

Definitions and concepts for the statistical reporting of financial companies

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Banque centrale du Luxembourg

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1 Introduction

The objective of the document «Definitions and concepts for the statistical reporting of financial companies» is to provide an overview of all the definitions and concepts that must be applied when establishing the statistical reports to be submitted to the Banque centrale du Luxembourg (BCL) by financial companies.

Hence, this document provides a detailed description of the main underlying accounting principles for assets and liabilities as well as for the breakdowns to be used while establishing various statistical reports to be submitted to the BCL.

More specific instructions necessary to establish certain statistical reports are provided within the descriptions of these reports.

2 Basic principles

2.1 Reporting population

Regulation 2014/17 of the Central Bank of Luxembourg states that all resident financial companies with total assets above a certain threshold must submit tables S 2.16, S 2.17 and the security-by-security reporting to the Central Bank of Luxembourg.

In this context, any company is considered a financial company whose object consists of at least one of the factors detailed below:

- the investment in any society for any kind of investment;
- the acquisition by subscription, purchase, exchange or any other way of securities, shares and other equity investments, bonds, receivables, certificates of deposits and other debt instruments, and in general all financial instruments issued by a public or private entity;
- to invest directly or indirectly in the acquisition and management of a real estate portfolio, of patents or other intellectual property rights whatever their nature or origin;
- to borrow in any form;
- to lend funds to its shareholders, subsidiaries, affiliated companies, and/or any other entity.

A «resident» company is a legal person under Luxembourgish law, for all activities performed by the head office, by its subsidiaries, affiliated companies and branches based in Luxembourg, or any legal person under foreign law, for all activities performed by its branches and headquarters based in Luxembourg.

Some financial companies may be exempted from reporting requirements. Thus, the BCL exempts from monthly and quarterly statistical reporting requirements all those financial companies with a relatively small balance sheet.

The BCL applies a threshold on exemption based on the total balance sheet. Currently, this threshold is fixed at 500 million Euros or the equivalent amount in foreign currency.

2.2 Reference date for the establishment of the reports

The last business day of *each quarter* should be the reference date for the establishment of the quarterly statistical reports S 2.16 «Quarterly statistical balance sheet of financial companies » and S 2.17 «Quarterly information on all transactions of financial companies ».

The last business day of each month should be the reference date for the establishment of the statistical monthly report «Security–by–security report of financial companies».

2.3 Reporting currency

Statistical reports must be established in the accounting currency in which the accounts of the financial companies are expressed.

Amounts to report in the statistical reports can be expressed with *highest* accuracy of up to five decimals, and transactions denominated in a currency other than the accounting currency should be converted into the latter during the reference date of the report.

2.4 Closing date

The closing date should be the date when the data are established.

2.5 Data transmission to BCL

The reports must be provided to the BCL in an electronic file complying with the norms defined in the documents «Manual of electronic transmission» and «Compendium of verification rules» established for each statistical report.

2.6 Safekeeping period of documents

Reporting agents must keep monthly and quarterly statistical reports as well as relating documents for a duration of twenty-four months.

3 Reporting of operations

3.1 Basic accounting policies

3.1.1 Valuation

The valuation rules for assets and liabilities are those defined by the existing Luxembourg legislation for the establishment of their accounts.

The booking value of debt securities in assets and in liabilities (item 1-003000 «Debt securities held» and item 2-003000 «Debt securities issued») is defined by including accrued interest (*dirty price*).

The loans to be recorded in the balance sheets are at nominal values, e.g. the amounts of principal outstanding at the reporting date. This amount should also include any interest that has been earned but not paid yet (accrued interest).

Nominal amount means the principal amount due that a debtor is contractually obliged to repay to a creditor; this amount is determined by taking into account loan write-downs and write-offs and without regard to any provisions and/or value adjustments, which are reported in the related sections on the liability side of the balance sheet.

3.1.2 Accounting rules

Financial companies may prepare the statistical reporting according to the generally accepted principles applicable for the establishment of their combined accounts. The valuation of holdings needs to be close to the market value, to the extent possible.

3.2 Short sales of securities

If securities are sold *short*, the sale is reported under item 2-002050 «Short sales of securities». The amount to report corresponds to the sale price of the securities.

However, given that this debt corresponds to specific securities, it has to be valued according to the same rules applied to the securities reported on the asset side of the balance sheet.

3.3 Negotiability of financial claims

Financial claims can differ in whether they are negotiable or not. A claim is negotiable if its ownership can be transferred easily from one unit to another by delivery or endorsement, or offset in the case of financial derivatives. While any financial instrument can potentially be traded, negotiable instruments are designed to be traded on an organised market or 'over the counter', although actual trading is not a necessary condition for negotiability. Necessary conditions of negotiability are:

- transferability or ability to be offset in the case of financial derivatives;
- standardisation often evidenced by fungibility and eligibility of an ISIN code; and
- that the holder of an asset does not retain the right of recourse against the previous holders.

The distinction between loans and debt securities is that loans are non-negotiable financial instruments, reported under items 1-LA2001, 1-LA2002, 1-LA2003 and 1-N02000 on asset side, or under item 2-LA2001, 2-LA2002, 2-LA2003 and 2-N02000 on liability side, while debt securities, reported under item 1-003000 «Debt securities held» on asset side or under item 2-003000 «Debt securities issued» on liability side, are negotiable financial instruments.

3.4 Assets

3.4.1 Item 1-LA2001, 1-LA2002, 1-LA2003 et 1-N02000 Loans granted

This item consists of funds that are lent to borrowers by financial companies and that are either evidenced by non-negotiable documents or not evidenced by documents.

This item notably includes:

- banks deposits placed by financial companies, such as overnight deposits, deposits with agreed maturity and deposits redeemable at notice;
- loans granted by financial companies;
- claims under reverse repurchase agreements against cash collateral;
these are the counterpart of cash paid out in exchange for securities purchased by financial companies at a given price under the firm commitment to resell the same (or similar) securities at a fixed price on a specified future date;
- claims in the context of securities borrowing against cash collateral. these are the counterpart of cash paid out in exchange for securities borrowed by financial companies.
- Hybrid instruments of certificate type, not identified by an ISIN code, are considered as loans - are notably concerned PECs (Preferred Equity Certificates), CPECs (Convertible Preferred Equity Certificates), TPECS (Tracking Preferred Equity Certificates), etc.

It is necessary to break down the loans depending on whether the borrower is affiliated to the lender or not.

3.4.1.1 Item 1-LA2001 Loans granted to shareholders

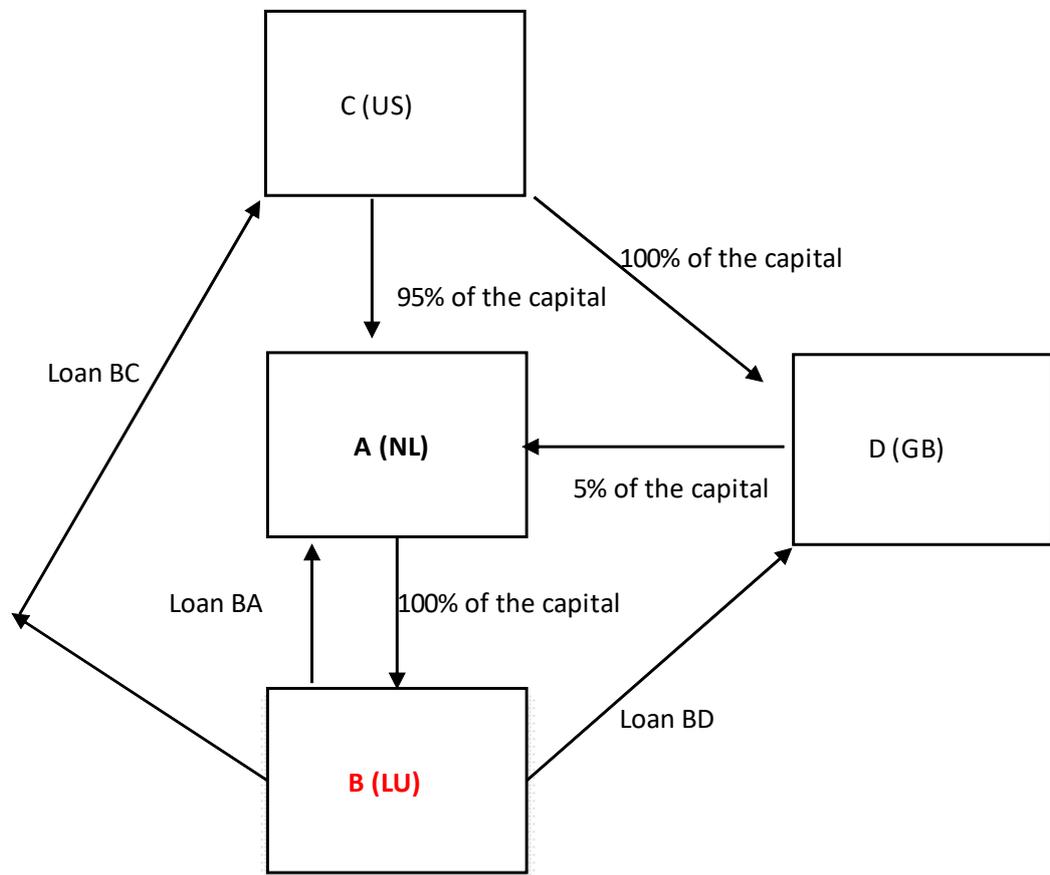
This item consists of funds lent to direct or indirect shareholders holding at least 10% of the share capital of the reporting company.

Example:

- In the shareholder structure shown below:
 - B(LU) is the reporting entity, resident in Luxembourg
 - A (NL) is its direct shareholder, holding more than 10% of the issued shares
 - C (US) is its indirect shareholder through company A (NL)In this case, the loans granted by B to its direct shareholder (loans BA) and to its indirect

shareholder (loans BC) have to be listed under 1-LA2001. The indirect percentage of ownership, obtained by multiplying the direct percentages, always has to be greater than or equal to 10% (percentage between C and A 95% x percentage between A and B 100% = 95%).

If this is not the case, the loan has to be considered as a loan between sister companies or as a loan to non-related entities. This is notably the case for the loans BD, which should not be listed under 1-LA2001 but under 1-LA2003 because the indirect percentage of ownership is below 10% (percentage between A and D 5% x percentage between A and B 100% = 5%).



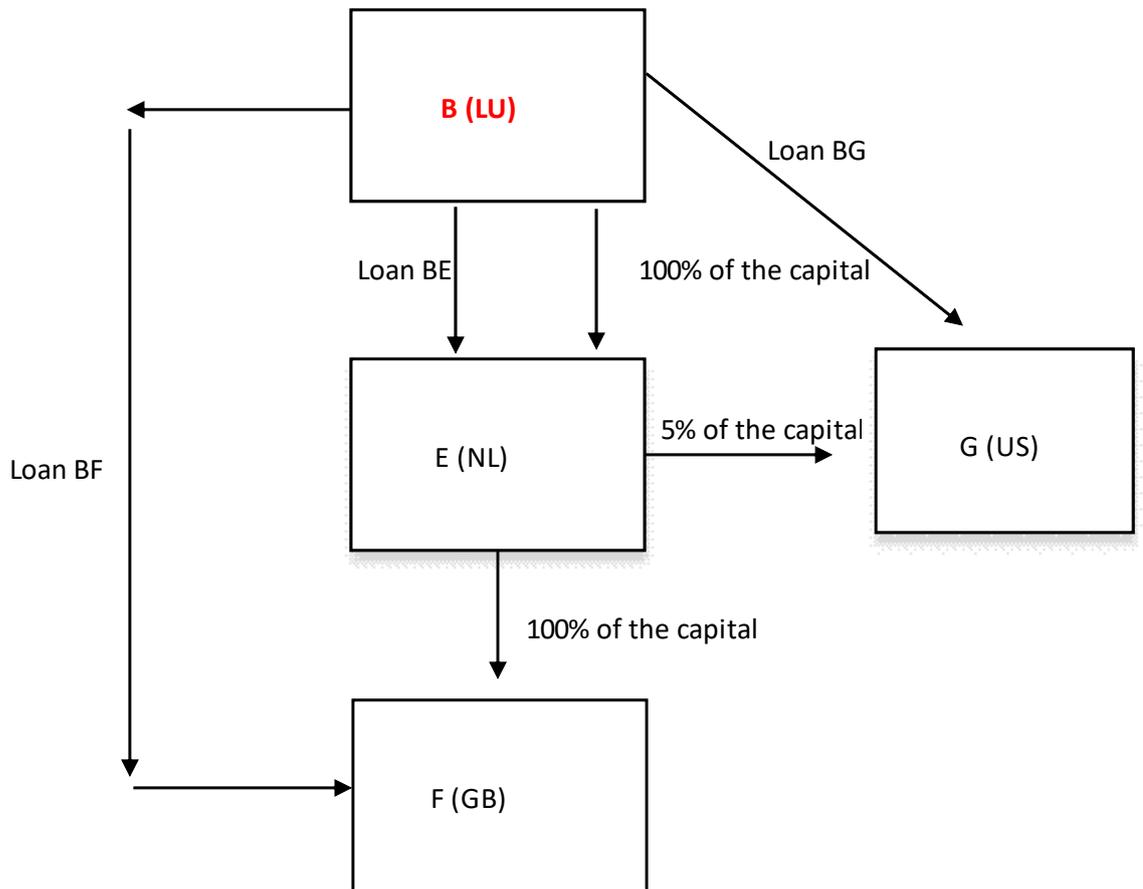
3.4.1.2 Item 1-LA2002 Loans granted to companies where the reporting agent holds at least 10% of the share capital or of the voting rights

This item consists of funds lent to companies where the reporting agent holds at least 10% of the share capital or of the voting rights.

Example:

- In the ownership structure shown below:
 - B (LU) is the reporting entity, resident in Luxembourg
 - E (NL) is the company where B holds directly more than 10% of the capital
 - F (GB) is the company where B holds indirectly, through E (NL), more than 10% of the capital

In this case, the loans granted by B to the companies F and E have to be listed under 1-LA2002.



The indirect percentage of ownership, obtained by multiplying the direct percentages, has to be bigger or equal to 10% (percentage between B and E 100% x percentage between E and F 100% = 100%).

If this is not the case, the loan has to be considered as a loan between sister companies or a loan to non-related entities. Thus, the loan BG should not to be listed under 1-LA2002 but under 1-LA2003 (in the case where company G belongs to the group) or under 1-N02000 (in the case where company G does not belong to the group).

3.4.1.3 Item 1-LA2003 Loans granted to sister companies

This item consists of funds lent to sister companies.

Sister companies are companies that belong to the same group as the reporting entity but are

neither shareholders (cf. 3.4.1.1) nor companies, where the reporting agent holds at least 10% of the capital or of the voting rights (cf. 3.4.1.2).

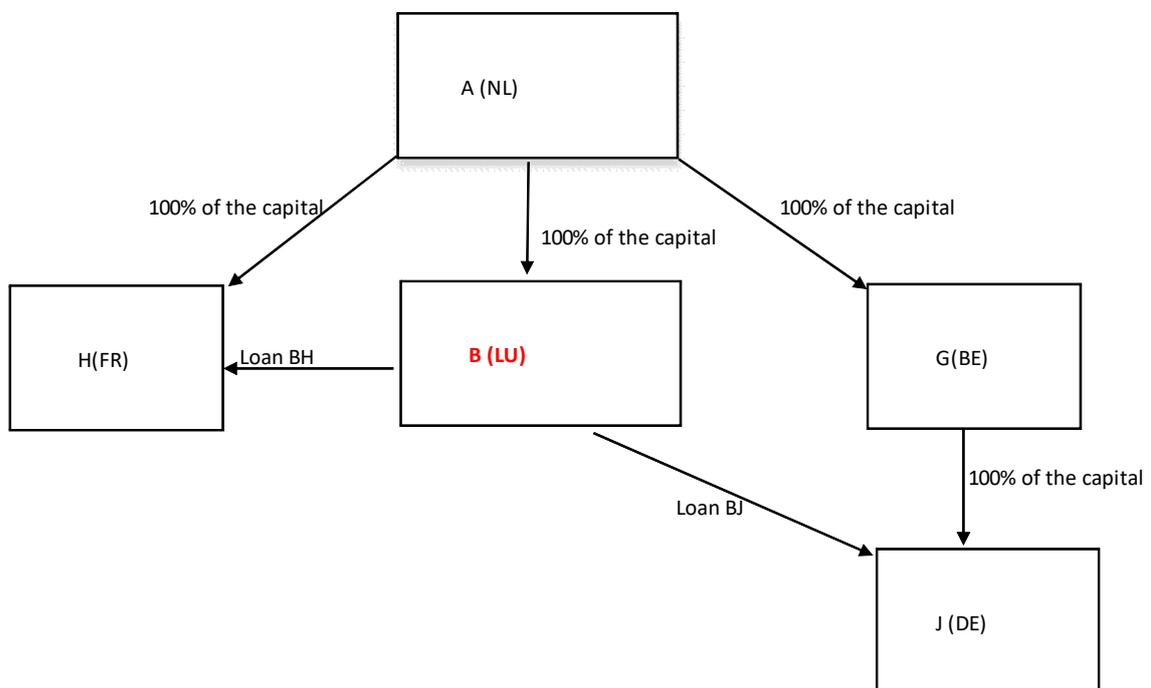
Sister companies are entities that are related to the reporting company only by the existence of a common parent company.

The ultimate parent company or the ultimate shareholder can be a natural or legal person. It is the entity that, throughout the complete shareholder chain, is not controlled by another shareholder. In general, the final shareholder is the “head of the group”.

In the ownership structure shown below:

- B(LU) is the reporting entity, resident in Luxembourg
- H(FR), G(BE), J(DE) are sister companies of B(LU) because they have a common parent company A(NL) but are neither shareholders (cf. 3.4.1.1) nor companies where the reporting agent holds at least 10% of the capital or the voting rights (cf. 3.4.1.2).

In this case, the loans granted by B to companies H and J have to be listed under 1-LA2003.



3.4.1.4 Item 1-N02000 Loans granted to non-related entities

This item consists of deposits within a credit institution and funds lent to non-related entities. In this item should be classified all the loans granted to companies where the reporting agent holds less than 10% of capital or voting rights (that is the case for several joint ventures) and all the loans granted to companies that are not sister companies.

This item also consists of holdings of euro and foreign banknotes and coins in circulation that are commonly used to make payments.

3.4.2 Item 1-003000 Debt securities held

This item consists of holdings of securities other than equity and investment fund shares/units that are negotiable financial instruments serving as evidence of debt, are usually traded on secondary markets or can be offset on the market, and do not grant the holder any ownership rights over the issuing institution.

This item notably includes:

- holdings of securities, whether or not evidenced by documents, which give the holder the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum at a specific date or dates, or starting from a date defined at the time of issue;
- negotiable receivables convertible in a big number of identical securities, provided that there is evidence of secondary market trading;
- subordinated debt in the form of debt securities.

Debt securities issued and held by the reporting agent should not be recorded as assets on the balance sheet.

Securities lent out under securities lending operations or sold under a repurchase agreement remain on the original owner's balance sheet (and are not recorded on the temporary acquirer's balance sheet) where there is a firm commitment to reverse the operation and not simply an option to do so. The certificate-type hybrid instruments are not considered as debt securities; notably PECs (Preferred Equity Certificates) and CPECs (Convertible Preferred Equity Certificates).

The accrued interests since the payment date of the last coupon have to be included (*dirty price*).

3.4.3 Item 1-005000 Equity and investment fund shares/units held

This item includes holdings of securities that represent property rights in corporations or quasi-corporations. Such securities generally entitle the holders to a share in the profits of corporations or quasi-corporations, and to a share in their net assets in the event of liquidation.

This item notably includes:

- listed and unlisted shares;
- other participations;
- money market fund shares/units;
- non-money market fund shares/units;
- equity securities lent out under securities lending operations or sold under a repurchase agreement remain on the original owner's balance sheet (and are not to be recorded on the balance sheet of the temporary acquirer) where there is a firm commitment to reverse the operation, and not simply an option to do so. When the temporary acquirer sells the securities received, this sale must be recorded as an outright transaction in securities and entered in the balance sheet of the temporary acquirer as a negative position in the securities portfolio.

3.4.4 Item 1-006010 Non financial assets – Real estate

This item includes:

- Civil engineering works;
- Residential real estates that are residences occupied by the owner or the lessee;
- Commercial real estate where goods or services are provided to customers (e.g hotels, restaurants, retail, etc..);
- Industrial real estate used for industrial purposes such as those used as factories, logistical centres and storage space;
- Office real estate used for office purposes.

3.4.5 Item 1-006999 Non financial assets – Other

This item includes non-financial assets other than buildings, tangible and intangible assets, notably:

- virtual and crypto-assets;
- machinery and equipment;
- valuables;
- intellectual property such as computer software and databases, patents and licenses;
- holdings of physical goods.

3.4.6 Item 1-007000 Financial derivatives

This item includes financial instruments linked to specified financials instruments, financial indicators, or commodities, through which specific financial risks can be traded in financial markets in their own right.

This item notably includes:

- options, whether tradable or OTC;
- warrants (or subscription rights);
- futures (standardized future contracts)
- Forwards (over the counter future contracts);
- swaps, in particular credit default swaps;
- credit derivatives;
- contracts for difference.

Financial derivatives are recorded on the balance sheet at market value on a gross basis. Only individual derivative contracts with positive market values are recorded on the asset side of the balance sheet.

Gross future commitments arising from derivative contracts must not be entered as on-balance-sheet items.

This item does not include financial derivatives that are not subject to on-balance-sheet recording according to national rules.

3.4.7 Item 1-090000 Other assets

This item is defined as assets not included elsewhere, such as :

- Rent accrued but not yet due on non-financial assets
- Amounts receivable that do not relate to financial companies' main business

Remark:

Interest accrued but not yet due must be included in the corresponding amounts reported under the loans (item 1-LA2001, 1-LA2002, 1-LA2003, 1-N02000) or under the debt securities held (item 1-003000).

3.4.8 Item 1-000000 Total assets

This item is compiled by adding up all assets without taking into consideration the various breakdowns.

3.5 Liabilities

3.5.1 Item 2-LA2001, 2-LA2002, 2-LA2003 and 2-N02000 Loans and deposits received

This group of items includes amounts owed to creditors by financial companies, other than those arising from the issue of negotiable securities.

Hybrid instruments of certificate type, not identified by an ISIN code, are considered as loans - are notably concerned PECs (Preferred Equity Certificates), CPECs (Convertible Preferred Equity Certificates), TPECS (Tracking Preferred Equity Certificates), etc.

There may be a need to break down the loans depending on whether the borrower is affiliated to the lender or not.

3.5.1.1 Item 2-LA2001 Loans received from shareholders

This item includes the loans received from shareholders that hold at least 10% of the capital of the reporting entity.

Example

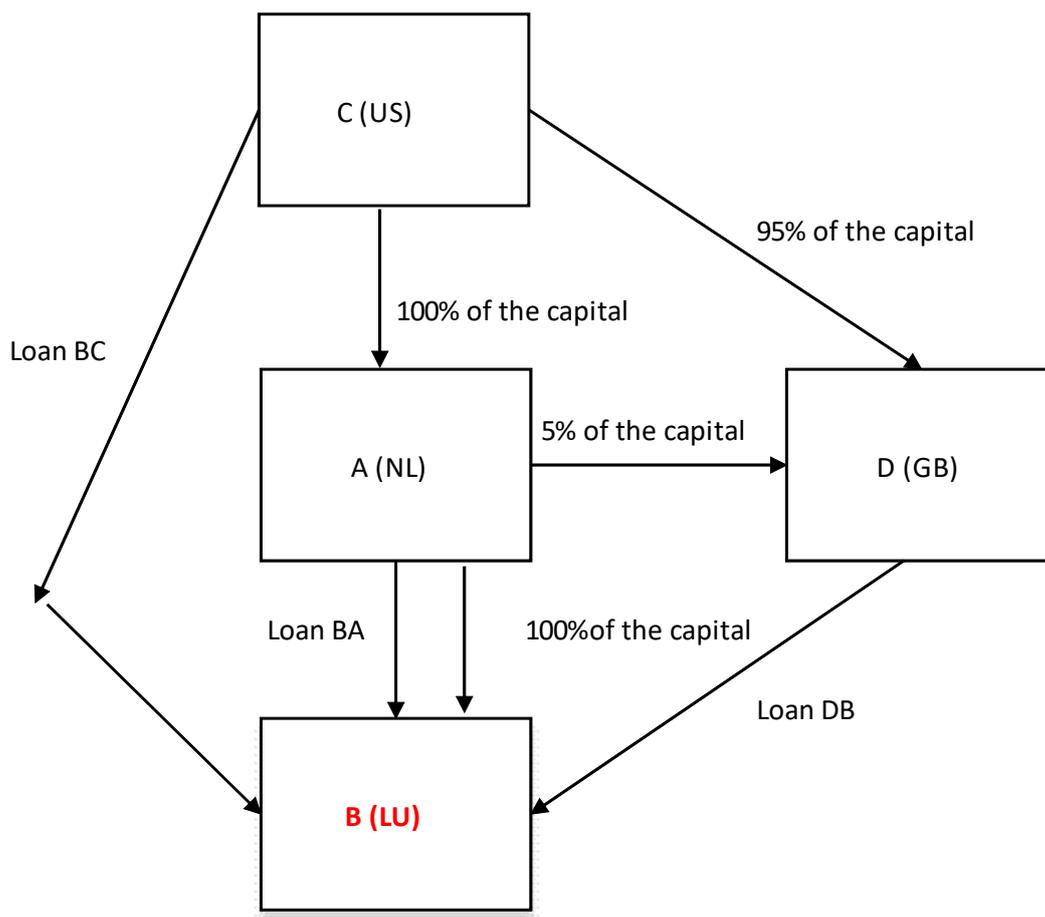
In the shareholder structure shown below:

- B(LU) is the reporting entity, resident in Luxembourg
- A(NL) is the direct shareholder, holding more than 10% of the issued shares
- C(US) is the indirect shareholder through company A(NL)

In this case, the loans contracted by B to its direct (loans BA) and indirect (loans BC) shareholders should be listed under 2-LA2001. The indirect percentage of ownership, obtained by multiplying the direct percentages, always has to be greater than or equal to

10% (percentage between C and A 100% x percentage between A and B 100% = 100%).
 If this is not the case, the loan BC has to be considered as a loan between sister companies or a loan to non-related entities.

The loan DB should not be listed under 2-LA2001 but under 2-LA2003 (sister company) because the indirect percentage of ownership is below 10% (percentage between A and D 5% x percentage between A and B 100% = 5%).



3.5.1.2 Item 2-LA2002 Loans received from companies where the reporting agent holds at least 10% of the capital or of the voting rights

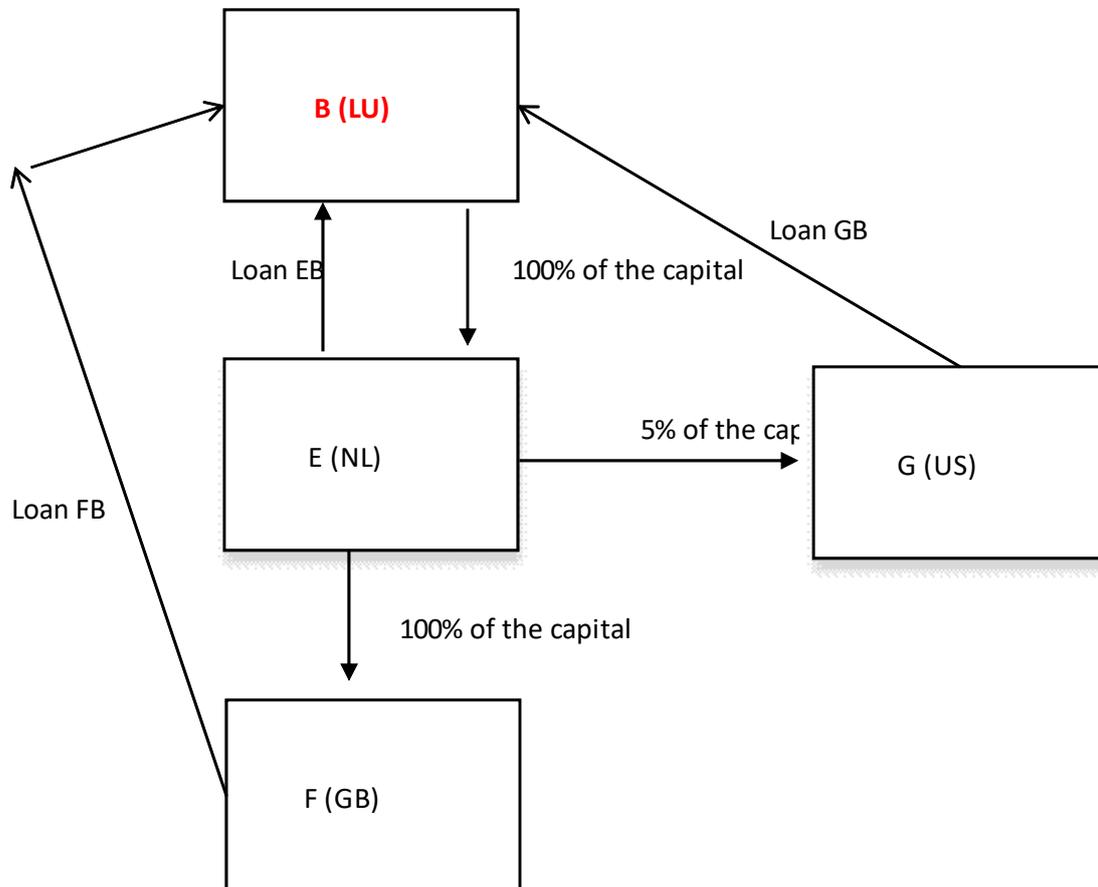
This item includes the loans received from companies, where the reporting agent holds at least 10% of the capital or of the voting rights. This applies notably to loans from subsidiaries, affiliated companies and branches.

Example.

- In the ownership structure shown below:
 - B(LU) is the reporting entity, resident in Luxembourg;
 - E(NL) is the company where B holds directly more than 10% of capital;
 - F(GB) is the company where B holds indirectly through E(NL) more than 10% of the capital.

In this case, the loans from F and E to the company B should be listed under 2-LA2002. The indirect percentage of ownership, obtained by multiplying the direct percentages, has to be greater than or equal to 10% (percentage between B and E 100% x percentage between E and F 100% = 100%). If this is not the case, the loan FB has to be considered as a loan between sister companies or non-related entities.

This is notably the case for the loan GB, which should not be listed under 2-LA002 (percentage between B and E 100% x percentage between E and G 5% = 5%) but rather under 2-LA003 (for the case where company G belongs to the group) or under item 2-N02000 (for the case where company G does not belong to the group).



3.5.1.3 Item 2-LA2003 Loans received from sister companies

This item includes the loans received from sister companies.

Sister companies are companies belonging to the same group as the reporting entity but that are neither shareholders (cf. 3.5.1.1) nor companies where the reporting agent holds at least 10% of the capital or of the voting rights (cf. 3.5.1.2).

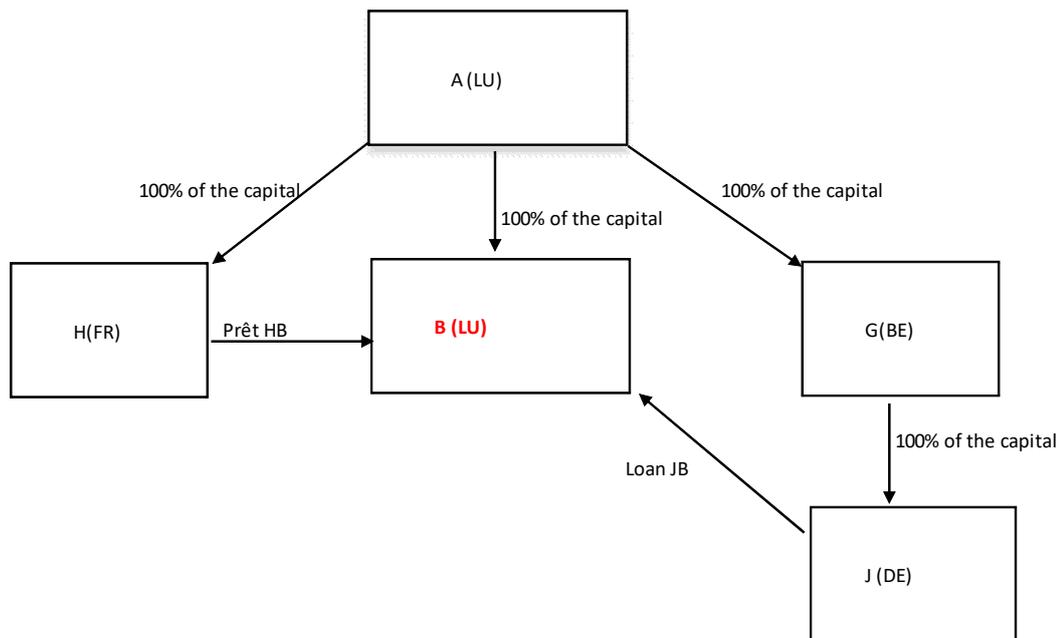
The sister companies are entities that are related to the reporting entity only by the existence of a common parent company.

The ultimate parent company or the ultimate shareholder can be a natural or a legal person.

Example.

- In the ownership structure shown below:
 - B(LU) is the reporting entity, resident in Luxembourg
 - H(FR), G(BE), J(DE) are sister companies of B(LU) because they have a common parent company A(LU) that is resident in Luxembourg.

In this case, the loans granted by companies H and J to company B should be listed under 2-LA2003.



3.5.1.4 Item 2-N02000 Loans received from non-related entities

This item includes loans by credit institutions and loans received from non-related entities.

This concerns loans received from companies where the reporting agent holds less than 10% of the capital or of the voting rights (this is the case for several joint ventures) and from

companies that are not sister companies.

3.5.2 Item 2-002050 Short sales of securities

This item includes all the liabilities that result from the short sale of securities.

The amount to report corresponds to the sale price of securities.

However, if this debt corresponds to specific securities, it has to be valued according to the valuation rules applicable to the securities reported on the asset side of the balance sheet.

3.5.3 Item 2-003000 Debt securities issued

This item includes debt securities, which are instruments usually negotiable and traded on secondary markets or which can be offset on the market, and do not grant the holder any ownership rights over the issuing institution.

Debt securities issued and held by the reporting agent must not be recorded as liabilities on the balance sheet

Certificate-type hybrid instruments are not considered as debt securities, but should be classified as loans. This applies in particular to the PECs (*Preferred Equity Certificates*) and CPECs (*Convertible Preferred Equity Certificates*).

The accrued interest from the date of payment of the last coupon has to be included in the reported amount (*dirty price*).

3.5.4 Item 2-C05000 Capital, share premiums, reserves and results

This item includes amounts arising from the issue of equity capital by the reporting financial companies to shareholders or other owners, granting the holder property rights on the registrant, and generally an entitlement to a share of the profits and of its own funds in the event of liquidation.

Provision for loans loss, impairment or for future payments uncertain in timing or amount are not included.

This item notably includes:

- Paid called-up capital;
- share premiums;
- reserves;
- the undistributed profits

3.5.5 Item 2-011000- Financial derivatives

This item includes financial instruments linked to a specified financial instrument, indicator, or commodity, through which specific financial risks can be traded in financial markets in their own right.

This item notably includes:

- options, (whether tradable or OTC);
- warrants (or subscription rights);
- futures (standardized future contracts);
- forwards (Over the counter future contracts);
- swaps, including credit default swaps;
- credit derivatives;
- contract for difference.

Financial derivatives are recorded at market value on a gross basis on the balance sheet. Only individual derivative contracts with negative market values are recorded on the liability side of the balance sheet.

Gross future commitments arising from derivative contracts must not be entered as on-balance-sheet items.

This item does not include financial derivatives that are not subject to on-balance-sheet recording according to national rules.

3.5.6 Item 2-090000 Other liabilities

This item includes all liabilities not included elsewhere.

This item notably includes:

- amounts payable that do not relate to financial companies' main business;
- provision for loans loss, impairment or for future payments uncertain in timing or amount and provisions representing liabilities against third parties, e.g. pensions, dividends, etc.;
- net positions arising from securities lending without cash collateral;
- net amounts payable in respect of future settlements of transactions in securities;
- Counterparts to the valuation adjustment, e.g. nominal minus purchase price of loans

Remark:

- Interest accrued but not yet due must be included in the corresponding amounts reported under the loans (item 2-LA2001, 2-LA2002, 2-LA2003, 2-N02000) or under the debt securities issued (item 2-003000)

3.5.7 Item 2-000000 Total liabilities

This item is compiled by adding up all liabilities without taking into consideration the various breakdowns.

4 Types of breakdowns

Assets and liabilities need to be split according to the following four criteria:

- Country of residence of the immediate counterpart;
- currency denomination of the assets and liabilities;
- economic sector of the counterpart;
- original maturity of assets and liabilities;

The nomenclature of all the breakdowns by country, currency, economic sector and original maturity is detailed in the document “Types of breakdowns” available on the BCL website.

However, assets and liabilities do not always have to be split according to all of the breakdowns detailed in that nomenclature.

Only the breakdowns requested in each statistical report have to be transmitted to the BCL.

5 Minimum standards to be applied

Reporting agents must fulfil the following minimum standards to meet the statistical reporting requirements of the Central Bank of Luxembourg (BCL).

1. Minimum standards for transmission:

- 1.1. reporting to the BCL must be submitted within the deadlines set by the BCL and published on its website;
- 1.2. statistical reports must comply with the form and format defined in the technical reporting requirements set by the BCL and published on its website;
- 1.3. the contact persons for the reporting agent must be communicated to the BCL;
- 1.4. the technical specifications for data transmission to BCL must be followed.

2. Minimum standards for accuracy:

- 2.1. all the constraints published in the technical documentation of the BCL must be fulfilled; these are mainly the structure of the electronic messages and the verification rules applicable for the various statistical reports;
- 2.2. financial companies must be able to provide information on the developments implied by the data supplied;
- 2.3. the statistical information must be complete.

3. Minimum standards for compliance with concepts:

- 3.1. the statistical information must comply with the definitions and classifications contained in these instructions;
 - 3.2. in the event of deviations from these definitions and classifications, where applicable, reporting agents must monitor and quantify the difference between the measure used and the measure contained in this instructions on a regular basis;
 - 3.3. financial companies must be able to explain breaks in the data supplied compared with the previous period's figures.
4. Minimum standards for revisions:
- 4.1. the revisions policy and procedures set by the BCL must be followed. Revisions deviating from regular revisions must be accompanied by explanatory notes.