

11 May 2026

Banking Supervision
Tel: (356) 2144 1155

Dear Chief Executive Officer,

Re: Thematic Review of Pillar 3 Disclosures – Supervisory Findings and Expectations

The Malta Financial Services Authority (the “Authority”) is writing to share the findings of the thematic reviews of Pillar 3 (“P3”) disclosures conducted by Banking Supervision during 2024–2025 across local institutions.

The review assessed the quality, consistency, and regulatory compliance of both qualitative and quantitative disclosures, covering key metrics, the leverage ratio, own funds and credit risk, with the aim of strengthening transparency and market discipline. This letter communicates the Authority’s key observations arising from the review, highlights areas where improvements have been observed, and reiterates supervisory expectations regarding the quality, consistency, and regulatory compliance of Pillar 3 disclosures under the Capital Requirements Regulation (“CRR”) and the applicable Implementing Technical Standards on public disclosures.

This letter should be brought to the attention of the institution’s management body and relevant internal functions responsible for regulatory reporting, risk management, finance, and public disclosures.

1. Executive summary

This thematic summary builds on the supervisory expectations communicated in the Authority’s Dear CEO letter on compliance with the Capital Requirements Regulation (CRR) Pillar 3 disclosure requirements published in October 2024. Following the issuance of that letter – which outlined the findings of the initial stocktake exercise and clarified institutions’ regulatory obligations – Banking Supervision initiated a structured review of institutions’ Pillar 3 disclosures. The review was designed to assess how institutions have translated regulatory requirements and supervisory expectations into practice, focusing on both the quantitative and qualitative components of published disclosures. It therefore represents a natural progression in the Authority’s engagement on Pillar 3 requirements, moving from awareness-raising and clarification of obligations to a more detailed, evidence-based supervisory assessment of disclosure practices across the local banking sector.

The review evidently improved institutions’ understanding of Pillar 3 requirements in line with the Capital Requirements Regulation (“CRR”), the EBA mapping tool, and supervisory expectations regarding consistency with supervisory reporting. While progress varied across institutions, subsequent assessment rounds showed increased compliance, demonstrating

the effectiveness of thematic reviews in driving remediation and enhancing the quality, comparability, and reliability of local institutions' disclosures.

The Authority will continue this thematic review in 2026, focusing on further improving the quality of Pillar 3 disclosures under a structured approach. This ongoing work will support transparency, market discipline, and European initiatives aimed at enhancing the consistency, comparability, and usability of supervisory disclosures.

2. Background and rationale for the initiative

2.1 Origin – Stocktake and initial observations

In May 2024, the Authority distributed a questionnaire to Compliance Officers of Less Significant Institutions ('LSIs') to take stock of, and gather feedback on, institutions' compliance with the general disclosure requirements set out in Articles 431 to 434 of the CRR, as applicable prior to the amendments introduced by Regulation (EU) 2024/1623 (CRR3). The purpose of this questionnaire was to assess institutions' state of compliance and to identify areas for improvement.

The main observations arising from that stocktake exercise, including the varying levels of maturity observed across institutions and the key gaps identified in Pillar 3 disclosure practices, were communicated to the industry through the Authority's Dear CEO letter on compliance with the CRR Pillar 3 disclosure requirements, as referenced in the Executive Summary. That communication set out the Authority's high-level findings and supervisory expectations and provided the basis for the present thematic review exercise.

2.2 Follow-up supervisory initiative

Following the stocktake exercise and the issuance of the Dear CEO letter in October 2024, the Authority proceeded with a more structured supervisory assessment of institutions' Pillar 3 disclosures. The Dear CEO letter therefore served as a key supervisory communication tool, clarifying expectations, signalling areas of supervisory focus, and setting the foundation for subsequent thematic assessments. It also marked a transition from an initial diagnostic phase to a more hands-on supervisory approach to assessing Pillar 3 disclosures.

Subsequently, the Authority presented these findings to the industry during a dedicated seminar. The presentation emphasised the critical role of all banks in ensuring accurate and complete disclosures, addressed regulatory developments by the EBA in relation to Pillar 3 disclosures, and outlined the Authority's intention to take on Pillar 3 thematic review assessments as part of its supervisory assessment, with banks expected to rectify identified issues.

The thematic review is therefore the natural next step representing a transition from awareness-raising and clarification of expectations to a more detailed supervisory assessment of institutions' disclosure practices.

3. Scope and approach of the review

3.1 Topics covered

The scope of the review was defined to cover key Pillar 3 disclosure areas, selected based on their prudential significance, prominence in public reporting, and reliance on underlying regulatory data. The thematic review included both Significant and Less Significant Institutions, as applicable.

In 2024 and 2025, the review focused on the following areas:

- **Key Metrics:** The review covered 16 banks and was based on quarterly, semi-annual and annual disclosures covering the period from Q4 2023 to Q4 2024.
- **Leverage Ratio:** The review covered 9 banks and was based on semi-annual and annual disclosures covering the period from Q4 2023 to Q4 2024.
- **Own Funds:** The review covered 15 banks and was based on semi-annual and annual disclosures covering the period from Q2 2024 to Q4 2024.
- **Credit Risk:** The review covered 5 banks and was based on semi-annual and annual disclosures covering the period from Q4 2024 to Q4 2025.

Overall, variations in the number of banks in scope, disclosure frequency and level of granularity were driven by differences in institutions' size classification and listing status, reflecting the application of proportionality-based Pillar 3 disclosure requirements outlined in the CRR. As a result, not all institutions were subject to the same disclosure obligations for each topic.

Key Metrics were deliberately selected as the starting point of the review due to their central role in Pillar 3 disclosures as a high-level summary of institutions' prudential positions. As these disclosures draw on multiple regulatory reporting sources, their assessment provided an effective basis for evaluating data quality, consistency and the governance arrangements underpinning Pillar 3 disclosures.

Subsequent reviews of the Leverage Ratio and Own Funds disclosures aimed to assess the transparency and accuracy of institutions' capital positions and non-risk-based constraints. The review of Credit Risk focused on the most material risk category for the local banking sector, reflecting both its balance-sheet significance and the breadth of related disclosure requirements.

3.2 Integrated assessment of quantitative and qualitative disclosures

The supervisory review adopted an integrated approach to the assessment of Pillar 3 disclosures, recognising that effective transparency and market discipline depend on the consistency and coherence of both quantitative and qualitative information. Quantitative disclosures provide the numerical representation of institutions' prudential positions, while qualitative disclosures explain the governance, methodologies and risk management frameworks that underpin those figures.

Assessing these components together allowed the review to evaluate whether disclosed figures were accurately presented, appropriately explained and aligned with institutions' risk profiles, business models and supervisory reporting. This approach also supported the identification of cases where misalignment between quantitative data and qualitative narratives may indicate broader weaknesses in governance, data management or internal coordination.

By considering both dimensions in a coordinated manner, the review aimed to form a balanced supervisory view of Pillar 3 disclosure practices and to reinforce the role of Pillar 3 as a meaningful transparency and market discipline tool rather than a standalone compliance exercise.

4. Methodology

4.1 Review of quantitative disclosures

The quantitative review was conducted against the applicable Pillar 3 disclosure requirements and was based on the latest reference date on which the institution was required to publish disclosures, in accordance with Articles 433a, 433b and 433c of the CRR, as applicable.

As a first step, the relevant quantitative requirements and disclosure templates were identified per topic, and the corresponding Pillar 3 disclosures were cross-checked against underlying supervisory reporting to assess accuracy, consistency and traceability. The review covered the following disclosure areas and templates, as set out in Commission Implementing Regulation (EU) 2021/637, now repealed by Commission Implementing Regulation (EU) 2024/3172, laying down implementing technical standards with regard to public disclosures by institutions, commonly referred to as the 'ITS on Pillar 3 disclosures':

- Key Metrics – EU KM1 (Annex I to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Key Metrics section)
- Own Funds – EU CC1 (Annex VII to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Own Funds section)
- Leverage Ratio – EU LR1 and EU LR2 (Annex XI to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Leverage Ratio section)
- Credit Risk – CR1, CR4, CR5 (Annex XV to Regulation (EU) 2021/637, Annex XIX to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Credit Risk section)
- Counterparty Credit Risk – CCR1 and CCR3 (Annex XXV to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Counterparty Credit Risk section).

The publicly available EBA mapping tool was used to identify the required data points for each template and to support a consistent, template-level assessment across institutions. The tool, which is available for use by institutions, facilitates the identification of regulatory data points underlying the Pillar 3 templates. Disclosures were reviewed to verify whether all required data points were populated in accordance with the prescribed definitions, formats, labelling requirements, units, reference dates and currencies, including the application of

appropriate currency conversion where the presentation currency differed from the reporting currency.

The review further evaluated the correctness and consistency of how quantitative information was presented, including the population of metrics and the comparability of disclosures across institutions. This approach enabled the identification of instances where required data points were omitted, where disclosed figures could not be reconciled to supervisory reporting, or where presentation, formatting or consistency issues affected the clarity or comparability of the disclosed information.

4.2 Review of qualitative disclosures

The qualitative review examined the completeness, clarity and regulatory alignment of narrative disclosures published under Pillar 3. This assessment covered the qualitative information disclosed through the following tables:

- EU CCA – Qualitative information on own funds instruments (Annex VII to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Own Funds section)
- EU LRA – Qualitative disclosures on leverage ratio risk (Annex XI to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Leverage Ratio section)
- EU OVC – Qualitative information on internal capital adequacy assessment processes (Annex I to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Own Funds / ICAAP section)
- EU CRA – General qualitative information on credit risk (Annex XV to Regulation (EU) 2021/637 and Annex I to Regulation (EU) 2024/3172 -Credit Risk section).

The review considered institutions' descriptions of their risk management objectives and policies, governance arrangements, internal control frameworks, and their approaches to assessing capital and liquidity adequacy, as required under the CRR public disclosures framework. In assessing these disclosures, particular consideration was given to whether the information provided was sufficiently detailed and institution-specific, rather than high-level or generic in nature. The review also evaluated the extent to which qualitative disclosures were consistent with the institution's overall risk profile, business model, and the information submitted through supervisory reporting.

Special attention was paid to areas requiring forward-looking judgement and active governance involvement, such as explanations of risk appetite frameworks, ICAAP and ILAAP processes, the role of management bodies in risk oversight, and how risk considerations are integrated into strategic decision-making. The assessment further considered whether institutions adequately explained the methodologies, assumptions, and key drivers underlying quantitative figures, so that narrative disclosures meaningfully complemented and contextualised the numerical information presented in Pillar 3 templates.

From a supervisory perspective, generic or missing qualitative information disclosures reduce the usefulness of Pillar 3 information for market participants and may indicate that the disclosures process is not sufficiently embedded within the institution's risk management and governance framework. Similarly, misalignment between qualitative disclosures, quantitative data and supervisory reporting may point to weaknesses in internal

coordination between risk, finance, and other functions managing public disclosures, increasing the risk of inconsistent or potentially misleading public information.

Overall, the qualitative review sought to assess not only formal compliance with disclosure requirements but also the extent to which Pillar 3 disclosures provide meaningful, institution-specific insight into institutions' risk profiles, governance structures, and capital and liquidity adequacy, in line with the broader objective of strengthening market discipline through effective transparency.

5. Key findings

5.1 Governance and processes variability

Governance arrangements supporting Pillar 3 disclosures varied across the local banking sector. For the majority of banks, disclosures were complete, accurate, published in the required formats, and made publicly available in line with Article 434 of the CRR, as applicable prior to the amendments introduced by CRR3, and the ITS on Pillar 3 disclosures. This points to strong governance arrangements with well-defined oversight and robust quality assurance processes adopted by banks.

However, in other banks, governance arrangements seemed insufficient, leading to non-compliance with regulatory requirements. In these cases, disclosures were incomplete, not published in the required formats as mandated by the ITS on Pillar 3 disclosures, or not made publicly available, reducing both the transparency of information and its comparability for market participants. This shows gaps in addressing relevant regulatory obligations and that disclosures were subject to inadequate review prior to publication, highlighting shortcomings in oversight, quality assurance, and accountability frameworks. This variation in governance practices underscores the need for strengthened internal control frameworks to ensure consistent adherence to Pillar 3 disclosure requirements across all institutions.

A positive improvement in this area was observed during 2025 through subsequent assessment rounds, with an increased number of banks addressing gaps to achieve compliance with Pillar 3 requirements. This indicates that the Authority's thematic reviews effectively prompted corrective action.

5.2 Quantitative data accuracy

The quantitative review identified a range of data quality issues and inconsistencies between Pillar 3 disclosures and underlying supervisory reporting across several disclosure areas. These findings highlight persistent challenges in the accurate population of quantitative data and in the effective application of the Pillar 3 disclosures framework and the EBA mapping tool.

As a result of the Authority's review, five institutions resubmitted supervisory reporting returns to correct identified inconsistencies. Furthermore, eight institutions confirmed that the necessary corrections or improvements will be reflected in future Pillar 3 disclosure publications, including enhanced reconciliation processes and the inclusion of previously omitted disclosure templates.

Key issues observed included:

- **Incorrect or incomplete template population:** Issues related to incorrect or incomplete population of Pillar 3 templates were observed across a limited but non-negligible subset of institutions. These issues primarily affected specific disclosure areas and data points, rather than entire templates. Observed shortcomings included omitted data points, incorrect use of prescribed rows or columns, and population of values that could not be reconciled to supervisory reporting. In several cases, these errors stemmed from misunderstandings of metric definitions, incorrect application of computational requirements, or insufficient reliance on the EBA mapping tool. While many discrepancies were ultimately attributable to rounding or presentation differences, some cases required resubmission of supervisory reporting and/or republication of Pillar 3 disclosures to correct material errors.
- **Misclassifications between related items:** Misclassifications were identified between closely related items, most notably between retained earnings, interim profits, accumulated other comprehensive income and regulatory adjustments within own funds disclosures. These issues typically reflected classification or mapping errors rather than underlying capital shortfalls. While the majority of observed differences were immaterial and attributable to rounding, sign conventions or presentation choices, a limited number of cases affected high-priority metrics, including own funds components, buffer-related items and capital ratios. In these cases, the errors were considered material and required correction to ensure the accuracy of disclosed capital information. By contrast, discrepancies affecting liquidity-related metrics (e.g. LCR-related items within Key Metrics) were predominantly driven by differences in averaging methodologies, reference dates, or currency conversion approaches. These were generally assessed as methodological or interpretative issues rather than errors with a material impact on reported liquidity ratios.
- **Incomplete public disclosure of corrected data:** In several cases, institutions provided corrected information to the competent authority following the identification of discrepancies, without re-publishing the amended disclosures to reflect the corrected data. Where the original disclosures contained material errors, the failure to update publicly available information undermines the purpose of Pillar 3 transparency, which is intended to ensure that market participants have access to complete and accurate information

Progress observed during the review:

- Several institutions demonstrated improved responsiveness and understanding of Pillar 3 disclosure requirements, providing timely and well-founded explanations that distinguished between rounding-related differences and genuine reporting errors.
- Constructive engagement with supervisory feedback resulted in corrections of misclassifications, better alignment with supervisory reporting, and the resubmission of amended templates.

- While not all corrective actions were reflected in publicly available disclosures within the reference period, the quality of follow-up explanations and the commitment to strengthen internal controls indicated a positive supervisory trajectory.

Overall, the review contributed to enhancing institutions' understanding of Pillar 3 requirements and templates, the EBA mapping tool and the expectations regarding consistency with supervisory data. This progress, while uneven across institutions, underscores the value of iterative supervisory engagement in improving the quality, reliability and comparability of Pillar 3 disclosures over time.

5.3 Qualitative disclosures

The review of the qualitative component of Pillar 3 disclosures across the analysed topics indicated an uneven level of maturity and consistency across the institutions under review. While most institutions demonstrated awareness of the applicable disclosure requirements and acknowledged supervisory feedback, the quality and completeness of qualitative disclosures varied significantly across banks. In many cases, identified deficiencies did not reflect a lack of underlying information or governance arrangements, but rather stemmed from weaknesses in structuring, clarity, and adherence to the specific formats and instructions prescribed by the ITS on Pillar 3 disclosures.

Key observations included:

- **Availability and completeness of mandatory EU qualitative templates:** A key thematic finding was the widespread inconsistency in the availability of mandatory EU qualitative tables. A majority of institutions did not fully report all required tables, with frequently missing, only partially reported, or not clearly identifiable qualitative information within Pillar 3 disclosures. Several institutions indicated that the relevant qualitative information was disclosed elsewhere, including within annual reports or narrative sections of Pillar 3 documents. However, in most such cases, the absence of the applicable tables constituted formal non-compliance and undermined the objectives of harmonisation, transparency and comparability underpinning the ITS on Pillar 3 disclosures.
- **Adherence to prescribed structure and ITS instructions:** Among institutions that included the relevant qualitative templates, only a minority demonstrated full adherence to the detailed regulatory instructions. While most of these institutions followed the overall template structure and addressed the core disclosure topics, compliance with specific instructions was frequently incomplete. Mandatory qualitative fields were commonly marked as "N/A" despite the ITS on Pillar 3 disclosures explicitly requiring specific qualitative explanations or binary selections, such as "Yes" or "No". This shortcoming was particularly prevalent in disclosures relating to own funds instruments, where contractual features, subordination characteristics, or loss-absorption mechanisms were often not clearly or correctly specified.

- **Clarity, precision and usability of qualitative information:** The clarity and precision of qualitative disclosures remained uneven across institutions and topics. A significant proportion of institutions relied on high-level or generic descriptions that confirmed the existence of policies or processes without adequately explaining how these operated in practice. This approach limited the usefulness of the disclosures for users seeking to understand institutions' risk profiles, capital structures or risk management practices. In addition, in many cases, supporting references such as hyperlinks to prospectuses or contractual documentation, where explicitly required, were missing, further reducing transparency and interpretability.
- **Structure versus dispersion of qualitative narratives:** Another recurring theme observed across the majority of institutions was the dispersion of qualitative information across multiple sections or documents. While relevant qualitative content was often present, it was frequently fragmented across different parts of Pillar 3 reports or external publications rather than consolidated within the relevant disclosure tables. This fragmentation reduced readability, complicated supervisory assessment, and impaired comparability across institutions. The issue was particularly common in the area of credit risk, where general qualitative information was often disclosed in narrative form but not structured within the EU CRA table as required by the ITS on Pillar 3 disclosures.
- **Governance linkage and depth of qualitative disclosures:** Qualitative disclosures were more robust for a smaller subset of institutions that explicitly linked their narratives to established governance and risk management frameworks. This was most evident in leverage ratio and ICAAP-related disclosures, where a limited number of institutions provided structured explanations of governance arrangements, committee oversight, escalation processes, and integration into capital planning and risk appetite frameworks. In these cases, disclosures also tended to include clearer explanations of the drivers of key ratios and their evolution over time, enhancing transparency. However, such practices were not observed consistently across the wider sample.
- **Regulatory responsiveness and remediation practices:** Most institutions acknowledged the deficiencies identified in the qualitative assessment and expressed a willingness to address them, typically committing to remediation in subsequent disclosure cycles. Several institutions initiated broader Pillar 3 alignment exercises or engaged external reviewers to enhance compliance. While these actions were positive, the reliance on forward-looking remediation meant that material qualitative deficiencies persisted for at least one reporting period in the majority of cases, affecting the timeliness and reliability of disclosures provided to market participants.

6. Supervisory expectations and EU-Wide transparency standards

Pillar 3 disclosures are a crucial component of market discipline, as they enhance transparency by requiring banks to publicly report information on their risk exposures, capital adequacy, and risk management practices. These disclosures enable market

participants, including investors, to evaluate an institution's financial strength, risk profile, and overall regulatory capital adequacy. Therefore, inconsistent or inaccurate Pillar 3 disclosures can undermine market discipline by restricting stakeholders' access to reliable and comparable information.

From a supervisory perspective, Pillar 3 disclosures complement regulatory oversight by enhancing transparency over banks' risk profiles and supporting the identification of emerging risks. Persistent weaknesses or inconsistencies of Pillar 3 disclosures with supervisory reporting may indicate deficiencies in internal data management, governance, or risk reporting processes.

The Pillar 3 process is set to become increasingly important due to regulatory and infrastructure developments at EU level. CRR3 introduced enhanced disclosure requirements, mandating more granular, frequent, and comparable reporting of capital, risk exposures, and risk management practices. The Pillar 3 Data Hub (P3DH), which is now operational, contributes to the standardisation and centralisation of these disclosures and supports enhanced data governance, data quality, and auditability. Meanwhile, the European Single Access Point (ESAP) will make Pillar 3 data more publicly accessible, increasing scrutiny from investors, regulators, and other stakeholders. Together, with the expanding scope of EU transparency initiatives-including ESG and sustainable finance disclosures-these initiatives elevate Pillar 3 reporting from a compliance exercise to a strategic tool for transparency and market confidence; as EU-level comparability increases, weaknesses in disclosure practices may amplify supervisory and reputational implications for institutions.

Banks are therefore expected to ensure that disclosures are accurate, complete, consistent, and in line with the ITS on Pillar 3 disclosures, applying the same rigor as in other regulatory reports. These expectations apply on a proportionate basis, taking into account the nature, scale, and complexity of institutions, while maintaining consistent minimum standards in terms of governance, accuracy, and transparency. Where material deficiencies are identified, institutions may be expected to demonstrate timely remediation and, where appropriate, enhance governance arrangements supporting Pillar 3 processes. Supervisory engagement in this area will remain risk-based and may include bilateral follow-up, thematic assessments, or integration into broader supervisory reviews.

The Authority's reviews play a crucial role in this context, as they support institutions in improving the completeness, consistency and accuracy of Pillar 3 disclosures and in strengthening alignment with standardised reporting templates. By identifying gaps, data quality issues and governance weaknesses at source, this work contributes directly to the reliability and usability of prudential information that is increasingly accessed and compared at EU level.

As prudential information becomes more visible to a broader range of stakeholders – including supervisors, investors, analysts and the public – data quality and consistency are no longer merely local or institution-specific concerns. Consequently, supervisory expectations regarding the robustness, traceability and consistency of Pillar 3 data are correspondingly heightened, reinforcing the need for strong governance, controls and alignment across reporting frameworks.

7. Next Steps and supervisory follow-up

The outcome of this exercise provides an initial supervisory baseline for assessing Pillar 3 disclosure practices across the LSI sector. While the review indicates that a general level of awareness of Pillar 3 requirements exists, it also highlights that, for some institutions, disclosure processes may not yet be fully embedded within governance, control, and data management frameworks. As such, the Authority's follow-up will be risk-based and proportionate, taking into account the nature, scale, and complexity of individual institutions. Where appropriate, institution-specific observations arising from the review may be communicated through bilateral supervisory engagement. In cases where material gaps or inconsistencies have been identified, institutions may be requested to provide clarifications or to outline planned remedial actions aimed at improving the completeness, accuracy, and timeliness of their Pillar 3 disclosures.

Supervisory dialogue may, where warranted, focus on strengthening governance arrangements surrounding Pillar 3 processes. This could include enhancing clarity around roles and responsibilities, reinforcing senior management oversight, and ensuring that disclosure processes are appropriately integrated within existing internal control and risk management frameworks. For smaller and less complex institutions in particular, supervisory engagement may also aim to raise awareness that Pillar 3 constitutes a formal regulatory obligation and should be treated with a level of rigor comparable to other regulatory reporting requirements.

In instances where inconsistencies between supervisory reporting and Pillar 3 disclosures have been observed, follow-up discussions may address the robustness of data reconciliation and validation processes. Institutions may be asked, where relevant, to demonstrate how disclosed figures are sourced, reviewed, and reconciled prior to publication, with a view to strengthening traceability and reducing the likelihood of recurring data quality issues.

With regard to qualitative disclosures, supervisory engagement may also encourage institutions to enhance the clarity and institution-specific nature of their narrative information, particularly in areas such as risk management frameworks, governance structures, and capital and liquidity adequacy assessments.

The Authority will continue to monitor developments in institutions' Pillar 3 disclosure practices as part of its ongoing supervisory activities. In particular, in 2026 the Authority will continue to adopt a structured approach to its assessments. Planned topics include:

- Liquidity
- Interest Rate Risk in the Banking Book
- Operational Risk
- Asset Encumbrance

These areas have been selected to complete the coverage of core prudential risks and balance-sheet constraints, and to further enhance the assessment of alignment between Pillar 3 disclosures and the underlying supervisory reporting across a broader range of risk types. This phased approach ensures continuity of supervisory focus while allowing institutions sufficient time to address findings from earlier review cycles.

Insights from Pillar 3 reviews may inform future thematic work, industry communications, or supervisory expectations, particularly in light of increasing transparency requirements at European level. Any further supervisory action in this area will remain proportionate and aligned with the Authority's broader objective of progressively strengthening the reliability, comparability, and governance of Pillar 3 disclosures within the local banking sector.

8. Conclusion

The thematic review has provided valuable insights into prevailing disclosure practices and has identified areas requiring further supervisory attention. The Authority notes with satisfaction that local banks have demonstrated measurable improvements in the quality of Pillar 3 disclosures following these reviews, including through improved compliance with prescribed templates, corrective actions to address data quality issues, and stronger responsiveness to supervisory feedback.

In conclusion, the Authority's ongoing supervisory initiatives seek to further enhance the quality of Pillar 3 disclosures, ensure continued alignment with evolving EU requirements, and promote transparency, consistency, and confidence in the market.

Yours sincerely,

Malta Financial Services Authority

Christopher P. Buttigieg
Chief Officer Supervision

Catherine Galea
Head, Banking Supervision

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