POSITION PAPER

EFRAG draft comment letter on Primary Financial Statements

ESBG (European Savings and Retail Banking Group)

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ESBG

ESBG welcomes the opportunity to comment on the EFRAG draft comment letter on Primary Financial Statements as issued on 24 February 2020.

In Appendix 1 you will find our detailed answers, comments and suggestions to some of the questions raised in your questionnaire and to the IASB questions, however we would like to call to the attention of EFRAG on the following issues:

- *Relevance of the 'Operating profit or loss' subtotal*

Introduction of the 'Operating profit or loss' subtotal is sensible for entities with significant income and expenses in other categories (i.e. financing and investing) of the statement of profit or loss.

For banks this would be an artificial subtotal which formally improves comparability without contributing to the relevance of the information. The reason is that almost all income and expenses would belong to the operating category. Based on annual results of one of our member banks, in the period 2014 to 2019, the difference involving the pre-tax result and the proposed Operating profit or loss subtotal was between 0.6% to 3.4%. The Operating profit or loss would only exclude results from associates and joint ventures and unwinding of discount on pension liabilities and provisions. Moreover, there is an open question (asked in the EFRAG DCL) whether the unwinding should also belong to the operating category. If yes, and we would agree with this, the two measures would be even closer.

The proposed requirements would force banks to present something which is labelled as 'operating'. However, financial institutions seem to view the operating performance well above the total profit or loss in the structure of the statement of profit or loss. This is also evidenced by the early stage analysis published by EFRAG in its draft comment letter. In paragraph 271(a) discussing operating income, operating expenses and/or operating profit subtotals presented by financial institutions, the draft comment letter says: "*In many cases, this subtotal excluded line items such as 'share of profit in associates and joint ventures', 'impairment charges (e.g. loans) ', 'goodwill', 'net gain on non-current assets' and 'net loss on held for sale group entity."*

In order to properly capture their operating performance in the statement of profit or loss, banks would have to consider introducing own developed subtotal(s). These would be also communicated externally and thus would meet the definition management performance measure(s). However, this may not be straightforward because as noted in BC165 of the ED: "*…the Board expects that few management performance measures would meet the requirements for presentation as a subtotal in the statement(s) of financial performance."* Based on the current IAS 1 requirements banks are not in need to use such additional subtotals in the statement of profit or loss.

From this perspective, we would like to propose that the IASB considers dropping the mandatory requirements for structuring the statement of profit or loss if (substantially) all income and expenses, other than coming from associates and joint ventures, relate to main business activities. The result from associates and joint ventures could still be provided on face of the statement in separate line items including the split into integral and non-integral (if the split is considered necessary based on the ED consultation). In this way users could quickly derive the formal "Operating profit or loss" subtotal should they be interested.

- *Presentation of operating expenses either by nature or by function: banks and financial conglomerates*

Banks typically present their expenses using 'the nature of expense method'. However, certain aspects of 'the function of expense method' could also be found in their profit or loss statements.

For example, one bank at ESBG has chosen to present modification gains/losses under net interest income, if the modified assets are in stage 1 and under impairment result for modified financial assets in stage 2, 3 or POCI. Some banks may also present in the impairment result the recovery costs related to defaulted assets in stage 3.

The ED explains in paragraph BC110 that both methods have merits for forecasting components of operating expenses and calculation of performance metrics and margins. It further says: "Users have raised concerns that useful information can be lost because entities choose which method to use and because, in practice, many entities use a mixture of both methods."

We believe that this issue is relevant mainly for non-financial entities using the 'cost of sales' line item where a large part of major expenses such as depreciation, amortisation, personnel expenses is hidden. We are not aware that profit or loss statements of banks have been challenged by users in this regard.

The pure 'by nature' presentation requirement would force banks to reconsider the structure in the areas where it is not necessary, in our view. We consider that the issue should be addressed for the cases where the concerns actually arise and the mixed presentation as such should not be prohibited.

In addition to banks, ESBG would also point out some specific issues arising in the context of financial conglomerates.

As said, the new ED requires an analysis of expenses using either a by nature or by function presentation, based on whichever method provides the most useful information. Such analysis is very complex, in the context of financial conglomerates, since each business line could require a different analysis, in insurance companies the analysis would be by function presentation and in bank companies by nature.

Other significant issues identified have been that the new ED does not override or change principles in IFRS 17, although the interaction of IFRS 17 and some ED principles such as disaggregation is not clear. Therefore, operating expenses directly attributable to insurance contracts are classified in insurance service result. Insurance service result does not include an attribution of other indirect operating expenses. Non-directly attributable costs are classified according to their nature. However, if the presentation of performance implied by IFRS 17 fits with insurance companies' needs, it does not fit with the way financial conglomerates manage insurance business and present drivers of profitability to users (i.e. cost vs gross income ratio).

Furthermore, the identification of acquisition and other costs attributable to insurance contracts at consolidated level is complex and will require sophisticated analytical developments. Financial conglomerates should be able to allocate the costs by businesses even when market-based commissions (intragroup transactions that are eliminated) may be used as reasonable proxy of the costs incurred in order to avoid having two different CSM (consolidated level and insurer standalone separate level).

Such allocation is not required for the banking business – IFRS 9 only allows for incremental transaction costs to be deducted in the EIR – which leads to question whether the resulting PL from the new ED for financial conglomerates will provide useful information to users.

- *Presentation of PL statement for financial conglomerates*

The IASB has not provided clear guidance about how entities with different business activities should prepare their financial statements (IE11 is the only available example of a manufacturer providing financing to customers).

There is diversity in how financial conglomerates across different jurisdictions in Europe prepare its profit and loss account, therefore we are not sure whether the new ED will provide more comparative PLs:

- Under the new ED, one presentation option would be to split between income and expenses in different rows reflecting the different business activities, and showing separately the result of each business.
- Another option would be to present all income and expenses related to different business activities without any business activity distinction.
- Several approaches to identify the attributable costs to the insurance business (which should be part of the consolidated CSM), including not elimination of certain intragroup transactions.

In order to guarantee the comparability of the financial statements between the financial conglomerates, specific guidance would be welcomed to avoid diversity in practice.

Regarding the usefulness of the income statement that will result from the ED proposals, we believe that it may not portray faithfully the business model that banks as a financial conglomerate have in place:

- Given that the Insurance Service Result is net of direct attributable expenses, if financial conglomerates decide to present expenses by nature, it may convey the message that the banking business is our predominant activity, and that most of the non-attributable expenses relate exclusively to this business.
- The Insurance Service Result will be not comparable with the current information provided in the annual report regarding business information (IFRS 8); difficult to explain and reconcile.

In Appendix 2 you will find comments regarding the financial conglomerate P&L presentation under IFRS 17.

- *Definition of integral and non-integral associates and joint-ventures*

We believe that the IASB should include additional guidance in the definition of integral and non-integral associates and joint ventures. Banking or insurance companies could own a stake in an associate whose main business activity is the same as the investor (same products/services) but operates in another geographical region. This associate may not meet the definition of integral associates presented in the new ED (p. 20 D of IFRS 12), however, in our view associates should be classified as integral when the operating activities are broadly the same; in this case their results should be presented within operating profit (instead of investing profit).

Additionally, we believe that restructuring of SHA agreements may occur if the new ED guidance is more easily met by way of a creating a joint venture (common brand) and the application of the proposed definition in the context of subgroups may lead to inconsistencies (for example, we would like to ask if an integral associate of a fully owned subsidiary should not be regarded as integral in the ultimate consolidated financial statements).

- *Definition of unusual income and expenses*

The definition of unusual income and expenses proposed by IASB is too restrictive; the expression does 'not arise for several future annual reporting periods' is not clear enough, it will require significant judgement.

We agree with EFRAG's proposal to 'consider not only items that 'will not arise for several future annual reporting periods' (as expressed in the ED) but also items that presently occur in the business, but only for a limited period of time (e.g. those identified in paragraph B15 of the ED such as restructuring costs).

Moreover, we consider a good exercise to test new ED proposals in the context of COVID-19:

- In our view, both changes in the fair value of financial assets measured at FV-PL and changes in ECL of amortised costs loans and advances due to the COVID-19 should be considered (or part of them) as unusual items.
- The impacts by COVID 19 have not been expected neither recurrent. The pandemic has been an unexpected event that (hopefully) is not expected to repeat in subsequent years.

- *Management Performance Measures*

The scope of the IASB's proposals regarding Management Performance Measures is very narrow, it only includes subtotals of income and expenses. For example, one member of ESBG currently provides a wide range of financial performance measures such as:

- Alternative Performance Measures, as defined in ESMA Guidelines on Alternative Performance Measures (ESMA/2015/1415) (ESMA APM Guidelines) included in its annual management report.
- Prudential measures including measures defined in the Capital Requirements Regulation and Directive – CRR/CRD IV included in its primary financial statements and other reports.
- Other indicators with great interest for stakeholders included in its public communications, such as management reports, corporate presentations, quarter results presentations webcasts, and other reports.

Around 63 KPIs are currently being informed by the bank. However, based on the ED only 4 KPIs (on Adjusted Result, Core Result, Other operating income and expenses and Adjusted operating Result) would meet the MPM definition. We are concerned the scope of financial indicators is broader than those 4 MPMs, consequently the divergence in the scope may not provide useful information to users.

Additionally, complying with different regulations on APM/MPS will lead to excessive work and increase costs (governance, audit review, changes in IT systems). Overall, we believe the IASB should review its definition of MPMs, so that useful information is provided to users, or permit to cross-reference the identified MPMs to other management reports, and closely communicate with regulators on this topic.

Another very important issue relates to the reconciliations of MPMs required by the ED. The ED requires to disclose for each reconciliation the tax effects and the effect on non-controlling interests (NCI). We would like to highlight that disclosing these effects will be overly burdensome and complex to prepare. The calculation of income tax expenses is driven by local tax legislation and in many cases local GAAP and calculated in a tax ledger. Thus is disconnected from IFRS.

- *Implementation time*

We consider that the IASB should provide at least 24 months for implementing after the new standard is issued. There are several reasons for this. If the burden of the proposed requirements is not significantly relieved banks will need to analyse what kinds of subtotals could be introduced in the statement of profit or loss to better capture the operating performance. These subtotals will need to be incorporated in the planning and budgeting process. Further, systems tracking information for the MPM reconciliation requirements will have to be developed. Also, full comparative information would need to be prepared.

APPENDIX 1: EFRAG'S RESPONSES TO THE QUESTIONS RAISED IN THE ED

Question 3 - the operating category: income and expenses from investments made in the course of an entity's main business activities

Question to constituents

32. For those in a regulated industry, would the IASB proposals in paragraph 48, for entities that invest in the course of the entity's main business activities, result in significant changes in practice that would be in conflict with regulation in your industry? Do you expect any additional challenges or significant costs?

For financial conglomerates, both banking and insurance business are highly regulated industries, therefore the implementation of the new ED may lead to a conflict with specific requirements for both industries in terms of how to report and communicate public financial information.

For example, the Spanish banking requirements to communicate public information to the local supervisor of the stock exchange market (CNMV, which ultimately depends and reports to ESMA) is based on FINREP templates. The same happens with public presentation for the financial statements which are prescribed by the National Bank and for the templates used to provide on-going information to the ECB.

In this respect we have identified IASB proposals which would result in significant changes in practice and conflict with the regulation in our industry. The latter include for example:

- Paragraphs 60 (a) and 61 of the ED propose that all entities present in the statement of profit or loss a subtotal for operating profit or loss: the structure of the income statement according to requirements based on FINREP for banks and the public template prescribed by the local National Bank use for example the subtotals lines "Gross Income" and "Profit/ (Loss) before tax from continuing operations" but not the subtotal "Operating Profit". There are some lines showed after "Gross Income" such as administrative expenses, amortisation, depreciation that they will need to be moved inside the Operating Profit. In a similar way FINREP uses "Total operating income, net" subtotal, however it is well above the IASB "Operating Profit" subtotal in the structure of the statement of profit or loss. E.g. it excludes administrative expenses, depreciation, impairment on both financial instruments and non-financial assets, provisions... Regarding relevance of the "Operating profit" subtotal please refer also to our answer to question in paragraph 190 of the DCL. Reclassifications are more complex if only part of the balance included in one particular subtotal line need to be moved to comply with the ED.

- Paragraph 60(b) of the Exposure Draft proposes to present in the statement of profit or loss a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures. Current local requirements do not distinguish between integral and non-integral associates and joint ventures.

We would like to avoid having to prepare two or three different templates/presentations for the profit and loss statement (and any other financial statement) to be provided to ECB, Insurance Supervisor, markets supervisor and to main stakeholders. For these reasons, we suggest that the IASB closely communicate with regulators on this topic.

The above explanations referred to the presentation of financial statements from the perspective of a bank or a financial conglomerate. However, when considering the stand-alone requirements that are applicable to insurance companies, a similar situation arises but from another perspective. Insurance companies are currently required under local gaap to present in their separated and consolidated financial statements expenses by destiny. All the expenses are segregated between expenses attributable to (i) claims, (ii) investment management, and (iii) non-technical expenses. Depending on how the local gaap develops when IFRS 17 is transposed in the Member States, there may be theneed to prepare a different presentation for the insurance business. In addition, if such a by destiny presentation is required, there would be the need to re-process all the expenses based on the final presentation decided at consolidated level. Such different presentations always lead to a significant number of hours dedicated to produce and reconcile figures.

33. Do you consider that separating returns from investments made in the course of an entity's main business activities from those that are not will be difficult to make in practice? Please explain.
One of the main activities of banking groups is the investment activity, and most of the returns arising from this activity class are made during the entity's main business activities. Because of this, we believe that the cost/benefit of doing a split of income and expenses arisen by the investment activities between the operating and investing section is not proportional and would not provide relevant information to users of the financial statements.

Usually, the income and expenses of the investment activities that are not obtained in the course of the entity's main business activities are not material compared with the total business activities (and based on paragraph 24 of the ED such information may not even have to be provided), however the costs of doing the split would be very high and not outweigh the potential benefits. We believe that such an split is difficult to be made on an automatic basis and a specific analysis may be needed for each reporting period. From this perspective we propose to include banks in paragraph B27 among the examples of entities that invest in the course of their main business activities.

Question 4 – The operating category: an entity that provides financing to customers as a main business activity
Question to constituents

42. Do you consider that it is difficult or costly to allocate income and expenses from financing activities and from cash and cash equivalents to those that do or do not relate to the provision of financing to customers? Please explain.
Banks consider the provision of funding to customers as their key activity. Thus, distinguishing between income and expenses from financing activities that relate to the provision of financing to customers and that would not make sense. As a result, we would choose the accounting option of classifying all income and expenses from financing activities in the operating category as provided in paragraph 51(b). With this, additional costs would not be incurred.

The option of distinguishing between income and expenses from financing activities that relate to provision of financing to customers and other financing activities would be very artificial to apply. The borderline between the customer financing and other activities would not be clear. It would be very disproportionate since normally more than 90% of the balance sheet total of savings banks consists of loans and debt securities which are typical financing instruments. The net interest income is a key revenue item at the very top of the statement of profit or loss. Separating a small part of interest expenses (allegedly unrelated to customer financing activities) would be very confusing, in our view.

The same is true with financial conglomerates where the banking business is core business together with insurance. The operating result relates not only to the provision of financing to customers, but to all types of financing related services. This is another reason for retaining the option to classify all income and expenses from financing activities and all income and expenses from cash and cash equivalents in the operating category (paragraph 51 (b) of ED).

43. For those that provide financing to customers as a main business activity and are in a regulated industry, would the IASB's proposals in paragraph 51 of the ED be in conflict with regulation in your industry? Do you expect any additional challenges or significant costs?
The requirement in paragraph 51 for transferring of income and expenses from financing activities to the operating category is not in conflict with regulation, i.e. FINREP IFRS reporting for banks. In the FINREP structure of the statement of profit or loss all items of interest income and interest expenses are included as part of 'Total operating income, net' subtotal.

One of our members presents the net interest result and the other financing profit within a caption named 'gross margin' and all these captions are required and regulated in the domestic regulation. The current presentation does not identify any financial section in the profit and loss account. Please see also our response in Question 3 above.

Question 5 – The investing category
Question to constituents

57. Do you consider income and expenses from cash and cash equivalents (i.e. short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value) as part of the entity's financing (paragraph 54 above) or investing activities (paragraph 55 above)? Please explain.
For banks income and expenses from cash and cash equivalent are naturally part of operating activities since they result by activities performed during the course of the main business activities. The same is true for financial conglomerates.

63. How costly would it be to track whether exchange differences relate to the entity's main business activities, investing activities or financing activities? Please explain.
As we have commented before, we will classify almost all our income/expenses in the operating, those which will be outside generally do not generate exchange differences (associates and joint ventures are non-monetary items and pension liabilities are normally not denominated in foreign currencies). As a result all exchange differences will be shown in the operating category.

Nevertheless, we consider any split of exchange differences in profit or loss as burdensome. This is especially true when entities steer the overall foreign currency position and use the system of position accounts whereby the gains and losses on foreign currency transactions are calculated on an aggregated level. If we had to split exchange differences among different business activities it would be operationaly complex and very costly to implement.

Question 6 – profit or loss before financing and income tax and the financing category
Question to constituents

76. Do you consider income and expenses that reflect the effect of the time value of money on liabilities that do not arise from financing activities (as in paragraph B47 of the ED) as part of the entity's financing or operating activities? Please explain.
Regarding the time value of money on liabilities that do not arise from financing activities, we believe that it should be classified as a component of the operating category since it is not linked to financing activities but operating activities (e.g. income or expense of the provisions and liabilities under the scope of IAS 19, IAS 37 or IFRS 16 are classified in the operating section, in this sense the time value of money on these liabilities should be treated consistently in a similar way). In support of this we can also state that the regulatory IFRS FINREP reporting as set out by the EBA applies this approach and includes interest income and expenses on other liabilities in the net interest income which is the main source of the operating performance of banks.

In the case that these items would be classified as a component of the financing category by considering such income and expenses to be similar to income and expenses from financing activities, the accounting policy choice included in paragraph 51 of the ED PFS should be extended to this situation, so as to allow including in operating profit and loss all income and expenses from financing activities, all income and expenses from cash and cash equivalents and the time value on these liabilities.

One additional comment on the unwinding is whether this requirement is very useful for financial entities, including banks and insurance companies. The caption proposed in the new ED focuses only on the unwinding of provisions, whereas financial entities are very much used to discount many of the figures that are recognised in their balance sheets (both assets and liabilities). It is quite strange for a financial conglomerate to report in a separate line the unwinding of provisions whereas the unwinding of the insurance liabilities will be separately presented in the profit and loss statement. For those entities who have immaterial amounts of time value of money on other liabilities, we understand that they will be able to report them under the Operation category by application of paragraph 24 of the ED. In any case, if this new caption is finally retained in the new IFRS, we would recommend clarifying that it does not include all those liabilities that are being recognised in the financial statements of insurers and financial conglomerates related to insurance contracts.

Question 7 - Integral and non-integral associates and joint ventures
Questions to constituents

93. Do you consider that the IASB needs to expand the new paragraph 20D of IFRS 12, for example to include additional indicators, to reduce the level of judgement involved when making a distinction between integral and non-integral entities? Please explain.
We believe that the IASB should include additional guidance in the definition of integral and not integral associates and joint ventures. We provide below a summary of our views.

Sometimes, a banking, insurance company or financial conglomerate may have a stake of ownership in an associate whose main business activity is the same activity as the parent but it operates in a different geographical region. However, this associate may not meet strictly the definition of integral associates included in the ED (p. 20 D of IFRS 12) by the following main reasons:
1. Not having integrated lines of business with the associate or joint venture
2. Not sharing a name or brand with the associate or joint venture or
3. Not having a supplier or customer relationship with the associate or joint venture

Nevertheless, the associate entity that is accounted for using the equity method may have the same main business activities than the parent company, offers similar or the same products and services but in another geographic area and the parent company has members in the director board of the associate entity in the context of significant influence required by IAS 28. There could be different reasons why the associate does not share the same brand or impediments, including legal ones, to use a common network to sell and distribute the products or such integrated lines may not be possible if the operations are executed in a different country. We believe there are situations in which the associates should be classified as an integral since the operating activities share many features, and therefore such associated should have an impact on the operating profit of the parent entity instead of investing profit. Accordingly, we suggest the IASB review the definition so that it considers analogy in the activities being performed between the reporting entity and the associate and joint venture and to provide additional practical guidance.

One additional point to think about is whether the conditions set up by the IASB are more easily met in the case of joint ventures (as it can be most likely to have a common brand or use a distribution network), and whether investments in associates should be penalised because of failing such conditions. If that was the case, there could be possibilities to structure new businesses as joint ventures only to achieve a presentation of their results within the operating profit of the parent entity.

One last comment is related to the application of the definition when there are subgroups. In our view, when an associate is integral to a subsidiary, such an associate should also be reported as integral in the consolidated financial statements of the parent entity. We believe it would be worthwhile for the IASB to assess whether integral associates hold indirectly through a subsidiary (fully) owned should be also presented as integral in the ultimate parent consolidated profit and loss.

94. Considering that the IASB is proposing the subtotal 'profit before financing and income tax', which includes the result of associates and joint-ventures on a net basis, do you consider that it would be useful to separately present or disclose the income tax related to associates and joint-ventures accounted for under the equity method?
We believe the presentation of the income tax related to associates in the Primary Financial Statements does not respond to a cost/benefit approach and does not offer a relevant information to the stakeholders. Companies could provide this information if relevant within their notes to the financial statements.

Question 9 – Analysis of operating expenses
IASB Questions
Paragraphs 68 and B45 of the Exposure Draft propose requirements and application guidance to help an entity to decide whether to present its operating expenses using the nature of expense method or the function of expense method of analysis. Paragraph 72 of the Exposure Draft proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes. Paragraphs BC109–BC114 of the Basis for Conclusions describe the Board's reasons for the proposals.
Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?
Although we agree in general terms with the EFRAG`s answer to this question, we would like to share our main concerns regarding the analysis of operating expenses in the financial conglomerates and insurance entities.

The analysis of operating expenses proposed by the IASB requires entities to present an analysis of expenses using either a by nature or by function method, based on whichever method provides the most useful information to users of financial statements. However, this analysis is very complex in the financial conglomerates since each business line could require a different analysis (for example, the IASB proposal of analysis of expenses in the banks is using by nature, however for the insurer it is by function). In the absence of clear guidance for financial conglomerates in the new ED, although we acknowledge that the IASB has established the premises to be considered in the decision-making process, preparers such as financial conglomerates will be forced to use significant judgments with a risk of losing comparability among the peers, which is a relevant objective of the overall IASB project.

Also related to the analysis of operating expenses for insurers and financial conglomerates, we would like to make the following comments:
1) We believe that the example included by the IASB in II-2 relating to a pure insurer is not clear enough. We note that the example states that 'BB Group has determined that an analysis of operating expenses using the function of expense method provides the most useful information to users of financial statements in accordance with paragraph 68 of [draft] IFRS X'.

In particular, it is not clear to us:
- Whether the IASB pretends that all operating expenses are presented under caption 'other expenses', which does not make a lot of sense given that part of the expenses will be related to indirect costs that are attributable to investment management services, or administration of the contracts.
- Or whether the IASB assumes that under the captions 'insurance service expenses' and 'insurance finance expenses' an attribution of indirect operating expenses would be included. This second view seems the most unlikely, given that IFRS 17 already provides definitions of this minimum lines in the PL and such type of costs are not included.

If all the operating expenses were reported under 'other expenses' or even if companies would provide in the face of the PL with further disaggregation of these expenses by nature after this caption, we are not sure whether it is a faithful presentation of the performance of an insurance company. We note that some local gaap accounts for insurers, which are based on IFRS, require companies to present operating expenses by function, however, this presentation is done in each main subtotal relevant to the Profit and Loss Account. For example, expenses attributable to claims management are presented together with the technical result, the same for investment management within the financial net result.

2) In the context of a financial conglomerate, our understanding is that the new ED does not override or change any of the principles in IFRS 17, although the interaction of IFRS 17 and some ED principles such as disaggregation is not clear. Therefore, some may have the view that it is no longer possible to present the 'insurance revenue service' on a gross basis, i.e. without deducting those costs that are conglomerate level are directly attributable to insurance contracts/groups. However, if the presentation of performance implied by IFRS 17 fits with insurance companies' needs, it does not fit with the way financial conglomerates manage insurance business and present drivers of profitability to users (i.e. cost vs gross income ratio).

We note here that currently our profit and loss account presents most of the expenses by nature. The stand-alone presentation of the insurance business (it is a separated subsidiary) which is based on a by destiny presentation, is reversed at consolidated level and the margin of the insurance business is integrated on a gross basis. This means that in our consolidated profit and loss there is no attribution of a part of the total expenses to this business. However, as required by IFRS 17, at consolidated level there will be a portion of these total expenses that will reduce the 'insurance service result'. The remaining operating expenses incurred at consolidated level will be related mainly to the banking and complementary businesses, which may not be very useful for users as they could assume that these costs are necessary to provide both financial and insurance contracts.

At least for financial conglomerates, we believe the IASB should consider a mixed presentation approach of expenses in the profit and loss account or to clarify that disaggregation allows conglomerate to present statement of profit or loss subtotal based on gross basis to better fit with the way business is managed and drivers of profitability are presented to users. We are aware of entities that are currently using a mixed method presentation and have not received any negative feedback or suggestions from investors.

Please see also our comments in Question 14 below.

Questions to constituents
121. Do you consider that it is useful to have disclosures by nature in single note when an entity presents its expenses within operating profit or loss by function (i.e. when an entity assesses that presentation by function provides the most useful information)? Do you anticipate that such information will be costly to provide? Please explain.
The answer will mainly depend on the IT Systems, to which extent they are integrated and transversal. If there is a significant amount of accounting processes, interfaces, etc, making any change will lead to investing in a huge number of hours of our IT colleagues, assuming a great cost for the company.

Additionally, auditors may have to review the analysis of the operating expenses two times. We understand that it is not necessary to give more information to meet the cost/benefit objective.

122. Do you consider that it is useful to have in the statement of profit or loss:

(a) a strict presentation either by nature or by function (no mix);
(b) a general presentation by nature or by function together with limited additional requirements as suggested in the ED by the IASB; or

(c) a mix presentation basis (no restrictions). Please specify why.

- *Considerations for financial conglomerates*

Regarding this question, please see our answer above to the question 9.

- *Considerations for banks*

Banks generally use the 'by nature' presentation. However, certain aspects of 'the function of expense method' may be found in financial statements of banks. For example, one bank at ESBG has chosen to present modification gains/losses under net interest income if the modified assets are in stage 1 and under impairment result for modified financial assets in stage 2, 3 or POCI. Other examples are discussed below. We note that so far, based on IAS 1 requirements, banks generally have not been confronted with the need to identify which line items potentially use the 'by function' logic.

We wonder whether it is really necessary to ask for purity of the methods. We consider that the issue should be addressed for the cases where the concerns actually arise and the mixed presentation as such should not be prohibited. The ED explains in paragraph BC110 that both methods have merits for forecasting components of operating expenses and calculation of performance metrics and margins. It further says: "*Users have raised concerns that useful information can be lost because entities choose which method to use and because, in practice, many entities use a mixture of both methods.*"

We believe that this issue is relevant mainly for non-financial entities using the 'cost of sales' line item where a large part of major expenses such as depreciation, amortisation, personnel expenses is hidden. We are not aware that profit or loss statements of banks have been challenged by users in this regard. The pure 'by nature' presentation requirement would force banks to reconsider the structure in the areas where it is not necessary, in our view.

But if the mixed presentation was not allowed we consider that an additional guidance should be provided. We mention two examples in this respect. The EFRAG DCL says that the administrative expenses line item is presented 'by function'. Also, in the Illustrative Examples part of the ED 'General and administrative expenses' are a typical item which can be found in the statements of financial performance using 'the function of expense method'. Banks often use 'Other administrative expenses' line item in the statement of income. It does not seem to use much of the 'by function' logic. It comprises items such as costs for office space, trainings, travel, personnel leasing, cars, cash transportation, IT, advertising, marketing, legal, consulting or audit (personnel expenses and depreciation/amortisation are excluded). These are expenses which are not related to a specific IFRS standard and are accounted for applying the general accrual principle. As a result, they seem to be similar in their accounting nature. Thus, it would be helpful to clarify that certain items which are typical of the 'by function' approach may also fit the 'by nature' logic.

Another example is that if restructuring provisions relate to expected personnel and other administrative expenses they are presented in the respective income statement line items (unlike expenses from other IAS 37 provisions). It could be clarified whether in such cases the 'by function' or 'by nature' presentation is applied.

Some ESBG member banks participated at the IASB/EFRAG fieldwork for the proposals in the 2019 Exposure Draft. In the discussion the IASB mentioned that an underlying idea for the requirement of purity of the approach was that if certain line items use specific labels such as 'personnel expense' it is important for users that additional expenses of this kind are not hidden under other P&L line items. We consider this to be a helpful clue on how to think about line items to be presented in the ‘by nature’ approach. Examples in the additional guidance might also be developed around this notion.

Question 10 - Unusual income and expenses
IASB Questions
(a) Paragraph 100 of the Exposure Draft introduces a definition of ‘unusual income and expenses’.
(b) Paragraph 101 of the Exposure Draft proposes to require all entities to disclose unusual income and expenses in a single note.
(c) Paragraphs B67–B75 of the Exposure Draft propose application guidance to help an entity to identify its unusual income and expenses.
(d) Paragraphs 101(a)–101(d) of the Exposure Draft propose what information should be disclosed relating to unusual income and expenses.
Paragraphs BC122–BC144 of the Basis for Conclusions describe the Board’s reasons for the proposals and discuss approaches that were considered but rejected by the Board.
Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?
As EFRAG states in its DCL, we understand that the definition for unusual income and expenses proposed by IASB is excessively restrictive since these types of income and expenses are limited to those that will not arise for several future annual reporting periods. We suggest that the IASB review its definition and apply EFRAG proposal based on considering not only items that ‘will not arise for several future annual reporting periods’ (as expressed in the ED) but also items that presently occur in the business, but only for a limited period of time (e.g. those identified in paragraph B15 of the ED such as restructuring costs).

Additionally, the expression ‘not arise for several future annual reporting periods’ may not be clear enough and entities will have to use significant judgements to conclude what it is the meaning of several future annual reporting periods. For example, in paragraph B71 of the ED, the IASB says ‘the expectation about the future will depend on the facts and circumstances of an entity’. In our opinion, this explanation is confusing and vague and its application for the entity will be discretional and not comparable with other entities. We suggest the IASB clarify its meaning and propose a clear guidance to better understand the definition of the unusual items.

Regarding the paragraph B72 of the ED it states that ‘Income and expenses from the recurring remeasurement of items measured at current value would not normally be classified as unusual. Income and expenses from the remeasurement of such items are expected in each report and are expected to vary from period to period’. We believe a good debate would be to assess, if significant impacts in the valuation of these items, such as financial assets at fair value or at amortised cost would be classified as unusual items because of COVID-19 under the new ED, although the income and expenses are from remeasuring the assets. We believe that the answer should be to classify them as unusual items since the impacts by COVID 19 have not been expected neither recurrent. The pandemic has been an unexpected event that is not expected to repeat in subsequent years.

Question 11 – Management performance measures
Questions to constituents
185. What is your assessment of the overall costs and benefits of the IASB’s proposal on the calculation of the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation as required by paragraph 106(b)?
In our view, the calculation of the income tax effect and the effect on non-controlling interest for each item disclosed in the reconciliation does not respond to a cost/benefit approach. The disclosure will be excessively laborious and does not offer relevant information to the stakeholders. Additionally, as EFRAG indicates in its p. 241 of EFRAG DCL, this information will be complicated

to obtain particularly when preparing interim financial statements at consolidated level (e.g. tax includes income tax of different subsidiaries and not transactions). The calculation of income tax expenses is driven by local tax legislation and in many cases local GAAP and calculated in a tax ledger. Thus is disconnected from IFRS.

We do not understand why this information is necessary when the tax and NCI effects are presented in the statement of profit or loss only at the level of the overall profit or loss. Why should tracking of these effects be pushed upwards in the structure of the statement of profit or loss?

The simplified approach provided in the ED for calculating the income tax effects on the basis of a reasonable pro rata allocation or another more appropriate method would not provide much relief, in our view. The pro rata allocation of the current and deferred income tax effects can hardly be reasonable. The reason is that the tax effects for individual items can be significantly different to the overall income tax effect. To prove the reasonability the individual items effects would need to be tracked anyway.

We do not consider the reasoning why disclosures of the tax and NCI effects are required in paragraph BC177 of the ED as convincing. The paragraph mentions feedback from users that "…one of the benefits of management performance measures to users is the detailed information that can be used to calculate a related earnings per share figure. To calculate such an earnings per share figure, users need information about the earnings adjustments attributable to the parent and the tax effects of those adjustments." Further it says: "The Board decided to propose this disclosure at the level of individual adjustments made in calculating a management performance measure … because it gives users information needed to select which adjustments they want to consider in arriving at an adjusted earnings per share measure used in their analysis."

Taking an example of one of our member banks, they do not provide currently any earnings per share measure in relation to the MPM 'Operating result' used by the bank. And users do not ask the bank for this kind of information. We wonder why users should be provided not only with this information but also with the information enabling them to further adjust the earnings per share measure in their analysis on line-by-line basis.

In our view, this would be information from the category of 'nice to have' to the users which would not justify the burden to the preparers.

186. What is your assessment on number of MPMs that will need to be disclosed by entities under the IASB's proposals? Please indicate which MPMs you have identified.
Regarding this question, first we would like to emphasize that banking and insurance business are highly regulated industries. One of ESBG members provides Alternative Performance Measures (APMs), as defined in ESMA Guidelines on Alternative Performance Measures (ESMA/2015/1415) (ESMA APM Guidelines) in its annual management report, quarter corporate presentations, quarter results presentations webcasts, and other quarter recurring reports. These APMs include prudential measures – e.g. those defined in the Capital Requirements Regulation and Directive – CRR/CRD IV and other indicators with great interest for stakeholders to understand the performance of the consolidated group and its business. Most of these financial indicators don't coincide nor cover the scope of the IASB's proposals regarding MPMs since the definition of IASB is very narrow in its scope, as it only includes subtotals of income and expenses. However, the scope of the financial indicators is broader and covers financial measures of historical or future financial performance, financial position, or cash flows, ratios, gross margin, core income, etc.

The bank has performed a list of all the financial indicators included in our public communications. The total financial indicators identified are 63, of which only 4 would meet the IASB´s proposal definitions (Adjusted Result, Core Result, Other operating income and expenses and Adjusted

Operating Result). In order for entities to work with a similar scope, we would suggest the IASB to better define what is a public communication.

We believe that the divergence between the scopes of IASB and ESMA will generate misunderstandings when communicating different financial indicators in the notes of the financial statements and other types of public communications of the group. A user of the financial statements may conclude that the 4 MPMs to be included, described and reconciliated in the notes to the financial statements are the most useful to understand the performance of the Group, which may not be the case. Offering only a reconciliation of 4 out of 63 KPIs will not provide useful information. To avoid this, the reconciliation of these 4 MPMs could be provided outside the IFRS financial statements, or the IASB could allow to include a cross-reference to other management reports where the reconciliation of the MPMs identified will be offered. In addition, banks will be obliged to comply with different regulations, IFRS for the preparation of financial statements, definitions by ESMA Guidelines on Alternative Performance Measures (ESMA/2015/1415) (ESMA APM Guidelines) or prudential measures including measures defined in the Capital Requirements Regulation and Directive – CRR/CRD IV ESMA. If the entity must meet all these requirements, it will generate excessive work with a great cost to us (audit, changes in information systems, etc.) and the IASB objective will not accomplished which is to offer reliable and comparable information to our stakeholders.

187. What is your assessment on the relevance of the MPMs identified (is it too much? too little? which additional ones?)

Please, see our answer above.

188. Do you agree with the scope of the IASB's proposals? If not, which alternative (Alternative 1 or Alternative 2 above) would you prefer so that financial statements remain relevant?
As commented previously, we suggest that the IASB reviews its definition of MPS since the definition of the IASB is very narrow in its scope, as it only includes subtotals of income and expenses. Regarding our preferred alternative proposed by EFRAG, we would choose the alternative 1 since we are highly regulated industries as we have explained in our answer above.

189. Do you agree with EFRAG's suggestion to apply the MPM requirements also to the non-GAAP performance measures, presented within financial statements, that may not satisfy the proposed criteria of MPMs (e.g. adjusted revenues and ratios)?

Although it would lead to incurring more cost, we believe that any reconciliation should apply to any non-GAAP performance measures provided that they are considering captions or parts of captions of the new profit and loss under the ED PFS.

190. The ED is introducing more structure in the presentation requirements, including a requirement to present on the face of the income statement a new subtotal named "operating profit or loss", which will become an IFRS defined measure. Entities that currently use a performing measure labelled "operating profit or loss" on the face or in the notes will be forced to either (i) change the label for their performing measure and continue to use both the old measure and the new IFRS defined "operating profit", or to (ii) discontinue the pre-existing performance measure, replacing its use with the new IFRS defined "operating profit or loss".
In the context described above, do you believe that the IASB's proposals on the structure and content of the statement of profit or loss will lead to an increased number of MPMs?

The proposals for the structure of the statement of profit or loss are of a particular concern to us. Introduction of the mandatory 'Operating profit or loss' subtotal is sensible for entities with significant income and expenses in other categories (i.e. financing and investing) of the statement of profit or loss.

For banks this subtotal would be very formal since almost all income and expenses would belong to the operating category. Based on annual results of one of our member banks, in the period 2014 - 2019 the difference concerning the pre-tax result and the proposed Operating profit or loss subtotal was between 0.6% to 3.4%. The Operating profit or loss would only exclude results from associates and joint ventures and unwinding of discount on pension liabilities and provisions. Moreover, if the unwinding also belonged to the operating category (as asked by EFRAG in the question in paragraph 76 of the DCL, and we agree with this) the two measures would be even closer.

In our view, the operating P&L would not bring much added value for the statement of profit or loss of typical banks. It would be an artificial subtotal which formally improves comparability without contributing to the relevance of the information.

The proposed requirements would force banks to present something which is labelled as 'operating'. However, financial institutions seem to view the operating performance well above the total profit or loss in the structure of the statement of profit or loss. This is also evidenced by the early stage analysis published by EFRAG in its draft comment letter. In paragraph 271(a) discussing operating income, operating expenses and/or operating profit subtotals presented by financial institutions, the draft comment letter says: "In many cases, this subtotal excluded line items such as 'share of profit in associates and joint ventures', 'impairment charges (e.g. loans) ', 'goodwill', 'net gain on non-current assets' and 'net loss on held for sale group entity." An example of one of our member banks is the 'Operating result' performance measure.[1]

In order to properly capture the operating performance in the statement of profit or loss from the management perspective, banks may need to consider introducing own developed subtotal(s). These would be also communicated externally and thus would meet the definition of MPM.

However, adding such subtotals which also are MPMs would not be straightforward because as noted in BC165 of the ED: "…the Board expects that few management performance measures would meet the requirements for presentation as a subtotal in the statement(s) of financial performance."
From this perspective, we would like to propose that the IASB considers dropping the mandatory requirements for structuring the statement of profit or loss if (substantially) all income and expenses, other than such coming from associates and joint ventures, relate to main business activities. Alternatively, the IASB could consider keeping this subtotal but dropping the requirement to use the attribute 'operating' in labelling this subtotal. For example, a label 'Profit or loss before associates and joint ventures and income tax' could be used in this place or entities could use other appropriate labels.

The income and expenses from associates and joint ventures would still be provided on face of the statement in separate line items including the split into integral and non-integral. They would follow after the operating section (which would not use its subtotal or would use the alternative

[1] Operating result as defined by this ESBG member captures net income from core activities. Negative operating result would mean that the bank does not have a viable business model. It is the net amount of operating income and operating expenses.
Operating income includes net interest income, net fee and commission income, dividend income, net trading result, result from financial instruments at FVPL, income on investment properties and result from equity method investments. Operating expenses consist of personnel, other administrative and depreciation/amortisation expenses.
The operating result excludes gains/losses on financial assets and liabilities not measured at FVPL, impairment result from financial instruments, result from IAS 37 provisions, impairment on non-financial assets including goodwill, gains/losses from disposal of non-financial assets, levies on banking activities, recovery and resolution fund contributions.

subtotal). In this way users, should they be interested, could readily derive the formal 'Operating profit or loss' subtotal or would see it with a different label.

Question 14 - other comments
Question to constituents

250. Do you agree that the IASB should consider providing more guidance for the presentation of revenues and costs when they are allocated to different business activities on the face of the statement of profit or loss, including consistency with IFRS 8 and disclosure on judgement applied in the allocation process?
First, as an overall comment we support the IASB´s effort in developing a more homogenous and comparative structure of the Primary Financial Statements, in particular for the statement of profit and loss. Regarding your question, for financial conglomerate and most of their income and expenses will be classified inside the operating category, similarly to the current presentation, being the main differences because of adopting IFRS 17.

As the Draft Comment Letter of EFRAG of ED states in its paragraph 249, the IASB has not developed a clear guidance about how entities with different business activities should prepare their financial statements (the IASB has only presented an example in paragraph IE11 of the Illustrative Example of a manufacturer providing financing to customers). Currently, there is diversity in how the financial conglomerates across different jurisdictions in Europe prepare its profit and loss account. Financial conglomerates are considering several presentation alternatives, with very different outcomes in terms of the presentation of the profit or loss account. We regret that comparability may not be achieved even when all the conglomerates will apply IFRS 17 Insurance Contracts from 1 January 2023.

Under the new ED, one presentation option would be to split between income and expenses in different rows reflecting the different business activities, and showing separately the result of each business. Another option would be to present all income and expenses related to different business activities without any business activity distinction. In order to guarantee the comparability of the financial statements between the financial conglomerates, we believe the IASB should provide guidance about how these entities could prepare their financial statement avoiding the current diversity in practice.

Based on the principles included in the new ED we firmly believe that a profit and loss account presentation similar to the one presented and discussed at the December 2018 ASAF meeting is not compliant with the ED, as there would be a mix of expenses provided by function and nature that go beyond the ones allowed in the ED. This fact is leading to several discussions among financial conglomerates on the way to present the profit and loss account under the ED, with some different views. If conglomerates reach different approaches to present their Profit and Loss Account, comparability may not be achieved.There is one last comment we would like to share related to IFRS 9 and IFRS 17 and how they interact with the ED. Irrespective of how financial conglomerates choose to present their banking and insurance business results, there would be two compulsory subtotals which are 'Net Interest income' and 'Insurance service result'. Under IFRS 9, entities are only allowed to consider incremental transaction costs when estimating the effective interest rate to accrete interests, whereas IFRS 17 obliges to consider an allocation of insurance acquisition cash flows attributable to the portfolio being measured, among others, when estimating the cash flows that will arise as the entity fulfils their insurance contracts. The costs that IFRS 17 requires to be considered when estimating the contractual service margin are broader in scope and in absolute terms can be quantitatively higher from the narrow definition of transaction costs in IFRS 9.

For financial conglomerates whose both main businesses share the same network and digital platform used for selling the contracts (human capital, amortization and other expenses), the information provided by the previous referred captions may be misleading for users, as the core revenue of both businesses will not be comparable. Please see also our comments in IASB Question 9 Analysis of operating expenses.

APPENDIX 2: Financial conglomerates P&L presentation under IFRS 17

Financial conglomerates are bank-insurers, i.e. groups involving at least one significant entity within the insurance sector and at least one significant entity within the banking or investment services sector.

This section explores several possible presentations of P&L under IFRS 17 for financial conglomerates in the context of the exposure draft ED/2019/7 on Primary Financial Statement issued by the IASB (ED IAS 1 PFS).

Reminder of current presentation of financial conglomerate P&L under IFRS 4

Financial conglomerates currently present the statement of Profit or loss according to local requirements. Usually, insurance revenues are presented as gross income which includes also banking revenues. By gross, we mean before deducting any attributable expenses.

All operating expenses related to the insurance activities are presented by nature below this line item currently named Gross margin.

Possible presentation of financial conglomerates P&L under IFRS 17

According to IFRS 17, costs “directly attributable” to insurance contracts should be included in the insurance service expenses (with incurred claims). A line “(ab) insurance service expenses from contracts issued within the scope of IFRS 17” is listed by IAS 1§82 (amended by IFRS 17) and remains as such in ED IAS 1 PFS §65. A large part of operating expenses may be considered as “directly attributable”. This would mean that a large part of operating expenses from insurance subsidiaries would be presented in the net banking income. We understand that this presentation is consistent with a presentation of expenses by function used by many insurers at solo level.

This presentation (“**alternative 1**”) seems perfectly in line with IFRS 17 but may not properly explain and manage the performance of the insurance business within a financial conglomerate and make comparison with other segments.

Many institutions would decide to present expenses by nature, although previously all the expenses incurred by the insurance subsidiary itself or by the parent entity that are directly attributable to the insurance business have been presented under the line Insurance Service Expenses, and therefore considered in the determination of the Insurance Service Result. From our point of view, not only the operating expenses of the insurance subsidiaries should be considered but also the ones that are directly attributable at consolidated level.

All group business lines (banking, asset management, insurance,...) are internally managed based on cost/income ratio which is also one of the main KPI used for financial communication. Basically, the cost income ratio compares operating costs and net banking income. If a large part of insurance operating costs is presented in the net banking income, this ratio becomes meaningless.

Moreover, under alternative 1, operating expenses non directly attributable to insurance contracts would be presented by nature as operating expenses with the full operating expenses of other banking business lines. If directly attributable costs are determined based on by-function approach at insurance subsidiary level, an allocation of insurers operating expenses non directly attributable into by-nature operating expenses at financial conglomerate level would be artificial, operationally complex and non-relevant for investors. This is also inconsistent with IAS 1§99 (maintained in ED IAS 1 PFS§68) which requires the entity to present an analysis of expenses recognised in P&L using a classification based on either their nature or function.

The presentation of all financial conglomerate operating costs by nature below the "gross income ("**alternative 2**") may require specific changes to some of the IFRSs (e.g. IFRS 17) or clarification in IAS 1 on disaggregation.

The analysis of the expense option should be based on the "analysis that provides the most useful information" including "the way the business is managed and reported internally" (according to ED IAS 1 PFS§68 and B45). Hence, applying a presentation of expenses by nature for the whole conglomerate is consistent with ED IAS 1 PFS §68 & B45 since the operating expenses and cost/income ratio are managed and reported internally by nature for all conglomerates activities, including insurance activities.

However, in order to remain compliant with the ED IAS 1 PFS §65 (and IAS 1§82(ab) requiring to present in P&L "insurance service expenses") we have to present as a subset of operating expenses "operating expenses directly attributable to insurance contracts". In other words, it should be assessed whether a disaggregation of "insurance service expenses" (required line items) between two lines "insurance service expenses excluding operating expenses" and "operating expenses directly attributable to insurance contracts" would comply with the requirements of ED IAS 1. Both lines would be presented within the operating profit. Some ESBG members understand that the ED IAS 1 PFS does not require the order of the lines to be used within the operating profit and &42 allows "additional lines items (including by disaggregating required minimum line items), headings and subtotals in the statement(s) of financial performance and the statement of financial position when such presentations are relevant to an understanding of the entity's financial performance or financial position ". However, other ESBG members believe that such a split would not be compliant with the ED and that changes in IFRS 17 would be needed to use this presentation in the Profit and Loss statement.

Alternative 1 and 2 underline the difficulty to fairly present the performance of conglomerates with very specific business lines. Some financial conglomerates are further concerned that if Alternative 2 is the most useful way to convey information to the broad range of users of financial statements, significant changes in IT systems may be needed depending on the current approach taken to implement IFRS 17 at consolidated level. Comparability is also a common objective of financial conglomerates that seems difficult to achieve given that different entities have arrived at different conclusion on the PL presentation under IFRS 17.

Another way (("**alternative 3**") to tackle the presentation for financial conglomerates would be to present separately, within operating profit, a gross operating profit from banking activities (i.e. net banking income without insurance and related operating expenses by nature) and a gross operating profit from insurance activities by function (reflecting perfectly the lines required by IFRS 17):

By displaying the result of the insurance activity, this presentation may be considered as a disruption of the "traditional" result of the conglomerate to which several other main activities contribute. It may be somewhat questionable to include in the primary statements a segment information that gives rise to specific information in financial notes pursuant to IFRS 8.

It should be noted that in the above Profit and Loss statement what we understand is not compliant with the ED is to have a distribution of expenses by nature for the banking business and one based on by function for the insurance business.

Conclusion

We consider that the IASB should allow a by-nature or by-function or a mixture of both based on the way the business is managed and reported internally if it provides the most useful information for group entities composed of very specific sectors.

Especially, a group of entities with insurance business activity among other main businesses should be allowed to adopt a faithful presentation (including by nature) as long as it provides information that allows to clearly reconstitute the minimum lines required by IFRS 17.

About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.

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