Enhanced Disclosure Task Force

Progress Report on Implementation of Disclosure Recommendations

Appendix 3: Summary of Bank Survey and User Group Assessments

September 2014

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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 2013

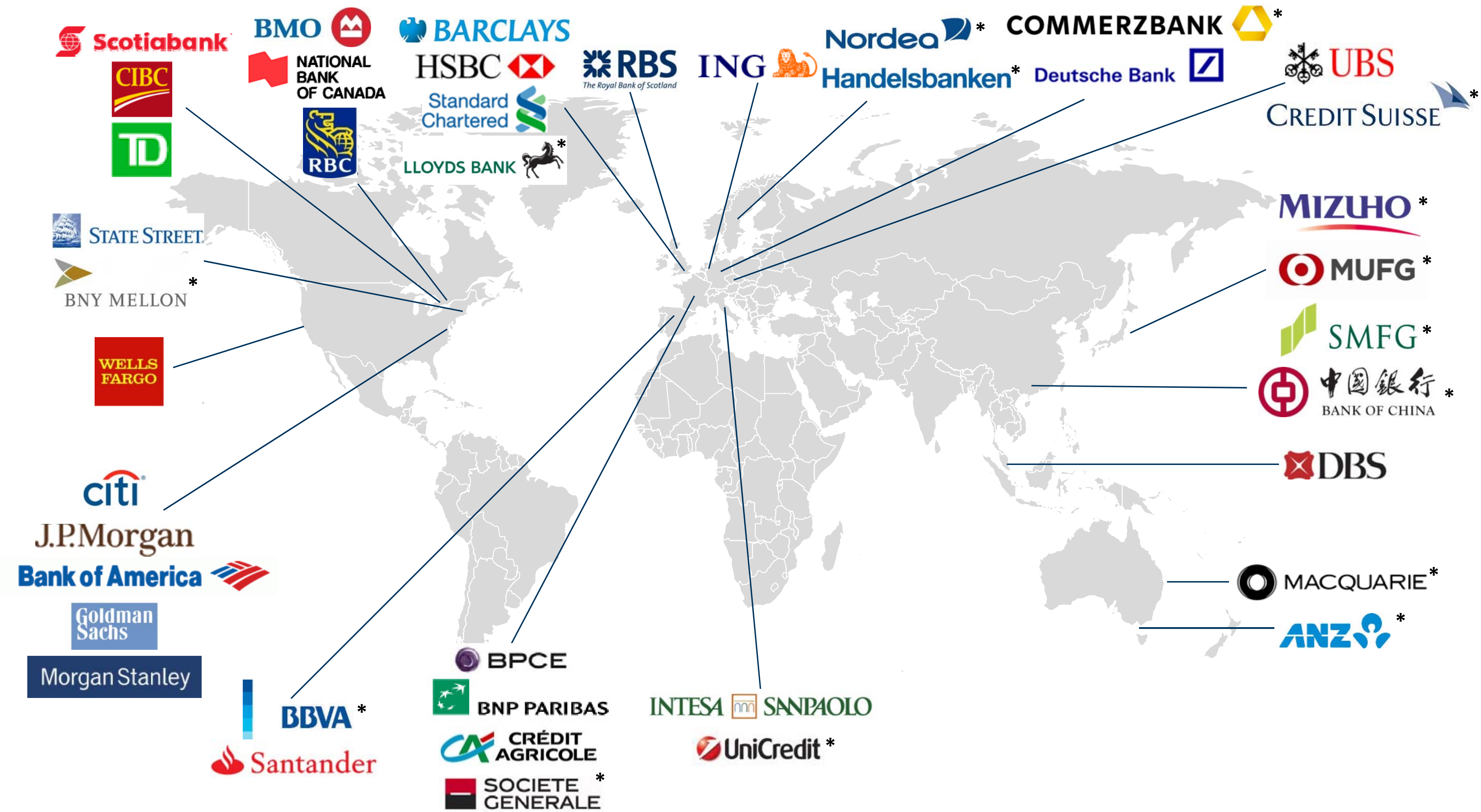
- The EDTF invited 42 global systemically important banks (G-SIBs) and domestic systemically important banks not among the G-SIBs (D-SIBs) to participate in the 2014 survey

- The 2014 Progress Report and process have been updated since the 2013 survey
  - The User Group discussed and clarified last year's results with approximately 20 of the banks that participated in 2013
  - Seven of the more complex recommendations were split into more granular sub-recommendations to better assess banks' progress and areas where enhancement is still underway
  - Banks were given the option to assess their implementation status as either fully, partially, or not implemented. Banks also had the option to indicate instances where they had "fully implemented (with firm-specific modifications)" for recommendations implemented differently than proposed, but still in a manner consistent with the EDTF's overarching principles for enhanced disclosure
  - A series of qualitative questions was added to provide insight about implementation approach, challenges, as well as interactions with investors and regulators

- Responses from 41 participants from Europe, North America and Asia are presented in this report on an aggregated basis, by geography. This reflects an additional 10 participants from the 2013 survey. Responses included 29 out of 30 total G-SIBs
  - Continental Europe 15 responses
  - U.S. 8 responses
  - Canada 6 responses
  - United Kingdom 5 responses
  - Asia-Pacific 7 responses

- Individual institutions' responses related to implementation plans will remain confidential; however, references to existing disclosures are summarized in Appendix 3 ("Examples of Leading Disclosure Practices") to the 2014 Progress Report.

EDTF survey respondents represent different geographies, accounting standards, and sizes



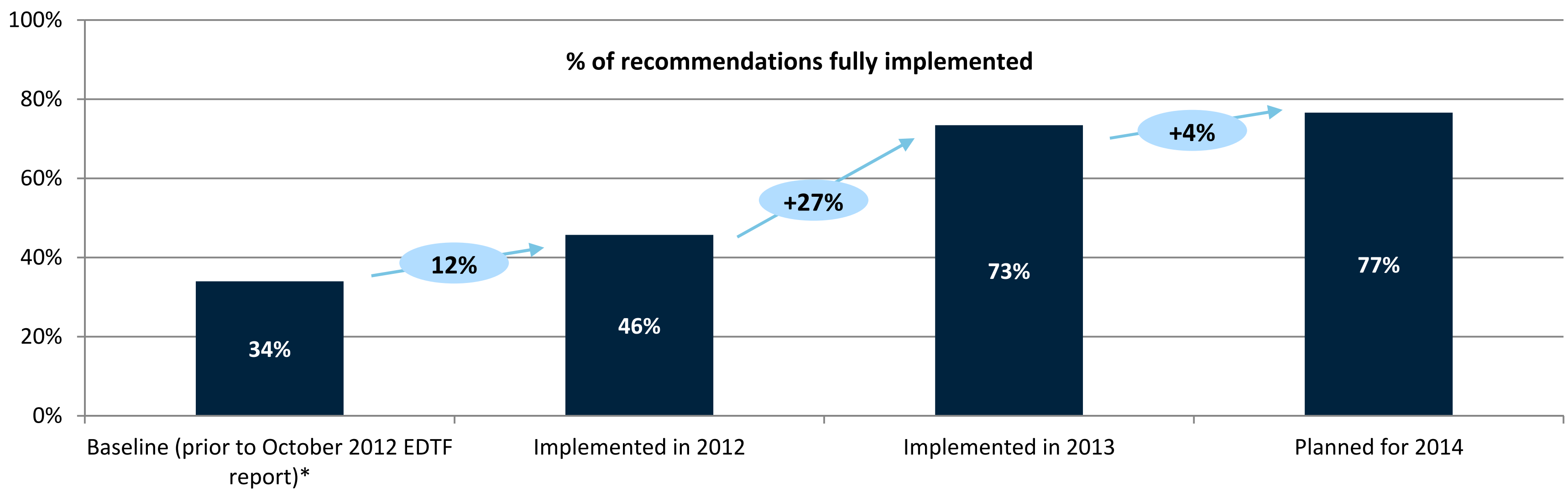
* New in 2014

Section 2

Key themes

Banks report that overall implementation has risen by 27 percentage points

- **Significantly higher level of implementation achieved:** A key theme of last year's Progress Report was participants' ambitious plans for implementation in 2013 and they appear to have delivered. Respondents reported a 73% overall implementation rate in 2013 across all 32 recommendations, up by 27 percentage points from 2012 and ending the year on target with what banks had forecast in their mid-year survey responses.
- **Canadian banks (92%, up 58% from 2012) led the way in terms of progress, followed by banks from the U.K. (29%) and U.S. (26%).** Canadian banks joined the U.K. banks in reporting virtually full adoption of all EDTF recommendations due in part to active encouragement from the Office of the Superintendent of Financial Institutions (OSFI), the Canadian bank regulator.



** Based on responses from 2013 Progress Report*

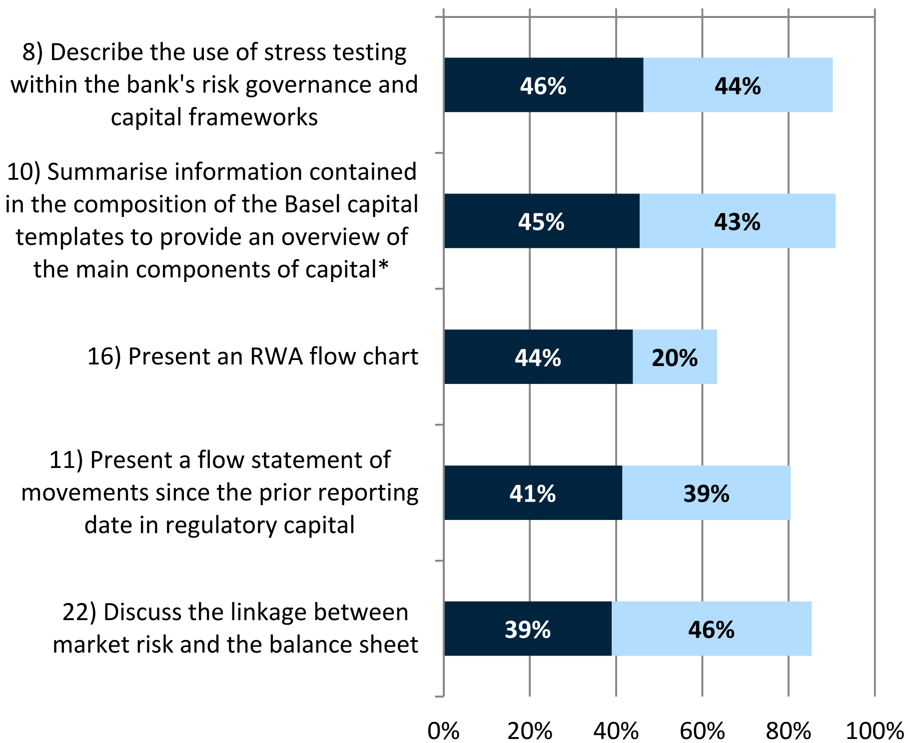
- **Implementation in 2013 was broad-based** with six banks reporting full implementation of all recommendations and an additional 10 banks reporting over 85% implementation in 2013. Only eight banks reported full implementation of less than 50% of the recommendations during 2013, down from 23 in 2012.
- **Implementation of capital and RWA, and liquidity recommendations remains impacted by regulatory uncertainty**: Banks reported less progress implementing recommendations that have the potential to conflict with forthcoming regulatory requirements or templates. U.S. banks in particular expressed a preference to wait until local regulators finalize and implement standards for reporting Pillar 3, LCR, etc.

Adoption of quantitative recommendations accelerated in 2013

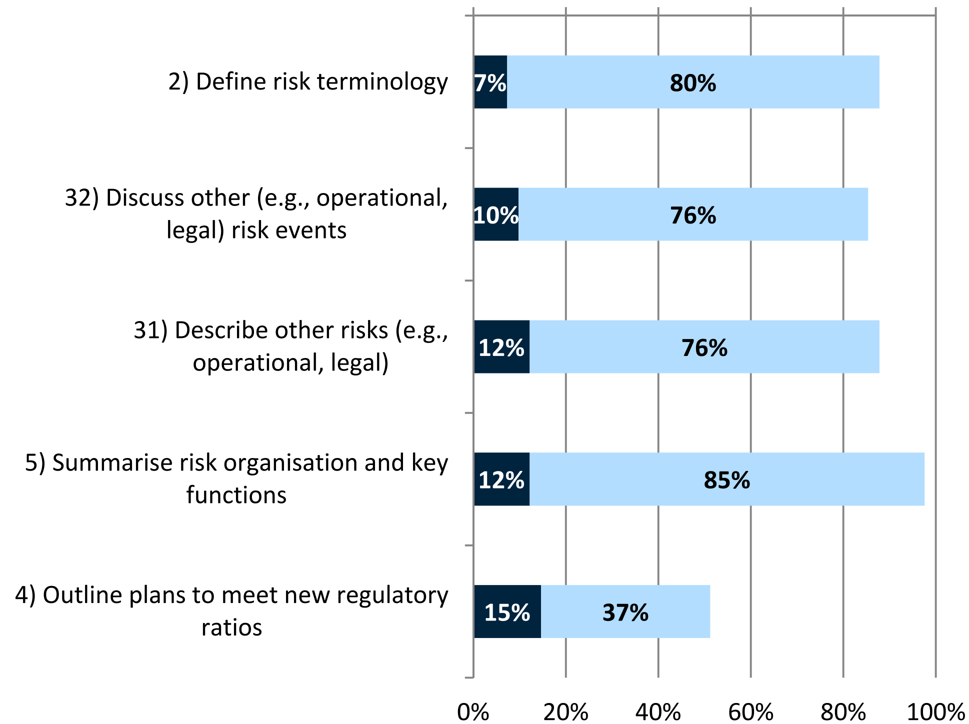
Many banks faced challenges in implementing some of the more quantitative recommendations in time for the 2012 Annual Reports (capital, market risk, credit risk, funding), but this appears to have been a substantially smaller hurdle in 2013 Annual Reports. Implementation of predominantly quantitative recommendations improved from 40% to 70% in 2013. Of note, banks made significant progress on capital recommendations 11 and 16 (flow statements for regulatory capital and RWAs), which have been highlighted by investors as among the most critical.

Recommendations with the highest and lowest increase in implementation from the 2013 Progress Report are shown below.

Top 5 recommendations by increase in implementation from 2013 Progress Report



Bottom 5 recommendations by increase in implementation from 2013 Progress Report



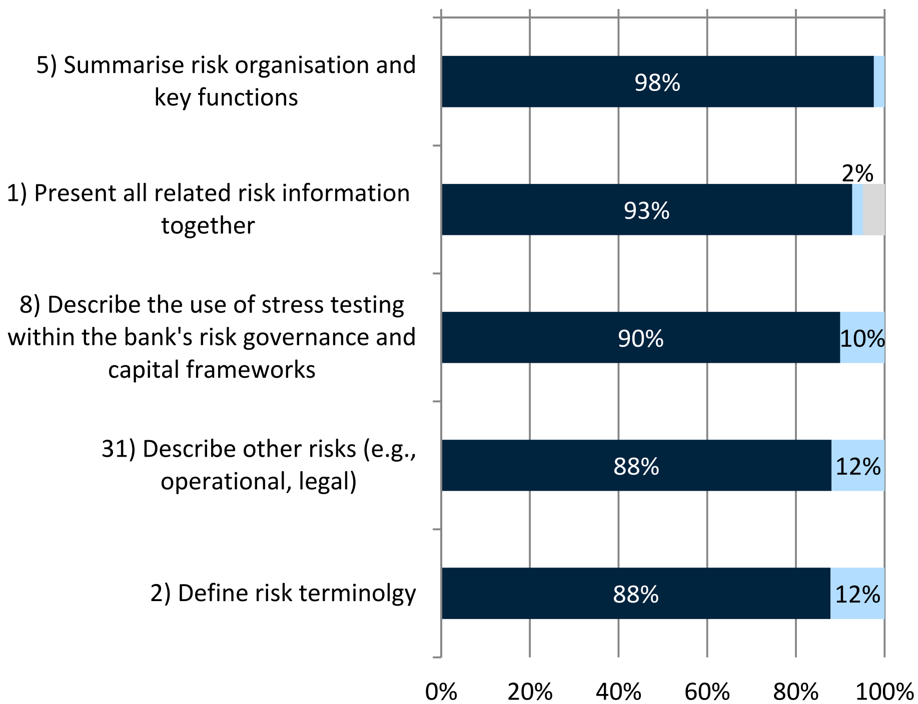
Progress in 2013 Implemented in 2012

* Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

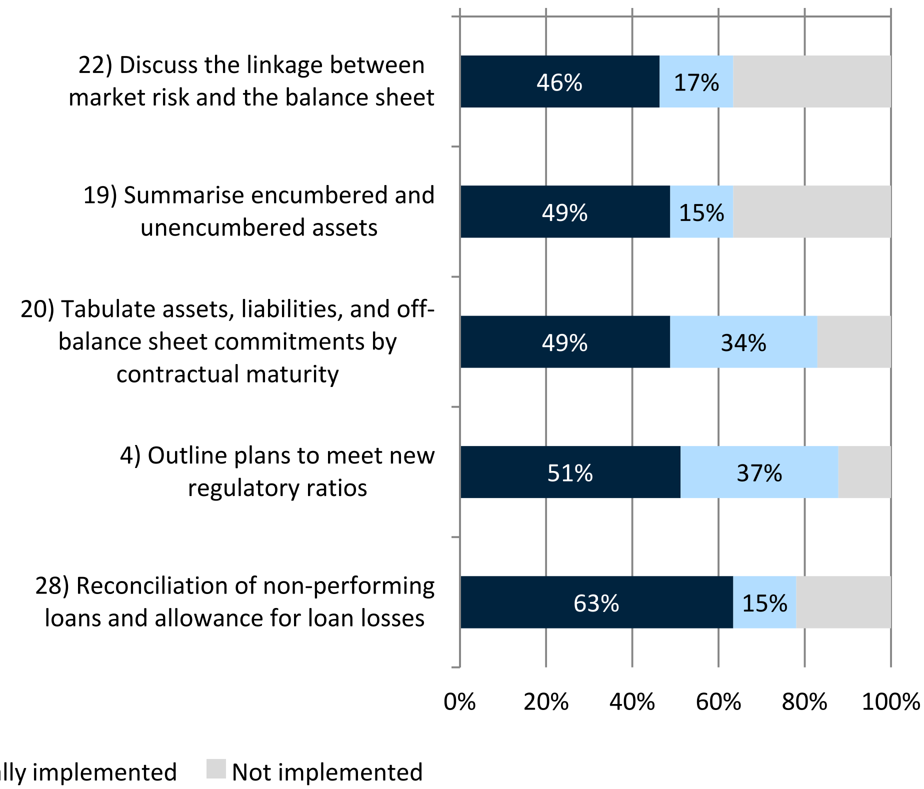
Qualitative recommendations generally have higher implementation levels

- **Implementation of qualitative recommendations remains higher:** As in the 2013 survey, banks reported higher implementation levels for qualitative recommendations (general, risk governance and risk management strategies, and other risks) than for quantitative recommendations.
- **Certain quantitative disclosures remain challenging to implement:** Banks continue to highlight operational challenges in the implementation of quantitative disclosures around capital, market risk, credit risk, and funding. However, significant progress has been made over the course of the past year. For instance, while Recommendation 22 (Market Risk balance sheet linkages) showed the lowest adoption rate, 46% of participants indicated adoption in 2013, compared to 6% in 2012

Top 5 recommendations by implementation rate



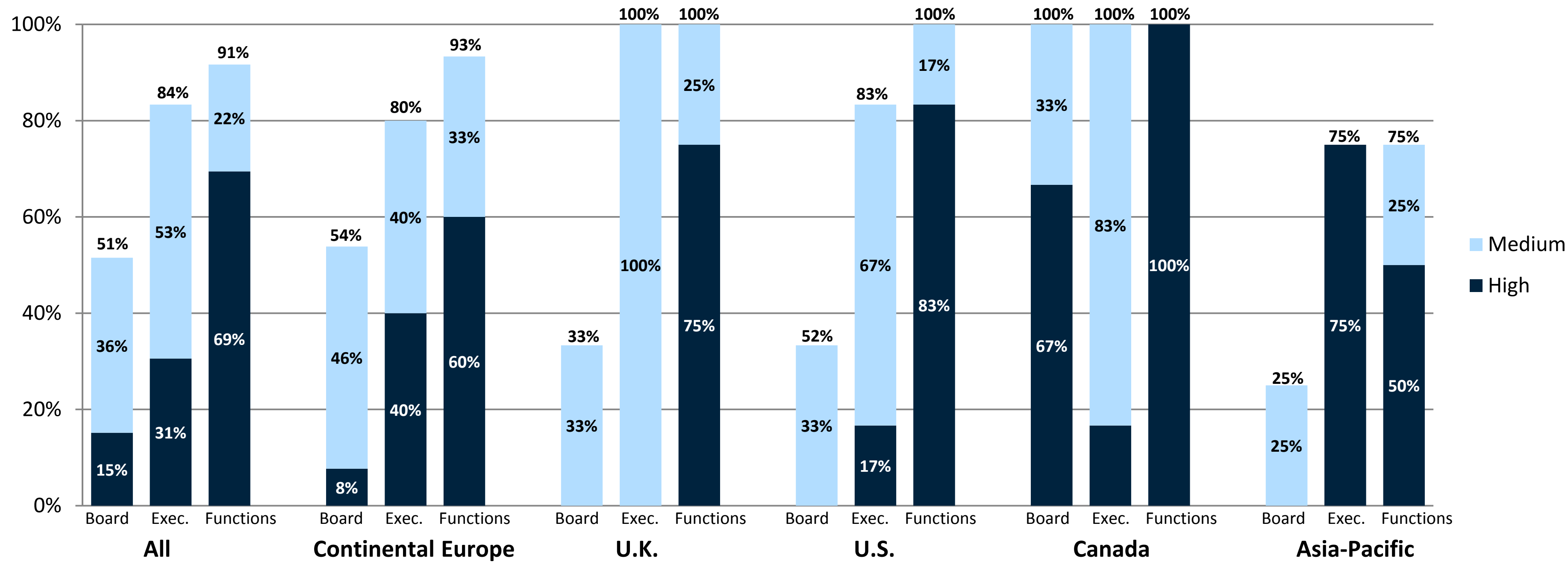
Bottom 5 recommendations by implementation rate



At 84% of participating banks, senior executives have had a "high" or "medium" level of involvement in setting the approach to implementation of EDTF recommendations

- As part of the 2014 survey, banks were asked to assess the level of involvement of the board of directors, executives (CEO, CFO, CRO), and key functions (finance, accounting, risk management) in setting the approach to implementation of the EDTF recommendations
- Level of involvement increases further down the organizational structure, with 91% of banks responding that key functions have either "high" or "medium" level of involvement. Canada and the U.K lead in terms of executive involvement.

The chart below depicts level of involvement on a regional basis at the board of directors, executive, and function levels.

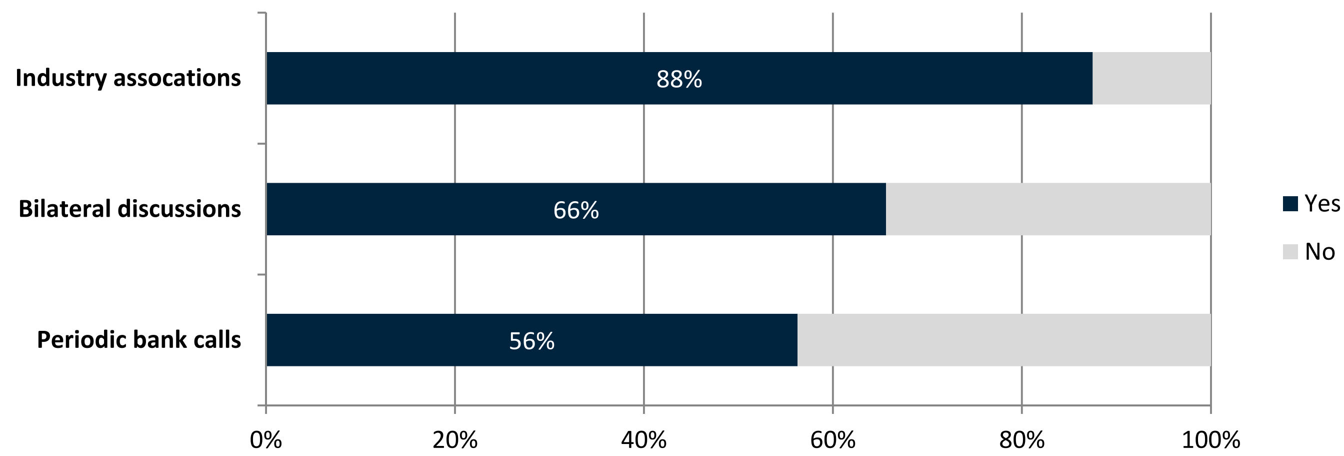


- Fourteen banks have at least 20 resources involved in the implementation of EDTF disclosures while an additional nine have at least 10 resources involved.

Regulatory attention and encouragement have been a driver of implementation of EDTF recommendations

- **Canadian and U.K. regulators have mandated the implementation of all EDTF recommendations:** In the U.K., banks noted that the Prudential Regulation Authority (as recommended by the Financial Policy Committee of the Bank of England) requested that all major U.K. banks comply fully with the EDTF recommendations upon publication of their 2013 annual reports. In Canada, OSFI mandated the implementation of the EDTF recommendations as well as provided guidance on the frequency of the required disclosures. Furthermore, OSFI completed a review of Banks' disclosures beginning in Q3 2013 and provided an independent assessment of adoption status.
- **Regulators from 7 other countries have encouraged adoption to some degree:** Banks indicated that the OCC/ FRB (U.S.), Swiss Financial Market Supervisory Authority (Switzerland), Monetary Authority of Singapore, Bank of Italy, Bank of Spain, De Nederlandshche Bank (Netherlands), and Japan Financial Services Agency have encouraged the implementation of all or certain EDTF recommendations.
- **82% of banks responded that they are coordinating implementation approaches:** Banks, including all but three G-SIBs, are using periodic bank calls, industry associations (e.g., Institute of International Finance, the International Banking Federation, Canadian Bankers' Association), and bilateral discussions as forums for discussing approaches for implementing the EDTF recommendations. Of banks that are coordinating implementing approaches, industry associations are the most common forum (see chart below). Several banks also noted that although they have not worked directly with other banks, they have conducted benchmarking of disclosures against peers in order to analyse leading practices.

The chart below depicts the avenues though which banks are discussing implementation approaches.



Section 3

Summary of self-assessment results

General, risk governance and other risks recommendations show the highest implementation rates; Market risk showed the highest increase in implementation rates from 2012

1. Capital recommendations not applicable to U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013 are excluded

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

	All	Cont. Europe	U.K.	U.S.	Canada	Asia-Pac.
General recommendations	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[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.	93% (37%)	87% (20%)	100% (20%)	100% (50%)	100% (67%)	86% (43%)
2. Define the bank's risk terminology and risk measures and present key parameter values used.	88% (7%)	100% (7%)	100% (0%)	63% (25%)	100% (0%)	71% (0%)
3. Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis.	80% (17%)	87% (13%)	100% (0%)	75% (13%)	100% (67%)	43% (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.	51% (15%)	53% (7%)	80% (40%)	38% (38%)	83% (0%)	14% (0%)
Risk governance and risk management strategies / business model						
5. Summarise prominently the bank's risk management organisation, processes and key functions.	98% (12%)	100% (13%)	100% (0%)	100% (38%)	100% (0%)	86% (0%)
6. Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture.	80% (34%)	80% (27%)	100% (40%)	100% (75%)	100% (33%)	29% (0%)
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.	66% (37%)	80% (20%)	100% (40%)	25% (25%)	100% (100%)	29% (29%)
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.	90% (46%)	100% (40%)	100% (40%)	100% (63%)	100% (83%)	43% (14%)
Capital adequacy and risk-weighted assets						
9. Provide minimum Pillar 1 capital requirements.	76% (24%)	67% (13%)	100% (20%)	63% (25%)	100% (33%)	71% (43%)
10a. Summarise information contained in the composition of capital templates implemented by the Basel Committee.	100% (45%)	100% (33%)	100% (0%)	N/A (N/A)[3]	100% (100%)	100% (57%)
10b. Disclose a reconciliation of the accounting balance sheet to the regulatory balance sheet.	91% (45%)	80% (33%)	100% (0%)	N/A (N/A)[3]	100% (100%)	100% (57%)
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.	80% (41%)	80% (33%)	100% (0%)	75% (63%)	100% (83%)	57% (29%)
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.	71% (24%)	80% (27%)	100% (20%)	38% (38%)	100% (33%)	43% (0%)

1. Percentage of banks self-assessing a disclosure as fully implemented in 2013
2. Δ represents increase in 2013 implementation rate from 2012
3. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

Summary of survey results: Capital adequacy and risk-weighted assets, and liquidity

	All	Cont. Europe	U.K.	U.S.	Canada	Asia-Pac.
Capital adequacy and risk-weighted assets (cont.)	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])
13. Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	**68% (34%)**	**87% (20%)**	**100% (40%)**	**13% (13%)**	**100% (100%)**	**43% (29%)**
14a. Present a table showing the capital requirements for each method used for calculating RWAs for credit risk.	**94% (27%)**	**100% (33%)**	**100% (20%)**	**N/A (N/A)**[3]	**100% (33%)**	**71% (14%)**
14b. For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them.	**91% (27%)**	**93% (33%)**	**100% (20%)**	**N/A (N/A)**[3]	**100% (33%)**	**71% (14%)**
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).	**85% (33%)**	**87% (33%)**	**100% (40%)**	**N/A (N/A)**[3]	**100% (67%)**	**57% (0%)**
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.	**82% (27%)**	**93% (20%)**	**100% (0%)**	**N/A (N/A)**[3]	**83% (83%)**	**43% (14%)**
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.	**79% (36%)**	**93% (33%)**	**100% (40%)**	**N/A (N/A)**[3]	**83% (83%)**	**29% (0%)**
16. Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	**63% (44%)**	**67% (40%)**	**100% (60%)**	**38% (25%)**	**83% (83%)**	**43% (29%)**
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.	**68% (34%)**	**93% (33%)**	**100% (40%)**	**13% (13%)**	**83% (83%)**	**43% (14%)**
Liquidity						
18a. Describe how the bank manages its potential liquidity needs.	**90% (22%)**	**93% (20%)**	**100% (0%)**	**100% (38%)**	**83% (50%)**	**71% (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.	**66% (37%)**	**53% (40%)**	**100% (20%)**	**88% (38%)**	**83% (83%)**	**29% (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.	**46% (20%)**	**33% (7%)**	**100% (40%)**	**38% (25%)**	**83% (50%)**	**14% (0%)**

1. Percentage of banks self-assessing a disclosure as fully implemented in 2013
2. Δ represents increase in 2013 implementation rate from 2012
3. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

Summary of survey results: Funding and market risk

	All	Cont. Europe	U.K.	U.S.	Canada	Asia-Pac.
Funding	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[1] (Δ[2])	2013[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.	**49% (37%)**	**53% (40%)**	**80% (20%)**	**13% (13%)**	**83% (83%)**	**29% (29%)**
19b. Include collateral received that can be rehypothecated or otherwise redeployed.	**49% (27%)**	**53% (33%)**	**80% (20%)**	**13% (0%)**	**83% (67%)**	**29% (14%)**
20. Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	**49% (32%)**	**47% (33%)**	**100% (60%)**	**13% (0%)**	**100% (83%)**	**14% (0%)**
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.	**66% (29%)**	**73% (27%)**	**100% (40%)**	**63% (38%)**	**67% (33%)**	**29% (14%)**
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.	**46% (39%)**	**33% (27%)**	**80% (60%)**	**50% (38%)**	**83% (83%)**	**14% (14%)**
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.	**76% (37%)**	**80% (27%)**	**100% (60%)**	**50% (25%)**	**83% (83%)**	**71% (14%)**
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.	**80% (32%)**	**73% (27%)**	**100% (20%)**	**75% (25%)**	**100% (83%)**	**71% (14%)**
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.	**76% (27%)**	**100% (33%)**	**100% (20%)**	**38% (13%)**	**100% (67%)**	**29% (0%)**

1. Percentage of banks self-assessing a disclosure as fully implemented in 2013
2. Δ represents increase in 2013 implementation rate from 2012

Summary of survey results: Credit risk and other risks

	All	Cont. Europe	U.K.	U.S.	Canada	Asia-Pac.
Credit Risk	2013[1] (Δ^2)	2013[1] (Δ^2)	2013[1] (Δ^2)	2013[1] (Δ^2)	2013[1] (Δ^2)	2013[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.	**76% (22%)**	**93% (27%)**	**100% (20%)**	**63% (13%)**	**33% (33%)**	**71% (14%)**
26b. Including detailed tables for both retail and corporate portfolios that segments them by relevant factors.	**80% (22%)**	**93% (20%)**	**100% (0%)**	**50% (13%)**	**83% (67%)**	**71% (14%)**
26c. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.	**73% (17%)**	**80% (7%)**	**80% (0%)**	**50% (13%)**	**83% (67%)**	**71% (14%)**
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.	**83% (12%)**	**87% (7%)**	**100% (20%)**	**75% (0%)**	**67% (33%)**	**86% (14%)**
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.	**63% (22%)**	**60% (20%)**	**100% (40%)**	**63% (25%)**	**83% (33%)**	**29% (0%)**
28b. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.	**63% (15%)**	**47% (13%)**	**100% (20%)**	**75% (13%)**	**83% (33%)**	**43% (0%)**
29. Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions.	**68% (37%)**	**73% (20%)**	**100% (80%)**	**75% (25%)**	**100% (100%)**	**0% (0%)**
30. Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful.	**78% (24%)**	**80% (27%)**	**100% (40%)**	**38% (13%)**	**100% (50%)**	**86% (0%)**
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.	**88% (12%)**	**80% (13%)**	**100% (0%)**	**88% (25%)**	**100% (0%)**	**86% (14%)**
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	**85% (10%)**	**87% (0%)**	**100% (40%)**	**88% (0%)**	**100% (33%)**	**57% (0%)**

1. Percentage of banks self-assessing a disclosure as fully implemented in 2013
2. Δ represents increase in 2013 implementation rate from 2012

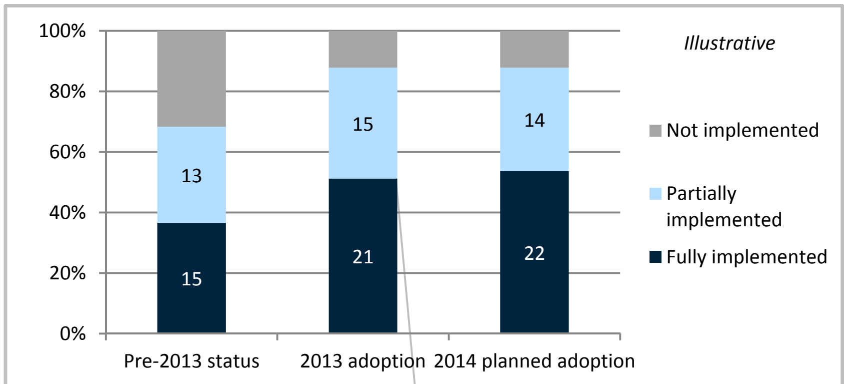
Section 4

Banks’ self-assessment results by recommendation

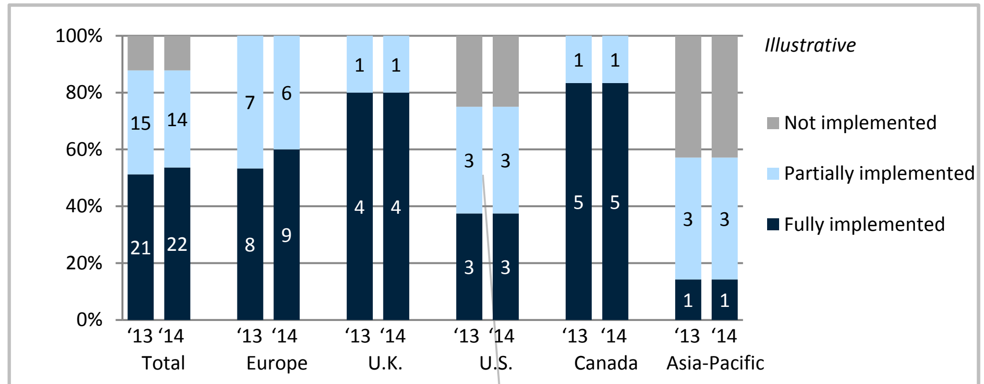
Presentation of survey results

- Survey results for each of the EDTF's 32 recommendations are presented as follows:

Current and planned implementation of recommendation



Current and planned implementation by geography



Indicates overall progress by comparing implementation rates before the release of the EDTF report, for 2013 year-end and plans for 2014 year-end

Indicates progress by geography comparing implementation rates for 2013 year-end and plans for 2014 year-end

Note:

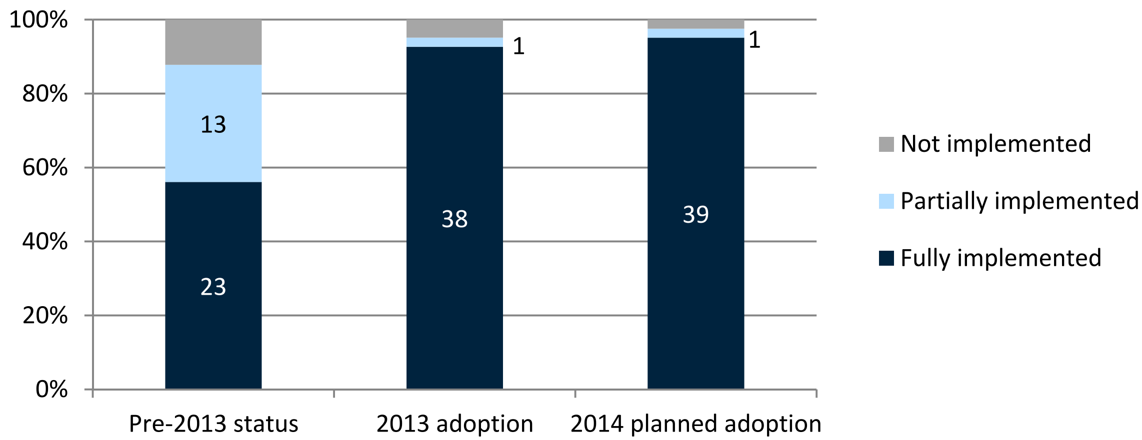
- Implementation rate is defined as the ratio of the number of banks that either implemented or plan to implement a recommendation, to the total number of respondents
- Geographical breakouts are shown only where four or more participants exist for a given region
- Where banks indicated that recommendations were not applicable to their business, responses were excluded from the results

Section 4.1

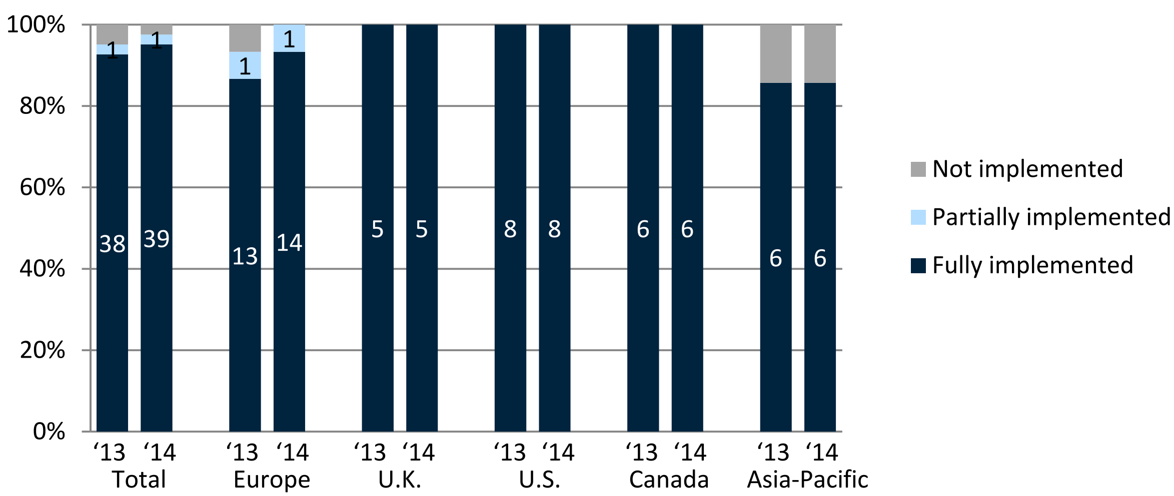
General recommendations

Recommendation 1: Present all related risk information together in any particular report. Where this is not practicable, provide an index or an aid to navigation to help users locate risk disclosures within the bank's reports.

Current and planned implementation of recommendation



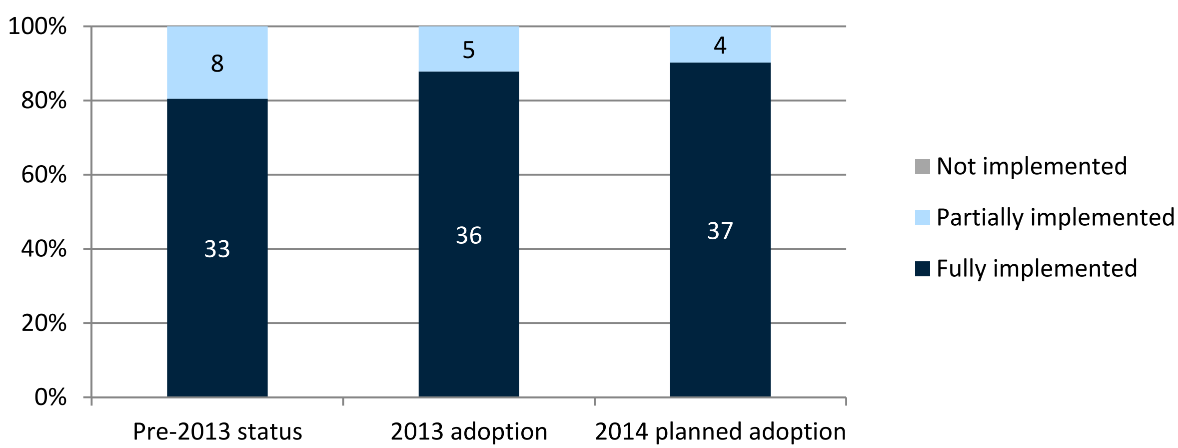
Current and planned implementation by geography



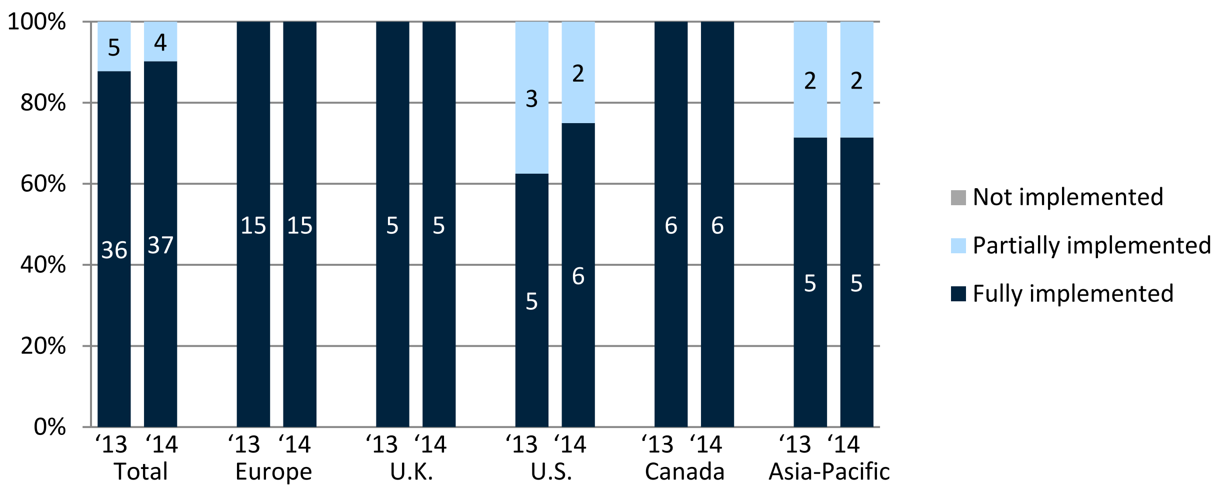
- For 2013 year-end, 93% of the participants reported they disclosed risk information together within the Annual Report. Fifteen additional banks implemented this disclosure in 2013 reports.
- By 2014 year-end, all but three of participating banks plan on having implemented this recommendation. This will increase the implementation rate to 95% by 2014 year-end.
- All participating U.K., U.S. and Canadian banks had provided their risk information in one particular report prior to 2013 year-end disclosures.
- Examples included a granular index by broad risk category and sub-categories of risk with page references to the Annual Report and Pillar 3 report.
- Some banks provided specific references to EDTF disclosures.

Recommendation 2: Define the bank's risk terminology and risk measures and present key parameter values used.

Current and planned implementation of recommendation



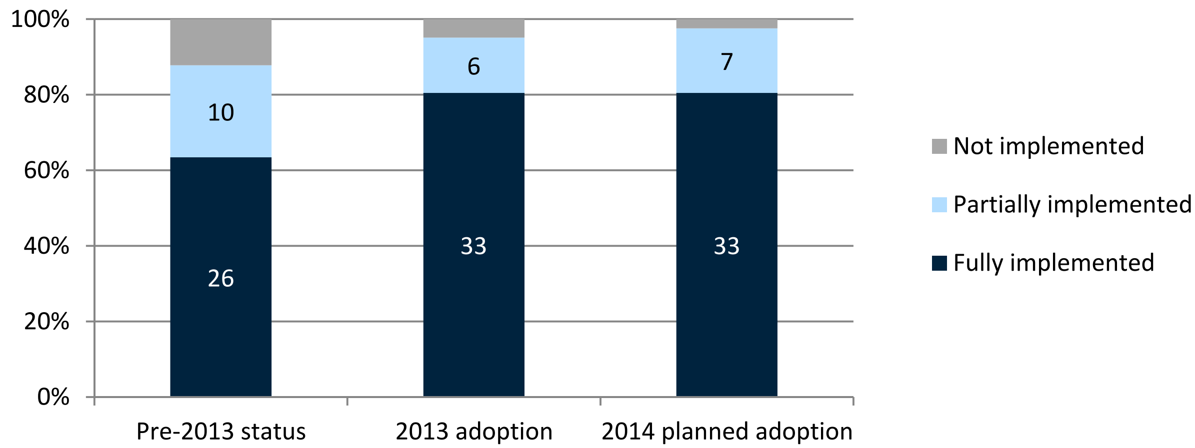
Current and planned implementation by geography



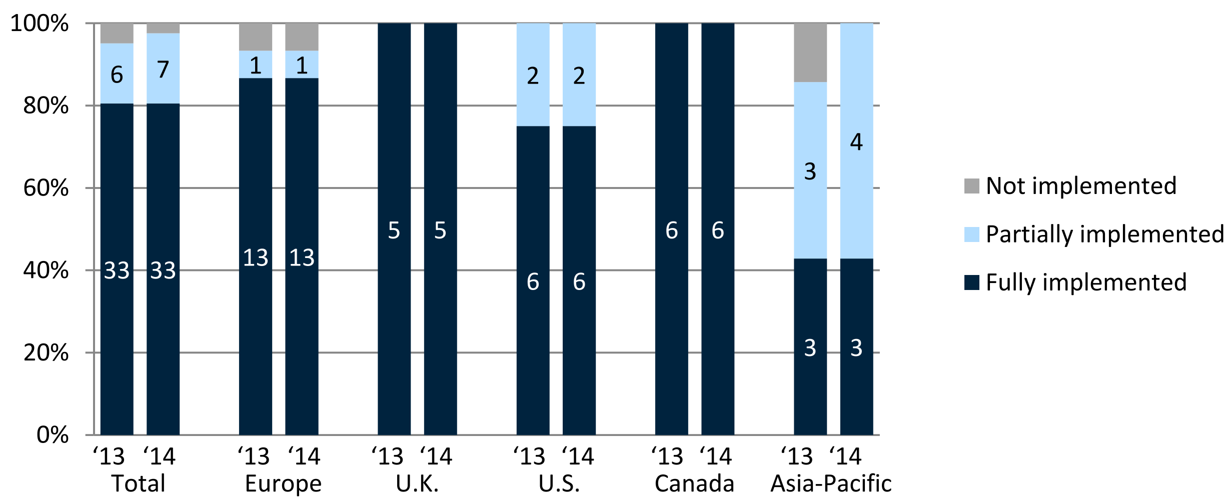
- For 2013 year-end, 88% of participants disclosed its risk terminology, measures and described key parameter values used in risk estimates.
- All participants have at least partially implemented this disclosure.
- Only one participant, from the U.S., plans to advance its disclosure to fully implemented status in 2014 year-end reports.
- Many banks elected to define risk terminology and risk measures narratively within the sections corresponding to each risk type. At least one bank also maintains a comprehensive glossary on its website.

Recommendation 3: Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis. This should include quantitative disclosures, if possible, and a discussion of any changes in those risk exposures during the reporting period.

Current and planned implementation of recommendation



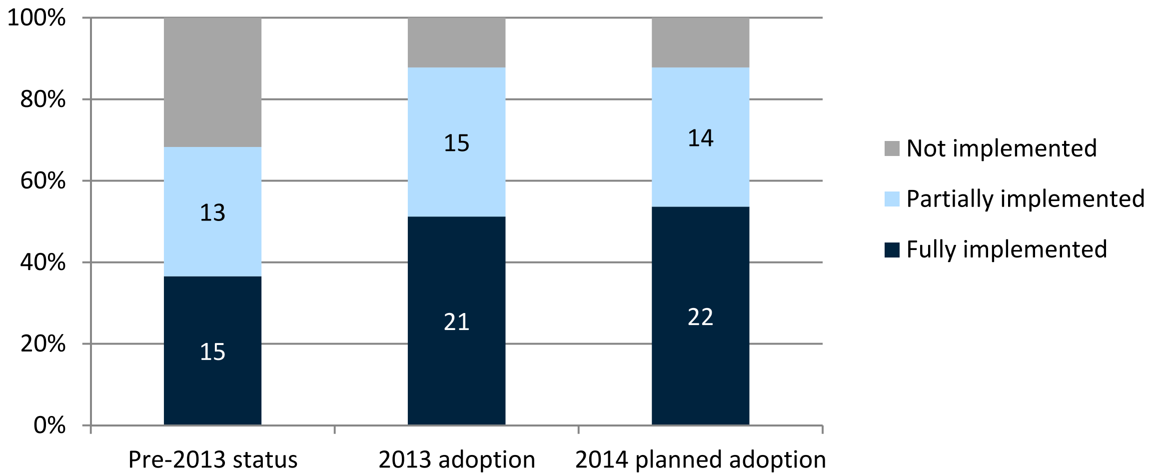
Current and planned implementation by geography



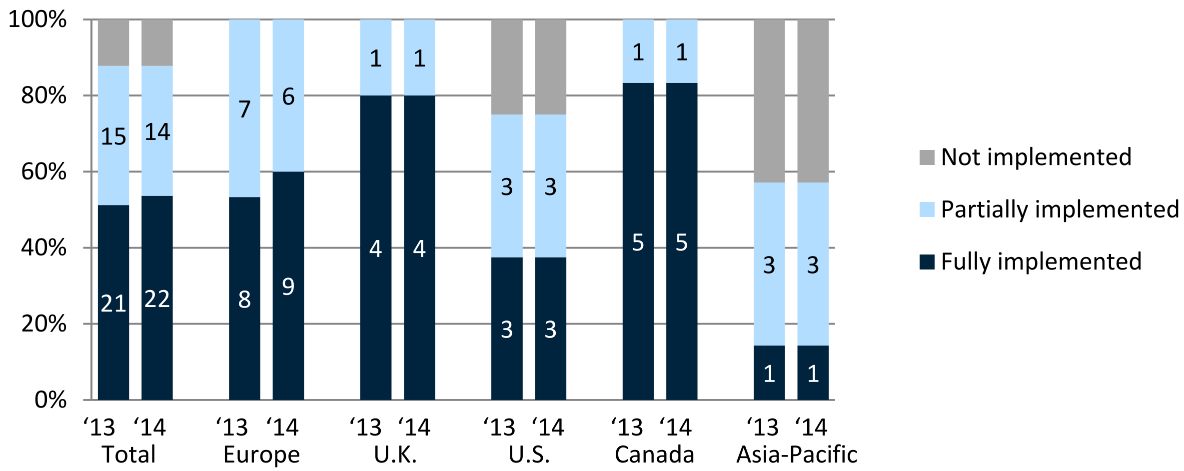
- For 2013 year-end, 80% of participants discussed top and emerging risks in their disclosures. Seven institutions added this information to their Annual Reports or other reports such as Pillar 3 for 2013 year-end.
- Banks from the U.K. and Canada led the way in terms of implementation (100%), followed by banks from Europe (87%) and the U.S. (75%).
- The planned implementation rate of the participant group is expected to remain unchanged for 2014 year-end.
- Implementers provided management's discussion of material risks affecting the bank, the potential impact on the bank's results and the approach followed to manage these risks. Some banks also provided references to other relevant disclosures and supported the narrative with quantitative information when appropriate.

Recommendation 4: Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g., the net stable funding ratio, liquidity coverage ratio and leverage ratio and, once the applicable rules are in force, provide such key ratios.

Current and planned implementation of recommendation



Current and planned implementation by geography

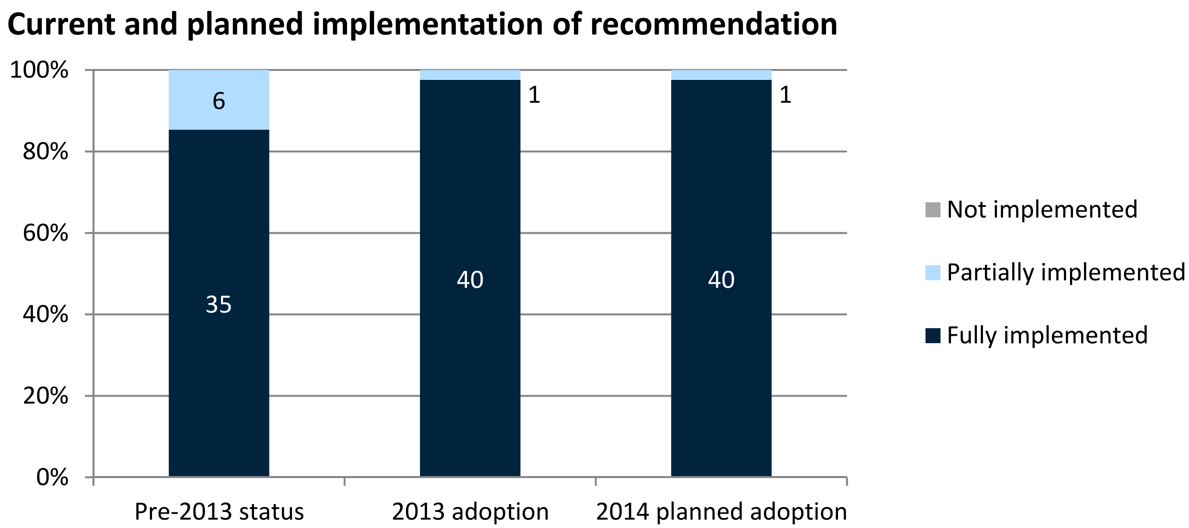


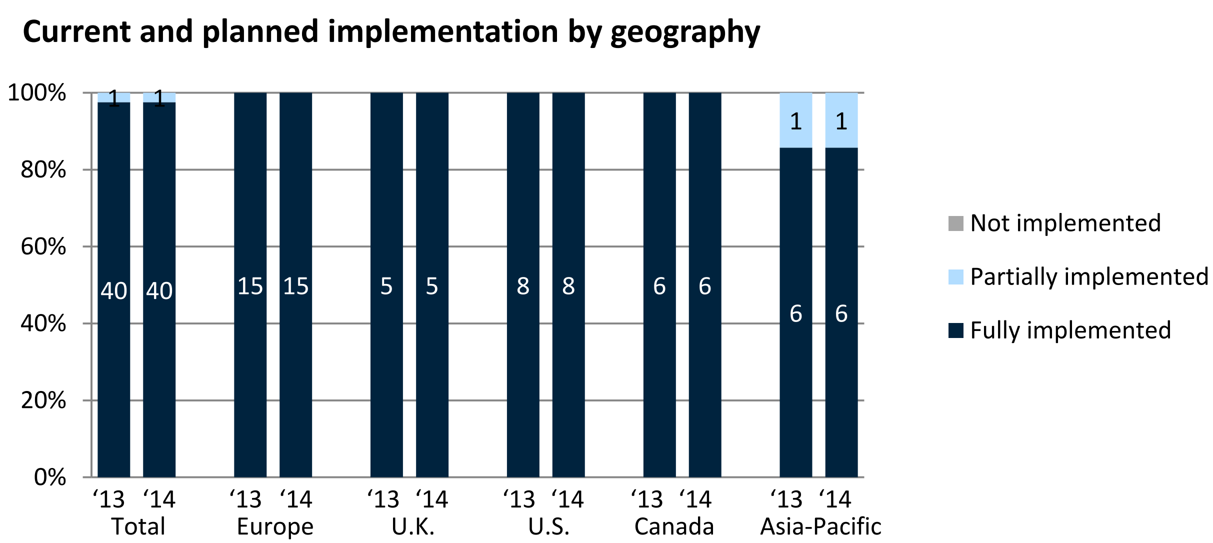
- For 2013 year-end, 51% of participants had implemented the recommendation to describe their plans to meet new regulatory ratios. This represents an increase from 37% of participants that disclosed this information in 2012 year-end disclosures.
- Implementation of this recommendation in 2013 year-end disclosures increased by 15% from 2012 year-end disclosures.
- On a relative basis, U.K. (75%) and Canadian (83%) banks showed a higher percentage of implementation than their peers for both 2012 and 2013 year-end disclosures.
- The uncertainty around the implementation of the LCR and NSFR in several jurisdictions has driven many banks to delay their disclosure of these ratios and related information until rules are finalised by their national regulators.

Section 4.2

Risk governance and risk management strategies/business model

Recommendation 5: Summarise prominently the bank's risk management organisation, processes and key functions.

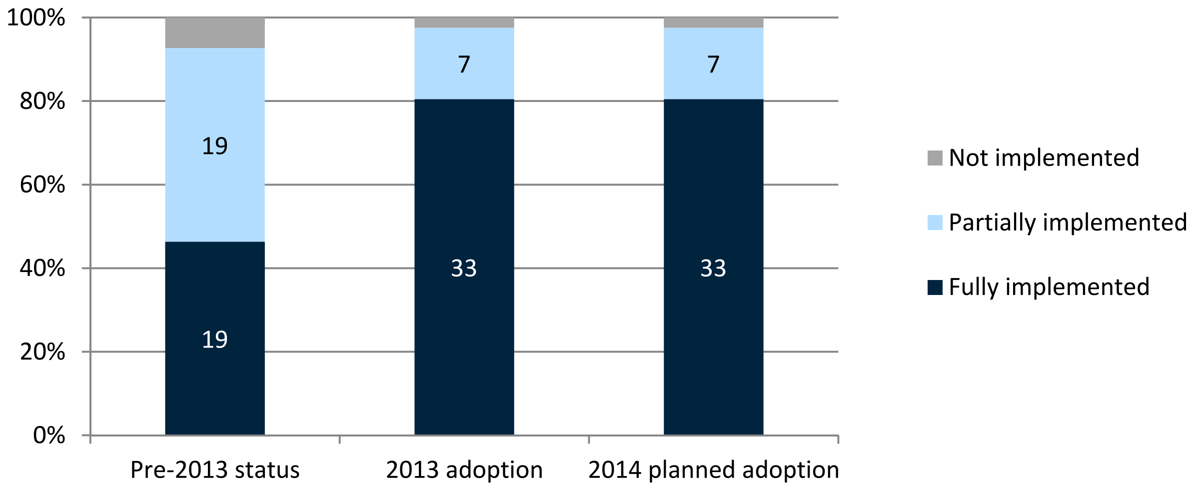




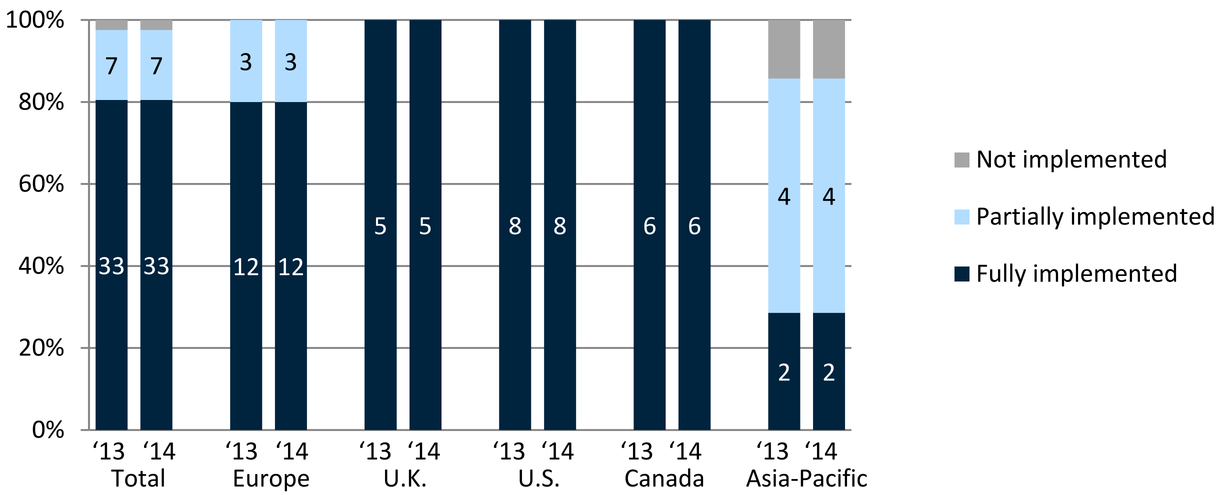
- For 2013 year-end, 98% of participants reported that they had fully implemented the recommendation to summarise their risk management organisation, processes and key functions. This represents an increase of 12% from 2012 year-end disclosures.
- All participants from Europe, the U.K., the U.S., and Canada implemented this disclosure in 2013 year-end disclosures.
- Implementers provided a description of the risk management governance, processes and functions including the Board, management committees, and risk management across the three lines of defence.
- Some banks also supported this narrative with an organizational chart summarizing key risk management committees and positions across the bank.

Recommendation 6: Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture.

Current and planned implementation of recommendation



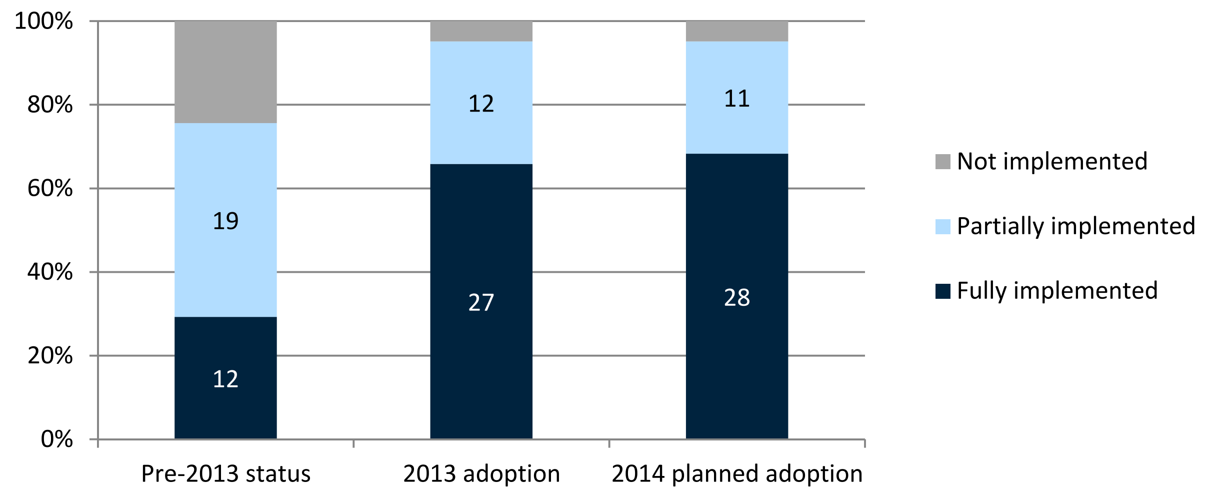
Current and planned implementation by geography



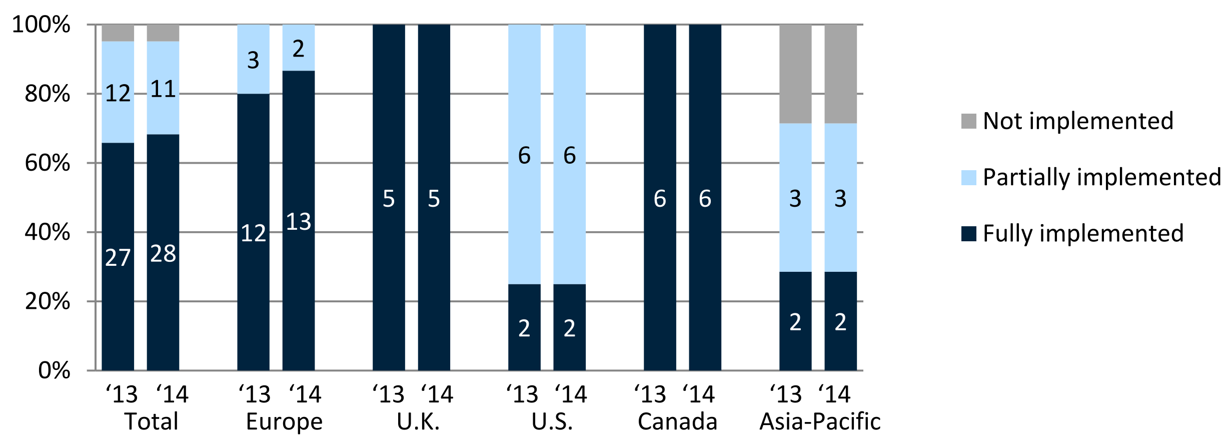
- For 2013 year-end, 80% of participants provided a description of their risk culture and how procedures and strategies were applied to support this culture. This represents an increase in the implementation rate of 34% from the prior year.
- U.K., U.S. and Canadian participants had all adopted the recommendation by 2013 year-end.
- For 2014 year-end, the implementation rate is expected to remain unchanged.
- Disclosure examples included a description of the bank's risk culture and how the key components of the bank's risk management framework serve to support this culture.
- Leading examples of this disclosure involved discussions on the communication and dissemination of risk culture, through formal and informal channels, and how management defines and communicates its desired "tone from the top".

Recommendation 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. This is to enable users to understand how business activities are reflected in the bank's risk measures and how those risk measures relate to line items in the balance sheet and income statement.

Current and planned implementation of recommendation



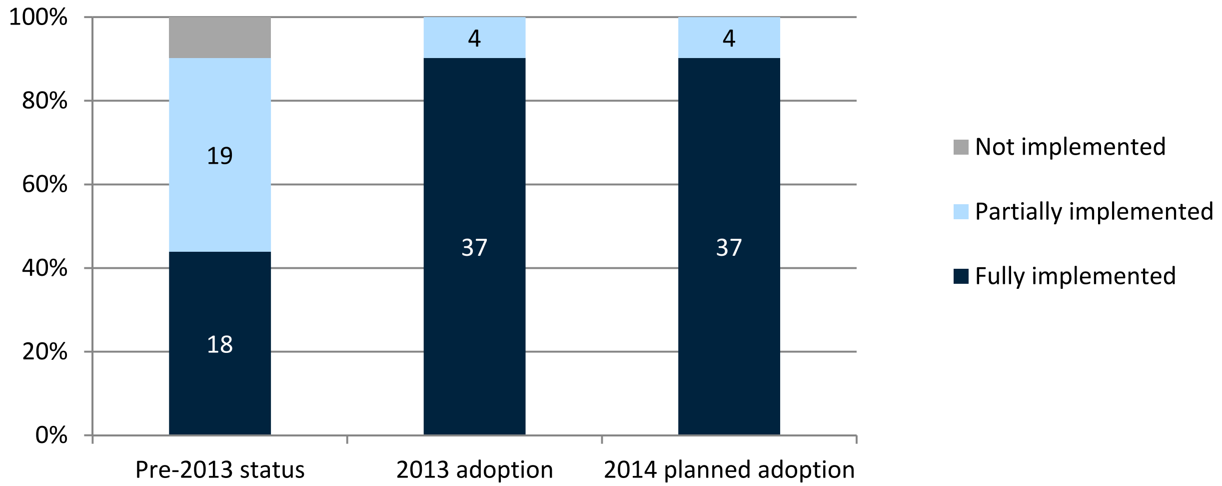
Current and planned implementation by geography



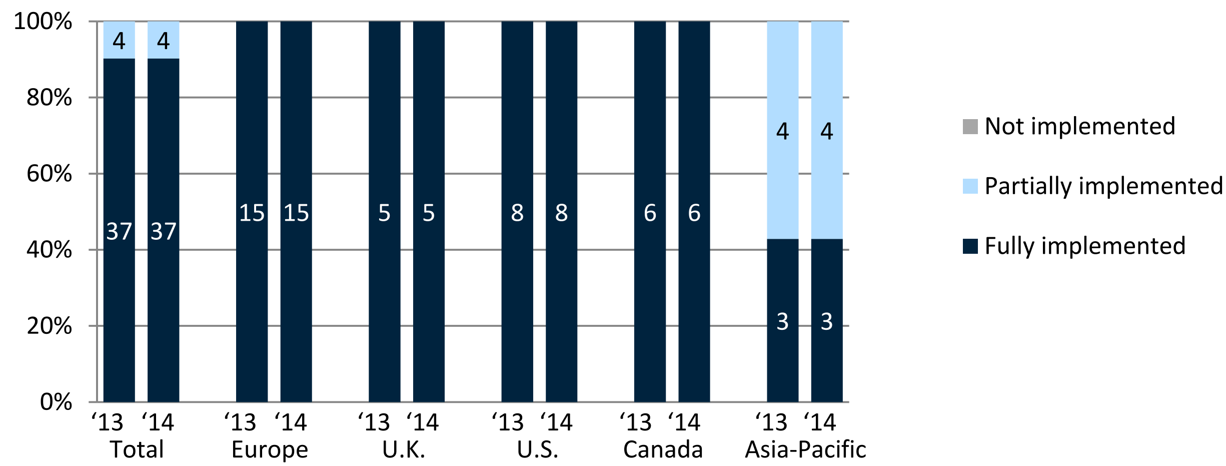
- For year-end 2013, 66% of banks reported they had implemented the recommendation to describe key risks and the associated risk management process.
- Banks from the U.K. and Canada (100%) showed a higher implementation rate for 2013 year-end than participants from other regions.
- An additional 15 participants implemented this disclosure in 2013 year-end disclosures, representing a 37% increase in aggregate adoption. Asia-Pac and U.S. 2013 year-end adoption rates were lower than 30%.
- Implementers provided a description of key risks faced by the bank and a linkage to the business activities that originated those risks, which was supported by a graphical or tabular representation that included quantitative information.
- Implementers also described bank-wide approaches for setting risk appetite and how risk appetite informs key decisions.

Recommendation 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.

Current and planned implementation of recommendation



Current and planned implementation by geography



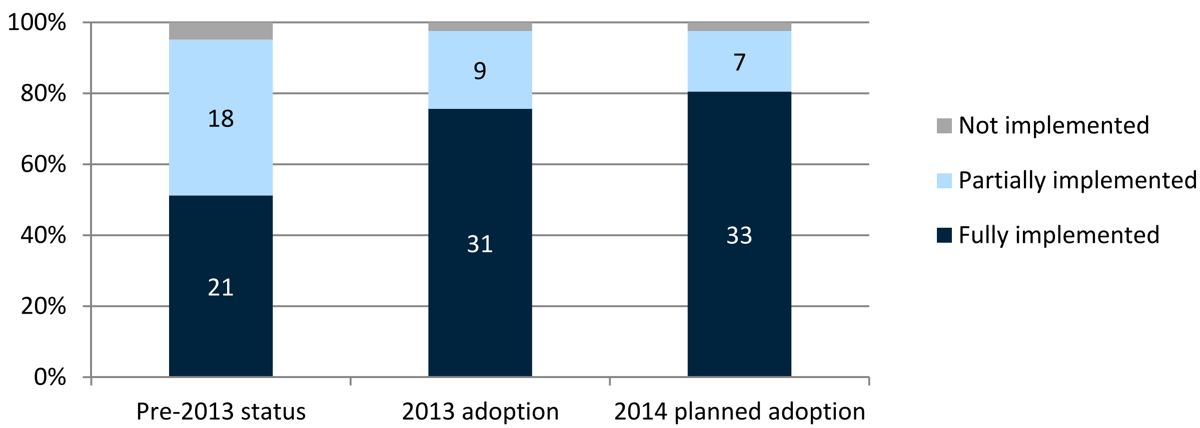
- Through 2013 year-end, 90% of participants disclosed information on the use of stress testing, as well as an overview of the bank's internal stress testing process and governance.
- Nineteen additional banks implemented this disclosure in 2013 year-end reports, an increase of 46 percentage points.
- For 2013 year-end, all European, U.K, U.S. and Canadian banks had implemented the recommendation.
- Disclosure examples included a description of the components of the stress testing framework, including key roles and responsibilities of the Board and management.
- Starting in 2013, U.S. systemically important institutions were required to produce quantitative and qualitative disclosures of their enterprise-wide stress testing process and results.

Section 4.3

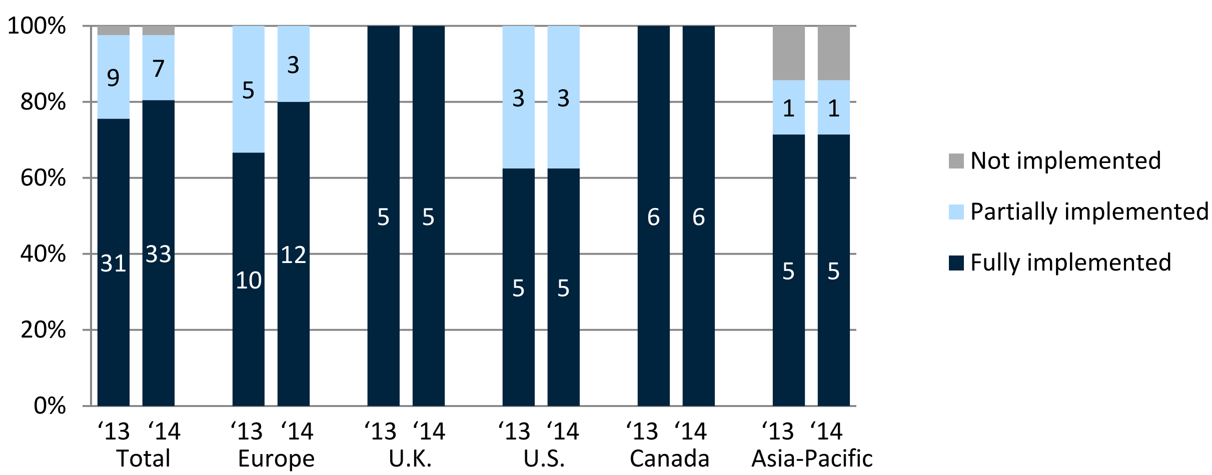
Capital adequacy and risk-weighted assets

Recommendation 9: Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management.

Current and planned implementation of recommendation



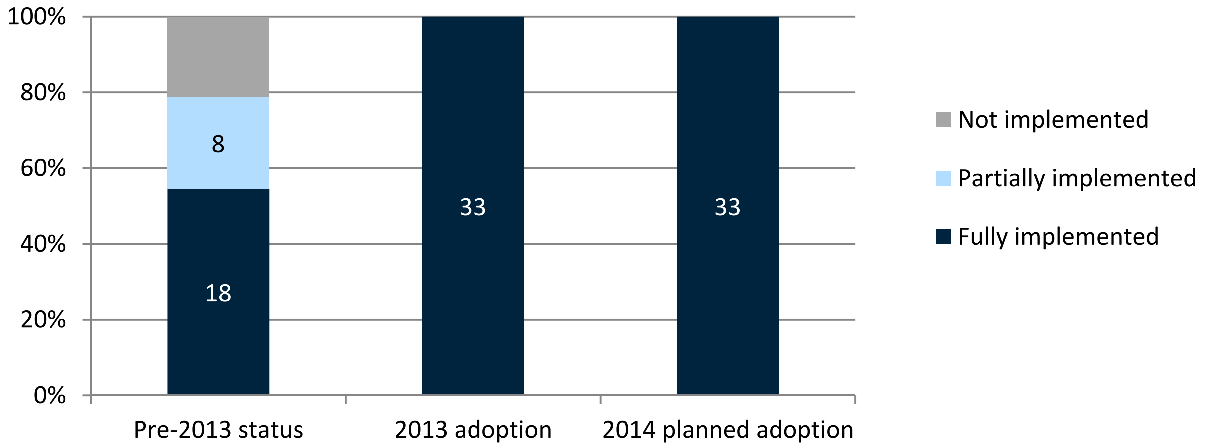
Current and planned implementation by geography



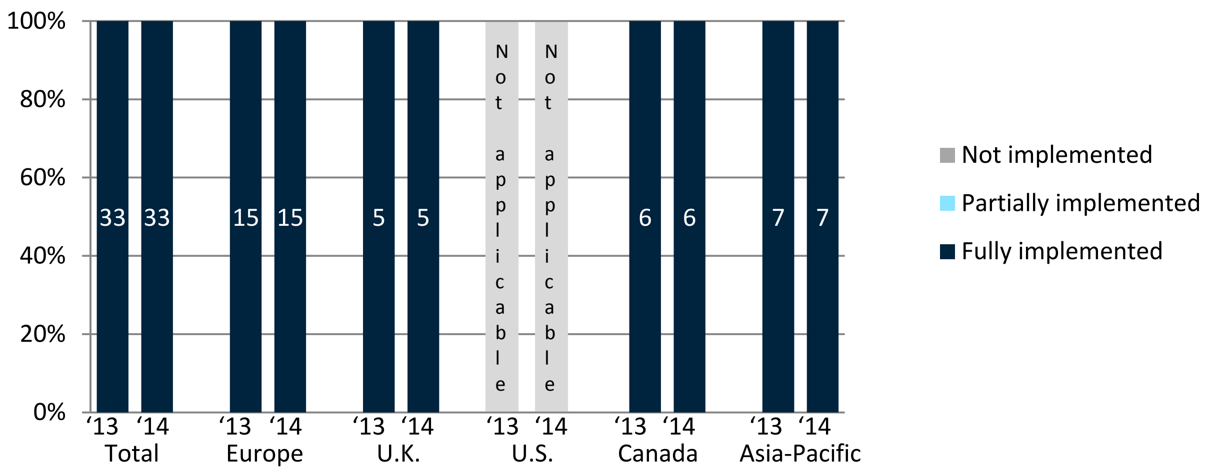
- For 2013 year-end, 76% of participants provided Pillar 1 minimum capital requirements and other applicable buffers or a minimum internal target ratio. Ten additional banks, an increase of 24 percentage points, reported having implemented this disclosure in 2013 year-end reports.
- All participants from the U.K. and Canada reported having implemented the recommendation.
- For 2014 year-end, two more European banks plan to make progress towards full implementation, bringing the total implementation rate to 80%.
- The rules on G-SIB capital surcharges and capital buffers under Basel III have not been finalised by national regulators. G-SIB buffer requirements are currently expected to be introduced starting in 2016 and become fully effective on 1 January 2019.

Recommendation 10a: Summarise information contained in the composition of capital templates implemented by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments.[1] A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.

Current and planned implementation of recommendation



Current and planned implementation by geography

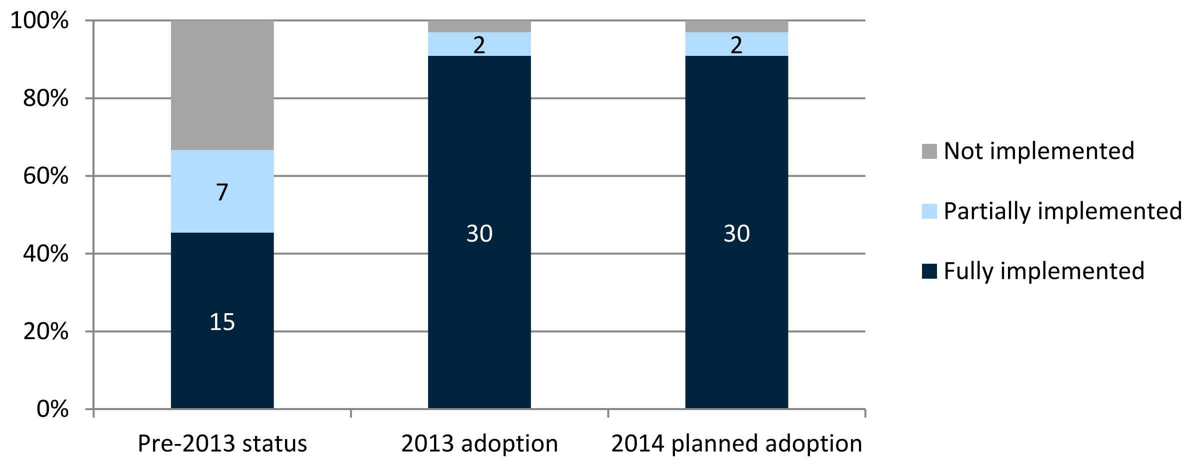


- Excluding U.S. participants, all banks have disclosed capital composition information as per the Basel Committee templates and provided a reconciliation of accounting to regulatory balance sheet.
- An additional fifteen banks implemented this disclosure for 2013 year-end. This represents an increase of 45% from the prior year.
- While some U.S. banks are currently disclosing the composition of each regulatory capital tier under Basel III, others have expressed a preference to wait until rules are effective to disclose such information.
- Basel III Standardized Approach requirements are effective for U.S. banks effective 1 January 2015. The first group of U.S. banks exited Basel II parallel run during Q2 2014.

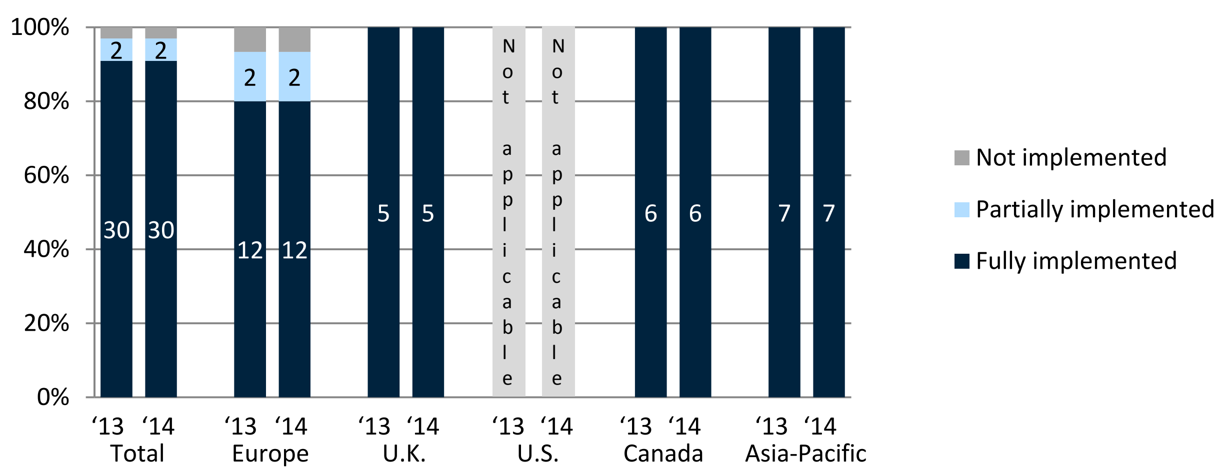
1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

Recommendation 10b: Summarise information contained in the composition of capital templates implemented by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed. [1]

Current and planned implementation of recommendation



Current and planned implementation by geography

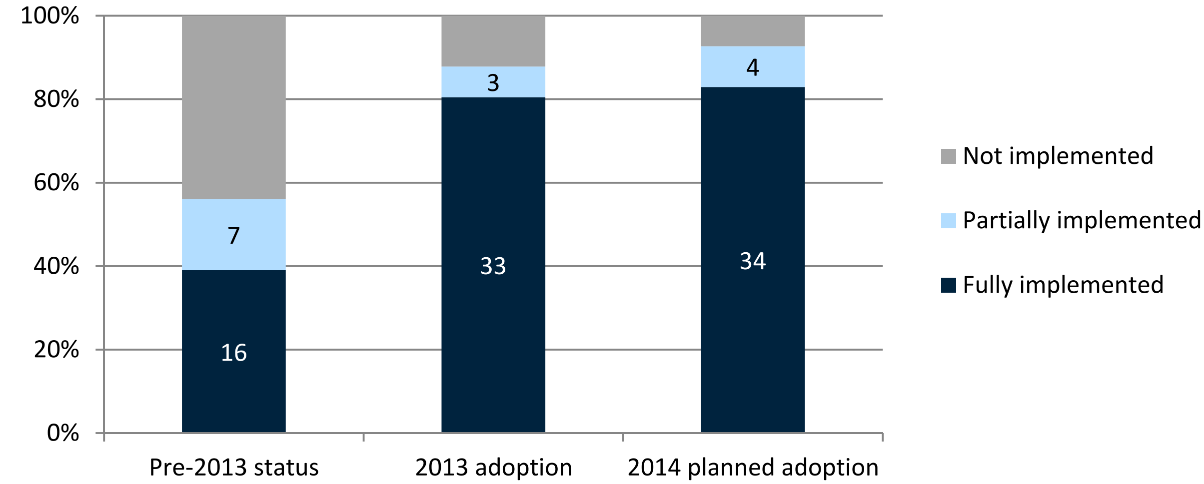


- Excluding participants from the U.S., 91% of participants disclosed a reconciliation of the accounting balance sheet to the regulatory balance sheet for 2013 year-end disclosures. The disclosure rate for the prior year was 45%.
- All participants from the U.K., Canada, and Asia-Pacific region have implemented the disclosure.
- Several U.S. banks noted that there are not material differences between the regulatory balance sheet and accounting balance sheet, but that they plan to implement this recommendation in conjunction with implementation of Pillar 3 requirements

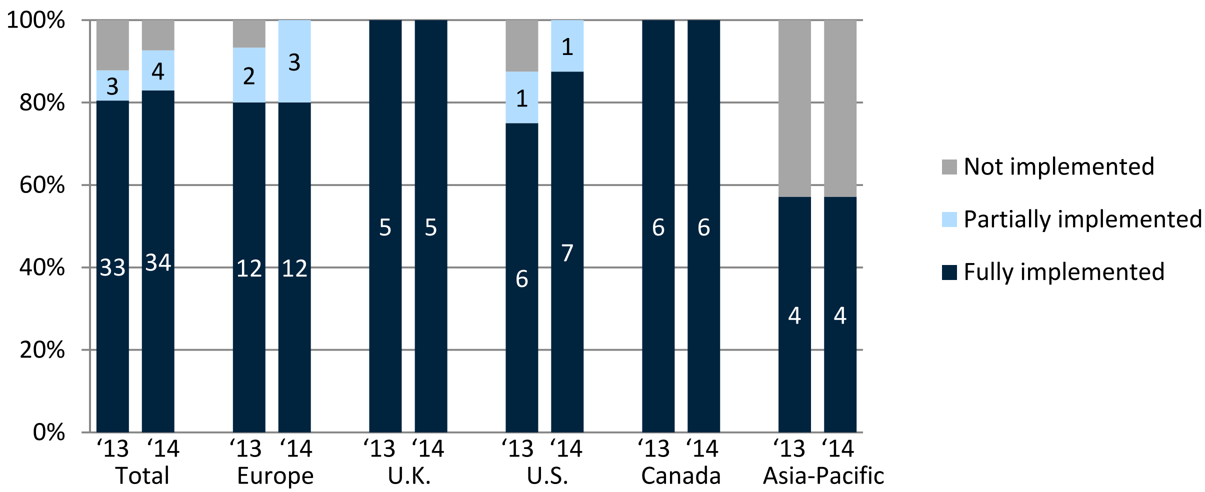
1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

Recommendation 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.

Current and planned implementation of recommendation



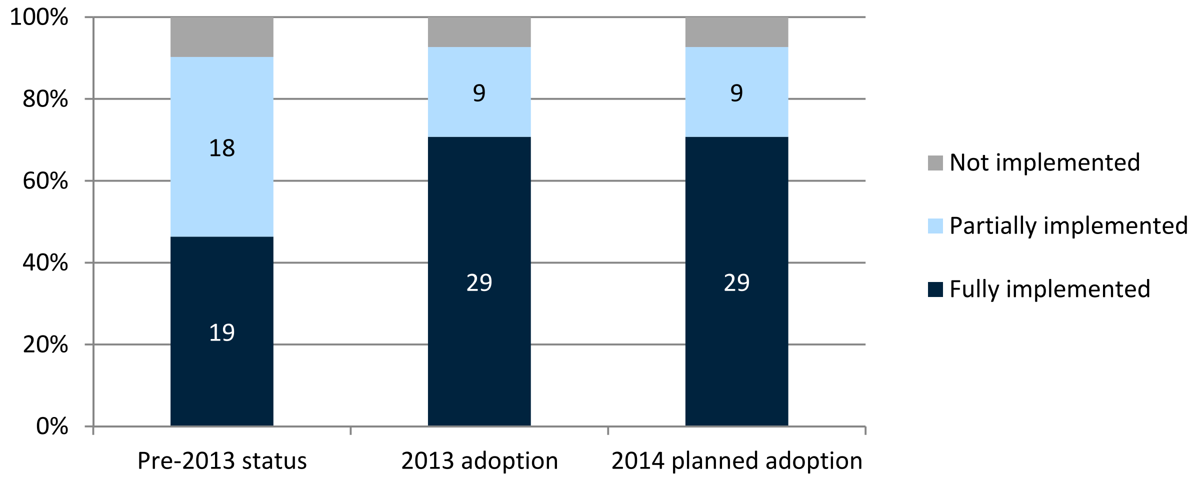
Current and planned implementation by geography



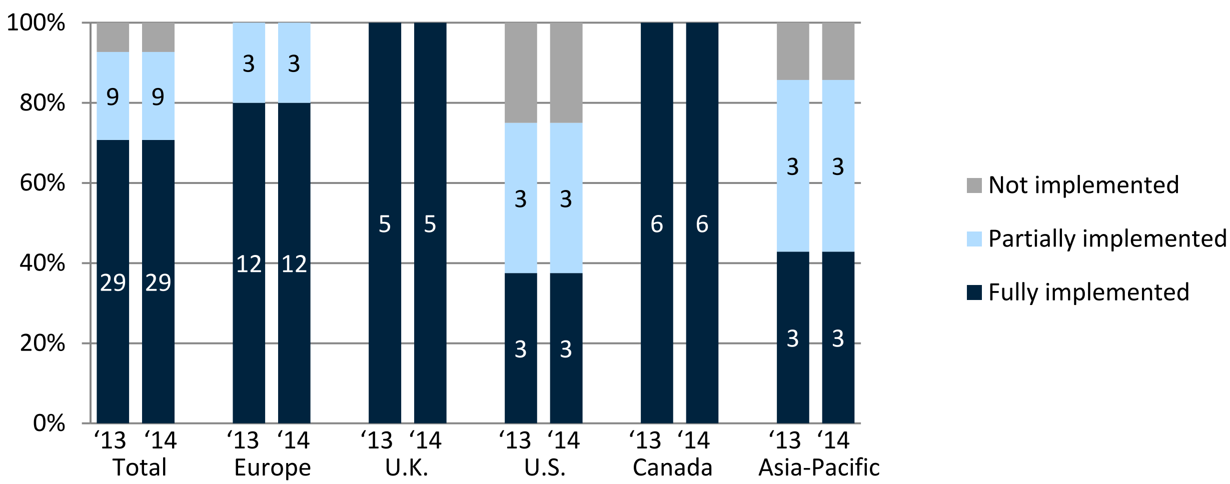
- Compared to 2012 year-end, in which just 39% of participants reported they provided a flow statement of movement in regulatory capital components, 80% of participants reported having fully implemented the disclosure for 2013 year-end.
- All participants from the U.K. and Canada reported having implemented this recommendation, while peers from Europe and the U.S. follow closely behind at 80% and 75%, respectively.
- Implementers included a flow statement reconciling consolidated equity to CET1 as well as a flow statement of total regulatory capital, tier 1 capital and tier 2 capital.
- Some banks have not yet made a decision on how or whether to implement the recommendation.

Recommendation 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.

Current and planned implementation of recommendation



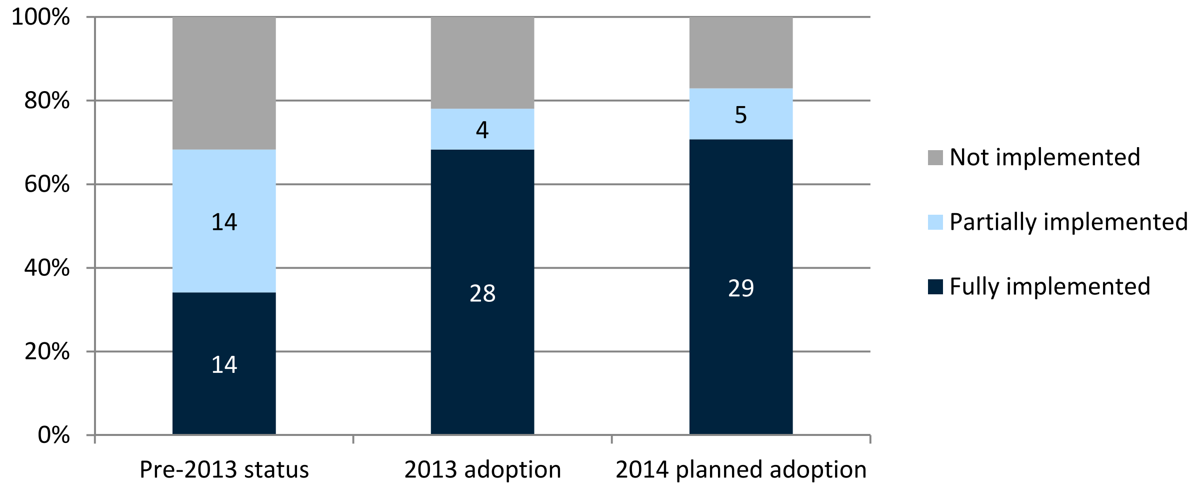
Current and planned implementation by geography



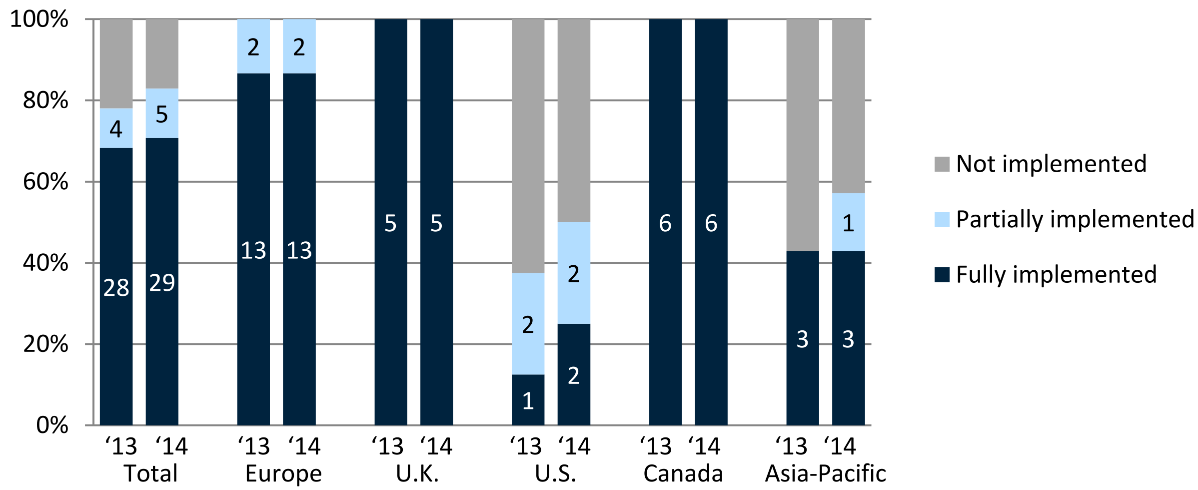
- As of 2013, 71% of participants provided a discussion on capital planning, including strategic planning as recommended by the EDTF. The implementation rate among participants increased 24 percentage points from the prior year.
- Of the group that disclosed capital planning information as recommended, all U.K. and Canadian banks showed full implementation.
- For 2013 year-end, no additional banks are planning to disclose capital planning information as recommended by the EDTF.
- Implementers provided a discussion of management's strategic plans and actions and the linkages of that strategy to capital levels and capital distribution plans.
- Most of the banks that have partially implemented this recommendation have plans to enhance their disclosures by adding a quantitative component.

Recommendation 13: Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.

Current and planned implementation of recommendation



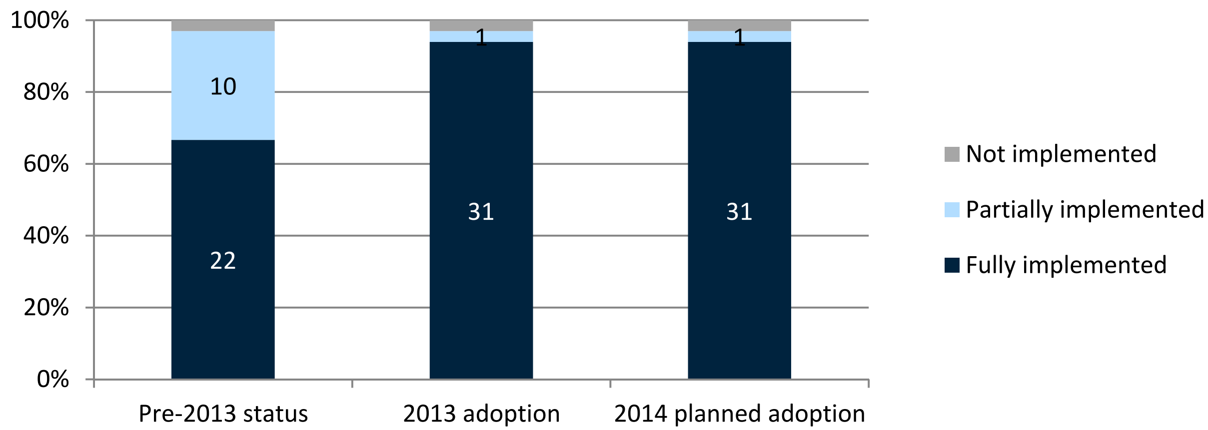
Current and planned implementation by geography



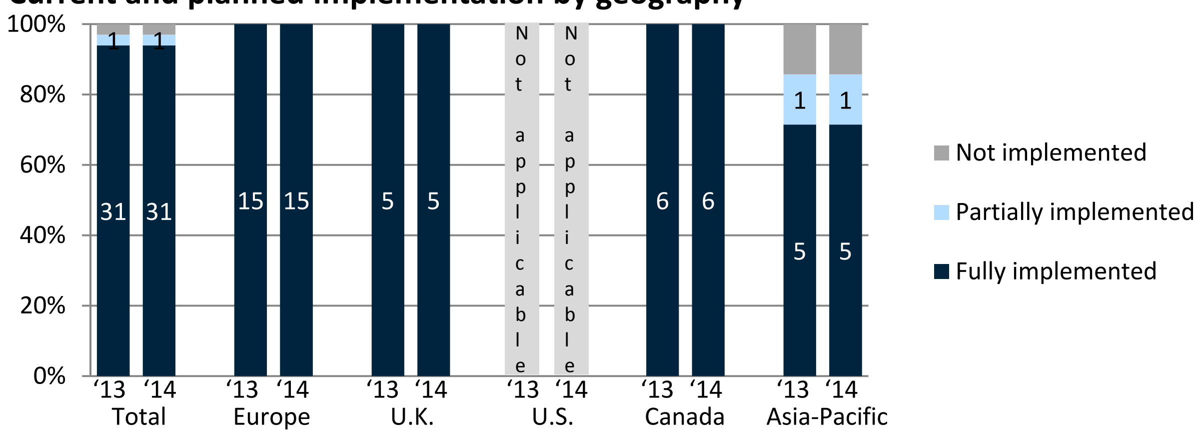
- As of 2013 year-end, 68% of participants provided disclosures that explained the relationship between RWAs and business activities. This represents an additional 14 banks, or 34 percentage points, from the prior year.
- All participants from the U.K. and Canada implemented this recommendation, closely followed by participants from Europe (87%).
- Many U.S. banks indicated they plan to consider this recommendation in conjunction with the implementation of Pillar 3 requirements.
- Implementers disclosed, in tabular form, a breakdown of RWA by major risk category and sub-portfolios, as well as by Basel II approach (i.e., AIRB vs. Standardised) for each line of business.

Recommendation 14a: Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. [1] For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them. 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).

Current and planned implementation of recommendation



Current and planned implementation by geography

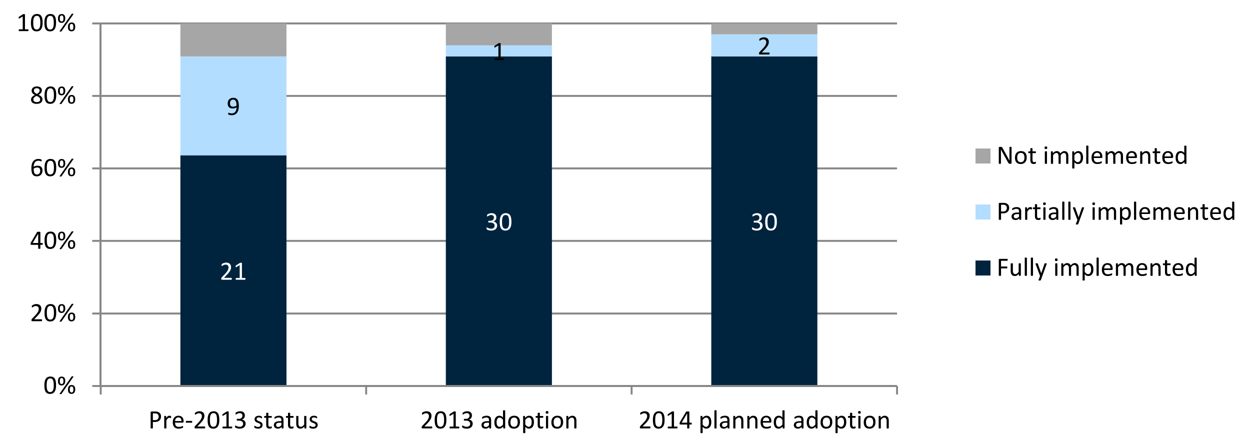


1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

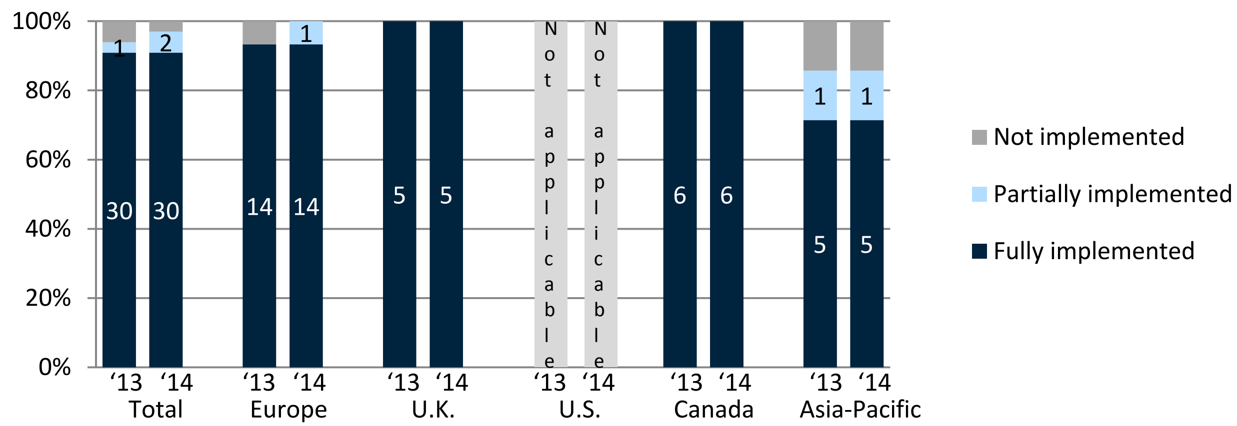
- Excluding U.S. participants, 94% of participants disclosed capital requirements by method, risk type, Basel asset class and major portfolios within those classes. This represents nine additional banks, an increase of 27%, compared to the prior year.
- All banks from Europe, the U.K., and Canada reported having fully implemented the recommendation.
- In the U.S., banks subject to Basel II had yet to exit parallel run as of year-end 2013. Some U.S. participants indicated their plans to make progress with the recommendation subsequent to their exit of parallel run, which for the first group of U.S. banks took place as of Q2 2014.
- Leading implementers broke out capital requirements by risk type and portfolio. Some implementers provided breakouts for geographical regions.

Recommendation 14b: Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. **For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them.** [1] 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).

Current and planned implementation of recommendation



Current and planned implementation by geography

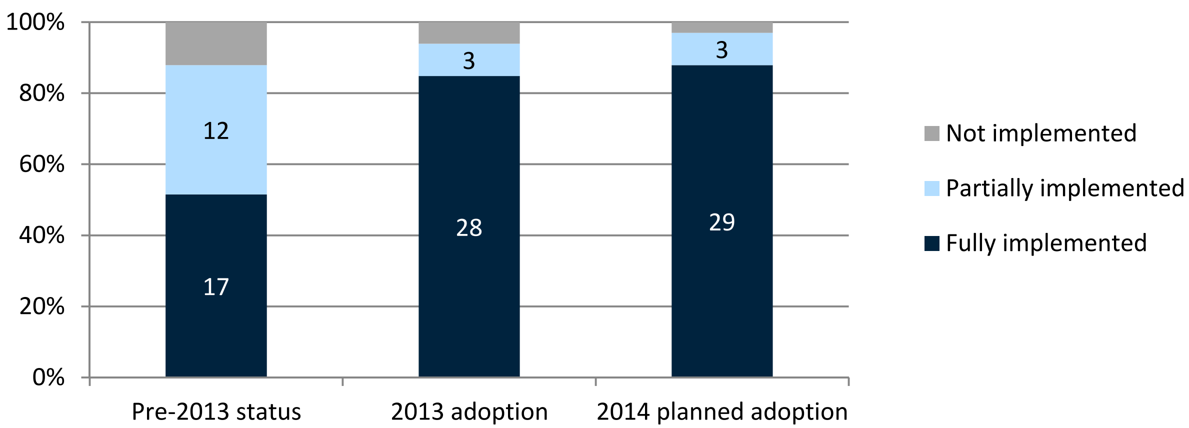


1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

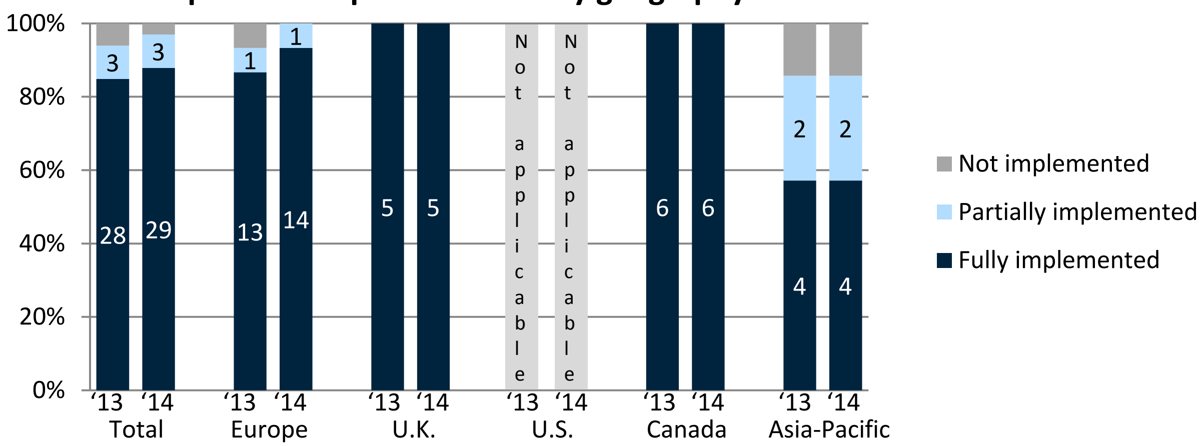
- For 2013 year-end, 91% of participants (excluding those from the U.S.) disclosed the capital requirements for market and operational risk for each calculation method. This represents nine additional banks from the prior year.
- All participants from the U.K. and Canada implemented the recommendation alongside 93% of participants from Europe.
- Several banks from the U.S. indicated that they already disclose market risk capital requirements in Basel II.5 disclosures, and that they plan to disclose operational risk capital requirements once they exit parallel run.

Recommendation 14c: Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them. 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). [1]

Current and planned implementation of recommendation



Current and planned implementation by geography



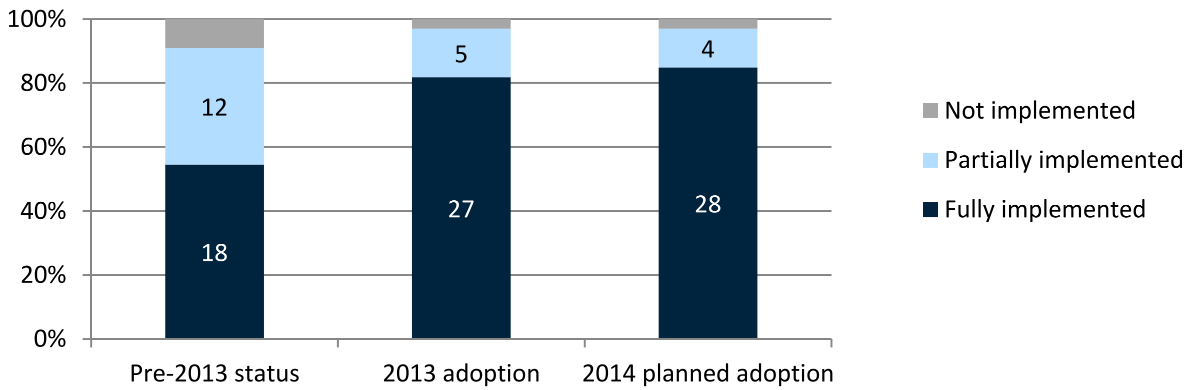
1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

- For 2013 year-end, 84% of participants disclosed additional information about significant models used for calculating capital requirements. This represents eleven additional banks, a 33% increase, from the prior year.
- Leading implementers provided descriptions of models' overarching methodologies as well as more granular breakdowns, by individual model and parameter component. One implementer linked model use to geography by stating which models were authorised to calculate credit risk capital requirements in certain regions.

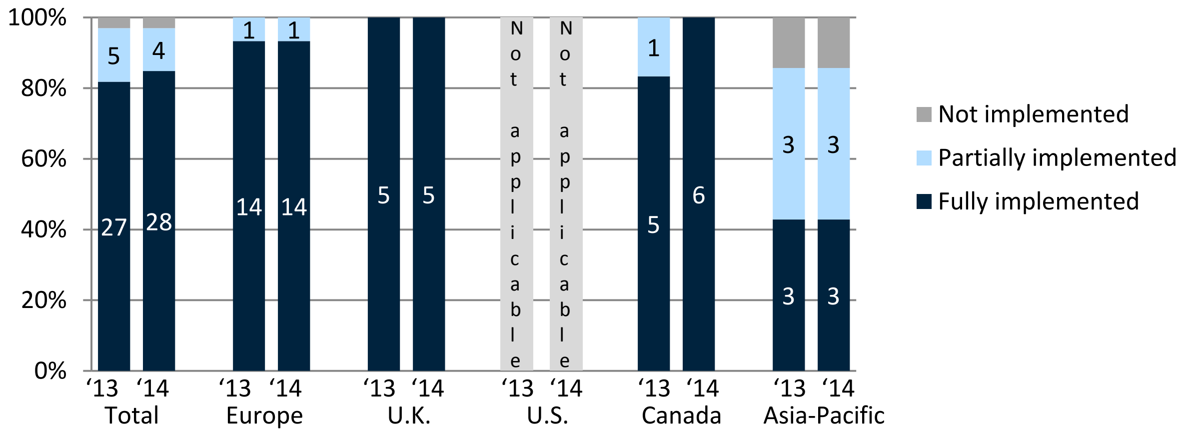
Recommendation 15a: Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades. [1]

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.

Current and planned implementation of recommendation



Current and planned implementation by geography

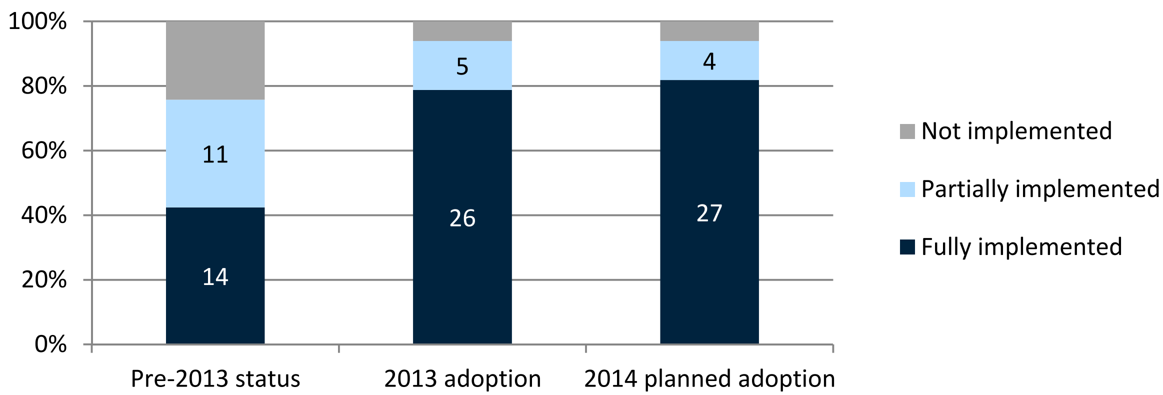


1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

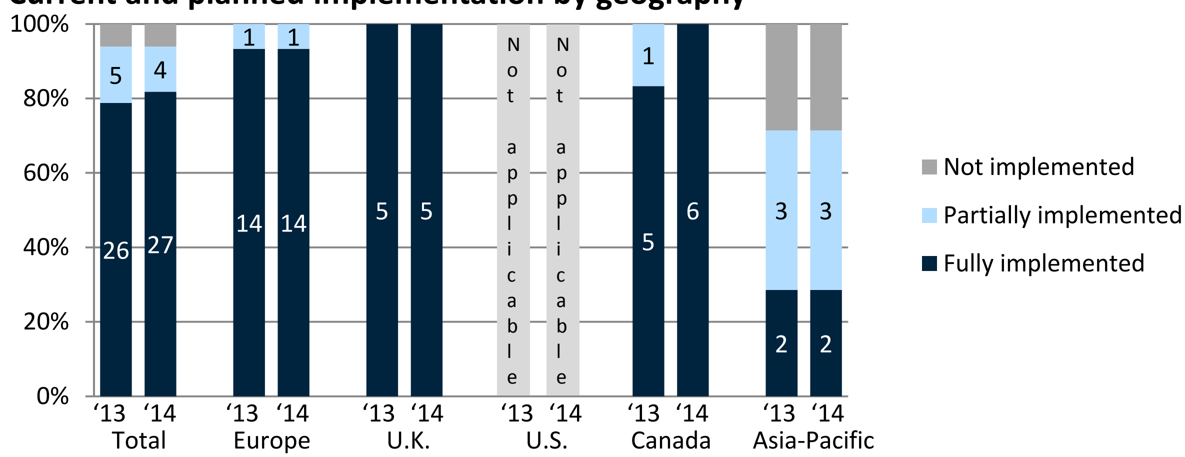
- For 2013 year-end, 82% of participants reported they provided average PD, LGD, EAD, RWA and RWA density information for credit exposures as recommended.
- An additional nine banks (27%) implemented this recommendation compared to last year.
- Some U.S. participants indicated plans to disclose additional information in line with this recommendation once they exit Basel II parallel run.
- For each business segment, implementers showed the distribution of exposures by rating grade as well as average credit parameters and corresponding RWAs. Some implementers provided commentary to explain notable concentrations and changes in credit risk exposures from year to year.

Recommendation 15b: Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades. 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. [1]

Current and planned implementation of recommendation



Current and planned implementation by geography

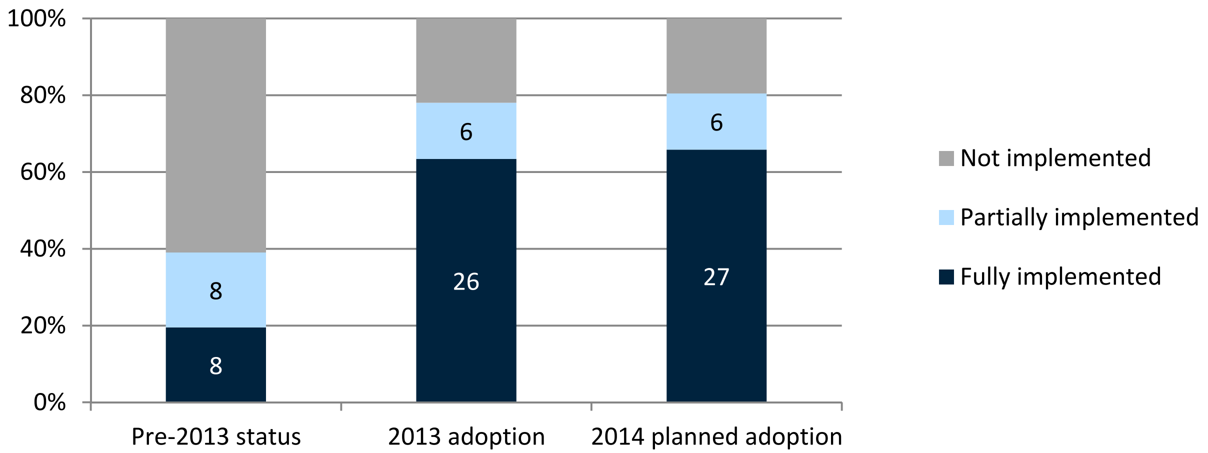


- For 2013 year-end, 79% of participants mapped non-retail banking book credit portfolios, internal ratings grades and PD bands against external credit ratings.
- An additional 12 banks implemented the recommendation compared to the prior year, resulting in a 36% increase.
- While some implementers linked internal and external rating grades, others cited differing definitions of default and the use of internal ratings grades that were different than the number of notch-specific rating used by credit rating agencies as reasons for “firm-specific” implementations.

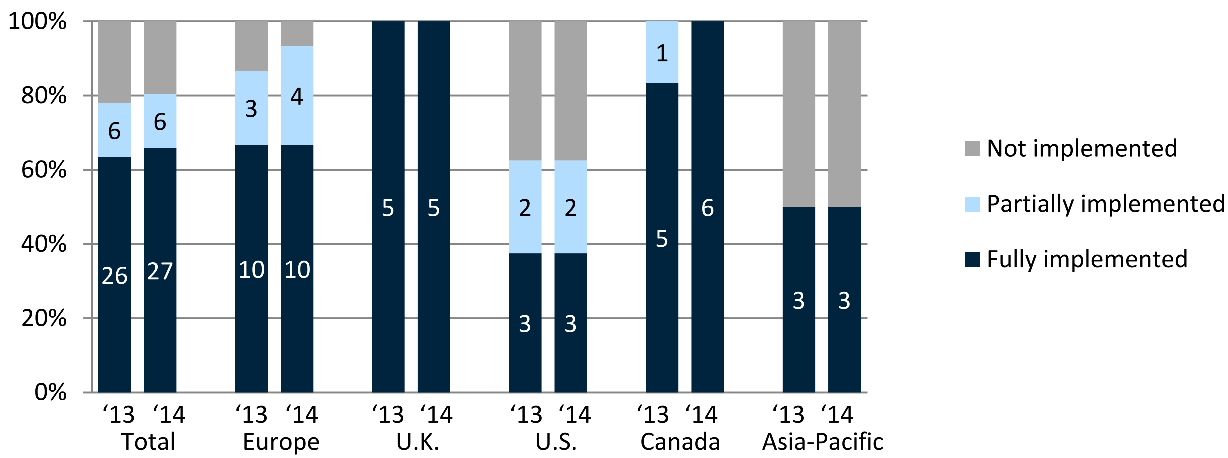
1. Not applicable for U.S. institutions not yet reporting under Basel II / Basel III as of year-end 2013

Recommendation 16: Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.

Current and planned implementation of recommendation



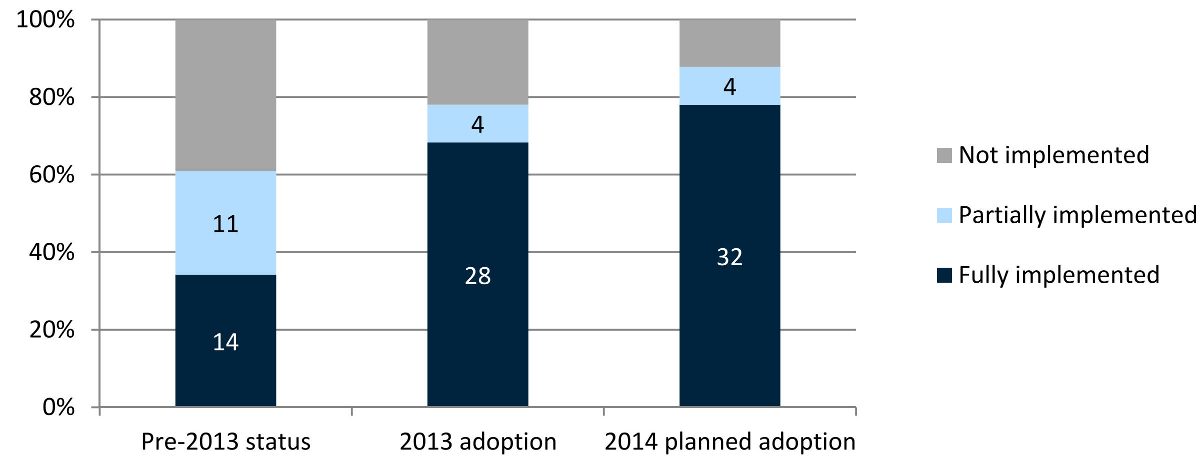
Current and planned implementation by geography



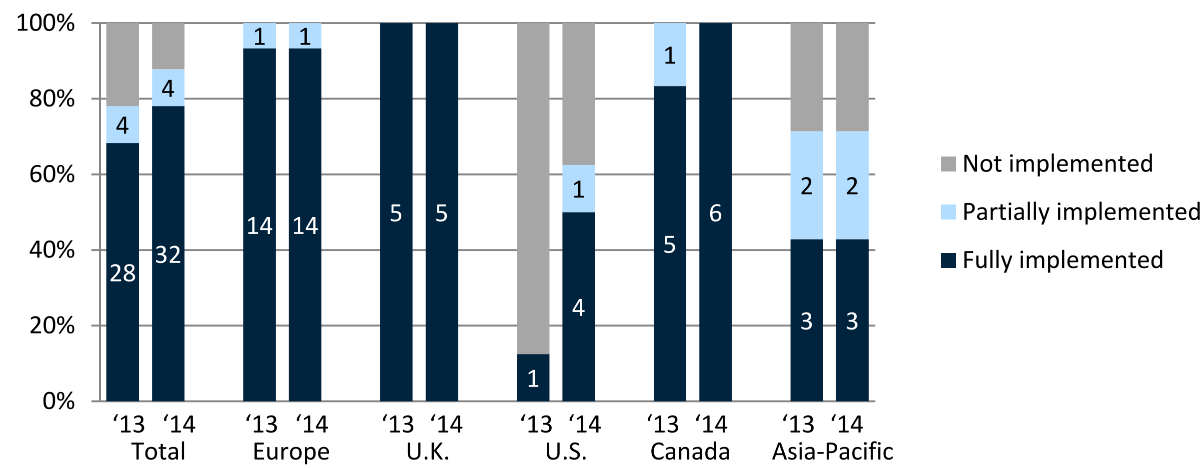
- For 2013 year-end, 63% of participants reported they disclosed a flow statement reconciling RWA movements for the period. This represents a significant increase over the 20% of participants that reported implementation as of 2012 year-end.
- Participants from the U.K. led the way in terms of implementation (100%), followed by participants from Canada (83%).
- Of the banks responding “partially”, several indicated they have credit RWA flow statements in place, but plan to develop flow statements for market and operational risk RWAs.
- Some implementers supplemented flow statements with commentaries on RWA drivers explaining major changes, while others included a breakdown by geography or line of business.

Recommendation 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.

Current and planned implementation of recommendation



Current and planned implementation by geography



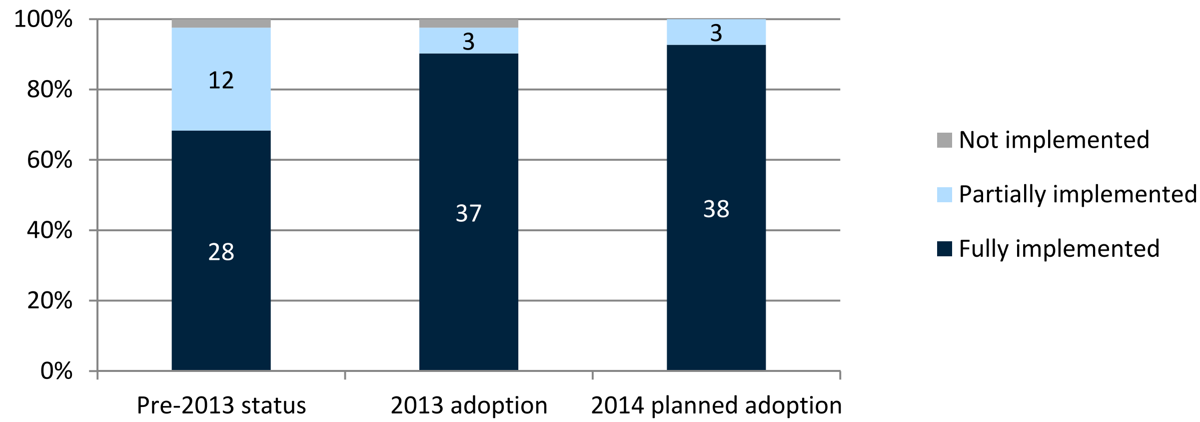
- For 2013 year-end, 68% of participants provided a narrative putting Basel Pillar 3 back-testing requirements into context. Of this group, fourteen disclosed such information in the prior year.
- An additional four banks, including three from the U.S. and one from Canada, plan to implement this recommendation in 2014, which will result in a 78% implementation rate.
- Some U.S. participants indicated plans to disclose additional information in line with this recommendation once they exit Basel II parallel run and/or Basel III rules are effective.
- Some implementers supplemented narratives with tables showing model-estimated losses against actual losses across wholesale and retail portfolio sub-categories.

Section 4.4

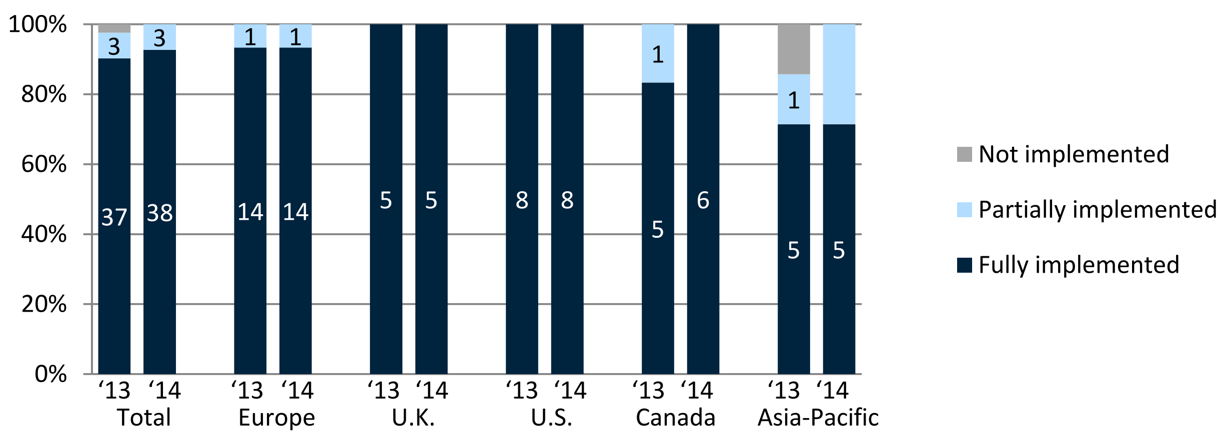
Liquidity

Recommendation 18a: Describe how the bank manages its potential liquidity needs and 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. 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.

Current and planned implementation of recommendation



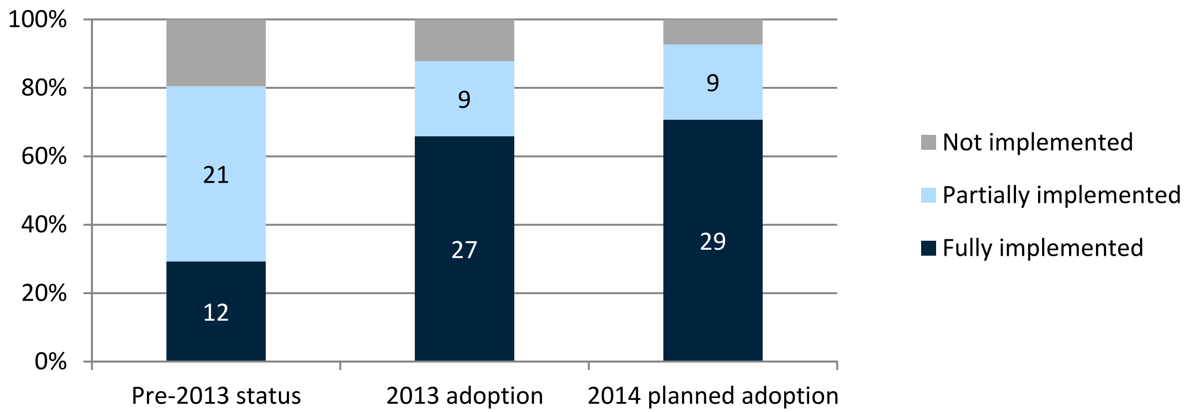
Current and planned implementation by geography



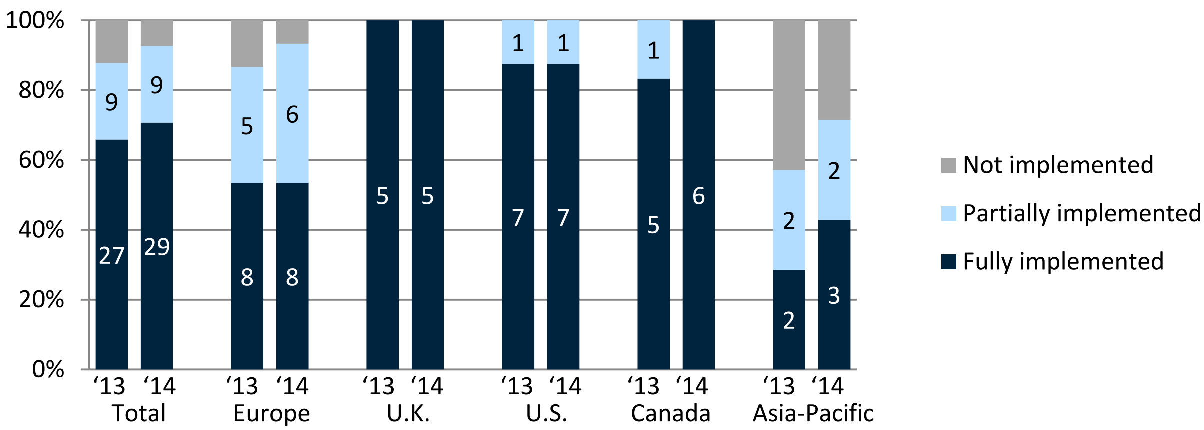
- For 2012 year-end, 90% of participants reported they have implemented this recommendation, with all banks from the U.K. and the U.S. having reported full implementation.
- The number of banks providing liquidity management information as recommended by the EDTF grew by 22 percentage points compared to 2012 year-end.
- For 2014 year-end, all banks plan to have at least partially implemented the recommendation.
- Implementers described the objectives of their liquidity management approach as well as provided an overview of key sources of liquidity. Some implementers discussed drivers for changes in liquidity resource levels.

Recommendation 18b: Describe how the bank manages its potential liquidity needs and **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.** 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.

Current and planned implementation of recommendation



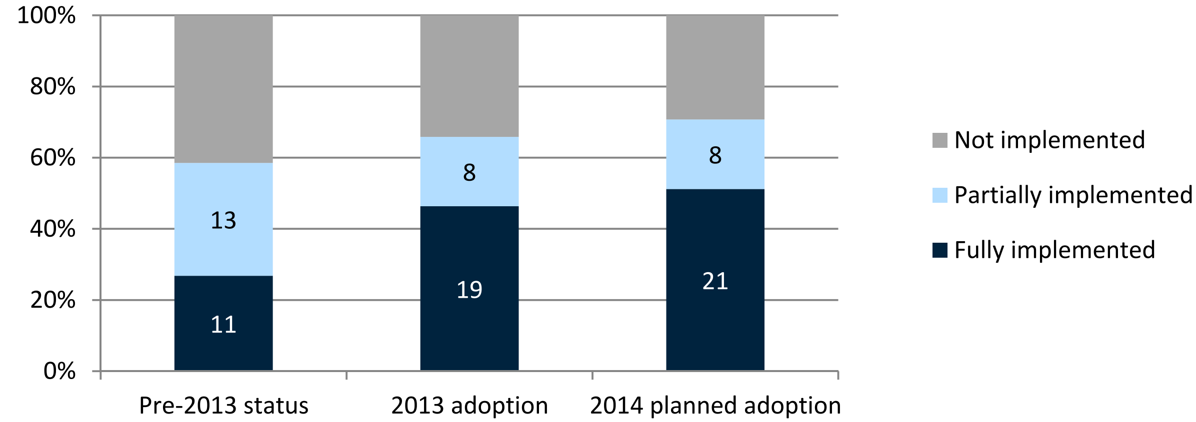
Current and planned implementation by geography



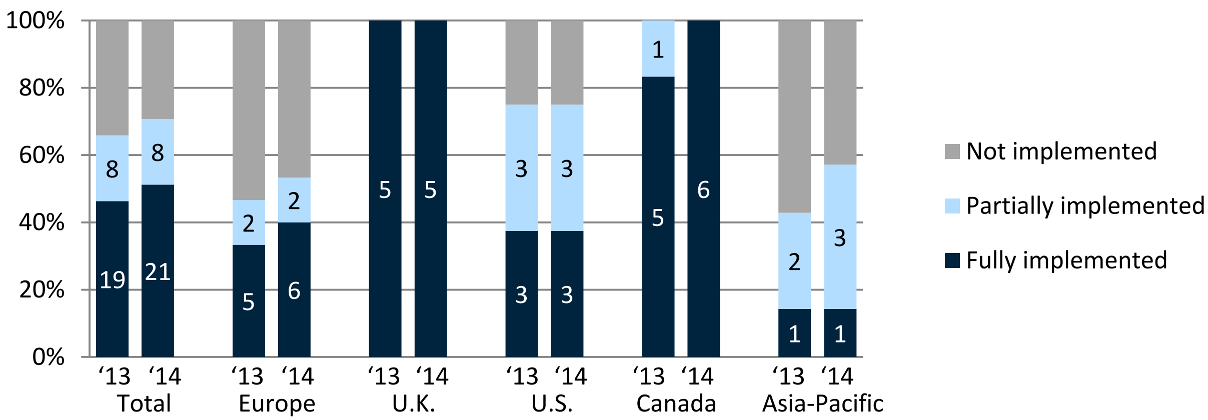
- For 2012 year-end, 66% of participants reported they have implemented this recommendation, with the U.K. (100%), U.S. (88%), and Canada (83%) showing the highest implementation rates.
- The number of banks providing a quantitative analysis of the components of the liquidity reserve held to meet potential liquidity needs as recommended by the EDTF increased by 15 banks, or 37 percentage points, from 2012 year-end disclosures.
- Implementers provided a tabular breakdown of the components of the liquidity reserve. Some implementers also provided tables showing where the liquidity reserve was located (e.g., parent, subsidiaries, branches).

Recommendation 18c: Describe how the bank manages its potential liquidity needs and 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. 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.

Current and planned implementation of recommendation



Current and planned implementation by geography



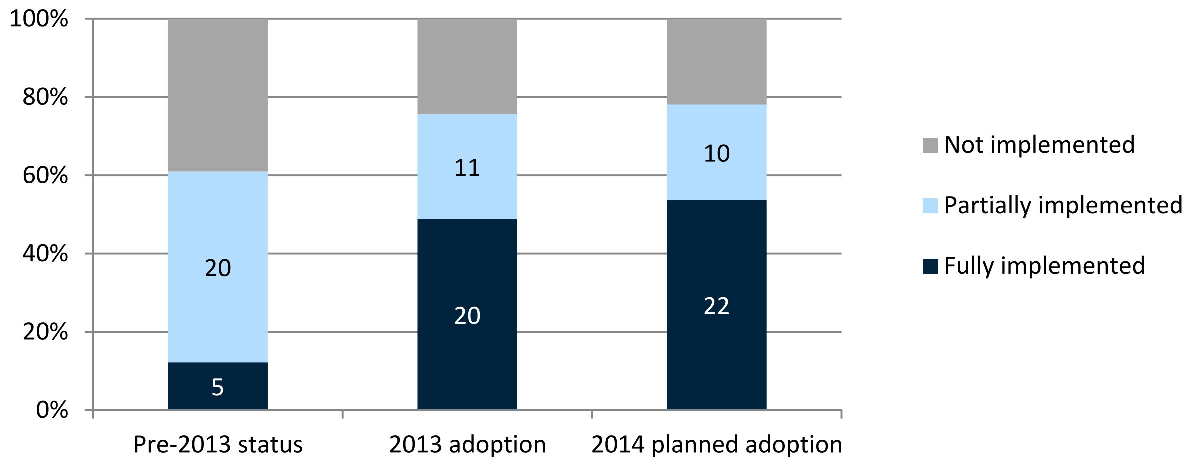
- For 2013 year-end, 46% of participants reported that they have implemented this recommendation, with all participants from the U.K. having done so.
- An additional 8 banks explained the possible limitations on the use of the liquidity reserve, increasing the adoption rate by 20 percentage points compared to the prior year.
- Implementers quantified liquid assets by region and provided a qualitative description of liquidity management across subsidiaries and currencies. Users indicated that the separation of activities in key UK, European and US markets (GBP, EUR and USD currencies) is an opportunity for improvement for banks in subsequent reports.

Section 4.5

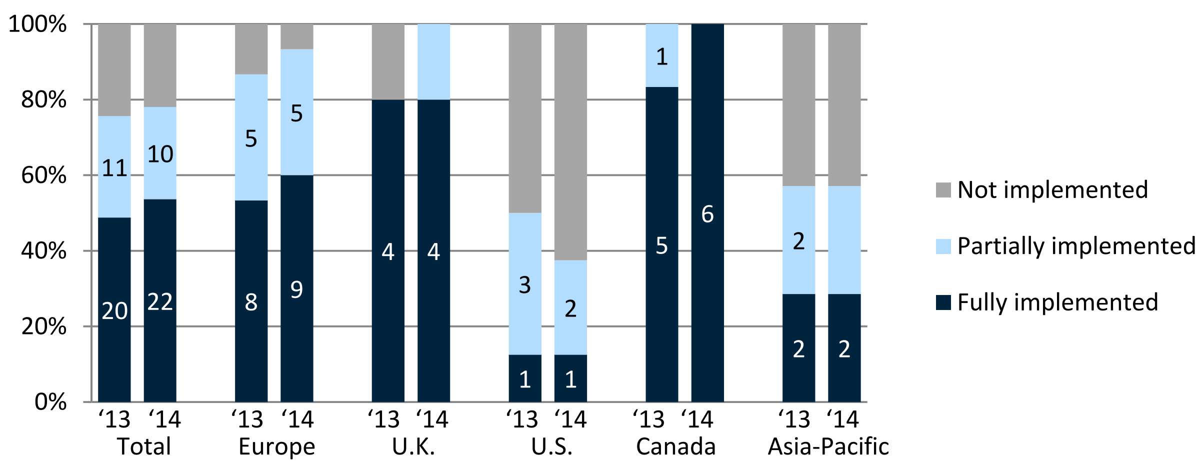
Funding

Recommendation 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. Include collateral received that can be rehypothecated or otherwise redeployed.

Current and planned implementation of recommendation



Current and planned implementation by geography

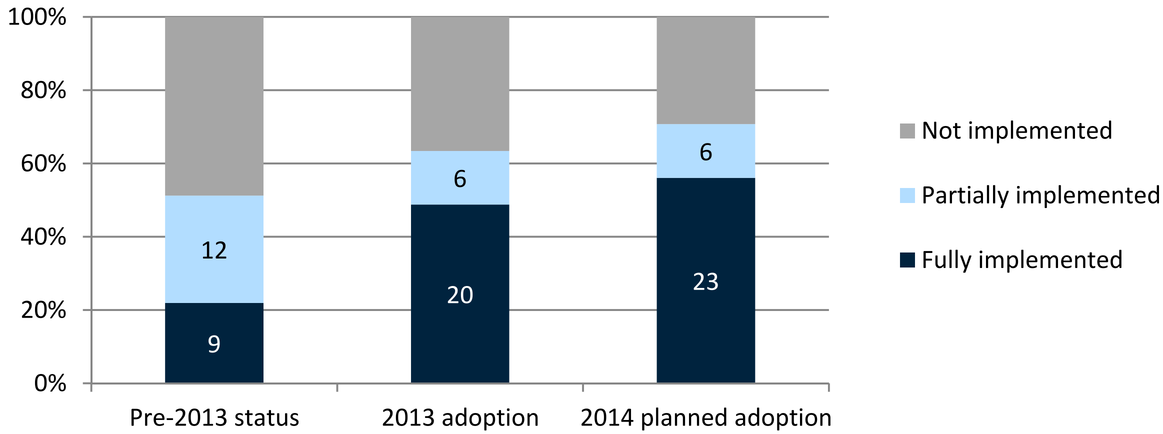


- In 2013 year-end disclosures, 49% of participants disclosed asset encumbrance information as recommended. The implementation rate rose by 37% between 2012 and 2013 year-end with 15 additional banks disclosing encumbrance information.
- Banks from Canada (83%) and the U.K (80%) had relatively higher implementation rates than other regions.
- Some banks indicated they were holding back on implementing this recommendation to avoid having to reconcile differences with the EBA's recently released *Guidelines on disclosure of encumbered and unencumbered assets*[1]. Other banks highlighted operational challenges as a driver for delaying adoption plans.
- Implementers provided a tabular breakdown of on and off-balance sheet encumbered and unencumbered assets by category, supported by a narrative description.

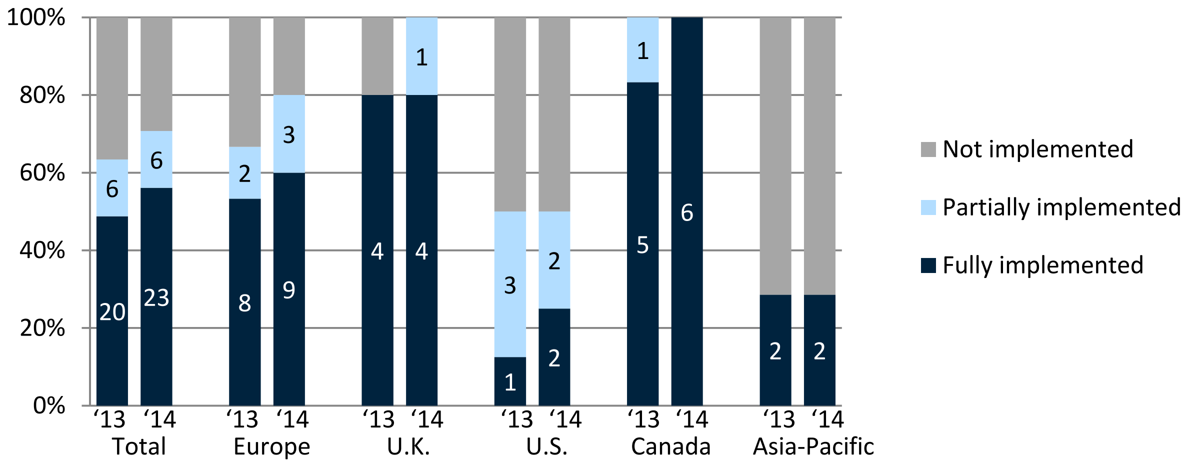
1) EBA, Guidelines on disclosure of encumbered and unencumbered assets, 6/27/2014, available at: http://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-of-encumbered-and-unencumbered-assets.

Recommendation 19b: 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. Include collateral received that can be rehypothecated or otherwise redeployed.

Current and planned implementation of recommendation



Current and planned implementation by geography

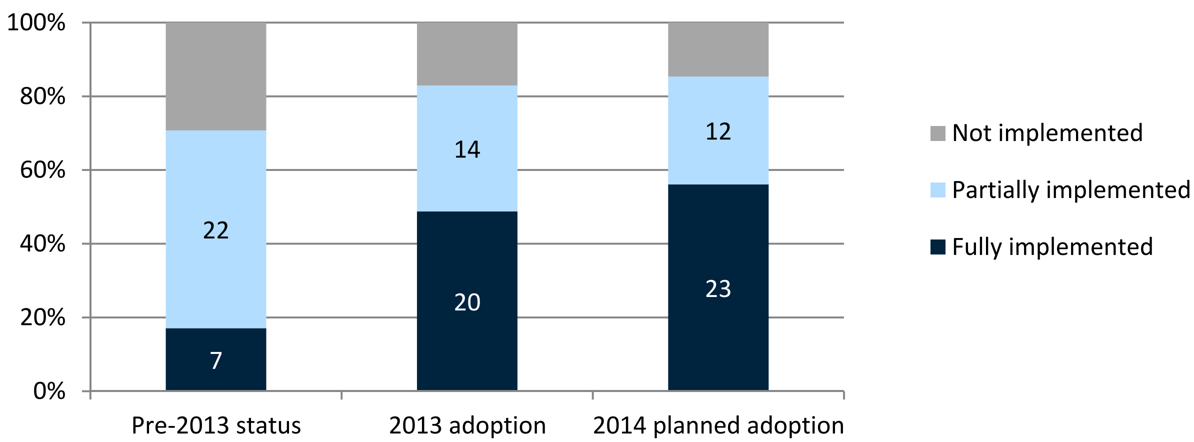


- An additional eleven participants disclosed collateral received that can be rehypothecated or otherwise redeployed, raising the implementation rate to 49% for 2013 year-end disclosures, an increase of 27 percentage points.
- An additional three participants plan to implement this recommendation for 2014 year-end, which will result in an implementation rate of 56%.
- Banks from Canada (83%) and the U.K (80%) had relatively higher implementation rates than other regions.
- Implementers disclosed the fair value of collateral received that can be sold or repledged as well as the degree to which such collateral had been sold or repledged.
- Some banks indicated they were holding back on implementing this recommendation to avoid having to reconcile differences with the EBA's recently released *Guidelines on disclosure of encumbered and unencumbered assets*[1].

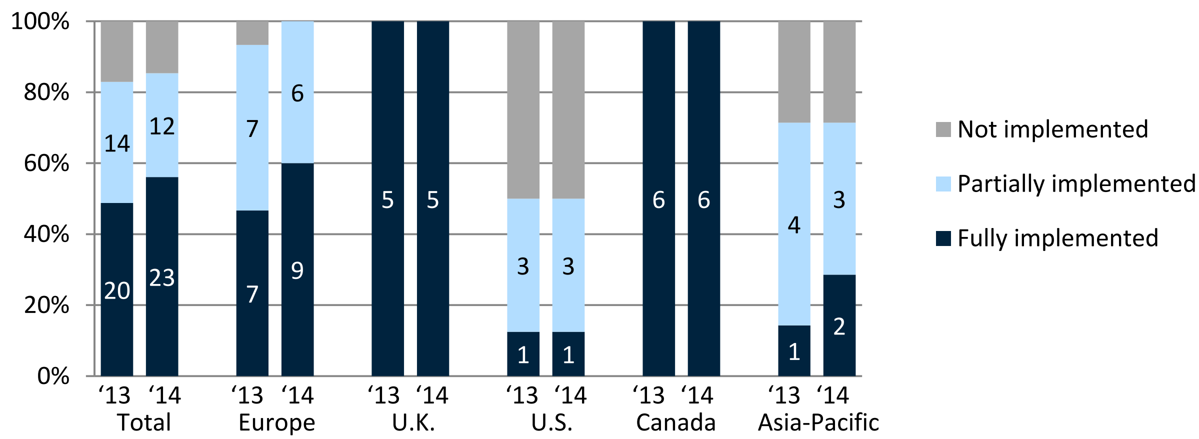
1) EBA, Guidelines on disclosure of encumbered and unencumbered assets, 6/27/2014, available at: http://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-of-encumbered-and-unencumbered-assets

Recommendation 20: Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach to determining the behavioural characteristics of financial assets and liabilities.

Current and planned implementation of recommendation



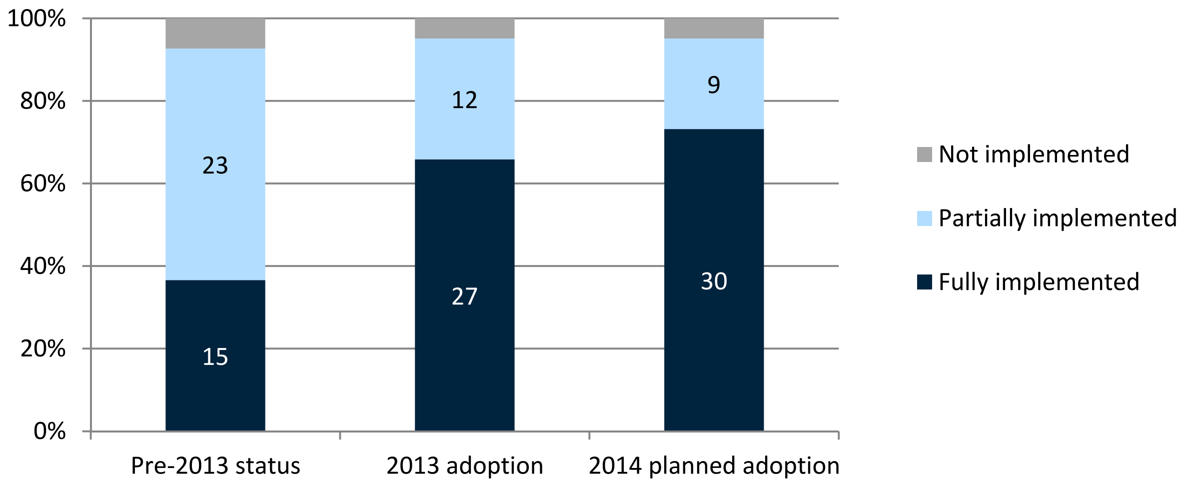
Current and planned implementation by geography



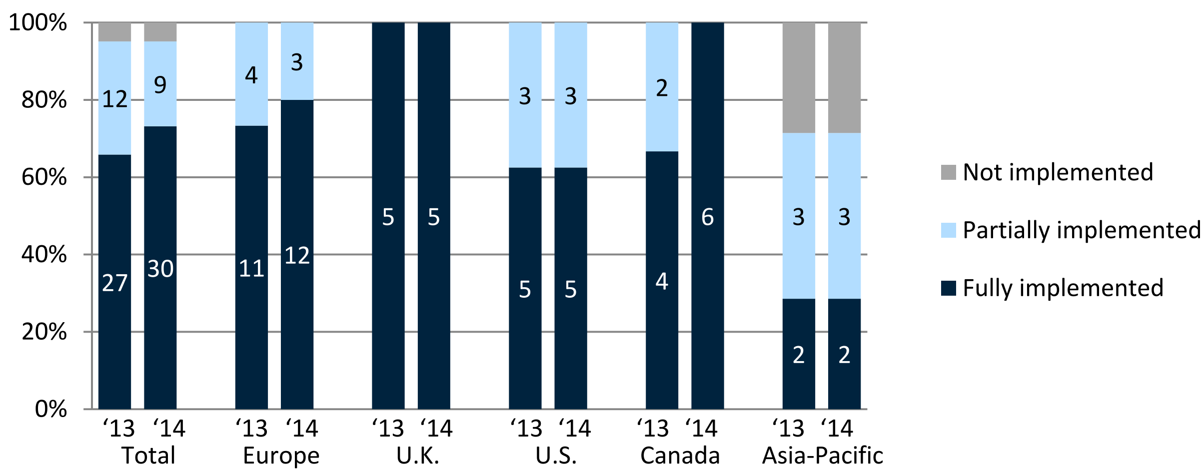
- For year-end 2013, twenty participants reported they tabulated assets, liabilities and off-balance sheet commitments as recommended, resulting in an implementation rate of 49%.
- Thirteen participants newly implemented this recommendation in 2013 year-end disclosures, increasing the adoption rate by 32 percentage points.
- An additional 14 participants, or 34%, provided a tabular representation of contractual maturity information that partially follows the EDTF recommendation for 2013 year-end. Most of these banks disclosed liabilities and/or off-balance sheet commitments information in tabular form.
- Some banks indicated there are operational difficulties to complete this disclosure. Others noted they do not plan to tabulate assets, liabilities, and off-balance sheet commitments in the eight maturity buckets recommended.

Recommendation 21: Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.

Current and planned implementation of recommendation



Current and planned implementation by geography



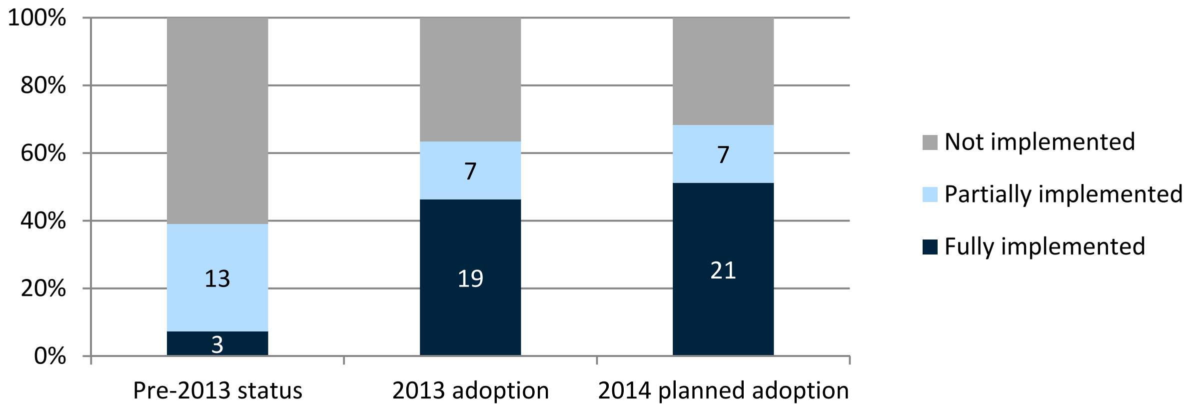
- For 2013 year-end, 66% of participants discussed their funding strategy as recommended by the EDTF. This represents an increase from 29 percentage points from the prior year.
- All participants from the U.K. implemented this recommendation for 2013 year-end. An additional three, including all of the Canadian participants, plan to do so in 2014 reports.
- Implementers provided a narrative description of funding sources and concentrations , including reliance on wholesale funding. These disclosures also included quantitative information on composition, maturities, and currency of external funding sources.

Section 4.6

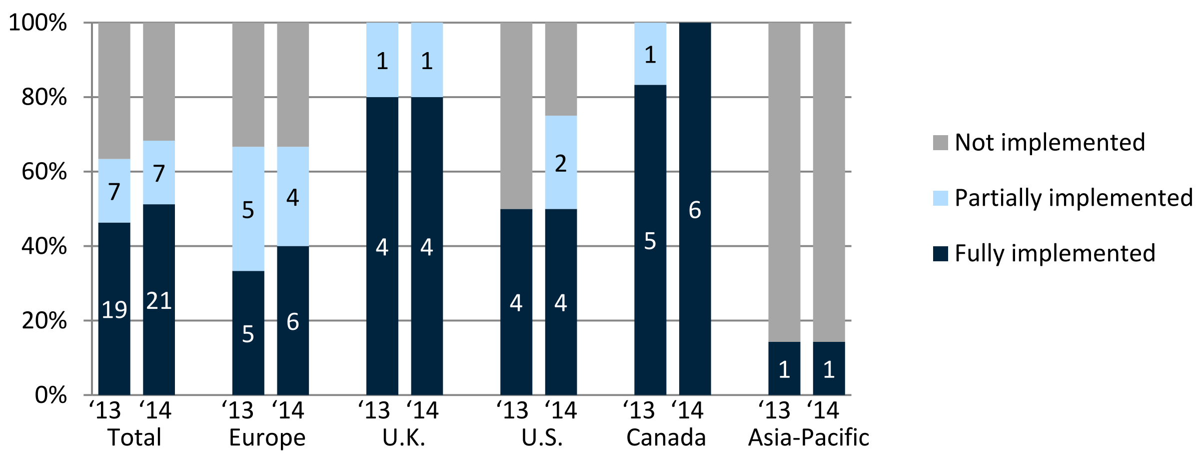
Market risk

Recommendation 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 (using the bank's primary risk management measures such as Value at Risk (VaR)) and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities.

Current and planned implementation of recommendation



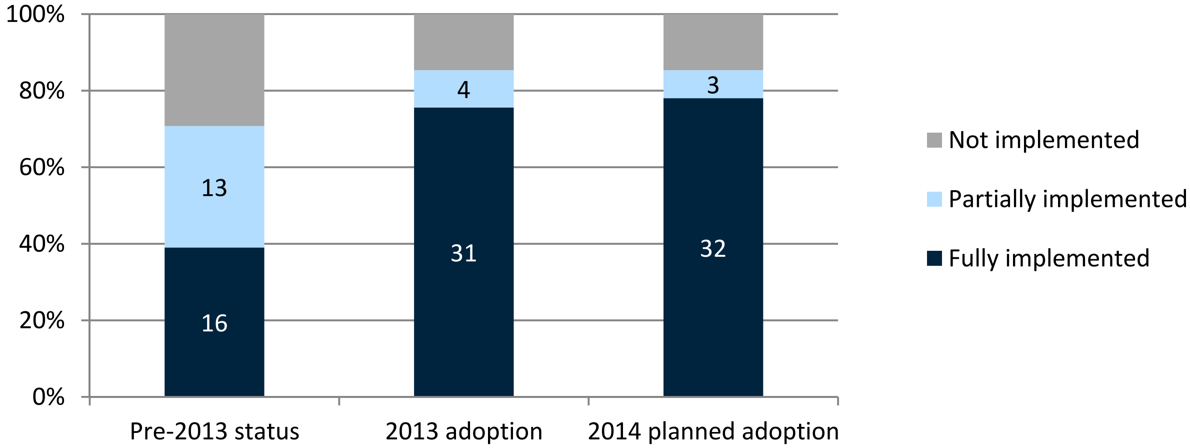
Current and planned implementation by geography



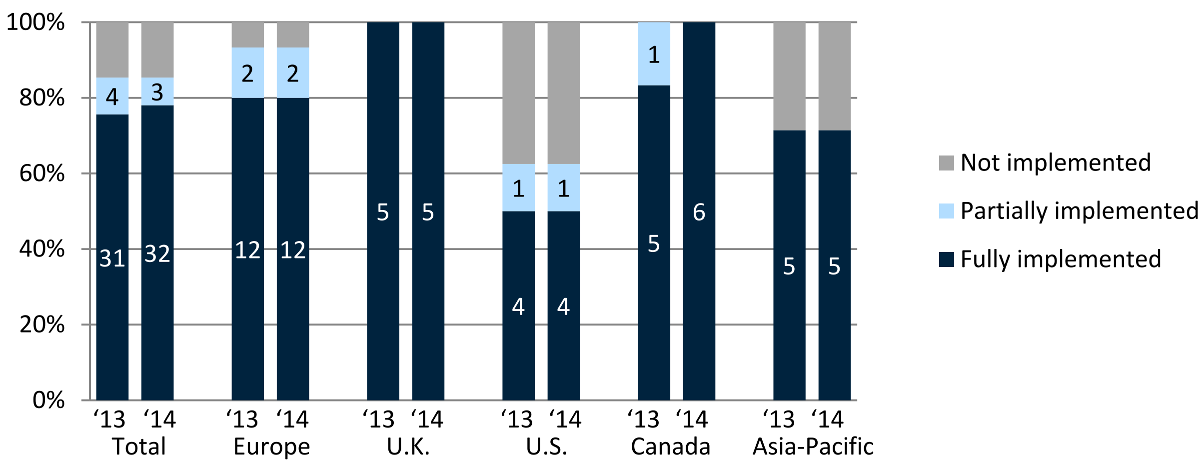
- For 2013 year-end disclosures, 46% of participants disclosed the linkage between market risk and the balance sheet and income statement as requested by the recommendation. This represents an increase of 39 pps compared to 2012 year-end, in which just three participants reported full implementation.
- Banks from Canada (83%) and the U.K. (80%) led the way in terms of implementation.
- Several banks indicated the linkage between market risk and the balance sheet and/or income statement in their disclosures could be enhanced and provided at a more granular level. Some have elected not to pursue this disclosure given the associated challenges.
- Implementers described metrics used to measure market risk exposures and provided a breakdown of asset and liability balances subject to market risk measured using VaR and non-VaR measures.

Recommendation 23: Provide further qualitative and quantitative breakdowns of significant trading and non-trading market risk factors that may be relevant to the bank's portfolios beyond interest rates, foreign exchange, commodity and equity measures.

Current and planned implementation of recommendation



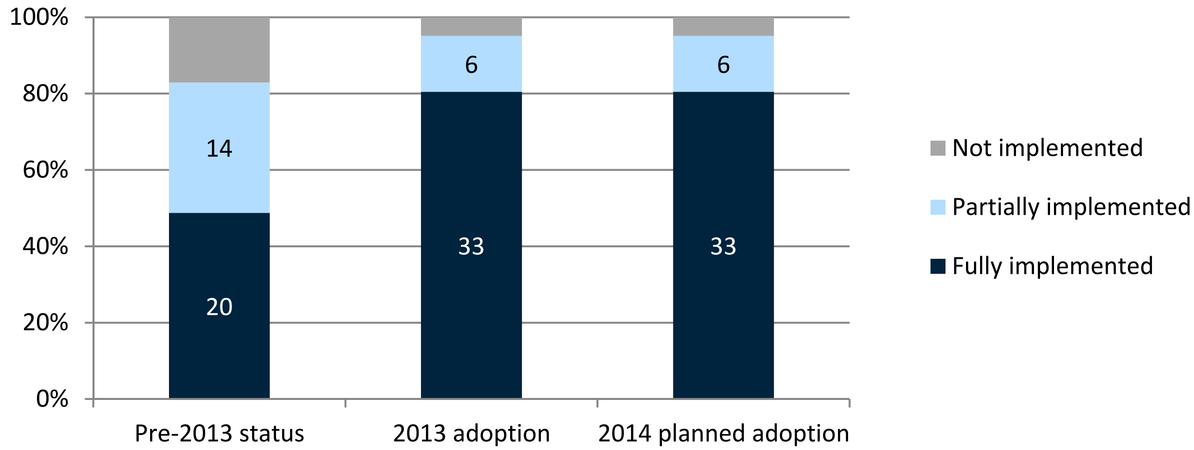
Current and planned implementation by geography



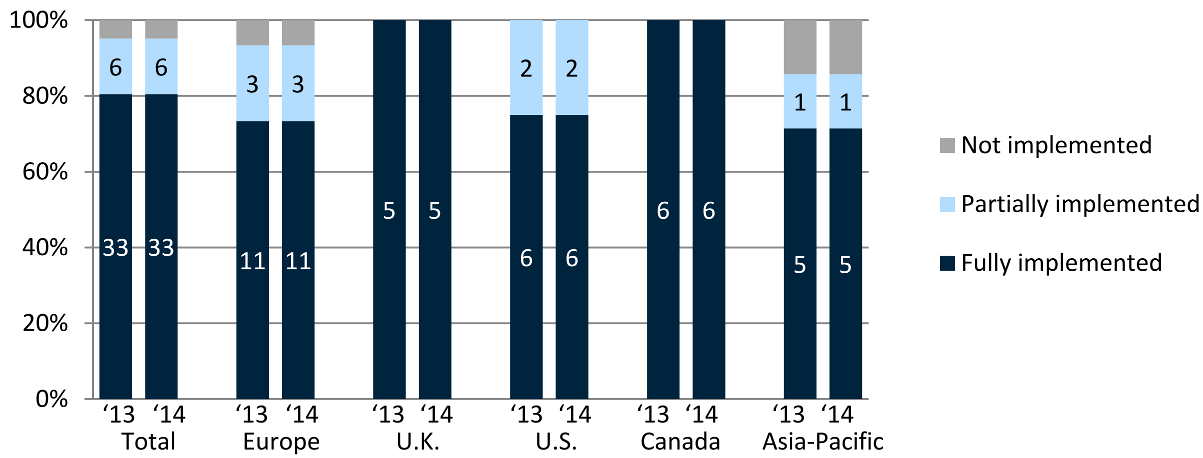
- For 2013 year-end, 76% of banks reported they provided breakdowns of significant risk factors relevant to their portfolios as recommended. Sixteen of these 31 banks already disclosed this information in the prior year.
- All of the banks from the U.K. have implemented this disclosure. All Canadian banks plan to follow suit in 2014.
- Some U.S. banks indicated that certain market risk related items will be disclosed once Basel III rules are effective.
- Other banks indicated plans to focus only on qualitative disclosures as it related to this recommendation and/or that quantitative breakdowns as recommended will be implemented on the basis of materiality.
- Some implementers included detailed tables that broke down significant trading and non-trading market risk factors by business line and activity.

Recommendation 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.

Current and planned implementation of recommendation



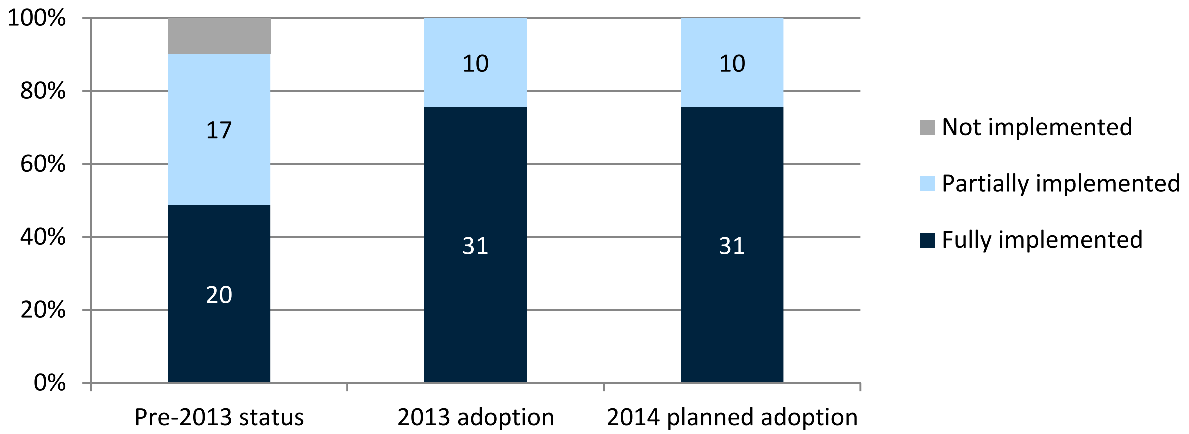
Current and planned implementation by geography



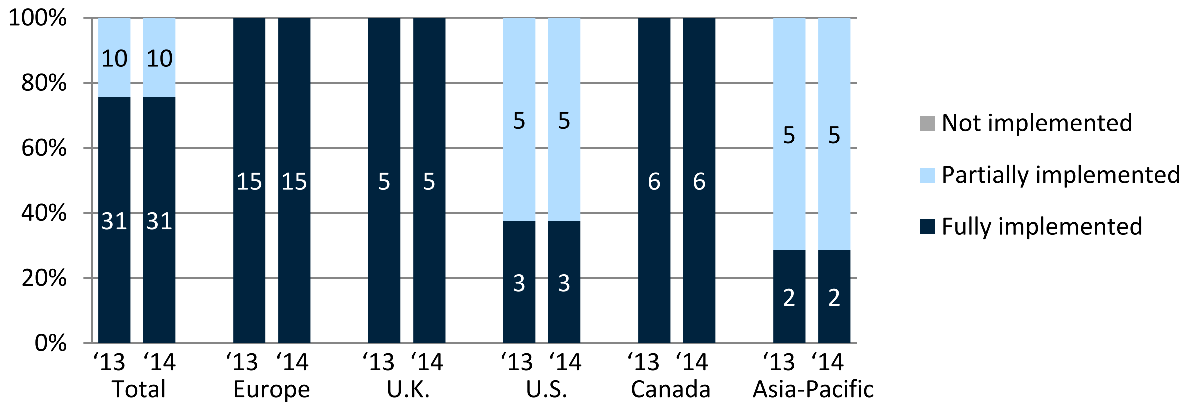
- For 2013 year-end, 80% of participants provided disclosures on market risk measurement as recommended. This represents an increase of 32 percentage points from the prior year.
- All participants from the U.K. and Canada implemented this recommendation in their 2013 year-end disclosures.
- Some banks indicated plans to focus only on qualitative disclosures as it related to this recommendation and/or that quantitative disclosures as recommended will be implemented on the basis of materiality and sensitivity.

Recommendation 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. The disclosure should discuss how market liquidity horizons are considered and applied within such measures.

Current and planned implementation of recommendation



Current and planned implementation by geography



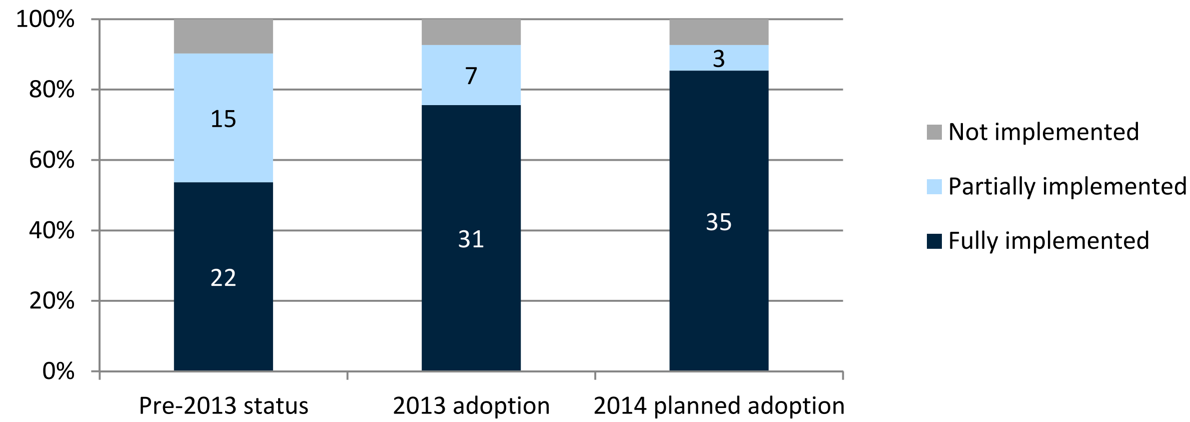
- For 2013 year-end, 76% of participants described tail risk management approaches in their disclosures as recommended by the EDTF. This compares to 49% of participants that provided this information in the prior year.
- All participants had at least partially implemented this recommendation in 2013 year-end disclosures. In terms of regional implementation, all participants from Europe, the U.K., and Canada had disclosed the relevant risk management techniques.
- Implementers provided overviews, and corresponding results, of stress scenarios, sensitivity analyses and other market risk management technique used to assess the risk of loss beyond reported risk measures and parameters.

Section 4.7

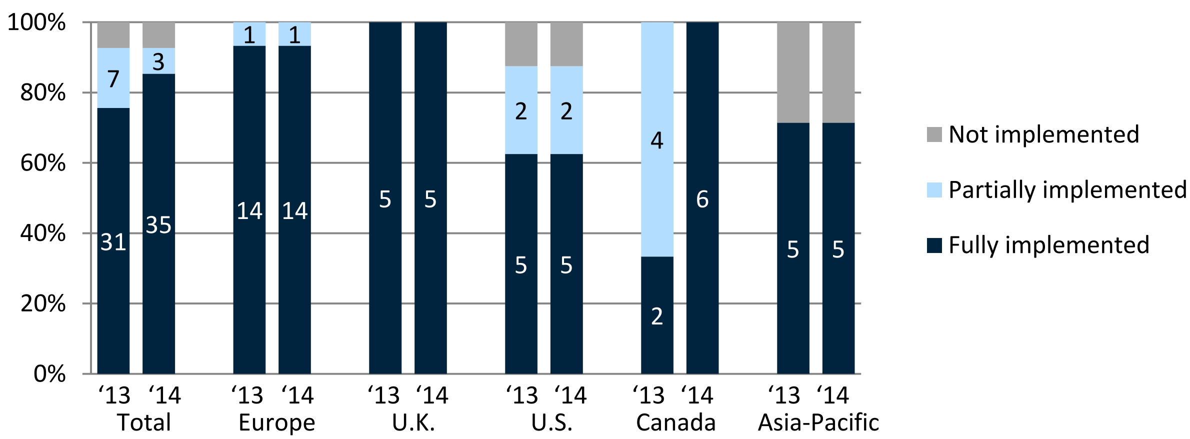
Credit risk

Recommendation 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, including detailed tables for both retail and corporate portfolios that segments them by relevant factors. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.

Current and planned implementation of recommendation



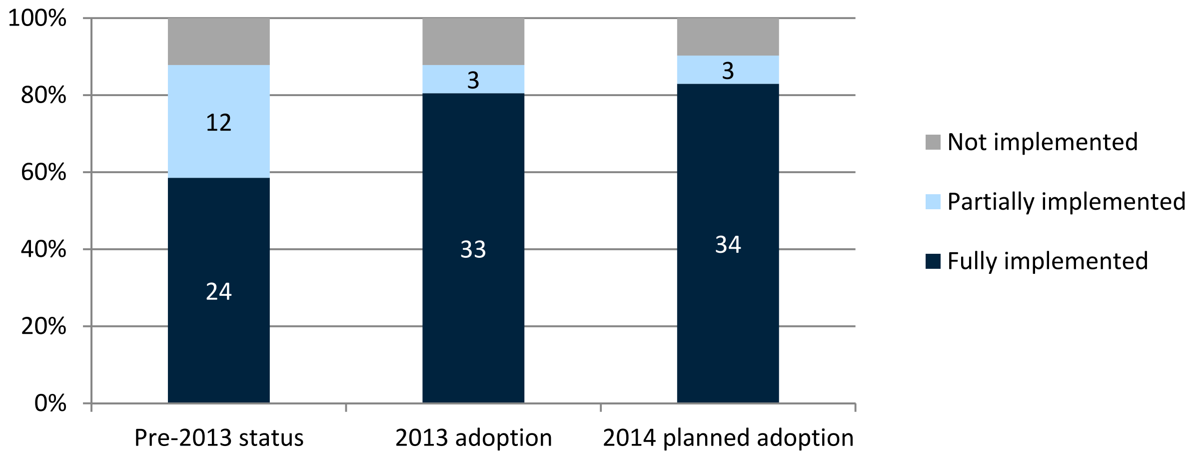
Current and planned implementation by geography



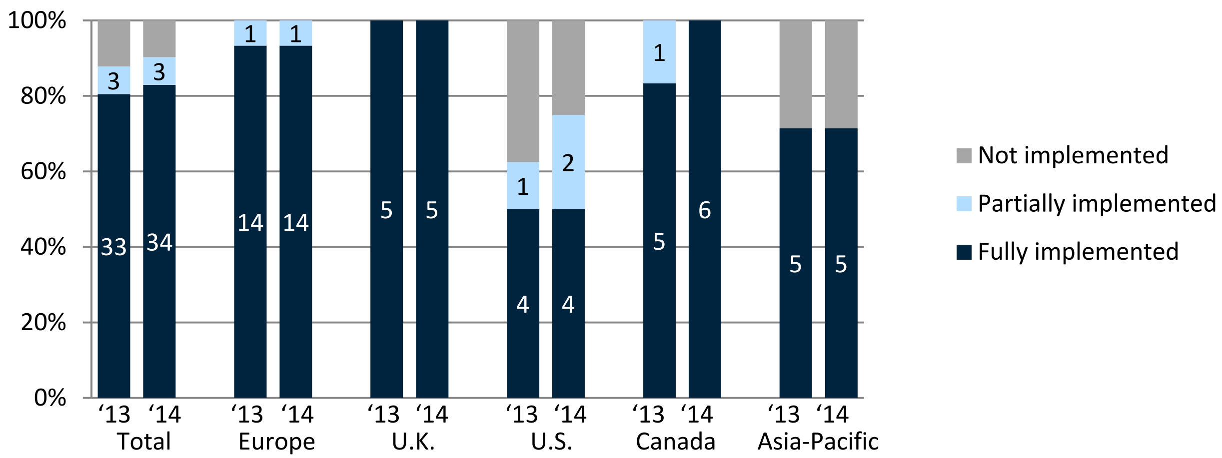
- Through 2013, 76% of banks reported that they provided information to facilitate users' understand of the banks credit risk profile. This represents a 22pps increase over the 2012 year-end adoption rate.
- All participants from the U.K. reported full implementation. All participants from Canada plan to implement this recommendation in next year's disclosures, which will raise the implementation rate to 85%.
- Many banks indicated that enhancements in 2013 year-end disclosures involved providing a reconciliation of credit risk exposures to the balance sheet. Several have indicated their plans to do so in the future.
- Implementers disclosed tabular breakdowns of credit exposure information by exposure type, geography, obligor rating category, obligor type, and type of credit mitigation.

Recommendation 26b: 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, including detailed tables for both retail and corporate portfolios that segments them by relevant factors. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.

Current and planned implementation of recommendation



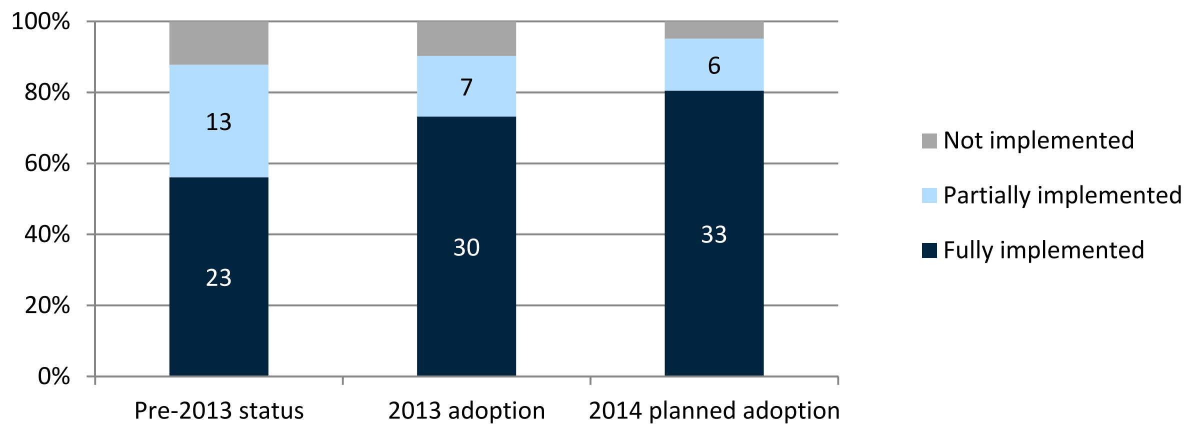
Current and planned implementation by geography



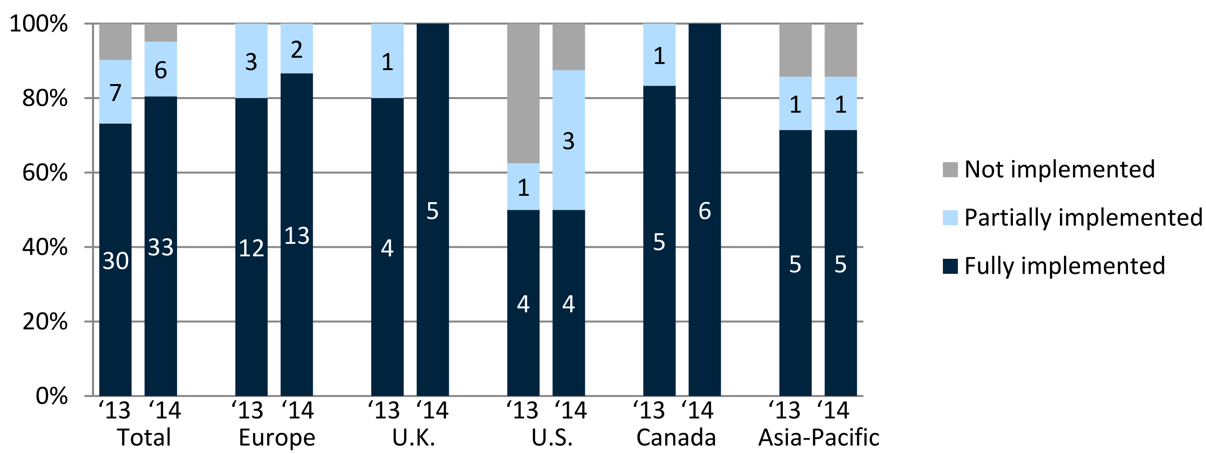
- Through 2013, 80% of banks reported they included detailed tables for both retail and corporate portfolios in their credit risk disclosures. This represents an increase of 22 percentage points from the prior year.
- All participants from the U.K. implemented the recommendation in 2013 year-end. All Canadian banks plan to implement the recommendation for 2014 reports.
- Several U.S. banks indicated they plan to consider implementing this disclosure in conjunction with Pillar 3 requirements.
- Implementers provided additional granularity on credit risk concentrations for retail and corporate portfolios by considering geography, industry, and mapping to PD bands.

Recommendation 26c: 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, including detailed tables for both retail and corporate portfolios that segments them by relevant factors. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.

Current and planned implementation of recommendation



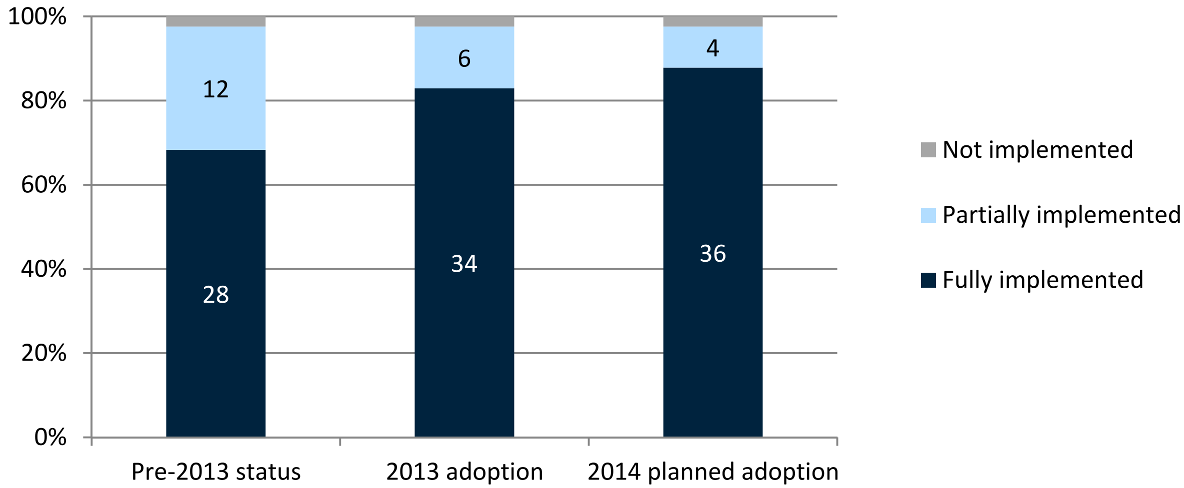
Current and planned implementation by geography



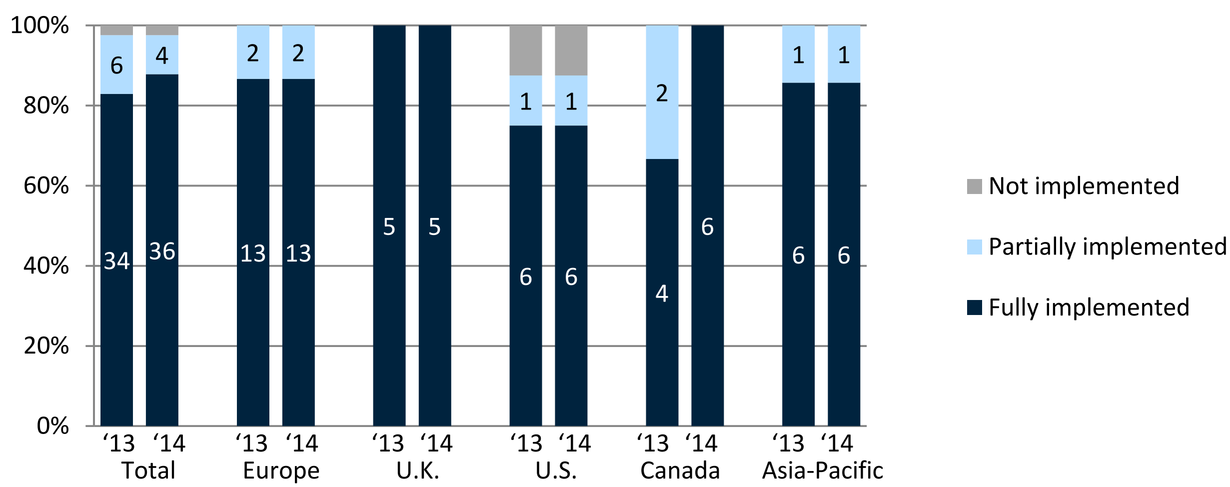
- Through 2013, 73% of banks reported they disclosed credit risk likely to arise from off-balance sheet commitments by type.
- Seven banks implemented this recommendation for the first time in 2013 reports. All participants from the U.K. and Canada plan to implement this disclosure in 2014 reports.
- Several banks that provided aggregate credit risk exposure for off-balance sheet exposures indicated they plan to provide breakouts by type in the future.

Recommendation 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.

Current and planned implementation of recommendation



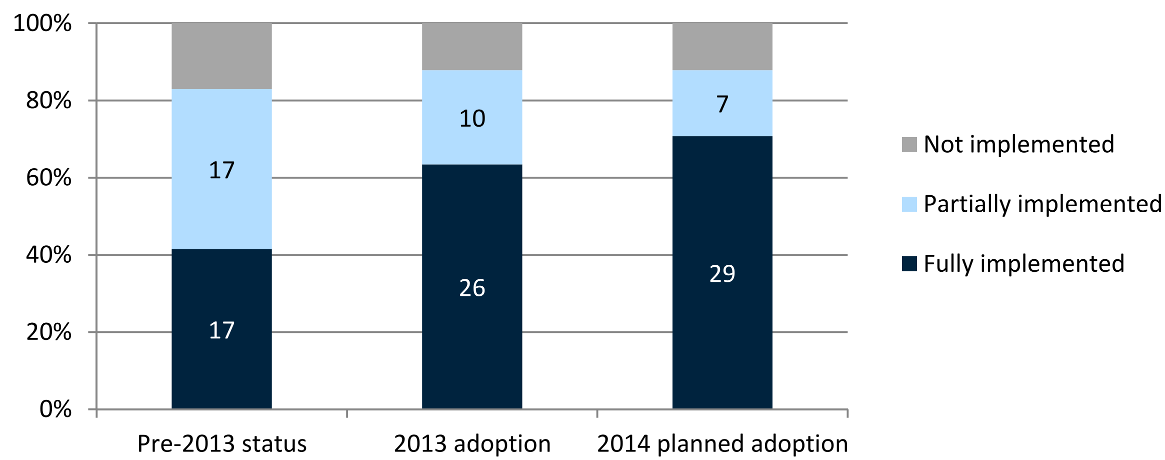
Current and planned implementation by geography



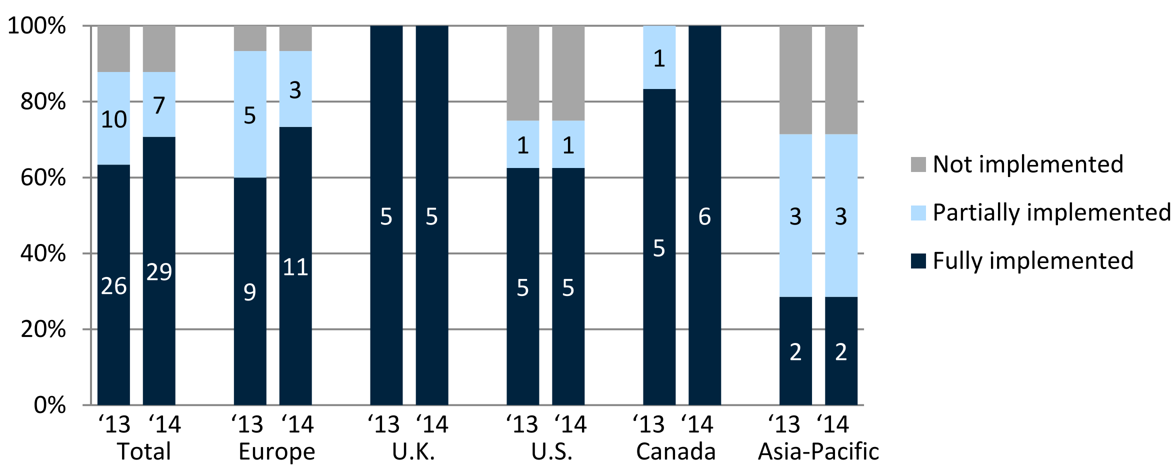
- As of 2013, thirty four banks reported they described their policies and definitions for impaired loans as recommended by the EDTF, resulting in an 83% implementation rate. This represents an additional 6 banks that implemented this disclosure beginning with this year's disclosures.
- Some banks with primary focus on capital markets activities indicated that parts of this disclosure (e.g., explanations on loan forbearance policies) were not material to their business.
- Implementers provided key definitions relating to impaired or non-performing loans as well as methodologies and considerations used to determine write-downs.

Recommendation 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. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.

Current and planned implementation of recommendation

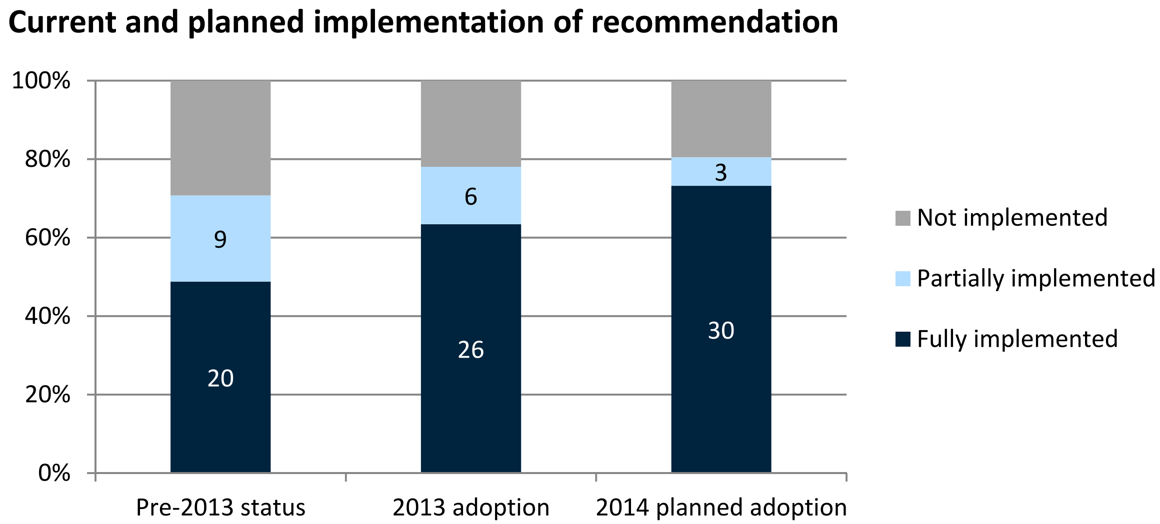


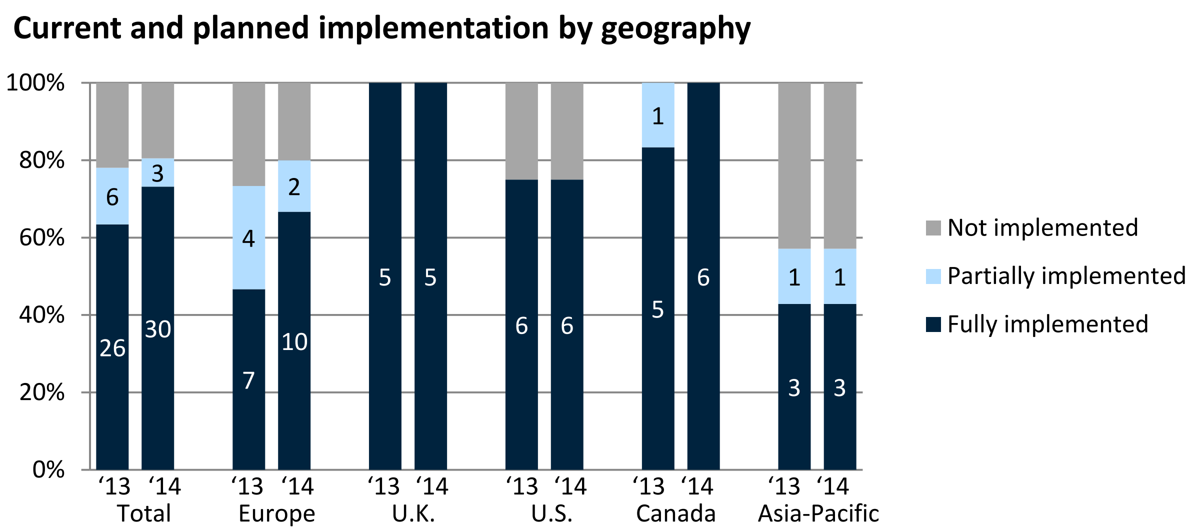
Current and planned implementation by geography



- For year-end 2013, 63% of banks reported they had fully implemented the recommendation to provide a reconciliation of opening and closing balances of impaired or non-performing loans. Nine additional banks implemented this disclosure in 2013 reports, an increase of 22 percentage points.
- Of this group, banks from the U.K. (100%) and Canada (83%) had the highest implementation rate.
- Some banks indicated that this recommendation was difficult to implement and that enhancement towards a more granular disclosure is underway.

Recommendation 28b: Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.

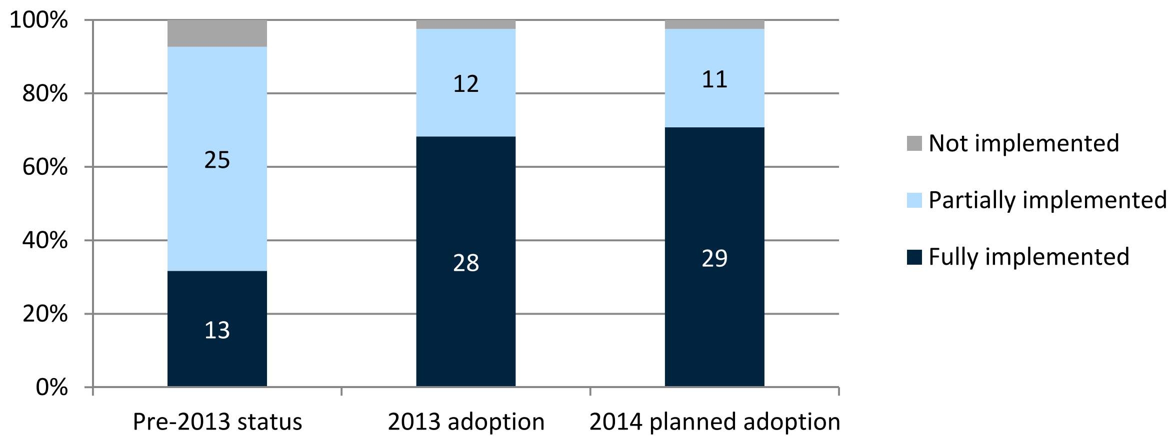




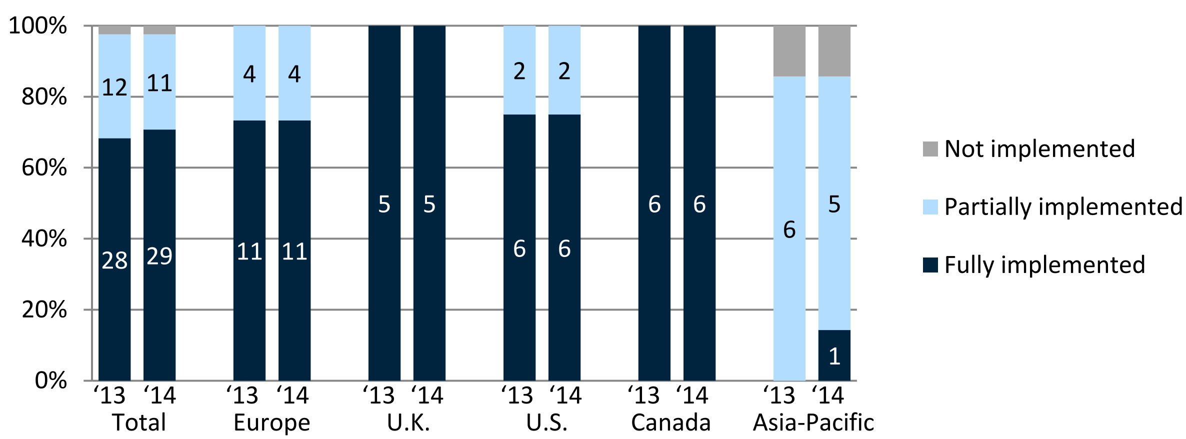
- For year-end 2013, 63% of banks reported they had provided an explanation of the effects of loan acquisitions on ratio trends as well as qualitative and quantitative information about restructured loans.
- Of this group, U.K. and Canadian participants showed the highest implementation rates for 2013 year-end at 100% and 83%, respectively.
- An additional four banks, three of which are European, plan to implement this disclosure in 2014. This will increase the implementation rate to 73%.
- Some banks have not made a decision on how or whether to implement the recommendation yet, while others have elected not to based on materiality.

Recommendation 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.

Current and planned implementation of recommendation



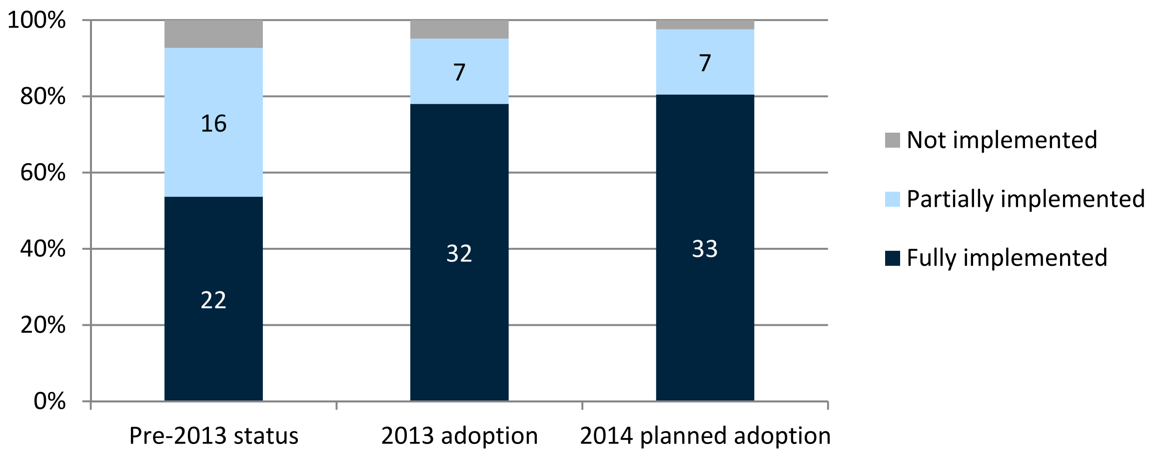
Current and planned implementation by geography



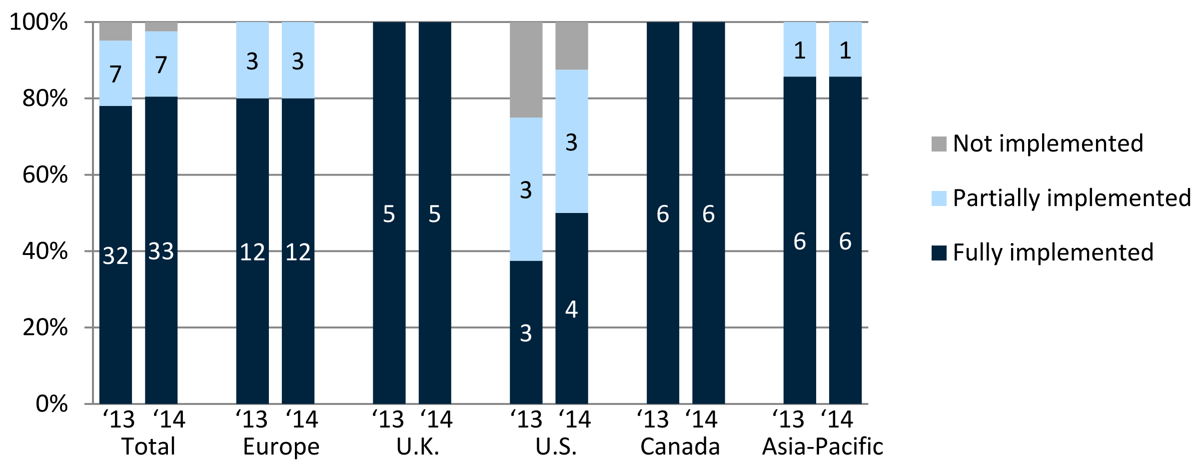
- Twenty eight participants disclosed quantitative and qualitative information on counterparty credit risk exposures from derivatives transactions for 2013 year-end in line with the EDTF recommendations.
- All participants from the U.K. and Canada have implemented this recommendation, followed by participants from the U.S. (75%) and Europe (73%)
- All but one participant fully or partially disclosed counterparty credit risk information in their year-end 2013 reports.
- Several banks that have partially implemented this recommendation indicated they plan to produce more extensive disclosures on central counterparty clearing of derivatives in the future.
- Implementers disclosed counterparty credit risk and notional value of derivatives exposure by instrument type. Some implementers differentiated between derivatives for trading and hedging.

Recommendation 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.

Current and planned implementation of recommendation



Current and planned implementation by geography



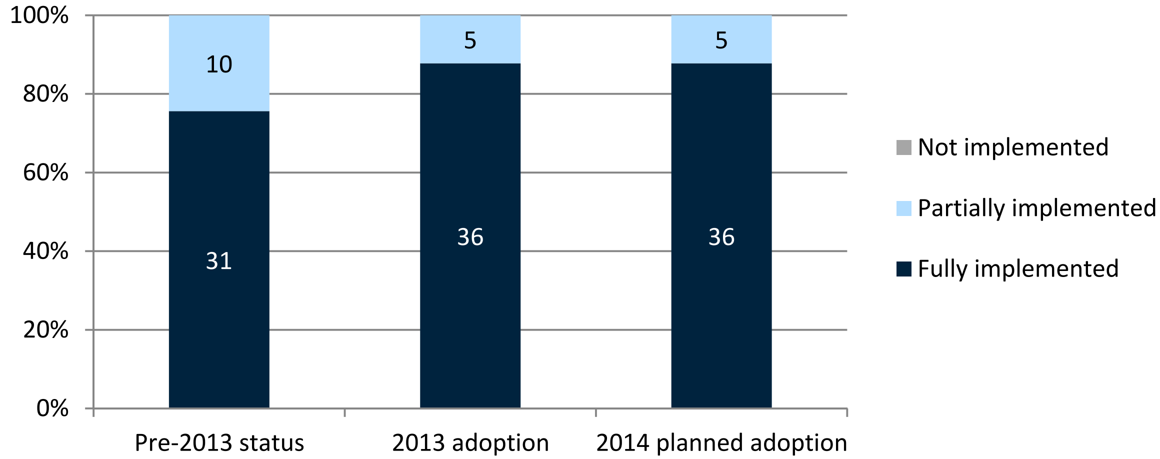
- For year-end 2013, 78% of banks reported that they disclosed credit risk mitigation information as recommended by the EDTF. Ten participants newly implemented this disclosure in 2013 reports, an increase of 24 percentage points.
- Banks from the U.K. (100%) and Canada (100% had the highest implementation rates, followed by those from the Asia-Pacific region (86%) and Europe (80%).
- Some banks indicated that they do not plan to pursue this recommendation, while others indicated they are still evaluating future plans.
- Implementers provided granular breakouts of the types of credit risk mitigants being used, and the degree to which such collateral covers credit extensions, in the context of business lines, activities and geography.

Section 4.8

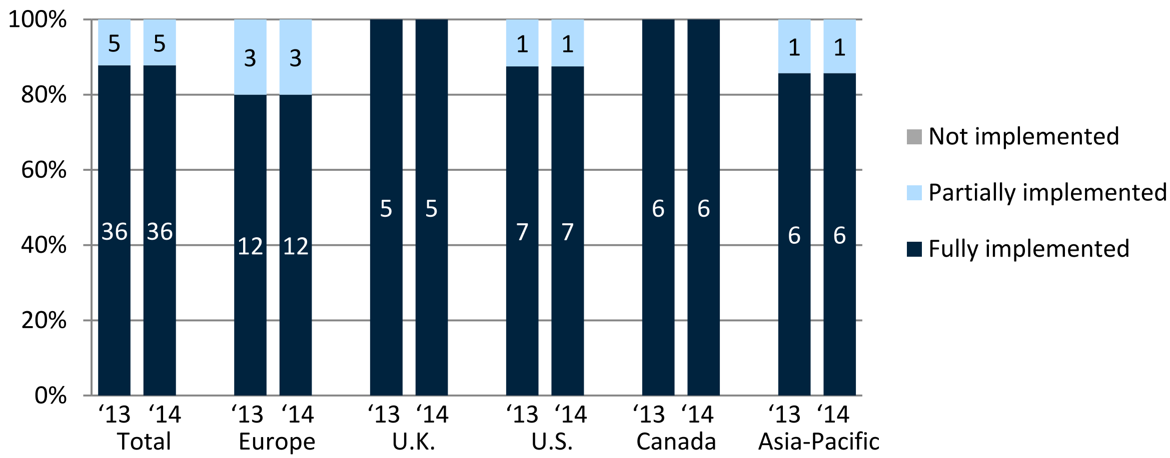
Other risks

Recommendation 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.

Current and planned implementation of recommendation



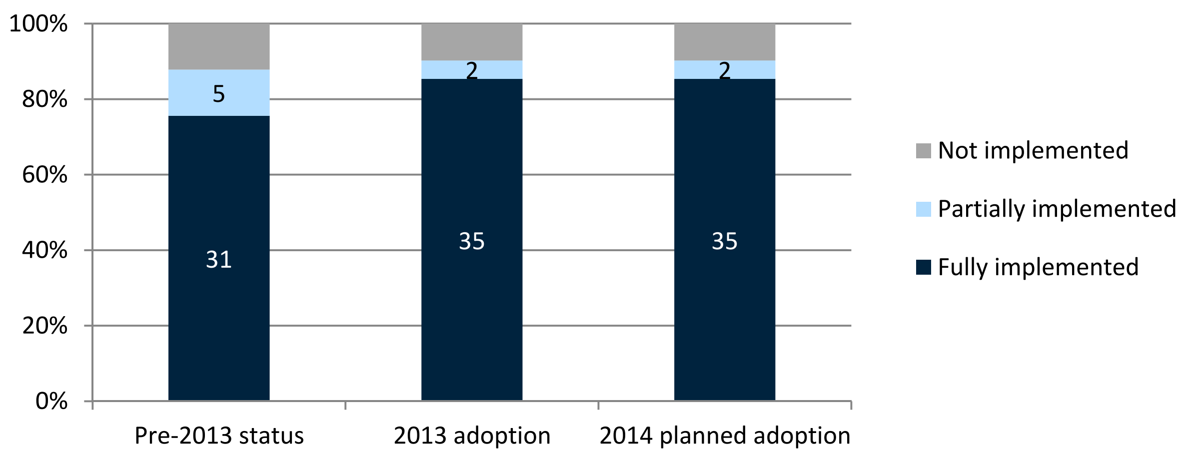
Current and planned implementation by geography



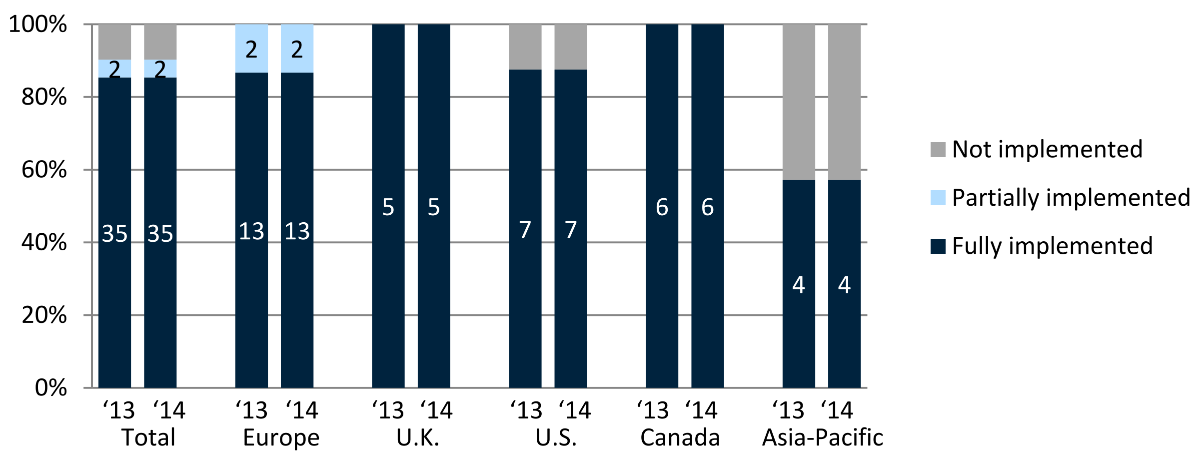
- For year-end 2013, 88% of participants reported they described other risks and the bank's risk management approach for such risks as recommended by the EDTF.
- All participants reported at least partially implementing this recommendation, with five participants having first reported full implementation in 2013 year-end reports.
- The implementation rates for each region are all above 80%.
- Implementers discussed reputational risk, operational risk, fraud risk, conduct risk, regulatory and compliance risk, and others. Implementers also provided an overview of relevant internal controls.

Recommendation 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.

Current and planned implementation of recommendation



Current and planned implementation by geography



- For year-end 2013, 85% of banks reported they disclosed information on risk events related to other risks as recommended by the EDTF. This represents a 10 percentage points increase from the prior year.
- All participants from the U.K. and Canada implemented this recommendation, closely followed by the U.S. (88%) and Europe (87%).
- Implementers clearly highlighted the risk events or issues on management’s radar and discussed corresponding risk mitigation actions taken or in process.

Section 5

Results of User Group review

An EDTF User Group conducted an independent assessment of banks' disclosures for 18 out of the 32 EDTF recommendations

- 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 expanded its review in 2014 to include ten additional EDTF recommendations that were not reviewed in the prior survey, in addition to the eight recommendations reviewed in 2013
- As in 2013, 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
- In response to bank feedback, the User Group provided all banks with a draft of their assessments to give banks an opportunity to clarify their survey responses and to enable banks 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

All EDTF Recommendations reviewed in 2013 were also reviewed in 2014

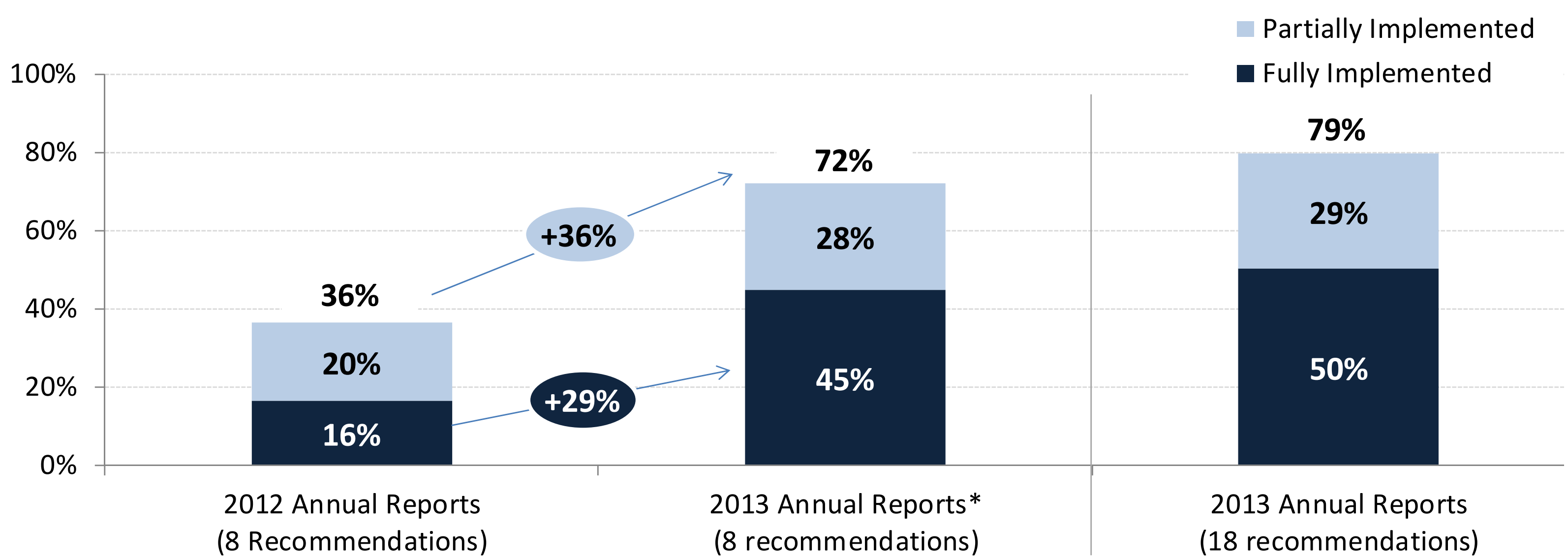
Recommendations reviewed in 2013	
7	Describe the key risks that arise from the bank's business models and activities, the bank's risk appetite in the context of its business models and how the bank manages such risks. This is to enable users to understand how business activities are reflected in the bank's risk measures and how those risk measures relate to line items in the balance sheet and income statement
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
15a	Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades.
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
16	Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type
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.
19b	Include collateral received that can be rehypothecated or otherwise redeployed.
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach to determining the behavioural characteristics of financial assets and liabilities
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 (using the bank's primary risk management measures such as Value at Risk (VaR)) and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities
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.

New EDTF Recommendations reviewed by the User Group in 2014

Additional Recommendations Reviewed in 2014	
1	Present all related risk information together in any particular report. Where this is not practicable, provide an index or an aid to navigation to help users locate risk disclosures within the bank's reports.
3	Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis. This should include quantitative disclosures, if possible, and a discussion of any changes in those risk exposures during the reporting period.
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g. the net stable funding ratio, liquidity coverage ratio and leverage ratio and, once the applicable rules are in force, provide such key ratios.
9	Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management.
10a	Summarise information contained in the composition of capital templates adopted by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments.
10b	A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.
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.
18a	Describe how the bank manages its potential liquidity needs.
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.
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.
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.
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.
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

Users agree that banks have made substantial progress over the past year, though a gap persists

- The User Group assigned Fully Implemented to 50% of banks' 2013 Annual Reports across the set of eighteen recommendations reviewed this year, including ten new recommendations
  - 79% of the recommendations reviewed were viewed as Partially or Fully Implemented
- Among the recommendations reviewed last year, the User Group assigned a 45% Fully Implemented rate compared to just 16% in 2013 -- up 29 percentage points (pps) and nearly triple the prior year's level
  - 72% of the recommendations reviewed last year were viewed as Partially or Fully Implemented, up 36 pps and double the implementation rate reported in the prior year
  - The gap between Bank self-assessments and the User Group's review narrowed from 14% to 10% for those institutions that participated in last year's survey (using a comparable set of recommendations)

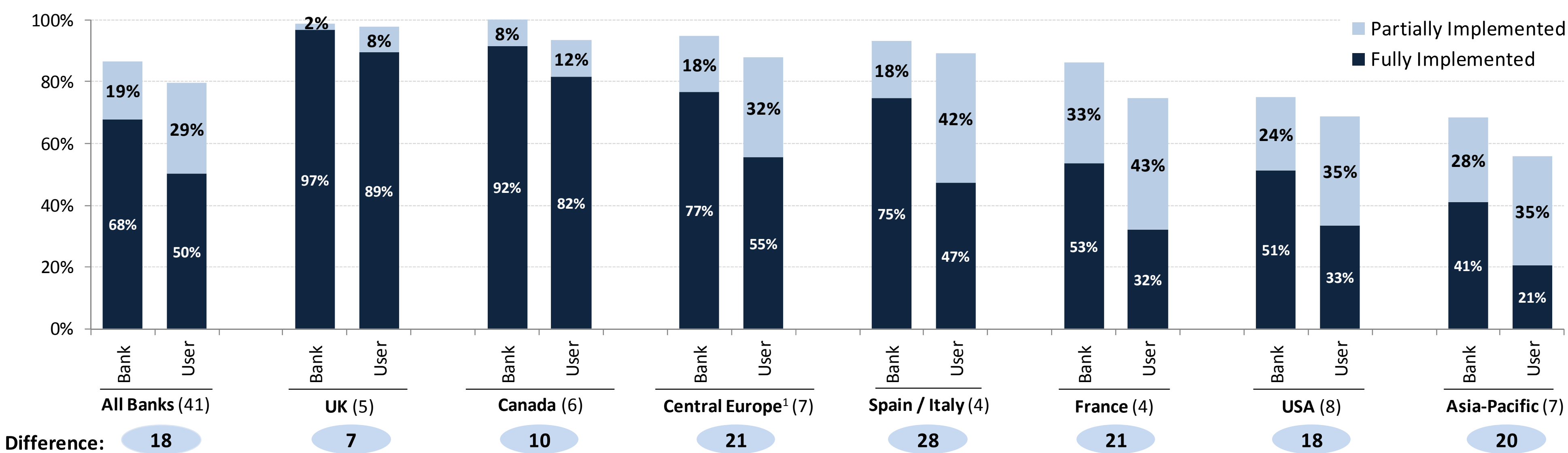


* Based on the eight recommendations reviewed in banks' 2012 Annual Reports

Implementation continues to vary across countries

- The difference between the User Group and Bank assessments was 18pps across the full set of recommendations reviewed (68% in the bank survey vs. 50% in the User Group review) with significant variations across geography
- The User Group assigned the highest implementation rates to banks in the U.K. and Canada (89% and 82%, respectively), where local regulators have strongly encouraged implementation of the EDTF recommendations and engaged actively with banks on recommended disclosures
- The difference is wider in Asia-Pacific, Continental Europe and the U.S. for a number of reasons, including differences in regulatory pressure and to the addition of eight new banks to the survey in these regions.

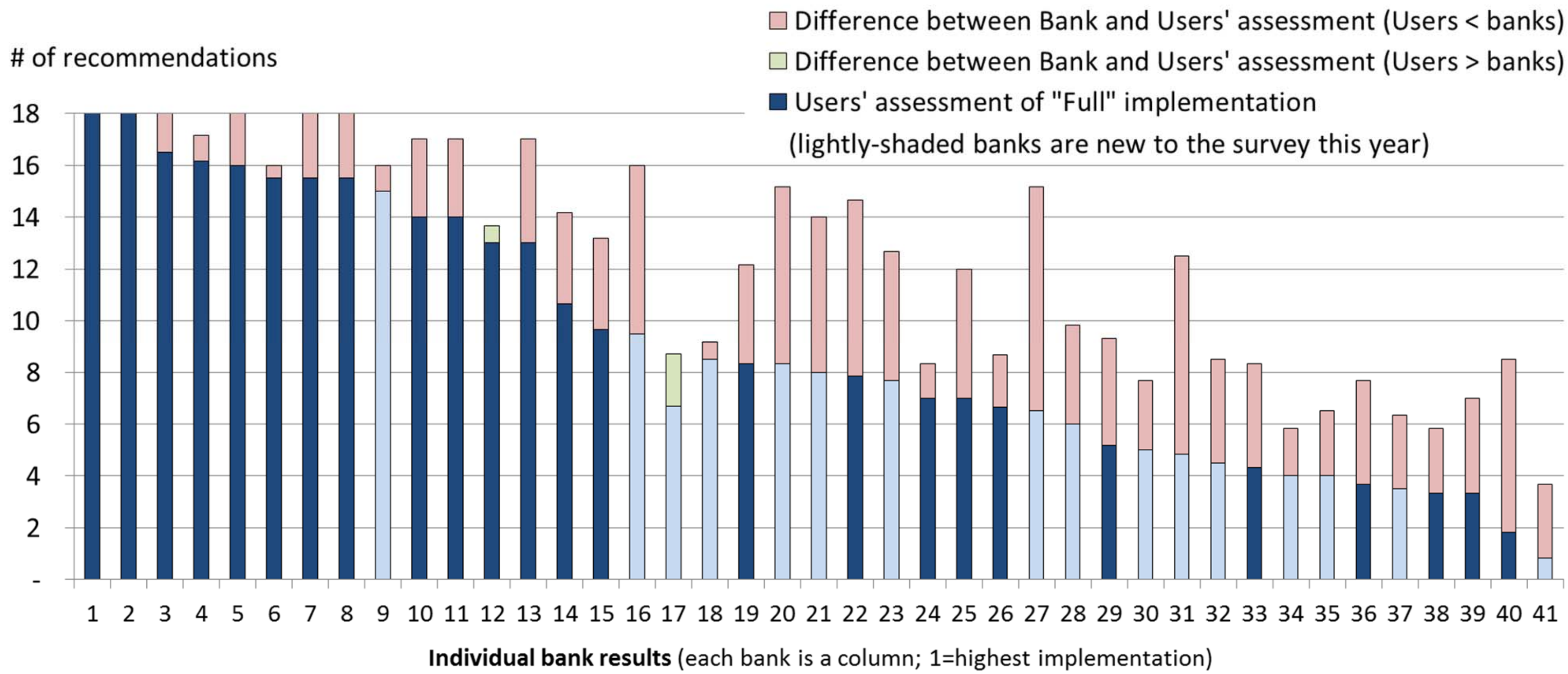
A comparison of the Bank and User Group assessments across all 18 recommendations is shown below



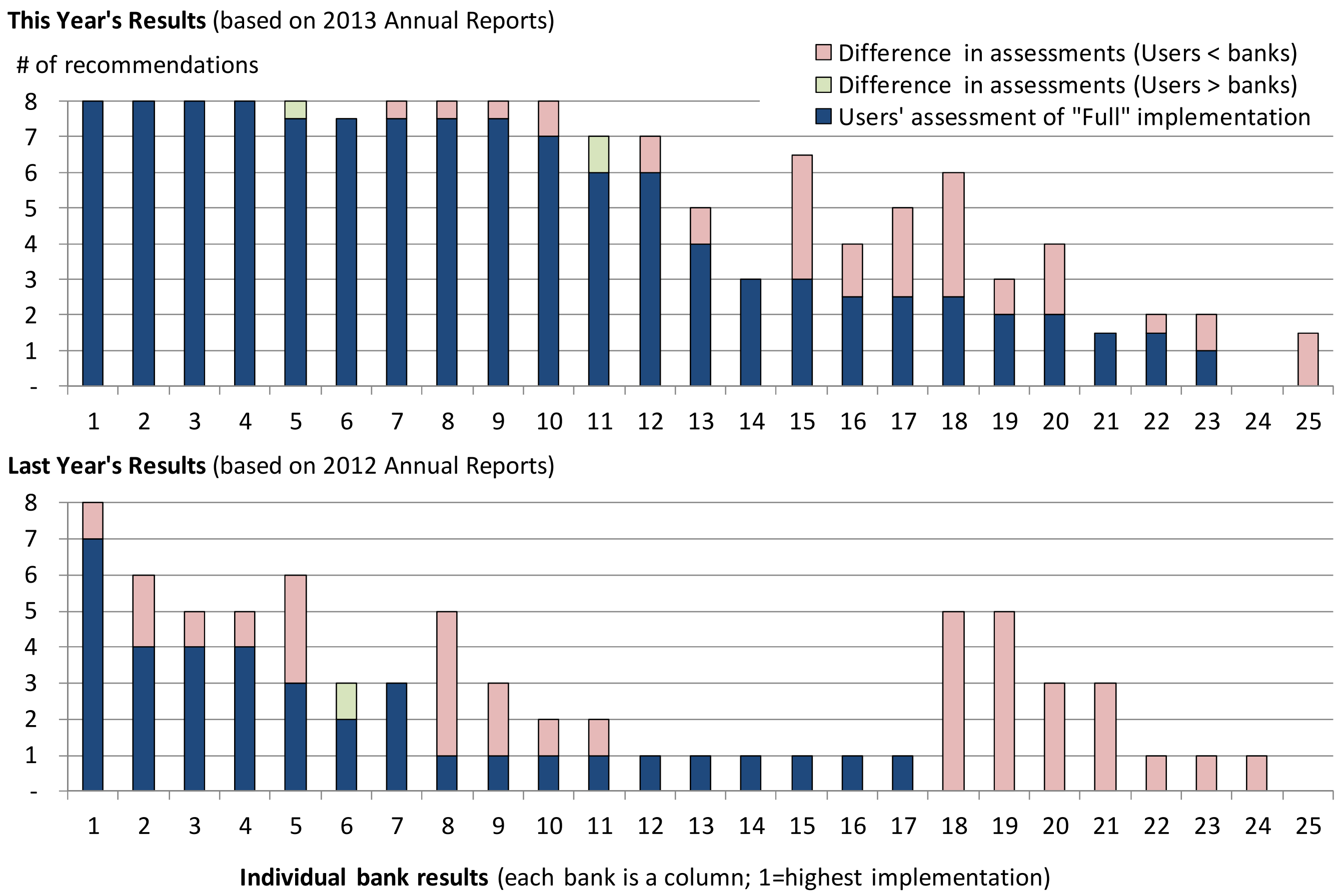
1) Central Europe includes Germany, the Netherlands, Sweden and Switzerland. Asia-Pacific includes banks in Australia, China, Japan and Singapore

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 41 in decreasing order of number of disclosures assessed by the User Group as Fully Implemented)
- The average difference was 2.8 out of 18 recommendations for banks that participated in last year's survey and 4.0 for banks that are new to the survey this year
- Two banks assessed themselves as having implemented all eighteen of the recommendations reviewed and the User Group agreed.
  - The User Group assessed an additional quarter of the banks to have fully implemented at least 13 of the 18 recommendations; and a further three to have fully implemented between 9 and 12 of the recommendations
  - There were two instances where the User Group assessment exceeded the Bank assessment (in green)

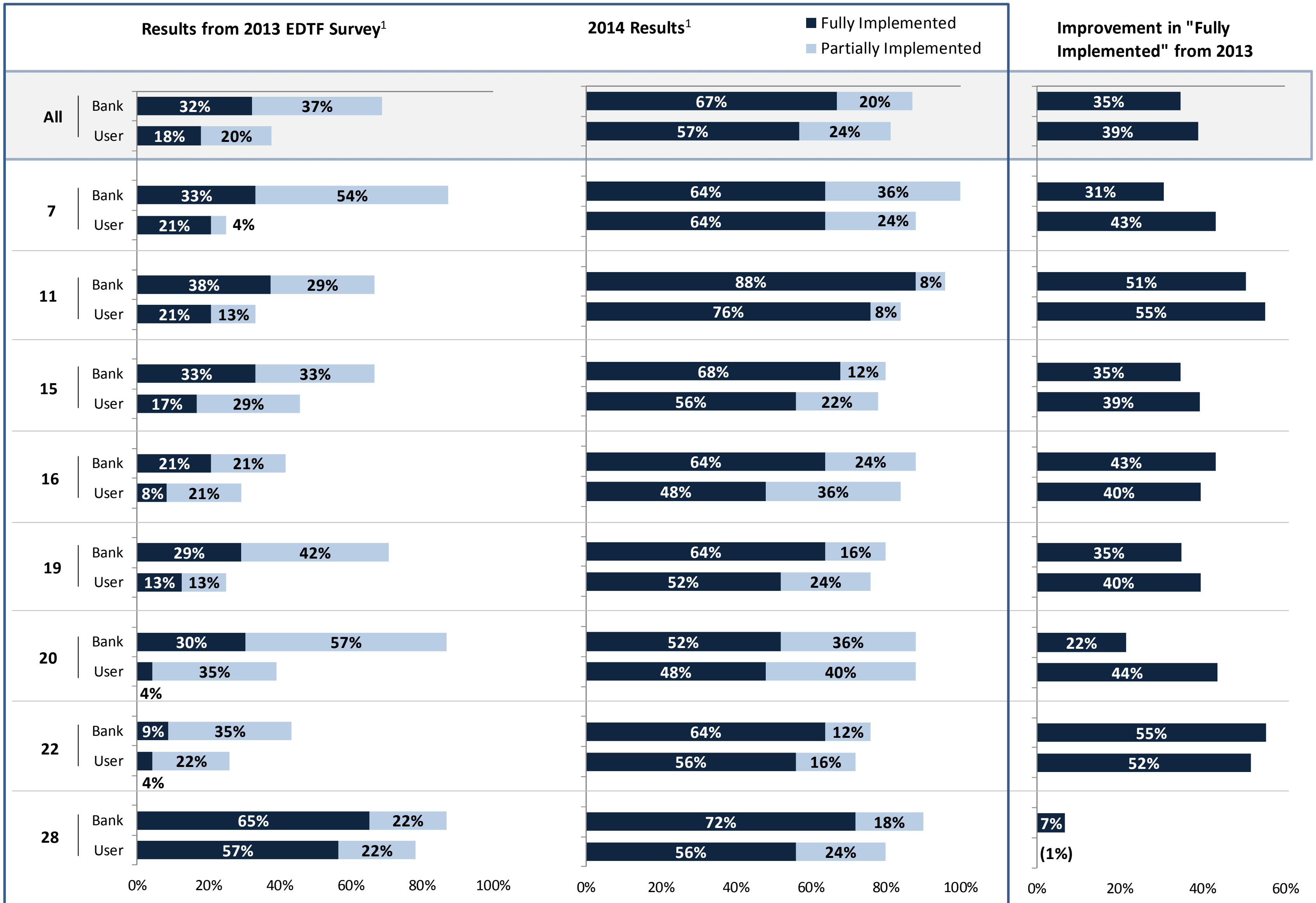


Comparison of Banks' and Users' assessments in 2014 vs 2013



- The User Group view improved substantially for those banks that participated in 2014 vs. their performance in 2013
- In 2014, the User Group recognized five banks as having Fully Implemented all eight of the recommendations reviewed last year and another five that had implemented all but one recommendation
- In 2013, the User Group noted ten banks that had Fully Implemented none of the recommendations and another ten banks that had implemented only one of the 8 recommendations. In 2014, that number dropped to 3 banks

Progress in 2014 was particularly strong among the 25 banks that participated in the survey in 2013[1]



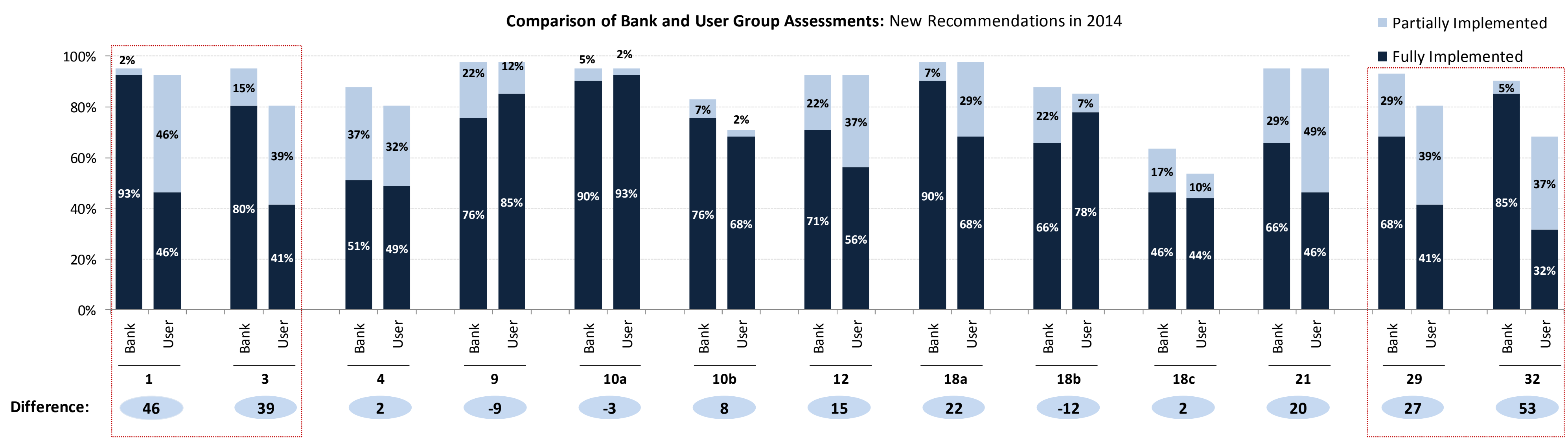
1) Results include only those banks that participated in both 2013 and 2014 (25 banks total)

For new recommendations, the User Group view differed the most for qualitative disclosures

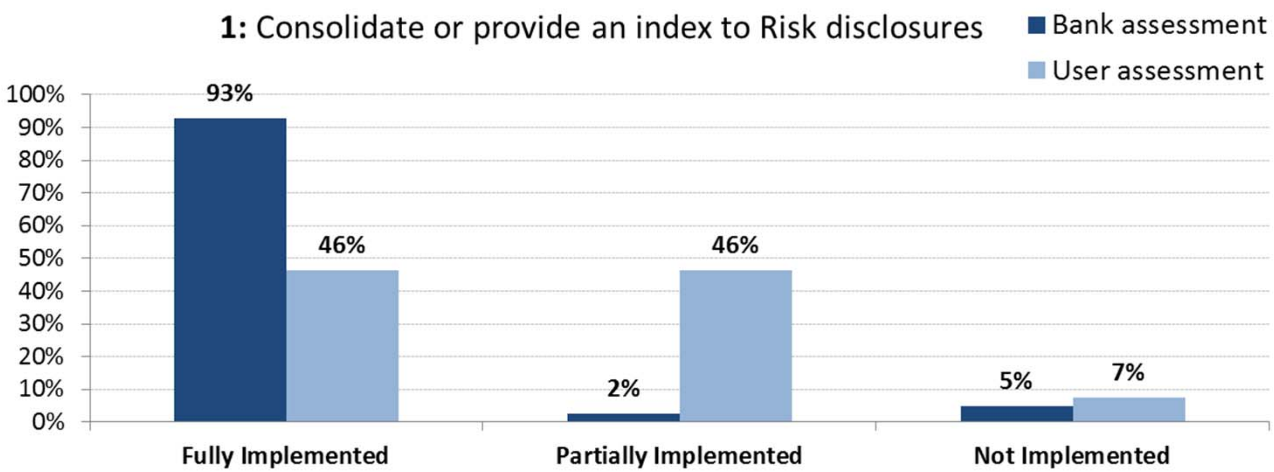
- Among the ten new recommendations reviewed this year, the User Group considered 57% to be fully implemented. This compares favourably to the set of recommendations reviewed last year (44% implemented). This suggests that the recommendations reviewed last year were indeed among the most-challenging to implement.
  - Users gave banks higher marks than the banks gave themselves for recommendations 9 (min Tier 1 requirements), 10a (regulatory capital templates) and 18b (quantification of the liquidity reserve)
- The most significant differences between the Banks' and User Group views related to certain qualitative disclosures that Users viewed as "boilerplate" (e.g., generic disclosures for compliance). For example, Users gave no credit to operational risk management disclosures that simply referenced the status of outstanding litigation.

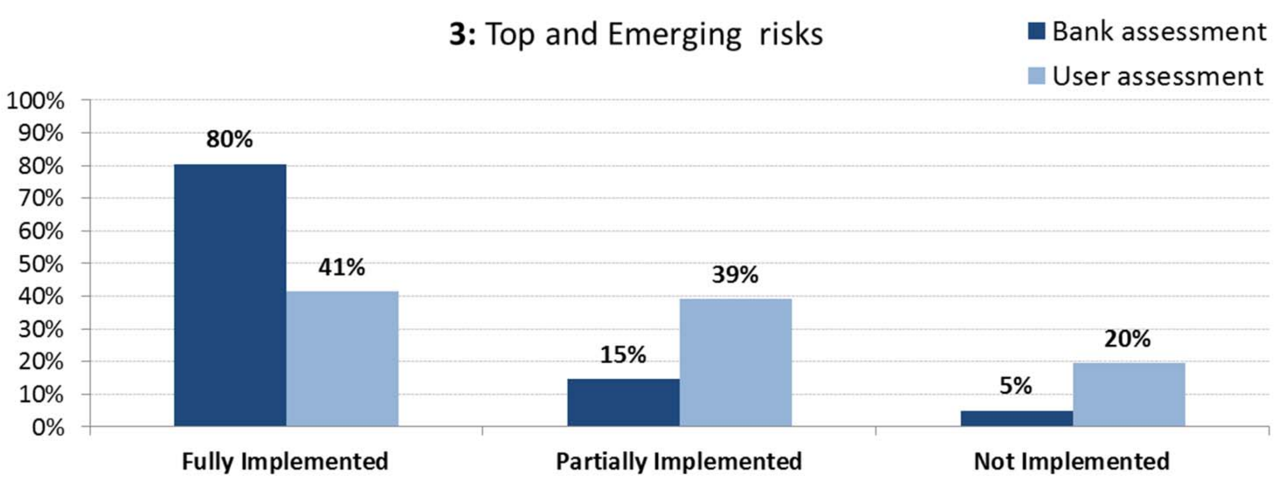
  Recommendations with the biggest gaps included:
  - Rec 1 (Index to risk disclosures) – *46% difference*
  - Rec 3 (Top & emerging risks) – *39% difference*
  - Rec 29 (Counterparty credit risk from derivatives) – *27% difference*
  - Rec 32 (Op Risk losses & mitigation) – *53% difference*

Comparison of Bank and User Group Assessments: New Recommendations in 2014



Comparison of select User Group and bank assessments based on 2013 year-end disclosures
Recommendations 1 and 3





Highlights of User Group feedback

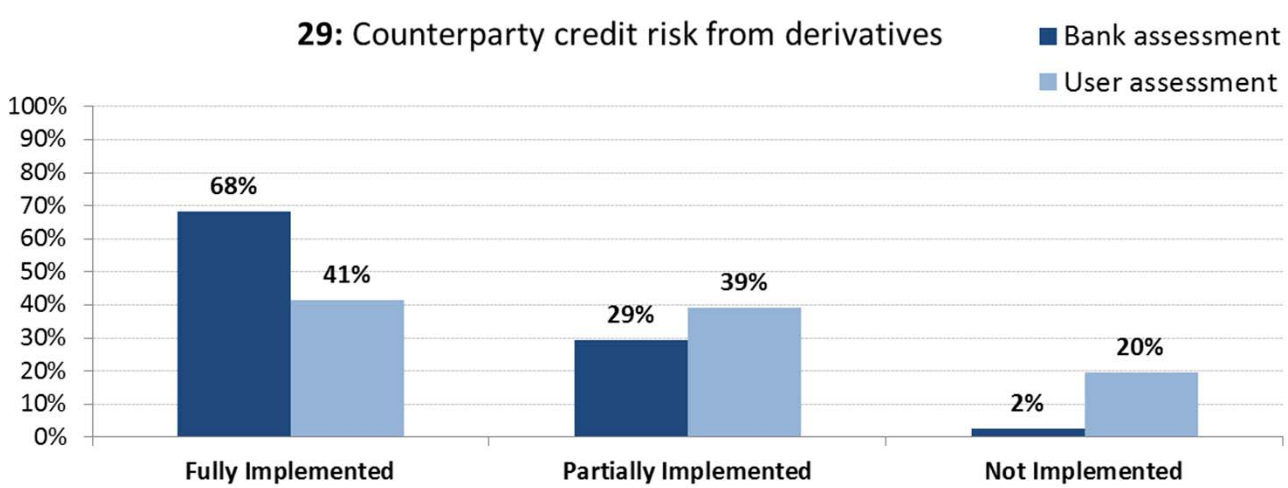
- Users find this recommendation particularly useful, if done well
- Users gave Full credit to banks that either consolidated all risk information in one section (including Pillar 3) or provided a detailed reference to risk disclosures (not just a reference to a section on "Risk Management")
- **Leading Practice**: HSBC, Royal Bank of Canada, Credit Agricole

- Differences between the User Group and banks' assessments were due to
  - References to "boilerplate" and non-prioritized risk disclosures which occasionally listed dozens of risks
  - No differentiation between Top / Emerging risks that receive Board attention and Business As Usual risks
- Users looked for evidence that management was focused on the Top Risks mentioned and did not consider "boilerplate" risk disclosures as meeting this recommendation
- **Leading Practice**: ING, RBS, HSBC

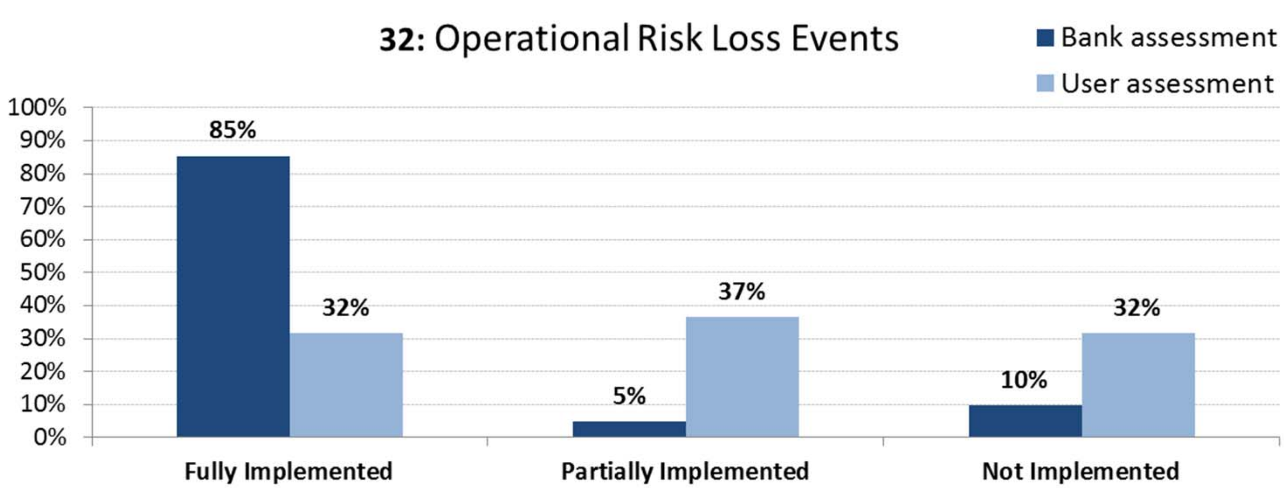
Comparison of select User Group and bank assessments based on 2013 year-end disclosures

Recommendations 29 and 32

Highlights of User Group feedback



- Differences between the User Group and banks' assessments were due to
  - Missing breakouts of derivatives by product type, OTC vs. cleared
  - Derivatives footnotes "sprinkled" across multiple disclosures
- Users also sought to see quantification of notional exposure split by OTC bilateral / centrally cleared as well as details about collateral agreements
- **Leading Practice:** Santander, Scotia, CIBC



- Differences between the User Group and banks' assessments were due to
  - References to outstanding litigation without description of related risk management or actions taken
- Leading practice banks discussed top operational risk exposures and risk management efforts underway, regardless of whether they were in response to a specific loss event
- **Leading Practice:** Barclays, HSBC, ING, Mizuho, HSBC, Santander