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Methods and Sources: Methodological Notes

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Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area[1]

The quarterly report on ‘Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area’ contains data on the banking and financial system which, up to the June 2017 issue, were published in the *Statistical Bulletin*). The report includes tables on the loans that banks and Cassa Depositi e Prestiti SpA grant to customers, bank’s funding, their trading of securities and derivatives, indirect funding and the issuance of debt securities; it also features data from financial intermediaries other than banks. To facilitate the correct identification and interpretation of the tables, a map of the concepts illustrated in the report may be downloaded using the following link.

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[1] For additional information, contact statistiche@bancaditalia.it.

Notice to readers

The tables included in the report on ‘Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area’ in PDF format show the data for the reference quarter. The complete time series and other data on the same phenomena are available in the Bank of Italy's statistical database (‘BDS’).

Unless otherwise indicated, the data refer to transactions carried out by banks and financial intermediaries with residents other than monetary and financial institutions (MFIs), regardless of the currency used to settle them; amounts denominated in currencies other than the euro are recorded in euros, using the end-of-period exchange rate.

In the tables giving data on the same phenomena but taken from different sources, any discrepancies in the aggregates reflect differences in reporting rules.

The row and column totals of some tables may not tally with the sum of the entries because they include data that cannot be broken down. Additional, minor discrepancies between aggregates referring to the same phenomenon are due to rounding.

To facilitate the interpretation of the performance of loans over time, it may be useful to refer to Tables CARB0200 e CARB0300 of the report on ‘Banks and Money: National Data’, which contains data on the stocks outstanding of securitized loans and the flows of securitized and derecognized loans.

Publication of the data

The report is published quarterly, usually no later than three months after the end of the reference quarter; the data are as at the last day of the reference period.[2]

The time series in the BDS database are updated following the same schedule. The data reported in the PDF version of the report are aligned to the most recent ones available on the date of publication, and are never revised. Conversely, the data in the BDS are revised periodically if corrections are submitted by the reporting entities.

The date of publication is given in the Statistics Release Schedule published on the Bank of Italy's website, and refers to the day on which the information will be made available in the BDS; the report in PDF format normally follows within a few days.

Main methodological revisions

Data covering a longer period of time on some of the phenomena included in the report ‘Banks and Financial Institutions: Financing and Funding by Sector and Geographical are available in the BDS under ‘Discontinued Tables – Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area’ (see the table of contents in ‘Statistical Bulletin − Structure and Operations of Banks and Other Financial Intermediaries’ in the BDS).

Table 1 summarizes the main breaks in the published data.

[2] Some data on loans and deposits to and from customers are released monthly, but only in the version of the report available in the BDS statistical database.

Table 1

Time line of the main breaks in the data

Date of the break	Reason	Detailed explanation
January 1999	Revision of the definition of 'central bank'	The idea of a 'central bank' was redefined with the launch of the third stage of European Economic and Monetary Union (EMU) and the ensuing changes to supervisory reporting. As a consequence, there was a shift from 'relations with the Bank of Italy and the Ufficio Italiano dei Cambi (Italian Foreign Exchange Office)' to 'relations with the Bank of Italy and the European Central Bank'. This affected both reporting rules and the sectoral classification of counterparties.
June 2000	Classification of countries in international statistics	The Bank for International Settlements issued clarifications on the classification of countries in international statistics. As regards 'foreign exposures', claims in local currency of EMU countries comprise both euro-denominated assets and those denominated in other EU currencies; claims vis-à-vis residents of Guernsey, Jersey and the Isle of Man are included under the United Kingdom and not under offshore financial centres. There are, therefore, breaks in the time series of Table TDB30274.
December 2001	Classification of countries in international statistics	The Bank for International Settlements issued clarifications on the classification of countries in international statistics. As regards 'foreign exposures', claims on the ECB have been included under Germany instead of under international organizations. There are, therefore, breaks in the time series of Table TDB30274.
January 2002	New threshold for Central Credit Register reporting	The threshold for Central Credit Register reporting was lowered from €77,469 (equal to Lit. 150 million) to €75,000.
December 2003	Change in the classification of foreign states	Serbia and Montenegro replaced Yugoslavia in the classification of foreign states. Table TDB30274 reflects this change in the classification of foreign state counterparties.
March 2004	New quarterly sample survey of interest rates	Bank of Italy Circular No. 251 of 17 July 2003 introduced far-reaching changes to the quarterly collection of sample data on lending and deposit rates and increased the number of reporting banks.
March 2005	Change in size classes	The size classes for loans were modified in accordance with the New Capital Accord (Basel II), which considers the threshold of €1 million as one of the criteria for distinguishing between retail and corporate customers.
September 2006	Sectoral classification of customers	Sectoral classifications of customers were updated to comply with the new framework provided for by Bank of Italy Circular No. 140 of 11 February 1991. Some aggregates were modified to extract the data referring to Cassa Depositi e Prestiti SpA (CDP), which used to be classified under general government but are now included under Monetary and Financial Institutions.
October 2008	Newly created provinces	The data began to include the newly established provinces listed in the updates to Bank of Italy Circular No. 154 of 22 November 1991; up to September 2008 the situation as at 1 January 1996 was used.
December 2008	Technical standards for supervisory reports	Bank of Italy Circular No. 272 of 30 July 2008 revised the template to be used for the supervisory reports that banks are required to send to the Bank of Italy. Consequently, the statistical tables relying on these returns underwent major changes in structure and content.
December 2008	New definition of 'short term' in supervisory reports	In the tables for which the source is supervisory reports, the definition of 'short term' was changed from 'less than 18 months' to 'less than 12 months'.
January 2009	New threshold for Central Credit Register reporting	The threshold for Central Credit Register reporting was lowered from €75,000 to €30,000. This broadened the scope of the collection of data on deposit interest rates.
June 2009	New definition of 'short term' in Central Credit Register reporting	In Central Credit Register reporting, the definition of 'short term' was changed from 'less than 18 months' to 'less than 12 months'.
June 2010	ATECO 2007 classification	The ATECO 2007 classification, developed by Istat and harmonized at international level, replaced the previous classification established by Bank of Italy

		Circular No. 140 of 11 February 1991.
June 2010	Implementation of international accounting standards	New provisions came into effect regarding supervisory reports, providing that lending includes all securitized or otherwise sold loans that do not meet the requirements for cancellation set out by the international accounting standards (IAS). This led to the recognition of assets that had previously been written off and the related liabilities, with a consequent increase in the time series of loans.
June 2011	Inclusion of Cassa Depositi e Prestiti SpA (CDP) among reporting entities.	The statistical tables on loans based on banks' supervisory reports (excluding those on the activity of branches) began to include reports by Cassa Depositi e Prestiti SpA.
December 2014	Classification of customers by institutional sector	The new classification criteria by institutional sector in the European system of national and regional accounts (SEC 2010) caused some breaks in the time series, particularly with respect to data on financial and non-financial corporations, both resident and non-resident, and, as a consequence, the ATECO classification, namely the financial and insurance activities item (identified by the code K).
May 2016	Single Register	Following the reform of Title V of the Consolidated Law on Banking enacted through Legislative Decree 141/2010, the financial companies operating under Articles 106 and 107 of the old version of the aforementioned law were included in the new Single Register, and the old specialized registers were discontinued.
June 2018	New tables on rates on current account, sight and overnight deposit	Following the discontinuation of the analytical survey of interest rates provided for by Bank of Italy Circular No. 251 of 17 July 2003, the information on interest rates payable is now derived from the harmonized survey of MFI Interest Rate Statistics (MIR Statistics) established by Bank of Italy Circular No. 248 of June 26 2002. As a result, tables TFR30951 and TFR30960 have been discontinued and new tables TFR30970 and TFR30980 have been introduced, based on partly different concepts and reporting methods.
December 2019	New criteria for consolidating foreign exposures	Exposures from jointly owned companies (banks and financial institutions in joint ventures and within the prudential scope) have been included in the consolidation scope of the groups. The time series of the TFR30274 table may therefore present discontinuities for the countries in which the joint ventures are present.

Data confidentiality

The Bank of Italy takes all the measures deemed necessary to ensure that data are published in aggregate form so that they may not be traced back in any way to single reporting entities or customers. For the report on 'Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area', this means that any published data must come from at least three reporting entities and refer to at least three counterparties. These criteria do not apply when the entities that could be identified agree to the publication of their individual data.

Sources and legislation

The information contained in the report on 'Banks and Financial Institutions: Financing and Funding by Sector and Geographical Area' draws on the periodical reports that banks and financial intermediaries must submit to the Bank of Italy as mandated by the law, namely:

– Supervisory reports

– Central Credit Register data

– The statistical survey on lending and deposit rates

1. Supervisory reports

The Bank of Italy requires supervisory reports from:

– Banks under Article 51 of the Consolidated Law on Banking (Legislative Decree 385/1993),

– Investment firms under Article 12 of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998),

– Other financial intermediaries under Article 108(4) of the Consolidated Law on Banking

(Legislative Decree 385/1993), and

– Asset management companies and open-end investment companies (SICAVs) under Article 12 of the Consolidated Law on Financial Intermediation.

On the basis of the reporting standards Circular No. 154 of 22 November 1991) and according to the notified schedule, intermediaries must submit information, normally consisting of data on end-of-period stocks and on flows, regarding balance-sheet items, transactions (e.g. the technical form they take, the type of instruments being traded or managed, the original and residual maturity and the currency) and counterparties (location and type of activities performed), as well as additional elements useful for analysing the different technical profiles (e.g. concentration of lending, structure of funding, exposures abroad, and lending relations displaying anomalous trends).

For further details on the content of single reports and on the valuation principles applying to the various balance-sheet entries, the following documents may be consulted: Circular No. 272 of 30 July 2008 for banks' supervisory reports; Circular No. 217 of 5 August 1996 for those of financial intermediaries, payment institutions and electronic money institutions; Circular No. 189 of 21 October 1993 for those of collective investment undertakings; and Circular No. 148 of 2 July 1991 for those of securities firms.

2. Central Credit Register data

The Central Credit Register is a database storing information on transactions involving loans and collateral between the financial system (banks, financial intermediaries, securitization companies under Law 130/1999, and collective investment undertakings) and its customers. By maintaining this database, the Bank of Italy provides the participating banks and other intermediaries with a tool that can improve their ability to assess customers' credit ratings and to manage credit risk. Banks can then use this information both when monitoring their exposure with customers to whom credit lines were already extended and when granting these credit lines to new customers. This potentially benefits the reported entities, which, provided their credit ratings are satisfactory, see their access to credit facilitated and the involved costs reduced.

Central Credit Register data are also used by the Bank of Italy for supervisory purposes, the valuation of loans used as collateral in monetary policy operations, and in economic and financial analysis and research.

Participation in this centralized service is mandatory for the following entities:

a) Banks entered in the register provided for by Article 13 of the Consolidated Law on Banking, i.e. Italian banks and branches of EU and non-EU banks established in Italy,

b) Financial intermediaries entered in the register provided for by Article 106 of the Consolidated Law on Banking,

c) Securitization companies and covered bond companies under Law 130/1999,

d) Collective investment undertakings that invest in the credit market, and

e) Cassa Depositi e Prestiti SpA.

Participating banks and other intermediaries also report the exposures of their foreign branches to borrowers resident in Italy.

Once a month intermediaries are required to report each customer's debtor position as at the end of the reference month, comprising both individual and joint liabilities (joint accounts and partnerships), if it equals or exceeds the relevant threshold.

Reports must be submitted if, on the reference date, at least one of the following conditions is met in relation to the holder of the risk position (i.e. natural person, legal person, national or international body, joint holding, or investment fund):

- Total loans or guarantees amount to at least €30,000 (comprising both those granted and those used),
- The total value of the collateral received by the intermediary is at least €30,000,

- The intrinsic value of financial derivative transactions is at least €30,000,
- The customer's position is classified under bad debts and its nominal value, net of losses, is at least €250,
- Transactions carried out on behalf of third parties amount to at least €30,000,
- The face value of the claims acquired through factoring, non-recourse bill discounting and debt assignment is at least €30,000,
- A bad debt is completely written off,
- The face value of the performing loans sold by the bank or other intermediary to third parties amounts to at least €30,000, and
- The face value, net of losses, of the bad debts sold by the bank or other intermediary to third parties amounts to at least €250.

When calculating their position vis-à-vis a given customer with respect to the relevant thresholds, banks and other intermediaries must aggregate the risks taken on by all their domestic and foreign branches.

The model used to represent risk, in use since 1 January 2005 and governed by the 15th update of Bank of Italy Circular No. 139 of 11 February 1991, comprises a breakdown by different category of credit (matched loans, term and revocable exposures, loans subject to bankruptcy proceedings and other special cases, bad debts, guarantees relating to commercial transactions, guarantees relating to financial transaction, guarantees received, financial derivatives), an information section (transactions carried out on behalf of third parties, syndicated loans, claims originally acquired from customers other than banks or other intermediaries, i.e. receivables sold, overdue amounts on matched loans, write-offs of bad debts, and claims assigned to third parties) and a series of identifiers providing a fuller description of the characteristics and riskiness of outstanding transactions (e.g. original and residual maturity, and currency).

The smooth operation of the Central Credit Register relies on the full cooperation and sense of responsibility of the participating banks and other intermediaries, which, owing to the direct relationship they maintain with customers and the ensuing availability of the relevant documentation, are the only ones that can ensure the accuracy of the reported data.

3. Statistical survey on lending and deposit rates

The statistical survey on the lending and deposit interest rates applied by Italian banks, which is provided for by Bank of Italy Circular No. 248 of 26 June 2002, meets the information requirements of the European Central Bank, contributes to the analyses carried out at national level on the evolution of monetary and credit phenomena, and supports the monitoring of the stability conditions of the national financial system. The information is reported on a monthly basis by a representative sample of banks[1].

The interest rates reported include those applied by resident banks to euro-denominated loans and deposits with households (and non-profit institutions serving households) and with non-financial corporations resident in euro-area countries.

As regard the interest rates on current account, sight and overnight deposits, the reporting institutions provide the following information, which reflects the actual rate paid to customers:

- a single rate expressed as an annual percentage and calculated as a weighted average of the rates referring to individual transactions outstanding at the end of the reference period (using the corresponding amounts as weights); and

- the total amount of positions surveyed as it stands at the end of the reference period.

The statistical tables publish the national average rate for end-of-period stocks, weighted by the amounts of the stocks themselves.

[1] The sample is subject to periodic reviews in order to maintain its representativeness: the updated list of banks belonging to the sample is available at the following link.

Implications of the legislative and regulatory differences between supervisory reports and Central Credit Register data

The main methodological differences between supervisory reports and Central Credit Register data are:

- Reporting threshold: in Central Credit Register reports, banks and other intermediaries include total loans to customers if they exceed €30,000, and bad debts if their nominal value, net of losses, is at least €250,

- Ownership of the loan: the banks or other intermediaries that must report the amounts involved to the Central Credit Register are those that have legal ownership of the loan, even if they do not take on the risk related to it; in supervisory reports, instead, the reporting entity coincides with the credit risk holder (the survey measures these as 'assets that have been transferred but not written off'),

- Counterparties: for Central Credit Register purposes, individual exposures are always attributed to the customer to whom the loan was granted; in supervisory reports, instead, the de facto borrower is reported (e.g. for non-recourse assignments the assignor is reported for Central Credit Register purposes while the information on the assigned debtor is contained in supervisory reports),

- Geographical location: for Central Credit Register purposes the geographical location of the counterparty corresponds to the legal residence, regardless of the location of the office or plant that took out the credit line; conversely, supervisory reports use the actual location of the counterparty,

- Lending by foreign branches of Italian banks to Italian residents: foreign branches do not submit supervisory reports, but must attribute these transactions to their parent institutions for Central Credit Register purposes,

- Treatment of sole proprietorships (consumer and producer households): in their supervisory reports, banks must report their dealings with households separately depending on whether these are acting as producer or consumer households; however, preserving this distinction in Central Credit Register reporting is not possible.

Glossary

Cash exposures for own securitizations – debt securities

Value of the exposure relative to debt securities (which have not met the write-off criteria envisaged under the international accounting standards, IAS) issued by special purpose vehicles and held by the reporting bank, connected with securitizations concluded by the reporting banks. Includes securities stemming from ‘self-securitizations’.

Classification of securities into accounting portfolios

This refers to the classification of financial assets reported in the balance sheet into categories (securities in the case of data published in Table TFR40030 of this publication), which in turn determines the accounting treatment they receive.
Starting from (reference date) March 2018, for financial assets other than ‘Securities that constitute investments in associates and joint ventures’ (governed by IAS 28) and ‘Securities that constitute non-current assets or disposal groups held for sale’ (governed by IFRS 5), the designation of the accounting portfolio is made in accordance with IFRS 9, which entered into force in January 2018 and replaces IAS 39, the previous standard upon which the data published on past periods are based.
IFRS 9 classifies the accounting treatment of these financial instruments, and therefore their allocation to a specific accounting portfolio, using a decision tree algorithm that, in addition to the nature of the financial asset, takes into consideration the following factors:

- the results of the Solely Payments of Principal and Interest (SPPI) test, which is based on the contractual cash flow characteristics connected with the instrument. This test seeks to ascertain whether the cash flows linked to the instrument are solely payments of principal and interest.
- the business model used to manage the financial instrument:
    - hold to collect
    - hold to collect and sell
    - other business models (e.g. hold
    - to sell)

The accounting treatment and allocation to the relative portfolio of financial assets is determined based on the totality of these factors (see the chart in ANNEX 1 - Classification into accounting portfolios under IFRS 9 of assets other than investments in associates and joint ventures and securities that constitute non-current assets or disposal groups held for sale).

The possible portfolio categories are: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost (AC).
The accounting portfolios reported in Table TFR40030 relating to instruments covered by IFRS 9 are the following:

1. Financial assets measured at fair value through profit or loss
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at amortized cost

Two more accounting portfolios are added:

4. Investments in associates and joint ventures
5. Non-current assets or disposal groups held for sale

In addition to the accounting portfolios already mentioned and envisaged by the accounting standards currently in force, Table TFR40030 contains an item that includes all securities reported by those banks that have not yet closed their balance sheets and that are therefore not fully compliant with the new statistical reporting standards based on IFRS 9:

6. Assets that cannot be designated under IFRS 9

This item will eventually be eliminated as the number of these assets dwindles, thereby making it possible to classify all financial assets according to the new accounting standard.

Collateral granted

This includes transactions such as banker's acceptances, payment commitments, bank endorsements and guarantees, letters of credit and other guarantees, which banks or other intermediaries issue to guarantee the fulfilment of their customers' obligations vis-à-vis third parties.
The aggregate comprises guarantees relating to transactions of a financial nature (issued to guarantee operations for which the goal is to acquire financial resources) or with transactions of a commercial nature (issued to guarantee specific business transactions). If it is not possible to assign a guarantee to one class or the other, it should be allocated in full to one of the two categories based on the type of transaction for which it is reasonable to assume that the guarantee was primarily issued.

Collective investment undertakings (units of)

They comprise undertakings for collective investment in transferable securities (UCITS) and real-estate investment funds. In the tables, UCITS include the following categories of institutional investors: open-end securities investment funds and open-end investment companies (OIECs, known in Italian as SICAVs).

Consumer credit

Under Article 121 of the Consolidated Law on Banking, consumer credit is defined as the granting of credit to consumer households in the form of deferred payment, lending or equivalent credit facility for the purchase of non- durable and non-investment goods and services not used for production purposes. Consumer credit does not include bad debts and, since 2008, lending connected to the issuing and management of credit cards.

Customer assets under management

Total value of third-party securities on deposit with the bank or other intermediary (excluding own liabilities) on the basis of a securities custody contract stipulating the safekeeping and management of portfolios both individual and collective. This includes securities that the bank or other intermediary received in custody in its capacity as depository bank for collective investment undertakings, external supplementary pension funds, collateral securities and those pledged as collateral for lending transactions in which the bank performs an ancillary services in the form of securities custody and management; cheques, derivatives, goods and other assets not represented by securities are not considered. By convention, since 2010 securities include warrants.
The applicable valuation criterion is the fair value approach (i.e. the market value calculated according to accounting standards other than the international ones). Only for unlisted securities held for custody or management purposes, the book value is used if the fair value is not easily measurable.

Deposits

Funding from non-bank entities collected by banks in the form of deposits: sight deposits, overnight deposits, current accounts, fixed-term deposits, deposits redeemable at notice, certificates of deposit, other deposits, banker's drafts and reverse repurchase agreements. Since December 2008 the aggregate has included correspondent accounts, third-party collateral deposits and cash withdrawal slips. According to the Regulation ECB/2008/32 starting from June 2010, the aggregate includes the cash exposures for own securitizations - debt securities.
It differs from the aggregate 'Deposits (excluding REPOS)' owing to the inclusion of reverse

repurchase agreements, residual cheques, cash exposures for own securitizations - debt securities and other residual items.

Deposits (excluding repos)

The funds that banks collect from non-bank entities in the form of: sight deposits, overnight deposits, current account overdrafts, deposits with an agreed maturity, deposits redeemable at notice, and certificates of deposit. Since 2008, deposits include correspondent current accounts, surety bonds from third parties and cash withdrawal slips. Repos and banker's drafts are excluded.
It differs from the aggregate 'Deposits' owing to the exclusion of reverse repurchase agreements, residual cheques, cash exposures for own securitizations - debt securities and other residual items.

Deposits and postal savings

Includes bank deposits as defined by the aggregate 'Deposits' and the postal savings held by Bancoposta in the form of: (1) postal savings books; (2) post office savings certificates recorded at the value of issue (including those reimbursed by the Ministry of Economy and Finance and the Cassa Depositi e Prestiti); (3) other forms of postal savings.

Deposits (excluding repos) and postal savings

This aggregate comprises bank deposits as defined in the 'deposits (excluding repos)' item and postal savings in the form of (1) postal savings books, (2) post office savings certificates recorded at the value of issue (including those reimbursed by the Ministry of Economy and Finance and the Cassa Depositi e Prestiti); (3) other forms of postal savings.

Derivatives instruments

Contracts whose function is to modify the exposure to market risks of the parties. As a rule they provide for (a) the settlement at a specified future date of the difference between the price (or rate of return) prevailing at that date of a benchmark financial instrument and that set in the contract or (b) the sale or purchase at a future date of a financial instrument at a pre-determined price.

CREDIT DERIVATIVES: derivative financial instruments whose underlying asset is constituted by the credit rating of the issuer (sovereign state, government entity, financial institution, or corporation), as assigned by a rating agency.

These instruments allow the issuer to manage the credit risk (i.e. the possibility that the borrower may default and be unable to fulfil its payment obligations) connected to a given asset (bond or loan) without being forced to sell it and also make it possible to separate the credit risk of an asset from other types of risk (e.g. interest rate risk, i.e. the possibility that the interest rates set by the market may become unfavourable for the lender).

FINANCIAL DERIVATIVES: financial instruments that have the following characteristics:

- Require no initial investment, or require a small one (e.g. the payment of a premium) compared with the exposure they generate,
- Are settled at a future date, and
- Their value changes according to the performance of a pre-determined variable (e.g. interest rate, stock market index, asset price, or exchange rate),

These transactions engender a credit risk for the entity initiating them, which receives the difference between the current and the pre-set price (or return), and a corresponding financial risk to the counterparty.

Valuation criteria in the table on trading activity: in the data of trading activity, derivative contracts with an underlying security are valued at the agreed upon price, while those without an underlying security are valued according to the principal. An exception to this are certain instruments that are instead valued according to the following methods: (a) options and futures on stock market indices are valued on the basis of the principal multiplied by the value of the index on the data the contract is entered into; (b) options on futures are valued on the basis of the principal multiplied by the agreed upon price of the futures; and (c) futures on debt securities are valued on the basis of the principal multiplied by the agreed upon price of the futures. As regards trading in derivatives instrument, if these are traded on organized markets, sales and purchases that represent the closing transaction for an existing position are not considered in the data.

Valuation criteria in the table on positions in derivative instruments: the data on positions in derivative instruments are designated at fair value (distinguishing between positive and negative), which includes the counterparty risk and netting agreements.

Economic activity of the counterparty (ATECO 2007 classification)

Grouping of institutional units by principal economic functions. Since June 2010 customers' economic activity is classified using the ATECO 2007 classification published by Istat (www.istat.it/strumenti/definizioni/ateco).
In compliance with the confidentiality constraints on data, in some cases sections and divisions are aggregated.
The economic activity of customers was allocated individually to sections A to N, and en masse to sections O to T. For section C a further breakdown is given for divisions 19, 22, 23, 24, 25, 26, 27, 28 and 31 and for the following aggregates: 10 + 11 + 12; 13 + 14 + 15; 17 + 18, 20 + 21; 29 + 30; and 16 + 32 + 33. For section J, the breakdown for division 61 is given.
In some tables economic activity is instead shown at sectoral level: industry (sections B to E), construction (section F) and services (sections G to T).

Economic purpose of the investment

This item identifies the nature of the capital or durable goods for which funds are being borrowed, financed, regardless of the economic classification and location of the customer.
Lending is classified by economic purposes into two broad categories: (a) non-financial investment and (b) other investment.
Non-financial investment comprises (1) buildings (dwellings, non-residential buildings: rural, and non-residential buildings: rural) and civil engineering works, and (2) machinery, equipment, transport equipment and miscellaneous products (broken down into rural and other).
Other investment comprises (1) the purchase of buildings (broken down into home purchase by consumer households, home purchase by others, purchase of other rural buildings, and purchase of other non-rural buildings), (2) purchase of durable goods by consumer households, (3) financial investment, and (4) other purposes not included under the previous categories. Further details are provided in Bank of Italy Circular No. 272 of 30 July 2008, Section C.16 – Credit by purpose. The template providing the breakdown by economic purpose of the investment may be obtained by sending a request to statistiche@bancaditalia.it.

Factoring

Factoring is a transaction carried out pursuant to Legislative Decree 52/1991 in which a company (the factoring client) sells its receivables to a third-party company (known as the factor), which then collects payments on those invoices and may provide a cash advance equal to the whole amount of the receivables or to a proportion of it. Factoring may be non-recourse or recourse. Non- recourse factoring implies the full transfer of the risks and benefits connected to the receivables being sold, in accordance with the derecognition criteria set out by the international accounting standards. Therefore, claims connected to recourse transactions must be allocated to the seller, while those connected to non-recourse transactions must allocated to the debtors whose receivables were sold. By convention, until September 2009 transactions that were non-recourse in name but did not entail the substantial transfer of the risks and benefits regarding the sold receivables to the factor were classified under non-recourse transactions.

Factoring − advances on receivables

In Central Credit Register data, advances on receivables include both recourse and non-recourse assignments. In supervisory reports, advances refer only to recourse assignments, which include those assignments that are formally non-recourse but de facto recourse.

FACILITIES GRANTED: this aggregate is drawn from Central Credit Register data only, and represents the amount of credit that the customer can use directly insofar as it derives from a fully effective contract that has been entered into.

MARGIN USED: this aggregate is drawn from Central Credit Register data only, and represents the amount of credit that the customer actually used.

Financial leasing

Financial leases are contracts by which the lessor transfers to the lessee the right to use tangible goods (both moveable and immovable) or intangibles goods (e.g. brand or software), in exchange for one or more lease payments. The definition of financial lease follows is in keeping with IAS 17. It includes the contracts currently in effect, leases on goods under construction, and non-financial claims (e.g. insurance claims).

FACILITIES GRANTED: this aggregate is drawn from Central Credit Register data only, and represents the amount of credit implicitly made available by financial leases, i.e. the sum of the lease rents (principal payments) and the residual value inferable from the amortization plan based on the internal rate of return.

MARGIN USED: this aggregate is drawn from Central Credit Register data only, and is equal to the credit facilities granted plus, if the user fails to pay them, expired and unpaid lease rents (both principal and interest payments), the related ancillary charges (VAT, commissions and fees), and expired and unpaid invoices issued by the banks or other intermediaries for ancillary expenses not included in the lease rents (e.g. appraisals of goods and registration fees).

BREACH OF OVERDRAFT LIMITS: this aggregate is drawn from Central Credit Register data only, and is equal to the positive difference between facilities granted and margin used calculated and reported to the Central Credit Register for every transaction. The no-offsetting principle applies.

Institutional sector of the counterparty

The classification is based on the main economic function of the institutional units and is on three levels: sectors, sub-sectors and sub-groups.

An analytical classification of customers, along with the criteria used for its compilation, is contained in Bank of Italy Circular No. 140 of 11 February 1991. In December 2014 the classification was aligned with the ESA 2010 (see the 4th update of 30 September 2014 to Circular No. 140/1991).

The main differences with the previous classification concern 'financial corporations other than MFIs' (S12B17) and 'non-financial corporations' (S11). The concordance tables between the coding of the Statistical Database and that of Circular No. 140/1991 can be downloaded from the concept map. Customers include entities from the following sectors: general government, financial corporations excluding monetary MFIs, non-financial corporations, households, non-profit institutions serving households, and non-classifiable and non-classified units. MFIs include the Bank of Italy, banks, money market funds, electronic money institutions, and Cassa Depositi e Prestiti SpA.

Interest rates on current account, sight and overnight deposits

The information reflects the actual interest paid by banks on current account, sight and overnight deposits and is derived from the sample survey of interest rate established by Bank of Italy Circular No. 248 of 26 June 2002.

The statistical tables show the average rate at national level, which refers to the end-of-period stocks of current account, sight and overnight deposits, weighted on the basis of the amounts of the stocks themselves. Only transactions denominated in euros are included.

International exposure

International exposure is calculated using criteria analogous to those adopted by the Bank of International Settlements for the publication of its consolidated international banking statistics on country risk exposures. This aggregate includes all the claims (such as loans, securities, etc.) of Italian banks (including their foreign branches and subsidiaries) on non- residents except for intra-group positions and loans granted to local customers by their foreign units in the currency of the country in which the unit is located. The claims of Italian branches of foreign banks are also excluded. Counterparties are classified (by country and sector of economic activity) on the basis of the principal debtor criterion with no account taken of any guarantees granted or received that could shift the risk to third parties. The classification of countries, including offshore centres, is based on those adopted by the Bank for International Settlements.

Italy:

North-West

Piedmont, Valle d'Aosta, Liguria and Lombardy.

North-East

Trentino-Alto Adige, Veneto, Friuli Venezia Giulia and Emilia-Romagna.

Centre

Tuscany, Marche, Umbria and Lazio.

South

Abruzzo, Molise, Campania, Puglia, Basilicata and Calabria.

Island

Sicily and Sardinia.

Loans

The aggregate includes the following technical forms: current accounts, mortgage loans, credit cards, loans against one fifth of salary, personal loans, financial leasing, factoring, other loans (for example, commercial paper, pledge loans, annuity discounts), repurchase agreements, bad loans (including those originating from expired securities) and several residual components. Includes assets sold and not written off. It differs from the aggregate 'Loans (excluding REPOS)' owing to the inclusion of repurchase agreements, bad loans originating from expired securities and other residual items.

Loans (excluding repos)

This aggregate comprises: current accounts, mortgage loans, credit cards, loans secured by the pledge of part of the salary, personal loans, financial leases, factoring, other sources of funding (e.g. commercial paper, pawnbrokers' loans and discounting of annuities), bad debts (excluding those relating to securities and repurchase agreements). It includes assets that were sold off and not written off but excludes reverse repos.

Local exposure in local currency

This aggregate refers to claims of domestic banks' foreign branches and subsidiaries) on the residents of the host country in the currency of the country in which the unit is located. The calculation criteria are analogous to those used for international claims.

Location of the branch

Geographical area, region or province where a bank's branch or subsidiary dealing directly with customers is located.

Location of the counterparty

Geographical area, region or province where the banks' counterparties have their registered headquarters or legal residence. Marginal discrepancies between the data coming from supervisory reports and Central Credit Register data are due to different data collection methods (see the section 'Implications of the legislative and regulatory differences between supervisory reports and Central Credit Register data').

Long-term loans (excluding repos and bad loans)

Lending to resident customers with an original maturity exceeding one year (18 months before December 2008). Does not include repurchase agreements and bad loans. Excludes export credits.

Long-term loans to agriculture (excluding repos and bad loans)

Lending for agricultural purposes to resident customers with an original maturity exceeding one year (18 months before December 2008). Does not include repurchase agreements and bad debts.

Non-bank loans (excluding bad loans)

Funding granted by the intermediaries included in the Single Register in the form of consumer credit, credit card financing, leases, factoring and other types of credit different from the ones already mentioned. The data include write-downs but not bad debts.

Offshore financial centres

Financial centres in which the intermediation of funds raised and invested mainly in other countries takes place owing to favourable regulation and/or tax treatment of banking and financial activities.

Portfolio securities

Portfolio securities comprise debt and equity instruments (including shares of collective investment undertakings), regardless of their assigned accounting portfolio. The securities portfolio is affected by purchases and sales (including the subscription of equity and other securities) only when those transactions are settled, regardless of the actual delivery and the securities' identification number and series. It includes stripped coupons and coupons that are owned as a result of debt assignment and sale contracts. It does not include: (a) bad debts, (b) banker's acceptances, (c) interest-bearing certificates and certificates of deposit, (d) equity or shares issued by the reporting bank, (e) securities owned in connection with transactions that do not substantively engender their recording on the asset side (e.g. securities connected with reverse repurchase agreements or with the securitization of own assets that were not written off, and (f) own debt securities that were bought back by the issuing bank.

Purpose of the positions in derivatives

Positions in derivative instruments may be distinguished according to the purpose for which they are entered: (a) trading, (b) hedging, and (c) other.
A transaction is considered to be for hedging purposes if it satisfies the hedge accounting requirements set out by IAS 39; if not, it is considered to be for trading purposes. 'Other' purposes include, for example, the use of derivatives for hedging connected to the fair value option, and the derivatives that are considered separately from structured financial instruments, as long as they are not re-entered into the trading book.

Renegotiated contract

A credit contract for which the original terms and conditions were renegotiated (e.g. the bank granted the client a lower interest rate or extended the duration of the loan).

Reporting institution

The entity producing the reports from which the data are taken: banks, the financial intermediaries included in the Single Register provided for by the Consolidated Law on Banking, securities firms, collective investment undertakings, and Cassa Depositi e Prestiti SpA. The data given in the various tables may refer to one or more categories of reporting entities.
CLASSIFICATION BY BANK SIZE: banks are broken down into five groups according to their size: major, large, medium- sized, small and minor. Originally the classification was based on a five-point centred average of the quarterly values of total assets, assigning a weight equal to 1 to the fourth quarter of 2005 and 2006 and a weight equal to 2 to the first, second and third

quarter of 2005. In January 2015 the classification was updated using data on the average total assets for the three quarters comprising the fourth quarter of 2014 and the first and second quarter of 2015. The criteria used to assign banks to one of the five groups were the following:

1. Major banks: average total assets greater than €60 billion,
2. Large banks: average total assets ranging from €26 billion to €60 billion,
3. Medium-sized banks: average total assets ranging from €9 billion to €26 billion,
4. Small banks: average total assets ranging from €1.3 billion to €9 billion, and
5. Minor banks: average total assets less than €1.3 billion.

In the case of mergers or takeovers, the resulting entity is assigned to the largest size group in which one of its constituent banks was already assigned. If banks cease their activity for other reasons, they are classified according to the latest reports they submitted to the Bank of Italy. Finally, newly established banks are classified according to the total assets listed in the first reports submitted to the Bank. As regards the composition of the various size groups, see the Glossary in the Appendix of the Bank of Italy's Annual Report (only in Italian).
It is worth noting that the size groups may only change in composition as a result of the establishment of new entities or of mergers and takeovers. Pending a revision of the classification, the fact that a bank goes above or below the threshold values does entail its relocation to another group.

Repos

Contracts in which the reporting bank or other intermediary sells securities and agrees to repurchase them in the future (for the counterparty, symmetrically, this translates into buying securities and agreeing to selling them in the future). The price is expressed as a yearly interest rate.
This includes sell/buyback transactions that do not pass the derecognition test established by IAS 39.

Reverse repos

Contracts in which the reporting bank or other intermediary buys securities and agrees to sell them in the future (for the counterparty, symmetrically, this translates into selling securities and agreeing to buying them in the future). The price is expressed as a yearly

interest rate. Reverse repurchase agreements may be likened to collateralized loans, in which a borrower transfers securities to a bank or other intermediary as collateral for cash.
This includes buy/sellback transactions that do not pass the derecognition test established by IAS 39. It also includes bad debts relating to this source of funding and transactions vis-à-vis central counterparties, but not those with banks.

Securities issued but not expired	Own issued debt securities in circulation, net of any repurchases made.
Short term	Short term here is defined as up to 12 months. Up to December 2008 for supervisory reports and March 2009 for Central Credit Register reporting, short term was defined as less than 18 months.
Small firms	Limited and general partnerships, informal partnerships, de facto companies and sole proprietorships with fewer than 20 employees. The aggregate is equal to the sum of the sub-groups 481, 482, 491, 492, 614 and 615 listed in Circular No. 140 of 11 February 1991.
Subordinated bonds	Bonds which, in the event of the liquidation of the issuer or of its placement in receivership, are reimbursed only if there are sufficient resources after the other unsubordinated debt securities have been reimbursed in full.
Subsidized loans (excluding bad loans)	Lending (excluding bad loans) effected at interest rates below the going market rate under statutory provisions that establish the granting of interest subsidies (in some cases directly to the customer) and/or the use of central government funds or funds of other government bodies or of MedioCredito Centrale and Artigiancassa. The aggregate excludes transactions whose nature is that of a service. Subsidized loans include loans that were initially granted at the market interest rate pending the issuance of the measure authorizing the subsidy. The aggregate comprises subsidized loans in connection with the following items: current accounts, mortgage loans, the risk associated with portfolios belonging to non-bank customers, advances not settled via current accounts, performing loans granted from funds administered on behalf of third parties, finance leases, factoring and import and export advances. In the case of debt assignments backed by the transfer of a loan, the risk is attributed to the beneficiary of the subsidy

pursuant to the measure establishing it.

Trading

Includes the total volume of sales and purchases of securities and derivatives made by the reporting bank or other intermediary in the following situations:
(a) Acting in its own name either as a market maker or as a direct counterparty in transactions initiated by customers on debt securities, equity, shares of collective investment undertakings, and derivatives, even if not settled (this excludes transactions initiated by the reporting banks, e.g. for investment or hedging purposes).
(b) Acting in its own name but on customers' behalf.
The total volume is calculated as the sum of purchases and sales for each category of security or derivatives.

Twelve-month percentage change in loans

Twelve-month change in loans calculated on the basis of the 'loans' aggregate. The percentage changes are adjusted to take account of the effect of securitizations, reclassifications, value adjustments and other variations not due to transactions. The twelve-month growth rates are calculated using the following formula: $g_t = [(X_t * X_{t-1} * X_{t-2} * X_{t-3} * X_{t-4} * X_{t-5} * X_{t-6} * X_{t-7} * X_{t-8} * X_{t-9} * X_{t-10} * X_{t-11}) - 1] * 100$, where $X_t = (F_t / S_{t-1} + 1)$, F_t is the flow in month t, and S_t is the level of stocks at the end of month t. The flow is calculated as: $F_t = S_t - S_{t-1} + A_t$. The A_t series introduces an adjustment that factors in any changes due to reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. The S_t series includes securitized and derecognized loans.

Type of securities

Classification of securities and equivalents; it comprises debt and equity securities, including certificates of deposit and interest-bearing certificates, but excluding interbank certificates of deposit.

Write-downs

Write-downs are based on forecast loan losses and are carried out by setting aside the necessary provisions.

Write-offs

The removal (total or partial) of loans from the balance sheets decided by the relevant corporate boards.

ANNEX 1

Classification into accounting portfolios under IFRS 9 of assets other than investments in associates and joint ventures and securities that constitute non-current assets or disposal groups held for sale