



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Inês Correia
Paolo Poloni
Banking Supervision Data Division

Publication of Supervisory Banking Statistics and Pillar 3 information

Supervisory Reporting Conference
Frankfurt am Main, 6 November 2018

Overview

- 1 Introduction - principles
- 2 Supervisory Banking Statistics – content
- 3 Supervisory Banking Statistics – planned enhancements
- 4 Publication of Pillar 3 information
- 5 Main takeaways

Transparency and accountability as objectives...

*In pursuing our objectives, we in the SSM attach utmost importance to credibility and accountability. In performing our tasks we are **transparent** while fully observing the applicable confidentiality requirements. We aim for effective communication with the citizens of Europe.*

— Mission statement of the SSM

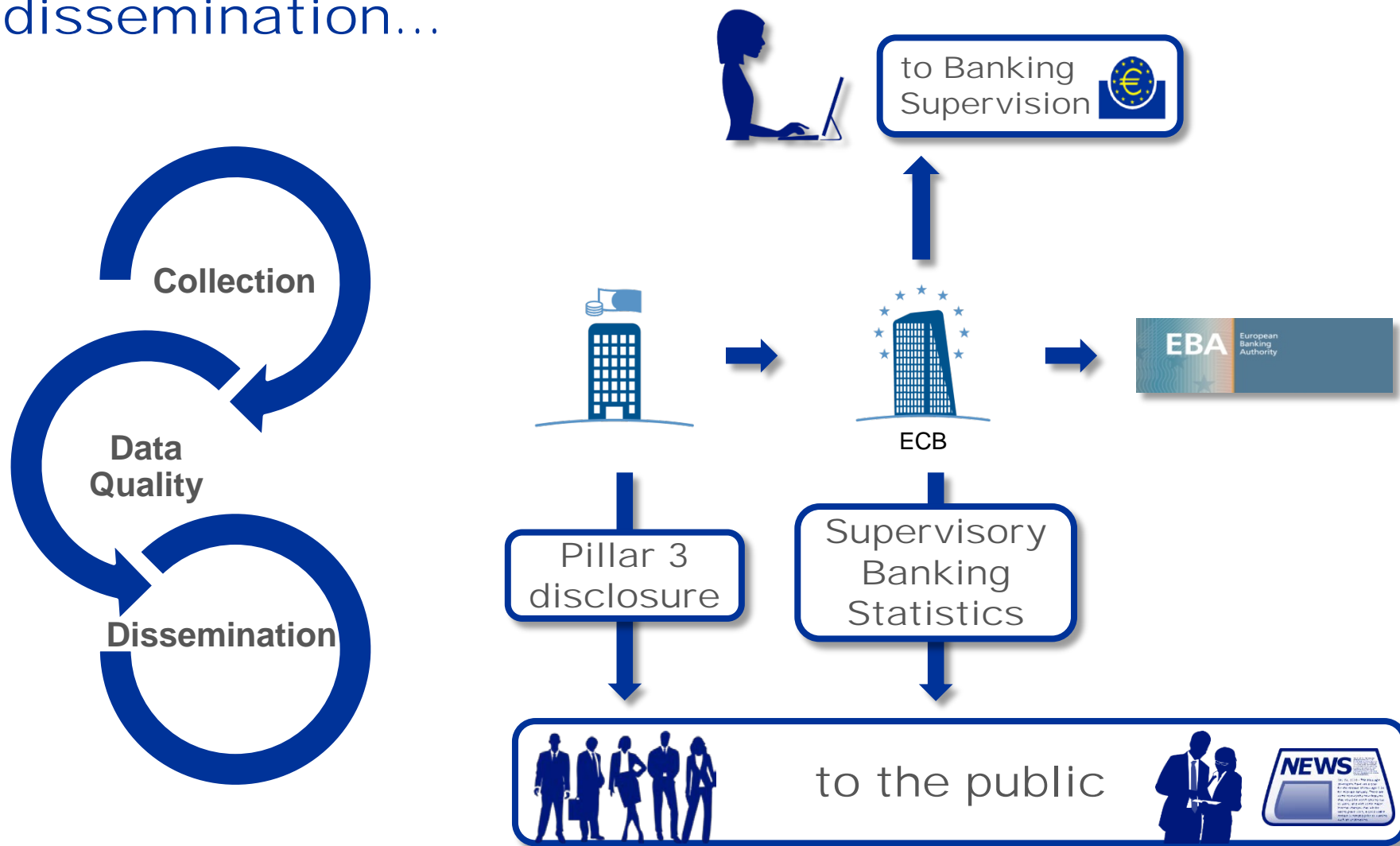
...respecting the confidentiality of the data.

*Confidential information which such persons, auditors or experts receive in the course of their duties may be **disclosed only in summary or aggregate form**, such that individual credit institutions cannot be identified, without prejudice to cases covered by criminal law.*

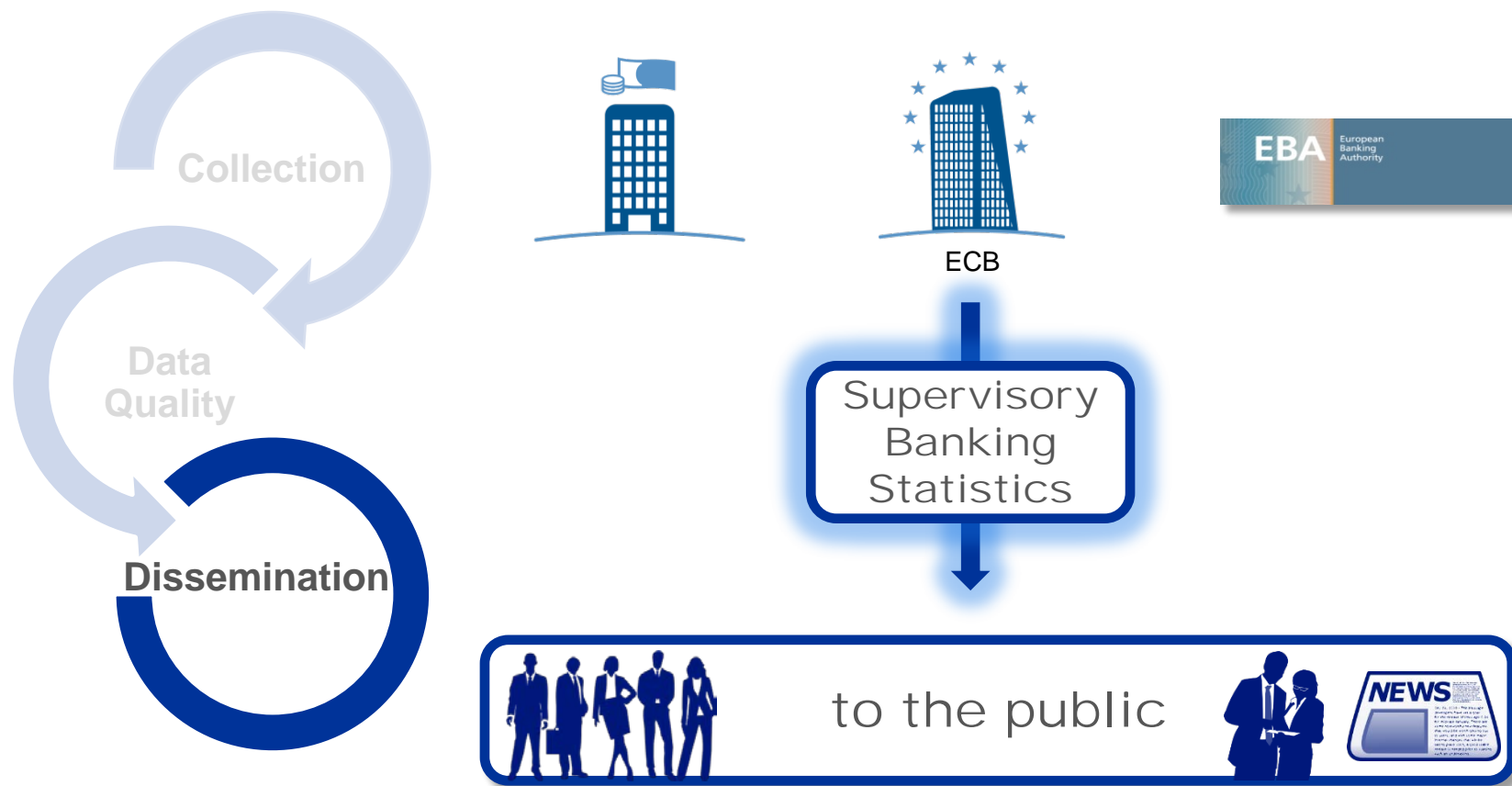
— Article 53 of Directive 2013/36/EU (CRD IV)

1. Introduction – principles

From collection to dissemination...

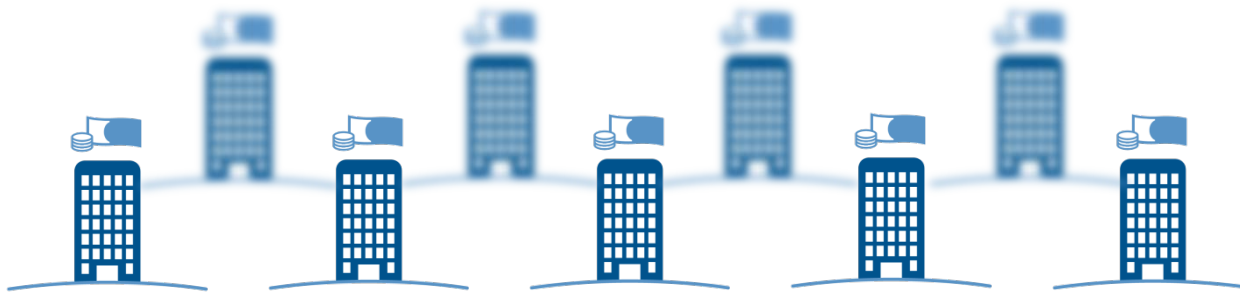


From collection to dissemination...



<https://www.bankingsupervision.europa.eu/banking/statistics>

2. Supervisory Banking Statistics – content



Data from **banks** and **banking groups** directly supervised by the ECB

(109 as of June 2018)

... is combined

Aggregated data for the SSM 

... and split again by banks' classifications.

breakdown by country 

breakdown by business model 

breakdown by location of assets 

breakdown by size 

breakdown by risk 

← Under progress

What is included?

- **General statistics**
 - Number of entities and breakdowns
- **Balance sheet composition and profitability**
 - Profit and Loss
 - Key performance indicators
 - Composition of assets and liabilities
- **Capital adequacy, leverage and asset quality**
 - Capital Ratios
 - Leverage ratio
 - Risk exposures
 - Non-performing exposures
- **Funding**
 - Loan-to-deposit ratio
- **Liquidity**
 - Liquidity coverage ratio

- **Information on data quality**

Planned

- Exposures to General Governments
- IRB credit risk parameters: PD, LGD, Risk weights
- Fair value hierarchy: Level 1, Level 2 and Level 3 assets
- Encumbered and unencumbered assets

*Data based on the EBA supervisory reporting framework – **COREP** and **FINREP***

Recent changes – Q1 2018

- **IFRS 9**

- The EBA reporting frameworks, in which the Banking Statistics data are based, evolve over time and define the reporting requirements at a certain point in time.
- The EBA reporting framework was updated in Q1 2018 and the main changes were made to existing reporting requirements in FINREP due to the introduction of IFRS 9.

➔ Limited impact on the Banking Statistics tables

- Concepts between old and new taxonomies overlap

➔ Significant impact on the ITS data points used for the calculation of data

- Two documents are available, one with the ITS data points up to Q4 2017 and another with ITS data points from 2018 Q1 onwards

What is the data used for?

General risk information

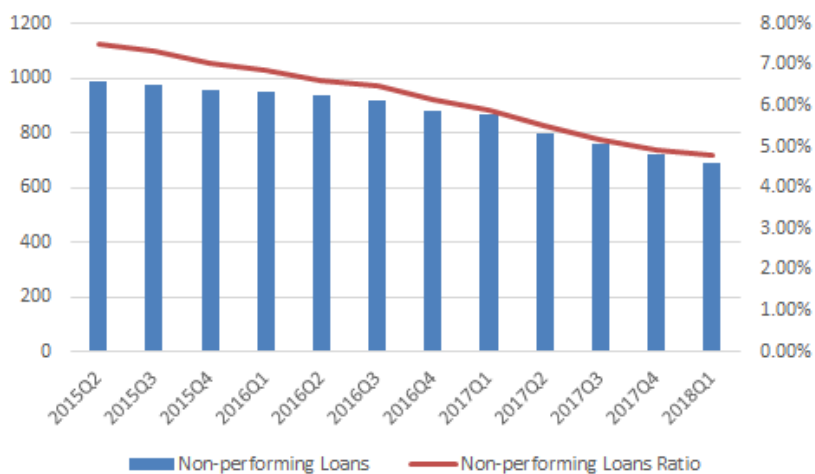
Market analysis

Benchmarking

Item	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018 ²⁾
Loans and advances ¹⁾	14,672.45	14,488.26	14,729.96	14,650.03	14,313.17
Non-performing loans and advances	865.33	795.16	759.10	721.74	688.01
Non-performing loans ratio	5.90%	5.49%	5.15%	4.93%	4.81%

[...] In the third quarter of 2017, non-performing loans – NPLs – stood at €760 billion.

—Danièle Nouy at the Annual press conference on ECB Banking Supervision; February 2018



What is the data used for?

General risk information

Market analysis

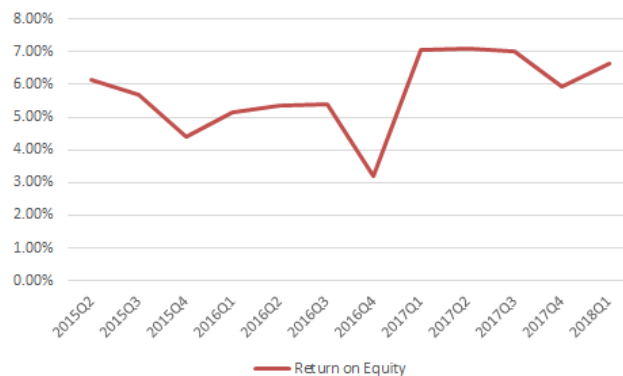
Benchmarking

Indicator ^{1) 2)}	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Return on equity (RoE)	5.70%	4.41%	5.13%	5.36%	5.39%
Return on assets (RoA)	0.34%	0.28%	0.32%	0.33%	0.34%
Cost-to-income ratio (CIR)	61.44%	63.25%	67.89%	64.22%	64.17%

Indicator ^{1) 2)}	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Return on equity (RoE)	5.40%	3.22%	7.06%	7.08%	7.03%
Return on assets (RoA)	0.34%	0.21%	0.46%	0.46%	0.47%
Cost-to-income ratio (CIR)	64.14%	65.79%	65.56%	62.73%	63.19%

[...] The first nine months of 2017 then saw a recovery in pre-impairment operating profits (+2%). Coupled with a strong decline in impairments (-14.9% compared with 2016, -35.2% compared with 2015) this led to a relative improvement in the annualised return on equity for SIs, which averaged at 7.0% compared with 5.4% in 2016 and 5.7% in 2015.

— ECB Annual Report on supervisory activities 2017



What is the data used for?

General risk information

Market analysis

Benchmarking

Country (Q1 2017)	Total exposures				Country (Q2 2017)	Total exposures			
	Performing		Non-performing			Performing		Non-performing	
	Amount	Coverage ratio	Amount	Coverage ratio		Amount	Coverage ratio	Amount	Coverage ratio
Belgium	781.49	0.11%	15.17	0.11%	Belgium	785.20	0.13%	15.25	43.02%
Germany	4,010.83	0.24%	69.25	0.24%	Germany	3,973.13	0.24%	65.09	39.43%
Estonia	C	C	C	C	Estonia	C	C	C	C
Ireland	310.30	0.53%	31.54	0.48%	Ireland	315.73	0.48%	31.21	31.18%
Greece	191.45	1.00%	111.46	1.10%	Greece	182.15	1.10%	109.15	47.03%
Spain	3,301.46	0.65%	139.13	0.61%	Spain	3,286.57	0.61%	134.40	44.06%
France	6,809.28	0.24%	160.30	0.23%	France	6,704.75	0.23%	153.90	48.28%
Italy	2,652.69	0.26%	262.84	0.28%	Italy	2,657.37	0.28%	212.23	47.57%
Cyprus	40.49	0.54%	19.92	0.41%	Cyprus	40.93	0.41%	19.15	44.52%
Latvia	C	0.24%	C	0.23%	Latvia	C	0.23%	C	28.94%
Lithuania	20.09	0.13%	0.66	0.12%	Lithuania	20.45	0.12%	0.60	31.15%
Luxembourg	119.96	0.04%	1.29	0.03%	Luxembourg	128.50	0.03%	1.23	32.94%
Malta	21.98	0.21%	0.58	0.20%	Malta	22.17	0.20%	0.56	34.52%
Netherlands	2,422.13	0.10%	42.47	0.09%	Netherlands	2,325.06	0.09%	43.70	31.43%
Austria	528.78	0.33%	19.73	0.30%	Austria	552.08	0.30%	18.71	52.52%
Portugal	193.21	0.44%	35.04	0.38%	Portugal	194.76	0.38%	33.12	43.91%
Slovenia	21.51	1.00%	2.41	0.96%	Slovenia	21.44	0.96%	2.31	63.24%
Slovakia ¹⁾	-	-	-	-	Slovakia ¹⁾	-	-	-	-
Finland	191.39	0.03%	2.37	0.03%	Finland	191.06	0.03%	2.50	25.06%
Total	21,647.49	0.30%	914.64	45.11%	Total	21,431.32	0.29%	843.59	44.74%

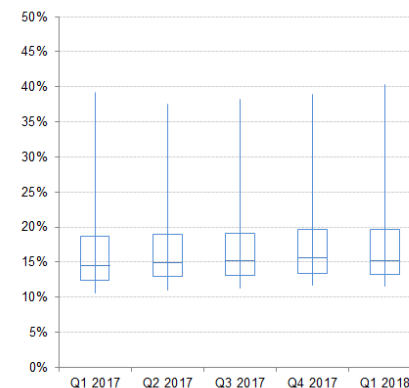
“Italian banks’ non-performing exposure, which includes unpaid loans and other types of foul credit, fell by 50 billion euros to 212 billion euros in the three months to June - a greater drop than in any other country in absolute and relative terms, the ECB quarterly statistics showed.”

— Reuters, 24/10/2017

What will be included soon?

- **Time series**
 - A stable analytical format updated every quarter
- **Additional information added**
 - Exposures to General Governments
 - IRB credit risk parameters (PD, LGD, Risk weights)
 - Fair value hierarchy (Level 1, Level 2 and Level 3 assets)
 - Share of encumbered / unencumbered assets
- **Adjustments to existing tables**
 - Breakdowns/classifications streamlined
 - Charts with distributions on the main ratios

Type of instrument	2018 Q1		
	Level 1	Level 2	Level 3
Derivatives	36.39	1,328.67	34.82
Equity instruments	323.95	37.19	42.30
Debt securities	1,359.27	346.20	41.95
Loans and advances	14.33	980.91	69.29
Total	1,733.94	2,692.97	188.37



Context (1/2)

ECB asset check puts investment banks on the spot

Level 3 assets are equivalent to 16, 21 and 47 percent of common equity Tier 1 capital at SocGen, BNP Paribas and Deutsche Bank respectively. A sudden loss of value could thus seriously impair banks' financial health.

— Reuters, 12/07/2018

Banking's Supercop Is Handing In Her Badge

Take the so-called “Level 2” and “Level 3” assets sitting on bank balance sheets. These instruments aren't traded on financial markets. Unlike most non-performing loans, there's nothing wrong with banks holding them but their lack of liquidity gives lenders the ability to mask their valuations.

— Bloomberg, 03/07/2018

Intesa sells first Italian bank bond since May's market turmoil

Second-quarter results at Italian lenders highlighted the blow to their capital levels from the falling value of their sovereign bond holdings.

— Reuters, 23/08/2018

Context (2/2)

High-level summary of Basel III reforms

The revisions seek to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios by:

- constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based (IRB) approach for credit risk and by removing the use of the internal model approaches for CVA risk and for operational risk; [...]

— BIS, December 2017

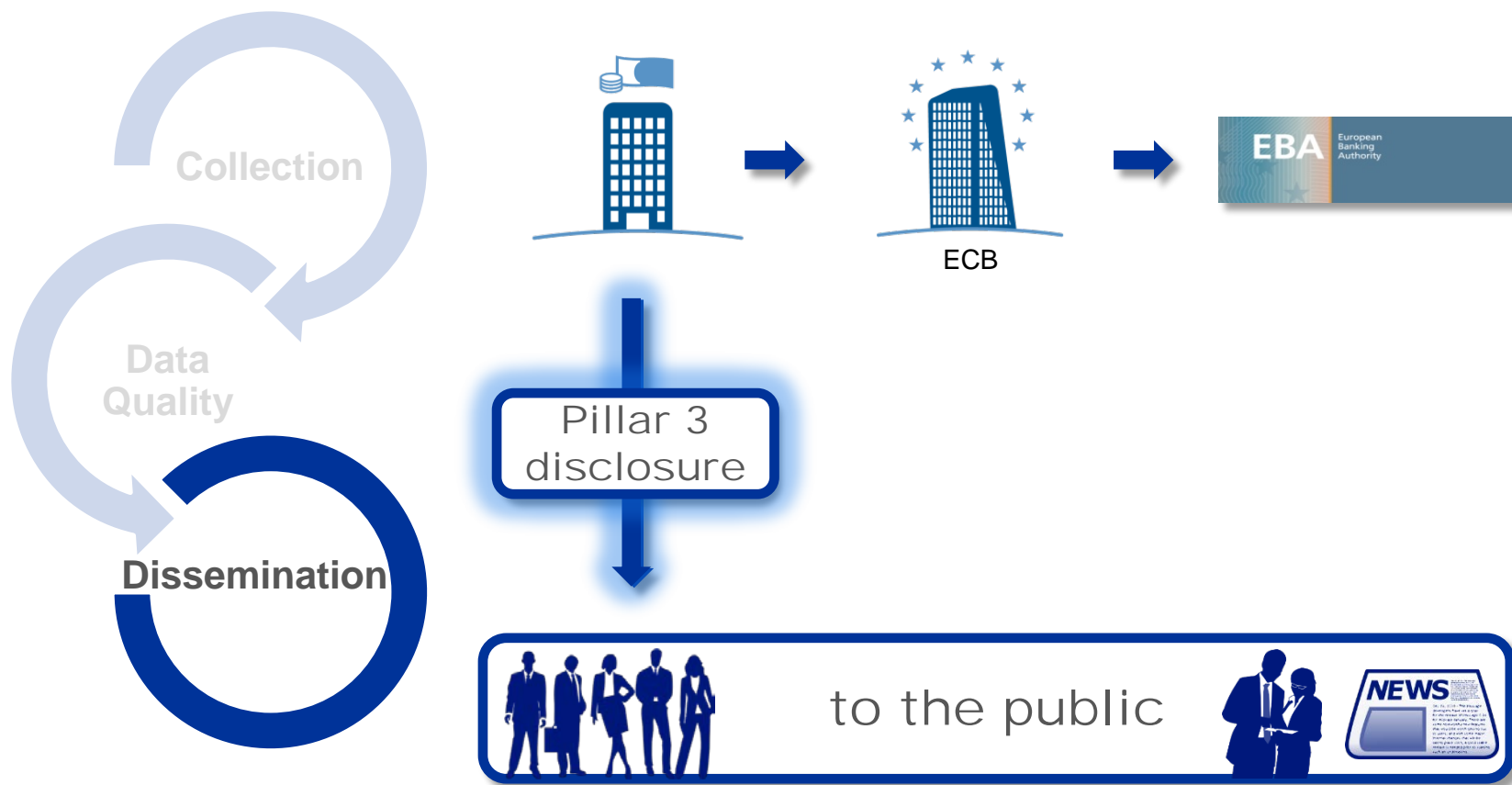
ECB Approved Continued Use of Existing Internal Models

Nordea says it has been granted temporary use of internal models for calculation of risk exposure amounts from the European Central Bank.

— Bloomberg, 17/08/2018

4. Publication of Pillar 3 information

From collection to dissemination...



<https://www.bankingsupervision.europa.eu/banking/statistics>

4. Publication of Pillar 3 information

- Extraction and publication of individual **Pillar 3 information** as disclosed by ECB supervised institutions;
- Joint Supervisory Teams together with the banks involved to check the **correctness** of the files and data.

Existing

- Pillar 3 ratios

Country	Name of the institution	Total capital ratio (transitional) ²⁾	CET1 ratio (transitional) ²⁾	Leverage ratio ³⁾	Source 1
	Bank A	20.29%	18.00%	4.37%	link
	Bank B	22.50%	17.70%	5.20%	link
	Bank C	17.40%	14.80%	4.81%	link

Institutions' own Pillar 3 disclosures.

Links to Pillar 3 reports as published by supervised institutions.

New

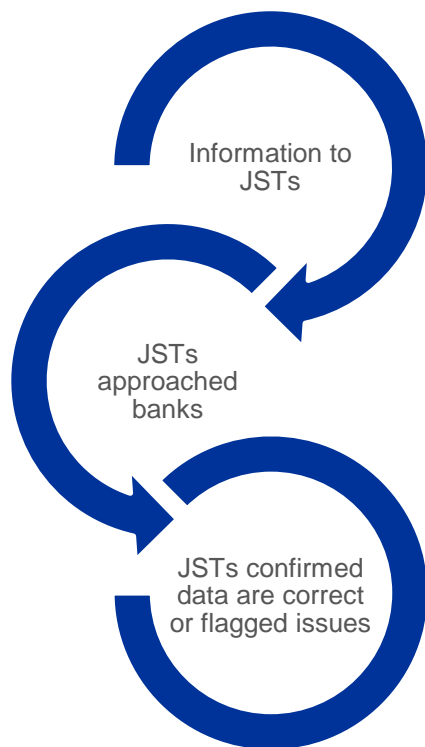
- Table EU OV1 – overview of RWAs

Table EU OV1

	Risk weighted assets	Minimum capital requirements
1 Credit risk (excluding CCR)	78,027	6,242
2 of which the standardised approach (SA)	4,105	328
3 of which the foundation IRB (FIRB) approach		
4 of which advanced IRB (AIRB) approach	71,350	5,708
5 of which equity IRB under the simple risk-weighted approach or the IMA	2,572	206
6 CCR	3,913	313
7 of which mark to market	2,230	178
8 of which original exposure		
9 of which the standardised approach		
10 of which internal model method (IMM)		
11 of which risk exposure amount for contributions to the default fund of a CCP	577	46
12 of which CVA	742	59
13 Settlement risk		
14 Securitisation exposures in banking book (after the cap)	0	0
15 of which IRB approach	0	0
16 of which IRB supervisory formula approach (SFA)		
17 of which internal assessment approach (IAA)		
18 of which standardised approach		
19 Market risk	2,391	191
20 of which the standardised approach of market risk	4	0
21 of which IMA	2,386	191
22 Large exposures		
23 Operational risk	19,626	1,570
24 of which basic indicator approach	1,246	100
25 of which standardised approach (OPA)		
26 of which advanced measurement approach	18,379	1,470
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	2,201	176
28 Floor adjustment		
29 Total	106,157	8,493

4. Publication of Pillar 3 information

Process to prepare the publication and issues detected



Nb of banks required to publish EU OV1 table

G-SIIs or O-SIIs in the 2017 EBA lists	82
Banks whose disclosure requirements are effective only from 2018	-3
Banks who lost banking license during 2018	-1
Banks who changed status to LSI	-1
Banks that did not disclose table EUOV1	-2
Banks for which table EUOV1 can be published	75

Nb of banks presenting issues

Banks with incorrect/missing Pillar 3 data	29
<i>Of which: banks already corrected Pillar 3 data</i>	<i>13</i>
<i>Of which: banks publishing EU OV1 table for the first time after JST request</i>	<i>5</i>
COREP data identified as incorrect	7
<i>Of which: banks already corrected COREP data</i>	<i>2</i>

- **Interpretation issues**

- In some instances, the data definitions in the EBA Guidelines 2016/11 are not precise and leave room for discretion. For this reason, some items have not been disclosed in a consistent manner across banks;
- Those issues will be raised to the EBA;
- It is also reminded that Pillar 3 information should be aligned with regulatory reporting.

- **Follow-up**

JSTs will follow-up individually with banks to ensure that:

- Pillar 3 information not corrected/completed yet will be corrected and published without delay;
- COREP information not corrected yet will be corrected and resubmitted;
- The internal process to prepare and publish Pillar 3 information (including consistency with COREP) is sound, in view of the next publications/resubmissions.

- The publication currently includes two main products:
 - **Supervisory Banking Statistics**, corresponding to aggregated banks' data and indicators;
 - **Individual Pillar 3 information** as disclosed by banks on their website
- It has evolved in accordance to **user requests and feedback** and to the **changes in the market and regulatory environment**.
- A **new analytical format** and **additional data** will be provided to the users, strengthening the transparency and accountability of the ECB Banking Supervision.