Accompanying note to the publication of 2021 Pillar 3 information

This document presents the main features of the publication of 2021 Pillar 3 information. It describes the scope and content of the data published and summarises the key findings of the exercise. The information published enables stakeholders to perform bank-level comparisons of key risk metrics and selected information in the disclosure templates.

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

1 Content of the data

1.1 Sample of banks

A list made up of banks designated as significant institutions (SIs) by the European Central Bank (ECB)1 is used for the publication of Pillar 3 information. In accordance with their obligations under the Capital Requirements Directive (CRD)2 and the associated Capital Requirements Regulation (CRR)3, SIs are required to comply with the disclosure requirements set out in Part Eight of the CRR on the basis of their consolidated or individual situation.

The reference date used for the latest publication is 31 December 2021, i.e. the end of the 2021 financial year. For banks with a different financial year-end, a footnote has been added in the publication. A total of 108 SIs at the highest level of consolidation are included in the publication.

1.2 Scope of the publication

The publication contains various ratios from the banks’ public disclosures, as well as some specific disclosure templates selected from those required in the Implementing

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1 The full list of SIs is available on the ECB Banking Supervision website.
Technical Standards (ITS) on disclosure⁴ as defined by the European Banking Authority.

For the publication of 2021 Pillar 3 information, the following key ratios were collected from banks' year-end 2021 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.

The focus of this exercise was on counterparty credit risk. Five of the eight counterparty credit risk disclosure templates were chosen for the publication. These are shown in the table below. The templates are defined in Annexes XXV and XXVI of the ITS on disclosure.

<table>
<thead>
<tr>
<th>EU CCR1</th>
<th>Analysis of CCR exposure by approach</th>
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<td>EU CCR2</td>
<td>Transactions subject to own funds requirements for CVA risk</td>
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<td>EU CCR5</td>
<td>Composition of collateral for CCR exposures</td>
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<td>Credit derivatives exposures</td>
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<td>EU CCR8</td>
<td>Exposures to CCPs</td>
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</table>

2 Summary of the findings

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.⁵ As a result of the reconciliation exercise, 55 banks republished their 2021 Pillar 3 reports fully or partially to correct mismatches identified between Pillar 3 information and supervisory reporting data by the cut-off date 7 October 2022. Out of the 55 banks:

- 24 banks corrected some of the key ratios;
- 10 banks corrected information within the CCR templates;


• 21 banks corrected both some key ratios and CCR templates.

The remaining data mismatches were flagged accordingly in the publication for a total of 29 banks. Of the 29 banks, 13 banks had mismatches in the ratios, 10 banks had mismatches in the CCR templates, and 6 banks had mismatches in both.

2.1 Key issues identified

The following main issues were identified during the reconciliation exercise.

• The LCR was disclosed as a point-in-time value in template EU KM1. The LCR in template EU KM1 should instead be disclosed as the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period.6

• The overall leverage ratio requirement was not disclosed in template EU KM1. It should be disclosed both in template EU LR2 - LRCom: Leverage ratio common disclosure and in template EU KM1.

• Template EU CCR1 was disclosed including exposures to central counterparties (CCPs). The template should exclude exposures to CCPs.7

• A few banks disclosed some counterparty credit risk templates in the wrong format, for instance by merging columns that should not be merged. The disclosure templates have a fixed format and should be disclosed as defined in the ITS on disclosure.

• Some banks omitted rows from the disclosed templates or did not disclose some templates at all. Institutions should disclose reasons for omitting information from their disclosures.8

While many banks in the sample followed the fixed format templates as defined in the ITS on disclosure, a significant number of banks omitted the row and/or column references of the templates in their disclosure documents. As banks can publish their disclosure documents in any of the official languages of the European Union, having clear and consistent numbering of the rows and columns as defined in the ITS on disclosure is necessary so that the information disclosed can be compared across jurisdictions and at global level.

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6 Article 447(f)(i) of the CRR.
7 Annex XXVI, paragraph 4 of the ITS on disclosure.
8 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.”