

# Methods and Sources: Special Topics

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## **Banks' balance sheets. Handbook to the data published by the Bank of Italy**

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### **1. Introduction**

As part of its work to produce statistics on banks' balance sheets, the Bank of Italy publishes on its website the data and analyses drawn from the reports that banks and financial intermediaries are required by law to submit periodically to the Bank, using reporting frameworks that meet different criteria and needs (supervisory reports).<sup>1</sup>

The wide range of information and statistics produced is made available in aggregate form and in different ways. Some statistics can be accessed directly by searching the Bank of Italy's online Statistical Database (BDS) others are accessible as synthetic indicators reported in the Bank of Italy's [economic publications](#).

This handbook (explainer) describes the main characteristics of the supervisory reports, as well as the differences among the various statistics produced and the different methods of dissemination. It explains to users how best to exploit the wealth of information available in the BDS and to interpret the analyses published. Section 2 provides a definition of banks' individual and consolidated balance sheet; section 3 introduces the reporting frameworks used by intermediaries to send information to the Bank of Italy; sections 4, 5 and 6 explain why the Bank of Italy collects statistical data on banks' balance sheets; section 7 presents the conclusions.

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<sup>1</sup> For further information on the reporting requirements, see Article 51 of Legislative Decree 385/1993 (Consolidated Law on Banking, TUB).

## 2. Banks' balance sheets

Banks and financial corporations resident in Italy are required by law to draw up individual balance sheets and, if they are the parent of a banking group, consolidated ones as well. To ensure consistency and comparability for statistical and supervisory purposes, the Bank of Italy publishes reporting templates and identifies the entities to which they apply (see [Circular No. 262/2005](#)).<sup>2</sup>

### 2.1 Individual balance sheets

Intermediaries draw up individual balance sheets for every financial year (or accounting period), which comprises the balance sheet statement, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, the notes to the financial statements and the comparative disclosures.

### 2.2 Consolidated balance sheets

The consolidated balance sheet provides a representation of the financial position and performance of a group of companies presented as a single economic entity. They are prepared by the intermediaries in accordance with the international accounting standards and provisions set out in the Bank of Italy's Circular No. 262/2005, when the conditions set out in Legislative Decree 136/2015 are satisfied.

The requirement to prepare consolidated balance sheet applies to intermediaries that are the parent of a banking or financial group that can be considered a single economic entity composed of more than one legal entity.<sup>3</sup>

Consolidation is a means to compensate for the lack of disclosure regarding phenomena that are not directly inferable from the data of the individual intermediaries in a given group; it also makes it possible to examine the balance sheet of companies that hold substantial majority interests in financial intermediaries. Furthermore, the consolidated data provide a comprehensive view of the group's financial position and the respective changes (including the net result), eliminating any profits and losses, assets and liabilities pertaining to intra-group transactions.

## 3. Reporting to the Bank of Italy

The Bank of Italy requires intermediaries to report information using different frameworks depending on the specific purpose for which the data are used.

There are two main reporting frameworks with the following data collection purposes: (a) reporting data necessary to carry out monetary policy, payment system supervision and other tasks (statistical purposes); (b) reporting for supervisory purposes. The main differences between the two reporting frameworks are: the frequency with which the

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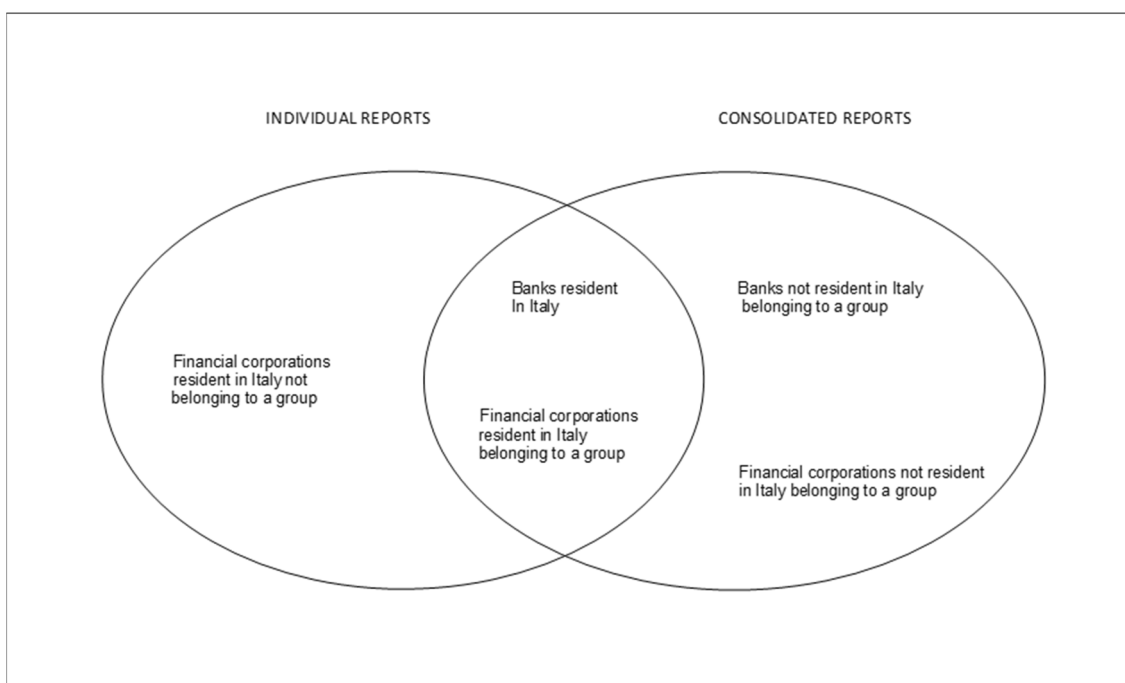
<sup>2</sup> The recipient intermediaries of Circular No. 262/2005 are: (a) banks entered in the register as per Article 13 of the TUB; (b) Italian financial corporations as defined in Article 59(1)(b) of the TUB, controlling banks or banking groups entered in the register as per Article 64 of the TUB, excluding companies as defined in Article 2(1)(d) of Legislative Decree 38/2005; (c) mixed financial holding companies as defined in Article 59(1)(b-bis) of the TUB, controlling one or more banks or financial corporations, wherever incorporated, organized or established, where the financial conglomerate's largest industry is banking, as determined under Legislative Decree 142/2005.

<sup>3</sup> An intermediary is defined as a parent company when it controls, directly or indirectly, the other financial intermediaries in the group.

information is reported, the intermediaries included in the framework (Figure 1) and the level of consolidation of the data reported, the geographical breakdown, the classification of the counterparties, and the recognition requirements for certain financial instruments (e.g. for loans either the nominal or the book value might be required).

The specific features of the two reporting frameworks reflect the dual purpose of the production of data relating to banks' balance sheets: i.e. on the one hand, contributing to monetary policy assessments; on the other hand, safeguarding the stability of the banking and financial system. The information flows linked to these purposes are part of the commitments arising from Italy being a member of the Eurosystem and of the Single Supervisory Mechanism (SSM).

**Figure 1: Scope of individual and consolidated reports**



#### 4. Balance sheet data for statistical purposes

The Bank of Italy collects data on banks' balance sheets from the individual intermediaries on a monthly basis. The statistics follow the harmonized Eurosystem methodology<sup>4</sup> and are published in aggregate form in the [Banks and Money: National Data](#) monthly report and in a table contained in the Appendix to the [Annual Report](#) broken down by type of intermediary (PLCs banks, *popolari* banks, cooperative credit banks and branches of foreign banks). The statistics are also used periodically in other publications of the Bank of Italy, e.g. the [Economic Bulletin](#), to perform economic analyses of various phenomena, such as developments in lending to households and firms, banks' funding, and sectoral and territorial analyses of the credit market. In addition, every month the Bank of Italy sends its

<sup>4</sup> The statistics are governed by Regulation ECB/2001/13 (as amended), Regulation ECB/2008/32 and Regulations ECB/2013/33-34-39, as well as by the ECB Guideline of 4 April 2014 on statistics.

statistics to the European Central Bank, which uses them in its analyses to support monetary policy decisions.

The harmonized bank balance sheet data collected for statistical purposes aggregate the individual data of banks resident in Italy, taking into account the following components: (a) end-of-period stocks – monthly and annual; (b) flow data (trading of financial assets or issue and redemption of liabilities); (c) growth rates. This excludes transactions, including bank transactions, made through foreign branches and subsidiaries of Italian banks, as well as those carried out by non-bank intermediaries in Italy.

The statistics on harmonized balance sheets provide detailed and timely information on banks' customer characteristics (residence, institutional sector classified as per the European System of Accounts ESA 2010, branch of economic activity) and on the maturity of financial instruments, as well as data relevant to credit market risk analysis.

## 5. Balance sheet data for supervisory purposes

In addition to the reports for statistical purposes, the Bank of Italy receives periodic reports for supervisory purposes. Supervised banks and other financial intermediaries provide both individual and, in the case of parent companies of banking or financial groups, consolidated data in accordance with the accounting and prudential rules of the reporting frameworks. These reports help verify compliance with prudential supervisory provisions, analyse developments in the management of intermediaries, and assess the stability of the banking system as a whole.

Reports for supervisory purposes are laid out using different reporting frameworks. The EBA reporting framework (designed by the European Banking Authority, EBA)<sup>5</sup> defines a common approach to the collection of data drawn from the European banking sector, supplemented by information requested at national level<sup>6</sup> that differs from the European level for reporting frequency, level of detail, and aggregation criteria. Thanks to the comparability of the data collected through the EBA reporting framework, trends regarding individual intermediaries, in a comparison with both peer entities and with the banking system as a whole, can be identified also at European level.

The reports drafted using the EBA reporting framework, collected by the Bank of Italy and transmitted to the ECB, reflect, for example, the sustainability of the banks' business models and the nature of the risks to which they are exposed, thus helping to identify areas of supervision that need to be examined more thoroughly.

While reports for statistical purposes have monthly flows, the data collected for prudential supervision using the EBA reporting framework are submitted quarterly, semi-annually or annually; some items are reported using different measurement criteria.

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<sup>5</sup> For more information, see the Harmonized supervisory and resolution reports (DPM/XBRL) published on the Bank of Italy's website ([only in Italian](#)) and the Commission Implementing Regulation EU/2021/451 (as amended).

<sup>6</sup> For further details, see the Bank of Italy [Circular No. 272/2008](#) and [No. 115/1990](#) (only in Italian) regarding respectively the prudential returns and the instructions for the preparation of consolidated supervisory reports.

## 6. Data on banks' balance sheets: availability and intended use

Some of the data collected for statistical purposes, in particular those drawn from the banks' balance sheets and aggregated using individual reports, can be consulted by searching the [BDS](#) database online or obtained from the [Banks and Money: National Data](#) monthly report. Conversely, specific data collected for supervisory purposes drawn from individual and consolidated balance sheets are made available to users only in the form of charts or banking indicators in the main [economic publications](#) of the Bank of Italy or in the tables contained in the appendices therein. Table 1 illustrates the characteristics of the data reported based on statistical and supervisory purposes. In some cases, the indicators compiled using the data from the two different reporting frameworks are not comparable. Moreover, the indicators obtained using a given reporting framework cannot necessarily be replicated using another framework.<sup>7</sup>

Within the framework of the analyses conducted by the Bank of Italy, the characteristics described steer the choice of banking data to be used depending on the fact-finding needs or economic phenomena to be described. The banking data, divided into individual and consolidated reports, are used mainly in the areas summarized here below.

Individual statistical banking data are drawn from intermediaries that operate in Italy (Figure 1) and, therefore, provide a whole set of information that is relevant for the cyclical and structural analysis of the Italian economy. The data include useful details on the characteristics of banks' customers (institutional sector, branch of economic activity, geographical area) and of the different types of bank transactions (various forms of deposits, loans granted for house purchase or other purposes, consumer credit, and other types of loans). This paves the way for a broad range of studies and research, both national and sub-national, on issues relating to the banking system (e.g. exposure to credit risk, prevailing business models in the banking industry, fund-raising capacity) and on the characteristics of the economic system, examined through credit relationships with financial intermediaries (analysis of the developments in the main economic sectors, the innovation capacity of the industrial system, and the strengths and weaknesses of the Italian production system).

Unlike the data inferred from the aggregated individual balance sheets, those from consolidated balance sheets may offer different information. In fact, they provide a complete overview of a given banking group, looked at as a single entity, while individual banking statistics can be used to monitor the strengths and weaknesses of the intermediaries belonging to the group. The capital soundness of the credit system as a whole is analysed using mainly consolidated data, which help provide indicators useful to properly identify the main risk factors for financial stability. Consolidated data are the primary, though not the only, source for the analyses published in the [Annual Report](#) and in the [Financial Stability Report](#), in their respective sections on banks. The findings of the analyses and the data illustrated in the figures are available in the appendices to the two publications.

The Appendix to this explainer features a series of examples of analysis from the [Annual Report for 2021](#) to illustrate how individual and consolidated data are used.

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<sup>7</sup> For example, some indicators published by the Bank of Italy and based on consolidated data, which are not disclosed outside the Bank, cannot be replicated using the individual statistics available online in the [BDS](#).

**Table 1: Main characteristics of the reporting frameworks for statistical and supervisory purposes**

		Data source	
		Individual balance sheets	Consolidated balance sheets
Purpose	Statistical	<ul style="list-style-type: none"> <li>• Reporting entities: intermediaries resident in Italy.</li> <li>• Frequency: monthly.</li> <li>• Accounting policies: loans measured at nominal value, financial instruments recorded at original maturity, etc.</li> <li>• Primary use: monetary, financial, economic and supervisory analyses.</li> <li>• Availability to users: BDS, <a href="#">Banks and Money: National Data</a> monthly report and other periodic publications.</li> </ul>	
	Supervisory	<ul style="list-style-type: none"> <li>• Reporting entities: intermediaries resident in Italy.</li> <li>• Frequency: quarterly, semi-annually, annually.</li> <li>• Accounting policies: loans measured at amortized cost, financial instruments recorded at residual maturity, etc.</li> <li>• Primary use: prudential analysis of individual intermediaries; system-wide analysis supplementing the reports from banking groups resident in Italy.</li> <li>• Availability to users: periodic publications.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting entities: banking groups resident in Italy (excluding financial intermediaries not belonging to a group) and foreign parent companies not belonging to Italian groups.</li> <li>• Frequency: quarterly, semi-annually, annually.</li> <li>• Accounting policies: loans measured at amortized cost, financial instruments recorded at residual maturity, etc.</li> <li>• Primary use: prudential analysis of individual reporting groups; system-wide analysis for the purpose of macroprudential supervision and financial stability.</li> <li>• Availability to users: periodic publications.</li> </ul>

## 7. Conclusion

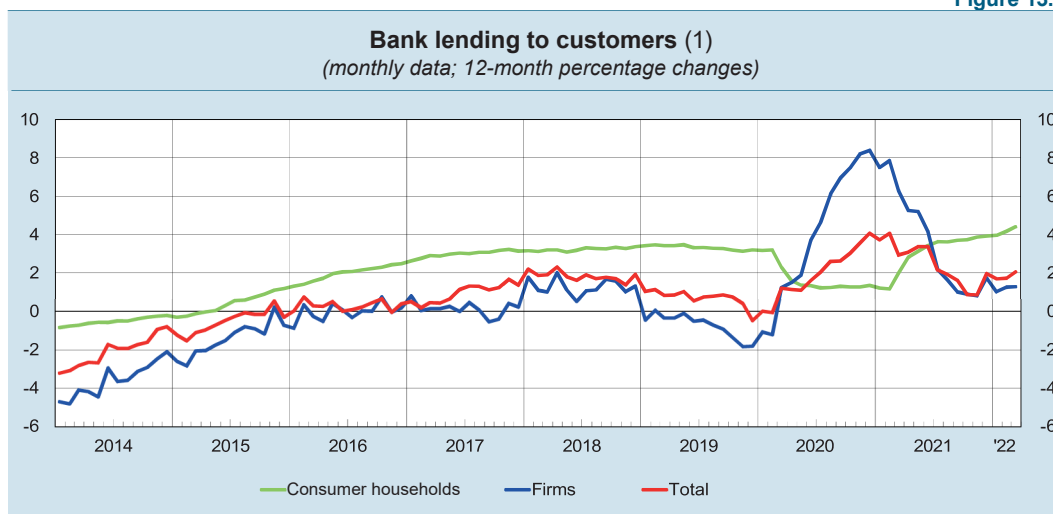
The supervisory reports from banks and financial intermediaries are an important source of data for the statistical elaborations and economic analyses performed by the Bank of Italy. The individual and consolidated balance sheet data are acquired for statistical and prudential supervisory purposes. The purpose steers the choice of data to be used. In practice, however, this is not an exclusive criterion as some of the data, especially those from individual balance sheets, cannot meet multiple needs at the same time. Users searching the BDS online will have access only to the data on the aggregated statistics on banks' balance sheets drawn from individual statistical reports. Using BDS data to replicate specific indicators reported in the periodic publications but based on data collected from individual and consolidated balance sheets for supervisory purposes may produce non-equivalent results. This is due to the differences in the scope of the reporting entities, the level of detail available for the balance sheet items, and the accounting principles underlying data compilation (Table 1).

## Appendix

### Examples from the *Annual Report for 2021*.

#### Individual data

Figure 13.1



Source: Supervisory reports.

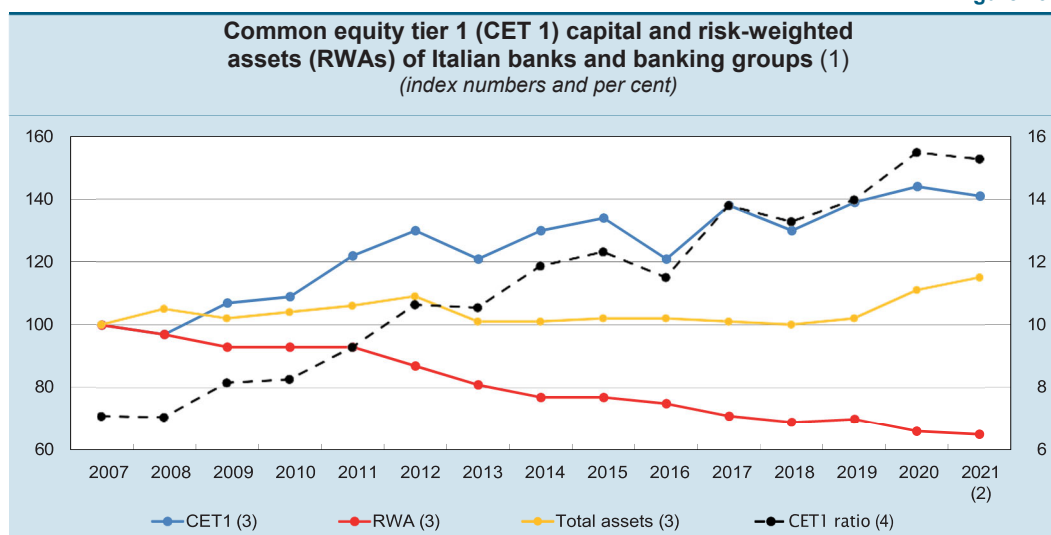
(1) The data for March 2022 are provisional. Loans include repos and bad debts. Percentage changes have been adjusted to take account of the effects of securitizations, reclassifications, write-downs, exchange rate variations, and other changes not due to transactions. Data for firms refer to non-financial corporations and producer households.

Figure 13.1 uses individual statistical reports to describe developments in loans to customers resident in Italy. **Monthly individual banking data** meet the goal of acquiring **timely** knowledge of the **evolution of lending to domestic customers**, as they are sourced from intermediaries operating in Italy.

The **data underlying the figures** are made available to users **on the Bank of Italy's website on the page dedicated to the *Annual Report for 2021***.

#### Consolidated data

Figure 13.7



Source: Consolidated supervisory reports for banking groups and individual supervisory reports for individual banks.

(1) Core Tier 1 up to December 2013 and CET 1 from 2014. – (2) Provisional data. –

(3) Index: 2007=100. – (4) Right-hand scale.

Figure 13.7 uses supervisory reports to assess the level of capitalization of the banking system and the compliance with the prudential requirements.

**At the highest degree of consolidation, the data** (consolidated for banking groups and individual for individual banks) are more consistent with regard to the assessment of the soundness of the banking system.

The **data underlying the figures** are made available to users **on the Bank of Italy's website on the page dedicated to the *Annual Report for 2021***.