

Associação Portuguesa de Bancos  
Av. da República, nº 35 – 5º  
1050-186 Lisboa – Portugal  
www.apb.pt

**Lisbon, 14 May, 2014**

**Portuguese Banking Association comments on Consultation Paper ESMA Guidelines on Alternative Performance Measures**

Dear Sirs,

Associação Portuguesa de Bancos (APB - Portuguese Banking Association) would like to thank ESMA the opportunity to comment on the Consultation Paper - ESMA Guidelines on Alternative Performance Measures.

The APB is the main body representing the Portuguese banking sector. It was founded in 1984 to strengthen the financial system and its relationship with the society and to help develop a more solid banking sector in line with the country's needs and problems.

Most Portuguese banks and foreign banks operating in Portugal are Associated Members of APB. Our Associates represent around 94% of the total assets of the Portuguese banking system.

Its purpose is to represent its members in relations with the authorities responsible for regulating banking activities and for drafting economic policy, in order to help improve the regulatory system, the quality of banking services and reduce risk levels. It also seeks to provide education and information on banking to the general public and encourage measures that lead to a better relationship between banks and consumers and broader access for the public to financial products and services.

Membership of the APB is voluntary and, unlike some similar bank associations, it does not have delegated public powers. It acts solely on the basis of the powers invested in it by its members.

Please find below our answers to the questions set in the Consultation Paper:

**Q1: Do you agree that the ESMA [draft] guidelines should apply to all issuers defined as a legal entity governed by private or public law, other than Member States or Member State's regional or local authorities, whose securities are admitted to trading on a regulated market, the issuer being, in the case of depository receipts representing securities, the issuer of the securities represented regardless of the financial reporting framework they use to report? If not, why?**

A1: Yes.

**Q2: Do you agree that the ESMA [draft] guidelines should apply to APMs included in:**

**a) financial statements prepared in accordance with the applicable financial reporting framework, that are made publicly available, and**

**b) all other issued documents containing regulated information that are made publicly available? If not, why?**

A2a) Yes for alternative APMs not for the industry standards.

A2b) Yes for alternative APMs not for the industry standards. We are thinking on APMs disclosed on Earnings Presentation, Earnings Press Releases and Presentations to Investors.

**Q3: Do you believe that the ESMA [draft] guidelines should also be applicable to prospectuses and other related documents, which include APMs (except for pro-forma information, profits forecasts or other measures which have specific requirements set out in the Prospectus Directive or Prospectus Directive implementing regulation)? Please provide your reasons.**

A3. Yes if they are applied in the conditions set forth in Q2. The information included in prospectus is only an extension of the APMs released in other public documents as the Annual Report, Earnings Presentations, Press Releases, Road show Presentations, Investors Presentations, etc.

**Q4: Do you believe that issuing ESMA guidelines constitute a useful tool for dealing with the issues encountered with the use of APMs? If not, why?**

A4. There is the risk that the ESMA guidelines are too vague and that almost all the information will be considered as a potential APM which complicates unnecessarily the process of preparing and disclosing information to the public.

**Q5: Do you agree with the suggested scope of the term APM as used in the [draft] guide-lines? If not, why?**

A5. We consider that the definition of APM is too vague namely regarding the definition provided under the heading "Concept and labels of the APMs (22. i)" which comprehends all measures of financial performance not specifically defined by the applicable financial reporting framework. For a Bank this could represent a lot of data and ratios. We could risk that a significant part of the data of the Earnings Presentation, Earnings Press Release and Annual Report could be considered APMs data.

**Q6: Do you believe that issuers should disclose in an appendix to the publication a list giving definitions of all APMs used? If not, why?**

A6. This would result in an extended list of definitions / glossary, which in fact we already use in the Press Releases but that would have to be extended to include all the APMs even if those APMs are of common use in the industry.

**Q7: Do you agree that issuers should disclose a reconciliation of an APM to the most relevant amount presented in the financial statements? If not, why?**

A7. We would need further information on the way that reconciliation will have to be done to have an opinion. Also if we are referring to a ratio that results from the division of two well identified items of the BS/Income Statement we see no purpose for the need to reconcile information.

**Q8: Do you agree that issuers should explain the use of APMs? If not, why?**

A8. In some cases is completely needless and useless and makes no sense at all, it will be simply burdensome. For instance, why should a Bank have to explain the use of ratios like cost-of-risk, NPLs/Credit at risk, NPLs/Credit at risk coverage, Banking income, Core income, Cost-to-income, operating costs/volumes, ROE, ROA, Market shares, Capital ratios ... just to mention a few, that are of common use and understanding in the industry.

**Q9: Do you agree that APMs presented outside financial statements should be displayed with less prominence, emphasis or authority than measures directly stemming from financial statements prepared in accordance with the applicable financial reporting framework? If not, why?**

A9.No. It could be the case that APM presented outside of financial statements, for instance in Presentations, are of great relevance in order to substantiate an idea or an argument.

**Q10: Do you agree that issuers should explain the reasons for changing the definition and/or calculation of an APM? If not, why?**

No. For a Bank the use of APMs is aligned with the investment case and the purpose of using APMs is just to provide support for a given narrative.

**Q11: Do you believe that issuers should provide comparatives and/or restatements when an APM changes? If not, why?**

A11.Yes. When using APMs we should use comparatives for at least one year. Also in some cases the use of APMs on a comparable basis is also justified.

**Q12: Do you believe that issuers should provide explanations when they no longer use an APM? If not, why?**

A12. No. For a Bank the use of APMs is aligned with the investment case and the purpose of using APMs is just to provide support for a given narrative.

**Q13: Do you agree that the [draft] guidelines will improve transparency, neutrality and comparability on financial performance measures to users? If not, please provide suggestions.**

No comments.

Kind regards,

Vera Flores  
(Senior consultant - accounts)  
E-mail: vera.flores@apb.pt