EBA GUIDANCE NOTE

COMPILING THE IMF FINANCIAL SOUNDNESS INDICATORS FOR 'DEPOSIT-TAKERS' USING THE ITS ON SUPERVISORY REPORTING

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EBA EUROPEAN BANKING AUTHORITY

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Abbreviations

EBA   European Banking Authority

EEA   European Economic Area

FINREP Financial Reporting

FSI   IMF Financial Soundness Indicators

GAAP   Generally Accepted Accounting Principles

IFRS   International Financial Reporting Standards

IMF   International Monetary Fund

LCR   Liquidity coverage ratio

NPL   Non-performing loans

NSFR   Net stable funding ratio

RI   Risk Indicators

SA   Standardised approach

I. Purpose of this note

The IMF Financial Soundness Indicators (FSIs)[1] are aggregated statistical measures for monitoring the current financial health and soundness of a country's financial sector, and its corporate and household counterparts. They also intend to support economic and financial stability analysis.

FSIs are computed for the majority of EU and EEA countries based on aggregate raw data reported in standardised forms (FSI forms), capturing information on:

1. Income and expense statement;

2. Balance sheet information;

3. Memorandum series (supervisory based series)

However, FSIs comparability for EU and EEA member states has been somewhat hampered due to the diverse source data following different definitions, e.g. on NPLs, consolidation level, valuation methods and intra group adjustments, as well as differences in terms of coverage of their banking population, and periodicity and timeliness in their compilation.

This note aims at providing guidance to the FSI compilers on how to compute FSIs for 'deposit takers', using already available statistical inputs, derived from the EBA Implementing Technical Standards on supervisory reporting (hereafter, 'ITS')[2]. Hence, it illustrates a comprehensive mapping between the three above-mentioned FSI forms to the EBA ITS templates.

Overall, the FSI forms can be mapped very adequately to the EBA ITS templates and, thus, allowing most of the FSI for 'deposit takers' to be computed based on ITS statistics. To that end, the general quality, comparability and ability to aggregate and disaggregate the currently compiled FSIs can be further enhanced, taking full advantage of the improvements the ITS brings, in terms harmonisation of concepts and definitions[3], coverage, periodicity and timeliness. In turn, this could enable FSI compilers to reduce reporting burden for their banks, using existing statistical inputs and provide transparency to FSI users on how they have been computed.

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[1] IMF-FSI guide in: https://www.imf.org/en/Data/Statistics/FSI-guide

[2] 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 of the European Parliament and the Council and subsequent amendments.

[3] In addition, EBA ITS statistics and indicators are generally aligned with Basel Committee on Banking Supervision standards which are an important source for IMF FSIs.

II. FSI forms mapping to the EBA ITS on supervisory reporting templates

The following mapping covers the three FSI forms namely, the *income and expense statement, balance sheet information* and *memorandum series*, and in addition the core and additional set of indicators required to be collected by all FSI compilers in order to compute the FSI indicators for 'deposit takers' and a couple of indicators for real estate markets. Whenever an indicator is already existent in the EBA Risk Indicators (EBA RI), defined and explained in more details in the EBA Methodological Guide on risk indicators and detailed risk analysis tools, then the mapping refers specifically the exact RI, otherwise it has a mapping to the ITS templates.

Regarding financial information the proposed mapping refers only to IFRS reporters but can be extended to national GAAP reporters by compilers based on their national GAAP mapping to FINREP. For some items in the FSI forms (e.g. market risk items 48, 50 etc.) the mapping to the ITS templates is only available for those banks following the standardised approach.

The naming convention used in the mapping for the items coming from the ITS templates is as follows:

F 02.00_0020_0010

ITS template _ ROW _ COLUMN

The mapping between data collected based on the EBA ITS on supervisory reporting to FSI forms is added below.

Tables 1.1 & 1.2 Financial Soundness Indicators (Deposit Takers): Mapping from the 2006 Guide	EBA ITS on supervisory reporting templates

Core Set - Deposit Takers		
Capital Adequacy	Regulatory capital to risk-weighted assets	SVC_2
	Tier 1 capital to risk-weighted assets	SVC_1
	Common Equity Tier 1 capital to risk- weighted assets	SVC_3
	Tier 1 capital to assets	SVC_12
	Nonperforming loans net of provisions to capital	(F 18.00_0070_0060 + F 18.00_0191_0060 + F 18.00_0221_0060 + F 18.00_0070_0150 + F 18.00_0191_0150 + F 18.00_0221_0150) / [39]
Asset Quality	Nonperforming loans to total gross loans	AQT_3.2.1.2
	Provisions to nonperforming loans	AQT_41.2.1.1
	Loan concentration by economic activity	CON_13
Earnings and Profitability	Return on assets	PFT_24.6
	Return on equity	PFT_21
	Interest margin to gross income	[3] / [5]
	Noninterest expenses to gross income.	[6] / [5]
Liquidity	Liquid assets to total assets (liquid asset ratio) for all DTs	LIQ_11
	Liquid assets to short term liabilities for all DTs	LIQ_18
	Liquidity Coverage Ratio for the DTs that have implemented Basel III	LIQ_17
	Net Stable Funding Ratio for the DTs that have implemented Basel III	C 84.00_0220_0040
Sensitivity to Market Risk	Net open position in foreign exchange to capital	n.a.
Real Estate Market	Residential real estate prices	n.a.
Additional Set		
Deposit Takers	Large exposures to capital	CON_12
	Geographical distribution of loans to total loans	n.a.
	Gross asset position in financial derivatives to capital	(F 01.01_0060_0010 + F 01.01_0240_0010 or [21]) / (C 01.00_0010_0010 or [39])
	Gross liability position in financial derivatives to capital	(F 01.02_0020_0010 + F 01.02_0150_0010 or [29]) / (C 01.00_0010_0010 or [39])
	Trading income to total income	PFT_29
	Personnel expenses to noninterest expenses	PFT_1
	Spread between reference lending and deposit rates	n.a.
	Spread between highest and lowest interbank rate	n.a.
	Customer deposits to total (non-interbank) loans	FND_35
	Foreign-currency-denominated loans to total loans	MKR_8
	Foreign-currency-denominated liabilities to total liabilities	n.a.
	Credit growth to private sector	FND_36

Table 5.1 Deposit Takers	EBA ITS on supervisory reporting templates
Income and Expense Statement	
1. Interest income[1]	F 02.00_0010_0010
(i) Gross interest income	F 02.00_0010_0010
(ii) *less* Provisions for accrued interest on nonperforming assets	n.a.
2. Interest expense[1]	F 02.00_0090_0010 + F 02.00_0150_0010
3. *Net interest income* (= 1 − 2)	[1]-[2]
4. Noninterest income	[4.i]+[4.ii]+[4.iii]+[4.iv]
(i) Fees and commissions receivable[1]	F 02.00_0200_0010
(ii) Gains or losses on financial instruments	F 02.00_0220_0010 + F 02.00_0280_0010 + F 02.00_0290_0010 + F 02.00_0300_0010 + F 02.00_0310_0010 + F 02.00_0287_0010 + F 02.00_0425_0010
(iii) Prorated earnings	F 02.00_0590_0010
(iv) Other income[1]	F 02.00_0160_0010 + F 02.00_0330_0010 + F 02.00_0340_0010 + F 02.00_0580_0010 + F 02.00_0600_0010 + F 02.00_0640_0010
5. *Gross income* (= 3 + 4)	[3]+[4]
6. Noninterest expenses	[6.i] + [6.ii]
(i) Personnel costs	F 02.00_0370_0010
(ii) Other expenses	F 02.00_0210_0010 + F 02.00_0350_0010 + F 02.00_0380_0010 + F 02.00_0385_0010 + F 02.00_0390_0010
7. Provisions (net)	[7.i] + [7.ii]
(i) Loan loss provisions	F 02.00_0491_0010
(ii) Other financial asset provisions	F 02.00_0440_0010 + F 02.00_0510_0010 + F 02.00_0520_0010 +F 02.00_0481_0010
8. *Net income (before taxes)* (= 5 − (6 + 7))	[5]-([6]+[7])
9. Income tax	F 02.00_0620_0010
10. *Net income after tax* (= 8 − 9)	[8]-[9] check sum against F 02.00_0670_0010
11. Other comprehensive income (loss) net of tax	F 03.00_0020_0010
12. Dividends payable	F 01.03_0260_0010
13. *Retained earnings* (= 10 − 12)	[10]-[12]
Balance Sheet	
14. Total assets (= 15 + 16 = 23 + 31)	[15]+[16]=[23]+[31] check sum against F 01.01_0380_0010
15. *Nonfinancial assets*	F 01.01_0270_0010 + F 01.01_0300_0010 + F 01.01_0360_0010 + F 01.01_0370_0010
16. *Financial assets* (= 17 through 22)	[17]+[18]+[19]+[20]+[21]+[22]
17. Currency and deposits[1]	F 01.01_0010_0010
18. Loans (after specific provisions)	F 01.01_0090_0010 + F 01.01_0099_0010 + F 01.01_0130_0010 + F 01.01_0144_0010 + F 01.01_0183_0010
(i) Gross loans[1]	[18.i.i]+[18.i.ii]
(i.i) Interbank loans[2]	[18.i.i.i]+[18.i.i.ii]
(i.i.i) Resident	If F 20.04 available then: F 20.04_0170_0010 (Z: home country); otherwise, F 04.01_0150_0010 + F 18.00_0100_0010 + F 18.00_0194_0010 + F 18.00_0224_0010
(i.i.ii) Nonresident	If F 20.04 available then: F 20.04_0170_0010 (Z: sum other than home countries); otherwise zero
(i.ii) Noninterbank loans	[18.i.ii.i]+[18.i.ii.ii]+[18.i.ii.iii]+[18.i.ii.iv]+[18.i.ii.v]+[18.i.ii.vi]
(i.ii.i) Central bank	If F 20.04 available then: F 20.04_0150_0010 (Z: home country);

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	otherwise, F 04.01_0130_0010 + F 18.00_0080_0010 + F 18.00_0192_0010 + F 18.00_0222_0010
(i.ii.ii) General government	If F 20.04 available then: F 20.04_0160_0010 (Z: home country); otherwise, F 04.01_0140_0010 + F 18.00_0090_0010 + F 18.00_0193_0010 + F 18.00_0223_0010
(i.ii.iii) Other financial corporations	If F 20.04 available then: F 20.04_0180_0010 (Z: home country); otherwise, F 04.01_0160_0010 + F 18.00_0110_0010 + F 18.00_0195_0010 + F 18.00_0225_0010
(i.ii.iv) Nonfinancial corporations	If F 20.04 available then: F 20.04_0190_0010 (Z: home country); otherwise, F 04.01_0170_0010 + F 18.00_0120_0010 + F 18.00_0196_0010 + F 18.00_0226_0010
(i.ii.v) Other domestic sectors	If F 20.04 available then: F 20.04_0220_0010 (Z: home country); otherwise, F 04.01_0180_0010 + F 18.00_0150_0010 + F 18.00_0197_0010 + F 18.00_0227_0010
(i.ii.vi) Nonresidents	If F 20.04 available then: F 20.04_0140_0010 (Z: sum other than home countries) - (F 20.04_0170_0010 (Z: sum other than home countries))
(ii) Specific provisions[3]	F 18.00_0070_0130 + F 18.00_0191_0130 + F 18.00_0221_0130 + F 18.00_0005_0130
19. Debt securities[1]	F 01.01_0080_0010 + F 01.01_0098_0010 + F 01.01_0120_0010 + F 01.01_0143_0010 + F 01.01_0182_0010
20. Equity and investment fund shares	F 01.01_0070_0010 + F 01.01_0097_0010 + F 01.01_0142_0010 + F 01.01_0260_0010
21. Financial derivatives[1]	F 01.01_0060_0010 + F 01.01_0240_0010
22. Other financial assets[1]	F 01.01_0250_0010 + F 01.01_0330_0010
23. *Liabilities* (= 28 + 29 + 30)	[28]+[29]+[30] check sum against F 01.02_0300_0010
24. Currency and deposits	F 01.02_0040_0010 + F 01.02_0080_0010 + F 01.02_0120_0010 + F 01.02_0270_0010
(i) Customer deposits	F 08.01_0110_0010 + F 08.01_0260_0010 + F 08.01_0310_0010 + F 08.01_0110_0020 + F 08.01_0260_0020 + F 08.01_0310_0020 + F 08.01_0110_0030 + F 08.01_0260_0030 + F 08.01_0310_0030
(ii) Interbank deposits[2]	F 08.01_0160_0010 + F 08.01_0160_0020 + F 08.01_0160_0030
(ii.i) Resident	If F 20.06 available then: F 20.06_0100_0010 (Z: home country); Otherwise, F 08.01_0160_0010 + F 08.01_0160_0020 + F 08.01_0160_0030
(ii.ii) Nonresident	F 20.06_0100_0010 (Z: sum other than home countries); otherwise, zero
(iii) Other currency and deposits	F 08.01_0060_0010 + F 08.01_0210_0010+F 08.01_0060_0020 + F 08.01_0210_0020 + F 08.01_0060_0030 + F 08.01_0210_0030
25. Loans	n.a.
26. Debt securities	F 01.02_0050_0010 + F 01.02_0090_0010 + F 01.02_0130_0010
27. Other liabilities	F 01.02_0030_0010 + F 01.02_0160_0010 + F 01.02_0170_0010 + F 01.02_0240_0010 + F 01.02_0280_0010 + 01.02_0290_0010 + F 01.02_0060_0010 + F 01.02_0100_0010 + F 01.02_0140_0010
28. *Debt* (= 24 through 27)	[24]+[25]+[26]+[27]
29. Financial derivatives and employee stock options	F 01.02_0020_0010 + F 01.02_0150_0010
30. General and other provisions	F 01.02_0170_0010
31. *Capital and reserves*	F 01.03_0300_0010
32. Balance sheet total (= 23 + 31 = 14)	[23]+[31]=[14] check sum against F 01.03_0310_0010

Memorandum Series - Other series required to calculate FSIs	EBA ITS on supervisory reporting templates
Supervisory based series	
33. Tier 1 capital *less* corresponding supervisory deductions (= 34 + 35)	[34]+[35]
34. Common Equity Tier 1 capital *less* corresponding supervisory deductions[4]	C 01.00_0020_0010
35. Additional Tier 1 capital *less* corresponding supervisory deductions[4]	C 01.00_0530_0010
36. Tier 2 capital less corresponding supervisory deductions	C 01.00_0750_0010
37. Tier 3 capital	n.a.
38. Other supervisory deductions[5]	n.a.
39. Total regulatory capital (= 33 + 36 + 37 − 38)	[33]+[36]+[37]-[38] or C 01.00_0010_0010
40. Risk-weighted assets	C 02.00_0010_0010
41. Basel III total exposure measure	C 43.00_0010_0010
42. High-quality liquid assets	C 76.00_0010_0010
43. Total net cash outflows over the next 30 calendar days	C 76.00_0020_0010
44. Available amount of stable funding	C 84.00.a_0120_0030
45. Required amount of stable funding	C 84.00.a_0010_0020
46. Large exposures	C 28.00 sum(999) c330 if c040 is above 10% of eligible capital for LE
Series that provide a further analysis of the balance sheet	
47. Liquid assets	C 72.00_0010_0010
48. Short-term liabilities	[28] + [29] - [21]
49. Nonperforming loans ("Nonperforming interbank loans should be included")	F 18.00_0070_0060 + F 18.00_0191_0060 + F 18.00_0221_0060
50. Residential real estate loans	F 18.00_0160_0010 + F 18.00_0910_0010 + F 18.00_0930_0010
51. Commercial real estate loans	F 18.00_0140_0010 + F 18.00_0903_0010 + F 18.00_0923_0010
52. Geographic distribution of loans[6]	n.a.
53. Foreign currency loans	n.a
54. Foreign currency liabilities	n.a
55. Net open position in foreign currency for on-balance-sheet items	n.a.
56. Total net open position in foreign currency	n.a.
57. Credit to the private sector	F 20.04_0130_0010 + F 20.04_0190_0010 + F 20.04_0220_0010
58.Loan concentration by economic activity	CON_13
59. Reference lending rates	n.a.
60. Reference deposit rates	n.a.
61. Highest interbank rate	n.a.
62. Lowest interbank rate	n.a.