0220	Outflow due to sale of instruments	
0230	Net cumulated recoveries from sale of instruments	
0240	of which write-offs in the context of sale of instruments	
0250	Outflow due to risk transfers	
0260	Net cumulated recoveries from risk transfers	
0270	of which write-offs in the context of risk transfers	
0280	Outflow due to write-offs	-35 (F)
0290	Outflow due to reclassification as held for sale	
0300	Outflow due to other reasons	
0310	Of which outflow of non-performing exposures that became non-performing during the period	
0320	Closing balance	0*

* Zeros included for illustration purposes only; they are not reported as such (Article 17(1)(a) of the ITS).

** The exposure was classified only once as non-performing in the respective period (financial year 2018).

The following information is reported in template F 25.01 on 30 September 2018:

		Debt balance reduction		Collateral obtained by taking possession other than collateral classified as PP&E	
		Gross carrying amount	Acc. imp., acc. neg. changes in FV due to CR	Value at initial recognition	Carrying amount
		0010	0020	0030	0040
0010	Opening balance				
0020	Inflows of collateral during the period				
0030	Inflow due to new collateral obtained by taking possession	65		50	50
0040	Inflow due to positive changes in value				
0050	Outflows of collateral during the period				
0060	Outflow for which cash was collected				
0070	Cash collected net of costs				
0080	Profits/losses from sale of collateral obtained by taking possession				
0090	Outflow with replacement by financial instrument				
0100	Financing granted				
0110	Outflow due to negative changes in value				
0120	Closing balance	65		50	50

48. Given that the write-offs described above are made during the period and the debt is forgiven, the following is reported in template F 24.03 on 30 September 2018:

		Gross carrying amount	
		0010	
0010	Write-offs during the period	-50	(E) + (F)
0020	Of which debt forgiveness	-35	(G)

49. As an aside, the collateral obtained by taking possession would have to be reported, among others, in template F 25.01, with a debt balance reduction of 65 (gross carrying amount) and a value at initial recognition of the collateral itself of 50.

Example 4: write-offs and debt forgiveness

50. Case A: a non-performing loan of CU 100 is fully written off on 30 October 2018. The right to recover is legally forfeited on 30 March 2019 because the debt is forgiven with regard to CU 70 of the loan, but, for the remaining CU 30, the right to recover is kept.

51. Case B: a non-performing loan of CU 100 is written off on 30 October 2018 by 70% (CU 70). The right to recover is legally forfeited on 30 March 2019 because the debt is forgiven with regard to the full loan amount (CU 100) and therefore CU 30 is written off at the moment of forfeiture.

52. Case C: on 31 January 2019, the right to recover a non-performing loan of CU 100 is legally forfeited because the debt is forgiven with regard to 60% of the loan (CU 60) and, for the remaining CU 40, the right to recover is kept. On 31 March, another CU 10 is written off, assuming it will not be repaid. However, this CU 10 is not forgiven.

53. This is reported in template F 24.03 on 31 December 2018 as follows:

		Gross carrying amount		
		0010		
		Case A	Case B	Case C
0010	Write-offs during the period	-100	-70	0*
0020	Of which debt forgiveness	0*	0*	0*

* As of reference date, it is not yet known that the debt will be forgiven

* No write-off done during the period

54. On 31 March 2019, template F 24.03 is filled in as follows:

		Gross carrying amount		
		0010		
		Case A	Case B	Case C
0010	Write-offs during the period	0*	-30	-70
0020	Of which debt forgiveness	0*	-30	-60

* No write-off done during the period

Only write-offs during the period are considered

Improvements to the reporting on profit or loss items

55. As analyses conducted on institutions' profitability and business models by supervisory and other authorities frequently show, expenses play a crucial role in institutions' performance. Additional information on certain types of expenses also provide some insights on institutions' business models.

56. Given their prominent role in the EU banking sector, a review of the level of information available on expenses inside the reporting framework is necessary, considering that income and expenses are currently asymmetrically represented. Amendments to FINREP provide meaningful insights into the issue by improving the level of detail provided, especially on administrative expenses and fee and commission income and expenses.

57. The planned revisions to reporting of profit or loss items cover the following main elements:

- additional information on administrative expenses, such as staff expenses and IT expenses;
- revisions to the reporting of fee and commission income and expenses;

- minor amendments to reflect contributions to resolution funds and interest income/expenses on selected exposure types.

58. Staff expenses account for roughly half of an institution's expenses, and other administrative expenses are the second largest block. Given that the management and reduction of costs has been a focus of institutions in recent years, it is important to better understand what drives these expenses.

59. The revised reporting requirements capture staff expenses by structure and category of staff and by the nature of the remuneration, whereby, in the latter case, concepts presented in Regulation (EU) No 604/2014 (Regulatory Technical Standards (RTS) on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile are widely reused and the reporting requirements are aligned to the extent possible with the reporting requirement defined in EBA/GL/2014/08 (guideline on the remuneration benchmarking exercise).

60. Information is requested on 'information technology [IT] expenses' as a sub-category of other administrative expenses. IT expenses, understood as expenses to deliver IT-enabled business processes, application services and infrastructure solutions for business outcomes, have been identified in recent analyses as material and significant among the other administrative expenses.

61. Under the current FINREP instructions, the majority of fee and commission income and expenses are reported as 'other' fee and commission income. Some discussions suggest that, in particular, fee and commission income in the retail business (e.g. fees for the management of current accounts, fees on loans granted), card fee incomes and fees generated through corporate finance activities (e.g. mergers and acquisitions, treasury management) and fee and commission expenses related to the distribution of institutions' products via external agent networks or loan brokers are currently unrepresented, but warrant closer monitoring. Apart from this, the proposed revised reporting requirements envisage an alignment of the breakdowns for fee and commission income and expenses.

Changes to FINREP with regard to IFRS 16

62. IFRS 16 has replaced IAS 17 as the new standard for the accounting of leases since 1 January 2019. Under IFRS 16, the main change is to the accounting of lease transactions by the lessee: the differentiation between finance and operating leases has been removed and assets and liabilities are, with limited exceptions, recognised in respect of all leases. Considering the revised accounting rules, some minor changes to FINREP are made to obtain a complete view of the main impacts on lessees' financial situation and profit or loss.

Maintenance and updating of the ITS

63. The ITS on Supervisory Reporting reflect the single rulebook at the reporting level. Therefore, the ITS on Supervisory Reporting need to be updated whenever the underlying requirements of the single rulebook change.

64. The completion of technical standards by the EBA, as well as answers to questions raised in the context of the single rulebook question and answer mechanism, have contributed to a more complete and seamless application of the single rulebook. This has led, in turn, to more precise or otherwise changed reporting instructions and definitions. Experiences of using the reported data for supervision, as well as issues with data quality and feedback from institutions compiling data, have indicated a need to review some of the requirements. In addition, further changes to the reporting requirements were triggered by the identification of typos, erroneous references and formatting inconsistencies during the preparation for the application of the reporting requirements.

65. Apart from corrections of typos, erroneous references and formatting inconsistencies, minor amendments have been introduced to template F 12.01.

3. Draft implementing standards

COMMISSION IMPLEMENTING REGULATION (EU) No .../...

of **XXX**

amending Commission Implementing Regulation (EU) No 680/2014 with regard to the reporting of financial information (FINREP)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,
Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of
26 June 2013 on prudential requirements for credit institutions and investment firms and amending
Regulation (EU) No 648/2012⁵, and in particular Article 99(5) thereof,
Whereas:

- (1) Commission Implementing Regulation (EU) No 680/2014⁶ specifies the modalities according to which institutions are required to report information relevant to their compliance with Regulation (EU) No 575/2013.
- (2) On 13 January 2016, the International Accounting Standards Board (IASB) published International Financial Reporting Standard (IFRS) 16 Leases (IFRS 16). This standard aims to improve financial reporting on lease contracts and changes the accounting of leases for institutions that are subject to Article 99(2) of Regulation (EU) No 575/2013. IFRS 16 was implemented into Union law by Regulation (EU) 2017/1986⁷.
- (3) Amendments to Implementing Regulation (EU) No 680/2014 are required in order to reflect the above implementation of IFRS 16 into Union law.
- (4) Amendments to Implementing Regulation (EU) No 680/2014 are also required to reflect competent authorities' ability to effectively monitor and assess institutions' risk profile and to obtain a view on the risks posed to the financial sector.
- (5) Institutions' risk profile and profitability are affected by high levels of non-performing exposures (NPEs). High levels of NPEs ultimately have a negative impact on institutions' profitability, solvency and consequently lending capacity to the overall economy. Revisions to the reporting requirements that strengthen the ability of competent authorities to assess and monitor non-performing portfolios by way of collecting more granular information on these assets on a recurring basis and thereby close identified data gaps are necessary.
- (6) The performance of institutions in the EU, both in terms of profitability and sustainability of business models, is influenced significantly by the structure and

⁵ OJ L 176, 27.6.2013, p. 1.

⁶ Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 (OJ L 191, 28.6.2014, p. 1).

⁷ OJ L 291, 9.11.2017, p. 1.

extent of their expenses. In order to ensure that competent authorities gain deeper insights into those, the reporting framework needs to be improved.

- (7) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority (EBA)) to the Commission.
- (8) The EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010⁸.
- (9) Implementing Regulation (EU) No 680/2014 should therefore be amended accordingly,

Please note that the text of the draft amending ITS (including the recitals) presented here will be merged with the text of the draft amending ITS presented in the EBA final report on draft implementing standards amending Implementing Regulation (EU) No 680/2014 with regard to COREP (EBA/2019/01) before being submitted to the Commission.

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) No 680/2014 is amended as follows:

- (1) point (c) of Article 9(2) is replaced as follows:
‘(c) the information specified in Part 4 of Annex III, with the exception of the information specified in template 47, with an annual frequency’.
- (2) in Article 9(2), the following point (h) is added:
‘(h) the information specified in templates 23, 24, 25 and 26 in Part 2 of Annex III with a quarterly frequency where both of the following conditions are fulfilled:
 - (i) the institution is not a small and non-complex institution as defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013;
 - (ii) the institution’s gross carrying amount of non-performing loans and advances (NPLs) and the total gross carrying amount of loans and advances falling under the category of non-performing exposures as set out in point 17 of Part 2 of Annex V of this Regulation (“NPL ratio”) is equal to or higher than 5%. For this purpose, the NPL ratio is the ratio between the gross carrying amount of non-performing loans and advances and the total gross carrying amount of loans and advances subject to the definition of non-performing exposures as provided for in point 17 of Part 2 of Annex V to this Regulation. For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits shall be excluded both from the denominator and the numerator.

⁸ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

The entry and exit criteria referred to in Article 4 shall apply.’

- (3) in Article 9(2), the following point (i) is added:
‘(i) the information specified in template 47 in Part 4 of Annex III with an annual frequency where both of the conditions set out in points (i) and (ii) of point (h) of this paragraph are fulfilled. The entry and exit criteria referred to in Article 4 shall apply;’.
- (4) point (c) of Article 11(2) is replaced as follows:
‘(c) the information specified in Part 4 of Annex IV, with the exception of the information specified in template 47, with an annual frequency’.
- (5) in Article 11(2), the following point (h) is added:
‘(h) the information specified in templates 23, 24, 25 and 26 in Part 2 of Annex IV with a quarterly frequency where both of the conditions referred to in points (i) and (ii) of Article 9(2)(h) are fulfilled:
The entry and exit criteria referred to in Article 4 shall apply;’.
- (6) in Article 11(2), the following point (i) is added:
‘(i) the information specified in template 47 in Part 4 of Annex IV with an annual frequency where both of the conditions referred to in points (i) and (ii) of Article 9(2)(h) are fulfilled. The entry and exit criteria referred to in Article 4 shall apply;’.
- (7) Annex III to Implementing Regulation (EU) No 680/2014 is replaced by Annex I to this Regulation.
- (8) Annex IV to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex II to this Regulation.
- (9) Annex V to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex III to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
It shall apply from 1 June 2020.

This Regulation shall be binding in its entirety and directly applicable in all Member States.
Done at Brussels,

For the Commission
The President

On behalf of the President

[Position]

ANNEXES

[ANNEX I]

[Replacing Annex III of Regulation (EU) No 680/2014 — see separate document]

[ANNEX II]

[Replacing Annex IV of Regulation (EU) No 680/2014 — see separate document]

[ANNEX III]

[Replacing Annex V of Regulation (EU) No 680/2014 — see separate document]

4. Accompanying documents

Draft cost-benefit analysis/impact assessment

66. Pursuant to the second subparagraph of Article 15(2) of Regulation (EU) No 1093/2010 (the EBA Regulation), any draft implementing technical standards developed by the EBA must be accompanied by an impact assessment that analyses ‘the potential related costs and benefits’.

67. The analysis presented in this section focuses on the implications of recent developments in the banking sector, as well as on the revisions to the regulatory framework for the specific FINREP templates described in the consultation paper above. The three main topics that have implications for the reporting templates are (i) continued attention placed on the level of NPLs in Europe, (ii) specific supervisory observations of recent studies with respect to profit or loss items (e.g. the analysis by competent authorities on profitability and business models) and (iii) the applicability of IFRS 16 from January 2019. The analysis that follows will be structured along these three main topics. Given the nature and the scope of the revisions, the impact assessment is high level and mainly qualitative in nature.

Revisions to the reporting on NPEs and FBEs

A. Problem identification

68. NPEs remain one of the key challenges in Europe’s banking sector. While improvements have been observed over recent years, progress is slow and, in particular, remains very heterogeneous across countries. Therefore, it is important to closely supervise and monitor the impact of NPE strategies. The effects of high levels of NPEs in bank balance sheets on funding costs, capital and efficiency (among other things) can seriously jeopardise institutions’ ability to run a viable and sustainable business model.

69. Recognising the importance and priority of this topic for the EU banking market, several initiatives have been launched, both at European level and by individual competent authorities, to address the problem of NPEs. The European Council’s Action Plan to tackle NPLs, published in July 2017, invited the EBA to contribute to the Action Plan by, inter alia, developing guidelines on the management of non-performing exposures and forborne exposures (EBA/GL/208/06). In line with the Council’s Action Plan, supervisory reporting on NPEs also needs to be improved.

70. Monitoring developments in institutions’ NPE levels is crucial. To achieve improvements and sustainable levels in the long term, it is important to be able to assess and monitor developments better and at a more granular level. This would also contribute to developing a better understanding of which NPE strategies and practices are effective and working. Improving consistency and granularity in NPE reporting would be a significant step towards improving monitoring and enabling informed policy decisions. Therefore, it is crucial that inconsistencies

in NPE management and reporting be addressed and that a better way of monitoring developments be identified.

B. Policy objectives

71. The proposed revised FINREP templates, by significantly improving the information available on NPEs, addressing the data gaps identified and harmonising the information reported, aim to strengthen supervisors' ability to assess and monitor non-performing portfolios.

72. To be proportionate, the proposal is structured around two complementary modules. Module 1 sets out revisions to existing reporting templates (mainly tables 13, 18 and 19) to, inter alia, gain more detailed insights into exposures to certain sub-sectors and LTV levels. Module 2 introduces new templates (tables 23 to 26 and 47), proposing additional, even more granular, reporting for institutions with higher NPE levels.

C. Options considered

73. Under each topic, section C presents the main policy options discussed and the decisions made during the development of the updated templates. Advantages and disadvantages, as well as the potential costs and benefits of the policy options and the preferred options resulting from this analysis, are also reported.

Status quo/intervention

Option 1a: Keep the current level of detail of the NPE-related FINREP templates.

Option 1b: Improve the level of information and granularity in the NPE-related FINREP templates.

Proportionality in Module 2

Option 2a: Module 2 templates to be filled in by all institutions.

Option 2b: Module 2 templates to be filled in only by institutions with material NPE portfolios (> 5%).

Option 2c: Introduce further proportionality by requesting that Module 2 be filled in only by *significant* institutions with material NPE portfolios (> 5%).

Option 2d: Introduce further proportionality by requesting that Module 2 be filled in by *all institutions* with material NPE portfolios (> 5%) *with the exception of small and non-complex institutions*.

Additional granularity — fair valued items in Module 2

Option 3a: Report only loans and advances at cost and amortised cost (Module 2).

Option 3b: Add the reporting of loans and advances at fair value (excluding loans and advances classified as held for trading, trading financial assets and items held for sale) (Module 2).

D. Assessment of the options and preferred options

Status quo/intervention

74. Detailed, harmonised monitoring is crucial for providing supervisors with the necessary information to promote sustainable NPE management and sustainable long-term NPE levels across the EU.

75. The guidance and (reporting) framework put in place on NPEs over recent years have already been a big step forward. In 2014, common definitions of non-performing exposures and forborne exposures were introduced to facilitate the identification of problematic assets. The reported data allow detailed insights into, for example, NPEs by accounting portfolio and geographical location. In 2017 and outside the supervisory reporting framework, the EBA published standardised templates providing a common EU data set for the screening, financial due diligence and valuation during NPL transactions, providing data at the most granular level, including information on counterparties related to the loan and the collateral provided.

76. Other guidance and products include the EBA report on the dynamics and drivers of non-performing exposures in the EU banking sector, the EBA report on statutory prudential backstops, the EBA guidelines on the management of non-performing exposures and forborne exposures (EBA/GL/2018/06) and the EBA guidelines on the disclosure of non-performing exposures and forborne exposures (EBA/GL/2018/10). All of these have already resulted in a major improvement in transparency and market certainty, as well as a reduction in information asymmetries.

77. Given the relevance of the NPEs issue for the banking sector, more information is needed and the reporting requirements need to be adjusted accordingly. The current reporting framework does not present sufficient details on NPEs for developments to be monitored effectively; in particular, more details on specific vulnerable portfolios (e.g. exposures to particular sectors or exposures with certain LTV levels) as proposed would be useful.

78. The revised templates proposed in the consultation paper above envisage more granular information on, in particular:

- various sub-sectors and sub-types of exposures (such as SME and CRE exposures);
- the level of collateralisation (i.e. the differentiation between high and low LTVs);
- collateral and financial guarantees (e.g. a breakdown by collateral type);
- NPL inflows and outflows.

79. Collecting more granular information on the performance of exposures to various sub-sectors or of specific sub-types of exposures, in particular on those that tend to be more risky and for which particular scrutiny is appropriate, would allow trends to be recognised and vulnerabilities to be identified (early on). Having a detailed understanding of the performance of loans in sub-segments is crucial for better understanding the vulnerabilities and addressing any NPE problems in the long term, for example by allowing targeted policies or promoting changes in institutions' activities in specific sectors.

80. Likewise, LTV levels are an important indicator of the riskiness of a loan and, in the presence of the low interest rate environment and house price developments in some countries over recent years, LTV ratios as a macroprudential instrument have been the subject of many policy discussions. Having more detailed information on the distribution of LTVs across institutions' portfolios would, inter alia, allow a much better assessment of institutions' risk appetite in their lending decisions and of vulnerabilities of specific borrower types. Moreover, it would also inform policy debates, which ultimately imply more targeted and more effective outcomes at the system level and for the real economy.

81. Monitoring inflows versus outflows is crucial to assessing the key drivers of NPEs, as well as institutions' strategies and their effectiveness. In particular, specifically reporting on NPL inflows in the last 24 months allows an insight into recently granted loans and hence potentially also into changes in institutions' lending behaviour over time.

82. While recognising the additional reporting burden that these proposed revisions would imply for institutions, most of the information should be expected to be readily available in institutions and should in fact be assumed to be part (to a certain extent) of their regular internal risk monitoring. The revisions to supervisory reporting increases the reporting cost for institutions initially; however, in the long run, the data collected can contribute to significantly increasing the understanding of the NPLs landscape by both institutions and supervisors, and thereby can notably contribute to addressing the problems of NPEs in the EU banking sector.

83. Therefore, **Option 1b** — improving the level of granularity collected in the relevant FINREP templates — is superior to Option 1a.

Proportionality in Module 2

84. Module 2, as described in the background section, complements Module 1 and explains some of the exposures and developments reflected in Module 1 in even more detail, for example with regard to the NPL inflows and outflows or information on collateral obtained by taking possessions.

85. Considering the additional level of granularity added in Module 2, special attention with regard to the issue of proportionality is warranted. Generally speaking, and given that NPEs present a problem at both the microprudential level for the individual institution and the macroprudential level for the financial system as a whole, relevant information needs to be collected, and relevant data need to be monitored from as many institutions as possible with an appropriate

level of granularity. Nevertheless, this objective of obtaining the maximum feasible scope and number of data needs to be assessed while considering the level of granularity of the reporting information at hand, as well as the reporting burden this implies for institutions. In view of this, given the level of granularity included in Module 2, it is considered that it would be disproportionate to request Module 2 data from all reporting institutions.

86. Therefore, Option 2a is ruled out. Instead, three options are considered for applying proportionality in Module 2, as follows.

87. Under **Option 2b**, it is proposed that the most granular information be requested only from those institutions demonstrating weaker portfolios. Module 2 is to be completed only by institutions with an NPL ratio of 5% or above. The threshold of 5% has been chosen to align the reporting criteria with criteria used in the draft EBA guidelines on the management of non-performing exposures and forborne exposures to identify institutions that should set an NPE strategy and related operational and governance aspects⁹.

88. Requesting very detailed data may overburden smaller institutions in particular. It could therefore be argued that even more proportionality should be introduced in the reporting of Module 2, by further limiting it to only significant institutions with higher NPE levels.

89. Therefore, an additional option, introducing further proportionality, is considered: **Option 2c** introduces an additional proportionality factor, proposing that Module 2 be filled in only by significant institutions with an NPL ratio of 5% or above.

90. Differentiating between size- and risk-based proportionality is important in the context of NPEs. An institution's level of risk, that is, its level of NPEs, should arguably be the determining factor for assessing if additional, more granular reporting is appropriate, not least because the NPE level will govern the actions and NPE strategies necessary within an institution. Substantial NPE problems can exist regardless of an institution's size. In particular, analysis conducted as part of the impact assessment on the consultation paper on the draft guidelines on the management of non-performing exposures and forborne exposures showed that, on average, the issue of NPEs is more pronounced among small and medium-sized banks (in terms of their volume of total assets and the level of cross-border activities). With the focus of the proposed new reporting templates on the performance of EU banks' exposures and therefore risks, focusing only on significant institutions would therefore be too restrictive in determining reporting requirements, and risk would no longer be the main driving factor.

91. Furthermore, to form a complete picture and to assess the extent of (and potential) risks of NPEs to the banking sector, also including less significant institutions in the reporting is necessary. For instance, many less significant institutions have a very high level of NPEs, which, especially when concentrated in one particular market or jurisdiction, could imply substantial risks to financial stability and have broader economic consequences.

⁹ See also the impact assessment regarding the 5% threshold on page 89 of the [Consultation Paper on the Draft Guidelines on management of non-performing exposures and forborne exposures](#).

92. Therefore, it is viewed as crucial, and as most effective, to include more than just significant institutions with NPE levels > 5%. Taking into account the sizable reporting burden that Module 2 will imply for very small institutions, however, a compromise of **Option 2d** is proposed. This option sets out reporting of Module 2 by all but small banks with NPE levels > 5%.

93. Granting some proportionality based on the size of institutions but at the same time not limiting reporting to significant institutions and allowing risk to be a key determining factor for reporting requirements is the preferred option in terms of costs and benefits. Therefore, proportionality through Option 2d is preferred to Option 2b and Option 2c.

Additional granularity — fair value

94. Countries differ in terms of their accounting of loans and advances. If trading activity is low and there is no active market for loans and advances, the latter will be predominantly accounted for at cost or amortised cost. However, other countries account for loans and advances mostly at fair value. In addition, the application of IFRS 9 may entail the accounting of more loans and advances at fair value than was previously the case under IAS 39.

95. To capture the full picture and allow all countries to report appropriately, adding the reporting of loans and advances at fair value to the scope of exposures covered by the reporting templates, but without a breakdown by accounting portfolios to contain the reporting burden, is preferred and hence **Option 3b** is superior to Option 3a.

Improvements to the reporting on profit or loss items

A. Problem identification

96. Costs play a crucial role in EU institutions' performance, which was also once again highlighted by a recent analysis conducted on European institutions' profitability and business models by competent authorities. Given their prominent role in the EU banking sector, a discussion on the level of information available on costs as part of supervisory reporting is necessary. Because of their importance in the context of institutions' business models and profitability, amendments to the FINREP templates could provide meaningful insights into the issue by improving the level of detail provided on operating and administrative expenses.

B. Policy objectives

97. To reflect the importance of the cost factor, amendments to selected P&L templates are proposed, adding more detail on, among other things, operating and administrative expenses and collecting some information on structural and external factors influencing institutions' cost structure.

C. Options considered

Status quo/intervention

Option 4a: Keep the current level of detail in the P&L-related FINREP templates.

Option 4b: Improve the level of information and granularity in P&L-related FINREP templates.

D. Assessment of the options and preferred options

Status quo/intervention

98. The business model sustainability of EU banks is a recurring topic. Today's environment and the continued profitability pressure under which institutions remain makes it particularly important for supervisors to carefully assess this particular area. Business model analysis is also a key element of the supervisory review and evaluation process in the EU, identifying business and strategic risks and assessing the viability and sustainability of institutions' business models.

99. To understand the business models and better comprehend profitability issues, a better insight into institutions' cost structures and drivers is essential. The information on P&L items included in the current reporting framework does not provide sufficient detail on this. Moreover, the coverage of cost/expenses versus income is currently very asymmetric in FINREP. For example, a lot more items are collected on operating income than on operating expenses.

100. Additional items to be collected as part of the revised templates presented in the annexes to this consultation paper include additional information on staff expenses and IT expenses as part of other administrative expenses, which together account for the largest proportion in institutions' expenses and usually cannot be reduced at short notice. It is proposed that the category 'other' in fee and commission income be refined to allow a better understanding of institutions' sources of income other than interest income and to understand fee and commission expenses better. Deeper insights into institutions' fee and commission income and expenses should, in particular, facilitate an understanding of alternative sources of income and potential risks in terms of profitability.

101. These additional items would hugely contribute to improving the supervisory understanding of institutions' business model and profitability conditions. Therefore, **Option 4b** — increasing the granularity of the P&L-related FINREP templates — is superior to Option 4a.

Changes to FINREP with regard to IFRS 16

A. Problem identification

102. IFRS 16 changes the accounting rules for leases, namely operating and financial leases are no longer differentiated but are instead accounted for in the same way on the part of the lessee.

These changes imply that some of the current reporting items will no longer be fully consistent with the new accounting rules.

B. Policy objectives

103. To address the changes in the accounting rules for lessees, some minor amendments and updates to selected templates are proposed.

C. Options considered

Status quo/intervention

Option 5a: Keep the current FINREP templates unchanged.

Option 5b: Change the relevant FINREP templates to reflect changes in the accounting framework.

D. Assessment of the options and preferred options

Status quo/intervention

104. Keeping the current templates unchanged would imply that the reporting framework is misaligned with the accounting framework, as changes to the accounting rules for lessees would not be reflected in the templates.

105. **Option 5b**, which would reflect changes in the accounting framework by slightly amending the FINREP templates, is therefore considered superior to Option 5a.

Conclusion (for all)

106. Based on the above considerations, it is considered that the benefits of the proposed revisions to the FINREP templates, in the form of improved clarity and granularity on specific balance-sheet items and their development, outweigh the costs of additional reporting.

Feedback on the public consultation

107. The EBA held a public consultation on the draft proposal contained in this paper.

108. The consultation period lasted for 3 months and ended on 27 November 2018. Thirteen responses were received, of which 11 were published on the EBA website.

109. This section presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them, if deemed necessary.

110. In many cases, several industry bodies made similar comments or the same body repeated its comments in response to different questions. In such cases, the comments and the EBA's analysis are included in the section of this paper where the EBA considers them most appropriate.
111. Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

Summary of key issues and the EBA's response

112. Respondents considered that the scope and the related instructions were generally clear.
113. Nevertheless, they expressed specific and general requests for changes and clarifications to the EBA proposals, focused in particular on the new reporting requirements on non-performing exposures.

Alignment among the different requirements regarding non-performing exposures

114. Some respondents asked for more alignment in terms of the scope of the application, definitions, contents and implementation dates of the different requirements regarding non-performing exposures and forborne exposures (FINREP, EBA GL on the disclosure of non-performing exposures and forborne exposures, EBA GL on the application of default definitions, EBA GL on the management of non-performing exposures and forborne exposures, Single Supervisory Mechanism (SSM) data collection).
115. The EBA has remedied, whenever possible, the discrepancies identified among the EBA products and, in particular, between FINREP and the EBA GL on the disclosure of non-performing exposures and forborne exposures. However, the information disclosed under Pillar 3 reports does not have the same purpose as information reported to supervisors. In particular, supervisory reporting sometimes requires additional granularity or information that is not required to be disclosed to market, but which is nevertheless necessary and useful for supervisory purposes.
116. As far as the first reference date is concerned, the date of December 2019 for the EBA GL on the disclosure of non-performing exposures and forborne exposures was defined in the Action Plan of the European Council published in July 2017. On the other hand, FINREP will apply later (30 June 2020) to avoid the need to retroactively apply the new requirements as regards the profit and loss and to retroactively identify the relevant information for accounting years ending in December 2019.

Granularity and nature of new information

117. Some respondents questioned the level of granularity of the new reporting requirements on non-performing exposures. They expressed the view that the new information focused on credit monitoring rather than accounting.

118. Furthermore, the inclusion of detailed non-financial information (e.g. human resources, statistical information and management data) in FINREP was considered burdensome to implement, as it requires more coordination and reconciliation efforts among different departments of the same reporting institution, as well as some manual inputs. Respondents also doubted its usefulness for supervisory authorities and considered the requirement disproportionate. It was also noted that some identical or similar non-financial information is already collected under different statistical reporting frameworks, sometimes with a different scope, and that such overlaps of requests should be avoided.
119. The EBA has simplified and streamlined some elements of the new reporting requirement to take account of comments received and to reduce the reporting burden. However, granular and additional information is necessary to closely monitor the NPE strategies of reporting institutions with material non-performing portfolios.
120. The principle of proportionality has been taken into account, requiring more detailed information only from institutions that simultaneously are not 'small and non-complex' and exceed the NPL ratio threshold of 5% on two consecutive reporting reference dates.
121. Regarding the profit or loss information, the additional details on and breakdowns of staff expenses and other administrative expenses, and of fee and commission income and expenses, are useful for gaining a deep insight into the institutions' cost structure, which is an essential part of a profitability and business models analysis. Nevertheless, the additional information in template F 48 (except for number of staff) has been deleted to address the concerns of respondents.

Changes, clarifications and simplifications throughout the instructions and templates

122. Respondents required amendments and clarifications to the templates and instructions mainly in relation to the proposals on commercial real estate loans and breakdowns by loan-to-value ratio, collateral obtained by taking possession, inflows and outflows of non-performing loans and advances, breakdown by stage of 'purchased or originated credit impaired' (POCI) assets and forbearance management.
123. Regarding **CRE loans and breakdowns by LTV ratio**, respondents expressed a preference for keeping the definition used in the CRR (secured by commercial immovable property), rather than referring to the ESRB definition, and they requested some clarifications and that some details in the templates be deleted.
124. Information on CRE loans and breakdowns by loan-to-value ratio are useful for monitoring, respectively, the risks of the commercial real estate sector and the risks of residential and commercial immovable properties. The current FINREP category of 'loans collateralised by commercial immovable property' does not adequately capture and monitor the risks associated with the CRE sector, as it is based on the CRR definition (focused only on the nature of the collateral), whereas CRE loans are both loans aimed at acquiring CRE properties and loans collateralised by CRE properties.

125. The CRE and LTV concepts are explained by a simple reference to the ESRB's definitions. This is because the ESRB provides comprehensive guidance in its recommendation and supplementary documents that may change over time.
126. Some of the templates have been simplified and streamlined to improve the presentation. In particular, the CRE/LTV breakdowns have been moved to a separate template (F 18.02); the F 23 templates have been reorganised and some cases of 'similar, but not identical' information compared with the F 18/19 templates have been addressed.
127. Regarding **collateral obtained by taking possession**, respondents requested that some of the new information items be deleted, in particular the information on 'accumulated negative changes', which is considered burdensome to provide. They also highlighted the lack of reconciliation between the opening balance and the closing balance of template F 25.01.
128. Information on 'accumulated negative changes' allows the accumulated decrease in the value of collateral since initial recognition due to several reasons taken into account (e.g. impairments, fair value changes, depreciation, write-offs) to be captured. Therefore, the information was retained in templates F 13 (except for held for sale), F 25.02 and F 25.03. Regarding template F 25.01, its structure has been changed to allow a full reconciliation between the opening balance and the closing balance of the carrying amount of collateral obtained by taking possession and the columns on 'accumulated negative changes' have been dropped to reduce the reporting burden.
129. Regarding **inflows and outflows of non-performing loans and advances**, respondents suggested that this information be deleted from template F 18 or at least that the breakdowns be reduced and the treatment of multiple reclassifications into/from the non-performing category be reviewed.
130. The data on flows support a dynamic analysis of the capacity of institutions to recover cash flows from non-performing exposures across banks, regardless of the initial stock of NPEs. These data are also useful for supervisory analysis for all reporting institutions, not just institutions with elevated levels of NPEs, as they allow the identification of the build-up of risks related to NPEs as early as possible. However, to simplify the presentation and reduce the reporting burden, the information has been moved to a new template (F 18.01), whereby the breakdown by accounting portfolio (except for the reclassifications to 'held for sale') and the information on flows per range of LTV ratios have been dropped. The treatment of multiple reclassifications from/into NPEs has been adjusted to follow the same principles as the treatment of multiple reclassifications among impairment stages in template F 12.02.
131. As regards **POCI assets**, a few respondents asked for clarification on how to report POCI assets in the breakdown by IFRS stage. In this regard, the instructions have been amended to clarify that, for reporting purposes, POCI assets are conventionally reported together with stage 3 assets at initial recognition and as long as the credit-impaired definition of IFRS 9,



Annex A, is satisfied. They are reported together with stage 2 assets if the credit-impaired definition ceases to be met after initial recognition.

132. Concerning **forbearance management**, the breakdown by type of forbearance measure and the calculation of the net present value (NPV) in the case of the application of multiple forbearance measures have been slightly amended to reduce complexity. The EBA has simplified the breakdown by considering broader forbearance categories. In addition, where multiple forbearance measures have been applied to an exposure, the instructions clarify that the calculation of the NPV of forborne exposures is the preferred approach for allocation, but other methods may be used.

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
Implementation timing	<p>It was requested that more implementation time be provided, given the operational burden related to the new requests for information and to align with the implementation date of the CRR 2.</p> <p>One respondent suggested that the general implementation date be postponed to the beginning of 2021 or at least to the implementation date for the new information in templates F 18 and F 19.00 (breakdown by LTV ratio and inflows and outflows to and from non-performing exposures) together with new templates F 23 to F 26 and F 47.</p>	<p>Non-performing exposures are one of the key priorities for supervisors and one of the biggest challenges faced by many institutions across Europe. High NPE levels ultimately have a negative impact on institutions' profitability, solvency and, consequently, lending capacity to the overall economy. The European Council published, in July 2017, its Action Plan to tackle NPLs in Europe. The EBA, the European Central Bank (ECB) and the Commission were invited to strengthen their data infrastructure with uniform and standardised data for NPLs. For this reason, the implementation date cannot be postponed.</p>	None
Objective of FINREP	<p>Four respondents questioned the collection of information within the FINREP framework that has a nature different from financial information (e.g. human resources, statistical information and management data). This seems to go beyond the objective of FINREP as stated in Article 99 of the CRR.</p>	<p>Article 99(4) of the CRR states that: 'The financial information referred to in paragraph 2 and in the first subparagraph of paragraph 3 shall be reported to the extent this is necessary to obtain a comprehensive view of the risk profile of an institution's activities and a view on the systemic risks posed by institutions to the financial sector or the real economy in accordance with Regulation (EU) No 1093/2010.'</p> <p>While FINREP is, to a large extent, based on institutions' consolidated financial statements prepared in accordance with the applicable accounting standards, the financial information referred to in Article 99(4) of the CRR is required for supervisory purposes. In this regard, some 'non-</p>	<p>Template F 48.00 was dropped, except for the number of staff</p>

Comments

Summary of responses received

EBA analysis

Amendments to the proposals

Alignment among reporting, disclosure and NPE management GL

More alignment among the different requirements regarding non-performing exposures and forborne exposures (FINREP, SSM data collection, EBA GL on disclosure and EBA GL on the application of the definition of default) was requested, to address the reconciliation efforts and reduce the reporting burden. In particular, as regards the disclosure requirements (Pillar 3), the following examples were raised: Pillar 3 includes more detailed information on ‘of which impaired’ for non-performing exposures in template 3, provisions (IFRS 9 versus IAS 37) in template 5 and impairment in section C. Furthermore, the breakdown by vintage for ‘Collateral obtained by taking possession classified as Property Plant and Equipment (PP&E)’ is required in Pillar 3, but not in either FINREP or the SSM data collection. The value of collateral in FINREP is capped, while this is not the case in Pillar 3, template 7.

In one respondent’s view, the information on inflows and outflows from non-performing exposures and the breakdown by LTV in F 18.00 and F 19.00 should be deleted to be consistent with Pillar 3 when this information is requested only in case of high NPE levels. Some respondents also pointed out some differences in the scope of exposures covered by different templates (financial assets at fair value or amortised costs versus

accounting information’ (such as the number of staff or remuneration of staff expenses) contributes to having a full understanding of the factors influencing an institution’s financial and risk situation.

Most of the misalignments between the EBA guidelines on the disclosure of non-performing exposures and forborne exposures and FINREP were **remedied** (e.g. PP&E by vintage eliminated, additional items on uncapped collateral values added, scope of exposures covered by different templates).

Nevertheless, some differences remain, which are attributable to the different purposes of Pillar 3 and FINREP, namely the use by the market and by supervisors, respectively. For example, information on inflows and outflows from the portfolio of non-performing exposures and the breakdown by LTV is required only for institutions with high NPE levels in accordance with the GL on the disclosure of NPEs, but this information must be reported by all institutions obliged to report FINREP (see F 18.01 and F 18.02). This information is necessary and useful for supervisory purposes; for example, the LTV breakdown allows risks to be monitored in the residential and commercial immovable property sectors, and flow data allow a dynamic analysis to be conducted of the capacity of institutions to recover cash flows from non-performing exposures across banks, regardless of the different initial stock of NPE amounts.

See column ‘EBA analysis’

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Calculation of 5% NPL ratio threshold</p>	<p>loans and advances) in FINREP, Pillar 3 and the SSM data collection.</p> <p>One respondent requested an alignment of the first date of application of the EBA GL on disclosure of non-performing exposures and forborne exposures to the first data of application of FINREP.</p> <p>One respondent suggested that similar or identical information in the SSM data collection should be discontinued or subject to a waiver.</p> <p>Some respondents requested clarification of the level of application of the 5% threshold criterion for Module 2 (consolidated/sub-consolidated/solo) and asked for confirmation of whether or not the scope of application is limited to only EU banks. Respondents also asked for cash balances at central banks and other demand deposits to be included in the numerator and denominator of the threshold.</p>	<p>As far as the application date is concerned, the date for disclosure was defined in the Council Action Plan, while FINREP will apply later in order to avoid the need to retroactively apply the new requirements as regards the profit and loss and retroactively identify the relevant information for accounting years ending in December 2019.</p> <p>The SSM data collection is not within the EBA's remit.</p> <p>For the purposes of reporting FINREP in accordance with the ITS on Supervisory Reporting, the threshold is calculated at the same level as the reported information (i.e. in the case of FINREP, at the consolidated/sub-consolidated level) as defined in Article 99(2), (3) and (6) of the CRR. The scope of consolidation is the prudential scope of consolidation in accordance with the CRR, unless stated otherwise in the instructions for particular templates (no changes in this regard are introduced by this draft amending ITS).</p> <p>Cash balances at central banks and other demand deposits are not included in the calculation of the threshold consistently with the scope of monitoring loans and advances that are expected to be highly risky under Module 2. In addition, the composition of the threshold is aligned to the already published guidelines on the disclosure of non-performing exposures and forborne exposures and is also compatible with the definition of the NPL ratio applied for the purposes of the guidelines on the</p>	<p>None</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Granularity/complexity	<p>The inclusion of detailed non-financial information in FINREP was considered burdensome to implement, not necessarily useful to supervisory authorities and against the principle of proportionality. In particular, one respondent criticised the level of granularity requested by the ‘of which’ categories under the new F 18.00 template, including the breakdowns requested in relation to residential immovable property, SMEs and LTVs. One respondent considered the level of detail too high in templates F 23, F 24, F 26 and F 47.</p> <p>Three respondents questioned the rationale for collecting the following information:</p> <p>(a) management control information:</p>	<p>management of non-performing exposures and forborne exposures.</p> <p>The two conditions (the breach of the 5% threshold on two consecutive reporting reference dates and not being a ‘small and non-complex institution’) have to be met simultaneously.</p> <p>The entry and exit criteria are set out by Article 4 of Regulation (EU) No 680/2014 and they are also aligned to the guidelines on the disclosure of non-performing exposures and forborne exposures. The 6-month implementation period is considered appropriate, taking into account that there is a need to closely monitor the NPEs portfolio and that the information on high NPE levels must be available in a timely manner.</p> <p>As stated above, FINREP includes the necessary information for supervisory purposes as per Article 99(4) of the CRR.</p> <p>Nevertheless, to reduce complexity and alleviate the reporting burden, the structure and the content of some templates have been simplified. In particular, the CRE/LTV breakdowns have been moved to a separate template (F 18.02); the F 23 templates have been reorganised and some cases of ‘similar but not identical’ information compared with the F 18/19 templates have been deleted; and the breakdown by type of forbearance measure in template F 26 has been simplified.</p>	<p>Simplifications were made in templates F 18, F 19, F 23 and F 26, as described in the column ‘EBA analysis’</p>

Comments

Summary of responses received

(i) IT outsourcing charges (F 16.08);

(ii) the granular breakdown of the fee income from payment services by product (F 22.01);

(iii) the information on fee and commission expenses from payment services — credit, debit and other cards (F 22.01, r256);

(b) the number of instruments in templates F 23 and F 26.00 (considered ‘statistical’ information).

They also asked for confirmation in relation to **‘IT outsourcing’ expenses**, namely if the ‘external service providers’ are the entities outside the scope of the entire group at the highest level of consolidation.

Another respondent suggested that the reporting **frequency** of non-accounting data be reduced to semi-annual or annual to improve data quality, without specifying the templates.

To further take into account the principle of **proportionality** within the scope of FINREP, one respondent suggested that those institutions that, in accordance with Regulation (EU) 2015/534 of the ECB on the reporting of supervisory financial information (ECB/2015/13), report on the basis of data points and/or oversimplified/simplified FINREP be excluded from Module 2.

EBA analysis

Regarding the **information on P&L items**, the amendments to FINREP aim to improve the insights into the institutions’ cost structure for supervisory purposes.

With specific reference to **‘IT outsourcing’ expenses in F 16.08**, the ‘external service providers’ refer to the entities outside the prudential scope of consolidation of the reporting institution as defined in accordance with Annex V, Part 1, paragraph 12 of Commission Implementing Regulation (EU) No 680/2014.

The **frequency** of reporting of NPEs has not been reduced, as a quarterly frequency is considered appropriate to monitor the current stock of NPEs and its developments and to prevent the future emergence and accumulation of NPLs.

The principle of **proportionality** has been taken into account, with Module 2 required only for institutions that simultaneously are not ‘small and non-complex’ and exceed the NPL ratio threshold of 5%.

Amendments to the proposals

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Template F 18	<p>With regard to the new columns on ‘inflows/outflows’ to/from NPEs, two respondents considered it an inconsistency that the treatment of cases of multiple reclassifications from/to NPEs differs from the treatment of multiple reclassifications between impairment stages in F 12.02. One respondent pointed out that the reporting on inflows and outflows for NPLs portfolios will be very burdensome to implement.</p> <p>Three respondents asked for the information on inflows to/outflows from NPEs to be deleted. Alternatively, it was requested that this information be limited to the breakdown by counterparty without considering the additional details ‘of which’.</p> <p>Respondents asked for clarification on how to report the inflows/outflows and, in particular, the changes in credit risk for FVTPL portfolios, and on whether the inflows/outflows refer to the composition of NPEs portfolios or the cash movements (e.g. repayments).</p> <p>With regard to paragraph 239v(f) of Annex V, respondents asked for a reference to the CRR to be provided or for examples to be given for defining risk transfers qualifying for accounting derecognition.</p>	<p>To simplify and improve the presentation, the information on inflows to/outflows from NPEs has been moved to a new template (F 18.01) in which the gross carrying amount of loans and advances is broken down by counterparty; the LTV breakdown has been dropped. No breakdown by accounting portfolio is required, with the exception of reclassifications to ‘held for sale’.</p> <p>The treatment of multiple reclassifications from/to NPEs has been aligned to the treatment of reclassification multiple times among impairment stages in F 12.02, even though it is worth noting that the allocation to impairment stages and the NPEs concept are two different concepts that are correlated to only some extent.</p> <p>The inflows/outflows are those that occur during the period, i.e. between the beginning of the financial year and the reporting reference date, and they refer to both the composition of the NPEs portfolios and the cash movements. For FVTPL exposures, the increase or decrease in the accumulated negative changes in fair value due to credit risk affects the gross carrying amount of the related loan and, as such, it is reported as either inflow or outflow (see Annex V, Part 2, paragraphs 239ii and 239iv).</p> <p>Securitisation transactions are examples of risk transfers qualifying for accounting derecognition.</p>	<p>Template F 18 and the related instructions were changed in accordance with the EBA analysis.</p> <p>The reporting of POCI assets was clarified in Annex V, Part 2, paragraph 77.</p> <p>In templates F 04.03.01 and F 04.04.01, the cells for stage 1 have been greyed out for POCI assets</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>Two respondents asked why the breakdown by IFRS stage was greyed out for FVOCI debt instruments and asked how the POCI assets should be reported in relation to the breakdown by IFRS stage.</p>	<p>In F 18.00, the breakdown by IFRS stage is greyed out for FVTPL debt instruments, while the corresponding cells for FVOCI debt instruments can be filled in.</p> <p>POCI assets are reported together with stage 3 assets at initial recognition and as long as they meet the definition of ‘credit-impaired’ in accordance with IFRS 9, Appendix A. After the initial recognition, if they no longer meet the criteria of credit-impairment, they are reported together with stage 2 assets. POCI assets are never reported together with stage 1 assets.</p>	
	<p>One respondent proposed removing the stage 2 category from non-performing exposures, as only stage 3 financial assets can be classified as non-performing exposures.</p>	<p>Regarding the relations between NPEs and IFRS stages, all stage 3 assets are considered non-performing (see Annex V, Part 2, paragraph 215), but other assets may be included in the non-performing category due, for instance, to the application of a cure period of 1 year to exit non-performing forbearance or the application of the so-called ‘pulling effect’ that is not envisaged in IFRS 9.</p>	
<p>Information on SME exposures and calculation of accumulated write-off (F 04.03.01, F 04.04.01)</p>	<p>Three respondents asked for the information on SME exposures to be deleted in templates F 04.03.01 and F 04.04.01.</p> <p>In addition, they noticed a misalignment in the calculation of accumulated write-off between FINREP/Pillar 3 and SSM quarterly data collection.</p>	<p>The information on SME exposures in templates F 04.03.01 and F 04.04.01 is aligned with the information required by the EBA guidelines on the disclosure of non-performing exposures.</p> <p>Any misalignment in the calculation of accumulated write-off between FINREP/Pillar 3 and the SSM data collection is outside the EBA’s remit.</p>	<p>None</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Fee and commission income and expenses (F 22.01, F 22.02)	<p>Some respondents asked for clarification of the meaning of the item ‘of which: prepayment fees’ in template F 22.01, in the absence of a normative reference. One respondent also noted that the amount of prepayment fees that are not part of the estimated cash flows when calculating the effective interest rate is generally immaterial.</p> <p>Two respondents asked for the rows on corporate finance and the related breakdown to be deleted in F 22.01 because of overlaps with other breakdowns and high operational costs.</p> <p>Two respondents asked for clarification of the meaning of ‘payment services’ and the relationship between the items on payment services in templates F 22.01 and F 22.02.</p>	<p>In template F 22.01, row 212 (‘of which: prepayment fees’) has been deleted.</p> <p>In Annex V, Part 2, paragraph 284(e), (f) and (g), the content of the rows on corporate finance and the related breakdown are explained.</p> <p>In Annex V, Part 2, paragraphs 284 (k) and 285(e), it was clarified that ‘payment services’ refers to those listed in Annex I of Directive (EU) No 2015/2366 (revised Payment Services Directive).</p>	<p>See column ‘EBA analysis’.</p> <p>The instructions in Annex V, Part 2, paragraph 284 were reorganised and the meaning of ‘payment services’ was clarified</p>
Other administrative expenses (F 16.08)	<p>Three respondents asked for clarifications on the content of the row ‘taxes and duties (other)’. Two of them asked if ‘banking tax’ expenses that national regulators impose within the EU should be included. One respondent asked if VAT should be included.</p> <p>Respondents asked for clarification of the content of the row ‘Expenses related to credit risk’ in relation to the calculation of impairment loss in accordance with IFRS 9.B5.55.</p>	<p>Unless otherwise specified in the instructions, the classification of expenses must be consistent with the accounting classification adopted in institutions’ financial statements.</p> <p>Annex V, Part 2, paragraph 208vi states that ‘Expenses related to credit risk shall mean administrative expenses in the context of credit events, such as expenses incurred in relation to the realisation of collateral or legal proceedings’. Such expenses are different from the estimation of expected credit losses provided by IFRS 9.B5.55.</p>	None

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Leases (IFRS 16)	<p>Two respondents proposed that the row 'Litigation expenses not covered by provisions' be deleted because, in practice, they should be reported as adjustments of the associated provisions.</p> <p>Some respondents noticed that IFRS 16 is applicable from January 2019 but that the first application date of the amendments to FINREP is in 2020. Consequently, they asked how to report lease transactions under IFRS 16 during 2019.</p> <p>Some mixed views on the nature of lease liabilities as financial liabilities or other liabilities were expressed. One respondent proposed that a line item should not be specified but instead that institutions should be left to report lease liabilities in line with the accounting treatment adopted in their financial statements. Another respondent proposed that there be a separate line item to report finance leases in templates F 01.02 and F 08.00.</p> <p>One respondent observed that there is not a separate disaggregation between lease assets and liabilities and the other assets and liabilities, nor a separate disaggregation between depreciation of right-of-use assets and interest expenses on lease liabilities.</p>	<p>The row 'Litigation expenses not covered by provisions' has been kept, as it may happen that no provisions have been accounted for or the current level of provisions is not enough to cover the litigation expenses.</p> <p>The reporting of lease transactions subject to IFRS 16 during 2019 is not addressed in this draft ITS, given that these technical standards have a later application date.</p> <p>Regarding the nature of lease liabilities, the inclusion of lease liabilities among financial liabilities is consistent with IFRS 16.BC182, which states that lease liabilities should be measured similarly to other financial liabilities, using an effective interest method, so that the carrying amount of the lease liability is measured on an amortised cost basis and the interest expense is allocated over the lease term.</p> <p>Minor changes to existing FINREP templates have been proposed, as IFRS 16 sets out significant changes only in relation to lessee accounting, while lessor accounting has remained unchanged.</p> <p>In particular, the right-of-use assets are reported in an ad hoc column of F 42.00, while the lease liabilities are reported in an ad hoc row of F 08.01. Depreciation expenses of right-of-use assets will be reported in rows 390-420 of F 02.00, together with the depreciation expenses of the other assets, as there is</p>	<p>References in template F 01.01 and national generally accepted accounting practices (nGAAP) templates have been updated</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
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Two respondents suggested that the **depreciation of right-of-use assets** should be reported within depreciation of property, plant and equipment rather than within other administrative expenses.

Depreciation expenses on right-of-use assets are not included in 'other administrative expenses'. In this category, only short-term/low-value lease expenses are reported (see Annex V, Part 2, paragraph 208ix).

One respondent noticed that **references to IFRS 16** in rows 280, 290, 300 and 320 of F 01.01 are missing and another respondent noticed that IFRS 16 references in nGAAP templates are misplaced.

The **references** in F 01.01 and the nGAAP templates have been updated.

Responses to questions in Consultation Paper EBA/CP/2018/13

Question 1.

Cash contributions to resolution funds and deposit guarantee schemes (F 02.02)

Mixed views were expressed on the **nature of cash contributions to resolution funds and deposit guarantee schemes** in the financial statements. Some respondents considered them 'other operating expenses'; others considered them 'other administrative expenses' or 'interest expenses'. Two respondents suggested that supervisory authorities already know the information on contributions to resolution funds and deposit guarantee schemes and therefore that reporting them in FINREP is not necessary. If a separate representation is kept, some respondents proposed that there be separate items in F 02.00 located under 'Profit or loss before tax from continuing operations'.

A separate line item (385) in F 02.00 has been added that is neither under 'other operating expenses' nor under 'other administrative expenses' within 'Profit or loss before tax from continuing operations'.

See column 'EBA analysis'

Comments

Summary of responses received

Two respondents requested **clarifications** on the distinction between the two newly proposed rows of F 02.00 related to cash contributions to resolution funds and deposit guarantee schemes and payment commitments to resolution funds and deposit guarantee schemes. In particular, the use of the term 'financial' liabilities in relation with 'provisions' in Annex V, Part 2, paragraph 48i was deemed to be incorrect.

Furthermore, respondents asked what amounts should be reported in the two new rows of F 02.00 mentioned above when the amount of commitments to be paid out at the end of the reporting period is different from the original best estimates of such expenses at the beginning of the reporting period. In particular, the following example was provided: an amount of 100 is accrued at the beginning of the current reporting period, representing a bank's best estimate of the contribution attributable to the period and that will have to be paid out at the end of the period; the actual amount established as due to the relevant authority is 105 by the end of the reporting period. The following reporting alternatives were proposed:

1. 105 is reported in the row related to cash contributions to resolution funds and deposit guarantee schemes of F 02.00 for the reporting period;
2. 105 is reported in the row related to payment commitments to resolution funds and deposit guarantee schemes of F 02.00 for the reporting period;
3. 100 is reported in the row related to payment commitments to resolution funds and deposit guarantee schemes, and 5 is reported in the row related to cash

EBA analysis

The distinction between the two newly proposed rows of F 02.00 (related to cash contributions to resolution funds and deposit guarantee schemes and payment commitments to resolution funds and deposit guarantee schemes) has been clarified in Annex V, Part 2, paragraph 48i.

Referring to the example provided, where the amount of commitments to be paid out at the end of the reporting period is different from the original best estimates of such expenses at the beginning of the reporting period, the reporting depends on whether or not provisions have been accounted for before the payment. If provisions exist, the reversal of provisions will be reported in row 435 and the cash contribution paid will be reported in row 385. If provisions do not exist, only the amount of cash contribution paid will be reported (option 1 in the example provided).

Amendments to the proposals

Annex V, Part 2, paragraph 48i clarifies that 'Cash contributions to resolution funds and deposit guarantee schemes' will include the amounts of contributions to resolution funds and deposit guarantee schemes where they are paid in the form of cash. Where the contribution is made in the form of a payment commitment, this payment commitment is to be included in 'provisions or (-) reversal of provisions', if the payment commitment gives rise to a liability in accordance with the applicable accounting standard

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>contributions to resolution funds and deposit guarantee schemes of F 02.00 for the reporting period.</p>		
	<p>One respondent asked for clarification of whether the term ‘payment commitments’ refers to the maximum 30% share of payment obligations according to the Directive on Deposit Guarantee Schemes (2014/49/EU) or to other commitments and contingent liabilities to the guarantee fund.</p>	<p>The payment commitments to be reported in row 435 are all those that give rise to liabilities in accordance with the applicable accounting standards.</p>	None
<p>Question 2. Accumulated negative changes (F 13.02.01, F 13.03.01, F 25)</p>	<p>Most respondents considered that the definition of ‘accumulated negative changes’ is clear but that the reporting is burdensome and the information is difficult to provide. In particular, the necessary instrument-by-instrument assessment leads to some practical issues if there is no one-to-one allocation of collateral to loans. One respondent also expressed the opinion that the collection of this information is operationally complex, given the number of cases to be expected for each reference date where the value of collateral decreases after it was obtained by the institution.</p>	<p>The information on ‘accumulated negative changes’ and ‘value at initial recognition’ has been kept in templates F 13.02.01, F 13.03.01, F 25.02 and F 25.03, as it is useful to have a ‘generic’ idea of the losses recognised since the collateral was obtained by the reporting institution, although, as correctly noted, the decreases can be influenced by several factors (e.g. changes in market prices, impairments, write-offs, depreciation).</p>	None
	<p>Two respondents noted that collaterals received could be subject to ‘accumulated negative changes’ for purely accounting reasons (i.e. depreciation of property, plant and equipment), voicing the concern that the recipients of the reported data could develop an overly pessimistic opinion of the quality/performance of those collaterals.</p>		
	<p>Three respondents suggested that the information on both ‘value at initial recognition’ and ‘accumulated negative changes’ be deleted in templates F 13.02.01 and</p>	<p>The information on ‘accumulated negative changes’ has been deleted for non-current assets held for sale, as this information can be easily derived from the difference between the value at initial recognition</p>	<p>The information on ‘accumulated negative changes’</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>F 13.03.01 and one respondent asked for the same deletion in the F 25 templates.</p>	<p>and the carrying amount. Furthermore, the information on ‘accumulated negative changes’ has been deleted in F 25.01.</p>	<p>was deleted in F 5.01.</p> <p>In addition, the information on ‘accumulated negative changes’ for non-current assets held for sale was deleted in F 13.02.01, F 13.03.01, F 25.02 and F 25.03.</p>
	<p>One respondent asked if the value of the collateral is to be adjusted in relation to the repayment of the related loan.</p> <p>Three respondents requested some clarifications on and a review of the breakdown by type of collateral (renaming or reorganising the rows) in templates F 13.02.01 and F 13.03.01. Two respondents asked if debt-to-equity operations — that is, when an entity is consolidated after debt restructuring agreements — need to be reported as collateral obtained by taking possession.</p>	<p>The focus of templates F 13.02.01, F 13.03.01 and F 25 is on the collateral obtained in exchange for the cancellation of debt, i.e. collateral that became assets for the reporting institution and where the collateralised loans was partially or fully derecognised in exchange for that collateral item. In this context, repayments of loans are not relevant. In addition, collateral obtained by taking possession must include assets that were not pledged by the debtor, whether on a voluntary basis or as part of legal proceedings. This must also include cases of debt asset swaps, voluntary surrenders and debt equity swaps. The breakdown by type of collateral has not been changed, to retain consistency between templates F 13.02.01 and F 13.03.01 and template F 25.2.</p>	<p>None</p>
	<p>With regard to template F 13.01, respondents asked for columns 010, 020 and 030 and row 060 (‘of which: credit for consumption’) to be greyed out, i.e. they considered</p>	<p>The columns mentioned for ‘of which: credit for consumption’ have been left open, as consumer loans</p>	<p>None</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Question 3. CRE definition (F 13.01, F 18, F 23)</p>	<p>certain types of collateral not relevant to credit for consumption.</p> <p>Respondents pointed out that a validation rule between the initial value, the difference (resulting from negative developments) and the current value of the collateral would not work due to the exclusion of positive developments.</p> <p>Several respondents would prefer the use of consistent terminologies and definitions within and across different reporting requirements. They suggested using the CRR definition of commercial immovable property for CRE loans to provide consistency between COREP and FINREP. They explain that the CRR definition is also used in the context of AnaCredit (analytical credit data sets) and it does not contain conditions on ‘income producing’, which might lead to different classifications in certain scenarios.</p> <p>With regard to the definition of ‘income-producing real estate’, respondents asked for clarification of whether or not the underlying contracts with the related tenants or buyers should already exist at the date of the loan for that property to qualify as ‘CRE property’ and, therefore, for that loan to qualify as a ‘CRE loan’. One respondent pointed out that the ‘income producing’ criterion is not captured by existing IT systems for each type of property/collateral and suggested that the current or intended use of property be referred to rather than the generation of revenue.</p> <p>One respondent asked for confirmation that the definition of CRE loans is based on both the purpose of loans</p>	<p>could be collateralised by immovable property or cash.</p> <p>There is no validation rule trying to reconcile the value at initial recognition and the carrying amount at the reference date based on the accumulated negative changes reported.</p> <p>CRE (as collateral and as business activity) is considered a sector that warrants special monitoring in the context of NPEs in the EU due to its procyclical nature and the related potential for significant negative impacts on financial stability and the real economy. For this reason, the information on ‘CRE loans’ has been included in FINREP.</p> <p>The category of ‘loans collateralised by commercial immovable property’ of FINREP does not adequately capture and monitor the risks associated with the CRE sector, as it is based on the CRR definition focusing exclusively on the nature of the collateral and the comparably unspecific classification of the collateral (any loan covered by an immovable property not fulfilling the CRR definition for residential property is reported under this category).</p> <p>Loans secured by commercial immovable property capture only part of the broader category of CRE loans, given that the latter refers to both loans aimed at acquiring CRE properties and loans collateralised by CRE properties, i.e. also considers the purpose.</p>	<p>None</p> <p>The information on CRE loans was moved to a separate template (F 18.02) and the presentation of the information of the F 23 templates was reorganised</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>(acquiring CRE properties) and the collateral of loans (CRE properties). That respondent also wanted to understand if any priority should be given to either the criterion of the purpose of the operation or the criterion of the type of collateral. Moreover, that respondent asked for confirmation that rental incomes are those from commercial properties, other than those from ‘buy-to-let housing’, which are excluded explicitly. Another respondent considered the ESRB definition of CRE loans as clear but pointed out the challenge of distinguishing between the three exclusions (social housing, property owned by end users and buy-to-let housing).</p> <p>Three respondents asked for the rows related to CRE loans to be deleted based on the ESRB definition in templates F 18.00 and F 19.00, as their contents overlap with the information included in the F 23 templates.</p> <p>One respondent also asked for the rows related to CRE loans to be deleted based on the ESRB definition in template F 13.01, ‘Breakdown of collateral and guarantees by loans and advances other than held for trading’.</p>	<p>Information on exposures meeting the definition of the ESRB Recommendation/2016/14 allows all income-producing real estate to be monitored, whether existing or under development.</p> <p>Regarding the specific questions raised regarding certain aspects of the definition of CRE loans (e.g. the meaning of rental incomes or the exceptions), no further guidance will be provided in the FINREP instruction. Instead, the concept is explained by a reference to the ESRB’s definition, to take into account that the ESRB provides comprehensive guidance in its recommendation and supplementary documents that may change over time.</p> <p>To streamline and improve the presentation, the information on CRE loans has been moved to a separate template (F 18.02) that applies to all institutions. More granular information on CRE loans is requested from institutions that are ‘not small and non-complex’ with an elevated level of NPEs in the F 23 templates. Those templates have been reorganised after the public consultation.</p>	
<p>Question 4. Loan-to-value ratio (F 18.00, F 23)</p>	<p>Several respondents asked for clarifications on the following aspects related to the calculation of the loan-to-value ratio:</p> <ul style="list-style-type: none"> - the definition of the current value of property, e.g. market value/fair value versus lending value; - the frequency of assessment of the current value of property; 	<p>Considerations similar to the CRE concept applies to the LTV concept.</p> <p>The LTV ratio is a key indicator for monitoring the risks of both residential and commercial immovable properties.</p> <p>Regarding the specific aspects of the calculation of the LTV ratio, institutions must refer to the ESRB recommendation and its supplementary documents.</p>	<p>None</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<ul style="list-style-type: none"> - whether or not the amount of collateral is capped to the amount of the collateralised exposure; - whether the whole market value of the collateral associated with a specific exposure or the market value of collateral allocated to a specific exposure should be considered; - the definition of loan value, especially for loans measured at fair value and POCI assets; - whether or not both loans used to finance CRE properties and loans collateralised by CRE properties are to be included in the loan to value (LTV) ratio. <p>Practical challenges concerning the application of this definition reported are:</p> <ul style="list-style-type: none"> - the calculation of the LTV ratio on a transaction basis; - how to deal with cases in which a loan is secured by more than one type of collateral (e.g. immovable property and other guarantees); - how to deal with cases in which one collateral is allocated to several loans and, if applicable, to several borrowers; - how to deal with cases in which the LTV ratio is not a relevant indicator for granting loans and so data are not available for reporting (e.g. retail financing, social housing development). <p>Some respondents requested that the breakdown by LTV ratio be removed for exposures collateralised by</p>	<p>In addition, institutions should have internal policies and procedures, approved by the management body, governing the valuation of immovable property collateral and specifying the methods/approaches to calculate the current value of property and the value of loans (including loans measured at fair value and POCI assets).</p> <p>To streamline and improve the presentation, the breakdown of loans by LTV ratio has been moved to a separate template (F 18.02) that applies to all</p>	<p>See column 'EBA analysis'</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>immovable properties in templates F 18.00 and F 19.00 and in the F 23 templates.</p>	<p>institutions. More granular information on the LTV breakdown is requested for institutions that are ‘not small and non-complex’ with a high NPL ratio in the F 23 templates. Those templates have been reorganised after the public consultation.</p>	
<p>Question 5. Group structure templates (F 40.01, F 40.02)</p>	<p>All respondents, with the exception of one, did not see merit in increasing the frequency of the two-group structure templates, as reporting this information requires significant time and costs, especially for large banking groups, and it also requires significant manual inputs.</p> <p>At the same time, the informative benefits of increasing the frequency of these templates are considered by the respondents to be limited, given the relative stability of the group structure. Moreover, respondents noted that banks are already required to inform or notify supervisory authorities of any changes in their group structures when they occur, at national or European level.</p> <p>One respondent suggested limiting reporting to a semi-annual frequency in line with COREP C 06.02 (group solvency).</p>	<p>The current annual frequency for group structure templates is kept.</p>	<p>None</p>
<p>Question 6. Staff expenses (F 44.03, F 44.04, F 48)</p>	<p>All respondents except for one did not agree with the inclusion of human resources or statistical information in FINREP, mainly arguing that FINREP is meant to reflect institutions’ consolidated financial statements prepared in accordance with the applicable accounting standards. In particular, respondents questioned the rationale of collecting information on IT staff wages and salaries in F 44.03, fixed and variable remuneration broken down by</p>	<p>Row 031 on IT staff wages and salaries in F 44.03 has been deleted but the breakdown of staff expenses by category of remuneration and category of staff in F 44.04 has been kept, as it allows supervisors to make an in-depth analysis of the reporting institutions’ cost structure and the impacts of remuneration policies.</p>	<p>Row 031 of F 44.03 and template F 48 were deleted.</p> <p>A new row on the number of staff was added to F 44.04</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	category of staff in F 44.04 and average number of staff at retail branches in F 48.	In F 44.04, a row on the number of staff has been added (it was moved from template F 48 , which was deleted after the public consultation).	
	Two respondents pointed out that data collection outside the accounting department implies additional costs in terms of implementation and coordination with other departments. Furthermore, these data are already collected under EBA/GL/2014/08 (remuneration benchmarking exercise) and double reporting should be avoided in their view.	As far as possible, and bearing in mind the different levels of granularity and the very limited number of items included in this revised version of FINREP, the information requested in FINREP has been aligned with that collected in accordance with the GL on remuneration benchmarking, to facilitate the reporting for those entities subject to both reporting requirements. However, the data from the remuneration benchmarking exercise are insufficient for supervisory purposes, as they cover only a sample of institutions.	None
	Three respondents asked for more instructions on the content of F 44.04 and, in particular, on the definition of ‘identified staff’ and the relationships of column 0020 (‘of which: Identified staff’) with columns 0030 (‘of which: Management body (in its management function) and senior management’) and 0040 (‘of which: Management body (in its supervisory function)’).	The definitions of ‘identified staff’, ‘management body in its management function’, ‘senior management’ and ‘management body in its supervisory function’ are provided by Directive 2013/36/EU (CRD) and the EBA guidelines.	None
Question 7. Scope of application of the new templates (F 23, F 24, F 25, F 26, F 47)	The scope and the related instructions are generally considered clear, but some observations and concerns were expressed. Three respondents asked for more alignment in terms of the scope of application, definitions, contents and implementation dates of the different requirements regarding non-performing exposures and forbore exposures (FINREP, EBA GL on the disclosure of	See the general comments above. In particular, as already stated, the alignment in terms of definitions and requirements has been pursued as far as possible. However, it should be borne in mind that it is not feasible to have a single reporting requirement for NPEs, as the information is required in different	None

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>non-performing exposures and forborne exposures, EBA GL on the application of default definitions and EBA GL on the management of non-performing exposures and forborne exposures). Two respondents advocated a single reporting requirement on NPEs and forbearance instead of different reporting requirements (FINREP, EBA GL, ECB GL). One respondent asked for the scope of information of the new templates in Module 2 to be reduced.</p> <p>Respondents expressed the view that the new templates were focused on credit monitoring rather than accounting. As a consequence, they require more coordination and reconciliation efforts among different departments of the same reporting institution.</p>	<p>contexts for different purposes (reporting/disclosure/Pillar 2).</p>	
	<p>With regard to the F 23 templates, respondents asked for clarification of whether or not the ‘gross carrying amount’ of non-trading loans and advances measured at FVTPL is calculated in accordance with Annex V, Part 1, paragraph 34. Consequently, the reporting of ‘accumulated negative change in FV due to credit risk’ is equal to zero for performing FVTPL non-trading loans.</p>	<p>As prescribed in the references of the columns, the gross carrying amount is calculated in accordance with Annex V, Part 1, paragraph 34. Therefore, the reporting of ‘accumulated negative change in FV due to credit risk’ must be equal to zero for performing FVTPL non-trading loans.</p>	<p>The information in the F 23 templates was reorganised and the columns on exposures in litigation/pre-litigation status were dropped</p>
	<p>In addition, the request for information on loans and advances that are in pre-litigation status and in litigation status was questioned, in particular with regard to the overlap between information asked for via rows and via columns as well as the fuzziness of the distinction between the two cases.</p>	<p>The columns on exposures in litigation/pre-litigation status were dropped.</p>	
	<p>Regarding template F 24.02, two respondents asked for further clarifications on the amounts to be reported as ‘increase’ in row 0030 and as ‘decrease’ in row 0060.</p>	<p>The increase of loss allowance (row 0030) reflects the probability of not obtaining the accrued interests (see Annex V, Part 2, paragraph 337).</p>	<p>None</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>With regard to templates 24 and 25, two respondents asked for clarification on if accumulated data are to be reported from the beginning of the financial year or from the last reference date.</p> <p>Against the background of the example and explanations provided in the consultation paper, in particular page 11, paragraph 35, respondents asked for the row ‘opening balance’ in template F 25.01 to be removed, as it needs to be adjusted.</p> <p>One respondent asked for the removal of the ‘of which’ rows in template F 25.02 that relate to properties under construction or development, with or without planning permission, arguing that this kind of information is not accounting information and is extremely detailed.</p> <p>With regard to template F 26, two respondents asked for the breakdown by standard type of forbearance</p>	<p>The decrease of loss allowance (row 0060) is described in Annex V, Part 2, paragraph 338(d) and it derives from the unwinding of discount on loss allowance due to the passage of time in the context of application of the effective interest rate accounting method.</p> <p>Accumulated data in FINREP are reported in accordance with Article 2, paragraph 2 of Regulation (EU) No 680/2014 (from the first day of the accounting year to the reference date).</p> <p>The structure of template F 25.01 has been changed to allow a full reconciliation between the opening balance and the closing balance of the carrying amount of collateral obtained by taking possession. New rows on inflows/outflows due to changes in the value of collateral obtained by taking possession have been added, while the columns on ‘accumulated negative changes’ have been dropped.</p> <p>The rows related to properties under construction or development, with or without planning permission, have been kept, as the stability and development of the value of those different types of collateral are expected to be significantly different, shedding light on institutions’ strategies for the management of NPEs in an extended sense, including collateral obtained in exchange for the cancellation of debt.</p> <p>With regard to template F 26, the breakdown by type of forbearance measure has been simplified by</p>	<p>None</p> <p>The structure of template F 25.01 was changed and the columns on ‘accumulated negative changes’ were dropped</p> <p>None</p> <p>In template F 26, the breakdown by type</p>

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measures to be removed; they considered that a distinction between temporary and permanent contractual forbearance would be more useful for stakeholders and it was suggested that the types of forbearance measures be restricted to broader but more meaningful categories.

Some respondents asked for confirmation that the following circumstances do not qualify as forbearance: (i) foreclosure, (ii) litigation, (iii) a customer going into arrears without contacting the bank, or the customer contacting the bank and the bank agreeing a short-term payment arrangement without changing the original contract, and (iv) solely 'rescheduled' payments.

Where **multiple treatments** have been applied to an exposure, the calculation of NPV of each measure is considered not practical by some respondents.

Regarding the multiple application of forbearance measures as reported in rows 0100-0120 of F 26, two respondents highlighted that it is challenging to track exposures subject to forbearance measures at multiple points in time that may or may not lead to accounting derecognition. Respondents also asked for clarification of the wording in the instructions as regards the multiple application of forbearance measures.

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considering broader categories, and the related instructions have been amended (see Annex V, Part 2, paragraph 358).

To assess whether or not a specific circumstance is included in the forbearance measures, the definition of forbearance in Annex V, Part 2, paragraph 240 and the following paragraphs must be satisfied.

Where **multiple forbearance measures** have been applied to an exposure, the instructions (Annex V, Part 2, paragraph 357) clarify that the gross carrying amount of exposures with forbearance measures must be allocated to the relevant type of forbearance measure. The relevant type of forbearance measure is generally identified by the forbearance measure that has the highest impact on the NPV of the forborne exposure, but the use of other methods might be acceptable.

Annex V, Part 2, paragraph 360 specifies the contents of rows 0100-0130. In particular, rows 0100 ('Loans and advances having been forborne twice') and 0110 ('Loans and advances having been forborne more than twice') include both exposures having and exposures not having fulfilled the exit criteria between the implemented forbearance measures.

Row 0120 ('Loans and advances to which forbearance measures were granted in addition to already existing forbearance measures') must not refer to any specific type of forbearance measure; in contrast to rows 0100 and 0110, it includes only those exposures to which sequentially two (or more) forbearance

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of forbearance measure was simplified and the instructions in the case of multiple forbearance measures were clarified

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Question 8. P&L: non-financial information (F 48)</p>	<p>With regard to template F 47, two respondents considered the calculation of weighted average time since past due date (in years) too complex and asked for confirmation that the period-end gross carrying amount should be used as weight.</p> <p>One respondent considered that collecting the information requested by template F 48.00 was not a challenge, given that it is already gathered for purposes other than FINREP.</p> <p>On the other hand, two respondents saw some challenges in the preparation of the requested data set, highlighting the need to retrieve data from IT systems other than accounting systems and the need to implement additional, most likely time-consuming, production and delivery processes.</p> <p>Five respondents expressed the opinion that the efforts needed to obtain the requested information and the implementation costs outweigh the information benefits for supervisors, with some questioning the placement of non-accounting information in FINREP in general.</p> <p>Four respondents emphasised the fact that identical or similar information is already collected under different national statistical reporting frameworks, sometimes with a different scope, and that such an overlap of requests should be avoided. One of these respondents</p>	<p>measures are applied without the exposure curing in between, i.e. without the exposure fulfilling the forborne exit criteria in between.</p> <p>The calculation of the weighted average time since past due date (in years) is specified in Annex V, Part 2, paragraph 363. The gross carrying amount of non-performing exposures used as weight is the one at the reference date.</p> <p>Template F 48 has been deleted.</p> <p>The information on number of staff has been moved to template F 44.04.</p>	<p>None</p> <p>F 48 was dropped and the information on number of staff was moved to F 44.04</p>



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highlighted particular challenges arising from the need to reconcile the reported information manually.

Five respondents explicitly requested that F 48.00 not be included in FINREP.

Some clarifications were requested on how to calculate the average number of staff at retail branches (row 060) and on the definition of 'online accounts' (row 070). Regarding the latter, one respondent (EBF) suggested that the ECB definition be referred to in the payment statistics regulation.

