Staff paper

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Project	**Statement of Cash Flows and Related Matters**
Topic	**Statement of cash flows for financial institutions—Results from investors survey**
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Objective of the paper

1. The IASB launched a survey in September 2026 to understand how investors use cash flow information when analysing the financial statements of financial institutions. The survey was completed by 104 respondents, most of which were institutional investors covering only financial institutions.

2. This paper summarises the results from the survey. It is provided to assist the IASB in considering Agenda Paper 20C *Statement of cash flows for financial institutions—Overview of survey findings and planned work*.

3. Agenda Paper 20C includes a question that invites IASB members to ask questions and comment on the survey findings.

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Structure of the paper

4. This paper:

   (a) provides a brief background to the survey (paragraphs 7–9);

   (b) explains the terms we have used to summarise the respondents' views (paragraphs 11–12); and

   (c) presents the survey results.

5. The paper presents the survey results in the same order as the survey questions:

   (a) do respondents use information in the statement of cash flows (paragraphs 13–22);

   (b) why do respondents not use information in the statement of cash flows (paragraphs 23–33);

   (c) what information in the statement of cash flows do respondents use and why (paragraphs 34–96);

   (d) do responses vary between financial institutions (paragraphs 97–103);

   (e) do respondents use the cash flow information disclosed in the notes to the financial statements (paragraphs 104–116); and

   (f) other comments on the usefulness of financial institutions' cash flow information (paragraphs 117–121).

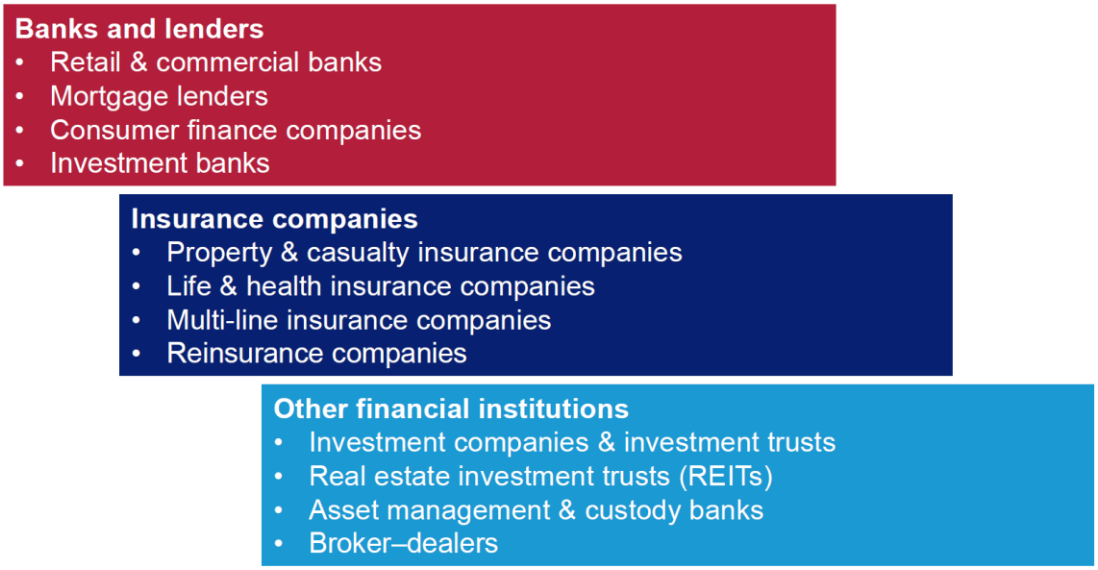
6. The paper includes an appendix that summarises the results of which line items in the statement of cash flows respondents use.

Background

7. The survey focused on whether respondents use information in the cash flow statement of financial institutions when analysing these entities. If respondents did use this information, the survey asked what specific line items they use and how they use that information.

8. The survey grouped different financial institutions into three categories. The survey used the categories when asking respondents to compare their responses for different financial institutions in the same category. The three categories are referred to throughout this paper and are shown in Figure 1.

Figure 1—Categories of financial institutions used in survey



9. For each set of survey results presented in this paper, we provide a brief overview of the survey question and, where relevant, how the responses were analysed.

10. Further details about the survey, and who responded to it, are included in Agenda Paper 20A *Statement of cash flows for financial institutions—Background to investors survey*. A copy of the survey questions is included in Agenda Paper 20D *Investors survey questions*.

Terminology used

11. This paper uses the following terms to give a broad indication of respondents' views:

Term	Extent of response among respondents
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

12. The staff also assessed whether views appeared to be concentrated among particular types of respondents. This was often the case for, respectively:

    (a) buy-side investment professionals, sell-side investment professionals and credit ratings agency analysts (referred to as 'institutional investors'); and

    (b) individual investors and respondents that categorised themselves as 'other' (referred to as 'other respondents').

Do respondents use information in the statement of cash flows

13. For each type of financial institution a respondent analysed, the survey asked whether they use information in the statement of cash flows when analysing that financial institution.

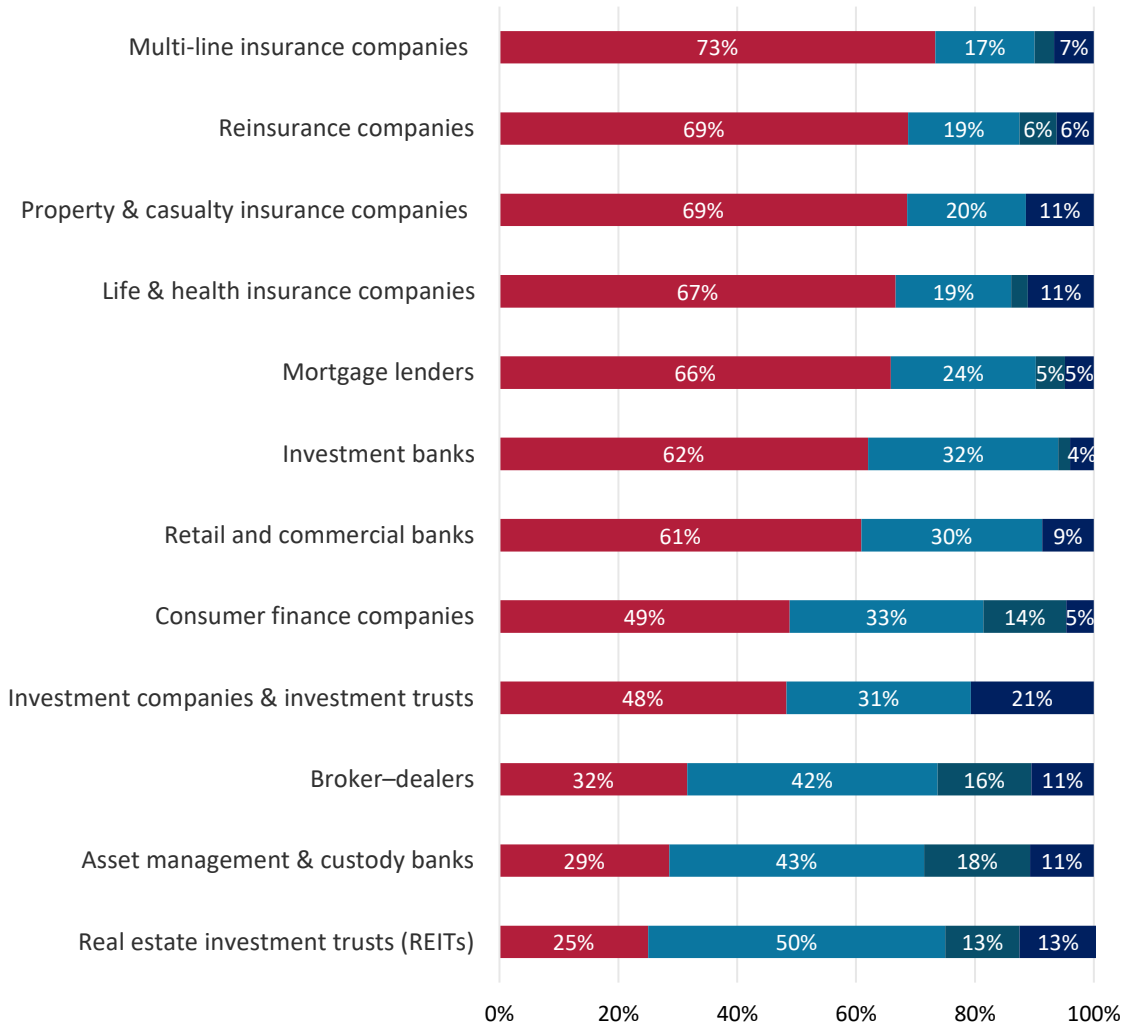
14. If a respondent said they use information in the statement of cash flows when analysing a financial institution, the survey asked the respondent to select what information they use from an example statement. This included the option to indicate if they routinely use the entire statement.

Summary of responses

15. Figure 2 summarises whether respondents use information in the statement of cash flows when analysing financial institutions.

Figure 2—Use of cash flow information by respondents analysing each type of financial institution, in order of proportion not using the information

Percentage of total respondents analysing each type of financial institution



16. For respondents that use some of the information in the statement of cash flows, Figure 2 distinguishes between respondents where the line items they use were identifiable and where they were unidentifiable. Paragraphs 28–29 of Agenda Paper 20A describe how instances arose where the line items respondents use were unidentifiable.

Differences between categories of financial institution

17. Most respondents analysing insurance companies do not use any of the information in the statement of cash flows when analysing these entities. Similarly, most respondents analysing those financial institutions categorised as banks and lenders (mortgage lenders, investment banks, retail and commercial banks) do not use any of the information in the statement when analysing these entities. However, the results differed for respondents analysing consumer finance companies (categorised as banks and lenders). These respondents were almost evenly split between those that use information in the statement and those that do not.

18. Most respondents analysing 'other financial institutions' (broker–dealers, asset management and custody banks, REITs) use information in the statement of cash flows when analysing these entities. However, the results differed for respondents analysing 'investment companies and investment trusts' (categorised as other financial institutions). These respondents were almost evenly split between those that use information in the statement and those that do not.

19. A lower proportion of respondents analysing insurance companies said they use cash flow information than respondents analysing banks and lenders. However, a higher proportion of respondents analysing insurance companies routinely use the entire statement than respondents analysing banks and lenders.

Differences between types of respondents

20. There were differences between the proportions of institutional investors using information in the statement of cash flows and the proportions in Figure 2, which are based on all respondents.

21. For all types of financial institutions except asset management and custody banks (categorised as ‘other financial institutions’), the proportion of institutional investors using information in the statement of cash flows was lower than the comparable proportion of all respondents. Despite institutional investors using the cash flow statement less than other users, most or many institutional investors do use information in the statement when analysing real estate investment trusts (REITs), broker–dealers and asset management and custody banks.

Differences between regions

22. No clear association was identified between respondents’ use of information in the statement of cash flows when analysing financial institutions and the region in which these entities are listed.

Why do respondents not use information in the statement of cash flows

23. If a respondent said they do not use any of the information in the statement of cash flows when analysing a financial institution, a multiple-choice question asked the respondent why they do not use the statement. For banks and lenders and ‘other financial institutions’, respondents could select more than one option. However, for insurance companies, respondents could select only one option.

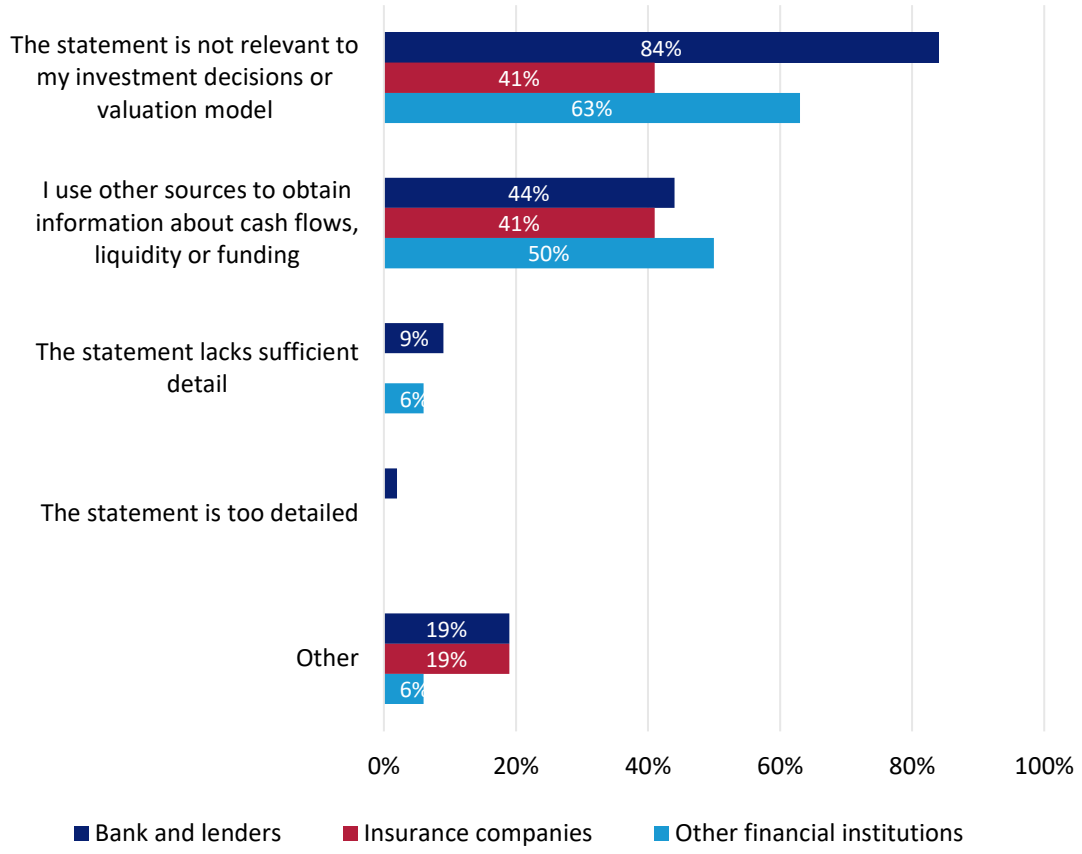
24. If a respondent said they use some of the information in the statement of cash flows when analysing a financial institution, the survey asked a similar question about the information they do not use (that is, the line items they did not select from the example statement of cash flows).

Summary of responses

25. Figure 3 summarises the reasons why respondents do not use the statement of cash flows.

Figure 3—Why respondents do not use of the statement of cash flows when analysing financial institutions

Percentage of respondents analysing each category of financial institutions that do not use the statement of cash flows



Differences between categories of financial institution

26. The most common reason why respondents do not use the statement of cash flows when analysing banks and lenders and 'other financial institutions' was because the statement is not relevant to their investment decisions or valuation model. The second most common reason why these respondents do not use the statement of cash flows was because they use other sources to obtain information about cash flows, liquidity

or funding. Both these reasons were the most common reasons why respondents do not use the statement of cash flows when analysing insurance companies.

27. Across all three categories of financial institutions, the most common reason why respondents do not use selected information in the statement of cash flows was because the information is not relevant to their investment decisions or valuation model.

Differences between types of respondents

28. The reasons institutional investors selected for not using the statement of cash flows were similar to those selected by all respondents described in paragraphs 26–27. The only significant difference was the most common reason institutional investors gave for not using the statement of cash flows when analysing 'other financial institutions'. Most institutional investors said this was because they use other sources to obtain information about cash flows, liquidity or funding, whereas most other respondents said this was because the statement was not relevant to their investment decisions or valuation model.

Other reasons

29. Some respondents provided their own reasons why they do not use the statement of cash flows when analysing financial institutions. In addition, a few respondents explained why they do not use the statement of cash flows in response to the question in the survey asking for any other comments (see paragraph 117 of this paper).

30. Many of the respondents that provided reasons or explanations described features of the statement of cash flows of specific financial institutions that explain why they do not use the statement. The most common features were:

    (a) the comingling of policyholder and shareholder cash in the statement of cash flows of insurance companies; and

    (b) the comingling of deposit holder and shareholder cash in the statement of cash flows of banks and lenders.

31. Other features that respondents said explain why they do not use the statement of cash flows—each described by one or two respondents—included:

    (a) the categorisation of cashflows from interest in the operating section in the statement of cash flows of banks and lenders; and

    (b) the presentation of cash flows from operating activities using the indirect method in the statement of cash flows of banks and lenders.

32. A few respondents described features of financial institutions' business activities and operations that they believe makes these entities' statements of cash flows less useful. Features—each described by one respondent—included:

    (a) banks and lenders' liquidity risk being based on their ability to withstand sudden risks, instead of the day-to-day generation and consumption of cash;

    (b) banks and lenders' earnings being similar to their cash flows; and

    (c) insurance companies' contracts with policy holders requiring customers to pay cash upfront.

Other information used

33. Respondents also explained what other sources of information they use to obtain information about the cash flows, liquidity or funding of financial institutions in their response to the question asking for any other comments. Most of these respondents described regulatory type information. However, an employee of a bank and an employee of an investment trust said the information disclosed by financial institutions in the notes to their financial statements provides relevant information about cash flows.

What information in the statement of cash flows do respondents use and why

34. The survey asked what information in the statement of cash flows respondents use when analysing financial institutions. This question was asked:

(a) directly, by asking respondents to select the information they use from an example statement; or

(b) indirectly, by asking respondents whether their response for one financial institution would be different to another financial institution from the same category. If so, respondents were asked what different cash flow information they would use.

35. For each line item a respondent selected from the example statement of cash flows, the survey asked the respondent how they use that information.

36. The survey also asked respondents to identify any other line items they usually use when analysing financial institutions that were not included in the example statement of cash flows.

Summary of responses

37. The appendix to this paper summarises the line items selected by respondents from the example statement of cash flows for each type of financial institution.

38. The survey allowed respondents:

(a) to select individual line items;

(b) to select an entire section of the statement of cash flows by selecting the section title; or

(c) to select the entire statement of cash flows by selecting 'I routinely use all line items'.

39. In the summary:

(a) respondents that selected entire sections were considered to use all line items in that section; and

(b) respondents that selected 'I routinely use all line items' were considered to use all line items in the statement of cash flows.

40. The survey did not ask respondents that selected entire sections, or the entire statement, to explain how they use all the line items they use. Therefore, the summary of the reasons why respondents use cash flow information excludes these respondents. The summary also excludes responses where the specific cash flow information respondents use was unidentifiable, as described in paragraph 34(b) of this paper.

Banks and lenders

41. Across all four types of banks and lenders, 'cash flows from investing activities' ('the investing section') was the most used section of the statement of cash flows. The second most used section was 'cash flows from financing activities' ('the financing section') and the least used section was 'cash flows from operating activities' ('the operating section').

42. Across all four types of banks and lenders, each line item in the statement of cash flows was used by some of the respondents analysing that type of entity.

Differences between types of respondents—Banks and lenders

43. The sections and line items most used by institutional investors were similar to those used by all respondents. However, because the proportion of institutional investors using information in the statement of cash flows when analysing banks and lenders was less compared with all respondents, the proportion of institutional investors selecting line items was also less.

44. Most of the line items in the statement of cash flows of retail and commercial banks and mortgage companies were used by only a few of the institutional investors analysing those entities. Similarly, many of the line items in the statement of cash flows of investment banks were used by only a few of the institutional investors analysing those entities. In contrast, most of the line items in the statement of cash flows of consumer finance companies were used by some of the institutional investors analysing those entities.

Cash flows from investing activities—Banks and lenders

45. The most used line items from the investing section were:

(a) ‘purchase of property and equipment’;

(b) ‘purchase of intangible assets’; and

(c) ‘capitalised software and development costs’.

46. Most respondents said they use information in the section to understand an entity’s capital expenditure. The most common explanations respondents gave for using the information in paragraph 45 were:

(a) to monitor and assess the benefits of the entity’s investment in capital items against its objectives; and

(b) to determine if the entity is increasing, maintaining or reducing its investment in capital items.

47. Two buy-side investment professionals said they use information about cash payments to acquire capital items in their valuation model or ratio analysis for banks and lenders. One sell-side investment professional said they use information about cash payments to compare the amount of investment in capital items of different banks and lenders because entities may include capital expenditure in different asset categories.

Cash flows from financing activities—Banks and lenders

48. On average, the most used line items from the financing section were:

(a) ‘dividends paid’; and

(b) ‘proceeds from issue of shares’.

49. Respondents said they use information about cash dividends paid to calculate the amount of shareholder returns. Respondents said they use information about cash proceeds from the issue of shares to monitor the entity’s capacity to grow and any potential dilution of their ownership interests.

50. The other most used line items from the financing section were:

(a) ‘proceeds from issue of debt securities’; and

(b) ‘repayment of debt securities’.

51. Many respondents using information about cash proceeds and repayments associated with debt securities said the information helps them understand how the entity is funded. Two respondents said the information helps them assess if there is pressure on an entity’s funding.

Cash flows from operating activities—Banks and lenders

52. Of the line items included in ‘changes in operating assets and liabilities’, all respondents that use ‘loans and advances to customers’ also use ‘funding liabilities’, with one exception. Most of these respondents use this information to understand changes in the entity’s loan portfolio and identify gaps between the entity’s funding inflows and outflows.

53. The most common explanation respondents gave for using line items from the operating section was to analyse trends, identify abnormalities and to confirm other figures elsewhere in the financial statements.

54. Across all four types of banks and lenders, the operating section was the least used section of the statement of cash flows. Of the respondents that use information in this section, most were other respondents.

Specified cash flows from operating activities—Banks and lenders

55. On average, the most used line items from the cash flows from operating activities presented at the end of the example statement of cash flows were:

(a) ‘interest received’; and

(b) ‘interest paid’.

56. All respondents that use cash interest received also use cash interest paid, with one exception. Most of the respondents that use these line items when analysing retail and commercial banks, mortgage lenders and consumer finance companies were other respondents. Respondents that use these line items when analysing investment banks were evenly split between institutional investors and other respondents.

57. Many of the respondents said they use the information about cash interest paid and received:

    (a) to compare with interest revenue and interest expense recognised in the statement of profit or loss; and

    (b) to calculate net interest income on a cash basis.

Insurance companies

58. Across all four types of insurance companies, each line item in the statement of cash flows was used by some of the respondents when analysing that entity.

59. The most used line items were included in different sections of the statement of cash flows. On average, the most used line items were:

    (a) 'dividends paid'; and

    (b) 'dividends from joint ventures and associates'.

60. The other most used line items were those:

    (a) related to capital expenditure presented in the investing section;

    (b) specified cash flows from operating activities presented at the end of the example statement of cash flows; and

    (c) adjustments for non-cash income and expenses in the operating section.

61. A similar proportion of respondents use the line items listed in paragraphs 59–60.

Differences between types of insurance companies

62. The proportion of respondents that use line items from the operating section of property and casualty insurance companies was slightly greater than the equivalent for life and health insurance companies. Similarly, the proportion of respondents that use line items from the investing and financing section of property and casualty insurance companies was slightly less than the equivalent for life and health insurance companies. In both instances, these differences were attributable to an individual respondent.

Differences between types of respondents—Insurance companies

63. The line items most used by institutional investors were similar to those used by all respondents.

64. The proportion of institutional investors that use each line item was also similar compared with all respondents (see paragraph 58), despite the proportion of institutional investors using information in the statement of cash flows being less compared with all respondents. This was because most of the respondents analysing insurance companies that routinely use all line items were institutional investors. Only two of these investors indicated how they use the statement of cash flows, which was:

    (a) to understand movements in balance sheet amounts; and

    (b) to understand potential liquidity issues arising from new business.

Differences between insurance companies and banks and lenders

65. In general, a higher proportion of respondents use each line item in the statement of cash flows for insurance companies than for banks and lenders. This was because the proportion of respondents analysing insurance companies that use all line items was higher than the proportion of respondents analysing banks and lenders (see paragraph 19 of this paper).

'Dividends paid' and 'dividends from joint ventures and associates'—Insurance companies

66. Of the respondents that use 'dividends paid', all but one also use 'dividends from joint ventures and associates'. Respondents' explanations of how they use this information varied.

67. Many of the respondents use information about cash dividends from joint ventures and associates to assess the performance of these entities. One buy-side investment professional said they use the information to understand how cash moves up the ownership structure of an insurance company. Many of the respondents use information about cash dividends paid to assess shareholder returns.

Cash flows related to capital expenditure—Insurance companies

68. Most respondents that use the line items related to capital expenditure in the investing section said they use this information to compare the entity's actual and planned capital expenditure. One buy-side investment professional explained that they use the line item 'capitalised software and development costs' to compare how companies are investing in operating online.

Specified cash flows from operating activities—Insurance companies

69. The two specified cash flows from operating activities presented at the end of the example statement of cash flows are:

    (a) 'dividends received'; and

    (b) 'interest paid'.

70. Many of the respondents that use 'dividends received' use this information to assess the performance of a company's investments. One buy-side investment professional explained they use the information to compare the realised and unrealised returns from an investment.

71. The respondents that use 'interest paid' provided limited details about how they use this information, except one buy-side investment professional. The respondent said they use information about 'interest paid' to compare with the interest expense recognised in the statement of profit or loss. However, they said this comparison is more relevant in their analysis of banks than insurance companies.

Cash flows from operating activities—Insurance companies

72. On average, the most used line items from the operating section were those included in 'adjustments for non-cash income and expenses'. These line items included adjustments related to financial instruments. Many respondents that use these line items said they use the information to assess the risk of these instruments and to understand market movements.

Other financial institutions

73. The sections and line items most used by respondents when analysing 'other financial institutions' varied between all four types of entities.

74. Many of the respondents analysing 'investment companies and trusts', REITs and broker–dealers use many of the line item in the statement of cash flows. Most of the respondents analysing asset management and custody banks use many of the line item in the statement of cash flows.

Differences between types of respondents—Other financial institutions

75. The sections and line items most used by institutional investors were similar to those used by all respondents. The proportion of institutional investors that use the line items in the statement of cash flows was also similar compared with all respondents. The only clear difference was respondents' use of the operating section.

76. The proportion of institutional investors using line items in the operating section when analysing REITs, asset management and custody banks and broker–dealers was greater compared with all respondents. In contrast, the proportion of institutional investors using line items in the operating section when analysing 'investment companies and trusts' was less compared with all respondents. Despite these differences, respondents' explanations of how they use the line items in the operating section was similar. The explanations generally relate to assessing an entity's:

(a) quality of earnings; or

(b) cash conversion cycle.

Asset management and custody banks—Investment companies and investment trusts

77. The financing section was the most used section of the statement of cash flows of 'investment companies and investment trusts'. The second most used section was the investing section.

78. Within the financing section, the most used line items were 'proceeds from issue of debt financing', 'repayment of debt borrowings' and 'dividends paid'.

79. The respondents that use ‘proceeds from issue of debt financing’ and ‘repayment of debt borrowings’ were the same. These respondents use the information to understand:

    (a) an entity’s funding to assess the entity’s financial stability; or

    (b) an entity’s cost of servicing its debt to assess whether the costs are sustainable.

80. Most respondents use information about cash dividends to assess if an entity’s dividends are covered by cash it has generated or has on hand.

81. Within the investing section, the most used line items were ‘acquisition of investments’ and ‘proceeds from sale of investments’. The respondents that use these line items were the same.

82. Respondents use information about cash paid to acquire investments to understand:

    (a) how an entity’s investment activities compare with the entity’s investment strategy;

    (b) how an entity is funding new investments; and

    (c) how quickly an entity is investing the cash it receives.

83. Respondents use information about cash received from selling of investments to understand:

    (a) how actively an entity is managing its investments;

    (b) how reliable an investment’s previous carrying value is compared to the cash received from selling the investment; and

    (c) how an entity is using the cash it receives from selling its investments.

84. Many respondents also use the line items from the cash flows from operating activities presented at the end of the example statement of cash flows.

85. Many respondents that use ‘interest received’ said they use this information to assess the return being generated by an entity’s cash balances. One buy-side investment

professional said they use the information to assess how effectively an entity is using its cash.

86. Many respondents that use ‘interest paid’ said they use this information to assess the cost of the entity’s debt. Two institutional investors said they assess whether an entity’s cash interest paid is covered by the cash the entity has generated.

87. Many respondents that use ‘dividends received’ said they use this information to assess the performance of a company’s investments.

Real estate investment trusts (REITs)—Other financial institutions

88. The investing section was the most used section of the statement of cash flows of REITs. Within the section, the most used line item was ‘purchase of investment property’. Although the line item was specific to the purchase of investment property, respondents’ explanations of how they use this information included comments about the proceeds from the sale of investment property. Most respondents said they use this information to understand the REITs level of investment. One buy-side investment professional said they use the information to reconcile an entity’s opening and closing balances of investment property and calculate the amount of the change in the value of the investment property that has been realised.

Asset management and custody banks—Other financial institutions

89. The investing section was the most used section of the statement cash flows of asset management and custody banks. Within the section, the most used line items were those related to capital expenditure. Respondents generally use the information to understand the cash investment in capital items and assess how the investment had been funded.

Broker–dealers—Other financial institutions

90. The investing section was the most used section of the statement cash flows of broker–dealers. Within the section, the most used line item was ‘proceeds from sale of investments’. Respondents use the information for reasons similar to those described in paragraph 83 of this paper.

Use of valuation models or ratio analysis

91. Some respondents said they use information in the statement of cash flows of financial institutions in valuation models or ratio analysis.

92. The proportion of respondents analysing 'other financial institutions' that said they use cash flow information in valuation models or ratio analysis was greater than the equivalent proportion of respondents analysing banks and lenders and insurance companies.

93. Most of the respondents analysing 'other financial' institutions that said they use cash flow information in valuation models or ratio analysis were institutional investors. However, most of the respondents analysing banks and lenders and insurance companies that said they use cash flow information in valuation models or ratio analysis were other respondents.

Other line items

94. A few respondents identified line items that they usually use when analysing financial institutions that were not included in the example statements of cash flows. Line items identified were:

    (a) acquisition or redemption of the entity's shares;

    (b) effects of inflation on cash and cash equivalents; and

    (c) effects of exchange rate changes on cash and cash equivalents.

95. Two respondents also identified line items that would be included in the statement of cash flows of an insurance company presenting cash flows from operating activities using the direct method.

96. A few respondents identified line items from the example statements of cash flows that they would expect to be disaggregated (for example, the changes in 'operation receivables and assets').

Do responses vary between financial institutions

97. If a respondent analysed more than one type of financial institution in a category, the survey asked if their responses to whether they use cash flow information, and what information they use, for one type of financial institution would differ from another in the same category. If a respondent said their responses would differ, the survey asked what different cash flow information the respondent would use.

Summary of responses

98. Across all three categories, most respondents analysed more than one type of financial institution from the category.

Banks and lenders

99. The survey asked all respondents that analysed more than one type of bank and lender if their response for retail and commercial banks would differ from their response for each type of bank and lender they analysed. Some of these respondents said their responses would differ.

100. Of those respondents that said their response for retail and commercial banks would differ from mortgage lenders or consumer finance companies, most were institutional investors that did not use the information in the statement of cash flows when analysing retail and commercial banks. Most of these investors said whether they use the information in the statement of cash flows when analysing mortgage lenders and consumer finance companies depends on how these entities are funded. Comments, each made by an individual buy-side investment professional, included:

(a) the statement of cash flows of a mortgage lender or consumer finance company is less useful if the entity is funded by a captive deposit base; and

(b) the statement of cash flows of a consumer finance company is more useful if the entity is funded by securitisation.

Insurance companies

101. Of those respondents analysing more than one type of insurance company, only two said their responses would differ.

Other financial institutions

102. Of those respondents analysing more than one type of entity categorised as 'other financial institutions', many said their responses would differ.

103. The survey asked respondents that analysed more than one type of 'other financial institution' how their response for 'investment companies and investment trusts' would differ from the other types of entity they analysed in the category. Many of these respondents said they focus more on cash flows from operating activities when analysing the other types of entity compared to 'investment companies and investment trusts'.

Do respondents use the cash flow information disclosed in the notes to the financial statements

104. For each type of financial institution a respondent said they analysed, the survey asked whether they use the information disclosed in the notes to the financial statements about:

(a) total cash outflow for leases, required by paragraph 53(g) of IFRS 16 *Leases*; and

(b) changes in liabilities arising from financing activities, required by paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*.

105. If a respondent said they use the information, the survey asked the respondent how they use that information.

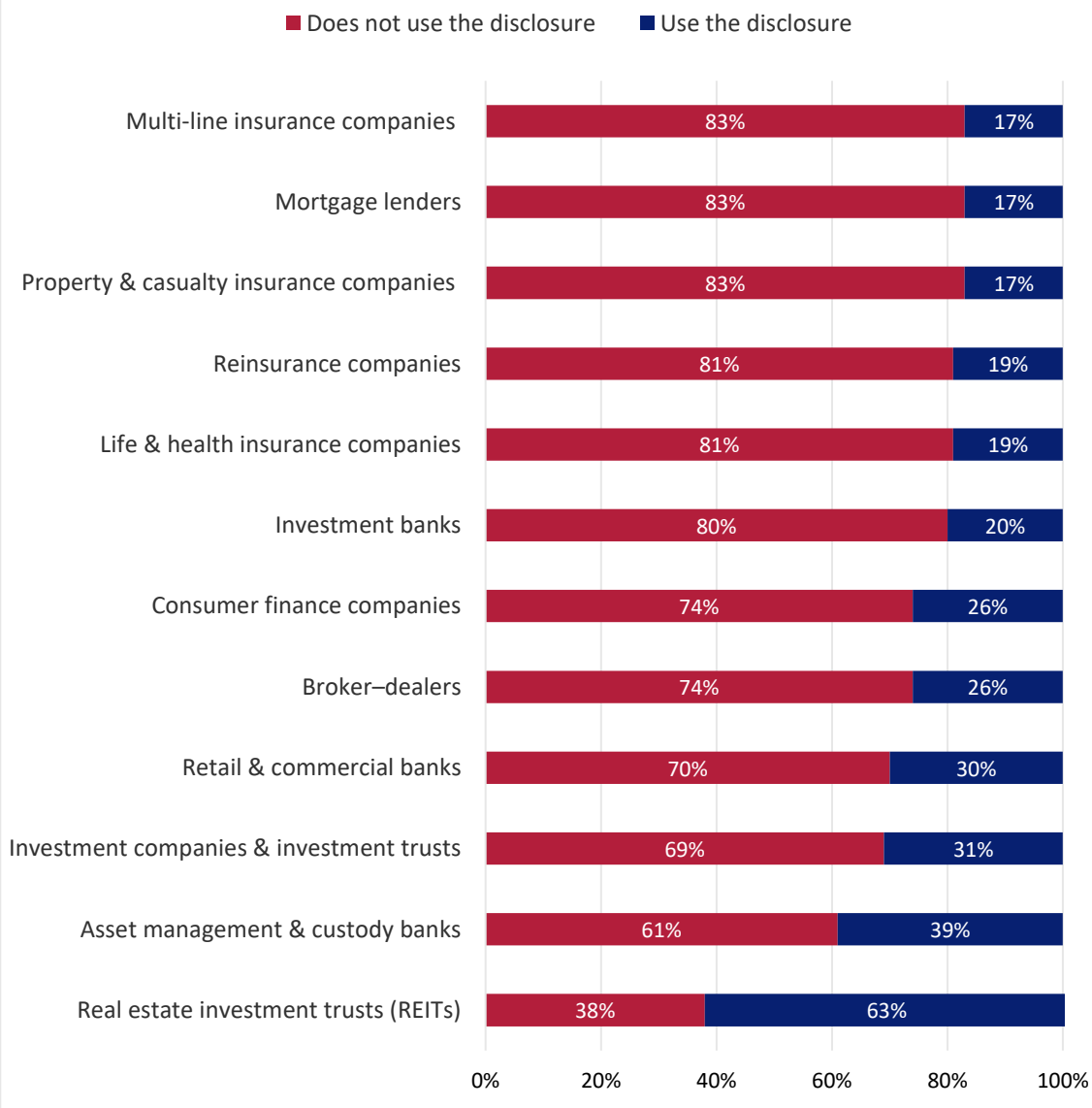
Summary of responses

Total cash outflow for leases

106. Figure 4 summarises whether respondents analysing each type of financial institution use the disclosure about total cash outflow for leases.

Figure 4—Use of total cash flow for leases by respondents analysing each type of financial institution, in order of proportion not using the disclosure

Percentage of total respondents analysing each type of financial institution



107. For all financial institutions except REITs, most respondents analysing the financial institution do not use the disclosure.

108. For all financial institutions, most of the respondents that use the disclosure also use information in the statement of cash flows when analysing the financial institution. All of the respondents that use the disclosure but do not use the information in the statement of cash flows were institutional investors.

109. The proportion of institutional investors using the disclosure was similar to those reported in Figure 4.

110. Most respondents using the disclosure said they use it either:

(a) to understand the financial institution's cash commitments;

(b) to understand the financial institution's efficiency in using its assets; or

(c) as an input for their valuation model or the calculation of ratios.

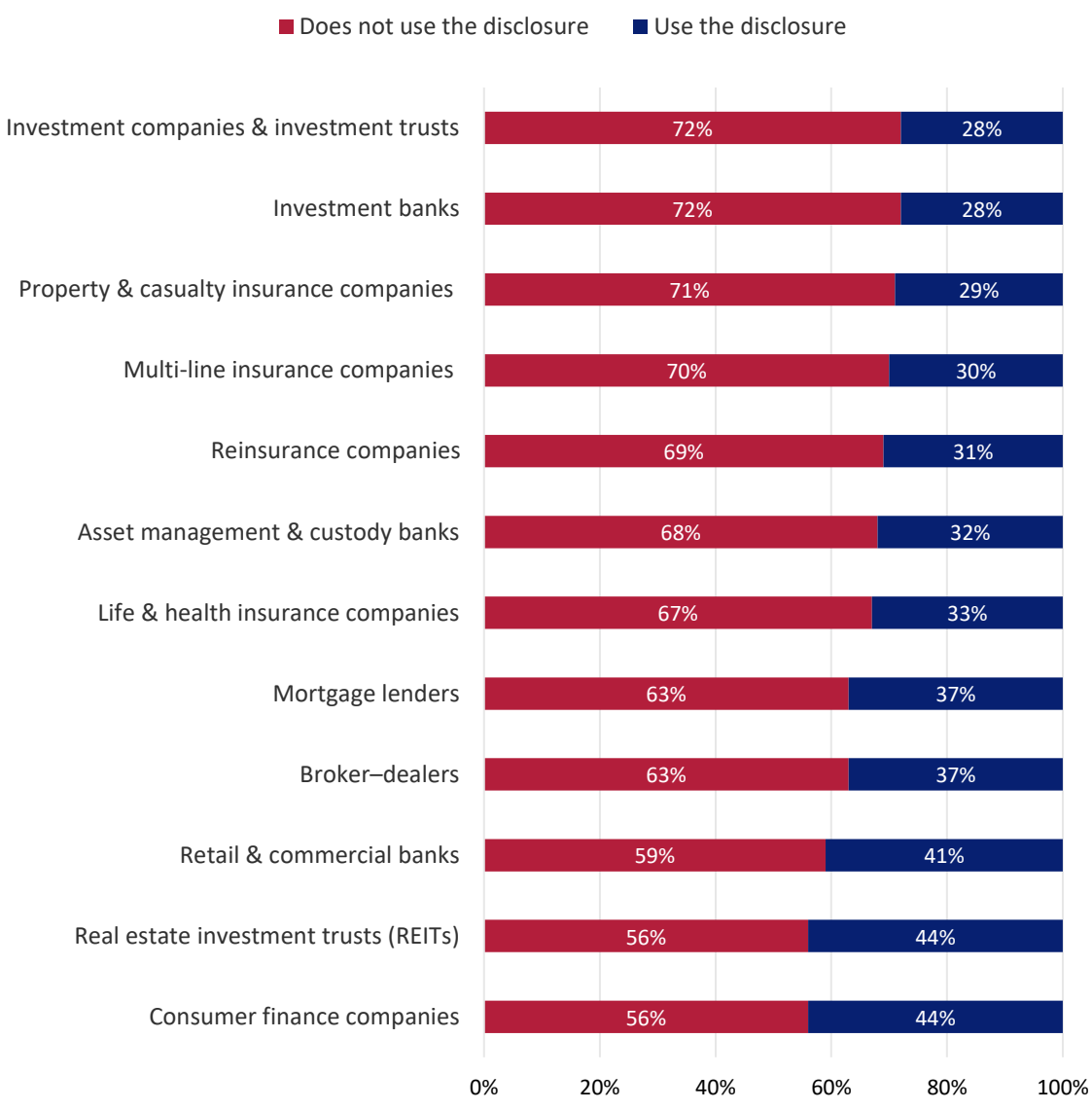
111. A few institutional investors said whether they use the disclosure depends on the significance of leases to the financial institution.

Changes in liabilities arising from financing activities

112. Figure 5 summarises whether respondents analysing each type of financial institution use the disclosure about changes in liabilities arising from financing activities.

Figure 5—Use of changes in liabilities arising from financing activities by respondents analysing each type of financial institution, in order of proportion not using the disclosure

Percentage of total respondents analysing each type of financial instituti



113. For all financial institutions, most or many respondents analysing the financial institution do not use the disclosure.

114. For those entities categorised as ‘other financial institutions’ and consumer finance companies (categorised as banks and lenders), most of the respondents that use the disclosure also use information in the statement of cash flows when analysing these financial institutions. For all other financial institutions, the majority of respondents that used the disclosure do not use the information in the statement of cash flows when analysing those financial institutions. Most of these respondents were institutional investors.

115. The proportion of institutional investors using the disclosure was similar to those reported in Figure 5 for all financial institutions except REITs. For those institutional investors analysing REITs, a small majority use the disclosure.

116. Most respondents using the disclosure said they use it either:

(a) to understand the movements in the financial liabilities during the period;

(b) to understand how the financial institution is funded;

(c) to understand financial institution’s refinancing risk; or

(d) as an input for the calculation of ratios or metrics.

Other comments on the usefulness of financial institutions’ cash flows information

117. The survey asked respondents to share any other comments on the usefulness of financial institutions’ cash flows information.

Summary of responses

118. Most respondents who shared comments:

(a) explained why they do not use the information in the statement of cash flows when analysing financial institutions (see paragraphs 29–3233);

(b) suggested improvements to the cash flow information provided by financial institutions (see paragraph 119); or

(c) described the information they use when analysing financial institutions instead of cash flow information (see paragraph 120).

119. Most respondents that suggested improvements to the cash flow information provided by financial institutions suggested these entities present or disclose different information. Suggestions—each made by two or three institutional investors—included:

(a) requiring banks and lenders and insurance companies to disaggregate between deposit holder funds and policy holder funds, and shareholder funds, in the statement of cash flows;

(b) requiring banks and lenders and insurance companies to disclose information about the duration of assets and liabilities; and

(c) requiring insurance companies to disclose information about group entities' profits that can be transferred to their parent entity.

120. All respondents that described the information they use when analysing financial institutions instead of cash flow information mentioned regulatory type information.

121. Some institutional investors described situations where they use the statement of cash flows of financial institutions. These situations were:

(a) when analysing financial service companies (for example, exchanges);

(b) when analysing banks and lenders and insurance companies that do not have access to funding because, for example, they are unregulated; and

(c) when learning about financial institutions as a new analyst.

Appendix—Survey results, cash flow line items selected by respondents

Figure A1—Cash flow line items selected by respondents for banks and lenders

LINE ITEMS	Percentage of total respondents			
	Retail & commercial banks	Mortgage lenders	Consumer finance companies	Investment banks
Cash flows from operating activities				
Profit for the year	17%	8%	14%	12%
Adjustments for non-cash income and expenses:	13%	5%	11%	8%
Depreciation and amortisation	16%	13%	16%	14%
Credit impairment losses on financial instruments	17%	10%	16%	14%
Net change in fair value of financial instruments measured at FVTPL	16%	10%	16%	16%
Share of profits in associates and joint ventures	12%	8%	14%	8%
Gain on disposal of trading and investment securities	13%	8%	16%	14%
Income tax expense	13%	8%	11%	8%
Changes in operating assets and liabilities:	12%	5%	11%	6%
Trading and investment securities	12%	5%	14%	10%
Loans and advances to customers	14%	8%	11%	8%
Derivative financial instruments	10%	5%	11%	8%
Funding liabilities	13%	8%	11%	6%
Other operating assets and liabilities	12%	5%	11%	8%
Income taxes paid	17%	10%	14%	10%
Net cash from operating activities	17%	10%	16%	10%
Cash flows from investing activities				
Purchase of property and equipment	26%	21%	30%	22%
Purchase of intangible assets	28%	21%	32%	24%
Capitalised software and development costs	23%	21%	30%	20%
Dividends from joint ventures and associates	16%	10%	16%	8%
Net cash used in investing activities	22%	18%	19%	16%
Cash flows from financing activities				
Proceeds from issue of debt securities	22%	10%	22%	14%
Repayment of debt securities	23%	10%	22%	16%
Proceeds from issue of subordinated liabilities	17%	10%	19%	12%
Proceeds from issue of shares	22%	13%	24%	18%
Dividends paid	23%	18%	22%	20%
Net cash from financing activities	16%	8%	16%	14%
Net increase in cash and cash equivalents	16%	8%	16%	12%
Cash and cash equivalents at beginning of year	14%	5%	16%	8%
Cash and cash equivalents at end of year	16%	5%	16%	8%
Cash flows from operating activities include:				
Interest received	20%	13%	19%	12%
Dividends received	17%	8%	16%	14%
Interest paid	22%	13%	22%	12%
The results above include respondents that selected 'I routinely use all line items', shown below:				
I routinely use all line items	9%	5%	8%	4%

Figure A2—Cash flow line items selected by respondents for insurance companies

LINE ITEMS	Percentage of total respondents			
	Property & casualty insurance companies	Life & health insurance companies	Multi-line insurance companies	Reinsurance companies
Cash flows from operating activities				
Profit for the year	17%	14%	10%	13%
Adjustments for non-cash income and expenses:	14%	11%	7%	7%
Depreciation and amortisation	23%	20%	14%	20%
Credit impairment losses on financial instruments	20%	20%	17%	20%
Net change in fair value of financial instruments measured at FVTPL	23%	23%	17%	20%
Gain on disposal of investment securities	20%	20%	17%	20%
Income tax expense	20%	17%	14%	20%
Changes in operating assets and liabilities:	14%	11%	10%	7%
Net changes in investment securities	17%	17%	10%	13%
Net changes in insurance contracts	17%	14%	10%	13%
Net changes in reinsurance contracts	17%	14%	10%	13%
Other operating assets and liabilities	17%	14%	10%	13%
Income taxes paid	17%	14%	10%	13%
Net cash from operating activities	20%	17%	14%	13%
Cash flows from investing activities				
Purchase of property and equipment	20%	23%	21%	20%
Purchase of intangible assets	20%	23%	21%	20%
Capitalised software and development costs	20%	20%	14%	13%
Dividends from joint ventures and associates	23%	26%	24%	27%
Net cash used in investing activities	11%	11%	10%	7%
Cash flows from financing activities				
Proceeds from issue of shares	14%	17%	14%	13%
Proceeds from issue of borrowings	14%	17%	14%	13%
Repayment of borrowings	17%	20%	17%	20%
Interest paid	17%	20%	17%	13%
Dividends paid	26%	29%	21%	20%
Net cash used in financing activities	11%	11%	10%	7%
Net increase (decrease) in cash and cash equivalents	17%	17%	14%	20%
Cash and cash equivalents at beginning of year	14%	14%	10%	13%
Cash and cash equivalents at end of year	14%	14%	10%	13%
Cash flows from operating activities include:				
Interest received	20%	20%	17%	13%
Dividends received	20%	20%	17%	13%
The results above include respondents that selected 'I routinely use all line items', shown below:				
I routinely use all line items	11%	11%	7%	7%

Figure A3—Cash flow line items selected by respondents for other financial institutions

LINE ITEMS	Percentage of total respondents			
	Investment companies & investment trusts	Real estate investment trusts (REITs)	Asset management & custody banks	Broker-dealers
Cash flows from operating activities				
Profit for the year	34%	29%	26%	19%
Adjustments for non-cash income and expenses:	24%	21%	17%	19%
Depreciation and amortisation	24%	43%	30%	25%
Credit impairments losses on financial instruments	24%	43%	39%	38%
Net fair value gains and losses	28%	29%	30%	31%
Gain on disposal of investment assets	24%	29%	35%	31%
Income tax expense	21%	21%	22%	19%
Changes in operating assets and liabilities:	24%	21%	17%	19%
Operating receivables and assets	24%	36%	30%	31%
Operating payables and liabilities	28%	36%	30%	31%
Income taxes paid	24%	21%	26%	19%
Net cash from operating activities	38%	36%	35%	31%
Cash flows from investing activities				
Acquisition of investments	45%	43%	39%	44%
Proceeds from sale of investments	45%	43%	43%	50%
Purchase of investment property	38%	64%	35%	44%
Purchase of property and equipment	28%	43%	48%	31%
Purchase of intangible assets	28%	36%	43%	44%
Capitalised software and development costs	28%	36%	43%	31%
Dividends from joint ventures and associates	31%	36%	30%	31%
Net cash used in investing activities	31%	36%	30%	25%
Cash flows from financing activities				
Proceeds from issue of debt financing	38%	36%	43%	38%
Repayment of debt borrowings	38%	29%	39%	31%
Proceeds from issue of shares	34%	21%	39%	38%
Dividends paid	38%	21%	43%	31%
Net cash used in financing activities	31%	29%	30%	25%
Net increase in cash and cash equivalents	31%	14%	26%	13%
Cash and cash equivalents at beginning of year	24%	14%	22%	13%
Cash and cash equivalents at end of year	38%	29%	26%	25%
Cash flows from operating activities include:				
Interest received	38%	21%	35%	25%
Dividends received	41%	29%	35%	31%
Interest paid	41%	36%	35%	31%
The results above include respondents that selected 'I routinely use all line items', shown below:				
I routinely use all line items	21%	14%	13%	13%