PART 1

GENERAL INSTRUCTIONS

1. REFERENCES

1. This Annex contains additional instructions for the financial information templates ("FINREP") in Annexes III and IV to this Regulation. This Annex complements the instructions included in the form of references in the templates in Annexes III and IV.

2. Institutions that use national accounting standards compatible with IFRS ("compatible national GAAP") shall apply the common and IFRS instructions in this Annex, unless otherwise provided. This is without prejudice to the compliance of the compatible national GAAP requirements with the requirements of BAD. Institutions that use national GAAP requirements that are non-compatible with IFRS or that have not yet been made compatible with the requirements in IFRS 9 shall apply the common and BAD instructions in this Annex, unless provided otherwise.

3. The data points identified in the templates shall be drawn up in accordance with the recognition, offsetting and valuation rules of the relevant accounting framework, as defined in point (77) of Article 4(1) of Regulation (EU) No 575/2013.

4. An institution shall only submit those parts of the templates relating to:

   (a) assets, liabilities, equity, income and expenses that are recognised by the institution;

   (b) off-balance sheet exposures and activities in which the institution is involved;

   (c) transactions performed by the institution;

   (d) valuation rules, including methods for the estimation of allowances for credit risk, applied by the institution.

5. For the purposes of Annexes III and IV as well as this Annex, the following abbreviations shall apply:

   (a) "CRR": Regulation (EU) No 575/2013;

   (b) "IAS" or "IFRS": "International Accounting Standards", as defined in Article 2 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council ([1]), which have been adopted by the Commission;

   (c) "ECB BSI Regulation" or "ECB/2013/33": Regulation (EU) No 1071/2013 of the European Central Bank ([2]);

   (d) "NACE Regulation": Regulation (EC) No 1893/2006 of the European Parliament and of the Council ([3]);

   (e) "NACE codes": codes in NACE Regulation;

   (f) "BAD": Council Directive 86/635/EEC ([4]);

([1]) Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

([2]) Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of monetary financial institutions sector (ECB/2013/33) (OJ L 297, 7.11.2013, p. 1).

([3]) Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

([4]) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

(g) “Accounting Directive”: Directive 2013/34/EU of the European Parliament and of the Council ([5]);

(h) “National GAAP”: national generally accepted accounting principles developed under BAD;

(i) “SME”: micro, small and medium-sized enterprises as defined in Commission Recommendation C(2003)1422 ([6]);

(j) “ISIN code”: the International Securities Identification Number assigned to securities, composed of 12 alphanumeric characters, which uniquely identifies a securities issue;

(k) “LEI code”: the global Legal Entity Identifier assigned to entities, which uniquely identifies a party to a financial transaction;

(l) “Impairment stages”: categories of impairment as defined in IFRS 9.5.5. “Stage 1” refers to impairment measured in accordance with IFRS 9.5.5.5. “Stage 2” refers to impairment measured in accordance with IFRS 9.5.5.3. “Stage 3” refers to impairment on credit-impaired assets as defined in Appendix A of IFRS 9;

(m) “ESRB recommendation on closing real estate data gaps” refers to the Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB/2016/14) ([7]).

2. CONVENTIONS

6. For the purposes of Annexes III and IV, a data point shadowed in grey shall mean that that data point is not requested or that it is not possible to report it. In Annex IV, a row or a column with references shadowed in black shall mean that the related data points shall not be submitted by those institutions that follow those references in that row or column.

7. Templates in Annexes III and IV include implicit validation rules which are laid down in the templates themselves through the use of conventions.

8. The use of brackets in the label of an item in a template means that this item is to be subtracted to obtain a total, but it does not mean that it shall be reported as negative.

9. Items that shall be reported in negative are identified in the compiling templates by including “(-)” at the beginning of their label such as in “(-) Treasury shares”.

10. In the “Data Point Model” (“DPM”) for financial information reporting templates of Annexes III and IV, every data point (cell) has a “base item” to which the “credit/debit” attribute is allocated. That allocation ensures that all entities that report data points follow the “sign convention” and allows to know the “credit/debit” attribute that corresponds to each data point.

11. Schematically, this convention works as in Table 1.

([5]) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

([6]) Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (C(2003)1422) (OJ L 124, 20.5.2003, p. 36).

([7]) Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB/2016/14) (OJ C 31, 31.1.2017, p. 1).

Table 1

Credit/debit convention, positive and negative signs

Element	Credit/Debit	Balance/Movement	Figure reported
Assets	Debit	Balance on assets	Positive (“Normal”, no sign needed)
		Increase on assets	Positive (“Normal”, no sign needed)
		Negative balance on assets	Negative (Minus “-” sign needed)
		Decrease on assets	Negative (Minus “-” sign needed)
Expenses		Balance on expenses	Positive (“Normal”, no sign needed)
		Increase on expenses	Positive (“Normal”, no sign needed)
		Negative balance (including reversals) on expenses	Negative (Minus “-” sign needed)
		Decrease on expenses	Negative (Minus “-” sign needed)
Liabilities	Credit	Balance on liabilities	Positive (“Normal”, no sign needed)
		Increase on liabilities	Positive (“Normal”, no sign needed)
		Negative balance on liabilities	Negative (Minus “-” sign needed)
		Decrease on liabilities	Negative (Minus “-” sign needed)
Equity		Balance on equity	Positive (“Normal”, no sign needed)
		Increase on equity	Positive (“Normal”, no sign needed)
		Negative balance on equity	Negative (Minus “-” sign needed)
		Decrease on equity	Negative (Minus “-” sign needed)
Income		Balance on income	Positive (“Normal”, no sign needed)
		Increase on income	Positive (“Normal”, no sign needed)
		Negative balance (including reversals) on income	Negative (Minus “-” sign needed)
		Decrease on income	Negative (Minus “-” sign needed)

3. CONSOLIDATION

12. Unless specified otherwise in this Annex, FINREP templates shall be prepared using the prudential scope of consolidation in accordance with Section 2 of Chapter 2 of Title II of Part 1 CRR. Institutions shall account for their subsidiaries, joint ventures and associates using the same methods as for prudential consolidation:

(a) institutions may be permitted or required to apply the equity method to investments in insurance and non-financial subsidiaries in accordance with Article 18(5)CRR;

(b) institutions may be permitted to use the proportional consolidation method for financial subsidiaries in accordance with Article 18(2) CRR;

(c) institutions may be required to use the proportional consolidation method for investment in joint ventures in accordance with Article 18(4) CRR.

4. ACCOUNTING PORTFOLIOS OF FINANCIAL INSTRUMENTS

13. For the purposes of Annexes III and IV as well as this Annex, “accounting portfolios” means financial instruments aggregated by valuation rules. Those aggregations shall not include investments in subsidiaries, joint ventures and associates, balances receivable on demand classified as “Cash, cash balances at central banks and other demand deposits”, nor financial instruments classified as “Held for sale” presented in the items “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale”.

14. Under national GAAP, institutions that are permitted or required to apply certain valuation rules for financial instruments in accordance with IFRS shall submit, to the extent that those rules are applied, the relevant IFRS accounting portfolios. Where the valuation rules for financial instruments that institutions are permitted or required to use under national GAAP based on BAD do refer to the valuation rules in IAS 39, institutions shall submit the accounting portfolios based on BAD for all their financial instruments until the valuation rules they apply refer to the valuation rules in IFRS 9.

4.1. **Financial assets**

15. The following accounting portfolios based on IFRS shall be used for financial assets:

(a) “Financial assets held for trading”;

(b) “Non-trading financial assets mandatorily at fair value through profit or loss”;

(c) “Financial assets designated at fair value through profit or loss”;

(d) “Financial assets at fair value through other comprehensive income”;

(e) “Financial assets at amortised cost”.

16. The following accounting portfolios based on national GAAP shall be used for financial assets:

(a) “Trading financial assets”;

(b) “Non-trading non-derivative financial assets measured at fair value through profit or loss”;

(c) “Non-trading non-derivative financial assets measured at fair value to equity”;

(d) “Non-trading non-derivative financial assets measured at a cost-based method”;

(e) “Other non-trading non-derivative financial assets”.

17. “Trading financial assets” includes all financial assets classified as trading under the relevant national GAAP based on BAD. Irrespective of the measurement methodology applied under the relevant national GAAP based on BAD, all derivatives with a positive balance for the reporting institution that are not classified as hedge accounting in accordance with paragraph 22 of this Part shall be reported as trading financial assets. That classification shall also apply to derivatives which according to national GAAP based on BAD are not recognised on the balance-sheet, or have only the changes in their fair value recognised on-balance sheet or which are used as economic hedges as defined in paragraph 137 of Part 2 of this Annex.

18. Under national GAAP based on BAD, for financial assets, “cost-based methods” shall include those valuation rules by which the debt instrument is measured at cost plus interest accrued less impairment losses.

19. Under national GAAP based on BAD, “Non-trading non-derivative financial assets measured at a cost-based method” includes financial instruments measured at cost-based methods as well as instruments measured at the lower of cost or market (“LOCOM”) under a non-continuous basis (moderate LOCOM), regardless of their actual measurement as of the reporting reference date. Assets measured at moderate LOCOM are assets for which LOCOM is applied only in specific circumstances. The applicable accounting framework provides for those circumstances, such as impairment, a prolonged decline in fair value compared to cost or change in the management intent.

20. Under national GAAP based on BAD, “Other non-trading non-derivative financial assets” shall include financial assets that do not qualify for inclusion in other accounting portfolios. That accounting portfolio includes, among others, financial assets that are measured at LOCOM on a continuous basis (“strict LOCOM”). Assets measured at strict LOCOM are assets for which the applicable accounting framework either provides for the initial and subsequent measurement at LOCOM, or the initial measurement at cost and the subsequent measurement at LOCOM.

21. Regardless of their measurement method, investments in subsidiaries, joint ventures and associates that are not fully or proportionally consolidated under the regulatory scope of consolidation are reported in “Investments in subsidiaries, joint ventures and associates”, except where they are classified as held for sale in accordance with IFRS 5.

22. “Derivatives – Hedge accounting” shall include derivatives with a positive balance for the reporting institution held for hedge accounting under IFRS. Under national GAAP based on BAD, banking book derivatives shall be classified as derivatives held for hedge accounting only where there are special accounting rules for banking book derivatives under the relevant national GAAP based on BAD and the derivatives reduce risk of another position in the banking book.

4.2. **Financial liabilities**

23. The following accounting portfolios based on IFRS shall be used for financial liabilities:

(a) “Financial liabilities held for trading”;

(b) “Financial liabilities designated at fair value through profit or loss”;

(c) “Financial liabilities measured at amortised cost”.

24. The following accounting portfolios based on national GAAP shall be used for financial liabilities:

(a) “Trading financial liabilities”;

(b) “Non-trading non-derivative financial liabilities measured at a cost-based method”.

25. “Trading financial liabilities” includes all financial liabilities classified as trading under the relevant national GAAP based on BAD. Irrespective of the measurement methodology applied under the relevant national GAAP based on BAD, all derivatives with a negative balance for the reporting institution that are not classified as hedge accounting in accordance with paragraph 26 of this Part shall be reported as trading financial liabilities. That classification shall also apply to derivatives which according to national GAAP based on BAD are not recognised on the balance-sheet, or have only the changes in their fair value recognised on-balance sheet or which are used as economic hedges as defined in paragraph 137 of Part 2 of this Annex.

26. “Derivatives – Hedge accounting” shall include derivatives with a negative balance for the reporting institution held for hedge accounting under IFRS. Under national GAAP based on BAD, banking book derivatives shall be classified as hedge accounting only if there are special accounting rules for banking book derivatives under the relevant national GAAP based on BAD and the derivatives reduce risk of another position in the banking book.

5. FINANCIAL INSTRUMENTS

27. For the purposes of Annexes III and IV as well as this Annex, “the carrying amount” means the amount to be reported in the balance sheet. The carrying amount of financial instruments shall include accrued interest. Under the relevant national GAAP based on BAD, the carrying amount of derivatives either shall be the carrying amount under national GAAP including accruals, premium values and provisions if applicable, or it shall be equal to zero where derivatives are not recognised on-balance sheet.

28. If recognised under the relevant national GAAP based on BAD, accruals and deferrals of financial instruments including interest accrual, premiums and discounts or transaction costs shall be reported together with the instrument and not as other assets or other liabilities.

29. Where applicable under national GAAP based on BAD, "Haircuts for trading positions valued at fair value" shall be reported. The haircuts decrease the value of trading assets and increase the value of trading liabilities.

5.1. **Financial assets**

30. Financial assets shall be distributed among the following classes of instruments: "Cash on hand", "Derivatives", "Equity instruments", "Debt securities" and "Loans and advances".

31. "Debt securities" are debt instruments held by the institution issued as securities that are not loans, as defined in the Table of Part 2 of Annex II to the ECB BSI Regulation.

32. "Loans and advances" are debt instruments held by the institutions that are not securities. That item includes loans as defined in the Table of Part 2 of Annex II to the ECB BSI Regulation as well as advances that cannot be classified as "loans" defined in the Table of Part 2 of Annex II to the ECB BSI Regulation. "Advances that are not loans" are further characterized in paragraph 85(g) of Part 2 of this Annex.

33. In FINREP, "debt instruments" shall include "loans and advances" and "debt securities".

5.2. **Gross carrying amount**

34. Gross carrying amount of debt instruments shall have the following meaning:

(a) under IFRS and national GAAP based on BAD for debt instruments measured at fair value through profit or loss without being included in the held for trading or trading portfolio, the gross carrying amount shall depend on whether those debt instruments are classified as performing or non-performing. For performing debt instruments, the gross carrying amount shall be the fair value. For non-performing debt instruments, the gross carrying amount shall be the fair value after adding back any accumulated negative changes in fair value due to credit risk, as defined in paragraph 69 of Part 2 of this Annex. For the purposes of the measurement of the gross carrying amount, the valuation of the debt instruments shall be performed on the level of single financial instruments;

(b) under IFRS for debt instruments at amortised cost or at fair value through other comprehensive income, the gross carrying amount shall be the carrying amount before adjusting for any loss allowance;

(c) under national GAAP based on BAD, for debt instruments classified as "non-trading non-derivative financial assets measured at a cost-based method", the gross carrying amount of impaired assets shall be equal to the carrying amount before adjusting for specific allowances for credit risk. The gross carrying amount of unimpaired assets shall be the carrying amount before adjusting for general allowances for credit risk and general allowances for banking risk, where affecting the carrying amount;

(d) under national GAAP based on BAD, the gross carrying amount of debt instruments classified as "Non-trading non-derivative financial assets measured at fair value to equity" shall depend on whether those financial assets are subject to impairment requirements. Where they are subject to impairment requirements, the gross carrying amount shall be the carrying amount before adjusting for any accumulated impairment, following the requirements in point (c) above for impaired and unimpaired assets, or any accumulated amount of fair value adjustment that is considered as impairment loss. When those financial assets are not subject to impairment requirements, the gross carrying amount of those financial assets shall be the fair value for performing exposures, and for non-performing exposures the fair value after adding back any accumulated negative fair value adjustment due to credit risk;

(e) under national GAAP based on BAD, the gross carrying amount of debt instruments measured at strict or moderate LOCOM shall be the cost where measured at cost during the reporting reference period. Where those debt instruments are measured at market value, the gross carrying amount shall be the market value before adjusting for credit-risk induced value adjustments;

(f) under national GAAP based on BAD, for debt instruments reported under “Other non-trading non-derivative financial assets” under measurement methods other than LOCOM, the gross carrying amount shall be the carrying amount before taking into account any valuation adjustment that qualifies as impairment;

(g) for trading financial assets under GAAP based on BAD or held for trading financial assets under IFRS, the gross carrying amount shall be the fair value. Where GAAP based on BAD require haircuts on trading and fair valued instruments, the carrying amount of the financial instruments shall be the fair value before those haircuts.

5.3. **Financial liabilities**

35. Financial liabilities shall be distributed among the following classes of instruments: “Derivatives”, “Short positions”, “Deposits”, “Debt securities issued” and “Other financial liabilities”.

36. For the purposes of Annexes III and IV as well as this Annex, “deposits” shall be deposits as defined in the Table of Part 2 of Annex II to the ECB BSI Regulation.

37. “Debt securities issued” shall be debt instruments issued as securities by the institution that are not deposits, as defined in the Table of Part 2 of Annex II to the ECB BSI Regulation.

38. “Other financial liabilities” shall include all financial liabilities other than derivatives, short positions, deposits and debt securities issued.

39. Under IFRS, “Other financial liabilities” shall include financial guarantees given where they are measured either at fair value through profit or loss (IFRS 9.4.2.1(a)) or at the amount initially recognised less cumulative amortization (IFRS 9.4.2.1(c)(ii)). Loan commitments given shall be reported as “Other financial liabilities” where they are designated as financial liabilities at fair value through profit or loss (IFRS 9.4.2.1(a)) or they are commitments to provide a loan at a below-market interest rate (IFRS 9.2.3(c), IFRS 9.4.2.1(d)).

40. Where loan commitments, financial guarantees and other commitments given are measured at fair value through profit or loss, any change in the fair value, including changes due to credit risk, shall be reported as “other financial liabilities” and not as provisions for “Commitments and guarantees given”.

41. “Other financial liabilities” shall also include dividends to be paid, amounts payable in respect of suspense and transit items, and amounts payable in respect of future settlements of transactions in securities or foreign exchange transactions where payables for transactions are recognised before the payment date.

6. COUNTERPARTY BREAKDOWN

42. Where a breakdown by counterparty is required the following counterparty sectors shall be used:

(a) central banks;

(b) general governments: central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity (which shall be reported under “credit institutions”, “other financial corporations” or “non-financial corporations” depending on their activity); social security funds; and international organisations, such as institutions of the European Union, the International Monetary Fund and the Bank for International Settlements;

(c) credit institutions: any institution covered by the definition in point (1) of Article 4(1) CRR (“undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account”) and multilateral development banks (MDBs);

(d) other financial corporations: all financial corporations and quasi-corporations, other than credit institutions, such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses as well as remaining financial intermediaries, financial auxiliaries and captive financial institutions and money lenders;

(e) non-financial corporations (NFCs): corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services, as defined in the Table of Part 3 of Annex II to the ECB BSI Regulation;

(f) households: individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households ("NPISH") and which are principally engaged in the production of non-market goods and services intended for particular groups of households shall be included.

43. The counterparty sector allocation shall be based exclusively on the nature of the immediate counterparty. The classification of the exposures incurred jointly by more than one obligor shall be done on the basis of the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure. Among other classifications, the distribution of jointly incurred exposures by counterparty sector, country of residence and NACE codes shall be driven by the characteristics of the more relevant or determinant obligor.

44. The immediate counterparties in the following transactions shall be:

(a) for loans and advances, the immediate borrower. For trade receivables, the immediate borrower shall be the counterparty obliged to pay the receivables, except in transactions with recourse, where the immediate borrower shall be the transferor of receivables where the reporting institution does not acquire substantially all the risks and rewards of ownership of the transferred receivables;

(b) for debt securities and equity instruments, the issuer of the securities;

(c) for deposits, the depositor;

(d) for short positions, the counterparty of the securities borrowing transaction or reverse repurchase agreement;

(e) for derivatives, the direct counterparty of the derivative contract. For centrally cleared OTC derivatives, the direct counterparty shall be the clearing house acting as a central counterparty. Counterparty breakdown for credit risk derivatives refers to the sector where the counterparty of the contract (buyer or seller of protection) belongs;

(f) for financial guarantees given, the counterparty shall be the direct counterparty of the guaranteed debt instrument;

(g) for loan commitments and other commitments given, the counterparty whose credit risk is assumed by the reporting institution;

(h) for loan commitments, financial guarantees and other commitments received, the guarantor or the counterparty that has provided the commitment to the reporting institution.

PART 2

TEMPLATE RELATED INSTRUCTIONS

1. BALANCE SHEET

1.1. **Assets (1.1)**

1. "Cash on hand" shall include holdings of national and foreign banknotes and coins in circulation that are commonly used to make payments.

2. "Cash balances at central banks" shall include balances receivable on demand at central banks.

3. "Other demand deposits" shall include balances receivable on demand with credit institutions.