EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Methodological note for the publication of aggregated Supervisory Banking Statistics for less significant institutions (LSIs)

This document presents the main features of the publication *LSI aggregated Supervisory Banking Statistics* with respect to the scope and content of the data published, the methodology underlying data aggregation and the approach to applying confidentiality requirements.

The note is structured as follows: Section 1 focuses on the content and scope of the publication and sets out the sample of banks considered, the indicators considered, and the breakdowns applied. Section 2 describes the different classifications which are employed to provide complementary views of the sample of banks. Section 3 illustrates the methodology followed with respect to selected aspects of the derivation of the aggregated data. Section 4 defines confidentiality and explains the approach used for this publication.

1 Content of the data

1.1 Sample of banks

The list of banks used for *LSI aggregated Supervisory Banking Statistics* comprises banks designated as less significant institutions (LSIs) by the European Central Bank (ECB).[1] LSIs, pursuant to their obligations under the Capital Requirements Directive and the associated Capital Requirements Regulation, are required to submit detailed information on their capital adequacy and financial positions (based on the accounting framework used to prepare statutory accounts) according to harmonised reporting frameworks, known as FINREP and COREP[2]. The LSI aggregated Supervisory Banking Statistics are closely aligned to the Supervisory Banking Statistics for significant institutions (SIs). Only indicators that can be calculated based on the simplified version of FINREP described in the ECB Reporting Taxonomy[3] are included in the LSI Supervisory Banking Statistics, i.e. some indicators present in the SI publication are either excluded or adapted depending on data availability in the simplified version of FINREP. Various LSIs prepare financial

1 The full list of supervised institutions is available in the ECB Banking Supervision website.

2 The Capital Requirements Regulation specifies the reporting obligations under COREP and FINREP for credit institutions. These reporting obligations are further detailed 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.

3 The EBA Reporting Taxonomy is available in the ECB Banking Supervision website.

reports in accordance with national GAAP. Jurisdictional specificities are also taken into account. More details can be found in the "Definitions of the ITS data points".

FINREP and COREP frameworks cover both consolidated and individual (solo) reporting. However, for the purpose of this publication the level of reporting corresponds to the highest level of consolidation[4] in the SSM, thereby avoiding double counting issues.

With the objective of providing as complete as possible and harmonised information to the general public, the group of LSIs covered in each reference period includes only those banks reporting FINREP together with COREP at that point in time. Accordingly, the list of banks used for the various reference periods may differ as the list of LSIs changes and as banks start to report under FINREP obligations. Moreover, bank branches are not required to submit COREP, and LSI-designated branches of credit institutions established in European Union (EU) Member States not participating in European banking supervision are excluded from the sample. Banks that have recently been designated as an LSI and do not yet report FINREP – because of the time lapse between the designation decision and the start of corresponding reporting obligations – are also excluded from the sample until they begin reporting FINREP.

With regards to aggregated statistics showing total exposure to general governments by country of the counterparty, in accordance with Article 6(3), point (a) of Regulation (EU) No 2021/451, reporting requirements apply to sovereign exposures where the aggregate carrying amount of financial assets from the counterparty sector "General governments" is equal to or higher than 1% of the sum of the total carrying amounts for "Debt securities" and "Loans and advances". Therefore, the sample of entities in the statistics showing information on exposures to general governments is smaller than the full sample of entities. The template for sovereign exposure is reported on a semi-annual basis, with Q2 and Q4 as the reference periods. Hence, in the Q3 publication the sample of entities and their classifications in such statistics is the same as that for the Q2 publication. Similarly, in the Q1 publication the sample of entities and their classifications in such statistics is the same as that for the previous quarter's publication.

Entities classified as providers of financial market infrastructures (in particular Central Counterparties and Central Securities Depositories) are excluded from the sample to ensure that the LSI aggregated Supervisory Statistics are representative for the LSI sector. Indeed, Central Counterparties and Central Securities Depositories are subject to specific EU legislations which significantly narrow the scope of their activities that are quite distinct from core banking activities.

It is important to note that LSIs vary greatly across Member States participating in the SSM in terms of number of institutions, size of assets and business models, with implications for the comparability of LSI country aggregates.

4 In the case of stand-alone entities (i.e. entities that do not have subsidiaries that are banks), the highest level of consolidation refers to individual reporting.

1.2 Banking statistics reported

LSI aggregated Supervisory Banking Statistics incorporate the following areas of relevance for banking supervision:

1. general statistics;
2. balance sheet composition and profitability;
3. capital adequacy and leverage;
4. asset quality;
5. funding;
6. liquidity.

Most of the aggregate data are presented along three different dimensions. First, to facilitate the identification of time trends (where possible), data are provided for five consecutive reference periods. The data for the latest quarter are then broken down i) by country (i.e. the country where the bank is supervised)[5] and ii) by business model classification.

The breakdowns by classification allow entities to be grouped along several dimensions of interest. This approach facilitates complementary views of the data and highlights certain aspects of banks' behaviour, showing whether banks belonging to different categories under a given classification have distinctive features.

[5] In a very small number of cases, this differs from the country where most of the bank's activities are conducted.

The following banking statistics are published:

1. General statistics	
Number of institutions	-by reference period -by reference area -by business model breakdown
2. Balance sheet composition and profitability	
Profit and loss figures	-by reference period -by reference area -by business model breakdown
Key performance indicators	-by reference period -by reference area -by business model breakdown
Composition of assets	-by reference period -by reference area -by business model breakdown
Composition of liabilities and equity	-by reference period -by reference area -by business model breakdown
Total exposure to general governments	-by reference period -by reference area -by business model breakdown
3. Capital adequacy, leverage and asset quality	
Total capital ratio and its components	-by reference period -by reference area -by business model breakdown
CET1 ratio band	-by reference period -by reference area
Leverage ratios	-by reference period -by reference area -by business model breakdown
Leverage ratio band	-by reference period -by reference area
Risk exposures composition	-by reference period -by reference area -by business model breakdown
4. Asset quality	
Performing and non-performing exposures	-by reference period
Non-performing loans and advances	-by reference period -by reference area -by business model breakdown
5. Funding	
Loan-to-deposit ratio	-by reference period -by reference area -by business model breakdown
Deposits to total funding ratio	-by reference period -by reference area -by business model breakdown
Net stable funding ratio	-by reference period -by reference area -by business model breakdown
6. Liquidity	
Liquidity coverage ratio	-by reference period -by reference area -by business model breakdown

1.3 Cut-off dates

The *LSI aggregated Supervisory Banking Statistics* are based on a data cut-off date. Resubmissions of data after the cut-off date are not taken into consideration for the publication. However, they are considered for the following quarter's release when the data for the most recent five quarters are refreshed.

Reference date	Initial cut-off date	Latest cut-off date
Q2 2020: 30 June 2020	07 October 2021	12 January 2022
Q3 2020: 30 September 2020	07 October 2021	12 January 2022
Q4 2020: 31 December 2020	07 October 2021	08 October 2022
Q1 2021: 31 March 2021	07 October 2021	08 October 2022
Q2 2021: 30 June 2021	07 October 2021	08 October 2022
Q3 2021: 30 September 2021	12 January 2022	12 January 2023
Q4 2021: 31 December 2021	09 April 2022	23 April 2023
Q1 2022: 31 March 2022	08 July 2022	13 July 2023
Q2 2022: 30 June 2022	08 October 2022	13 October 2023
Q3 2022: 30 September 2022	12 January 2023	16 January 2024
Q4 2022: 31 December 2022	23 April 2023	16 January 2024
Q1 2023: 31 March 2023	13 July 2023	16 January 2024
Q2 2023: 30 June 2023	13 October 2023	16 January 2024
Q3 2023: 30 September 2023	16 January 2024	16 January 2024

2 Classifications of banks

In addition to the breakdown by country, data in *LSI Supervisory Banking Statistics* are presented broken down by entities' business model classifications. These business model classifications should not be interpreted as reflecting supervisory priorities; their purpose is to contribute to transparency regarding specific aspects of the data that are of potential interest to the general public.

The business model classification allows for analysis of profitability, business model viability and structural changes in the banking system. In particular, it allows for peer group comparisons and analysis.

Asset managers and custodians: fee and commission business is dominant for these banks. Asset managers invest on their clients' behalf with asset management fees as the most important source of income. Private banking with a focus on wealth management is also counted towards the asset managers if they predominantly rely on fee-based income. Custodians safeguard financial assets for their clients and custody fees are their primary source of income.

Corporate/wholesale lenders: lenders whose main clientele is the corporate and wholesale sector, both as clients and as source of funding.

Development/promotional lenders: state-owned banks which finance projects that governments deem of public utility. They are typically large and have a high share of wholesale lending from which they gain low margins.

Diversified lenders: have a balanced exposure to the retail and wholesale sector. In terms of funding, diversified lenders are often mainly financed by their clients (both retail and corporate), although sometimes complemented with significant wholesale funding.

Retail lenders and consumer credit lenders: focused on lending to retail clients, in many cases with a strong focus on residential real estate lending or consumer credit including car lending. While retail lenders are also funded through deposits, with a moderate reliance on wholesale funding, consumer credit lenders mainly rely on wholesale funding.

Universal and investment banks: universal banks engage both in lending activities and non-lending business like insurance, non-lending fee and commission business such as asset management, securities related fees, and trading activities. Investment banks have a relatively low share of net interest income (mostly wholesale), rather having fees, commissions and trading activities as their main income source.

Central savings or cooperative banks: these entities provide banking services within the system of savings or cooperative banks, facilitating the flow of funds within the group from banks with excess liquidity to those with liquidity needs.

Emerging market lenders: institutions that operate in countries classified as emerging markets. They include both banks domiciled in emerging markets with predominantly domestic exposure and banks domiciled elsewhere, but with important emerging markets exposure. They have a similar business model to diversified lenders but feature higher lending margins and higher risk.

Others/not classified: do not have a predominant business strategy or do not fall into any of the classifications defined above. Not classified entities show characteristics of different categories without an inclination strong enough to assign them to a single business model.

3 Calculation

3.1 Aggregation

LSI aggregated Supervisory Banking Statistics tables contain both amounts and ratios of the variables reported. The ratios are calculated by aggregating separately the numerator and the denominator for the sample of banks, and then dividing them.

3.2 Adjustment of the income statement for banks with a different financial year-end

Profit and loss figures and Key performance indicators statistics

The vast majority of the entities in the sample have a financial year-end in December. For those which have a different financial year, a correction is needed for the income statement report (FINREP F 02.00), as it contains year-to-date data. In order to make the figures for such banks consistent and comparable with those for the other entities, whenever the financial year does not end on 31 December, a linear projection of the profit and loss figures is carried out.

For example, for an entity with its financial year-end in September 2021 the profit and loss figures reported in December 2021 represent only one quarter, so they are multiplied by four to be representative of the income of a complete financial year.

This approach can be expressed as follows:

$$data\ used\ for\ this\ quarter = data\ reported\ by\ the\ bank\ in\ this\ quarter * \frac{M_R}{M_R - M_F + 12 * Ind(M_F \geq M_R)}$$

where M_R is the month of the data reported and M_F the month of the financial year-end of the entity. For example, in the case of the figures for the fourth quarter of 2021 of an entity with a financial year-end in September, M_R is 12, M_F is 9 and hence the multiplier coefficient is 4. Note that when the financial year-end is December, this coefficient is always 1, i.e. no adjustment is made.

3.3 Annualisation of key performance indicators

Key performance indicators statistics

An annualisation is performed on three of the key performance indicators published,return on assets (RoA), return on equity (RoE) and net interest margin (NIM), for the first, second and third quarters since the return reported in these periods does not correspond to a full year of activity. The numerator is adjusted linearly, this means year-to-date figures are multiplied by four for the first quarter, by two for the second quarter and by four over three in the third quarter.

The values presented in the profit and loss figures are year-to-date.

3.4 Total non-domestic unallocated exposures

Total exposure to general governments by country of the counterparty statistics

Institutions meeting the reporting requirements for sovereign exposures, for which the value reported for domestic exposures of non-derivative financial assets is more than 90% of the value reported for domestic and non-domestic exposures, report the information specified in the COREP template C33.00 at a total and domestic level only. For such instances, the difference between the total and domestic exposures is presented in the row “Total non-domestic unallocated exposure”.

3.5 Non-performing loans

Non-performing loans and advances statistics

In the first versions of the EBA ITS reporting framework, loans and advances were reported including the item “cash balances at central banks and other demand deposits”. As of the reference period Q2 2020, the reporting framework makes it possible to precisely separate the “cash balances at central banks and other demand deposits” from both performing and non-performing exposures.

As a result, the *LSI aggregated Supervisory Banking Statistics* provide the non-performing loans ratio including cash balances at central banks and other demand deposits, and also the non-performing loans ratio excluding cash balances at central banks and other demand deposits.

4 Applicable confidentiality regime

4.1 Identification of confidential figures

The data published in *LSI aggregated Supervisory Banking Statistics* does not disclose confidential data, as required under the professional secrecy obligation established under Article 27(1) Council Regulation (EU) No 1024/2013, Article 37 of the Statute of the ESCB and of the ECB, and Article 53(1) of Directive 2013/36/EU of the European Parliament and of the Council.

The measures taken to avoid the identification of individual entities are described in ECB Guideline ECB/2016/1 concerning the extension of common rules and minimum standards to protect the confidentiality of the statistical information collected by the European Central Bank assisted by the national central banks to national competent authorities of participating Member States and to the European Central Bank in its supervisory functions: *“All appropriate measures shall be taken to ensure that confidential statistical information is arranged in such a way that any published data covers at least three economic agents. Where one or two economic agents make up a sufficiently large proportion of any observation to make them indirectly identifiable, published data shall be arranged in such a way as to prevent their indirect identification. These rules shall not apply if the reporting agents or the other legal persons, natural persons, entities or branches that can be identified have explicitly given their consent to disclosure”*.

Two main aspects of confidentiality are referred to in the above Guideline. The first refers to the number of institutions used to calculate each published data value, which should not be less than three. In addition, and irrespective of the number of institutions per data value, no institution should represent a very high percentage, i.e. more than 85%, of the aggregate value.

4.2 Treatment of confidential figures

For the tables published in *LSI aggregated Supervisory Banking Statistics*, the content of any cell containing figures that are confidential as defined above is supressed. In addition, to avoid indirect derivation from the totals or sub-totals, the content of a third cell, arbitrarily selected, is also suppressed. All cells containing “C” indicate that the cell is suppressed under the confidentially regime.