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2018 EU-wide Transparency Exercise Guidelines for banks

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1. Introduction

1. In 2016 the Board of Supervisors (BoS) of the EBA agreed to run a regular, annual EU-wide transparency exercise to be published along with Risk Assessment Report (RAR) and based solely on FINREP/COREP data.
2. For the 2018 EU-wide Transparency exercise the disclosure templates will follow a similar structure to the one applied in previous exercises. However, due to the changes introduced by the new accounting framework (IFRS 9), the mapping for the supervisory reporting (DPM 2.7) was reviewed for some areas. In particular, the Sovereign templates for 2018 Q2 data have been enriched with additional information, and aligned with the stress test and new supervisory reporting tables. Further, the links for the P&L and non-performing exposures templates were extensively revised. The templates cover the following areas: capital, leverage ratio, risk exposure amounts, profit or loss, market risk, securitisation, credit risk, sovereign exposures, non-performing and forborne exposures.
3. The purpose of this document is to guide the banks regarding the sample, process and templates for the 2018 EU-wide Transparency Exercise. The guidelines also cover the key items for understanding the mapping between the templates pre-filled by the EBA and the supervisory reporting framework.

2. Sample of banks and reference dates

4. The list of participating banks in the 2018 EU-wide transparency exercise comprises 130 institutions from 25 EU/EEA countries.
5. The sample has been built to contain institutions at the highest level of consolidation in the EU and that are also included in the list of reporting institutions to the EBA¹.
6. As in the latest exercises, the sample of banks for the RAR and the EU-wide transparency exercise would be aligned.

¹ <https://www.eba.europa.eu/documents/10180/15926/EBA+List+of+Institutions+for+Supervisory+Reporting+-+2018+update.xlsx>

7. The reference periods are December 2017 and June 2018, keeping the same semi-annual frequency of the previous exercises and allowing a time series analysis.

3. Set of templates

8. The list of templates is the following:
 - a) Cover
 - b) Capital
 - c) Leverage
 - d) RWA
 - e) P&L
 - f) Market risk
 - g) Credit risk STA
 - h) Credit risk IRB
 - i) Sovereign exposures
 - j) Non Performing exposures
 - k) Forborne exposures
9. Data populating these templates is automatically extracted from COREP and FINREP templates by the EBA, following the mapping structure detailed below. While this data should be already accurate as the result of the quality assurance procedure envisaged for supervisory reporting data, there could be cases in which some mistakes or misreporting are identified by banks. In these cases, banks are requested to promptly resubmit supervisory reporting data to competent authorities via standard channels for supervisory reporting (XBRL format or other transmission format depending on the jurisdiction). The EBA will only receive XBRL files from CAs.
10. The population of transparency templates is based on the mapping of each cell to the corresponding regulatory reporting templates from which the data is extracted. To help participating banks understanding and verifying the information contained in the templates, the EBA has created a file showing the mapping with the Transparency data

and the FINREP/COREP tables, which has been made available together with these guidelines.

11. This mapping file contains the codification for each cell and includes two types of cell mapping:
 - i. Cells linked directly to reporting templates cells, e.g.: "C 07.00.a_010_220_002". Each cell is filled in by a single or a group of data points from the original reporting templates, i.e., some cells may be the sum of more than one cell from the original reporting template. Data points have been codified by concatenating the following ITS reporting templates elements, each separated by the underscore sign:
 - COREP/FINREP Template (in the example template *C 07.00.a*).
 - Row number (in the example template row "010").
 - Column number (in the example template column "220").
 - Fourth dimension (in the example 002). This additional dimension is only needed for credit risk and sovereign templates and covers country of counterparty or the asset class (see also paragraph 16).
 - ii. Cells filled as a combination of other cells in the template, e.g.: "B7+B11+B13+B14+B15"
12. Finally, in order to assist banks in detecting data inconsistencies the EBA have produced a list of specific data quality checks, in addition to the regular reporting checks.

3.1.1 Credit risk templates

13. Following COREP structure, a separate template has been created for IRB and Standardised portfolios, respectively.
14. According to the Article 5 (a) (4) of the ITS on Reporting, the information on the geographical distribution of exposures by country of counterparty should be provided (via COREP 09.01 and/or COREP 09.02) only when total non-domestic exposures are equal or higher than 10% of the total exposures.
15. Thus, two alternative types of templates have been designed to disclose the maximum information available for banks above and below this threshold for each regulatory approach (IRB and STA) as follows:
 - a) Transparency credit risk templates labelled with suffix "a": for banks reporting country by country data in COREP credit risk information will be published for the

whole banking group and the most relevant counterparty countries. The selection of the most relevant countries is carried out under the following rules:

- Countries of counterparty have been selected according to the minimum of:
 1. Coverage of 95% of total original exposure
 2. Top 10 countries ranked by original exposure.

For example, for a bank with 95% of its original exposure concentrated in 6 countries, the EBA has filled the templates with data for those 6 countries. By contrast, if the aggregate exposure of a bank towards the largest 10 countries is below 95% of the original exposure, the EBA has filled the template for the top 10 counterparty-countries.

- The cells for the consolidated group contain the overall exposure of the group towards all the counterparties are not the sum of the country by country cells.
 - The top 10 countries in terms of aggregate IRB and STA original exposure are defined based on data reported as of 30/06/2018.
- b) Transparency credit risk templates labelled with suffix “b”: for banks not reporting country by country, due to the application of the abovementioned threshold on non-domestic exposures, credit risk information will only be published for the whole banking group.

16. As stated before, a fourth element is needed for the codification of the COREP cell to be used to feed credit risk templates:

- Exposure class code: used for group level data (as per codes below)

Template C 07.00.a - SA Exp. Classes	Template C 08.01.a - IRB Exp. Classes
001 - Total	001 - Total with own estimates of LGD and/or conversion factors
002 - Central governments or central banks	002 - Total without own estimates of LGD or conversion factors
003 - Regional governments or local authorities	003 - Central governments and central banks with own estimates of LGD and/or conversion factors
004 - Public sector entities	004 - Central governments and central banks without own estimates of LGD or conversion factors

Template C 07.00.a - SA Exp. Classes	Template C 08.01.a - IRB Exp. Classes
005 - Multilateral developments banks	005 - Institutions with own estimates of LGD or conversion factors
006 - International organisations	006 - Institutions without own estimates of LGD or conversion factors
007 – Institutions	007 - Corporates - SME with own estimates of LGD or conversion factors
008 – Corporates	008 - Corporates - SME without own estimates of LGD or conversion factors
009 – Retail	009 - Corporates - Specialised Lending with own estimates of LGD or conversion factors
010 - Secured by mortgages on immovable property	010 - Corporates - Specialised Lending without own estimates of LGD or conversion factors
011 - Exposures in default	011 - Corporates - Other with own estimates of LGD or conversion factors
012 - Items associated with particularly high risk	012 - Corporates - Other without own estimates of LGD or conversion factors
013 - Covered bonds	013 - Retail - Secured by immovable property SME - with own estimates of LGD or conversion factors
014 - Claims on institutions and corporate with a short-term credit assessment	014 - Retail - Secured by immovable property non-SME - with own estimates of LGD or conversion factors
015 - Claims in the form of CIU	015 - Retail - Qualifying revolving - with own estimates of LGD or conversion factors
016 - Equity Exposures	016 - Retail - Other SME - with own estimates of LGD or conversion factors
017 - Other exposures	017 - Retail - Other non-SME - with own estimates of LGD or conversion factors

For instance, “C 07.00.a_010_010_002” refers to cell defined in template COREP 07.00a, row 010, column 010 for Asset Class 02 (i.e., Central governments or central banks).

- ‘999’ + Country of counterparty rank: used for data reported at a country of counterparty level. The rank has been assigned following the rules described in paragraph 15.

For instance, “C 09.02_030_010_999/1” refers to cell defined in template COREP 09.02, row 030, column 010 for first ranked country by original exposure.

3.1.2 Sovereign templates

17. Templates for reference date Q4 2017 follows the same structure and mapping of last year exercise. The information reported covers all exposures to “General governments” as defined in paragraph 41 (b) of Annex V of ITS on Supervisory reporting: *“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 “non-financial corporations”); social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements”*.

Like for credit risk reporting, institutions are exempted from reporting sovereign exposures broken down by country of the counterparty when total non-domestic exposures are below 10% of the total exposures. Thus, two alternative types of templates have been designed to disclose sovereign exposures information:

- a) Transparency template “Sovereign a”: for banks reporting country by country data in FINREP sovereign will be published for the whole banking group and for the counterparty countries, individually or grouped by regions (as listed in the template).

In this template, a fourth element is needed for the codification of the country of sovereign, i.e., ‘999’ + *Sovereign country abbreviation code*. In addition, the code “XX” stands for the sum of all countries.

- b) Transparency template “Sovereign b”: for banks not reporting country by country data in FINREP sovereign will be published only for the whole banking group.

18. Templates for Q2 2018 have been revised to include the more detailed information available in DPM 2.7. Direct positions have been reported with a breakdown by sovereign country of exposure and maturities. Country of breakdown is only available for institutions that have sovereign exposures of at least 1% of total “Debt securities and loans receivables” and hold non-domestic sovereign exposures of 10% or more compared to total sovereign exposures. Where these two combined thresholds are not met, information will be disclosed through the aggregate “Others”.

3.1.3 FINREP templates

19. Some of the items in templates populated with FINREP data (P&L, NPE, Forborne exposures) have been revised only for reference date Q2 2018 to take into account IFRS9 accounting framework.

20. However, for some banks in the sample, due to a different financial year-end, the requirement to report according to the new standards will only begin after the reference date of June 2018. Therefore, for these banks an unrevised mapping has been maintained for both reference dates (i.e. December 2017 and June 2018). These templates are named with an appended "2.6" and will only be populated for banks for which the reporting of IFRS will start at a later date than June 2018.