Enhanced Disclosure Task Force

Progress Report on Implementation of Disclosure Recommendations

Appendix 3: Summary of Bank Survey and User Group Assessments

26 October 2015

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Section 1

Executive summary

The EDTF, with the support of PwC, conducted a follow-up survey to understand banks' progress in implementing the EDTF's recommendations during 2014

- The EDTF invited 45 global systemically important banks (G-SIBs) and domestic systemically important banks not among the G-SIBs (D-SIBs) to participate in the 2015 Progress Report and received 40 survey responses. Responses were received from 28 out of 30 total G-SIBs[1]

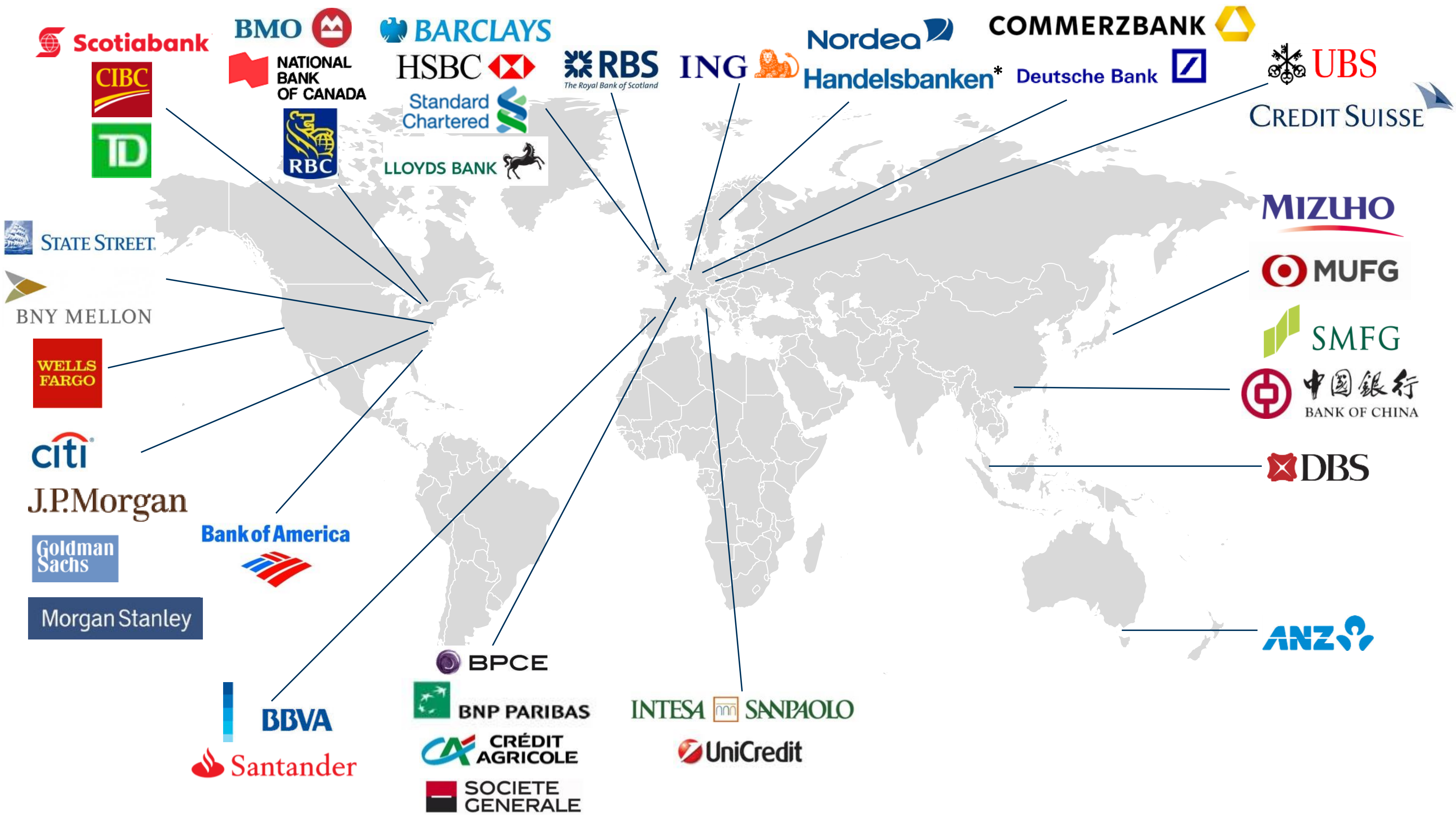
- Participants' responses are presented in this report on an aggregate basis, by geography
  - Continental Europe[2] 7 responses
  - France 4 responses
  - Spain and Italy 4 responses
  - U.K. 5 responses
  - U.S. 8 responses
  - Canada 6 responses
  - Asia-Pacific 6 responses

- The 2015 Progress Report and process have been streamlined since the 2014 survey to focus on progress made.
  - Banks were asked to indicate whether each recommendation was Fully, Partially or Not Implemented in previous disclosures as well as in 2014 year-end disclosures. Banks were also asked where disclosures were located.
  - Banks were given the opportunity to provide additional details about their disclosures on the survey.
  - As in prior years, a User Group of EDTF members reviewed banks' annual reports and identified leading practice examples

- Individual institutions' responses related to implementation plans will remain confidential; however, references to leading practice disclosures (as judged by the EDTF User Group) are available in a separate appendix

1) All G-SIBs participated except the Agricultural Bank of China and Industrial and Commercial Bank of China Limited
2) Excludes banks from France, Spain and Italy, which are broken out separately

The 40 survey respondents represent different geographies, accounting standards and sizes

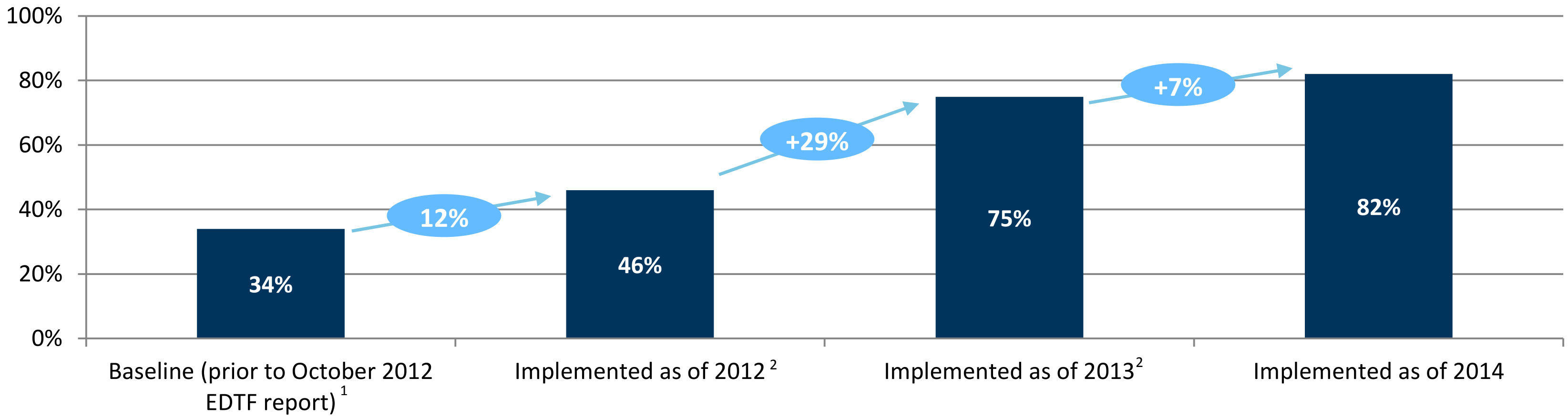


Section 2
Key themes

Banks report that overall implementation has risen by 7 percentage points

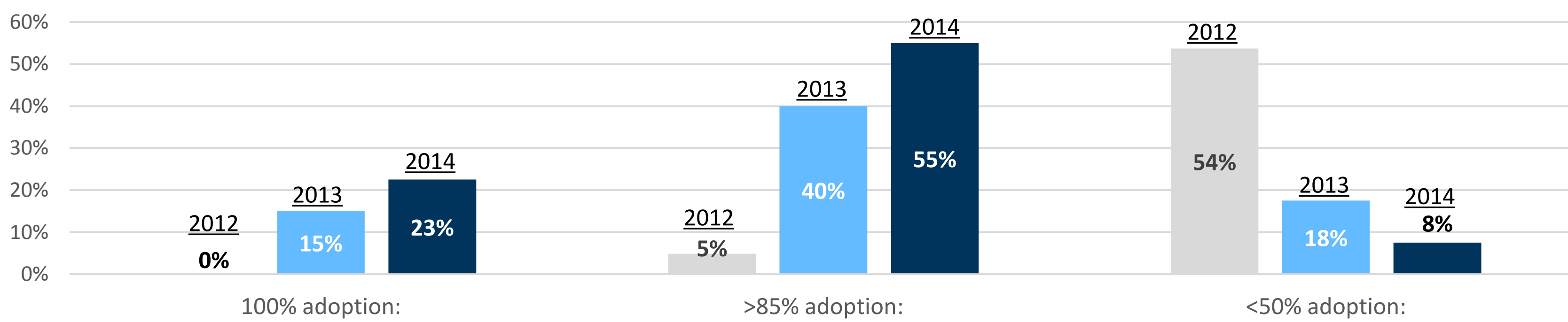
- **Continued, steady progress:** Progress in implementing EDTF recommendations remained steady in 2014 with aggregate implementation of EDTF disclosures rising by 7% to 82%. Canadian banks lead all regions with a nearly 100% implementation rate, closely followed by U.K. banks with a 98% implementation rate.

% of recommendations Fully Implemented



- **Implementation in 2014 was broad-based:** 23% of banks reported full implementation of all recommendations and 55% of banks reported implementation of at least 85% of EDTF recommendations in their 2014 Annual Reports. Only 8% of banks reported full implementation of less than half of the recommendations during 2014, down from 18% in 2013 and 54% in 2012.

Bank status by % implemented

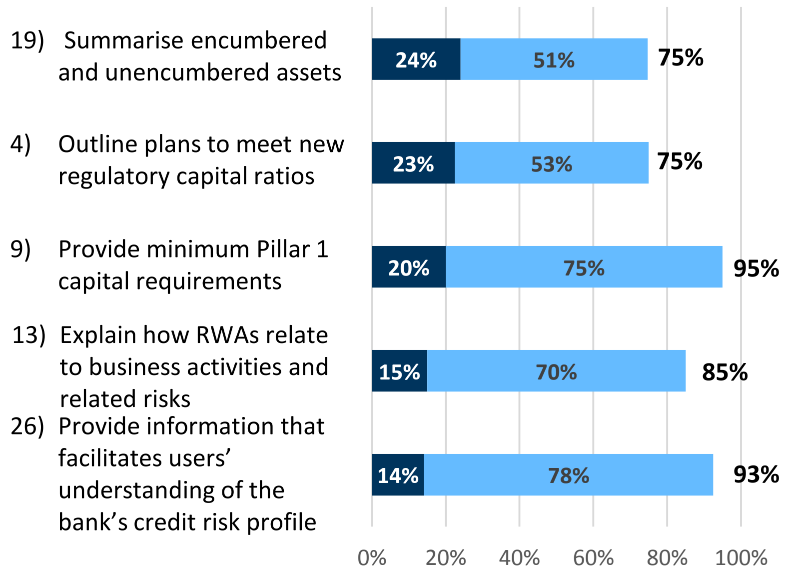


1. Based on responses from 2013 Progress Report
2. Based on responses from 2014 Progress Report. To maintain consistency between the banks participating in the 2014 and 2015 surveys, one bank that participated in 2014 but not in 2015 was removed from 2014 results. As such, the 73% aggregate implementation rate in 2013 year-end disclosures that was previously stated in the 2014 Progress Report increased to 75%

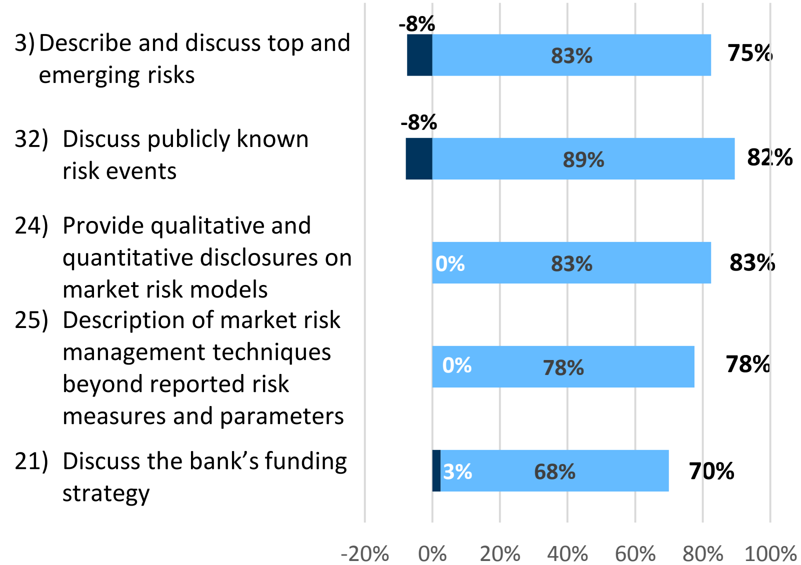
Banks continued to make steady progress on key disclosures

- **Continued momentum on key recommendations:** In 2014, banks made the most progress on recommendations 19, 4 and 9 (defined below). Members of the EDTF User Group have indicated that several of these are critical recommendations. Recommendation 19, which calls for banks to summarise encumbered and unencumbered assets, increased 26% from 2012 to 2013 and 24% from 2013 to 2014 reports
- **Progress on quantitative recommendations accelerated**: Progress on quantitative disclosures outpaced progress on qualitative disclosures by a factor of three (9% versus 3%, respectively). This progress on may be attributed to closer communication between Users and Preparers or the additional time required to implement more-complex quantitative disclosures due to operational or system constraints
- **Capital disclosures lead for second consecutive year:** Of the eight disclosure categories, implementation of recommendations relating to capital (11%), funding (10%) and liquidity (10%) increased the most between the 2013 and 2014 annual reports. U.S. banks' exit of Basel Advanced Approaches parallel run was a key driver for progress relating to capital disclosures (27%)
- **Some banks reassessed implementation status:** Additional clarity on disclosure expectations provided by the User Group caused some banks to reassess their implementation of certain disclosures, and in some cases, to downgrade their self-assessed implementation status (e.g., Recommendations 3 and 32)

Top 5 recommendations by implementation progress in 2014 annual reports [1]



Bottom 5 recommendations by implementation progress in 2014 annual reports [1,2]

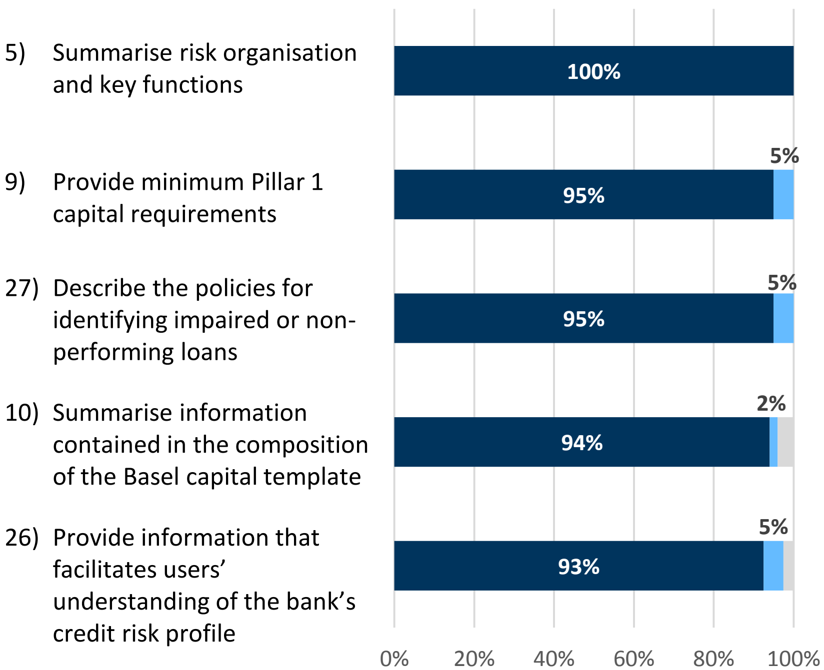


1) *Progress and implementation rates for recommendations with multiple parts are averaged*
2) *Considers only recommendations with less than 85% implementation rate*

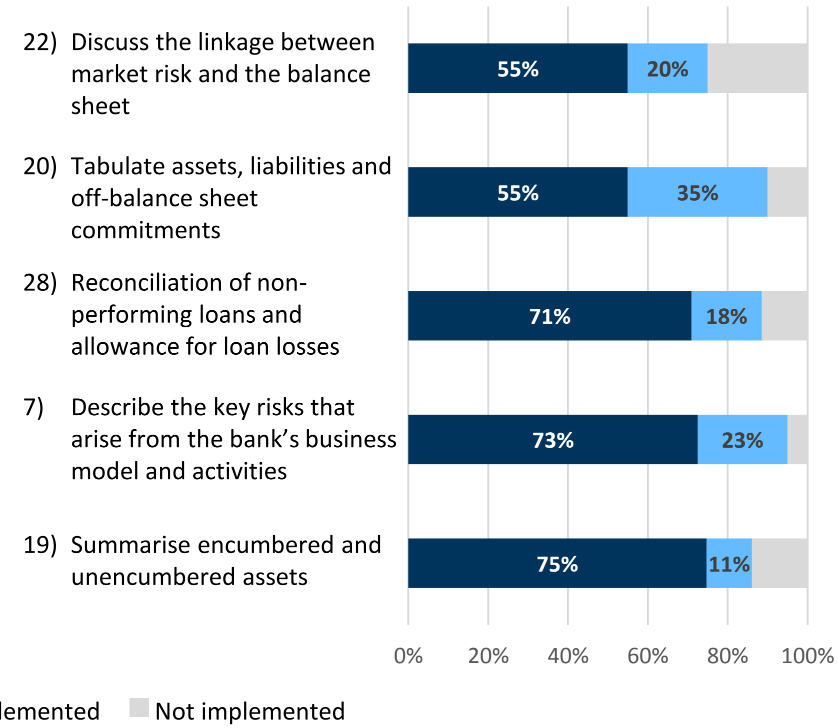
Gap between the most and least widely adopted recommendations narrowed in 2014

- **Qualitative recommendations continue to lead the way**: Despite substantial progress in the implementation of quantitative disclosures in 2014 reports, qualitative recommendations remain more widely implemented. Four of the five least widely implemented recommendations are quantitative in nature, while four of the five most implemented recommendations are qualitative. Banks have previously indicated that qualitative recommendations are generally easier to implement than quantitative recommendations, some of which may pose system or operational challenges
- **Bottom two recommendations pose specific challenges**: For the two recommendations that remain below 70%, banks have cited challenges quantitatively linking market risk to the balance sheet and income statement (Rec 22) or conflicts between the EDTF recommendation and the IFRS undiscounted contractual maturity table for liabilities (Rec 20). Banks have indicated that they will continue to make progress on Recommendation 22

Top 5 recommendations by implementation rate[1]



Bottom 5 recommendations by implementation rate[1]



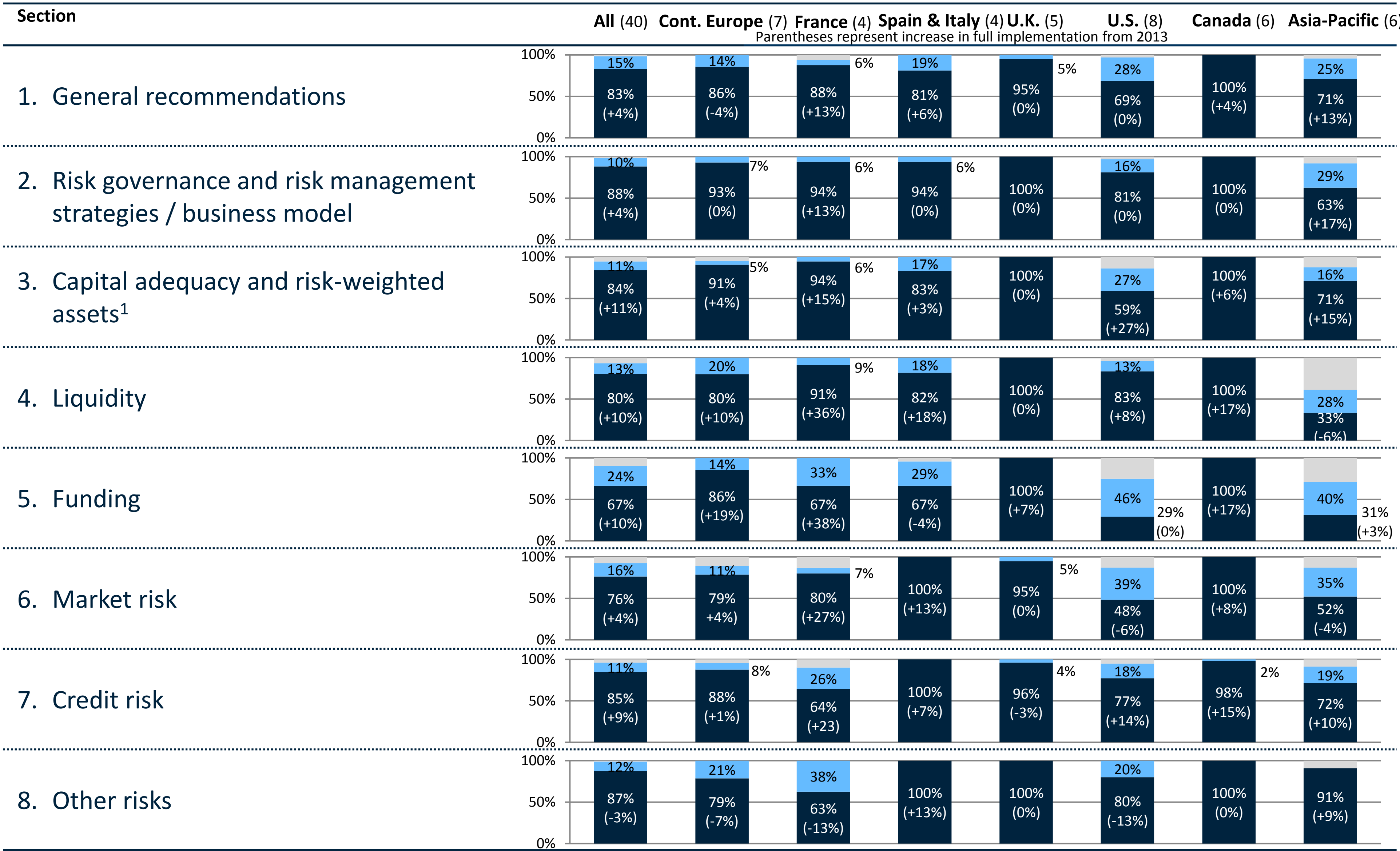
1) Implementation rates for recommendations with multiple parts are averaged

Section 3

Summary of self-assessment results

Fully implemented in 2014 annual report
Partially implemented in 2014 annual report
Not implemented in 2014 annual report

Risk governance, other risks and credit risk show the highest implementation rates; disclosures related to capital showed the highest increase in implementation rates from prior year



% implemented
90-100%
80-89%
70-79%
50-69%
Below 50%

Summary of survey results: General recommendations, risk governance and capital

	All (40)	Cont. Europe (7)	France (4)	Spain & Italy (4)	U.K. (5)	U.S. (8)	Canada (6)	Asia-Pacific (6)
General recommendations	**2014[1] (Δ[2])**	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])
1. Present all related risk information together in any particular report. Where this is not practicable, provide an index or an aid to navigation.	90% (-3%)	86% (-14%)	100% (0%)	75% (25%)	100% (0%)	88% (-13%)	100% (0%)	83% (0%)
2. Define the bank's risk terminology and risk measures and present key parameter values used.	93% (3%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	75% (13%)	100% (0%)	83% (0%)
3. Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis.	75% (-8%)	71% (-14%)	75% (0%)	75% (-25%)	100% (0%)	63% (-13%)	100% (0%)	50% (0%)
4. Once the applicable rules are finalised, outline plans to meet new key regulatory ratios, and, once the applicable rules are in force, provide such key ratios.	75% (23%)	86% (14%)	75% (50%)	75% (25%)	80% (0%)	50% (13%)	100% (17%)	67% (50%)
Risk governance and risk management strategies / business model								
5. Summarise prominently the bank's risk management organisation, processes and key functions.	100% (3%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (17%)
6. Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture.	88% (8%)	86% (14%)	100% (25%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	33% (17%)
7. Describe the key risks that arise from the bank's business models and activities, the bank's risk appetite in the context of its business models and how the bank manages such risks.	73% (5%)	86% (-14%)	75% (25%)	75% (0%)	100% (0%)	25% (0%)	100% (0%)	67% (33%)
8. Describe the use of stress testing within the bank's risk governance and capital frameworks. Stress testing disclosures should provide a narrative overview of the bank's internal stress testing process and governance.	93% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	50% (0%)
Capital adequacy and risk-weighted assets								
9. Provide minimum Pillar 1 capital requirements.	95% (20%)	100% (14%)	100% (25%)	75% (50%)	100% (0%)	88% (25%)	100% (0%)	100% (33%)
10a. Summarise information contained in the composition of capital templates implemented by the Basel Committee.	98% (8%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	88% (38%)	100% (0%)	100% (0%)
10b. Disclose a reconciliation of the accounting balance sheet to the regulatory balance sheet.	91% (0%)	57% (0%)	100% (0%)	100% (0%)	100% (0%)	N/A[3]	100% (0%)	100% (0%)
11. Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital.	85% (3%)	86% (0%)	100% (25%)	75% (0%)	100% (0%)	75% (0%)	100% (0%)	67% (0%)
12. Qualitatively and quantitatively discuss capital planning within a more general discussion of management's strategic planning, including a description of management's view of the required or targeted level of capital and how this will be established.	83% (13%)	100% (29%)	100% (0%)	50% (-25%)	100% (0%)	63% (25%)	100% (0%)	67% (33%)

1. Percentage of banks self-assessing a disclosure as Fully Implemented in 2014
2. Δ represents increase in 2014 implementation rate from 2013 (from 2014 surveys)
3. 10b not applicable for U.S. institutions

% implemented
- 90-100%
- 80-89%
- 70-79%
- 50-69%
- Below 50%

Summary of survey results: Funding and market risk

	All (40)	Cont. Europe (7)	France (4)	Spain & Italy (4)	U.K. (5)	U.S. (8)	Canada (6)	Asia-Pacific (6)
Capital adequacy and risk-weighted assets (cont.)	**2014[1] (Δ[2])**	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])
13. Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	85% (15%)	86% (0%)	75% (0%)	100% (0%)	100% (0%)	63% (50%)	100% (0%)	83% (33%)
14a. Present a table showing the capital requirements for each method used for calculating RWAs for credit risk.	88% (8%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	50% (38%)	100% (0%)	83% (0%)
14b. For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them.	88% (10%)	86% (0%)	100% (0%)	100% (0%)	100% (0%)	50% (38%)	100% (0%)	100% (17%)
14c. Disclosures should be accompanied by additional information about significant models used, e.g. data periods, downturn parameter thresholds and methodology for calculating loss given default (LGD).	88% (20%)	100% (14%)	100% (25%)	100% (0%)	100% (0%)	63% (63%)	100% (0%)	67% (17%)
15a. Tabulate credit risk in the banking book key risk parameters for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades.	80% (13%)	86% (-14%)	100% (25%)	100% (0%)	100% (0%)	50% (50%)	100% (17%)	50% (0%)
15b. For non-retail banking book credit portfolios, internal ratings grades and PD bands should be mapped against external credit ratings and the number of PD bands presented should match the number of notch-specific ratings used by credit rating agencies.	70% (8%)	86% (-14%)	100% (25%)	100% (0%)	100% (0%)	13% (13%)	100% (17%)	33% (17%)
16. Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	75% (10%)	86% (0%)	100% (50%)	50% (0%)	100% (0%)	63% (25%)	100% (17%)	33% (-17%)
17. Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss.	78% (10%)	100% (0%)	75% (0%)	100% (0%)	100% (0%)	25% (13%)	100% (17%)	67% (33%)
Liquidity								
18a. Describe how the bank manages its potential liquidity needs.	93% (3%)	100% (0%)	100% (0%)	75% (0%)	100% (0%)	100% (0%)	100% (17%)	67% (0%)
18b. Provide a quantitative analysis of the components of the liquidity reserve held to meet these needs, ideally by providing averages as well as period-end balances.	83% (15%)	71% (14%)	100% (50%)	75% (25%)	100% (0%)	100% (13%)	100% (17%)	33% (0%)
18c. The description should be complemented by an explanation of possible limitations on the use of the liquidity reserve maintained in any material subsidiary or currency.	65% (14%)	67% (17%)	67% (67%)	100% (33%)	100% (0%)	50% (13%)	100% (17%)	0% (-17%)

1. Percentage of banks self-assessing a disclosure as Fully Implemented in 2014
2. Δ represents increase in 2014 implementation rate from 2013

% implemented

- 90-100%
- 80-90%
- 70-80%
- 50-70%
- Below 50%

Summary of survey results: Funding and market risk

	All (40)	**Cont. Europe** (7)	**France** (4)	**Spain & Italy** (4)	**U.K.** (5)	**U.S.** (8)	**Canada** (6)	**Asia-Pacific** (6)
Funding	**2014[1] (Δ[2])**	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014 [1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])
19a. Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs.	74% (23%)	100% (43%)	100% (75%)	100% (25%)	100% (20%)	13% (0%)	100% (17%)	40% (0%)
19b. Include collateral received that can be rehypothecated or otherwise redeployed.	75% (25%)	100% (43%)	100% (50%)	50% (0%)	100% (20%)	38% (25%)	100% (17%)	50% (17%)
20. Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	55% (5%)	71% (14%)	25% (0%)	50% (0%)	100% (0%)	13% (0%)	100% (0%)	33% (17%)
21. Discuss the bank's funding strategy to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	70% (3%)	86% (0%)	75% (50%)	75% (-25%)	100% (0%)	50% (-13%)	100% (33%)	17% (-17%)
Market risk								
22. Provide information that facilitates users' understanding of the linkages between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures and non-traded market risk disclosures.	55% (8%)	43% (14%)	25% (25%)	100% (25%)	80% (0%)	38% (-13%)	100% (17%)	17% (0%)
23. Provide further qualitative and quantitative breakdowns of significant trading and nontrading market risk factors that may be relevant to the bank's portfolios beyond interest rates, foreign exchange, commodity and equity measures.	92% (8%)	100% (0%)	100% (33%)	100% (25%)	100% (0%)	57% (0%)	100% (17%)	100% (0%)
24. Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time and descriptions of the reasons for back-testing exceptions, and how these results are used to enhance the parameters of the model.	83% (0%)	71% (0%)	100% (50%)	100% (0%)	100% (0%)	63% (-13%)	100% (0%)	67% (-17%)
25. Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results, through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches.	78% (0%)	100% (0%)	100% (0%)	100% (0%)	100% (0%)	38% (0%)	100% (0%)	33% (0%)

1. Percentage of banks self-assessing a disclosure as Fully Implemented in 2014
2. Δ represents increase in 2014 implementation rate from 2013

% implemented
- 90-100%
- 80-90%
- 70-80%
- 50-70%
- Below 50%

Summary of survey results: Credit risk and other risks

	All (34)	Cont. Europe (7)	France (4)	Spain & Italy (4)	U.K. (5)	U.S. (8)	Canada (6)	Asia-Pacific (6)
Credit Risk	**2014[1] (Δ[2])**	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])	2014 [1] (Δ[2])	2014[1] (Δ[2])	2014[1] (Δ[2])
26a. Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. This should include a quantitative summary of aggregate credit risk exposures that reconciles to the balance sheet.	93% (15%)	86% (0%)	100% (0%)	100% (0%)	100% (0%)	88% (25%)	100% (67%)	83% (0%)
26b. Including detailed tables for both retail and corporate portfolios that segments them by relevant factors.	93% (10%)	100% (0%)	75% (0%)	100% (0%)	100% (0%)	88% (38%)	100% (17%)	83% (0%)
26c. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.	93% (18%)	100% (14%)	75% (0%)	100% (25%)	100% (20%)	88% (38%)	100% (17%)	83% (0%)
27. Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies.	95% (10%)	100% (0%)	75% (25%)	100% (0%)	100% (0%)	88% (13%)	100% (33%)	100% (0%)
28a. Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses.	73% (8%)	86% (14%)	0% (0%)	100% (0%)	100% (0%)	75% (13%)	100% (17%)	33% (0%)
28b. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.	69% (3%)	57% (14%)	25% (25%)	100% (0%)	100% (0%)	71% (-14%)	83% (0%)	50% (0%)
29. Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions.	80% (10%)	71% (-14%)	75% (50%)	100% (0%)	100% (0%)	88% (13%)	100% (0%)	33% (33%)
30. Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful.	85% (8%)	100% (0%)	75% (25%)	100% (25%)	80% (-20%)	50% (13%)	100% (0%)	100% (17%)
Other risks								
31. Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing.	93% (3%)	86% (0%)	75% (0%)	100% (25%)	100% (0%)	88% (0%)	100% (0%)	100% (0%)
32. Discuss publicly known risk events related to other risks, including operational, regulatory compliance and legal risks, where material or potentially material loss events have occurred. Such disclosures should concentrate on the effect on the business, the lessons learned and the resulting changes to risk processes already implemented or in progress	82% (-8%)	71% (-14%)	50% (-25%)	100% (0%)	100% (0%)	71% (-29%)	100% (0%)	80% (20%)

1. Percentage of banks self-assessing a disclosure as Fully Implemented in 2014
2. Δ represents increase in 2014 implementation rate from 2013

Section 4
Summary of User Group review

An EDTF User Group conducted an independent assessment of banks' credit risk disclosures

- The User Group, consisting of debt and equity analyst members of the EDTF from buy-side and sell-side firms as well as rating agencies, assessed banks' disclosures considering both the "letter" of the recommendations as well as the "spirit" in which they were developed
- The User Group focused its review in 2015 on recommendations relating to credit risk. Users recognized that the introduction of a new expected credit loss (ECL) approach to provisioning by the International Accounting Standard Board and the approach expected to be announced by the US Financial Accounting Standards Board will have a significant impact on banks' credit risk reporting in the coming years; however, Users also noted that significant opportunity remains for banks to improve credit risk disclosures even before the transition to the new standards. This review focused on identifying leading practice credit risk disclosures under current accounting standards
- As in prior years, each bank's self-assessment was reviewed by at least two members of the User Group, each of whom assessed whether each bank had Fully or Partially Implemented the recommendation. Differences were discussed and vetted before a final User Group assessment was established and Leading Practice examples were identified
- In response to bank feedback, the User Group provided all banks with a draft of their assessments to give them an opportunity to clarify their survey responses and to provide references to any disclosures that members of the User Group were unable to locate. This outreach effort resulted in a number of changes to the User Group assessments
- The recommendations included in the User Group review are summarised on the following pages

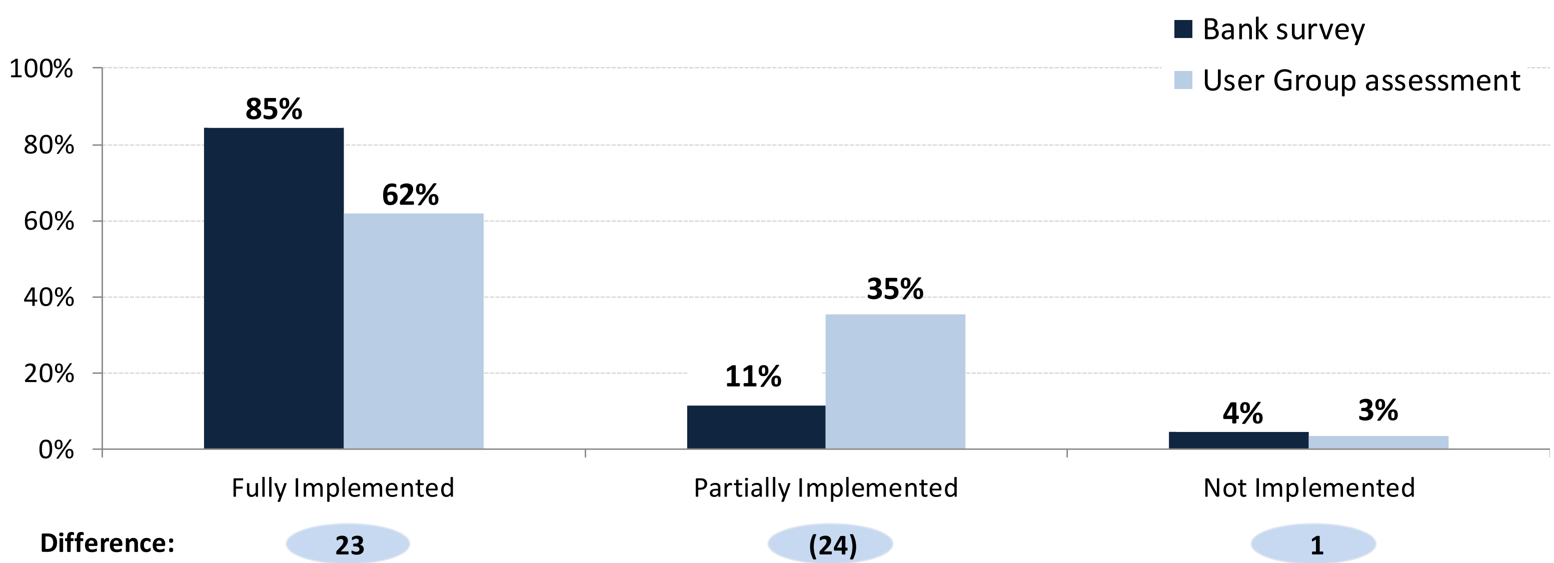
The User Group focused on Credit Risk recommendations in 2015

Recommendations Reviewed by the User Group in 2015	
26a	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. This should include a quantitative summary of aggregate credit risk exposures that reconciles to the balance sheet.
26b	Including detailed tables for both retail and corporate portfolios that segments them by relevant factors.
26c	The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies.
28a	Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses.
28b	Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions. This should quantify notional derivatives exposure, including whether derivatives are over-the-counter (OTC) or traded on recognised exchanges. Where the derivatives are OTC, the disclosure should quantify how much is settled by central counterparties and how much is not, as well as provide a description of collateral agreements.
30	Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful. Collateral disclosures should be sufficiently detailed to allow an assessment of the quality of collateral. Disclosures should also discuss the use of mitigants to manage credit risk arising from market risk exposures (i.e. the management of the impact of market risk on derivatives counterparty risk) and single name concentrations.

The User Group assessed 97% of Credit Risk disclosures as either Fully or Partially Implemented

- The User Group assigned Fully Implemented to 62% of banks' 2014 Annual Reports across the set of five credit risk recommendations reviewed; 35% of the recommendations reviewed were viewed as Partially Implemented
- The difference between the User Group and Bank assessments of Fully Implemented credit risk recommendations was 23 percentage points (85% in the bank survey vs. 62% for User Group review)
  - The User Group noted that many banks did not quantify counterparty credit risk related to derivatives (Rec 29) or Collateral held for Credit Risk mitigation (Rec 30). This drove the bulk of the difference in users' and banks' assessments
- Only Recommendations 28 and 29 were reviewed in prior years and implementation of both improved modestly
  - Recommendation 28 (Non-performing loans) improved seven points, rising from 56% in 2014 to 63% this year
  - Recommendation 29 (Derivatives counterparty risk) improved four points, rising from 41% in 2014 to 45% this year

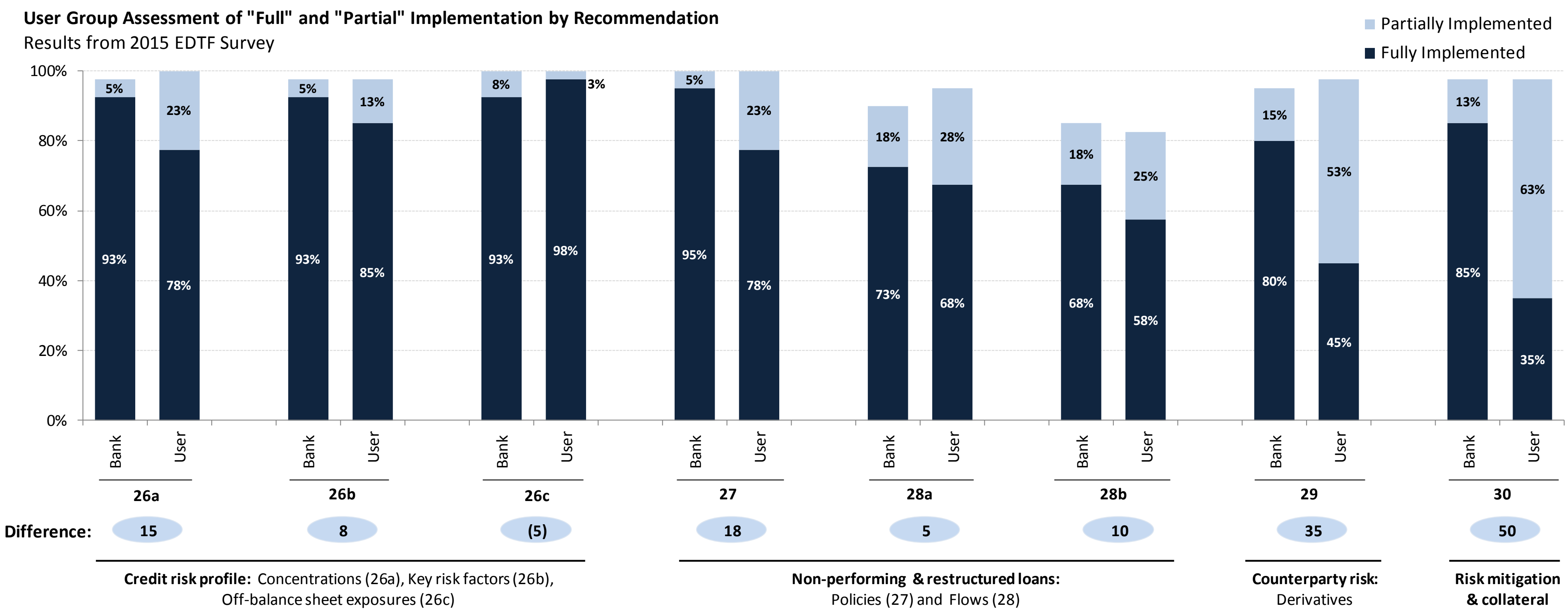
Comparison of Bank and User Group Assessments for EDTF Credit Risk Recommendations



Users generally agreed with banks about disclosures of credit risk exposures in the banking book , but a gap exists for disclosures about derivatives and off-balance sheet exposures

- Most banks provided information to facilitate users' understanding of the credit risk in their banking books and investment portfolios (concentrations by industry and geography, LTV and internal ratings distributions, etc.)
- Users found that fewer than half of banks provided quantitative information about counterparty credit risk from derivatives transactions (Rec 29) or details about the composition of collateral held (Rec 30)
- Recommendations with the biggest gaps between the bank survey and the User Group assessment included:
  - Rec 30 (Credit risk mitigation) – *50% difference*
  - Rec 29 (Counterparty credit risk from derivatives) – *35% difference*
  - Rec 27 (Policies related to non-performing and restructured loans) – *18% difference*
  - Rec 28b (Loan acquisitions and restructured loans) – *10% difference*

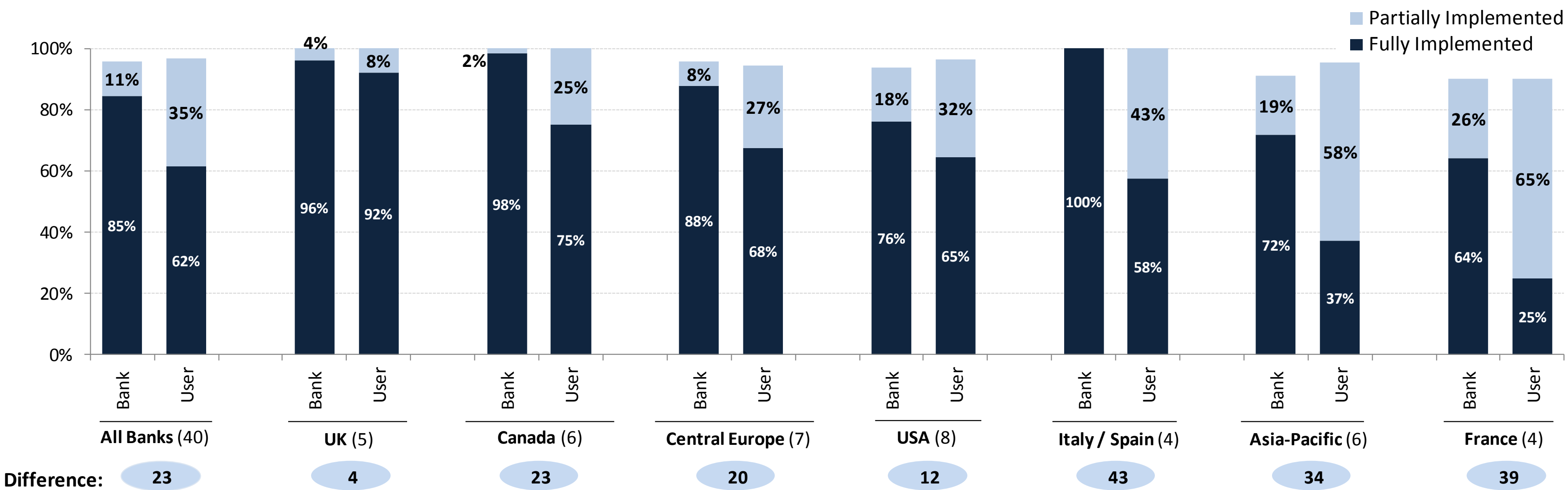
User Group Assessment of "Full" and "Partial" Implementation by Recommendation
Results from 2015 EDTF Survey



Implementation of Credit Risk recommendations varies widely across countries

- The User Group assigned the highest implementation rates to banks in the U.K. (92%), Canada (75%), Central Europe (68%) and the U.S. (65%). The difference between the User Group and bank assessments was smallest in these regions
  - Much of the difference for banks in Canada and the U.S. was due to Recommendation 30, which members of the User Group considered Partially Implemented where banks did not specifically discuss the credit quality of collateral
- Users assigned lower implementation rates to banks in France (25%), Asia-Pacific (37%) and Italy / Spain (58%) with wider differences between the User Group and bank assessments: Italy / Spain (-43%), France (-39%) and Asia-Pacific (-34%)

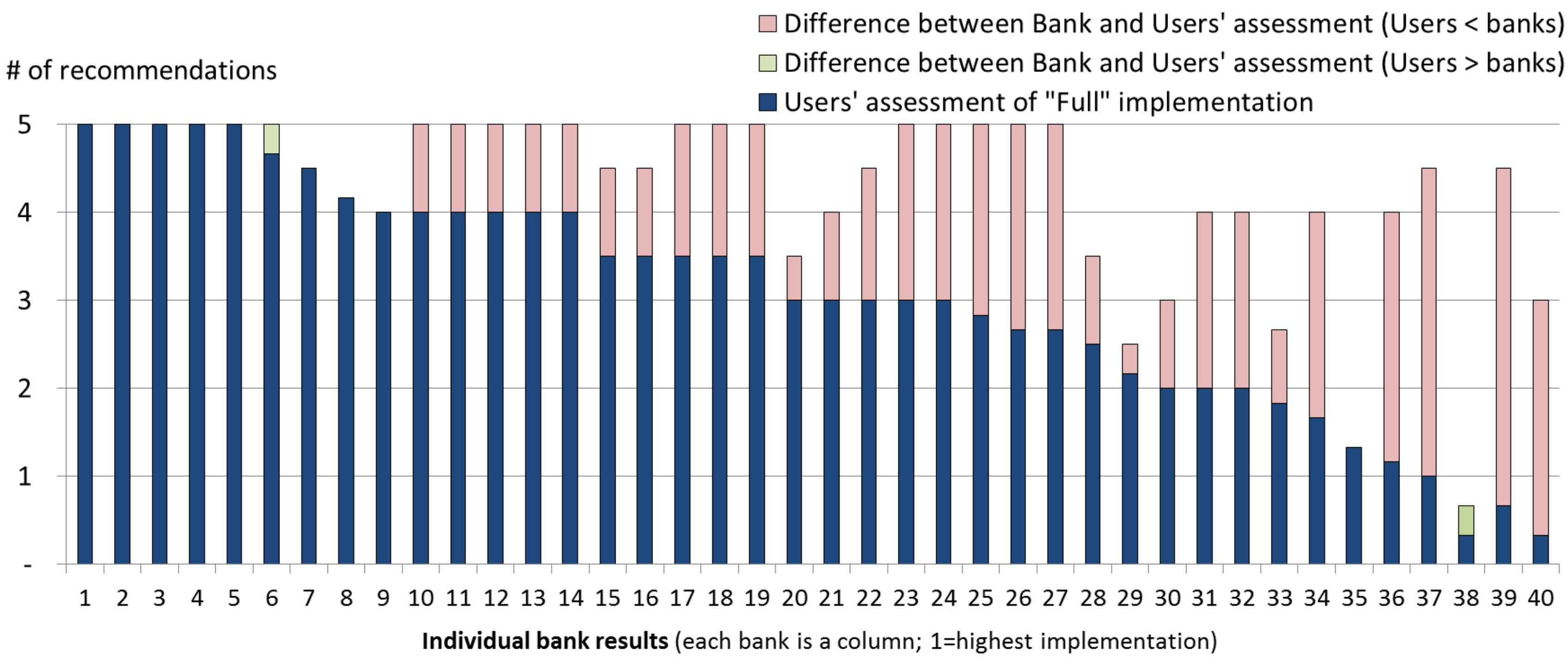
Comparison of Bank and User Group Assessments By Geography



1) Central Europe includes Germany, the Netherlands, Sweden and Switzerland. Asia-Pacific includes banks in Australia, China, Japan and Singapore

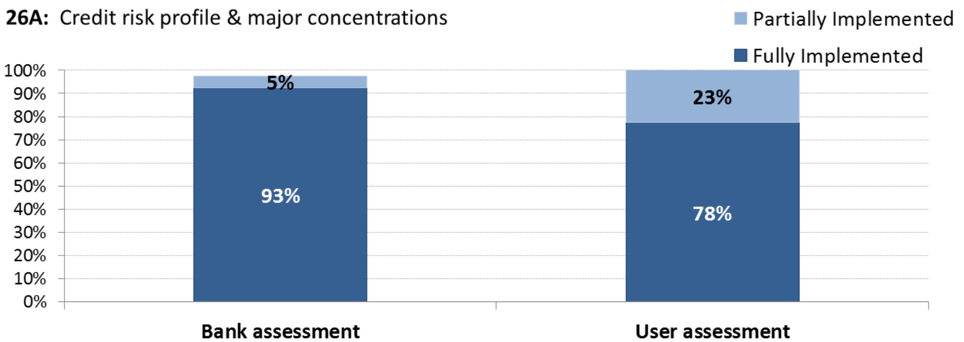
Comparison of Banks' and Users' assessments on a bank-by-bank basis

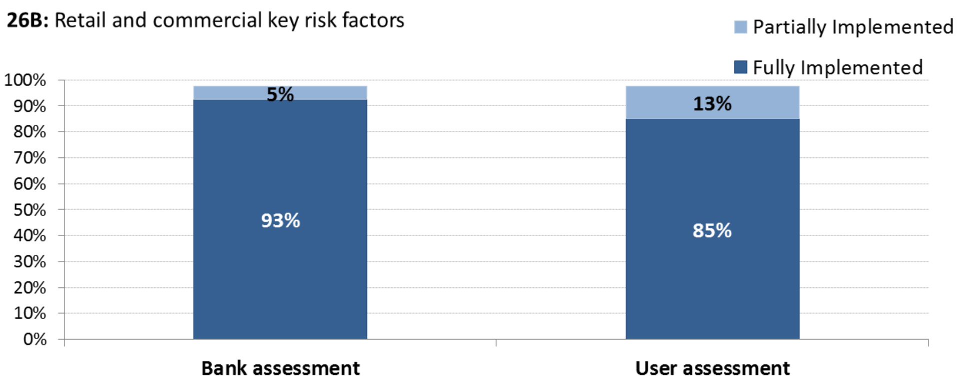
- The graph below shows how many recommendations the User Group assessed as being Fully Implemented as well as the gap between the Users' and Banks' views on a bank-by-bank basis (presented as 1 to 40 in decreasing order of number of disclosures assessed by the User Group as Fully Implemented)
- The average difference was 1.2 out of 5 credit risk recommendations (23 percentage point difference)
  - Eighteen banks assessed themselves as having Fully Implemented all credit risk recommendations
  - The User Group agreed with five of these banks and assessed a sixth as having Fully Implemented all credit risk recommendations
  - Over half of banks (24 of 40) were assessed to have Fully Implemented at least three of the five recommendations
  - Eight banks were assessed to have Fully Implemented fewer than two recommendations
  - There were two instances where the User Group assessment exceeded the Bank assessment (in green)

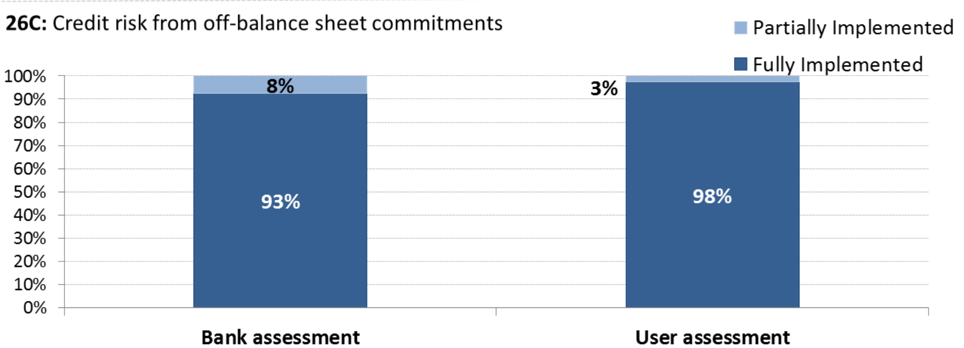


Comparison of User Group and bank assessments for 2014 credit risk disclosures

Recommendation 26







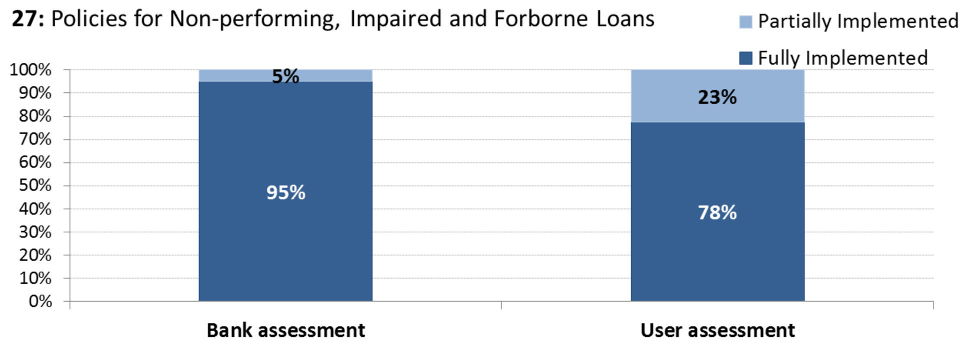
Highlights of User Group feedback

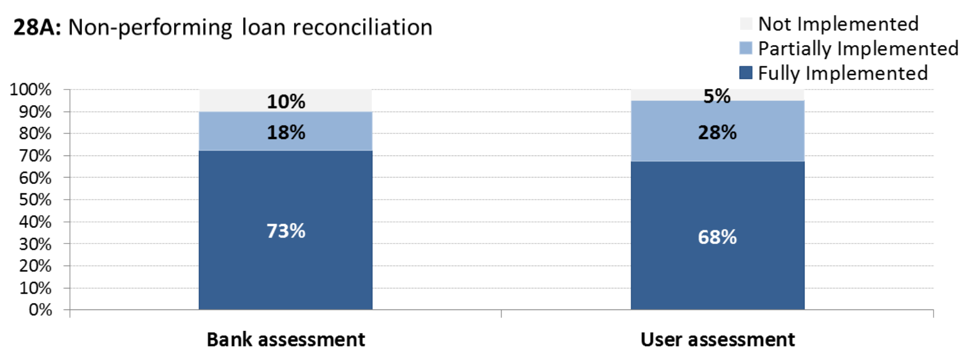
- Leading practice disclosures included granular breakouts of credit risk concentrations both on- and off-balance sheet
  - By product type and geography (more granular than Basel Corporate / Retail categories, by country not continent)
  - By credit quality (FICO or similar measure for retail, LTV / DSCR for real estate, average internal or agency rating for commercial)
  - By performing status (aging of non-performing loans, restructured loan and re-default tables, charge-off rates)
- In addition to quantitative data, Users looked for succinct management commentary explaining key concentrations, changes during 2014 and associated risk management strategies
- Leading practice disclosures of off-balance sheet exposures included break outs of lending commitments by line of business and maturity, related provisions and reserves, as well as non-lending commitments and contingent liabilities

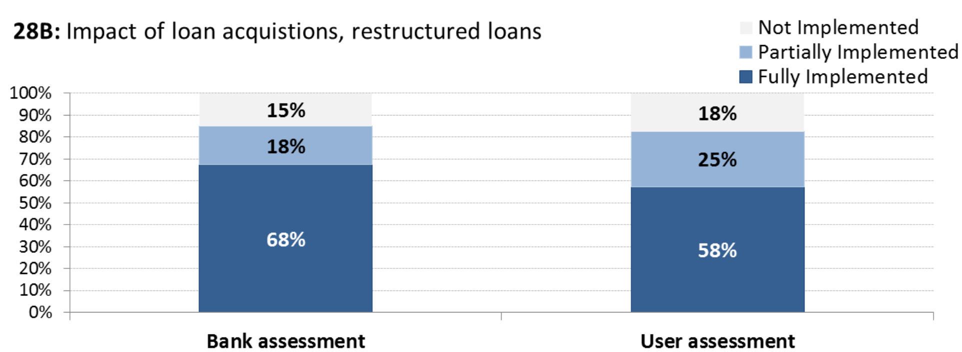
Leading Practice Examples:
26A: HSBC, RBS, Santander
26B: JP Morgan Chase, Nordea, HSBC
26C: Deutsche Bank, JP Morgan Chase, CIBC

Comparison of User Group and bank assessments for 2014 credit risk disclosures

Recommendations 27 and 28







Highlights of User Group feedback

- Leading practice disclosures included specific definitions of non-performing loans (NPLs) as well as policies for returning NPLs to performing status and loan forbearance policies
  - Users noted that some banks did not describe loan forbearance policies or key NPL thresholds (e.g., days-past-due cutoffs, impact of collateral in defining impairment)
- **Leading Practice**: Citigroup, MUFG, Unicredit

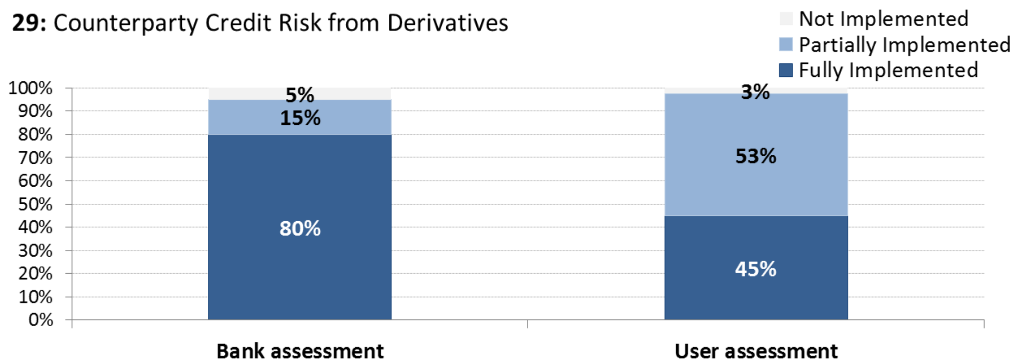
- Leading practice disclosures provided granular flows of gross impaired loans and related allowances by major product line
  - Inflows & outflows for Impaired Loans (Gross NPLs)
  - Provisions, including specific & collective allowances as well as provisions for lending commitments
  - Impaired loans by geographic region, commercial/consumer
  - Similar breakouts for allowances and provisions (e.g., by product line and geography)
- Several banks noted immaterial volumes of acquired loans, suggesting that the impact of loan acquisitions on NPL ratio trends was also immaterial
- Users considered Rec 28b to be Partially Implemented when banks did not quantify the volumes or key characteristics of restructured loans. Leading practice banks provided performance and re-default details for restructured loans

Leading Practice Examples:
28A: BMO, CIBC, WFC
28B: ING Group, Standard Chartered, HSBC

Comparison of User Group and bank assessments for 2014 credit risk disclosures

Recommendations 29 and 30

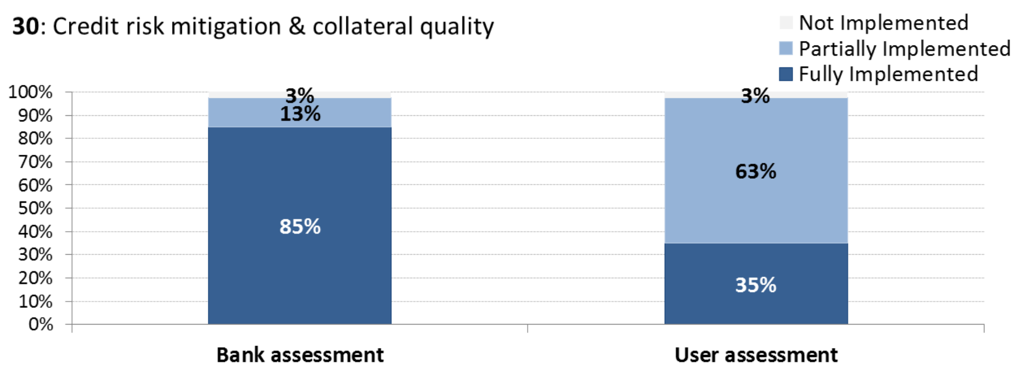
29: Counterparty Credit Risk from Derivatives



Highlights of User Group feedback

- Users looked for disclosures which separated gross notional derivatives exposures by counterparty and type
  - OTC / Exchange-traded (cleared / not cleared)
  - Rates / FX / Credit / Equity
  - By purpose (banking book, trading book)
- Leading Practice disclosures broke out derivatives by maturity and provided FV in addition to gross and net notional
- Several banks outlined their approach to counterparty credit risk management for derivatives, including collateral agreements
- **Leading Practice**: CIBC, Deutsche Bank, Morgan Stanley, RBS

30: Credit risk mitigation & collateral quality



- Fully Implemented disclosures were sufficiently detailed to allow an assessment of the quality of collateral
  - Clearly defined standards for collateral (securities, loans)
  - Cover values or Loan-to-value ratios by product type
  - Quantification of collateral credit quality by credit rating
- Disclosures that did not describe or quantify the credit quality of collateral were considered Partially Implemented
- Leading Practice disclosures discussed the bank's credit risk mitigation policies and standards in a single section rather than buried in text in different sections of the report
- **Leading Practice**: ING Group, Standard Chartered