EUROPEAN CENTRAL BANK

BANKING SUPERVISION

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Reading the supervisory banking statistics

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Supervisory statistics, transparency and data quality

From the SSM mission statement, "in pursuing our objectives, we in the SSM attach utmost importance to credibility and accountability. In performing our tasks we are transparent while fully applicable confidentiality requirements".

Also, as set out in the supervisory priorities for 2016, **risk governance and data quality** is one important element. Data quality and firm-wide risk aggregation capabilities are an essential precondition for sound, risk-based decision-making and therefore for proper risk governance. In this regards, the SSM conducted a thematic review of the **BCBS 239 principles**.

The data quality of banks reports has a **direct impact on supervisory transparency** as we use the ITS data as basis for the Supervisory Banking Statistics.

Use of data in the supervision, some examples

SREP (Supervisory Review and Evaluation Process). The SSM has developed a common methodology to evaluate both the risks to which the institutions are or might be exposed and the risk that an institution poses to the financial system in general. The process is underpinned both by quantitative and qualitative elements. It is a data-intensive process where the accuracy of the underlying data is critical for the correct identification of risks.

RAS (Risk assessment system) is one of the SREP's main elements. This procedure is used to evaluate credit institutions' risk levels and controls and is rooted on a wide range also of ITS information, both backward and forward-looking.

Report on regulatory breaches. Provides a list of banks breaching the thresholds fixed by the regulation e.g. regarding capital ratios, macroprudential buffers, liquidity ratios etc.

Supervisory Banking Statistics: a supervisor's view

This publication increases substantially the level of supervisory transparency. Compared to the previous publication, the data are expanded both as regards the range and granularity of variables coverage, their intended frequency and also, importantly, regarding the breakdowns of banks offered.

In general, from the supervisory perspective there are two types of transparency:

- **Transparency with respect to interaction between banks and supervisors.** A number of actions, like bilateral exchanges with banks' representatives and dedicated workshops with, among others, CEOs and CROs to inform them about new methodologies and processes.
- **Transparency in a more wide-ranging sense, involving communication with the public.** The publication of supervisory banking statistics is a significant step enhancing this aspect of transparency, in addition to existing information provided in the website, public consultations and active seeking of input and feedback from the industry.

Key figures (1)

The ECB's Banking Supervision has been in existence for 2 years and the publication of the supervisory banking statistics allows us to examine some critical aggregate figures.

Time path of capital ratios.

Upward trend in all different definitions of regulatory ratios.

- The total capital ratio has increased while the same upward trend can be also observed if we restrict our attention to narrower definition of capital which include only instruments which can directly absorb losses.

Non-performing loans (NPLs) (see also next slide).

It is the first time that a harmonised series of NPL ratios for the different countries is presented – cross sectional harmonised data had been provided during the 2014 comprehensive assessment exercise.

Key figures (2)

Time path of non-performing loans (NPLs)

Main trends:

- Downward trend for NPL ratio.
- Slight increases in the coverage ratio.

Performance indicators

Business model and profitability challenges are visible in the data. RoE and RoA measures are fluctuating around historically low levels, while cost-to-income ratios remain above 60% on average.

The previous comments referred to aggregate results. However, it is especially interesting for the users of the data to dive deeper into the data and investigate the differences across countries and banks' categories. Undoubtedly, a number of insights can be gained by such an analysis.