

# Accompanying note to the publication of 2022 Pillar 3 information

This document presents the main features of the publication of 2022 Pillar 3 information. It describes the scope and content of the data published and summarises the key findings of the exercise. Stakeholders can use this information to perform bank-level comparisons of key risk metrics and selected disclosures.

This note consists of two sections. Section 1 focuses on the sample and scope of the publication, while Section 2 summarises the findings and main issues identified during the exercise.

## 1 Background of the exercise

The Pillar 3 publication is released following an annual reconciliation exercise. The first phase is the data collection, when data for the selected templates are collected from the bank's public disclosures. The data from Pillar 3 PDF files (when other formats are not made available) is extracted using innovative tools. The second phase of the exercise is reconciling the data collected from the banks' Pillar 3 reports with the corresponding supervisory reporting data.

## 1.1 Sample of banks

The Pillar 3 information published is obtained from disclosures from a list of banks designated as significant institutions (SIs) by the European Central Bank (ECB)<sup>1</sup>. Under the Capital Requirements Directive (CRD)<sup>2</sup> and the associated Capital Requirements Regulation (CRR)<sup>3</sup>, banks are required to comply with the disclosure requirements set out in Part Eight of the CRR, based on their consolidated or individual situation.

The reference date used for the latest publication is 31 December 2022, i.e. the end of the 2022 financial year. A footnote is included in the publication for banks with a different financial year-end. A total of 107 SIs at the highest level of consolidation are included in the publication. Of the 107 banks, 85 institutions are subject to the

<sup>&</sup>lt;sup>1</sup> The full list of SIs is available on the ECB Banking Supervision website.

<sup>&</sup>lt;sup>2</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

<sup>&</sup>lt;sup>3</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022, given that they have issued securities traded in the EU.

#### 1.2 Scope of the publication

The publication presents eight ratios from the banks' public disclosures, as well as five specific disclosure templates selected from those required in the implementing technical standards (ITS) on disclosures<sup>4</sup> as defined by the European Banking Authority.

For the publication of 2022 Pillar 3 information, with reference date year-end 2022, the following key ratios were collected from banks' year-end 2022 Pillar 3 disclosures:

- total capital ratio, Tier 1 capital ratio, Common Equity Tier 1 (CET1) ratio, overall capital ratio requirement;
- leverage ratio, overall leverage ratio requirement;
- liquidity coverage ratio (LCR), net stable funding ratio (NSFR).

The ratios were collected from the disclosure template EU KM1 – Key metrics template as defined in Annex I and Annex II of the ITS on disclosure.

In addition to those key ratios, the exercise focused on the credit risk and potential climate change risks included under environmental, social and governance (ESG) risks. One disclosure template on credit quality, and four on ESG risk were chosen for the publication. These are shown in the table below. The credit quality template (EU CQ5) is defined in Annex XV of the ITS on disclosure, and the ESG templates are defined in Annex I of the ITS on ESG risk disclosure.

The ITS on ESG risk disclosure was first applicable as of the reference period December 2022. There is a phased approach for disclosures in the ITS templates. Certain data in Template 1 need to be disclosed as of 31 December 2023 and 30 June 2024. For example, the disclosure of financed emissions is mandatory as of 30 June 2024.

EU CQ5	Credit quality of loans and advances to non-financial corporations by industry
Template 1	Banking book - Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 136 21.4.2021, p. 1) and Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks

Template 2	Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral
Template 4	Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms
Template 5	Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

#### Summary of the findings

2

The Pillar 3 publication follows an annual reconciliation exercise. In this process, a selection of Pillar 3 information published by banks is reconciled with supervisory reporting data.<sup>5</sup> As a result of the reconciliation exercise, 41 banks republished their 2022 Pillar 3 reports fully or partially to correct mismatches identified between Pillar 3 information and supervisory reporting data by the cut-off date of 27 October 2023. Of the 41 banks:

- 13 banks corrected some of the key ratios;
- 22 banks corrected information within the credit risk template;
- 27 banks corrected information within the ESG risk quantitative templates.

After the reconciliation exercise some data quality issues remained for a total of 42 banks, which have been flagged in the publication. Of those 42 banks, 11 had mismatches in the ratios, 21 had mismatches in the credit quality template, and 24 had data quality findings in the ESG risk quantitative templates.

The details of the banks which republished their December 2022 Pillar 3 reports and of the banks with remaining mismatches have been provided in the Annex.

#### 2.1 Key reconciliation issues identified

The following main issues were identified during the reconciliation exercise:

• The Liquidity Coverage Ratio (LCR) was disclosed as a point-in-time value in template EU KM1 but should instead be disclosed as the average or

<sup>&</sup>lt;sup>5</sup> The CRR specifies the supervisory reporting obligations for credit institutions. These reporting obligations are further specified in Commission Implementing Regulation (EU) 2021/451 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L 097 19.3.2021, p. 1).

averages, as applicable, of banks' LCR based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period.<sup>6</sup>

- Banks are expected to disclose the item "Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions" with a negative sign. Although most banks met this requirement, some disclosed it as a positive value.
- As stated in the ITS on disclosure, banks should follow a fixed order of rows in template EU CQ5. Row 110 should refer to "Financial and insurance activities", while row 120 should indicate "Real estate activities". Nevertheless, several banks disclosed rows 110 and 120 of the template EU CQ5 in reverse order.
- In Template 2 a few banks disclosed amounts under column p "Total gross carrying amount without EPC label of collateral: Of which level of energy efficiency (EP score in kWh/m<sup>2</sup> of collateral) estimated". The majority of banks disclosed this item as a percentage, as defined in the ITS on ESG disclosure.
- For some banks, the sums of breakdowns in the ESG disclosure templates did not equal the total.
- Some banks omitted rows from the disclosed templates or did not disclose certain templates at all. Banks must provide reasons for omitting this information.<sup>7</sup>

# 2.2 Disclosure of ESG risks

#### 2.2.1 General assessment

Eligible banks disclosed for the first time the comprehensive physical and transition risks templates set out in the EBA ITS on ESG Pillar 3. Most of the requested information was disclosed, but some work remains to further enhance adherence to the rules and comparability.

The data collection itself revealed some challenges throughout the process: banks' ESG risk information is still often dispersed across different reports, typically located on various webpages; sometimes in completely different formats.

<sup>6</sup> Article 447(f)(i) of the CRR.

According to Article 432 of the CRR, "the institution concerned shall state in its disclosures the fact that specific items of information are not being disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential."

Significant data quality issues were identified and hinder the comparability of results, for the quantitative templates in particular. For example, some banks disclosed data in the wrong unit or breakdowns did not add up to totals. Some metrics and concepts like weighted average maturity or the definition of the geographical areas were not understood consistently. As a result, there were differences between banks in the granularity of the data reported. Furthermore, the presence of significant outliers raised concerns about the quality of the disclosed data.

For Template 4 disclosing exposures to the top 20 carbon-intensive companies in the world, banks use various data sources to identify the top polluters (see table below). As a result, banks' exposures to the top 20 most polluting companies cannot be compared directly.

(See lable below: Letters on top refer to different sources	(See table below: Letters on top refer to differe	nt sources
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	A	В	с	D	E	F	G	Н
Saudi Arabian Oil Company (Aramco)	X	X	X	X	X	X	0	
Chevron Corporation	×	X	X	X	x	X		Х
ExxonMobil Corporation	X	X	X	x	x	x	х	X
PJSC Gazprom	×	X	X	x	x	X	x	X
BP	X	X	X	X	x	X	^	X
Shell plc	X	X	X	X	x	X	х	^ X
	×	×	×	×	x	X	^	^
National Iranian Oil company Coal India Ldt.	X	X	X	^	x	X		х
Pemex	×	×	×	х	^ X	X		^
ConocoPhillips	^ X	^	×	×	^	^		
•		V		^	V	V		
Peabody Energy PetroChina/ China Natl Petroleum	X	X X	X	V	X	X	х	V
	X	X	X	X	X	X	X	Х
Petroleos de Venezuela	X		X	X	X	Х		
Total SA	X	X	X	X	X			Х
Abu Dhabi National Oil company	X	X	X	X	X	X		
Kuwait Petroleum Corp	Х	X	X	Х	Х	Х		
Iraq National oil company	Х	Х	Х			Х		
Sonatrach	Х	Х	Х	Х	Х	Х		
BHP Group	Х		Х		Х			Х
CONSOL/CNX	Х							
Rosneft		Х		Х		Х		Х
Petroleo Brasileiro (Petrobas)		Х	Х	Х		Х	Х	Х
Glencore plc		Х						
PJSC Lukoil		Х		Х				
Nigerian National Petroleum				Х				
Petronas				Х				
China (Coal)					Х			
Russia (Coal)					Х			
Poland Coal					Х			
Shenhua Group						Х		Х
Qatar Petroleum Corp						Х		
China Petroleum & Chemical Corporation	n						х	Х
Arcelor Mittal							Х	
NTPC Ltd							Х	
RWE AG							Х	
GDF Suez							Х	
Duke Energy Corporation							Х	
E.ON SE							Х	
ENEL SpA							х	
American Electric Power							Х	
Nippon Steel & Sumitomo Metal Corpor	ation						Х	
Holcim Ltd							х	
The Southern Company			1	1			X	
Lafarge S.A.		1	1	1			X	
POSCO		1	1				X	
EDF							x	
Thyssenkuoo AG								х
Cummins Inc.		1						X
Rio Tinto			1					x
Korea Electric Power Corp		1						x
United Technologies Corp								X
Valero Energy Corp	-	-						X
								X X
Wistron Corp			I	<u> </u>	I	L	L	<u>^</u>

#### 2.2.2 Qualitative tables

For the qualitative tables covering environmental, social and governance (ESG) risks, banks typically did not provide granular information and often considered E, S and G together for the purpose of the exercise.

Much of the forward-looking information was not sufficiently disclosed, such as the plans to achieve business model, strategy, and targets over the medium and long term.

The role of board and committees and the specific allocation of tasks and responsibilities to board members in managing ESG risks were insufficiently described. There was a lack of accurate information on how internal capacity is being developed to assess social risks, how social risks are included in the internal reporting framework and the metrics used to determine how social risks are considered in the variable remuneration.

In general, a need was observed to further enhance processes to identify, measure and monitor activities and exposures sensitive to ESG risks, covering relevant transmission channels and ensuring a link with assessments of conventional risks. Banks should also further strengthen the quality of disclosures reported on internal policies and scoring through the use of stress tests, scenario analyses and tools to assess ESG risks on capital and liquidity.

Banks have received detailed feedback, which will further improve their qualitative disclosures in line with the EBA ITS on P3 on ESG risks.

# 3 Annex

# 3.1 List of banks that republished December 2022 Pillar 3 reports to correct findings from the exercise<sup>8</sup>

Name of the bank	Country
BAWAG Group AG	Austria
Raiffeisenbankengruppe OÖ Verbund eGen	Austria
Raiffeisen Bank International AG	Austria
Volksbanken Verbund	Austria
CRELAN	Belgium
KBC Groep	Belgium
Citigroup Global Markets Europe AG	Germany
HASPA Finanzholding	Germany
J.P. Morgan SE	Germany
Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG	Germany
Bayerische Landesbank	Germany
Landesbank Hessen-Thüringen Girozentrale	Germany
Volkswagen Bank Gesellschaft mit beschränkter Haftung	Germany
Luminor Holding AS	Estonia
Caixabank, S.A.	Spain
Abanca Corporacion Bancaria, S.A.	Spain
Banco de Sabadell, S.A.	Spain
Unicaja Banco, S.A.	Spain
Confédération Nationale du Crédit Mutuel	France
HSBC Continental Europe	France
SFIL S.A.	France
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANOSOCIETA' PER AZIONI (IN SIGLA CASSA CENTRALE BANCA)	Italy
CREDITO EMILIANO HOLDING SOCIETA' PER AZIONI	Italy
ICCREA BANCA S.P.A ISTITUTO CENTRALE DEL CREDITO COOPERATIVO (IN FORMA ABBREVIATA: ICCREA BANCA S.P.A.)	Italy
MEDIÓBANCA - BANCA DI CREDITO FINANZIARIO S.P.A.	Italy
BANCA MEDIOLANUM S.P.A.	Italy
UNICREDIT, SOCIETA' PER AZIONI	Italy
Akcinė bendrovė Šiaulių bankas	Lithuania
"Swedbank", AB	Lithuania
Banque et Caisse d´Epargne de l´Etat, Luxembourg	Luxembourg
Banque Internationale à Luxembourg	Luxembourg
Akciju sabiedrība "Citadele banka"	Latvia

<sup>&</sup>lt;sup>8</sup> Reasons for republication include corrections to disclosed data, re-formatting the disclosure templates and amending qualitative information.

AS "SEB banka"	Latvia
"Swedbank" AS	Latvia
Bank of Valletta plc	Malta
de Volksbank N.V.	Netherlands
BANCO COMERCIAL PORTUGUÊS, SA	Portugal
Caixa Geral de Depósitos, S.A.	Portugal
NOVO BANCO, S.A.	Portugal
AGRI EUROPE CYPRUS LIMITED	Slovenia
NOVA LJUBLJANSKA BANKA D.D., LJUBLJANA	Slovenia

# 3.2 Banks with remaining data quality issues in their December 2022 Pillar 3 reports

Mismatches between supervisory reporting and Pillar 3 information		
Name of the bank	Country	
KBC Groep	Belgium	
GROUPE BPCE	France	
BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY	Cyprus	
Hamburg Commercial Bank AG	Germany	
Norddeutsche Landesbank - Girozentrale -	Germany	
Bankinter, S.A.	Spain	
RCI Banque	France	
ALPHA SERVICES AND HOLDINGS S.A.	Greece	
BANCO BPM SOCIETA' PER AZIONI	Italy	
BNG Bank N.V.	Netherlands	
Nederlandse Waterschapsbank N.V.	Netherlands	

Formatting issues		
Name of the bank	Country	
Erste Group Bank AG	Austria	
Volksbanken Verbund	Austria	
KBC Groep	Belgium	
Hellenic Bank Public Company Ltd	Cyprus	
Kuntarahoitus Oyj	Finland	
OP Osuuskunta	Finland	
Bpifrance	France	
RCI Banque	France	
Groupe Crédit Agricole	France	
GROUPE BPCE	France	
COMMERZBANK Aktiengesellschaft	Germany	
J.P. Morgan SE	Germany	

Landesbank Baden-Württemberg	Germany
Bayerische Landesbank	Germany
State Street Europe Holdings Germany S.a.r.l. & Co. KG	Germany
DEUTSCHE APOTHEKER- UND ÄRZTEBANK EG	Germany
DEUTSCHE BANK AKTIENGESELLSCHAFT	Germany
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main	Germany
Norddeutsche Landesbank - Girozentrale -	Germany
Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG	Germany
National Bank of Greece, S.A.	Greece
Piraeus Financial Holdings	Greece
BANCA MEDIOLANUM S.P.A.	Italy
BPER BANCA S.P.A.	Italy
INTESA SANPAOLO S.P.A.	Italy
BANCA POPOLARE DI SONDRIO SOCIETA' PER AZIONI	Italy
Banque Internationale à Luxembourg	Luxembourg
MDB Group Limited	Malta
ING Groep N.V.	Netherlands
BNG Bank N.V.	Netherlands
Coöperatieve Rabobank U.A.	Netherlands
ABN AMRO Bank N.V.	Netherlands
Barclays Bank Ireland plc	Ireland
Banco Bilbao Vizcaya Argentaria, S.A.	Spain
Ibercaja Banco, S.A.	Spain
Banco Santander, S.A.	Spain
Bankinter, S.A.	Spain