2 July 2013

Mr. Mark Carney, Chairman
Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Mr. Carney,

As requested, the Enhanced Disclosure Task Force (EDTF) is pleased to present a second report having undertaken a study of the level and quality of the implementation of the recommendations of our first report, 'Enhancing the Risk Disclosures of Banks' that was published in October 2012.

This study consists of two parts: the findings from a self-assessed survey of global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs); and a review of a subset of the EDTF disclosures made in banks' 2012 Annual Reports and Pillar 3 documents by a group of the investor and analyst members of the EDTF. In addition, the EDTF held meetings and conference calls to discuss the results of the study and to agree on the key messages included in this follow up report.

The survey results confirm that the recommendations of the EDTF are making a positive impact on the reporting practices of global financial institutions. On an aggregate basis, participating banks report that they disclosed only 34% of the information recommended by the EDTF prior to the publication of the report last October; however, following the publication of our report many banks made a substantial effort to incorporate the recommended disclosures into their 2012 Annual Reports. The overall share of recommendations implemented thus far increased to 50% as at these banks' year ends. Banks also report that implementation is likely to accelerate in 2013 as they expect to have implemented 72% of the EDTF's recommendations in aggregate within their 2013 disclosures. Much of the improvement is forecast for those recommendations that were challenging for banks to implement within their 2012 Annual Reports due to technology or reporting system limitations and due to the extensive legal, compliance and management review process required for approving new public disclosures.

One of the unique features of the EDTF has been the active participation by a range of investors and analysts who are the users of the financial information published by banks. Consistent with that approach, user members of the EDTF have conducted their own assessment of the banks' implementation of some of the key EDTF recommendations. The User Group's review indicated a lower degree of implementation than the banks' self-assessment, particularly for recommendations where users expected granular, quantitative or tabular disclosures. It is important to note that these differences were less pronounced among those banks that were involved in the development of the recommendations and therefore had more time to consider and to implement the recommendations in 2012.

The EDTF notes that the differences between the Bank Survey and the User Review may be attributable partially to the limited familiarity that some responding banks had with the EDTF recommendations prior to completing their 2012 Annual Reports and due to the principles underlying the report that banks should present disclosure in a way that reflects how they manage their business. For example, some banks noted that they may decide not to adopt the recommendations as presented in the report in cases where they believe the additional disclosure is not material to their business. In such cases, the User Group considers that leading practice should be for banks to reference the EDTF recommendations and to discuss when a particular recommendation has not been implemented. This will give users an opportunity to understand each bank's views on particular disclosures in order to inform their own views, encouraging an effective dialogue.

The EDTF sees these results as an opportunity for preparers and users to engage over the coming year to discuss the recommendations and we believe this engagement should result in further enhancements to risk disclosures for the 2013 reporting cycle. This is especially true where banks' self-assessments suggest full implementation was achieved in 2012 but where the User Group has a different view. The EDTF expects that this dialogue will provide a mechanism for banks to continue to enhance their disclosure standards while simultaneously helping to restore capital market discipline.

The EDTF also believes that all market participants have a role to play in ensuring continued enhancements of bank's risk disclosures. Investors need to discuss expectations with the banks on an individual basis to help support further enhancements, including in those cases where there are differences between the bank's self-assessment and the assessment of the User Group. Regulators also have a role to play in supporting and encouraging banks' enhancement of their risk disclosures as part of this private sector initiative, particularly as it relates to enhancing the comparability of disclosures within their banking systems.

While the bank self-assessment found a greater degree of implementation in the 2012 Annual Reports from that found by the User Group, the EDTF is encouraged that several of the largest global banks have addressed many of the EDTF's recommendations in their 2012 Annual Reports and that banks more broadly have committed to implement the recommendations within their 2013 disclosures. If banks are successful in implementing the recommendations as planned for their 2013 Annual Reports and Pillar 3 documents – and also if the perceived differences in current implementation are resolved – then the majority of the EDTF's recommendations will be implemented within the first full year following the publication of the report. Specific discussions between investors and individual banks also will help to support disclosure enhancements aligned with the EDTF recommendations.

Once again, we would like to express our gratitude to all EDTF members and the secretariat, Del Anderson and Sondra Tarshis, for their continued contribution and commitment to the EDTF's work, as well as Hirotaka Inoue and Richard Thorpe of the FSB Secretariat for their significant involvement in the process and the Financial Stability Board for its continued encouragement and support. In addition, we would like to thank those banks that participated in the survey and PwC, in particular Alejandro Johnston and Jeffrey Sowell, for their contribution to the development, compilation and analysis of the bank survey.

Sincerely,

Hugo Bänziger	**Russell Picot**	**Christian Stracke**
Eurex Zürich AG	HSBC	PIMCO

Background

In October 2012, the Enhanced Disclosure Task Force ("EDTF"), a private sector group established by the Financial Stability Board ("FSB") and composed of members representing both the users and preparers of financial reports, released a report that included thirty-two recommendations for improving bank risk disclosures in the areas of usability, risk governance and risk management, capital adequacy, liquidity and funding, market risk, credit risk and other risks. In early 2013, the FSB requested that the EDTF produce a report providing an update on how the recommendations are influencing risk reporting and whether they have proved helpful in meeting users' needs. Therefore, the EDTF, together with PwC, reached out to banks to identify which of the report's recommendations were implemented in 2012 Annual Reports and which have been prioritised for the coming year. In addition, a group of investors and analysts from within the EDTF, the User Group, reviewed a sample the 2012 Annual Report disclosures of those banks participating in the survey to assess the first reporting following issuance of the recommendations.

Bank Survey

The Bank Survey of global systemically important banks ("G-SIBs") and domestic systemically important banks (D-SIBs) was based on self-assessment and 31 responses were received from Europe, North America and Asia. Significant findings from the bank survey include:

- **Early adopters**: Several banks reported that they had adopted the majority of the EDTF recommendations in their 2012 Annual Report and Pillar 3 documents, including five banks that reported an implementation rate of more than 70%. Several banks also changed the timing of the publication of their Pillar 3 disclosures to coincide with their Annual Reports, as recommended by the EDTF as a way to accelerate the timely disclosure of risk information
- **Implementation of qualitative disclosures**: In general, banks reported substantially higher implementation levels for qualitative recommendations than for quantitative recommendations. Recommendations related to general, risk governance and other risks showed the highest adoption rates, while quantitative disclosures related to funding, market risk and capital adequacy showed lower adoption rates for the 2012 Annual Reports
- **Broad-based adoption planned for 2013**: For all but three recommendations, a majority of banks plan to implement the recommendation in 2013. Some banks indicated they are still evaluating whether or not to implement certain recommendations

User Review

For those banks included in the Bank Survey, an independent User Group reviewed disclosures made in response to the eight EDTF recommendations that reference Figures 1-8 in the EDTF report. The banks' self-assessment in the Bank Survey indicated a greater degree of implementation than the User Review, particularly for recommendations where users expected more granular, quantitative disclosures. These differences were smaller among those EDTF member banks that had helped to develop the recommendations and therefore had more time to consider and to implement the recommendations in 2012.

The EDTF notes that the differences between the Bank Survey and the User Review may be attributable partly to the limited familiarity that some participating banks had with the EDTF recommendations prior to completing their 2012 Annual Reports and the principles underlying the report that banks should present disclosure in a way that reflects how they manage their business. The EDTF sees this difference as an opportunity for bank preparers and users to engage over the coming year to foster a greater understanding of the recommendations and users' needs. This engagement should result in further enhancements to risk disclosures for the 2013 reporting cycle. These discussions will be particularly important where banks believe they have fully implemented a recommendation but the disclosure does not yet meet users' expectations.

Results of Bank Survey

The EDTF, with the support of PwC, conducted a survey[1] of G-SIBs and other D-SIBs in Europe, North America and Asia to understand progress made thus far in the implementation of the EDTF's October 2012 recommendations as well as banks' plans for further implementation in 2013. For each EDTF recommendation, the survey asked banks to report whether the recommendation was:

- Implemented in existing disclosures (already standard practice prior to the 2012 year end)
- Implemented as part of the 2012 Annual Report or Pillar 3 document
- Planned for the 2013 Annual Report or Pillar 3 disclosures
- Not applicable to bank or implementation plans remained unclear

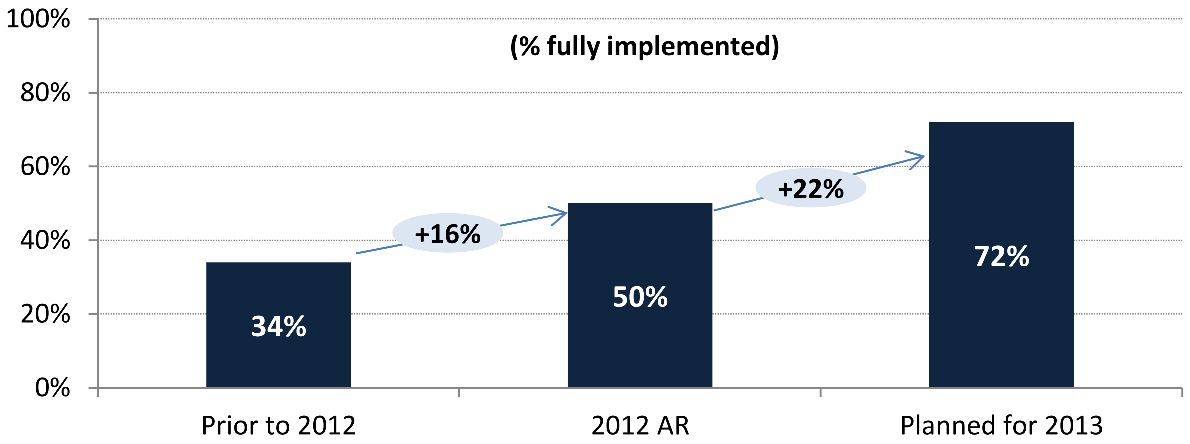
The results that follow are based on the responses received from 31 participating institutions representing a diverse mix of size, geography, accounting and regulatory standards. The results shown in this section are based on banks' self-reported responses that have not been independently reviewed.

- UK — 4 responses
- Europe (excluding the UK) — 12 responses
- U.S. — 7 responses
- Canada — 6 responses
- Asia — 2 responses (shown as part of "All Banks" in the results)

Aggregate results

The survey results confirm that the recommendations of the EDTF are making a positive impact on the reporting practices of global financial institutions. On an aggregate basis, participating banks report that they disclosed only 34% of the information requested by the EDTF prior to the publication of the EDTF report last October; however, many banks made a substantial effort to incorporate the recommended disclosures into their 2012 Annual Report disclosures and the overall share of recommendations reported as being fully implemented increased to 50% at year end.

Exhibit 1: Aggregate Implementation of EDTF Recommendations by Participating Banks

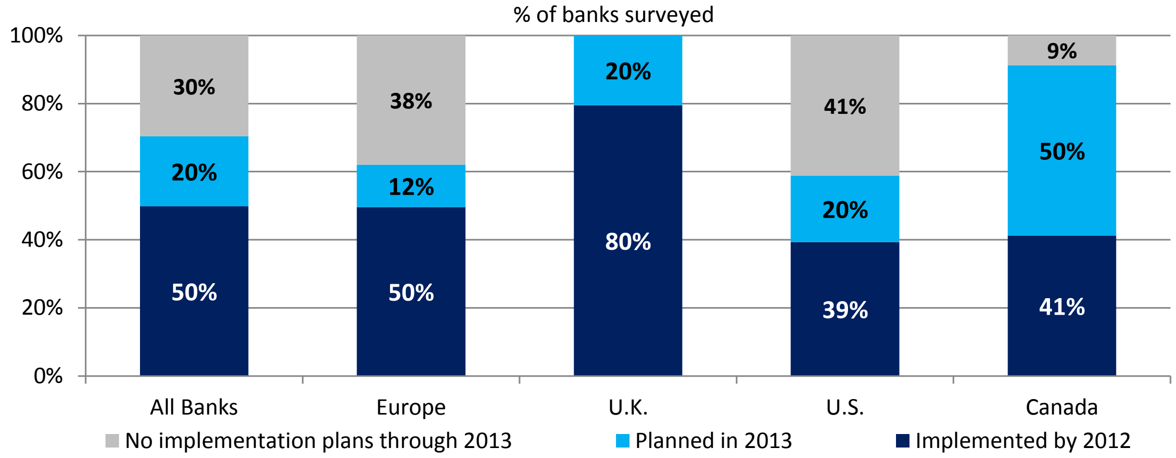


Banks also report that implementation is likely to accelerate further in 2013 and they expect to have implemented 72% of the EDTF's recommendations in aggregate for the 2013 Annual Report disclosures. This number could be higher as some banks have not yet made a decision about whether to implement specific recommendations.

[1] The survey was conducted by PIMCO, with the support of PwC. Each of the 28 G-SIBs was invited to participate, along with those banks represented on the EDTF and other large, interconnected national banks (e.g., Top 6 Canadian banks). Of 42 banks contacted, 31 banks submitted a response and are included in the survey results.

The survey results on a geographic basis show that banks in the UK have made the most progress in implementing the results thus far with 80% of the EDTF's recommendations being fully implemented in 2012 and plans to achieve full implementation of the remaining recommendations in 2013. It should be noted that the financial year end for Canadian banks is October, so they were unable to make any changes to their 2012 Annual Reports in response to the EDTF's recommendations. However, the Canadian banks intend to implement 91% of the recommendations in 2013.

Exhibit 2: Implementation of EDTF Recommendations by Geography



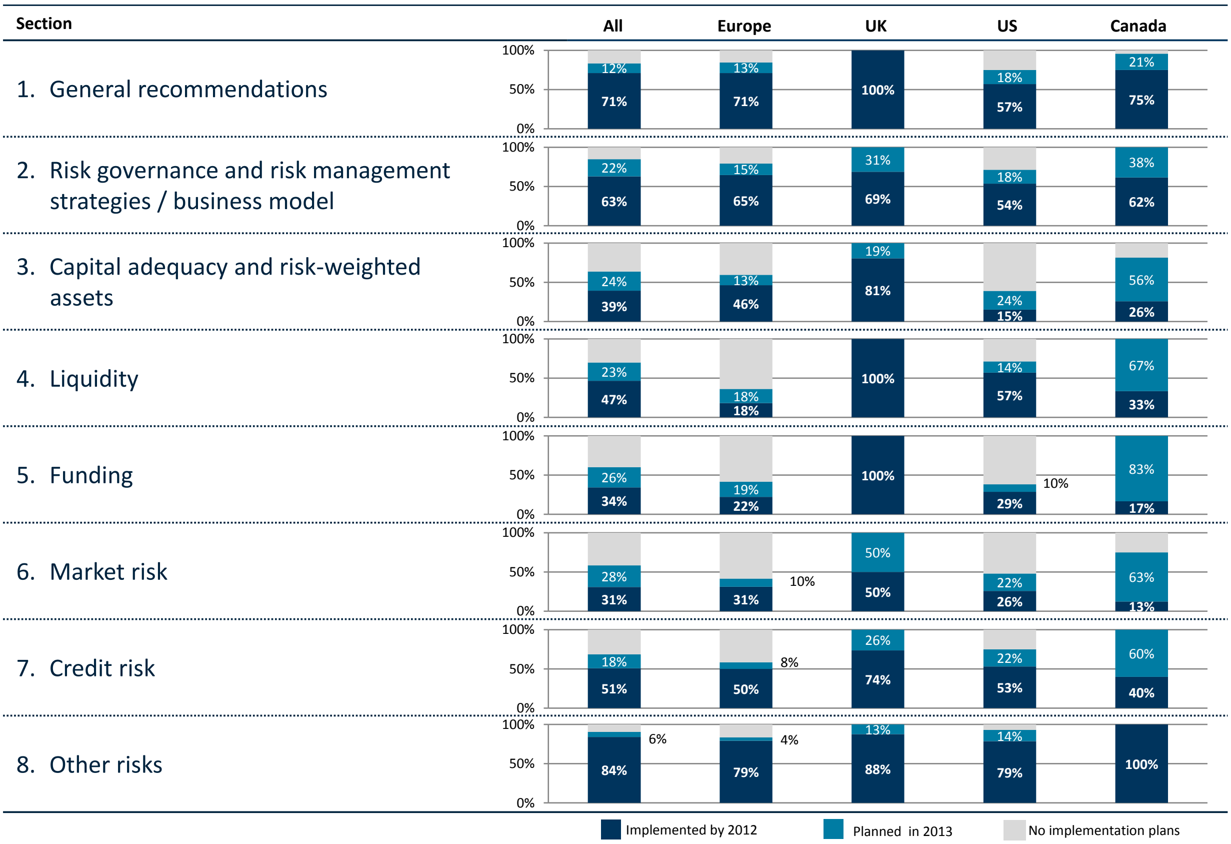
The rapid uptake in the UK and Canada is due partially to expectations set by the local regulators (Bank of England, The Office of the Superintendent of Financial Institutions Canada (OSFI)). Implementation plans throughout Continental Europe, North America and Asia are lower in part because local regulators have not set expectations for adopting the EDTF's recommendations. However, the results for these countries are nonetheless encouraging because they show that many of the largest global banks are actively addressing the EDTF's recommendations in the absence of specific regulatory guidance. If banks in these countries are successful in implementing the recommendations as planned for their 2013 Annual Reports and Pillar 3 documents – and also if the perceived differences in current implementation are resolved – then U.S. banks and Continental European banks will have fully implemented 59% and 62%, respectively, of the EDTF's recommendations within the first full year following the publication of the report. Such progress is encouraging given that the EDTF recommendations represent a private sector initiative to encourage more effective and efficient communication and in the context of meeting other requirements from accounting standard setters and regulators.

In addition to the thirty-two specific disclosure recommendations, the EDTF report also included seven fundamental principles for enhancing disclosures which underpin the recommendations. The bank survey did not ask banks to assess their adherence to these principles; however, the EDTF noted that a number of banks have enhanced the comparability and timeliness of their disclosures (Principles 6 and 7). Relating to comparability, a number of banks have modified their disclosures to be more consistent with the Figures presented in the EDTF report. By adopting the recommendations and disclosing quantitative information following the Figures, these banks are promoting greater comparability across institutions. Relating to timeliness, the EDTF identified seven banks that have accelerated the publication of their Basel II Pillar 3 disclosures to coincide with the publication of the Annual Reports or have incorporated Pillar 3 disclosures directly within their Annual Reports. In addition, several EDTF member banks are in the process of identifying which annual disclosures it would be most helpful to report on a quarterly basis, particularly in the areas of capital adequacy/RWAs, liquidity, funding, credit and market risk.

Implementation by Section

Exhibit 3 summarises the status of participating banks' current disclosures and 2013 implementation plans by risk area. Banks reported substantially higher implementation levels for qualitative recommendations than for quantitative recommendations in their 2012 Annual Reports, in part due to practical challenges. Several banks cited difficulties in implementing quantitative recommendations in time for the 2012 Annual Reporting period due to technology or reporting system limitations and due to the extensive legal, compliance and management review process required for approving new public disclosures. Such challenges were particularly acute for US-based institutions in 2012. As a result, qualitative disclosures related to General Recommendations and Other Risks show the highest implementation rates overall to-date, in excess of 71%. Similarly, the lowest implementation rates were observed in Market Risk and Funding disclosures where 31% and 34% of banks, respectively, reported having fully implemented the EDTF's recommendations. Implementation of the recommendations related to capital adequacy is lower for U.S.-based institutions at 15% because U.S. banks do not yet report under the Basel II/III framework.

Exhibit 3: Implementation of EDTF Recommendations by Risk Area

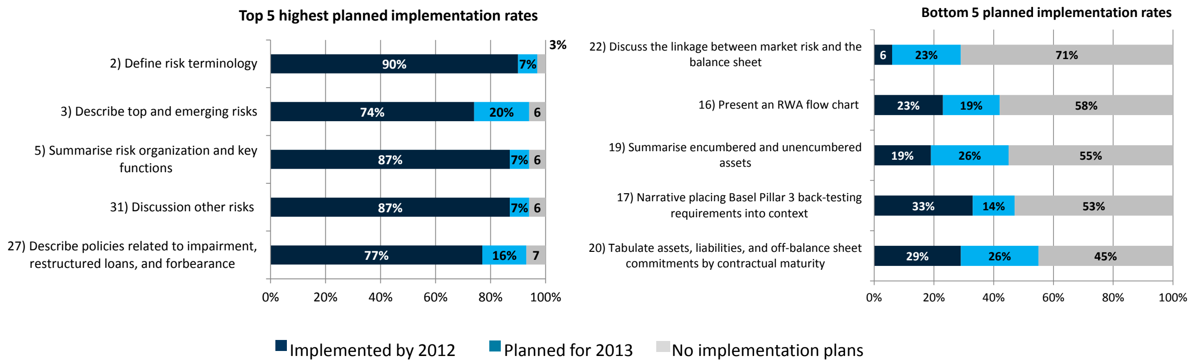


Where EDTF recommendations are related to regulatory initiatives such as recommendation 4 (regulatory ratios), the extent of implementation may be influenced by progress on finalising the applicable rules. Similarly, where disclosure requirements in areas related to EDTF recommendations are being considered by accounting standard setters or regulators, banks may be holding back on implementing EDTF recommendations until the related accounting or regulatory disclosure requirements are finalised in order to address both at the same time. The EDTF acknowledges this approach; however, the User Group also encourages banks to consider ways to enhance existing disclosures in the interim, wherever possible. For example, although proposed revisions to IFRS related to impairment recognition and forbearance have yet to be finalized, banks could implement the recommended disclosures for Recommendation 28 (changes in non-performing loans and reserves) based on their current impairment definitions.

The figures above also highlight banks' implementation plans for 2013. Notably, 25 banks (81%) have indicated that they plan to implement the majority (>50%) of the recommendations fully during 2013. Although some banks indicated they are still evaluating whether and how to implement certain recommendations, banks appear to be focusing the most on enhancing disclosures related to market risk (+28% incremental adoption planned in 2013), funding (+26%) and capital adequacy (+24%).

For all but four of the recommendations, a majority of banks surveyed indicated that they plan to implement the recommendation fully in 2013 (Exhibit 4). This represents a significant achievement; however, it also means that over half of participating banks have no plans to implement Recommendations 16, 17, 19 and 22 in time for their 2013 Annual Reports. The User Group views these recommendations to be among the most important areas for enhanced disclosure and would encourage banks to accelerate implementation where possible.

Exhibit 4: Highest and Lowest Planned Implementation Rates, by Recommendation



User Review

One of the unique features of the EDTF has been the active participation in the task force of a range of investor and analyst users of the financial information published by banks. Consistent with that approach, this User Group conducted its own assessment of the banks' implementation of some of the key EDTF recommendations. In making this assessment, the User Group is mindful that the timing of the EDTF report, released in October 2012, meant that implementation for the 2012 full year results would represent a practical challenge. In that sense whilst there are encouraging signs regarding progress on implementation to date, the EDTF is also keen to encourage banks to extend and deepen implementation for 2013 reporting.

Given the original purpose of the EDTF, the User Review is crucial. As noted in the October 2012 report "*Investors' faith in banks and their business models has yet to be restored in the wake of the global financial crisis. Rebuilding investors' confidence and trust in the banking industry is vital to the future health of the financial system – and responding to their demands for better risk disclosures is an important step in achieving that goal*." Users measuring and commenting on the progress made by banks therefore forms an important part of the iterative process towards enhanced disclosure.

User Group approach

The User Group reviewed the disclosures related to eight of the thirty-two EDTF recommendations (25%). These eight recommendations were selected because users considered them among the most important recommendations and – in part reflecting their importance – each included reference to a Figure in the October 2012 report (Figures 1 to 8).

The quantitative Figures in the report were intended to assist banks in adopting the recommendations and reflected instances where investors suggested that consistent tabular presentation is particularly important to improving their understanding of the information and to facilitate comparability among banks. In addition, the User Group considered the fundamental principles in the EDTF report, specifically those of relevance and comparability, in forming their assessment. In short, the User

Group considered whether the disclosures met their expectations as to the nature, quantity and quality of information.

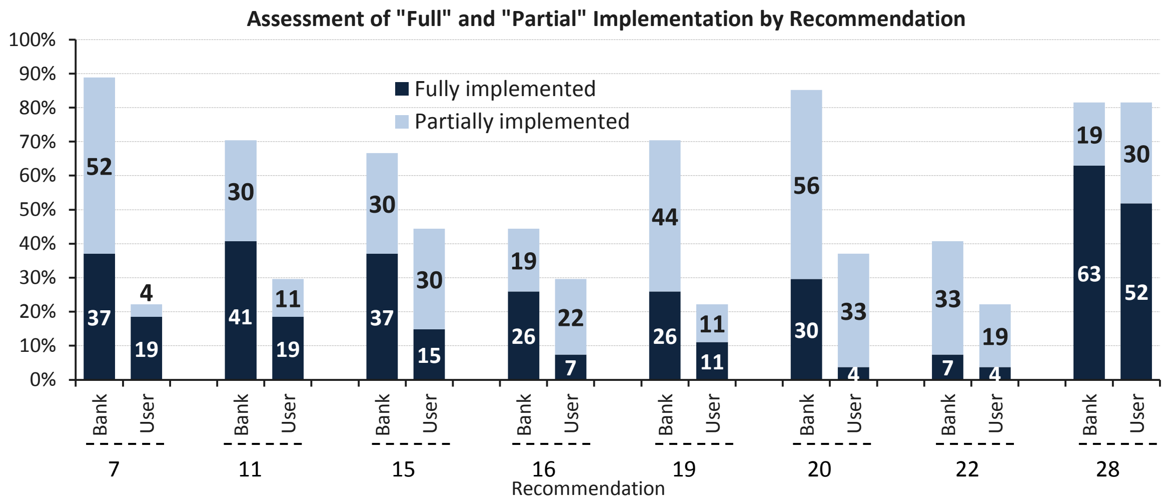
Each bank's assessment of the eight recommendations was reviewed in detail by a member of the User Group. Their assessment was then independently considered by another member of the User Group. Differences in the assessment were then discussed before a final User Group assessment was established. The eight recommendations reviewed are listed below, and include examples from each of risk governance, capital, funding, market risk and credit risk sections of the EDTF report. The full text and example Figures for each recommendation are presented for reference at the end of this report.

Recommendation 7:	Linkages between key risks, business model and balance sheet
Recommendation 11:	Flow statement of movements in regulatory capital
Recommendation 15:	Tabulation of credit risk in the banking book, mapped to external ratings
Recommendation 16:	Flow statement of movements in risk-weighted assets
Recommendation 19:	Tabular summary of encumbered and unencumbered assets
Recommendation 20:	Tabulation of consolidated balance sheet by contractual maturity
Recommendation 22:	Balance sheet and income sensitivity to traded and non-traded market risks
Recommendation 28:	Reconciliation of changes in non-performing loans and reserves

User Review

The User Review is summarised in Exhibit 5 below. While the level of implementation is an assessment based on judgment, across all eight recommendations there is a clear difference in the level of implementation as assessed by the banks and by the User Group. For all the recommendations (excluding recommendation 28) the User Group formed a markedly different view than that of the banks on the extent of implementation. On average across all eight recommendations, banks' self-assessment reported 33% full implementation, 36% partial implementation and 31% not implemented while the User Group assessment was 16% full implementation, 20% partial implementation and 64% not implemented. For example, the User Group noted instances where banks assessed themselves to have fully or partially implemented a recommendation, but the disclosures referenced by the banks did not address the recommendation specifically.

Exhibit 5: Comparison of Bank and User Group Assessments, by Recommendation



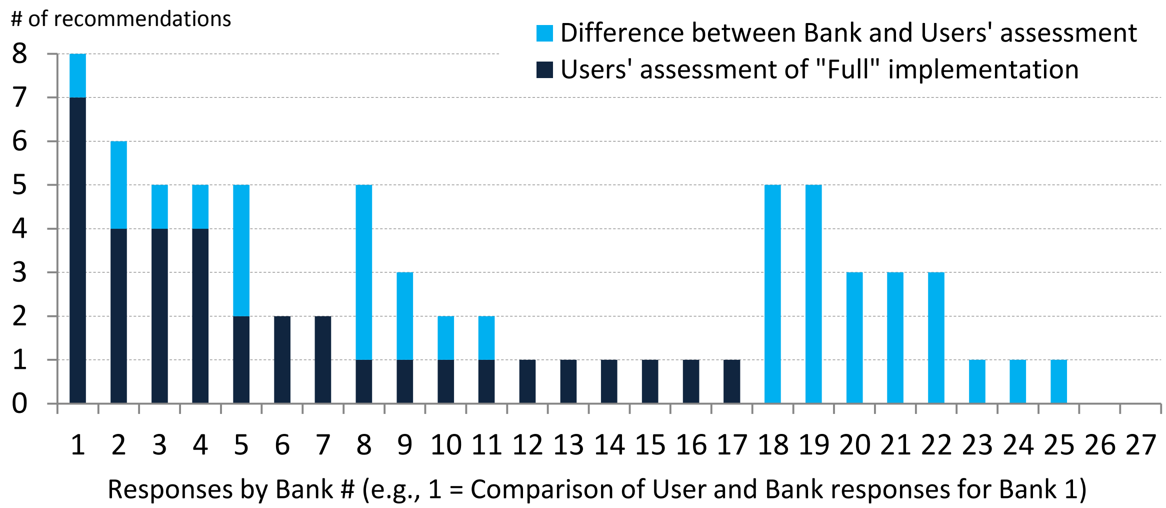
Drivers of Differences in Assessment

The EDTF believes there could be several potential explanations for this divergence between banks' self-assessments and those of the User Group.

- **Lack of clarity over the EDTF recommendation***:* It is possible that the recommendations were unclear and that a lack of clarity resulted in different views on how implementation could be achieved. This appears to have been a specific issue for recommendations 7 and 19, although in each case the EDTF report included an explanation of the purpose of the recommendation along with a Figure, which could have helped to clarify users' expectations.
- **Insufficient granularity***:* In many cases the difference between bank self-assessments and the User Group's assessment was a result of the level of detail disclosed. Six of the eight recommendations included specific references to flow statement, tabular or reconciliation formats. This allowed the User Group to more objectively assess the implementation approach, and many of the resulting differences in assessment reflect the fact that banks did not provide information at the level of detail specified in the recommendation (e.g., fewer maturity categories). Although certain recommendations (Recommendations 7 and 22) did not specifically ask banks to quantify linkages in a tabular format, the User Group viewed such quantification as an integral part of the disclosure and thus recognized "partial implementation" for purely narrative disclosures.
  The User Group notes that Figures 1 to 8 were included in the report to illustrate users' preferred approach as to how the recommendations could be adopted to produce clear, understandable and comparable disclosures. The User Group also emphasizes investors' desire for quantitative disclosures wherever possible and for these recommendations in particular.
- **Sample bias***:* The User Group assessed only a subset of the EDTF recommendations that were viewed by investors to be the more important ones; it may be that these recommendations were also more challenging to implement. Overall, across these eight recommendations the banks' own assessment of implementation was 68% fully/partially implemented, compared to 80% for all 32 recommendations.
- **Difference due to bank management practices:** It is also possible that banks were unable to provide certain disclosures in the format shown in the EDTF report because the banks do not manage risk using information in that format.

The User Group is specifically concerned about meeting users' expectations with regard to those recommendations that banks view as "fully implemented" in the 2012 reports, but where users have a lower assessment. For such recommendations, the concern is that banks may not intend any further enhancement for these disclosures in their 2013 reports given that their own self-assessment is that the recommendation has been fully implemented already. If that happens, users' expectations may not be fully met.

Exhibit 6: Comparison of Bank & User Group Assessments, Ranked by User Assessment



Note that User Group assessment exceeded Bank assessment for one participating institution

Exhibit 6 above shows that for many banks there is a significant difference between their own assessment of full implementation and the User Group assessment. The User Group intends to discuss these differences with the banks on an individual basis to better understand the issues and help encourage further enhancements.

Next Steps

First and foremost, the members of the EDTF would like to recognise the significant investment many banks have made already in implementing the recommendations in the report. The User Group and the broader analyst community recognise these efforts and greatly value the resulting enhancements to the disclosures.

In addition, the User Group recognises that the publication of the EDTF report in late October 2012 was not conducive to a high level of implementation for 2012 year end. In this respect, the User Group looks forward to constructively working with banks to better understand areas where EDTF recommendations can be more fully implemented, and looks forward to seeing implementation rates move higher for 2013. The User Group appreciates the efforts made by banks thus far and the willingness of banks to both understand and adopt the EDTF recommendations, and would like to encourage more banks to follow a similar approach and, indeed, go further. The EDTF believes banks that access equity or debt markets, including smaller banks and subsidiaries of listed banks, would be well served to consider and to implement the recommendations which are relevant to them.

Specific Opportunities for Ongoing Improvement include:

- **Adopt quantitative templates**: The User Group views clarity, understandability and comparability as essential elements of enhanced disclosure and the quantitative tables represent one way to communicate the recommendations clearly and comparably. The User Group encourages banks to adopt Figures 1 to 8 in the report in 2013 wherever possible
- **Prioritise certain disclosures for 2013**: As noted previously, a minority of banks plan to implement Recommendations 16 (RWA flow statement) and 19 (encumbered and unencumbered assets) in 2013. The User Group views these as critical disclosures and would encourage prioritization of these recommendations. In addition, the User Group would encourage the minority of banks that do not currently plan to prioritise implementation of Recommendation 7 (Linkages between risk exposures and business model) and Recommendation 28 (NPL and reserve reconciliation) to do so in 2013.
- **Provide a reference to EDTF disclosures**: Several banks referenced EDTF disclosures specifically in their Annual Reports which the User Group found particularly useful. As a leading practice, the User Group encourages banks to refer specifically to the EDTF recommendations and to discuss when a particular recommendation has not been implemented, where applicable. This will give investors an opportunity to understand the bank's views on particular disclosures, encouraging an effective dialogue.
- **Focus on the fundamental principles**: The User Group encourages banks to be mindful of the *reasons* behind the specific EDTF recommendations and the fundamental principles in the EDTF report including, but not limited to, relevance and comparability. The EDTF acknowledges the tensions between the fundamental principles and understands that there will always be a need to strike a balance between presenting the views of management and ensuring comparability across banks. A constructive dialogue between preparers and investors will be essential to improving this balance to the benefit of all interested parties.

Supporting Materials

The EDTF has prepared a presentation that includes an in-depth view of the Bank Survey results for each EDTF recommendation. In addition, the EDTF has compiled a set of leading practice examples for each of the thirty-two EDTF recommendations based on references to 2012 Annual Reports and Pillar 3 disclosures shared by participating banks. These materials are available separately.

Appendix 1: EDTF Recommendations[2]

General recommendations

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.

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

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.

Risk governance and risk management strategies/business model

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

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

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 (Figure 1)

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.

Capital adequacy and risk-weighted assets

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.

10 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. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.

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 (Figure 2)

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.

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

[2] Report of the Enhanced Disclosure Task Force: http://www.financialstabilityboard.org/publications/r_121029.pdf

14 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).

15 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 (Figure 3)

16 Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type (Figure 4)

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.

Liquidity

18 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.

Funding

19 Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs (Figure 5)

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 (Figure 6)

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.

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 (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 (Figure 7)

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.

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.

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.

Credit risk

26 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.

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.

28 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 (Figure 8)

29 Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions. This should quantify notional derivatives exposure, including whether derivatives are over-the-counter (OTC) or traded on recognised exchanges. Where the derivatives are OTC, the disclosure should quantify how much is settled by central counterparties and how much is not, as well as provide a description of collateral agreements.

30 Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful. Collateral disclosures should be sufficiently detailed to allow an assessment of the quality of collateral. Disclosures should also discuss the use of mitigants to manage credit risk arising from market risk exposures (i.e. the management of the impact of market risk on derivatives counterparty risk) and single name concentrations.

Other risks

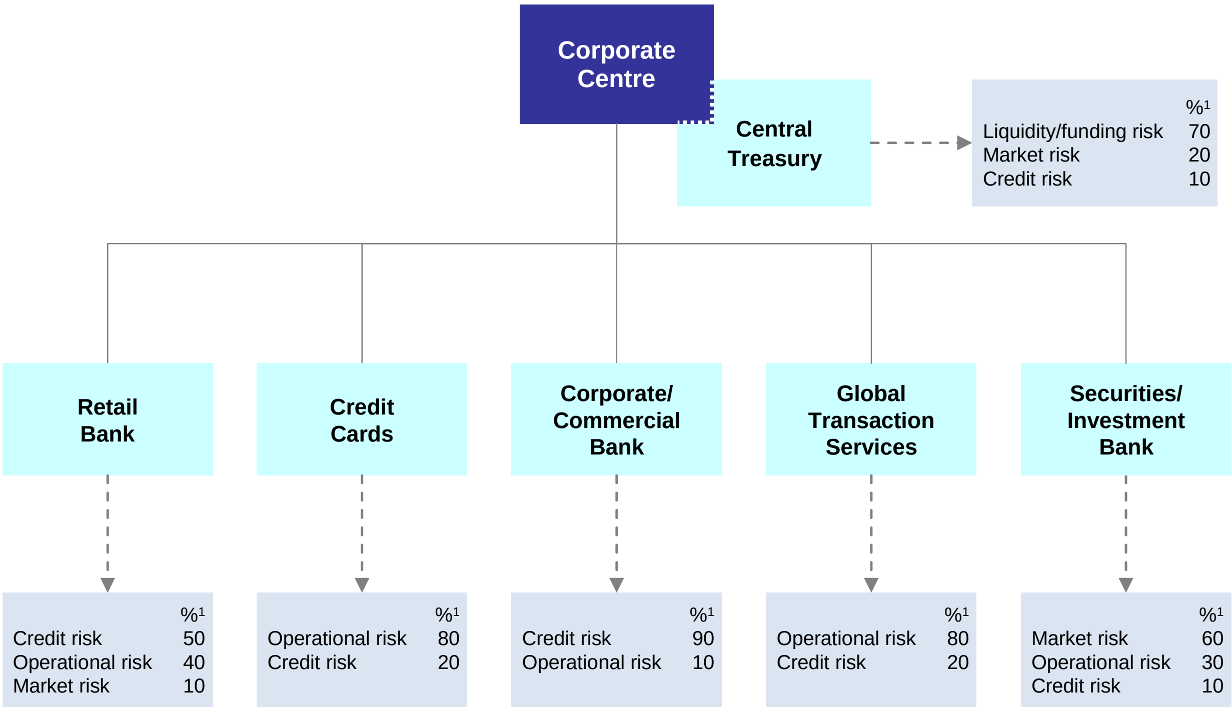
31 Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing.

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

Appendix 2: Example Figures related to User Group reviewed recommendations

The following appendix includes eight examples of possible disclosure formats to assist banks in adopting the recommendations in this report. These examples reflect instances where investors have suggested that consistent tabular presentation is particularly important to improving their understanding of the disclosed information and facilitating comparability among banks. All numbers included in the Figures are for illustrative purposes. It is understood that differing business models, reporting regimes and materiality will affect how banks provide such information.

Figure 1. *Example of a business model and the key risks*



This example reflects a bank that addresses all funding and hedging needs in the Central Treasury.

Note:

1 *The aim is to provide an indication or relative measure of each key risk for each major element of the business model based on management's view of the risk profile of the business area. Therefore, this indication will vary for each bank. Possible ways of providing the indication or relative measure are based on an allocation of RWAs, regulatory or economic capital.*

Figure 2. *Example of a flow statement for regulatory capital*

	2012 US$m	2011 US$m
Core tier 1 (CET1) capital[1]		
Opening amount	1,000	931
New capital issues	20	10
Redeemed capital	(10)	(15)
Gross dividends (deduction)	(21)	(16)
Shares issued in lieu of dividends (add back)	1	1
Profit for the year (attributable to shareholders of the parent company)[2]	100	80
Removal of own credit spread (net of tax)	(40)	(14)
Movements in other comprehensive income[3]	30	20
– Currency translation differences	10	10
– Available-for-sale investments	10	4
– Other	10	6
Goodwill and other intangible assets (deduction, net of related tax liability)	(5)	(5)
Other, including regulatory adjustments and transitional arrangements[4]	25	8
– Deferred tax assets that rely on future profitability (excluding those arising from temporary differences)	10	2
– Prudential valuation adjustments	10	4
– Other	5	2
Closing amount	1,100	1,000
Other 'non-core' tier 1 (additional tier 1) capital		
Opening amount	295	300
New non-core tier 1 (Additional tier 1) eligible capital issues	5	30
Redeemed capital	(15)	(35)
Other, including regulatory adjustments and transitional arrangements[4]	–	–
Closing amount	285	295
Total tier 1 capital	1,385	1,295
Tier 2 capital		
Opening amount	500	440
New tier 2 eligible capital issues	100	120
Redeemed capital	(20)	(15)
Amortisation adjustments	(15)	(35)
Other, including regulatory adjustments and transitional arrangements[4]	(15)	(10)
Closing amount	550	500
Total regulatory capital	1,935	1,795

Notes:

1 *The statement is intended to be based on the applicable regulatory rules in force at the period end.*
2 *Profit for the year (attributable to shareholders of the parent company) is intended to reconcile to the income statement.*
3 *Movements in other comprehensive income: all material movements would be disclosed as separate line items.*
4 *Other, including regulatory adjustments and transitional arrangements: all material movements, as per applicable regime, should be disclosed as separate line items. A non-exhaustive list of possible adjustments is set out on the next page.*

Core Tier 1 (CET1) Capital
In addition to those items illustrated on the previous page, the line item ‘other, including regulatory adjustments and transitional arrangements’ may include (as per applicable regime):

- common share capital issued by subsidiaries and held by third parties;
- other movements in shareholders’ equity;
- reserves arising from property revaluation;
- defined benefit pension fund adjustment;
- cash flow hedging reserve;
- shortfall of provisions to expected losses;
- securitisation positions;
- investments in own CET1;
- reciprocal cross-holdings in CET1;
- investments in the capital of unconsolidated entities (less than 10%);
- significant investments in the capital of unconsolidated entities (amount above 10% threshold);
- mortgage servicing rights (amount above 10% threshold);
- deferred tax assets arising from temporary differences (amount above 10% threshold);
- amounts exceeding 15% threshold; and
- regulatory adjustments applied due to insufficient additional tier 1.

Other ‘non-core’ tier 1 (additional tier 1) capital
The line item ‘other, including regulatory adjustments and transitional arrangements’ may include (as per applicable regime):

- other ‘non-core’ tier 1 capital (additional tier 1) instruments issued by subsidiaries and held by third parties;
- unconsolidated investments deductions;
- investments in own additional tier 1 instruments;
- reciprocal cross-holdings;
- significant investments in the capital of unconsolidated entities;
- other investments in the capital of unconsolidated entities;
- grandfathering adjustments;
- regulatory adjustments applied due to insufficient tier 2 capital; and
- currency translation differences.

Tier 2 Capital
The line item ‘other, including regulatory adjustments and transitional arrangements’ may include (as per applicable regime):

- tier 2 capital instruments issued by subsidiaries and held by third parties;
- unconsolidated investments deductions;
- investments in own tier 2 instruments;
- reciprocal cross-holdings;
- significant investments in the capital of unconsolidated entities;
- other investments in the capital of unconsolidated entities;
- collective impairment allowances;
- grandfathering adjustments; and
- currency translation differences.

Figure 3. *Example of advanced IRB credit exposures by internal PD grade*

Internal ratings grade (or band of grades)	PD range	Exposure at default	Average PD	Average LGD	RWAs	Average risk weighting	External rating equivalent
	0.000%	US$m	%	%	US$m	%	
1	0.000 to 0.010	500	0.010	21	25	5	AAA
2	0.011 to 0.020	1,000	0.018	22	90	9	AA+
3	0.021 to 0.030	500	0.029	21	55	11	AA
4	0.031 to 0.040	2,000	0.035	26	300	15	AA
5	0.041 to 0.050	100	0.047	28	18	18	A+
6	0.051 to 0.070	500	0.061	33	100	24	A
7	0.071 to 0.110	800	0.078	41	200	25	A–
8	0.111 to 0.180	750	0.122	38	210	28	BBB+
9	0.181 to 0.300	1,000	0.292	45	310	31	BBB
10	0.301 to 0.500	1,250	0.400	48	475	38	BBB–
11	0.501 to 0.830	1,500	0.650	47	780	52	BB–
12	0.831 to 1.370	1,750	1.112	46	1,033	59	BB
13	1.371 to 2.270	500	2.001	51	370	74	BB–
14	2.271 to 3.750	100	2.500	57	94	94	B+
15	3.751 to 6.190	250	4.011	42	280	112	B
16	6.191 to 10.220	150	7.020	47	204	136	B–
17	10.221 to 16.870	750	12.999	55	1,312	175	CCC+
18	16.871 to 27.840	500	20.020	49	1,560	312	CCC
19	27.841 to 99.999	200	75.020	75	1,282	641	CCC–
20	100.000	200	100.000	75	100	50	Default
Total		14,300			8,798		

Note:

The above is for illustrative purpose only, as the number of internal rating grades, the PD range for each grade and the respective external rating equivalent will differ for each institution.

Figure 4. *Example of a flow statement for risk-weighted assets*

Disclosure for non-counterparty credit risk and counterparty credit risk.

Risk-weighted assets movement by key driver	Non-counterparty credit risk US$bn	Counterparty credit risk US$bn
RWAs at 1 January	600	40
Book size	(20)	(2)
Book quality	23	1
Model updates	(36)	(3)
Methodology and policy	(25)	1
Acquisitions and disposals	21	–
Foreign exchange movements	(1)	(1)
Other	–	–
RWAs at 31 December	562	36

High level definitions

Book size	organic changes in book size and composition (including new business and maturing loans).
Book quality	quality of book changes caused by experience such as underlying customer behaviour or demographics, including changes through model calibrations/realignments.
Model updates	Model implementation, change in model scope or any change to address model malfunctions.
Methodology and policy	methodology changes to the calculations driven by regulatory policy changes, such as new regulation (e.g. CRD4).

Disclosure for market risk

Risk-weighted assets movement by key driver	Market risk US$bn
RWAs at 1 January	45
Movement in risk levels	(10)
Model updates	(2)
Methodology and policy	1
Acquisitions and disposals	–
Foreign exchange movements and other	(2)
RWAs at 31 December	32

High level definitions

Movement in risks levels	changes in risk due to position changes and market movements.
Model updates	updates to the model to reflect recent experience, change in model scope.
Methodology and policy	methodology changes to the calculations driven by regulatory policy changes.

Figure 5. *Example of an asset encumbrance table*[1]

Asset type	Encumbered		Unencumbered		
	Pledged as collateral[2] US$m	Other[3] US$m	Available as collateral[4] US$m	Other[5] US$m	Total US$m
Cash and other liquid assets	18	–	89	15	122
Other investment securities	21	10	52	28	111
Loans	81	–	105	41	227
Other financial assets	–	–	–	10	10
Non-financial assets	–	2	8	3	13
Total assets	120	12	254	97	483

Notes:

1 *The objective of this disclosure is to differentiate assets which were used to support funding or collateral needs at the balance sheet date from those assets which were available for potential funding needs. The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.*

Encumbered assets are:

2 *assets which have been pledged as collateral (for example, which are required to be separately disclosed under IFRS 7), or*

3 *assets which an entity believes it was restricted from using to secure funding, for legal or other reasons. These other reasons may include market practice or sound risk management. Restrictions related to the legal position of certain assets, for example assets held by consolidated securitisation vehicles or in pools for covered bond issuances, may vary in different jurisdictions or interpretations. Therefore it would be helpful if banks described the nature of the Other assets which are considered to be encumbered and unencumbered where such assets are material to the bank.*

Unencumbered assets are the remaining assets that an entity owns. These comprise:

4 *assets that are readily available in the normal course of business to secure funding or meet collateral needs. Banks need to evaluate their own circumstances as to what assets are considered to be readily available, for example banks may define 'readily available' as based on assets that are accepted by central banks or in the in repo markets at the balance sheet date;*

5 *other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral, but the bank would not consider them to be 'readily available' to secure funding or as collateral in the normal course of business. This category may include wider classes of unencumbered assets not readily accepted as collateral by central banks or other lenders in the provision of support outside the normal course of business. It would also include non-financial assets such as property that is not mortgaged.*

Figure 6. *Example of a maturity table of assets, liabilities and off-balance sheet commitments*

Assets by type *(contractual dates of maturity)*	No more than 1 month[1] US$m	Over 1 month but no more than 3 months US$m	Over 3 months but no more than 6 months US$m	Over 6 months but no more than 9 months US$m	Over 9 months but no more than 1 year US$m	Over 1 year but no more than 2 years US$m	Over 2 years but no more than 5 years US$m	Over 5 years US$m	Total US$m
Cash and amounts due from central banks	100,250	–	–	–	–	–	–	–	100,250
Financial assets at fair value through profit or loss – trading	154,300	1,491	1,226	1,884	888	5,965	946	866	167,566
Fixed-income securities and loans	1,200	365	124	766	450	405	50	100	3,460
Equities and other variable-income securities	650	250	748	654	321	350	520	210	3,703
Repurchase agreements .	450	350	212	10	52	–	30	10	1,114
Derivatives	152,000	526	142	454	65	5,210	346	546	159,289
Financial assets at fair value through profit or loss – FV option	81,110	15,697	11,261	17,322	873	2,347	9,630	4,687	142,927
Fixed-income securities and loans	36,547	1,254	6,684	9,872	423	963	852	147	56,742
Equities and other variable-income securities	44,563	14,443	4,577	7,450	450	1,384	8,778	4,540	86,185
Derivatives used for hedging purposes[2]	55,003	5,254	9,985	6,612	580	4,870	7,870	5,398	95,572
Available-for-sale financial assets	297,733	45,316	38,072	11,523	1,386	45,684	56,507	620	496,841
Fixed-income securities and loans	105,388	19,896	4,546	5,858	960	23,121	–	100	159,869
Equities and other variable-income securities	192,345	25,420	33,526	5,665	426	22,563	56,507	520	336,972
Loans and receivables due from credit institutions	685,230	12,000	8,553	52,863	8,564	1,524	1,102	5,420	775,256
of which: reverse repurchase agreements ..	*221,120*	*2,323*	*4,873*	*43,252*	*570*	*987*	*450*	*33*	*273,608*
Loans and receivables due from customers	327,763	34,765	11,099	6,985	4,498	6,574	17,873	–	319,557
Retail[3]	125,360	2,342	7,576	6,742	1,998	5,450	8,985	–	158,453
Corporates and other customers[3]	112,403	32,423	3,523	243	2,500	1,124	8,888	–	161,104
Held-to-maturity financial assets	92,000	9,131	3,242	2,123	3,050	477	154	12,563	122,740
Total financial assets	1,703,389	123,654	83,438	99,312	19,839	67,441	94,082	29,554	2,220,709
Other assets[4]	81,000	5,000	3,000	4,000	–	–	–	–	93,000
Total assets[4]	1,784,389	128,654	86,438	103,312	19,839	67,441	94,082	29,554	2,313,709
Off-balance sheet commitments received	180,499	180,686	79,200	28,109	8,213	33,548	41,355	15,185	566,795
Credit institutions	105,214	74,125	14,540	25,465	1,300	24,543	25,832	6,589	277,608
Retail	54,065	94,457	54,798	1,220	5,460	7,465	5,003	–	222,468
Corporates and other customers	21,220	12,104	9,862	1,424	1,453	1,540	10,520	8,596	66,719

Liabilities by type *(contractual dates of maturity)*	**No more than 1 month[1] US$m**	**Over 1 month but no more than 3 months US$m**	**Over 3 months but no more than 6 months US$m**	**Over 6 months but no more than 9 months US$m**	**Over 9 months but no more than 1 year US$m**	**Over 1 year but no more than 2 years US$m**	**Over 2 years but no more than 5 years US$m**	**Over 5 years US$m**	**Total US$m**
Financial liabilities at fair value through profit or loss – trading	43,829	4,942	70,321	2,708	1,319	2,668	10,002	2,852	138,641
Borrowed securities and short selling	12,125	2,230	41,545	456	10	2,415	5,655	454	64,890
Repurchase agreements	17,850	1,250	5,550	465	13	123	113	–	25,364
Derivatives	1,520	231	12	1,241	1,200	121	4,234	2,342	10,901
Other	12,334	1,231	23,214	546	96	9	–	56	37,486
Financial liabilities at fair value through profit or loss – F V option	98,103	164,450	29,063	69,161	1,543	62,289	36,287	10,015	470,911
Borrowings	87,980	111,203	2,454	6,565	567	44,689	9,425	250	263,133
Debt securities	118	52,465	24,785	57,800	852	15,400	5,650	4,015	161,085
Subordinated debt	10,005	782	1,824	4,796	124	2,200	21,212	5,750	46,693
Derivatives used for hedging purposes[2]	62,150	5,265	21,150	85,646	300	6,565	9,545	510	191,131
Due to central banks and credit institutions	247,669	106,901	11,378	91,050	5,473	28,354	14,530	5,874	511,229
of which repurchase agreements	185,200	12,500	5,500	25,460	246	15,400	13,654	4,534	262,494
Due to customers	361,201	11,061	56,654	54,261	8,945	4,956	610	90,523	588,211
Retail[3,5]	281,140	5,551	4,111	45,420	8,400	2,100	100	82,000	428,822
Corporates and other customers[3,5]	80,061	5,510	52,543	8,841	545	2,856	510	8,523	159,389
Debt securities	5,111	887	4,520	5,551	513	150	105	81,374	98,211
Subordinated debt	554	25,458	544	5,236	871	211	58,741	7,845	99,460
Total financial liabilities	818,617	318,964	193,630	313,613	18,964	105,193	129,820	198,993	2,097,794
Other liabilities[4]	1,520	4,540	888	8,842	100	4,745	2,154	1,001	23,790
Equity[4]	192,125	–	–	–	–	–	–	–	213,350
Total liabilities and stockholders' equity[4]	1,012,262	323,504	194,518	322,455	19,064	109,938	131,974	199,994	2,313,709
Off-balance sheet commitments given	150,334	22,236	68,963	110,990	23,477	52,476	18,855	28,664	475,995
Credit institutions	120,034	7,870	4,521	55,110	4,593	45,421	8,785	4,540	250,874
Retail	20,415	5,454	54,568	10,220	4,102	1,405	5,520	24,124	125,808
Corporates and other customers	9,885	8,912	9,874	45,660	14,782	5,650	4,550	–	99,313

Notes:

1 *Assets or liabilities with no specified maturities could be listed in the 'No more than one month' category.*
2 *The bank could determine the categorisation of derivative contracts for purposes of the maturity analysis and provide a narrative describing their categorisation approach.*
3 *Could be detailed by product type if relevant.*
4 *Inclusion of these line items would enable a reconciliation with the balance sheet.*
5 *Amounts insured by guarantee schemes should be discussed.*

Figure 7. *Example of cross-referencing market risk disclosures to the balance sheet*

Where a single financial instrument generates market risks that are managed in both VaR and non-VaR measures, the bank could provide qualitative explanations for how that instrument has been presented in the table, amending the format of the table as appropriate to provide the presentation most relevant to the way the risk is managed.

	Balance sheet US$m	Market risk measure		Non-traded risk primary risk sensitivity
		Traded risk[1] US$m	Non-traded risk[2] US$m	
Assets subject to market risk				
Trading assets	348,983	345,550	3,433	Equity, FX, Interest Rate[3]
Financial assets designated at fair value	174,399	170,580	3,819	Interest Rate[4]
Derivatives	240,083	218,986	21,097	Foreign Exchange[5]
Loans and advances to customers	354,004	–	354,004	Interest Rate[4]
Financial investments	23,840	2,048	21,792	Equity, Interest Rate[6]
Assets held for sale	53,894	3,846	50,048	Interest Rate[4]
	1,195,203	741,010	454,193	
Liabilities subject to market risk				
Trading liabilities	257,093	256,589	504	Equity, FX, Interest Rate[3]
Financial liabilities designated at fair value	73,592	70,590	3,002	Interest Rate[4]
Derivatives	358,720	310,642	48,078	Foreign Exchange[5]
Retirement benefit liabilities	4,802	–	4,802	Interest Rate[4]
	694,207	637,821	56,386	

Notes:

1 *Represents traded risk subject to the bank's primary risk management technique disclosed in table VV (e.g. VaR or other technique).*
2 *Represents non-traded risk subject to other risk management techniques disclosed in tables XX, YY and ZZ (risk factor sensitivities, economic value and earnings scenarios).*
3 *See tables XX, YY and ZZ.*
4 *See table ZZ.*
5 *See table YY.*
6 *See XX and ZZ.*

Figure 8. *Example of a reconciliation of non-performing loans disclosures*

The disclosure below could be provided separately for retail and corporate non-performing loans, and expanded to include analysis by business unit, industry and geography (or along other lines) as appropriate.

	2012 US$m	2011 US$m
Impaired loan book movements[1]		
Impaired loans at 1 January	25,400	28,000
Classified as impaired during the year	7,600	6,700
Transferred to not impaired during the period	(3,800)	(4,500)
Net repayments	(2,000)	(1,500)
Amounts written off	(2,700)	(3,100)
Recoveries of loans and advances previously written off	800	1,000
Disposals of loans	(300)	–
Exchange and other movements	(850)	(1,200)
At 31 December	24,150	25,400
Impairment allowances - movements		
Impairment allowances at 1 January	16,450	15,400
Amounts written off	(2,500)	(2,800)
Recoveries of amounts written off in previous years	500	600
Charge to income statement	3,750	4,200
Disposals of loans	(100)	–
Exchange or other movements	(550)	(950)
At 31 December	17,550	16,450

Note:

1 *It may be helpful to explain the treatment of collectively assessed impairment allowances for loans which are not considered to be impaired in the tables, for example, by separately identifying this element of the collectively assessed impairment allowance*

Appendix 3: Members of the Enhanced Disclosure Task Force

Co-Chairs

Eurex Zürich AG	**Hugo Bänziger** Chairman, Board of Directors
HSBC	**Russell Picot** Group General Manager and Group Chief Accounting Officer
PIMCO	**Christian Stracke** Managing Director, Member of Investment Committee and Global Head of Credit Research Group

Additional Members

Allianz SE	**Tom Wilson** Chief Risk Officer
Barclays Capital	**Simon Samuels** Managing Director
BlackRock	**Lauritz Ringdal** Managing Director and Co-head of Global Credit for Model-Based Fixed Income Portfolio Management Group
BNP Paribas	**Gérard Gil** Senior Advisor
CFA Institute	**Vincent Papa** Director, Financial Reporting Policy
Commonwealth Bank of Australia	**Greg Mizon** Chief Risk Officer, International Institutional Banking and Markets Risk Management
DBS	**Elbert J. Pattijn** Chief Risk Officer and Group Executive Committee Member
Deloitte	**Mark Rhys** Global IFRS for Banking Co-Leader
Deutsche Bank	**Ralf Leiber** Managing Director, Head of Group Capital Management
Ernst & Young	**Karen Golz** Global Vice Chair, Professional Practice

Fidelity Management and Research	**Kana Norimoto** Research Analyst, Fixed Income
Fitch Ratings	**Bridget Gandy** Managing Director, Co-head EMEA Financial Institutions
ING Group	**Patrick Flynn** Group Chief Financial Officer, Member, Executive Board ING Group, Management Board Banking and Management Board Insurance
Institutional Investment Advisors Limited	**Crispin J. Southgate** Director
International Banking Federation (IBFed)	**Dirk Jaeger** Managing Director – Banking Supervision, Accounting, Association of German Banks; Chairman of Accounting Working Group of IBFed
International Corporate Governance Network (ICGN)	**Paul Lee** Co-Chairman, Shareholder Responsibilities Committee; Director, Hermes Equity Ownership Services Ltd
JPMorgan Chase	**Robin Doyle** Managing Director, Regulatory Strategy and Policy
KPMG	**Martin Wardle** Partner, Financial Services, KPMG China
M&G Investment Management	**James Alexander** Head of Research
Mitsubishi UFJ Financial Group	**Akihiko Kagawa** Managing Director, Group Chief Risk Officer and Chief Compliance Officer
PGGM	**Eloy Lindeijer** Chief Investment Management
Pricewaterhouse Coopers	**Robert P. Sullivan** Global Banking and Capital Markets Leader; Global Regulatory Leader
Royal Bank of Canada	**Morten Friis** Chief Risk Officer
Santander	**José Corral** Deputy Chief Risk Officer, Risk Management Division

Société Générale	**Sebastien Lemaire** Corporate and Investment Banking, Equity analyst – Banks
Standard & Poor's	**Rob Jones** Managing Director, Financial Services Ratings Research Group
UBS	**Alex Brougham** Managing Director, Group Finance Disclosure Officer
Institute of International Finance (IIF) (Observer)	**David Schraa** Director of Regulatory Affairs

Enhanced Disclosure Task Force

Progress Report on Implementation of Disclosure Recommendations

July 2013

Table of Contents

Section 1

Executive summary

The EDTF, with the support of PwC, conducted a survey to understand banks' progress to date and plans to implement the EDTF recommendations included in the October 2012 report

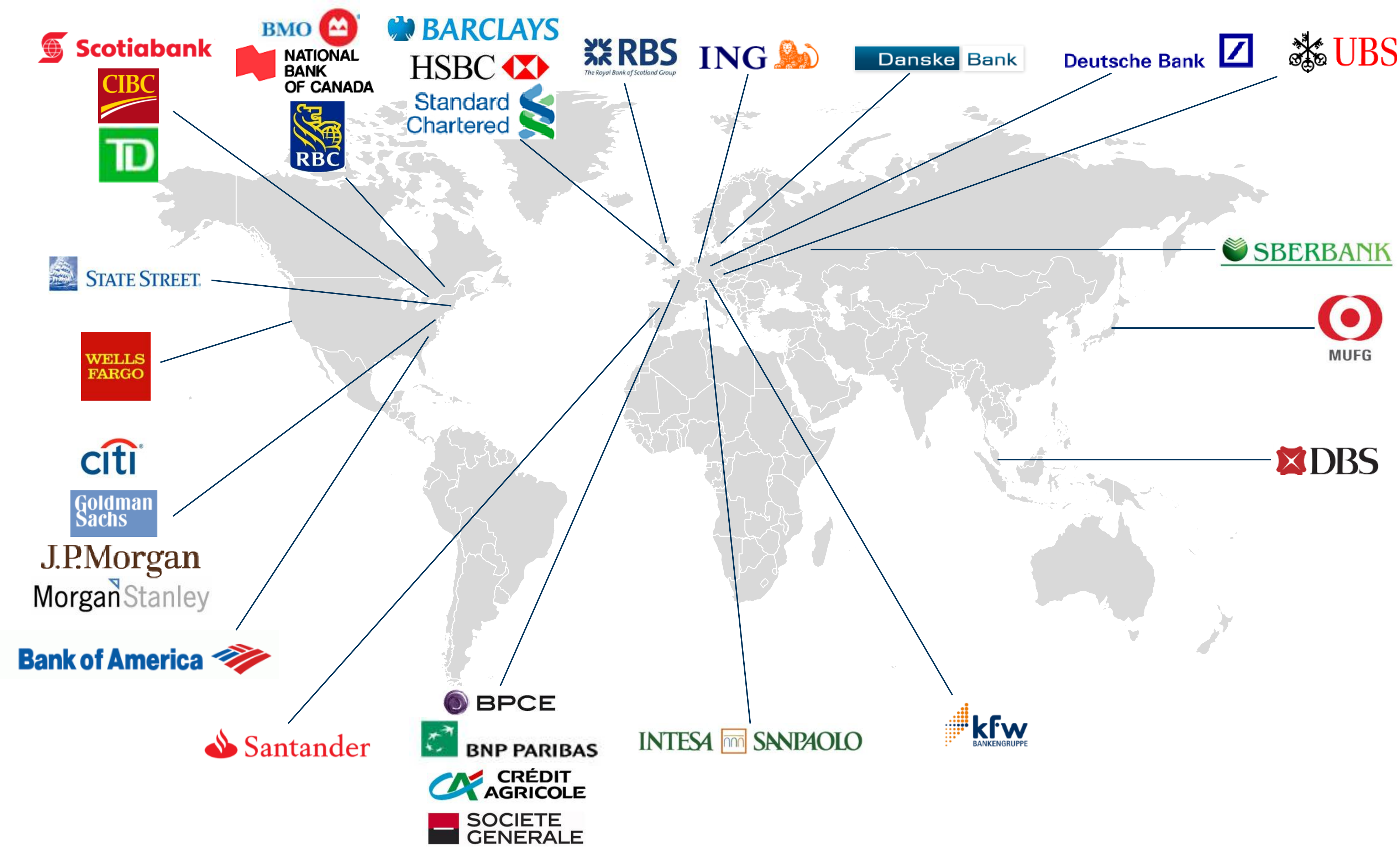
- Global systemically important banks (G-SIBs) and domestic systemically important banks not among the G-SIBs (D-SIBs) were invited to participate in the survey (42 firms total).

- The survey requested references to disclosures implemented as part of the 2012 Annual Report and for each EDTF recommendation, banks were requested to respond whether the disclosure was:
  - Included in existing disclosures (prior to 2012 year-end)
  - Implemented for 2012 Annual Report / Pillar 3 disclosure
  - Planned for 2013 Annual Report / Pillar 3 disclosure (estimated, if known)
  - No implementation plans / not applicable to bank

- Responses from 31 participants from Europe, North America and Asia are presented in this report on an aggregated basis, by geography. Implementation results are based on banks' self-assessments.
  - Continental Europe 12 responses
  - U.S. 7 responses
  - Canada 6 responses
  - United Kingdom 4 responses
  - Asia 2 responses

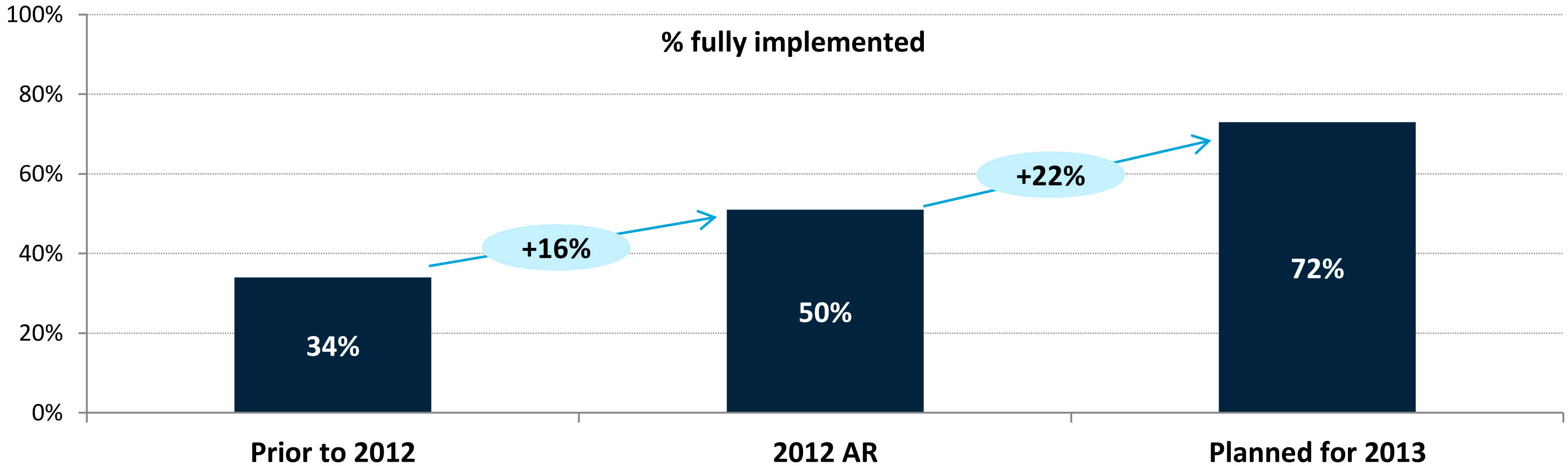
- Individual institutions' responses related to implementation plans will remain confidential; however, references to existing disclosures are summarized in an appendix to this document and can be made available to EDTF members.

The 31 survey respondents represent different geographies, accounting standards, and sizes



Key themes

- **Broad-based implementation planned for 2013**: As shown below, the overall share of recommendations implemented (as reported by responding banks) increased from 34% prior to the publication of the EDTF report in October 2012 to 50% for 2012 year-end. Further the overall planned implementation rate for 2013 is 72%, reflecting the willingness of banks to provide enhanced risk disclosures in the near term.



- **UK and some Continental European banks represent the early Implementers**: Several banks reported that they had implemented the majority of the EDTF recommendations in their 2012 Annual Report and Pillar 3 documents, including five banks that reported an implementation rate of more than 70% and one bank that reported an implementation rate of 100% (all 32 recommendations). Several banks also published their Pillar 3 disclosures in conjunction with their Annual Reports, as recommended by the EDTF as a way to accelerate the timely disclosure of risk information

- **Increased consistency through quantitative templates**: Several banks have implemented the quantitative templates included in the EDTF report or adapted internal templates to incorporate the information recommended by the EDTF.

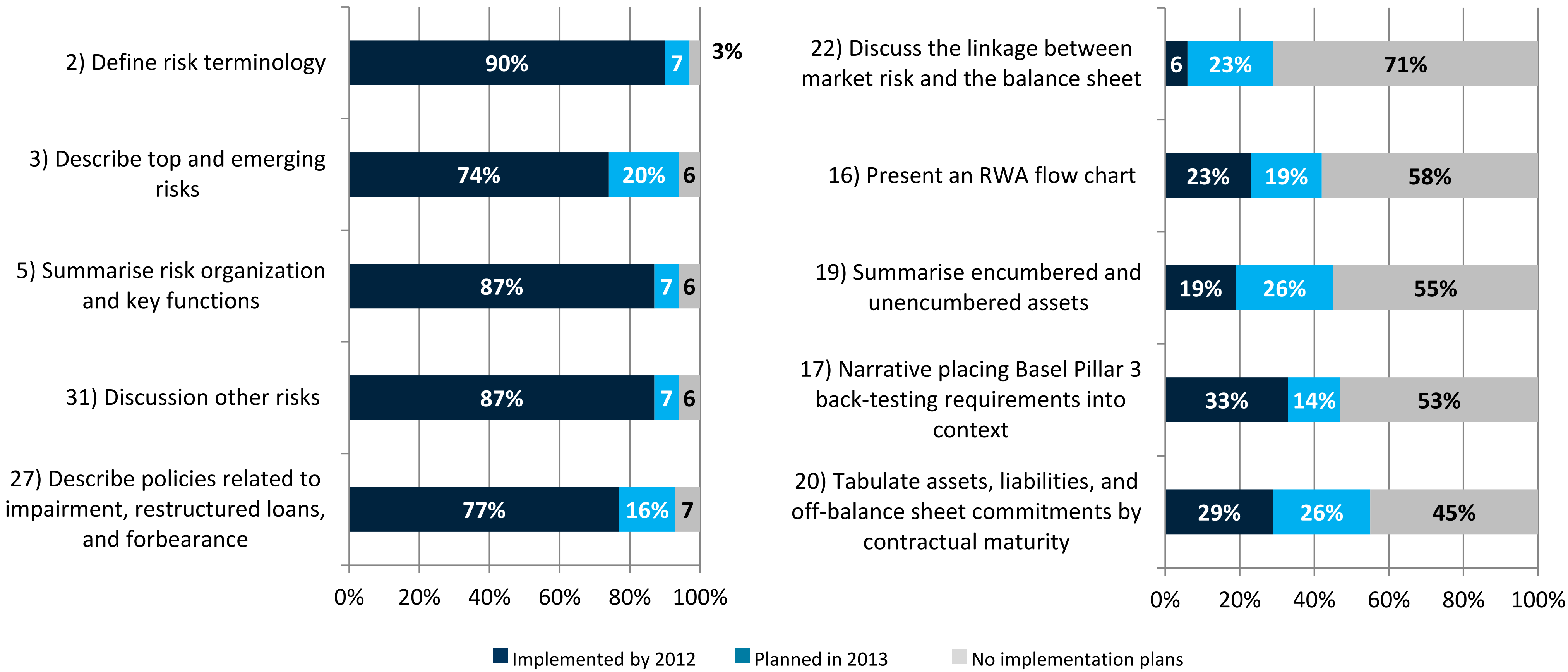
- **Implementation of capital and RWA recommendations impacted by rule uncertainty**: Many respondents indicated that their decision to implement many of the capital and RWA recommendations will be delayed until Basel III rules are finalised in their jurisdiction and, for U.S. banks in particular, until they exit Basel II parallel run.

Key themes, continued

- **Qualitative recommendations more broadly implemented, low implementation rates for some quantitative disclosures**: In general, banks reported substantially higher implementation levels for qualitative recommendations than for quantitative recommendations. The lowest implementation rates were observed in funding and market risk disclosures where, for each category, only around a quarter had fully implemented the EDTF's recommendations. The highest, on the left, and lowest, on the right, planned implementations are shown below by recommendation.

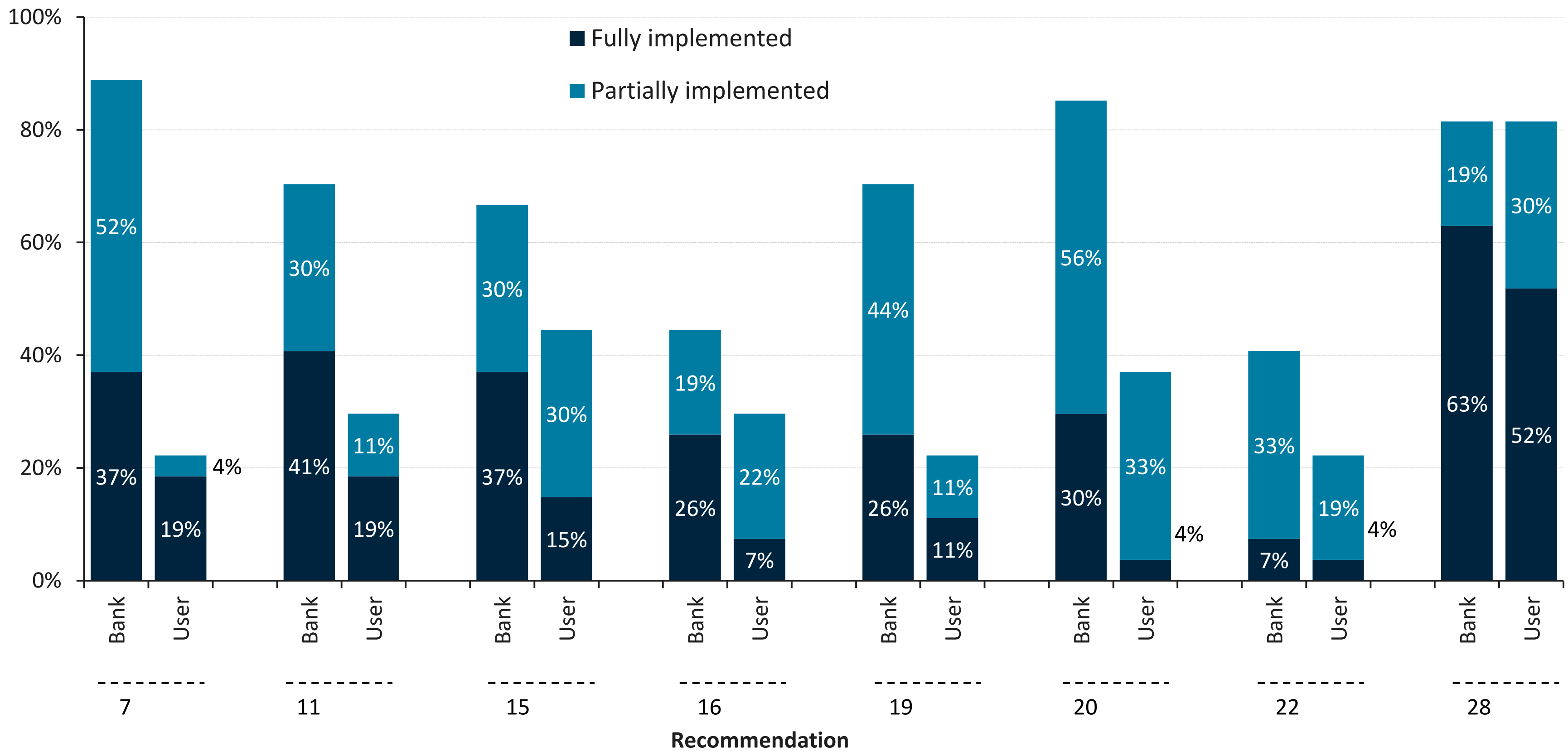
Top 5 recommendations by planned implementation rate

Bottom 5 recommendations by planned implementation rate



Key themes, continued

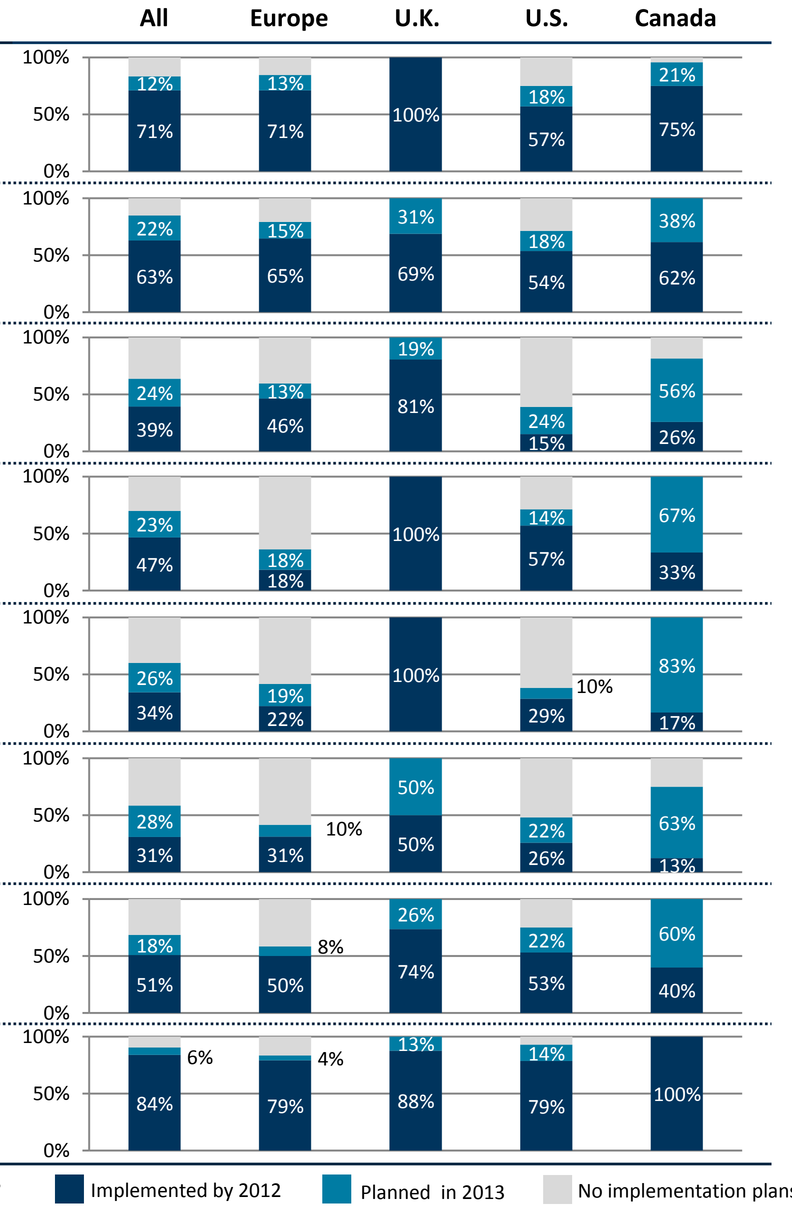
- **Users' view of implementation were lower than banks' self-assessments:** The User Group's view of implementation rates for eight quantitative recommendations for which Figures were included as examples is lower than that resulting from the banks' self-assessments. Potential drivers of these differences include a potential lack of clarity over the EDTF recommendations, limited tabular / quantitative granularity in disclosure and a potential sample bias in reviewing implementation of the more-challenging recommendations



General, risk governance and other risk showed the highest implementation rates; market risk and funding showed the lowest implementation rates among the eight major categories

Section

1. General recommendations
2. Risk governance and risk management strategies / business model
3. Capital adequacy and risk-weighted assets
4. Liquidity
5. Funding
6. Market risk
7. Credit risk
8. Other risks



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

	All	Europe	U.K.	U.S.	Canada
General recommendations	Percentage of banks that plan to meet recommendation for year-end 2013				
1. Present all related risk information together in any particular report. Where this is not practicable, provide an index or an aid to navigation.	90%	100%	100%	71%	100%
2. Define the bank's risk terminology and risk measures and present key parameter values used.	97%	100%	100%	86%	100%
3. Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis.	94%	92%	100%	86%	100%
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.	64%	44%	100%	57%	83%
Risk governance and risk management strategies / business model					
5. Summarise prominently the bank's risk management organisation, processes and key functions.	94%	100%	100%	71%	100%
6. Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture.	77%	75%	100%	43%	100%
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.	81%	58%	100%	86%	100%
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.	87%	75%	100%	86%	100%
Capital adequacy and risk-weighted assets					
9. Provide minimum Pillar 1 capital requirements.	69%	55%	100%	71%	83%
10. Summarise information contained in the composition of capital templates implemented by the Basel Committee, and disclose a reconciliation of the accounting balance sheet to the regulatory balance sheet.	83%	82%	100%	50%	100%
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.	65%	50%	100%	43%	100%
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.	68%	58%	100%	57%	100%

Summary of survey results: Capital adequacy, liquidity and funding

	All	Europe	U.K.	U.S.	Canada
Capital adequacy and risk-weighted assets (cont.)	Percentage of banks that plan to meet recommendation for year-end 2013				
13. Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	68%	75%	100%	29%	100%
14. Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, market risk and operational risk.	67%	58%	100%	33%	100%
15. 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. For non-retail banking book credit portfolios, internal ratings grades and PD bands should be mapped against external credit ratings and the number of PD bands presented should match the number of notch-specific ratings used by credit rating agencies.	70%	75%	100%	17%	100%
16. Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	42%	33%	100%	29%	33%
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.	47%	50%	100%	17%	17%
Liquidity					
18. 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.	71%	42%	100%	71%	100%
Funding					
19. Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed.	45%	17%	100%	29%	100%
20. Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	55%	33%	100%	14%	100%
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.	81%	75%	100%	71%	100%

Summary of survey results: Market risk and credit risk

	All	Europe	U.K.	U.S.	Canada
Market risk	Percentage of banks that plan to meet recommendation for year-end 2013				
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.	29%	17%	100%	29%	17%
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.	60%	42%	100%	33%	83%
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.	77%	58%	100%	71%	100%
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.	68%	50%	100%	57%	100%
Credit risk					
26. Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations.	65%	67%	100%	71%	33%
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.	93%	83%	100%	100%	100%
28. Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses.	70%	33%	100%	83%	100%
29. Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions.	74%	58%	100%	45%	100%
30. Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful.	61%	50%	100%	45%	100%

Summary of survey results: Other risks

Other risks	All	Europe	U.K.	U.S.	Canada
	Percentage of banks that plan to meet recommendation for year-end 2013				
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.	94%	92%	100%	86%	100%
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	87%	75%	100%	100%	100%

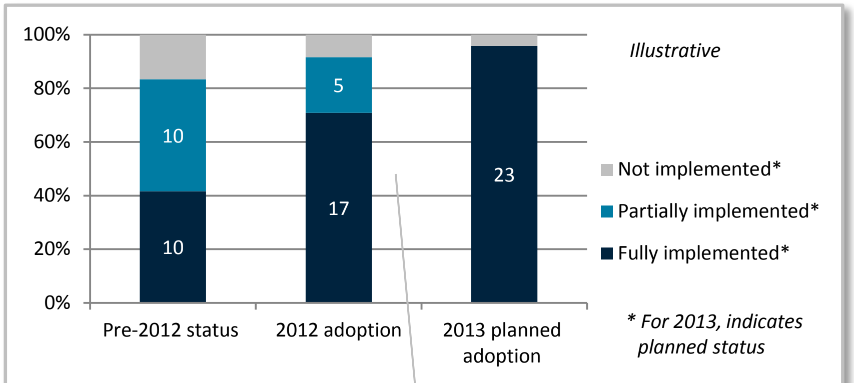
Section 2

Banks' self-assessment results by recommendation

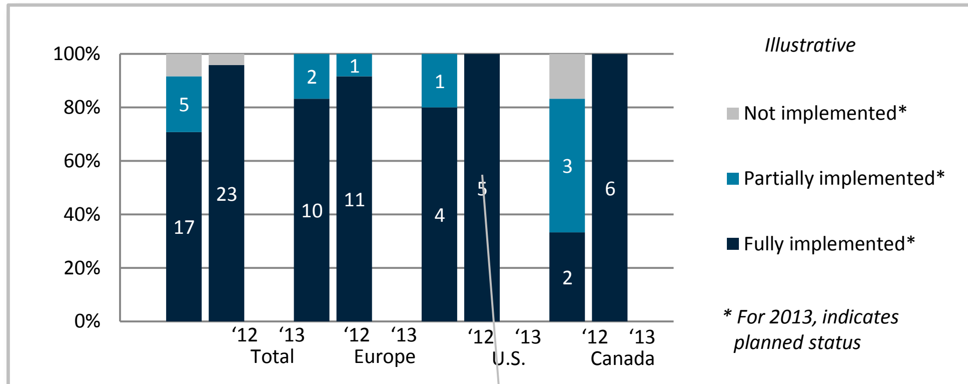
Presentation of survey results

- 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 2012 year-end and plans for 2013 year-end

Indicates progress by geography comparing implementation rates for 2012 year-end and plans for 2013 year-end

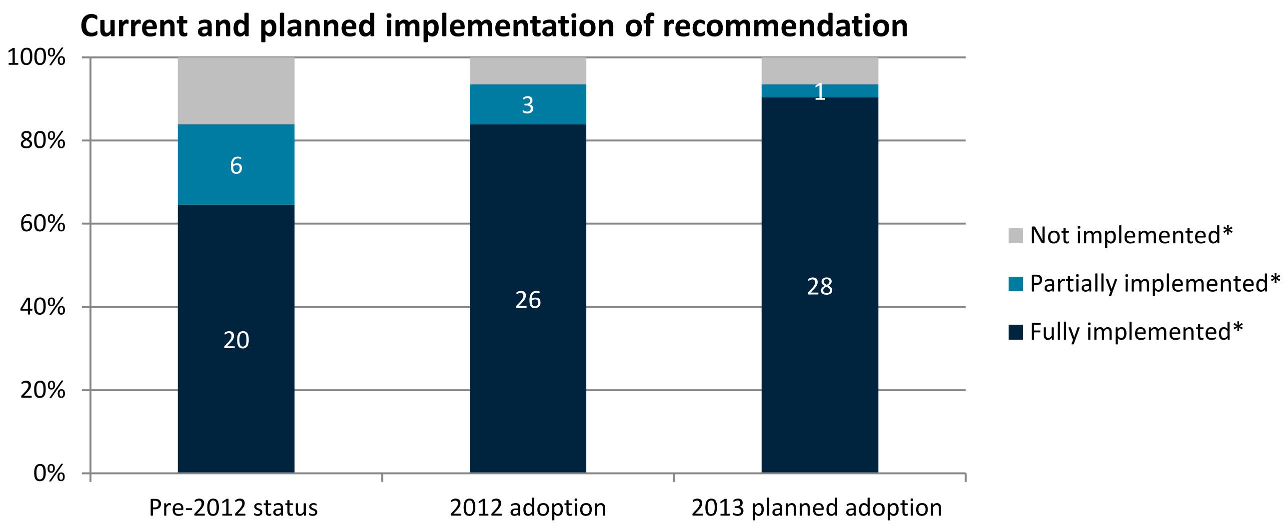
Note:

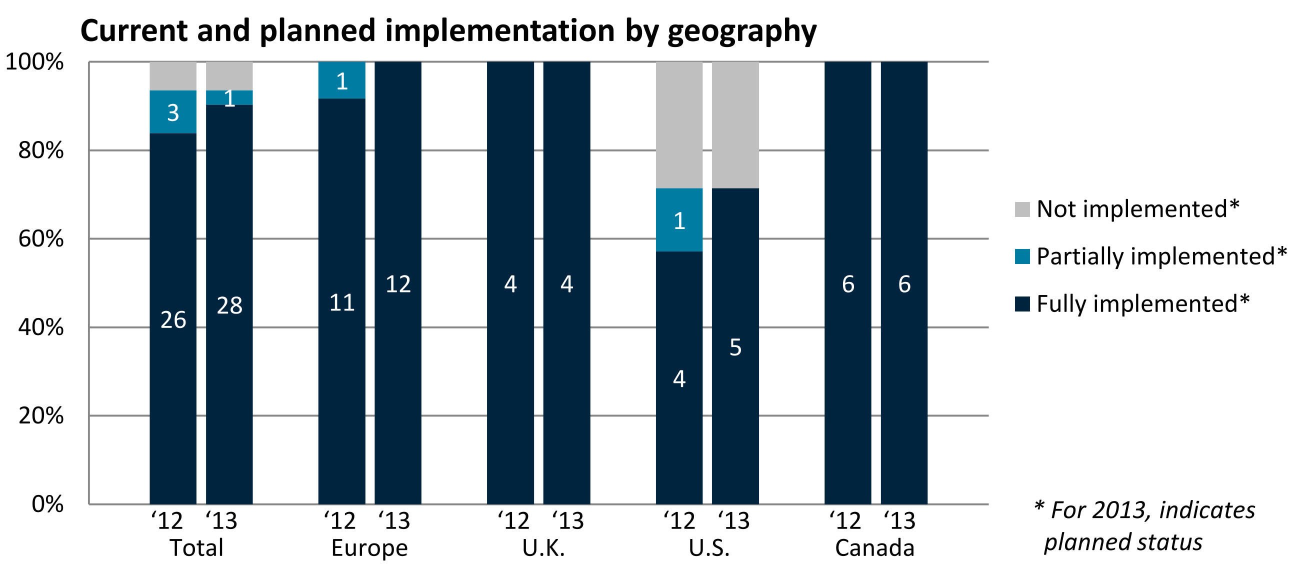
- Implementation rate is defined as the ratio of the number of banks that either implemented or plan to implement a recommendation, to the total number of respondents
- Geographical breakouts are shown only where four or more participants existed for a given region.
- Where banks indicated that recommendations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

Section 2.1

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.



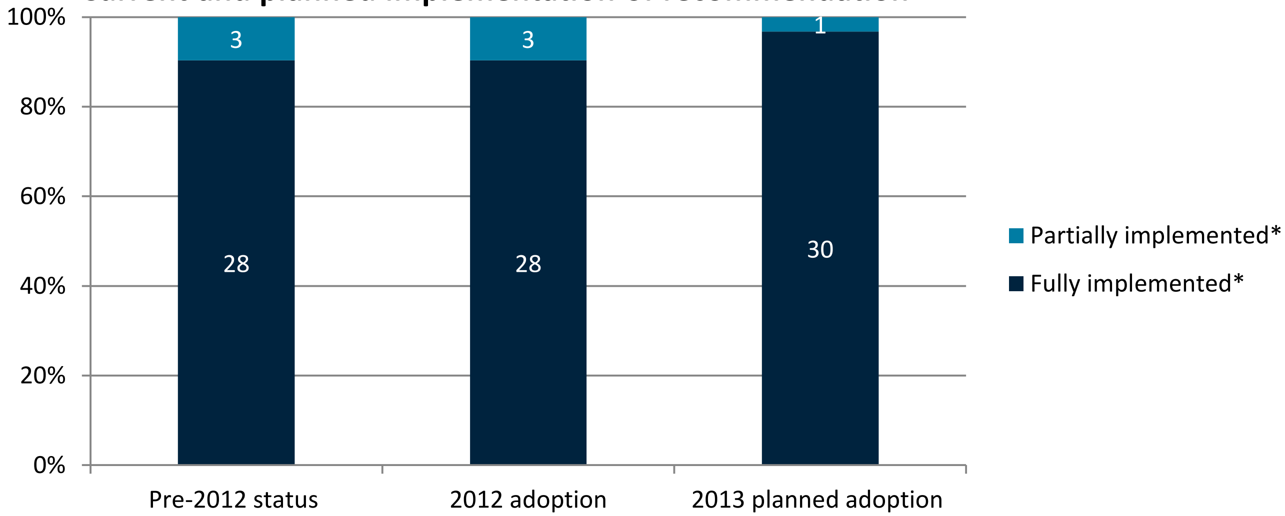


** For 2013, indicates planned status*

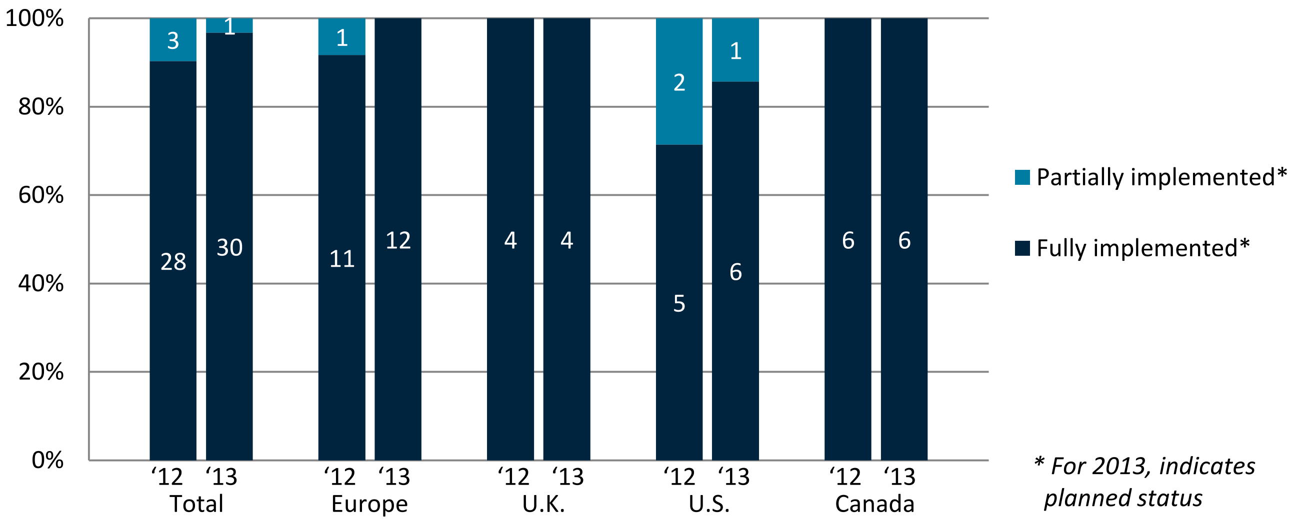
- For 2012 year-end, 84% of the participants reported that they disclosed risk information together within the Annual Report.
- By 2013 year-end, all participating banks from Europe, the U.K., and Canada plan on having implemented this recommendation. This will increase the implementation rate to 90% by 2013 year-end.
- All six participating Canadian banks and all four participating U.K. banks had provided their risk information in one particular report prior to 2012 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.

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

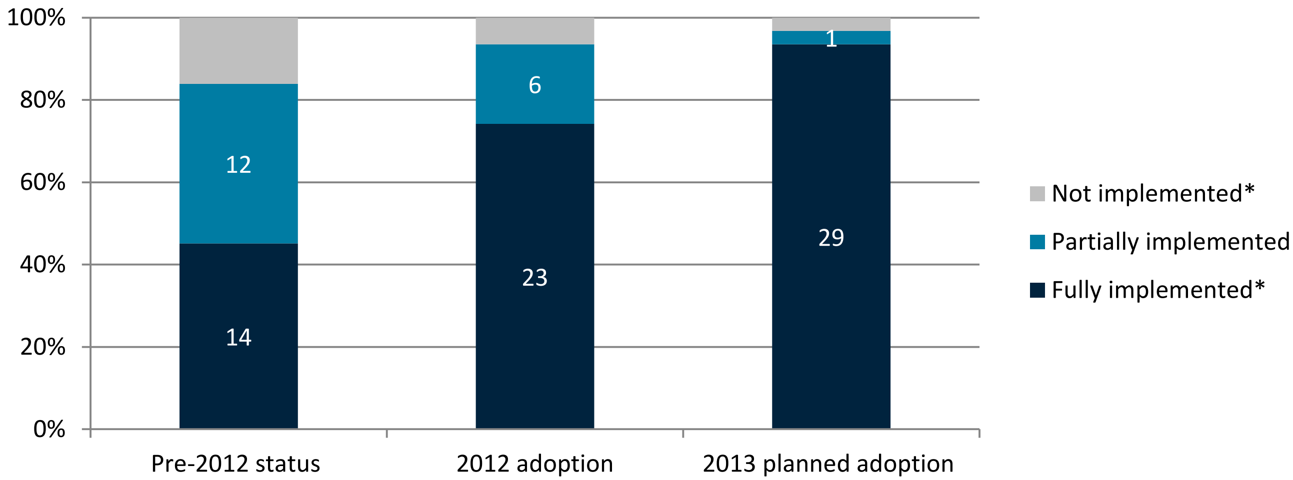


** For 2013, indicates planned status*

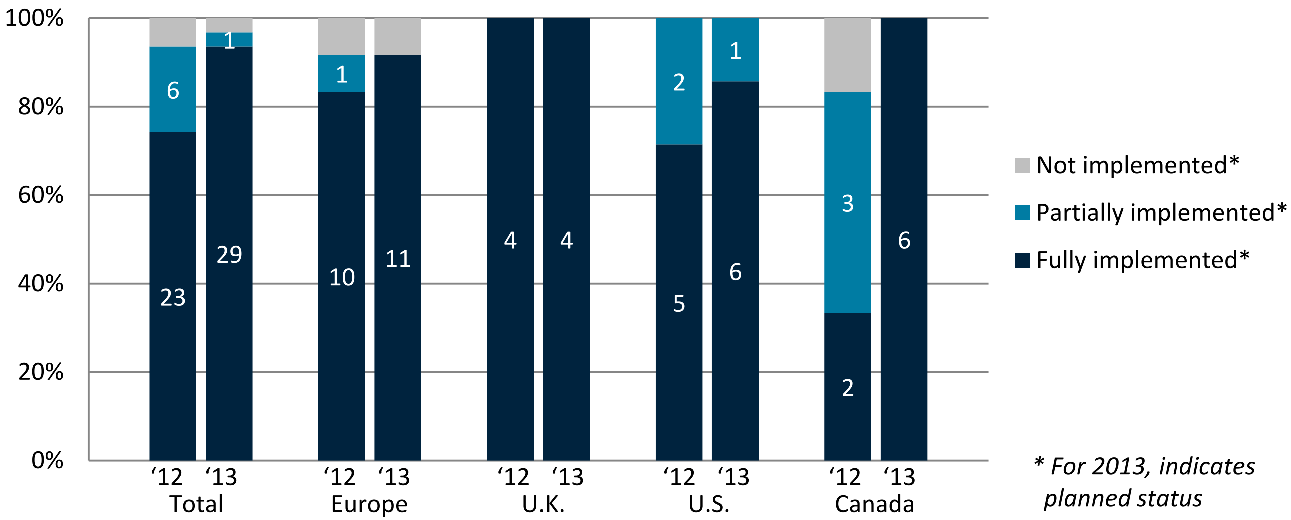
- For 2012 year-end, 90% of participants disclosed its risk terminology, measures and described key parameter values used in risk estimates. All of these institutions indicated they had disclosed this information prior to 2012 year-end.
- On a relative basis, U.K., Canadian, and European respondents had a higher implementation rate than U.S. participants through 2012 year-end.
- Two of the three banks that had not fully implemented the recommendation plan on doing so for 2013 year-end results.
- Disclosure examples provided a narrative describing key risk measures, tools and definitions used by risk type (e.g., VaR) and across risk types (e.g., RWA).

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

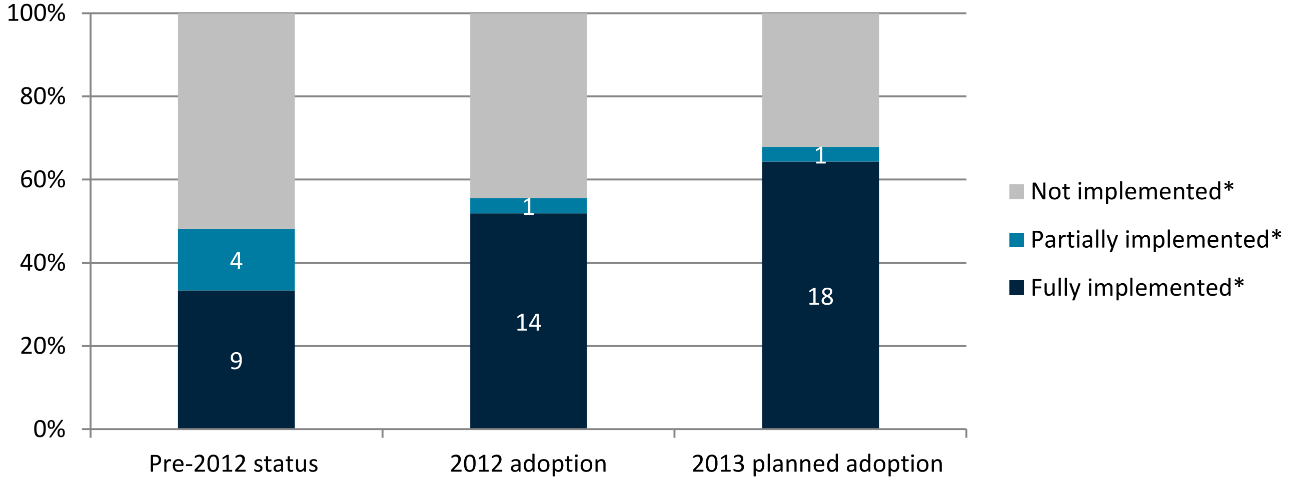


** For 2013, indicates planned status*

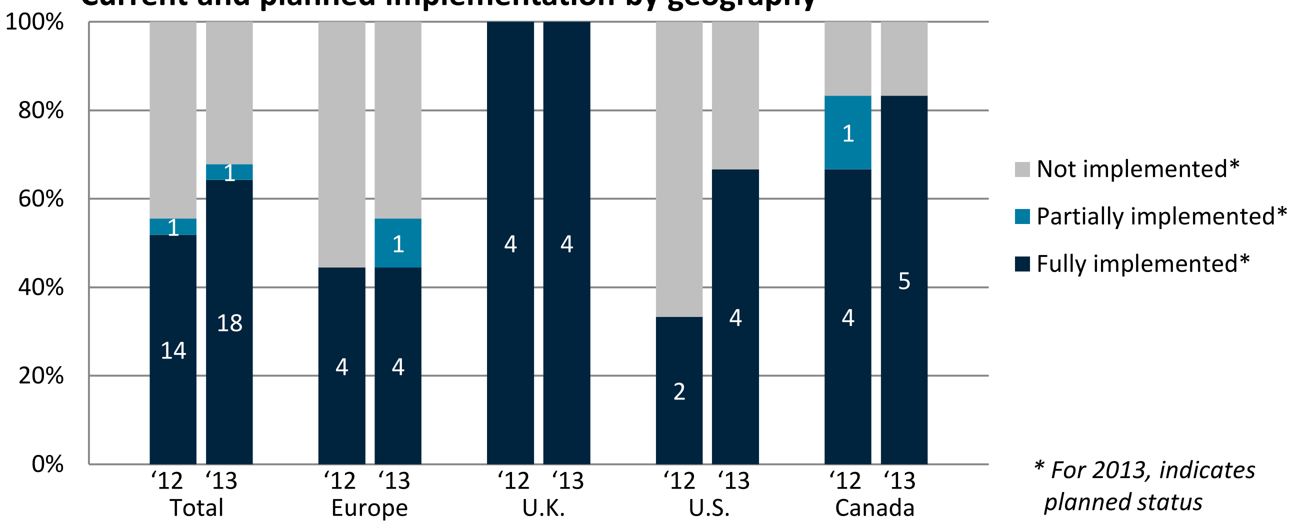
- For 2012 year-end, 74% of participants discussed top and emerging risks in their disclosures. Nine institutions added this information to their Annual Reports or other reports such as Pillar 3 for 2012 year-end, after the release of the EDTF report.
- U.K., European and U.S. participants showed relatively high implementation rates for 2012 year-end at 100%, 83% and 71%, respectively. This compares to a 33% implementation rate by Canadian banks.
- The planned implementation rate of the participant group is expected to be 94% for 2013 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



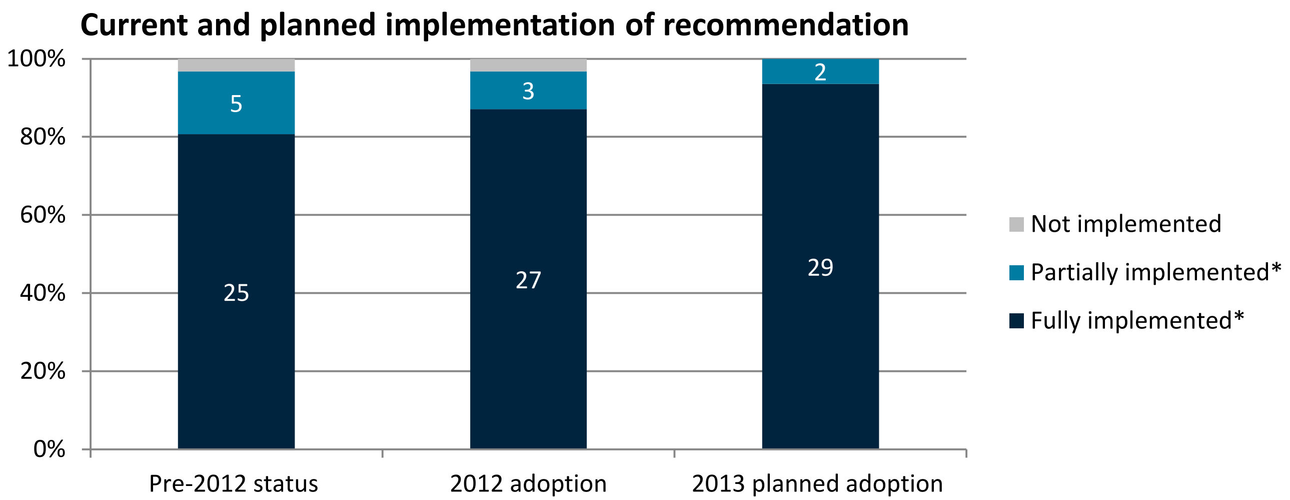
** For 2013, indicates planned status*

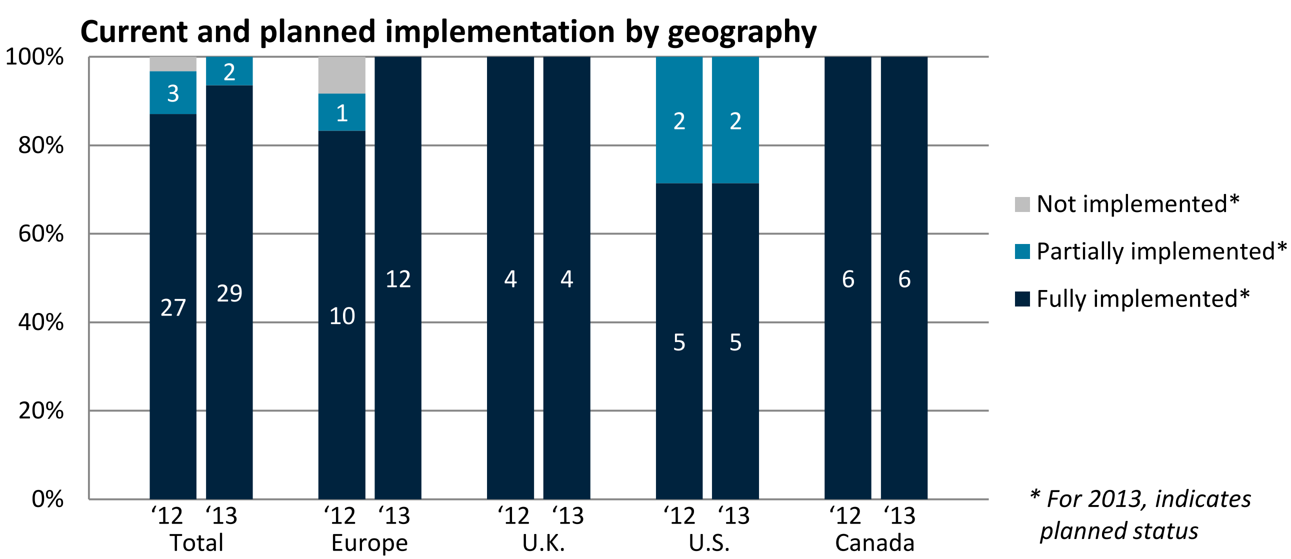
- For 2012 year-end, 52% of participants had implemented the recommendation to describe their plans to meet new regulatory ratios. This represents an increase from 33% of participants that disclosed this information prior to the release of the EDTF report.
- U.K. and Canadian banks showed a higher percentage of implementation than their U.S. and European peers for both 2012 and 2013 year-end.
- For 2013 year-end, an additional three U.S. and Canadian banks are planning to implement this recommendation, which would increase the implementation rate to 64%.
- The uncertainty around the implementation of the LCR and NSFR in each jurisdiction has driven many banks to delay their disclosure of these ratios and related information until rules are finalised by their national regulators.

Section 2.2

Risk governance and risk management strategies/business model

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



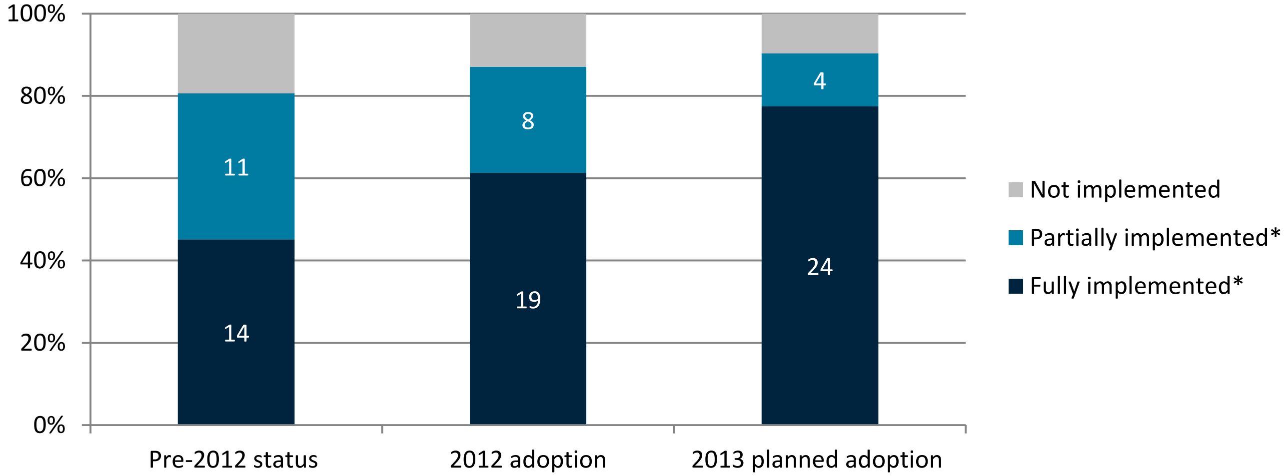


** For 2013, indicates planned status*

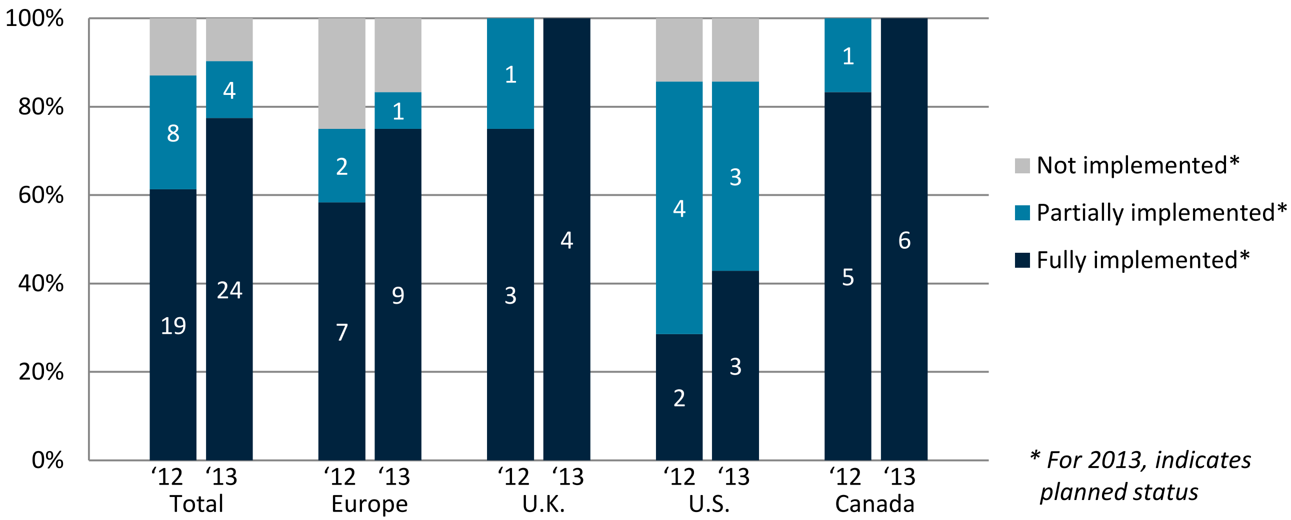
- For 2012 year-end, all but four banks reported that they had fully implemented the recommendation to summarise their risk management organisation, processes and key functions. However, 81% of participants were already disclosing this information prior to 2012 year-end, including all U.K. and Canadian banks
- For 2013 year-end, two of the four remaining banks plan to implement the recommendation in full, bringing to implementation rate to 93%.
- 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

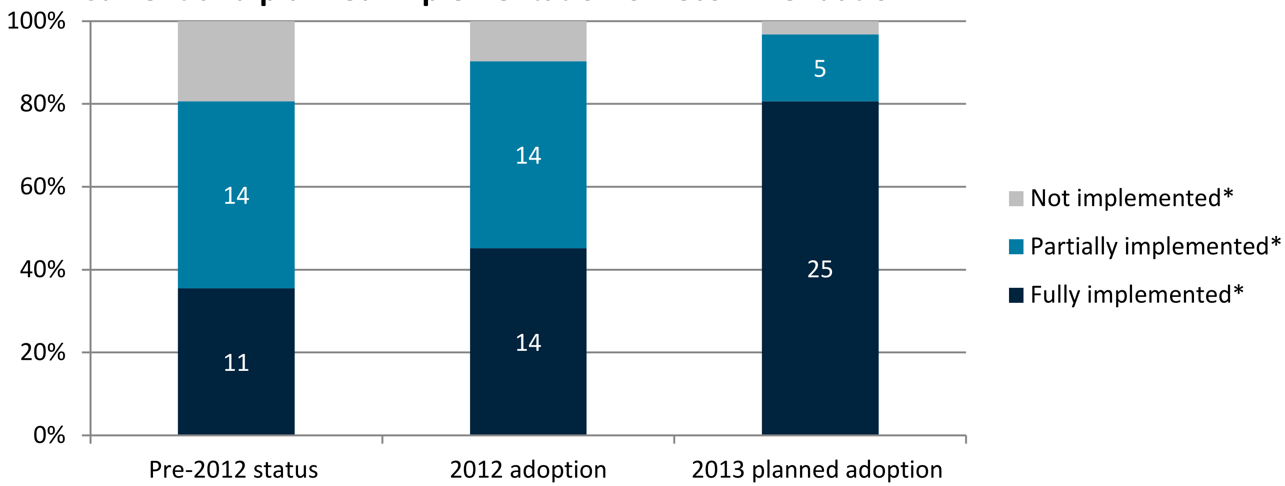


** For 2013, indicates planned status*

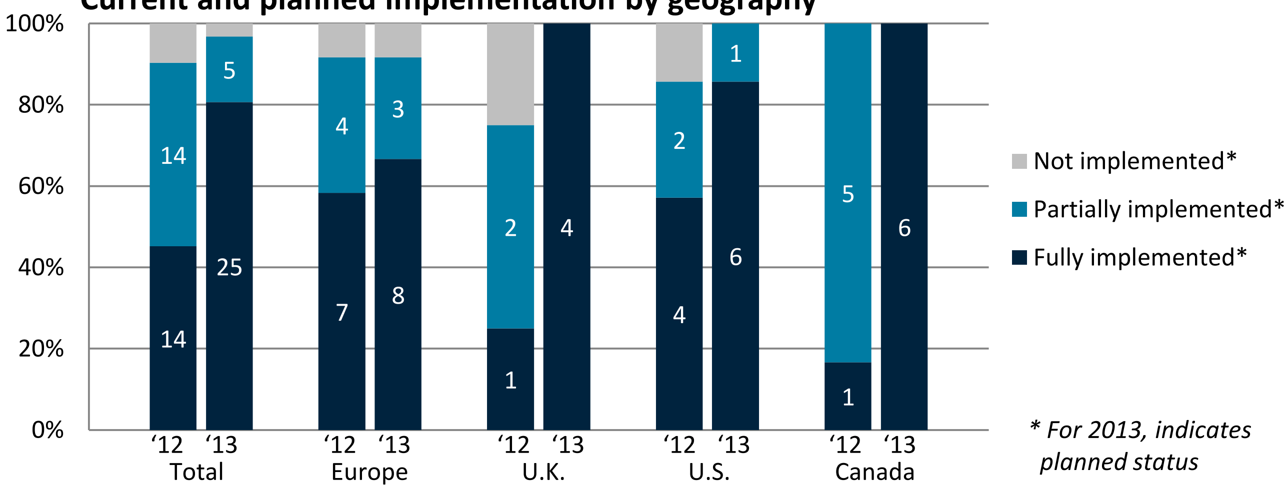
- For 2012 year-end, 61% of participants provided a description of their risk culture and how procedures and strategies were applied to support this culture. This represents an increase in the implementation rate of 16% from the prior year.
- U.K. and Canadian participants had a higher relative percentage of reported implementation among the participant group for both 2012 year-end and 2013 year-end.
- For 2013 year-end, five additional banks plan to implement the recommendation, increasing the implementation rate of the group to 77%.
- 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.

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

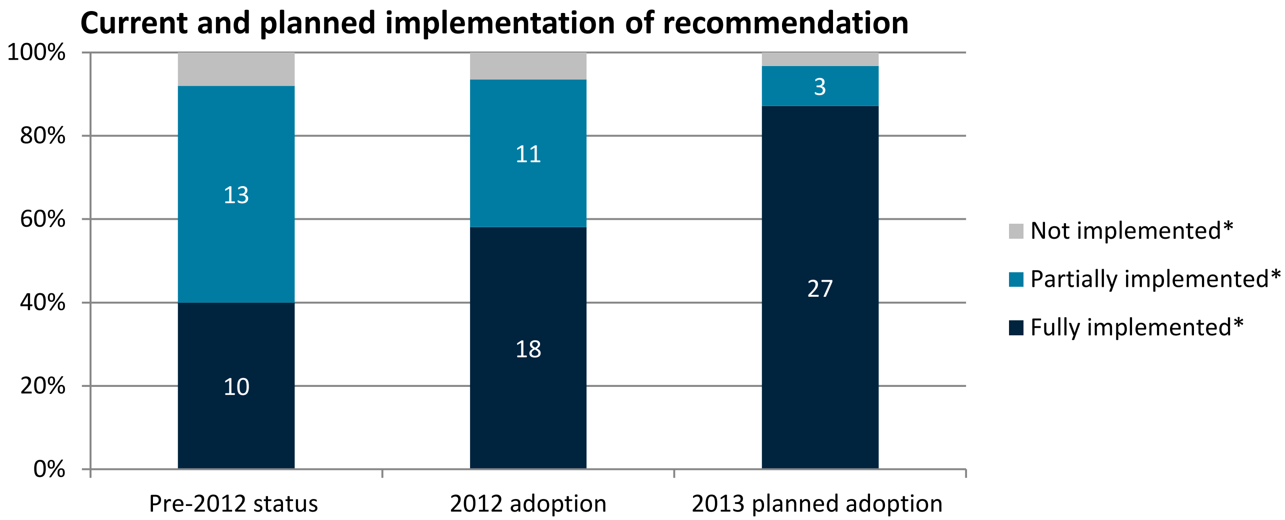


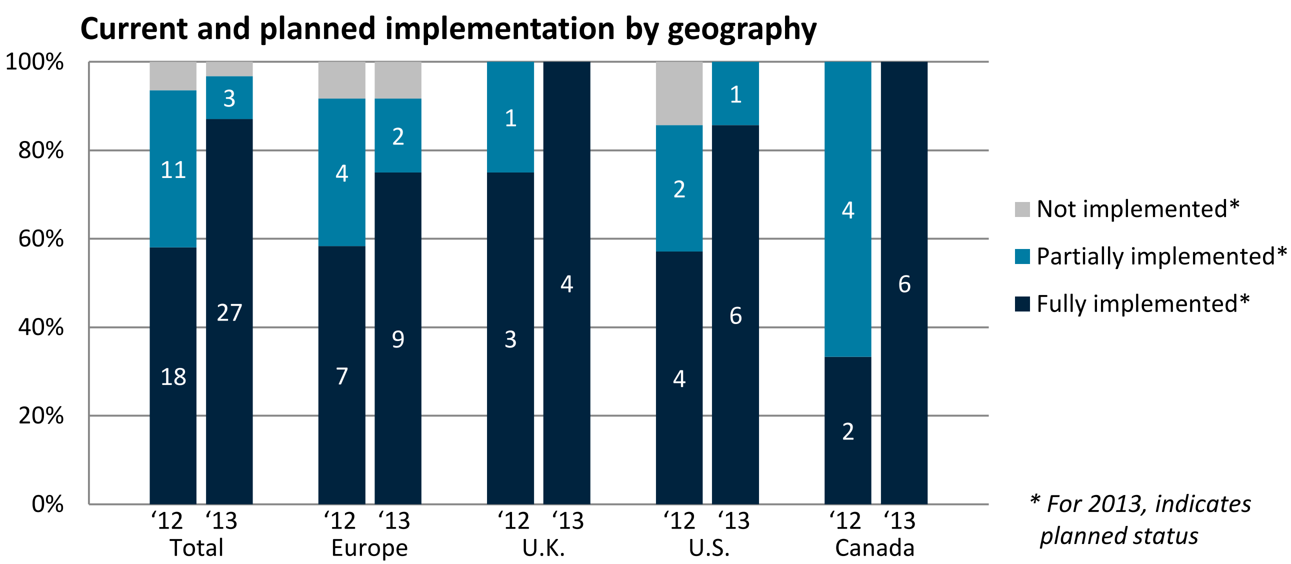
Current and planned implementation by geography



- For year-end 2012, 45% of banks reported that they had implemented the recommendation to describe key risks and the associated risk management process. Three of these banks implemented the recommendation starting in 2012 year-end, after the release of the EDTF report.
- Banks from continental Europe and the U.S. showed a higher implementation rate for 2012 year-end than participants from other regions.
- Eleven additional participants have indicated plans to implement the recommendation for 2013 year-end, bringing the implementation rate to 81%. Notably, all U.K. and Canadian participants plan to implement the recommendation by 2013 year-end.
- 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.

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.





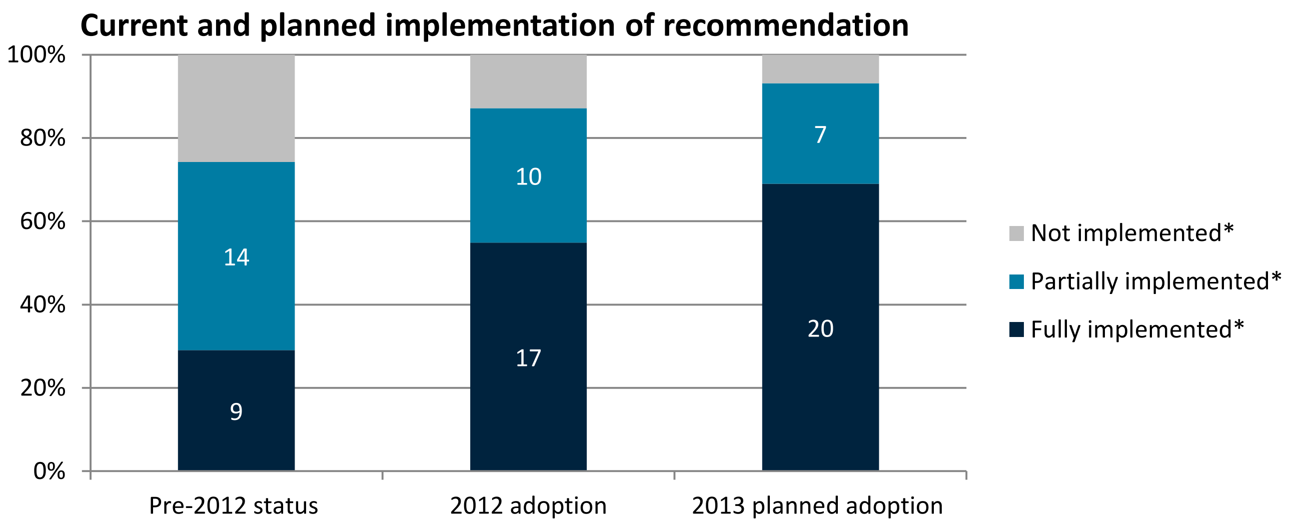
** For 2013, indicates planned status*

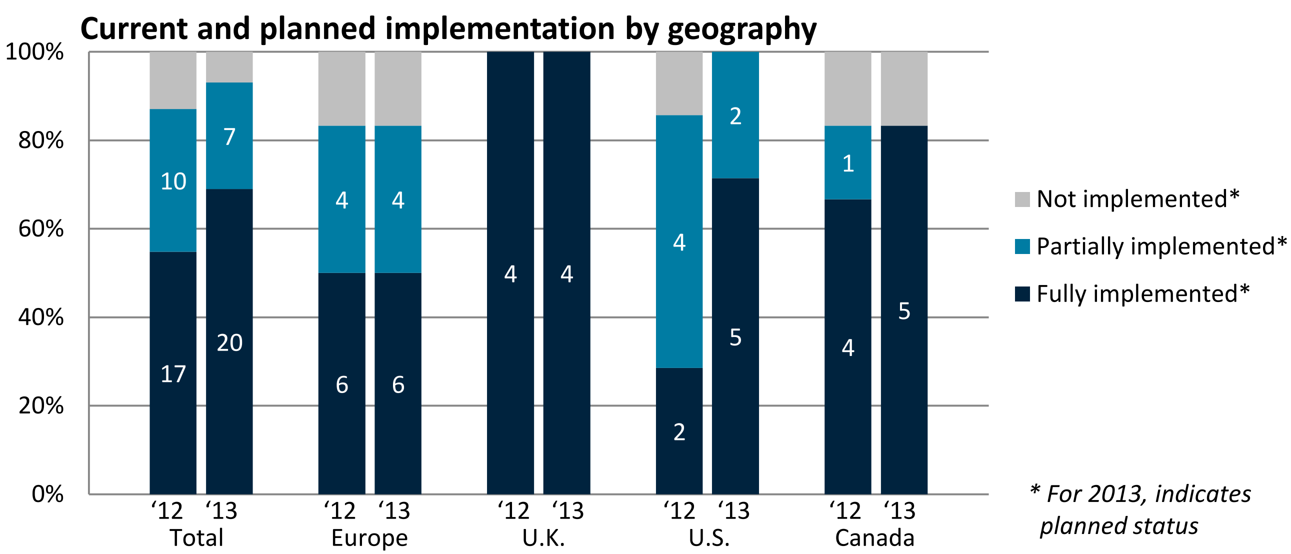
- Through 2012 year-end, 58% of participants disclosed information on the use of stress testing, as well as an overview of the bank's internal stress testing process and governance. Eight banks implemented this practice after the release of the EDTF report.
- Of the group that implemented the recommendation, U.K. banks showed a higher relative percentage of implementation than banks from other regions for 2012 year-end.
- For 2013 year-end, an additional nine banks plan to implement the recommendation. All U.K. and Canadian banks plan to implement the recommendation by 2013 year-end.
- 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 will provide quantitative and qualitative disclosures of their enterprise-wide stress testing process and results.

Section 2.3

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.

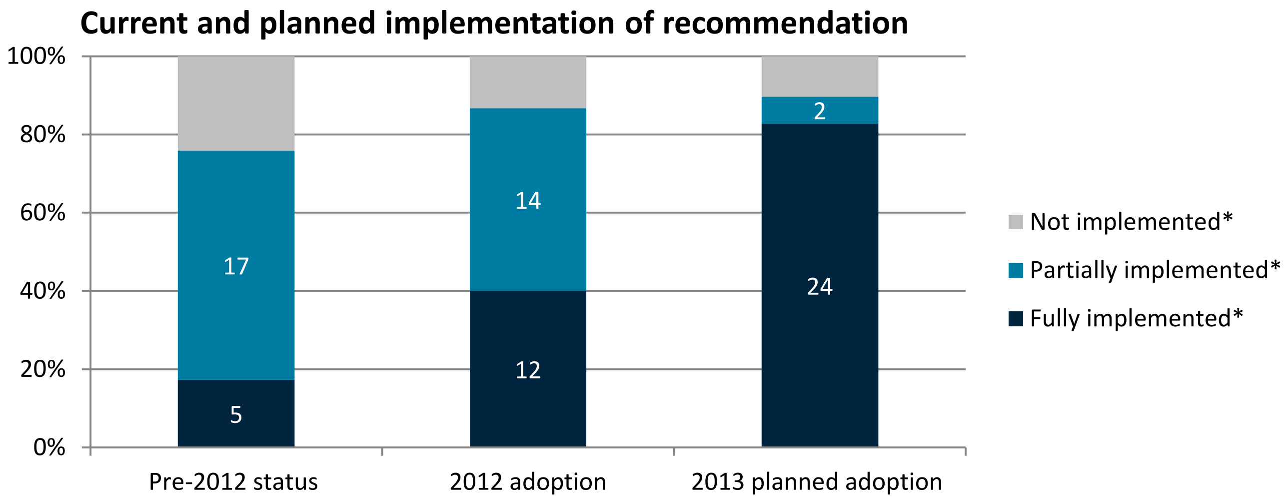


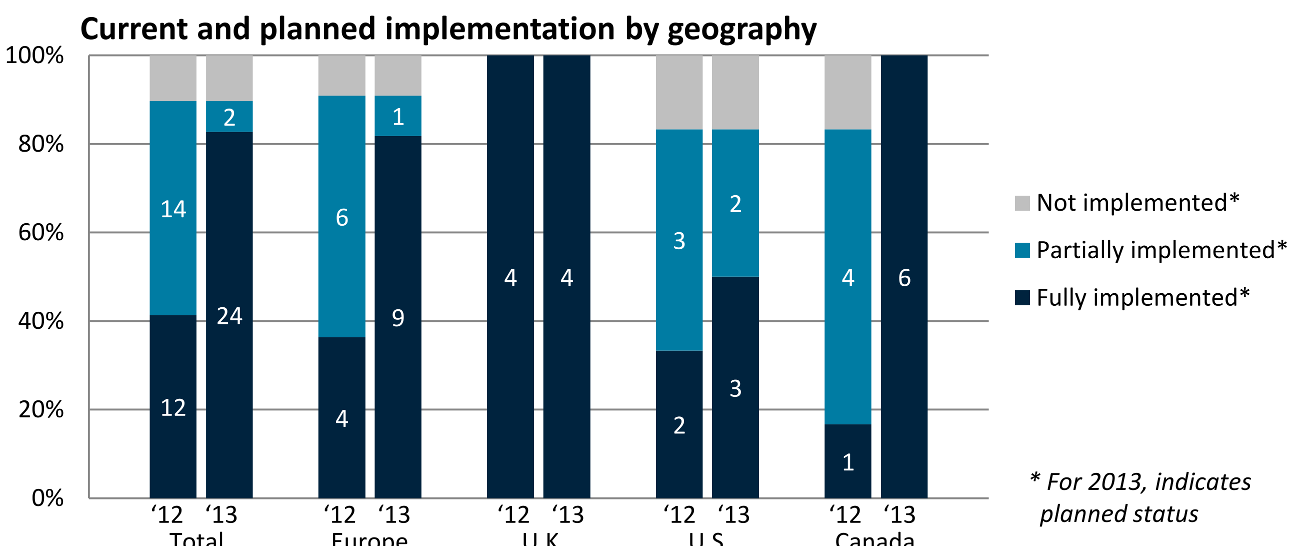


** For 2013, indicates planned status*

- For 2012 year-end, 59% of participants provided Pillar 1 minimum capital requirements and other applicable buffers or a minimum internal target ratio. Nine banks from this group disclosed this information after the release of the EDTF report.
- On a relative basis, U.K and Canadian banks show higher implementation rates than European and U.S. banks for both 2012 and 2013 year-end.
- For 2013 year-end, banks from the U.S. and Canada plan to make progress towards full implementation, which will translate to an overall 69% implementation rate.
- The rules on G-SIB capital surcharges and capital buffers under Basel III have not been finalised by national regulators. Basel III and G-SIB buffer rules are currently expected to be effective starting in 2014 and 2016, respectively both in the U.S. and in Europe.

Recommendation 10: 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.



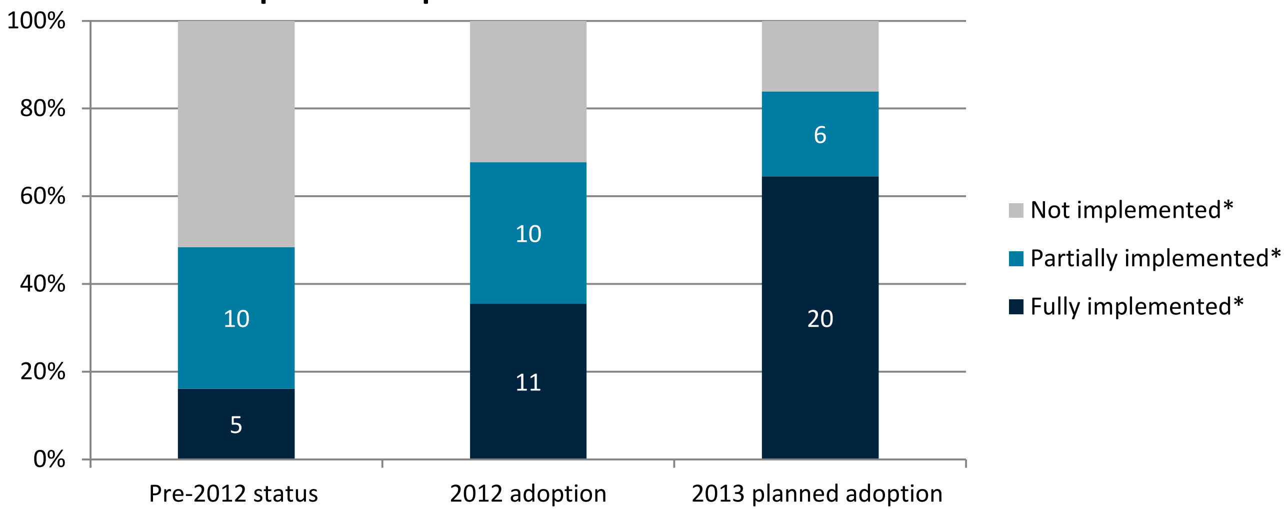


** For 2013, indicates planned status*

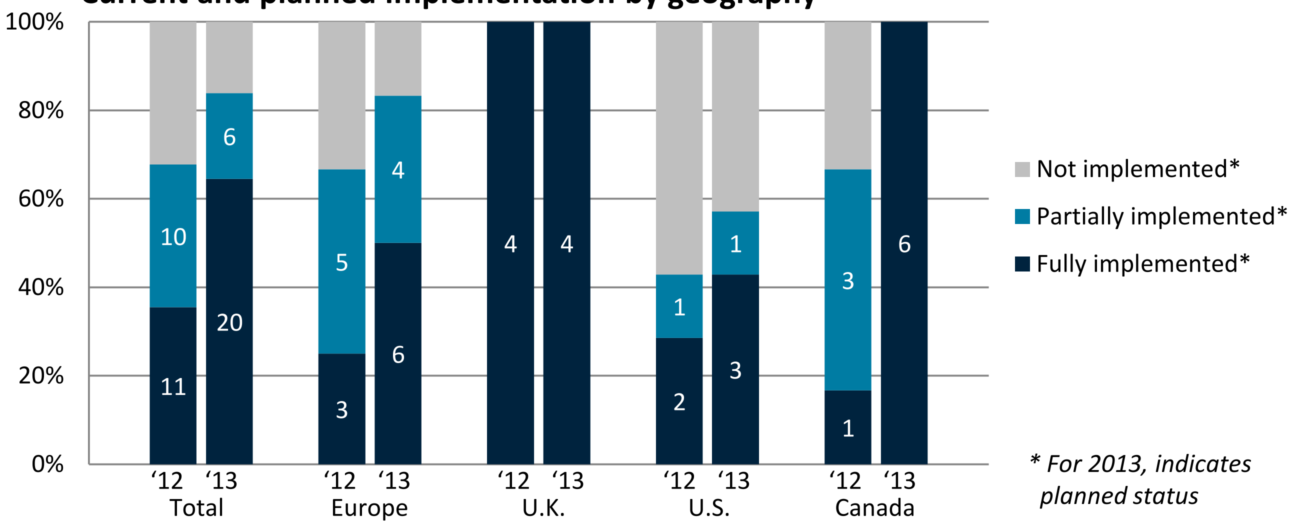
- Through 2012, 41% of participants disclosed capital composition information as per the Basel Committee templates and provided a reconciliation of accounting to regulatory balance sheet. The disclosure rate prior to the release of the EDTF report was 17%.
- U.K. and European ex. U.K. participants showed a higher implementation rate for 2012 year-end, which is consistent with the more advanced state of Basel II implementation in the EU vs. the U.S. and Canada.
- For 2013 year-end, an additional twelve participants indicated plans to implement the recommendation, increasing the overall implementation rate to 83%. All U.K. and Canadian participants plan to fully implement this recommendation for 2013 year-end.
- Some banks have expressed a preference to update their disclosures only after Basel III rules are finalised and effective in their respective jurisdictions.

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



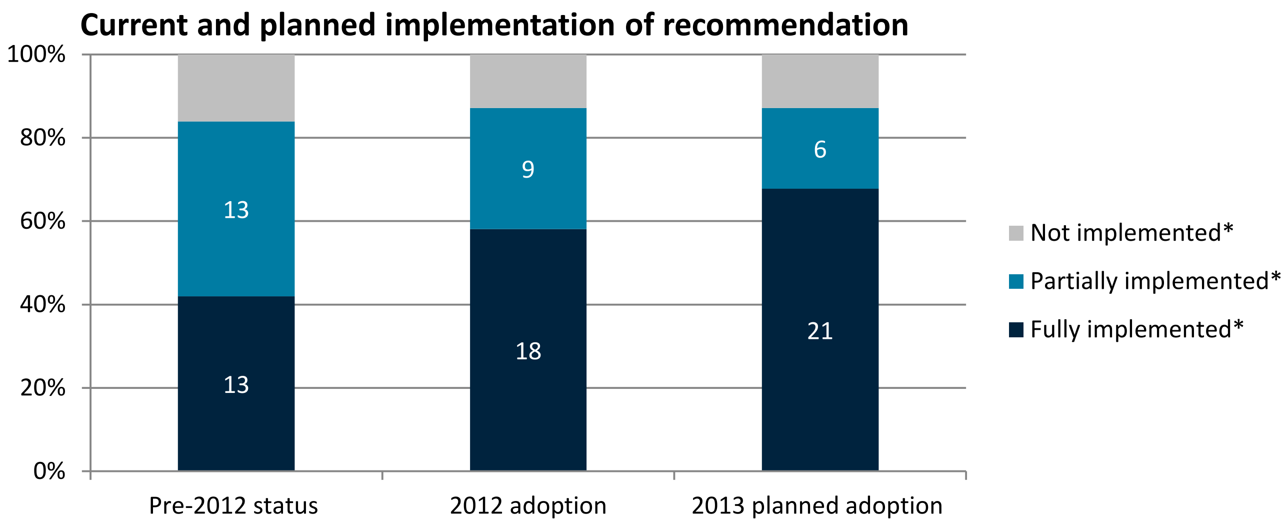
Current and planned implementation by geography

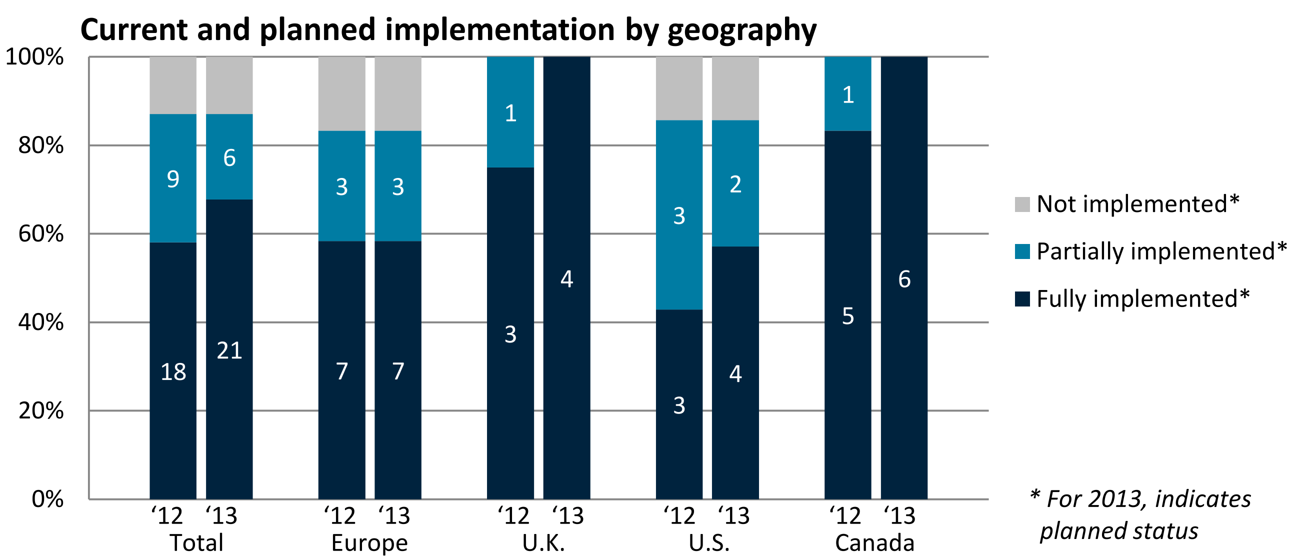


** For 2013, indicates planned status*

- For 2012 year-end, 35% of participants reported that they provided a flow statement of movement in regulatory capital components.
- Implementation rates across Europe ex. U.K., the U.S., and Canada were somewhat similar through 2012 year-end. While these regions show increases in implementation rates for 2013 year-end, all Canadian participants plan on implementing the recommendation.
- For 2013 year-end, the number of participants planning to implement this recommendation is increasing to 20, resulting in an implementation rate of 65%.
- Similar to recommendations 9 and 10, some banks have expressed a preference to disclose this type of capital information once Basel III rules are finalised in their jurisdiction.
- 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.



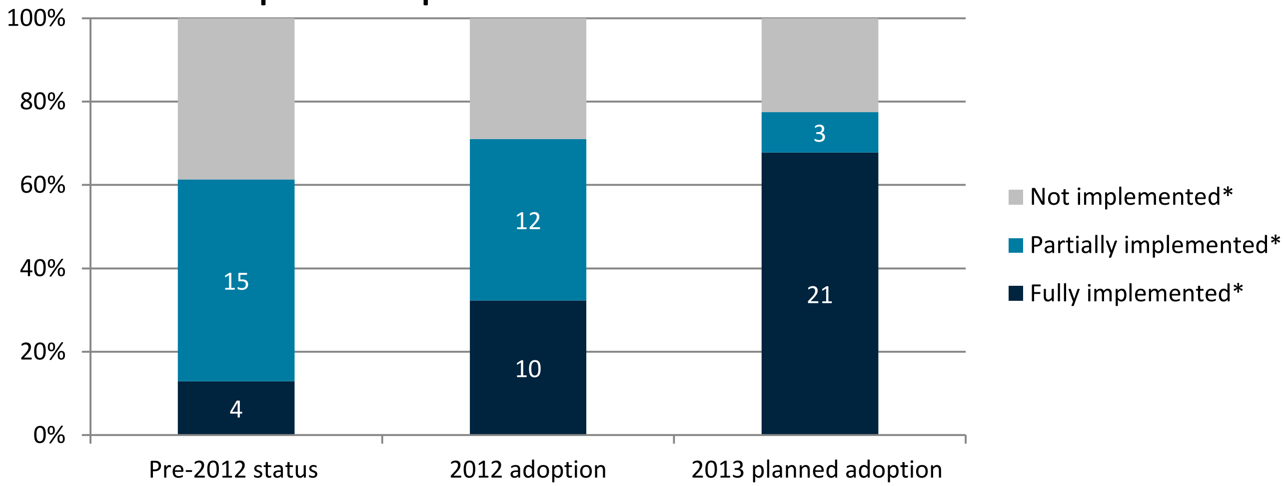


** For 2013, indicates planned status*

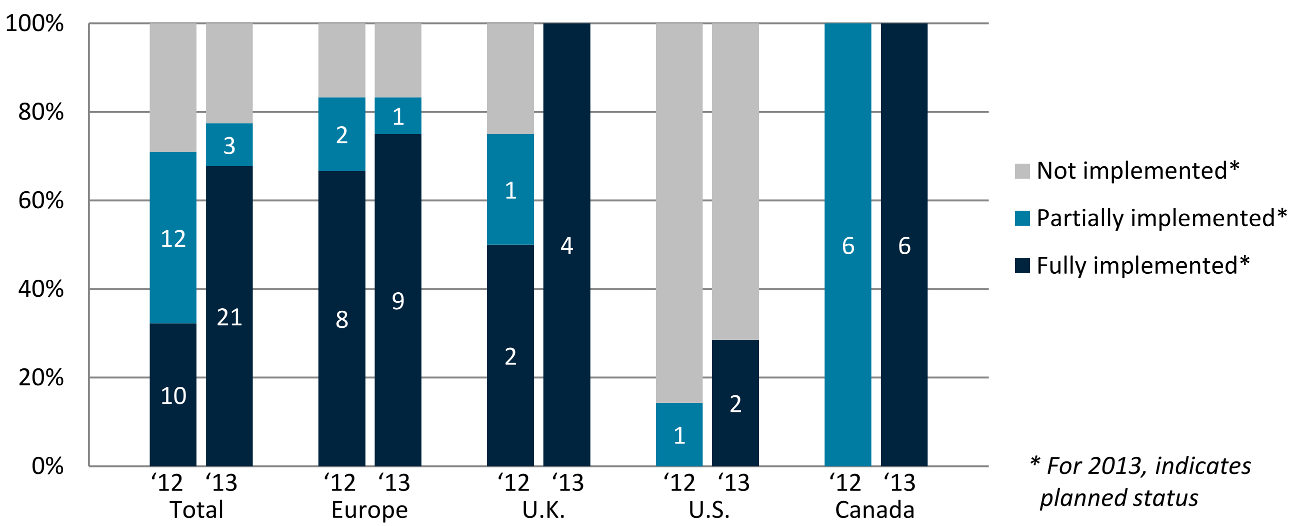
- As of 2012, 58% of participants provided a discussion on capital planning, including strategic planning as recommended by the EDTF. The implementation rate among participants increased 16% after the release of the EDTF report.
- Of the group that disclosed capital planning information as recommended, U.K. and Canadian banks showed a higher percentage of implementation, closely followed by European ex. U.K. banks.
- For 2013 year-end, an additional three banks, from the U.K., U.S., and Canada, respectively, are planning to disclose capital planning information as recommended by the EDTF. The planned implementation rate for 2013 year-end is expected to be 68%.
- Implementers provided a discussion of management's strategic plans and actions and the linkages of that strategy to capital levels and capital distribution plans.

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

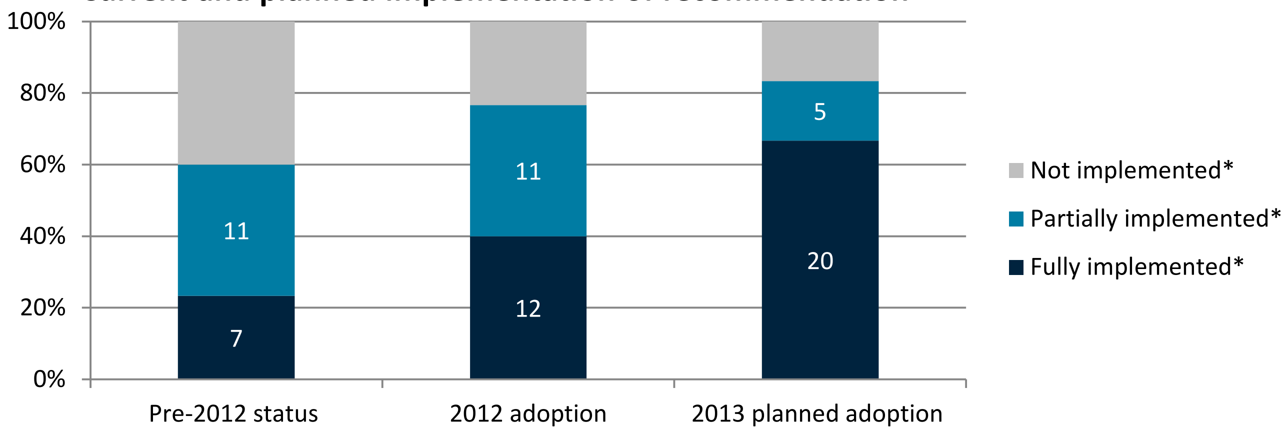


** For 2013, indicates planned status*

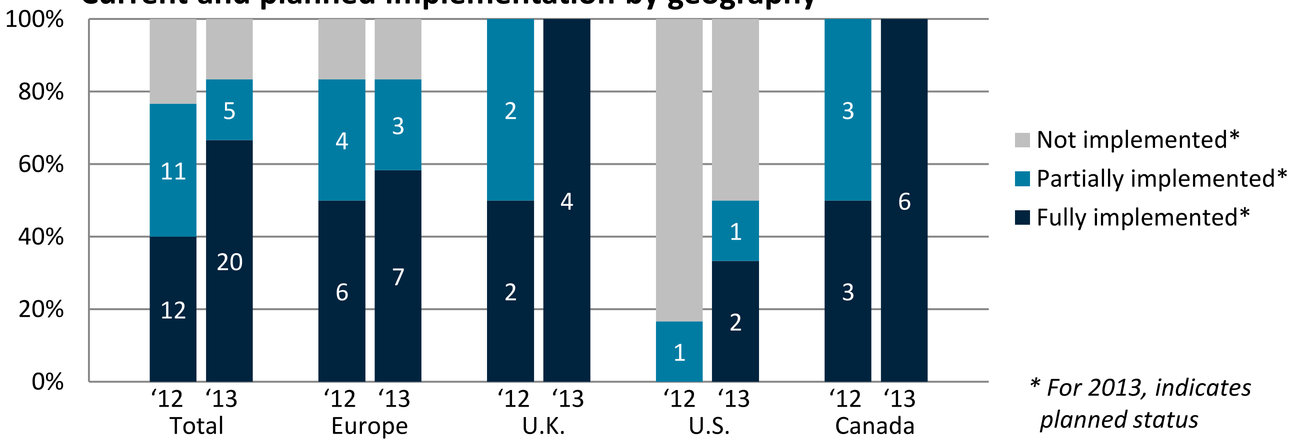
- Only four banks provided disclosures that explained the relationship between RWAs and business activities prior to 2012 year-end.
- After the release of the EDTF report, six U.K. and European ex. U.K. banks disclosed this information in their Annual Reports or other reports such as Pillar 3, resulting in a 32% implementation rate.
- For 2013 year-end, the implementation rate will more than double as eleven banks across all regions plan to implement this RWA recommendation, resulting in an implementation rate of 68%. The planned implementation rate of U.K. and Canadian banks for year-end 2013 is 100%.
- 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 14: 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).

Current and planned implementation of recommendation



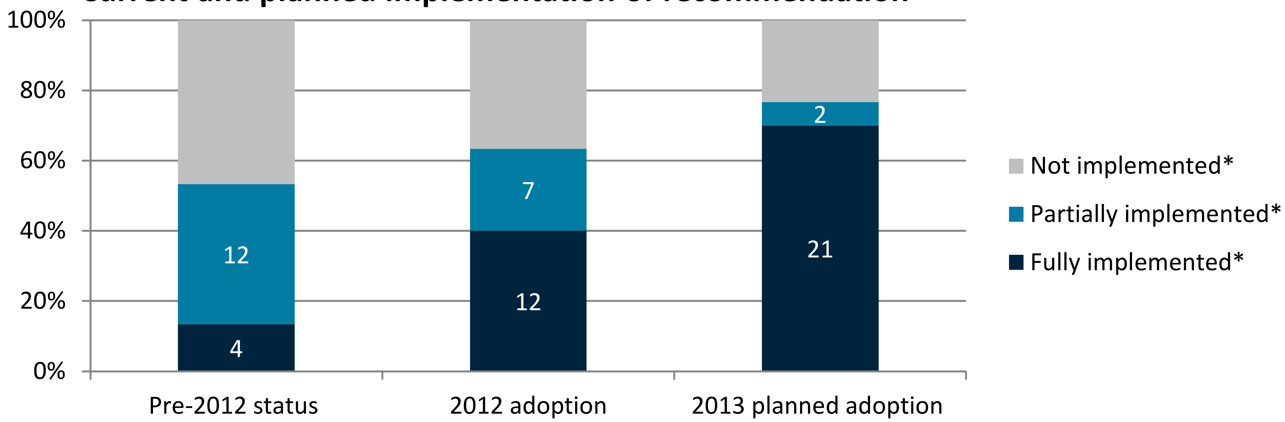
Current and planned implementation by geography



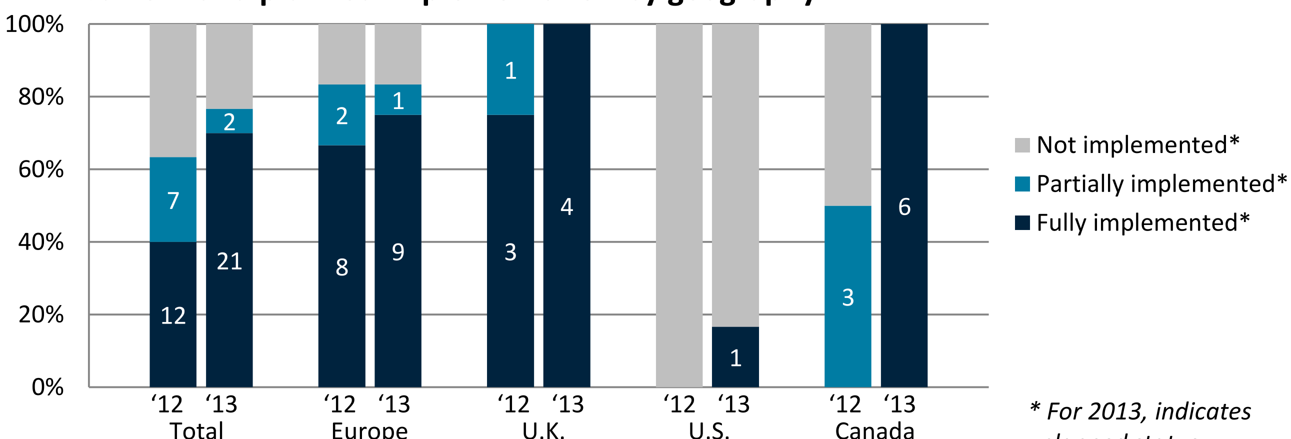
- For 2012 year-end, 40% of participants disclosed capital requirements by method, risk type, Basel asset class and major portfolios within those classes. This represents five additional banks after the release of the EDTF report.
- European banks, including U.K. participants, represent two thirds of the implementing group for year-end 2012.
- In the U.S., banks subject to Basel II have yet to exit parallel run. In addition, rules pertaining to revised Standardised and Advanced Approaches have not been finalised. Some U.S. participants indicated their plans to implement this recommendation upon exiting the Basel II parallel run.
- For 2013 year-end, an additional eight banks across all regions plan to implement this recommendation, increasing the implementation rate to 67%.

Recommendation 15: 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.

Current and planned implementation of recommendation



Current and planned implementation by geography

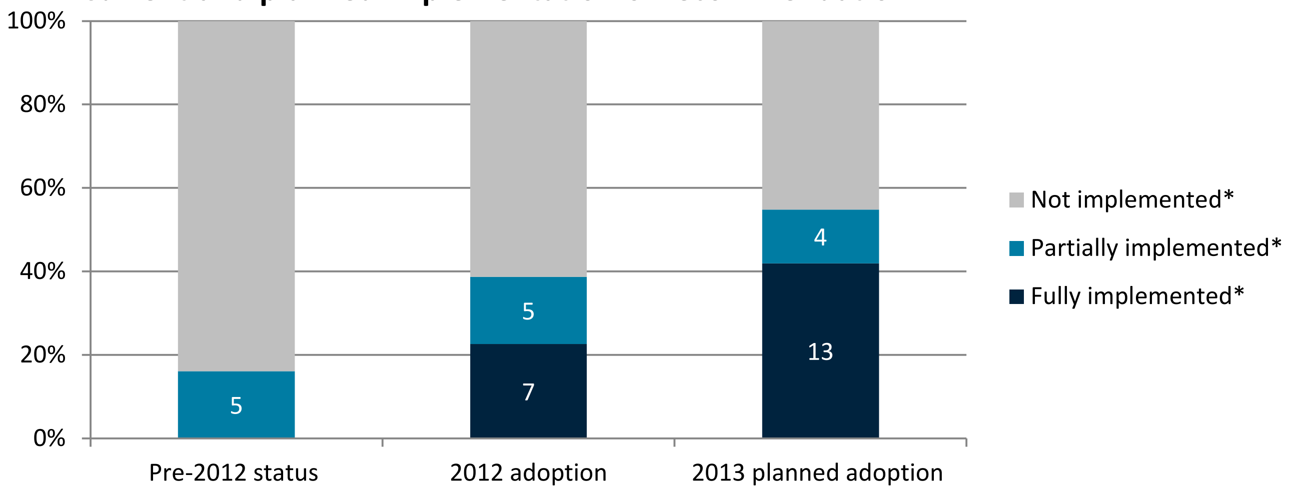


** For 2013, indicates planned status*

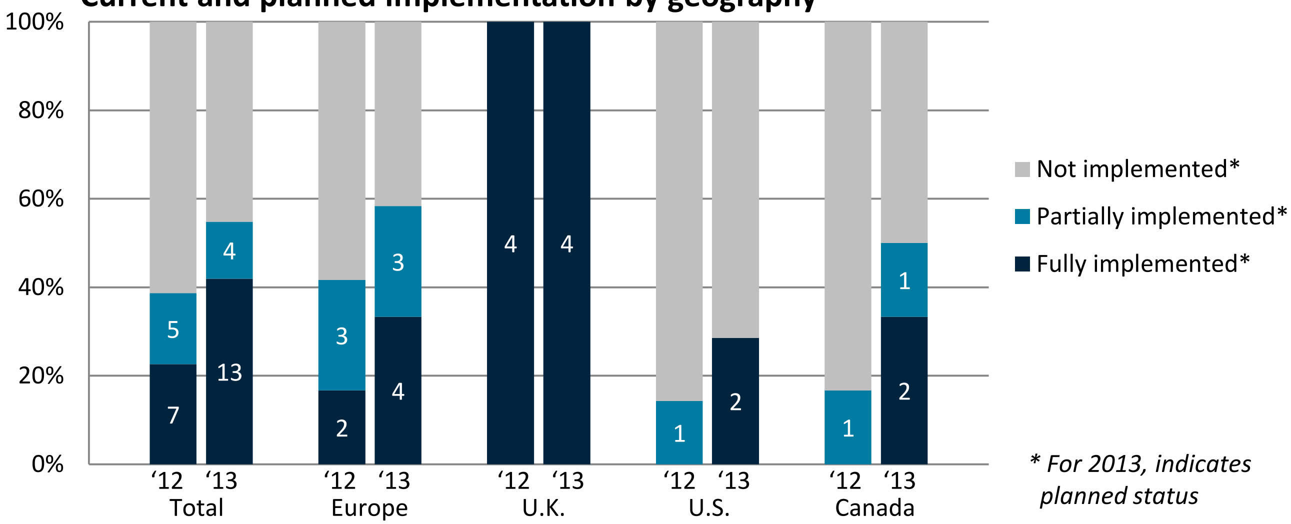
- For 2012 year-end, 40% of participants reported that they provided average PD, LGD, EAD, RWA and RWA density information for credit exposures as recommended.
- Eleven out of the twelve Implementers were either U.K. and Continental European banks. Most U.K. and European participants subject to Basel II were subject to a similar disclosure requirement under Pillar 3.
- For 2013 year-end, an additional nine banks, predominantly headquartered in Canada, plan to implement the recommendation. The resulting implementation rate for the group is expected to increase to 70%.
- 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 finalised.

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



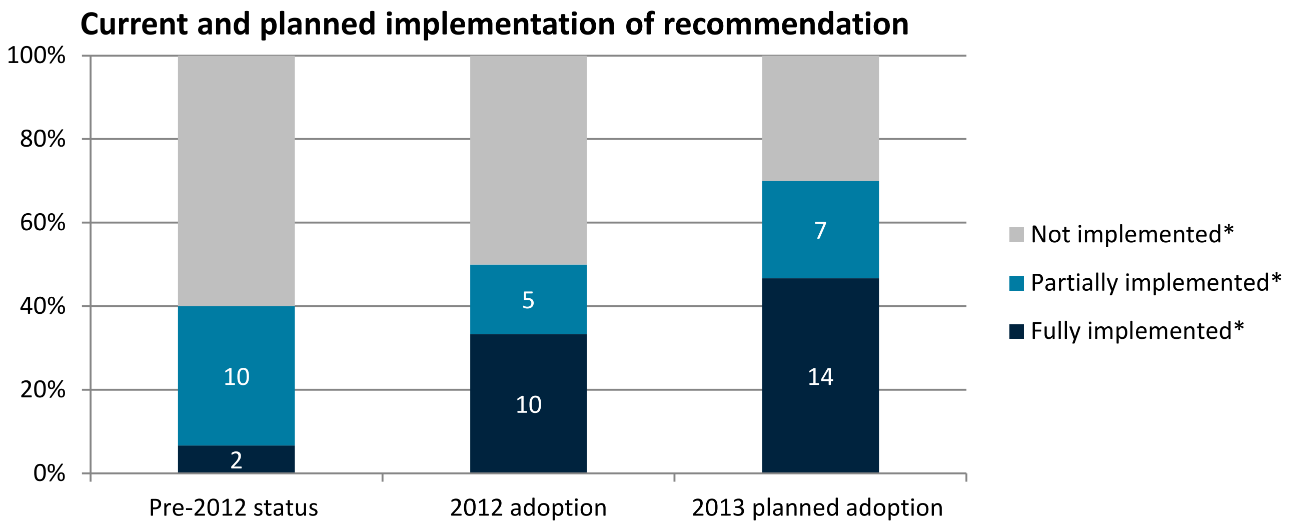
Current and planned implementation by geography

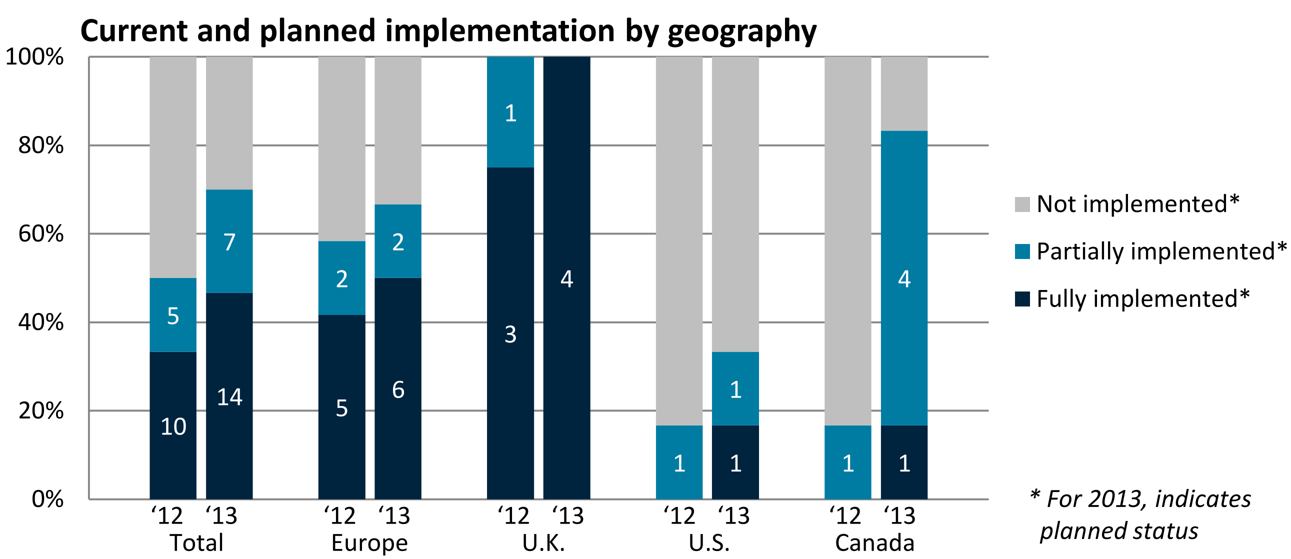


** For 2013, indicates planned status*

- For 2012 year-end, seven participants reported that they disclosed a flow statement reconciling RWA movements for the period. This represents an implementation rate of 23%, all of which took place after the release of the EDTF report. U.K. banks represented four of the seven banks implementing this recommendation for year-end 2012.
- For 2013 year-end, an additional six banks across all regions plan to implement this recommendation, raising implementation rate to 42%.
- Some banks indicated plans to provide qualitative disclosures on RWA drivers explaining major changes. Other banks are still evaluating whether to disclose this type of RWA information for 2013 year-end.
- Implementers provided tabular RWA reconciliations for credit and market risk, including a breakdown of counterparty credit risk RWA. Some disclosures also 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.





** For 2013, indicates planned status*

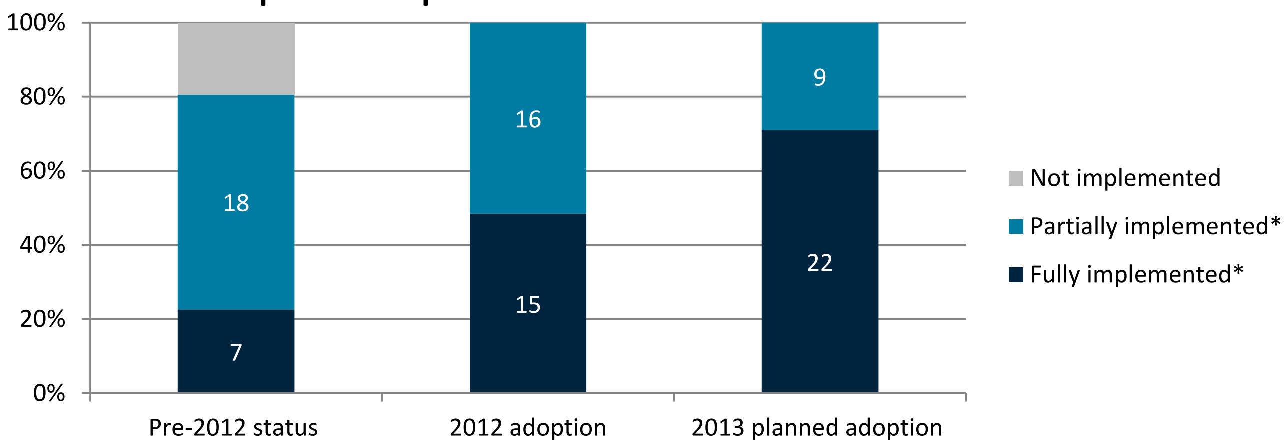
- For 2012 year-end, 33% of participants provided a narrative putting Basel Pillar 3 back-testing requirements into context. Of this group, all but two began disclosing this information after the release of the EDTF report.
- U.K. and European ex. U.K. participants represented the majority of Implementers and showed implementation rates of 75% and 42%, respectively.
- By 2013 year-end, an additional four banks, one from each main region, plan to implement the recommendation.
- 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 finalised.
- Some Canadian banks are targeting 2014 year-end for full implementation of this disclosure, and plan to partially disclose this information for 2013 year-end.

Section 2.4

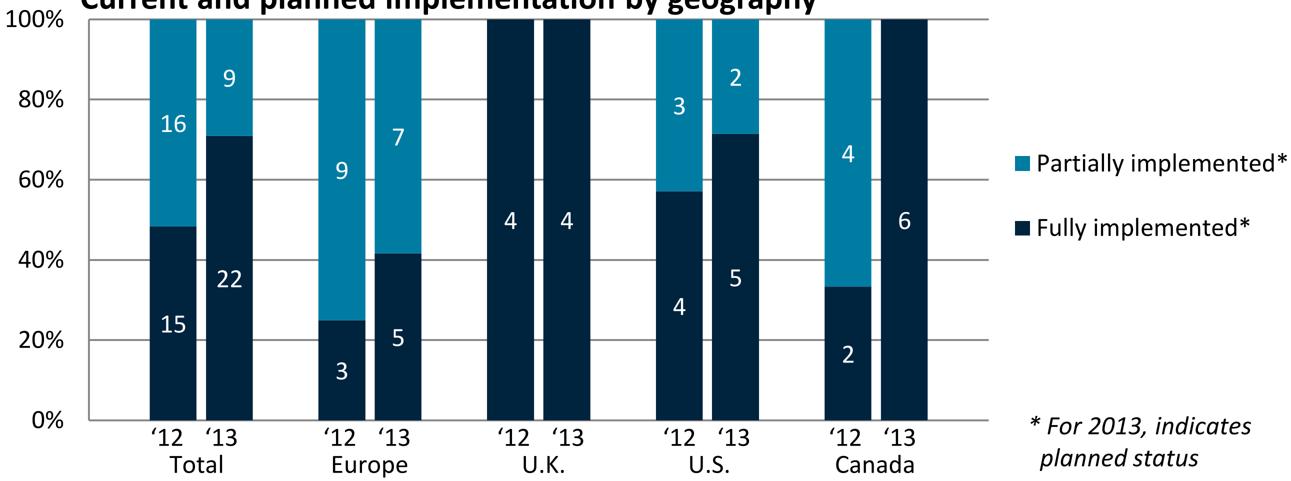
Liquidity

Recommendation 18: 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



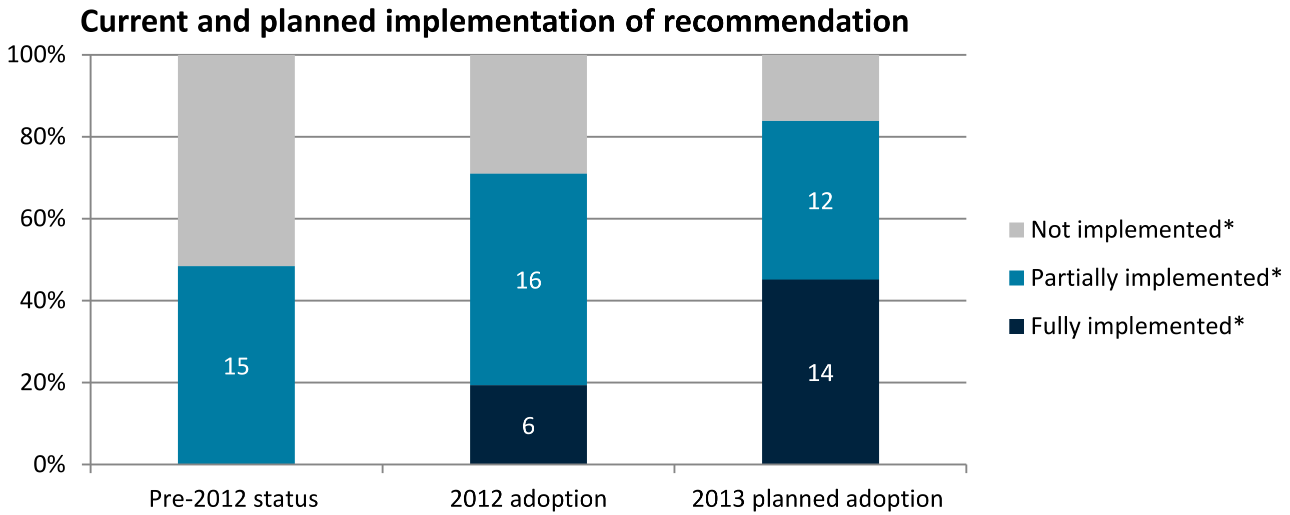
** For 2013, indicates planned status*

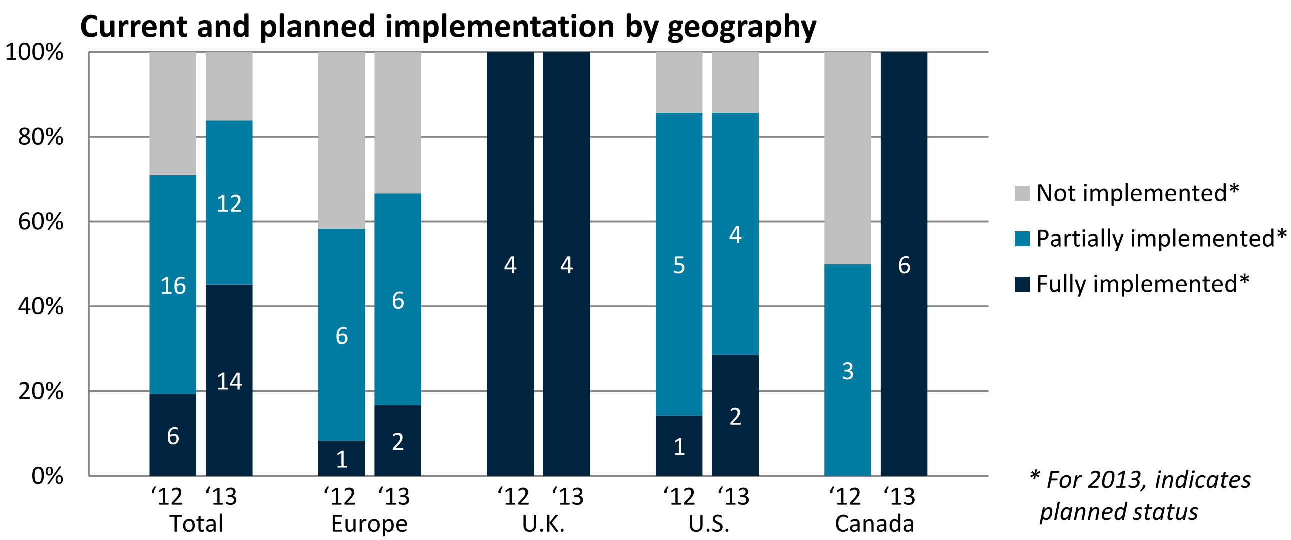
- For 2012 year-end, 48% of participants reported that they have implemented this recommendation, with the U.K. and the U.S. participants showing the highest implementation rates.
- The number of banks providing liquidity management information as recommended by the EDTF more than doubled since the release of the EDTF report.
- For 2013 year-end, seven more participants indicated plans to implement the recommendation, including all Canadian participants. The resulting 2013 year-end implementation rate is expected to be 71%. All remaining participants plan to disclose liquidity management information in a way that is at least partially in line with the EDTF recommendation.
- Implementers described their liquidity management framework and provided a tabular breakdown of the components of the liquidity reserve.

Section 2.5

Funding

Recommendation 19: Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs.



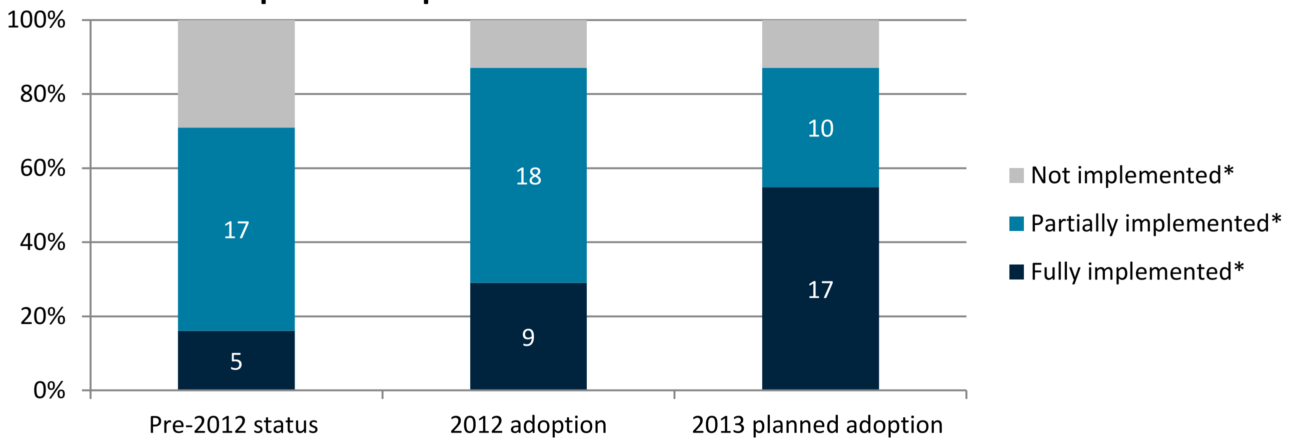


** For 2013, indicates planned status*

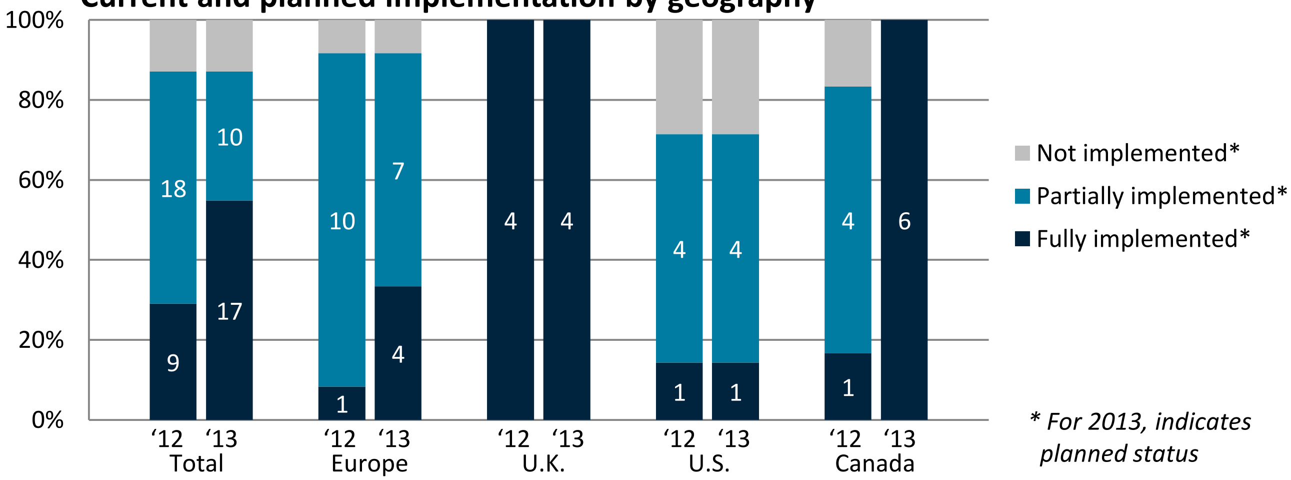
- None of the participants disclosed asset encumbrance information as recommended prior to year-end 2012. After the release of the EDTF report, six participants, including all four U.K. Banks, implemented the recommendation in the 2012 year-end disclosures, resulting in a 19% implementation rate.
- For 2013 year-end, the planned implementation rate should be 45%, driven by implementation by eight additional banks, six of which are from Canada.
- Some banks indicated they are still evaluating whether they would implement this recommendation based on discussions with senior management and business lines.
- Implementers provided a tabular breakdown of on and off-balance sheet encumbered and unencumbered assets by category, supported by a narrative description.

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

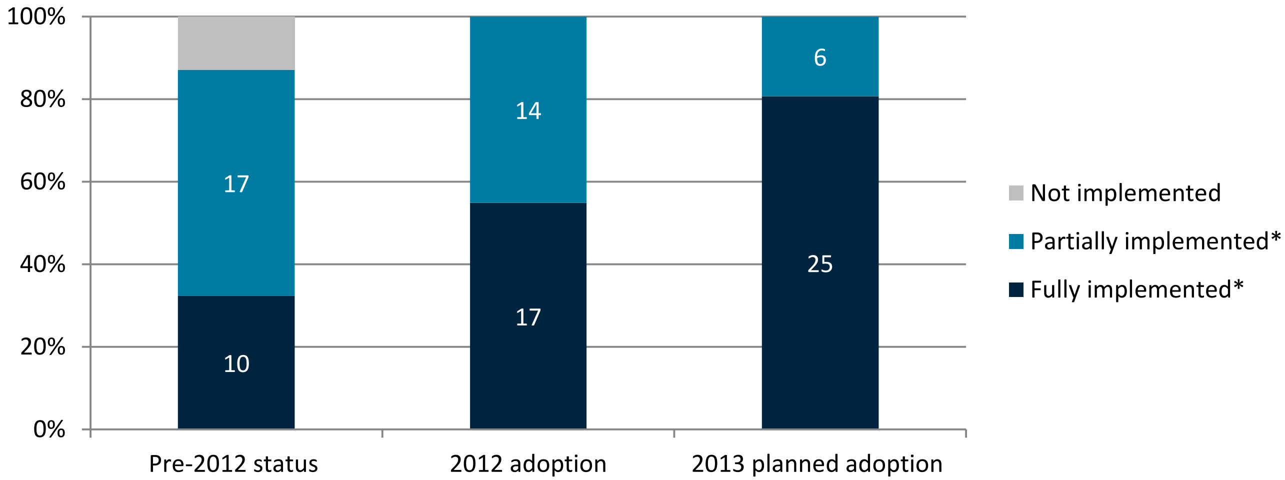


** For 2013, indicates planned status*

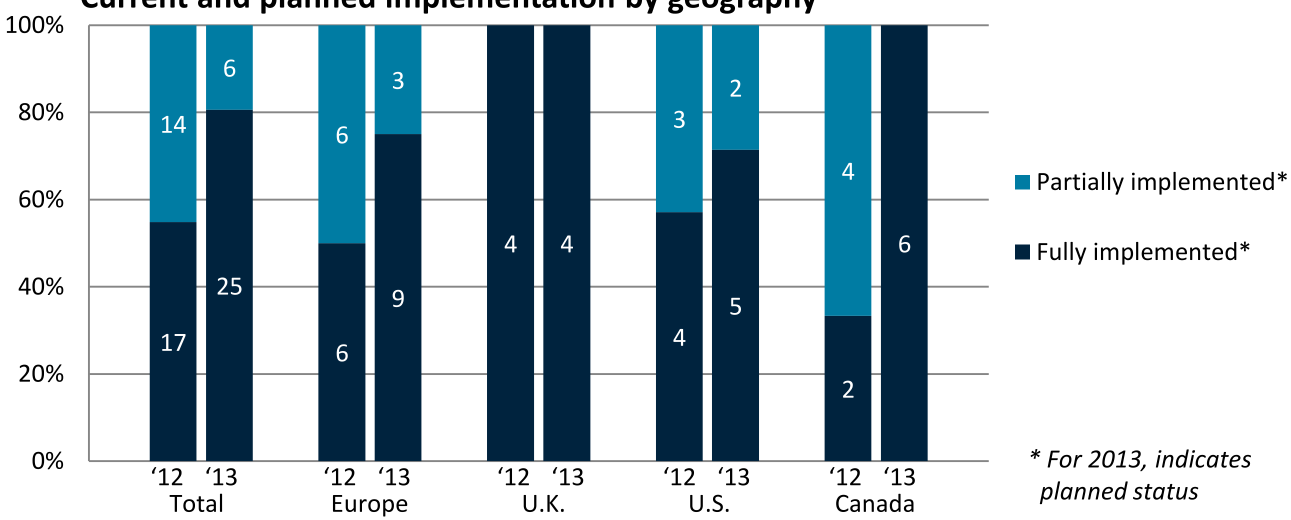
- For year-end 2012, nine participants reported that they tabulated assets, liabilities and off-balance sheet commitments as recommended, resulting in a 29% implementation rate. Four of these implementing participants were U.K. banks.
- Eighteen participants or 58% provided a tabular representation of contractual maturity information that partially follows the EDTF recommendation for 2012 year-end. Most of these banks disclosed liabilities and/or off-balance sheet commitments information in tabular form.
- For 2013 year-end, an additional eight banks, five of them from Canada, plan to fully implement this recommendation, resulting in a planned implementation rate of 55%.
- Some banks indicated they are still evaluating whether to implement this recommendation. Others indicated that a full table of assets and liabilities may include proprietary information for certain line items.

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



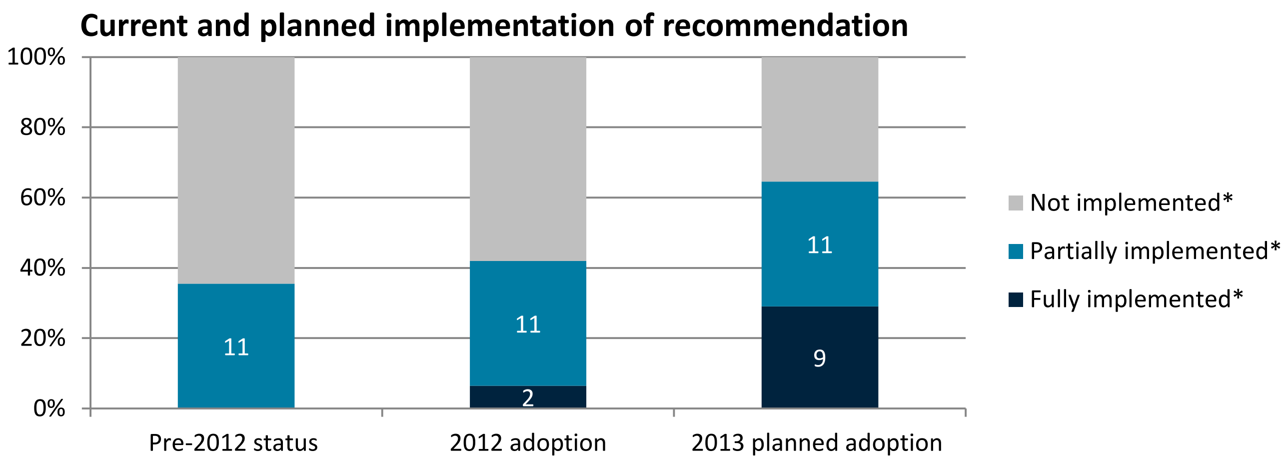
Current and planned implementation by geography

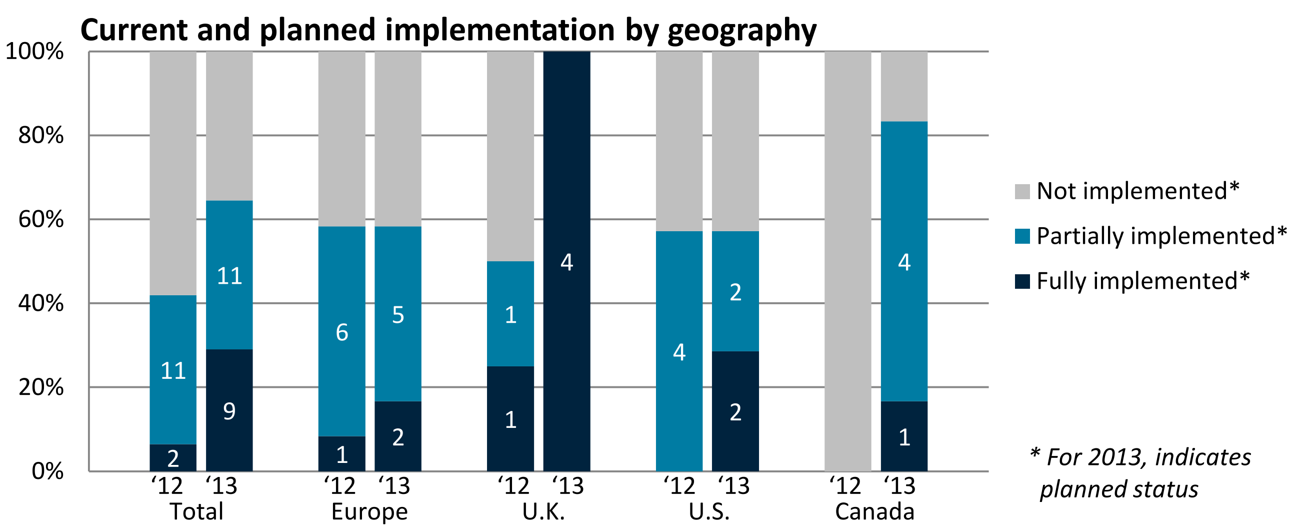


- For 2012 year-end, 55% of participants discussed their funding strategy as recommended by the EDTF. This represents an increase from 32% prior to the release of the EDTF report.
- U.K. and U.S. participants showed the highest implementation rates for 2012 year-end at 100% and 57%, respectively.
- For 2013 year-end, an additional eight banks plan to implement the recommendation, resulting in a 81% implementation rate.
- All Canadian participants plan to fully implement the recommendation for 2013 year-end while participants from Europe ex. U.K. and the U.S. plan to make progress as well.
- Implementers provided a narrative description of funding sources and concentrations , including reliance on wholesale funding. These disclosures also included quantitative information on composition and maturities of external funding sources.

Section 2.6
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.

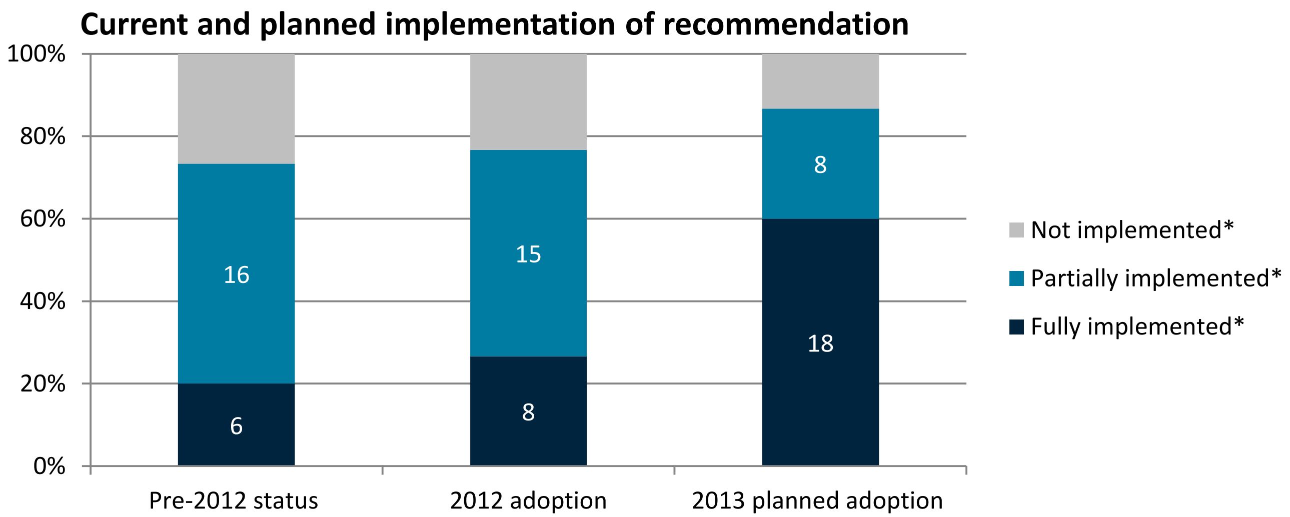


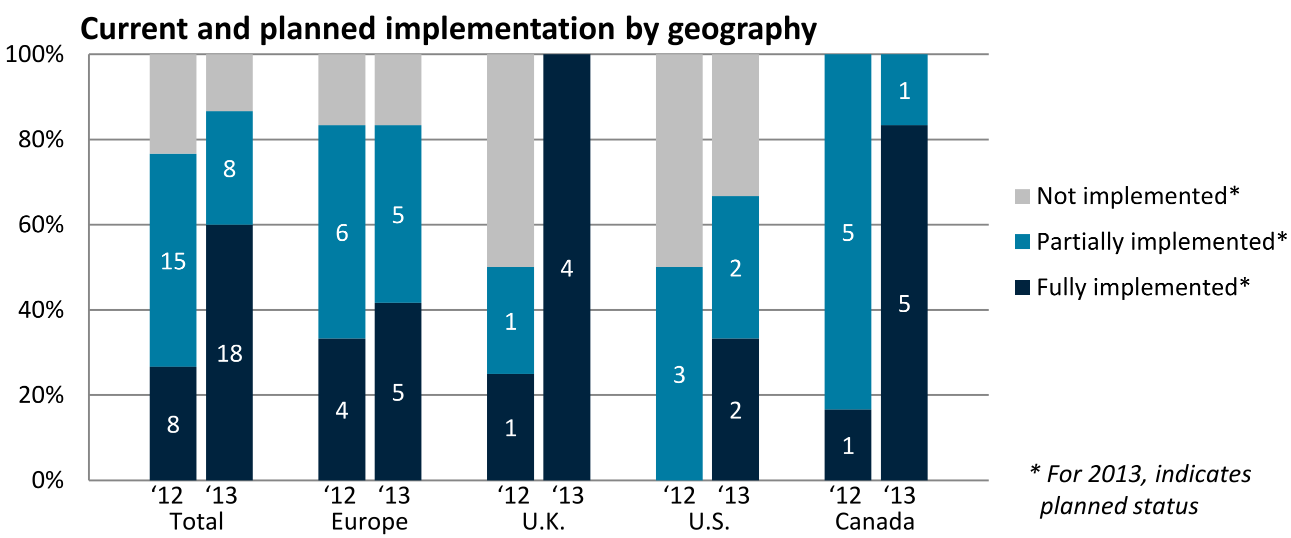


** For 2013, indicates planned status*

- None of the participants had disclosed this type of information prior to 2012 year-end. After the release of the EDTF report, one U.K. and one European ex. U.K. participant provided information linking line items on the financial statements with traded and non-traded market risk disclosures as recommended, resulting in an implementation rate of 6%.
- The planned implementation rate for 2013 year-end is 29%, reflecting implementation plans by seven additional banks across regions.
- Some banks indicated they do not plan to disclose information linking financial statement line items to traded and non-traded market risk disclosures.
- 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 nontrading market risk factors that may be relevant to the bank's portfolios beyond interest rates, foreign exchange, commodity and equity measures.

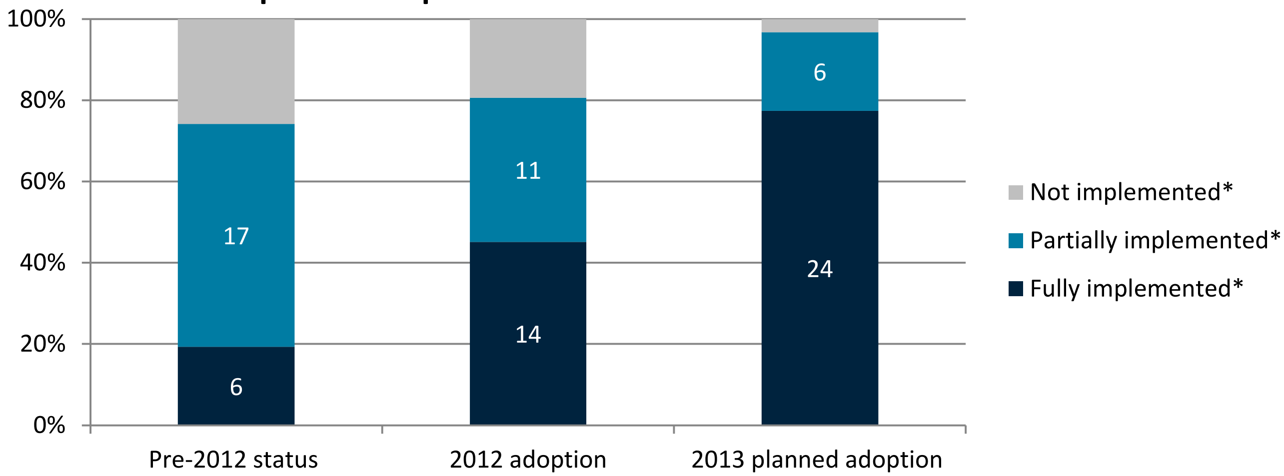




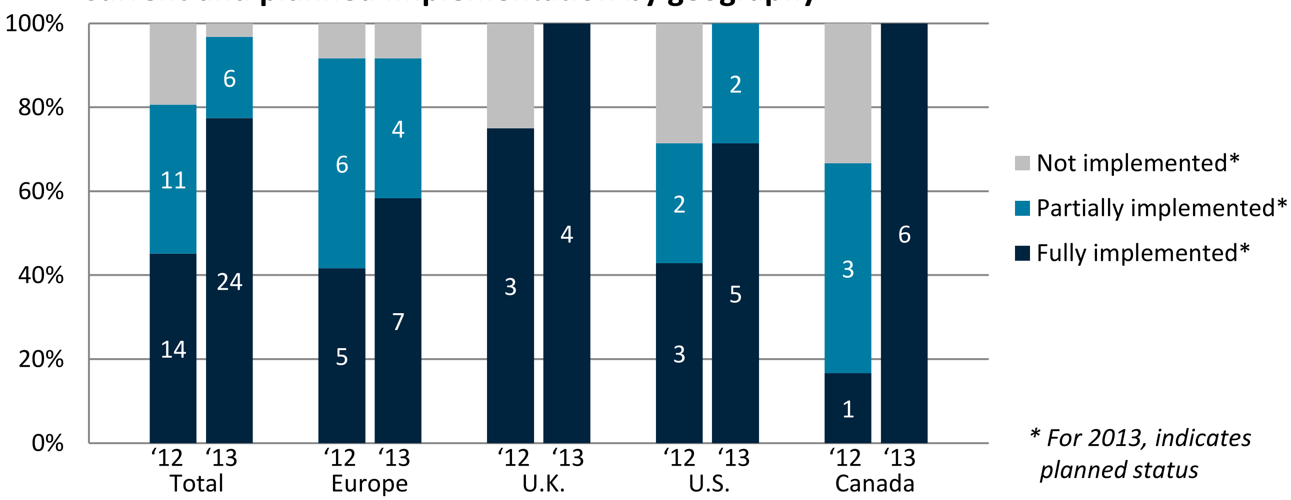
- For 2012 year-end, 27% of banks reported that they provided breakdowns of significant risk factors relevant to their portfolios as recommended. Six of these eight banks already disclosed this information prior to the release of the EDTF report.
- For 2013 year-end, the planned implementation rate would increase to 60% due to the implementation of the recommendation by banks from each region depicted, notably the U.K. and Canada.
- Some U.S. banks indicated that certain market risk related items will be disclosed once Basel III rules are finalised.
- 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.

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



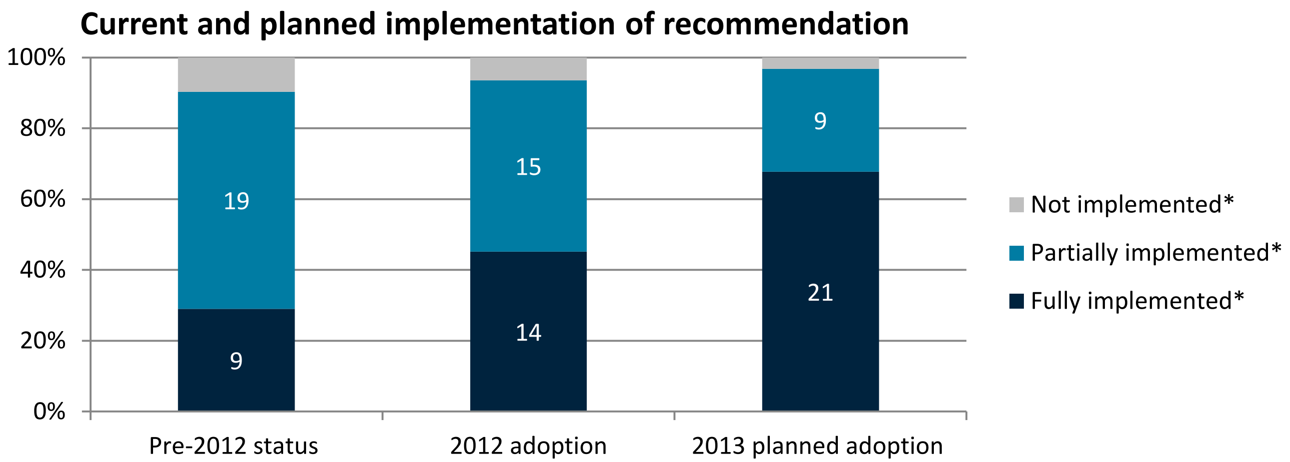
Current and planned implementation by geography

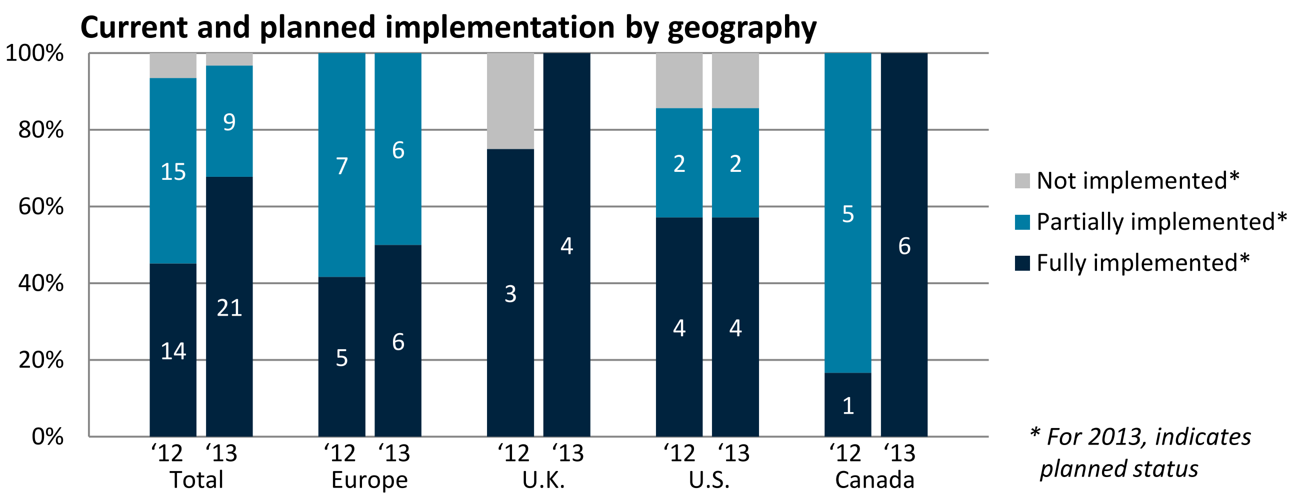


** For 2013, indicates planned status*

- For 2012 year-end, fourteen participants provided disclosures on market risk measurement as recommended, resulting in a 45% implementation rate. This represents an increase of 26% since the release of the EDTF report.
- Three out of the four U.K. participants included this information in their 2012 year-end disclosures.
- For 2013 year-end, an additional ten banks plan to implement this recommendation, increasing the implementation rate to 77%.
- The planned implementation rates for U.K. and Canadian participants are 100%. The U.S. follows with a planned implementation rate of 71%.
- 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.

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.





** For 2013, indicates planned status*

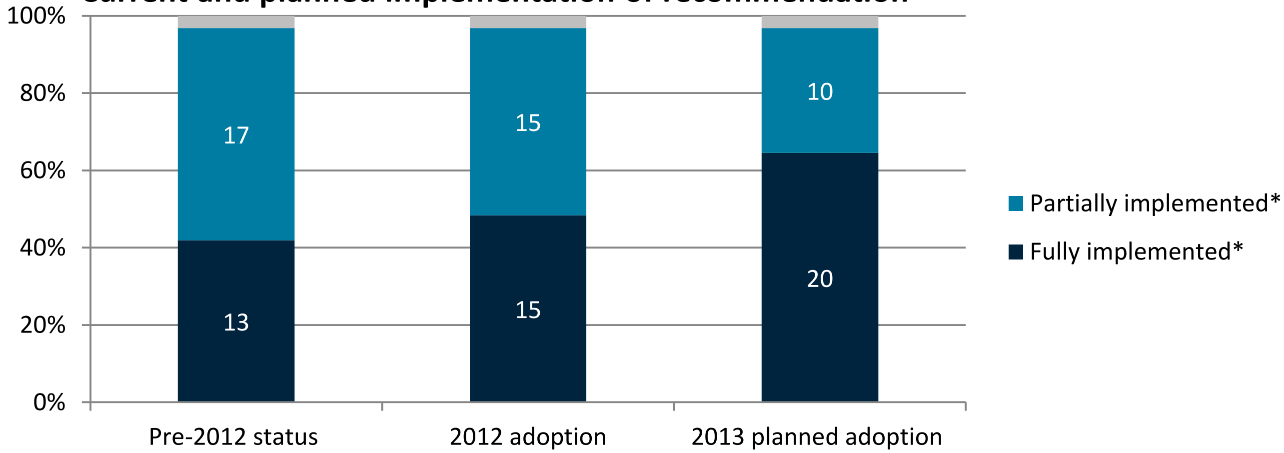
- For 2012 year-end, 45% of participants described tail risk management approaches in their disclosures as recommended by the EDTF. This compares to 29% of participants that provided this information prior to the release of the EDTF report.
- Information such as the use of scenarios, shocks and stress testing was at least partially disclosed by 94% of the participants for 2012 year-end.
- Year-end 2012 implementation rates are the highest for U.K. and U.S. banks, at 75% and 57%, respectively.
- For 2013 year-end, seven additional participants plan to implement this recommendation, increasing the implementation rate to 68%. Five of the seven new Implementers are Canadian banks.

Section 2.7

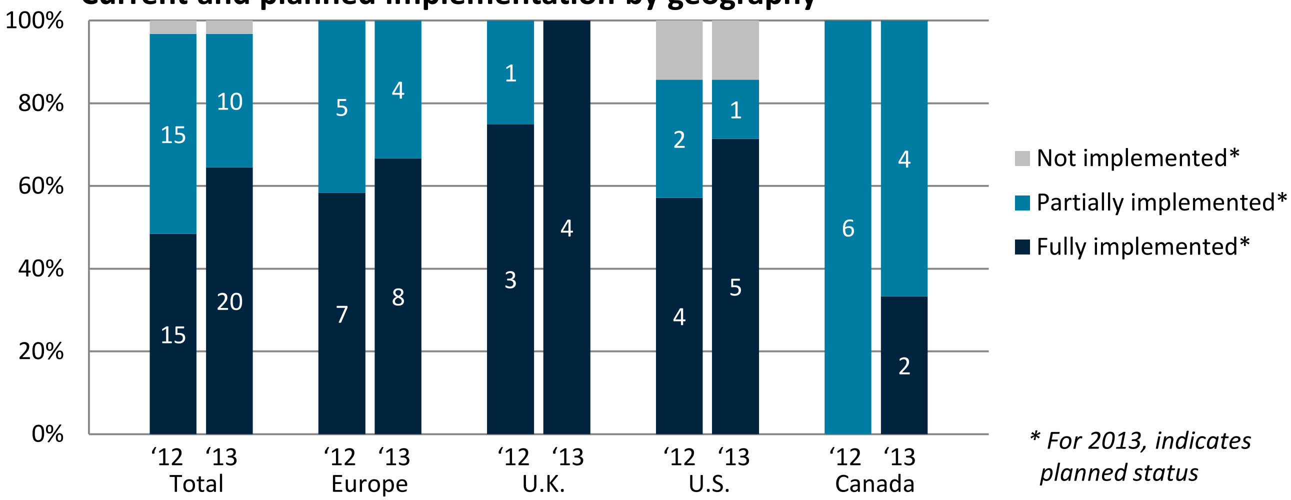
Credit risk

Recommendation 26: 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

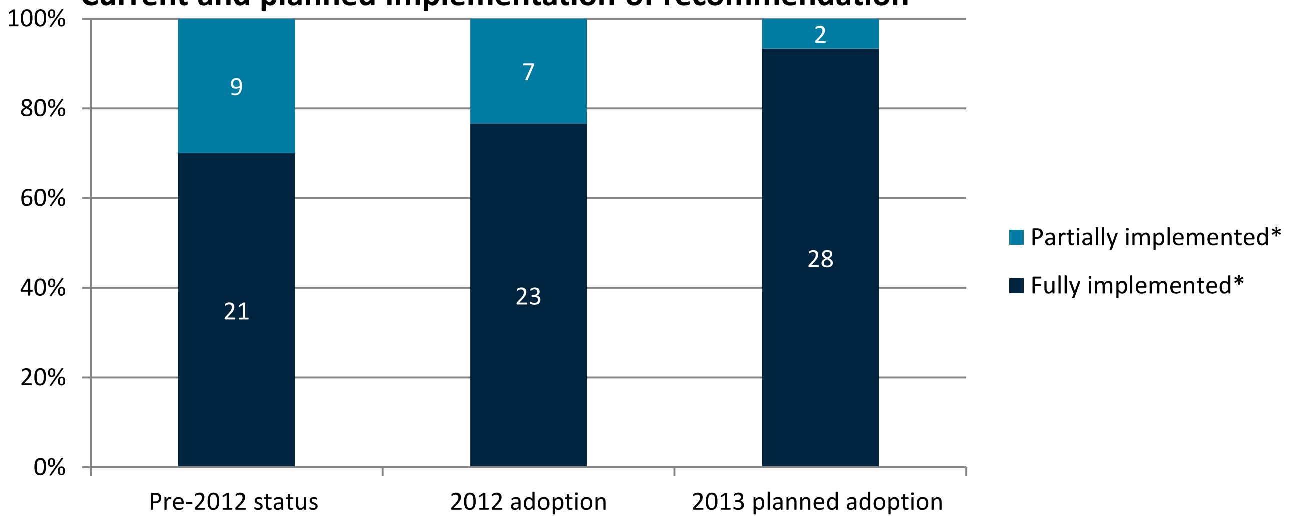


** For 2013, indicates planned status*

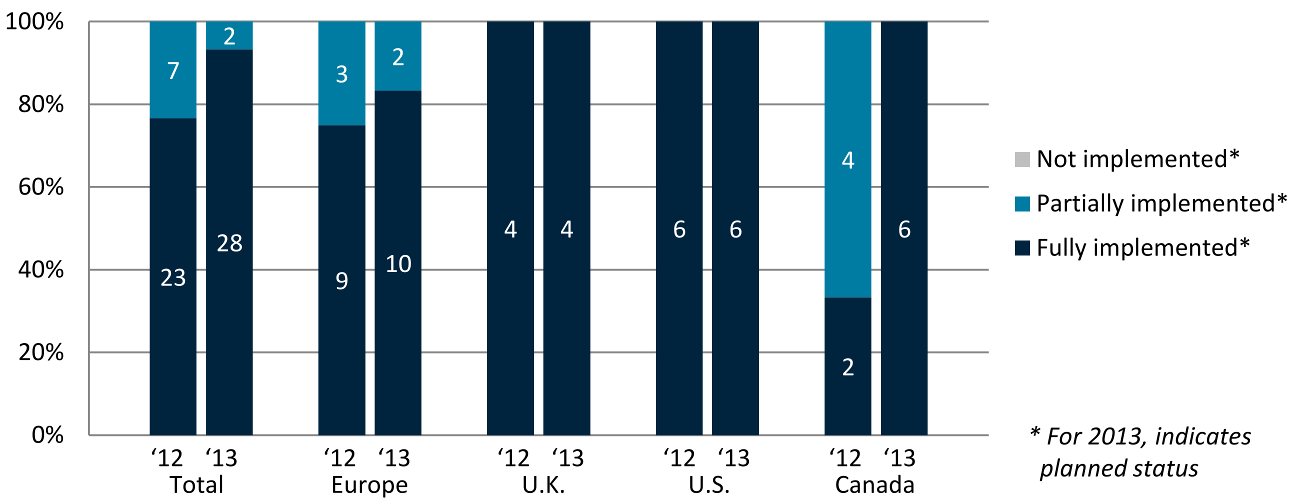
- Through 2012, 48% of banks reported that they disclosed information on credit risk exposures as recommended.
- All but one participant have disclosed credit risk exposure information that is at least partially in line with the EDTF recommendation for each time period depicted.
- Year-end 2012 implementation rates were similar for European ex. U.K. , U.K., and U.S. participants.
- For year-end of 2013, the planned implementation rate will increase to 65%, driven by five additional banks across the U.K., Europe ex. U.K., the U.S. and Canada.
- Implementers disclosed tabular breakdowns of credit exposure information by exposure type, geography, obligor rating category, obligor type, and type of credit mitigation.

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

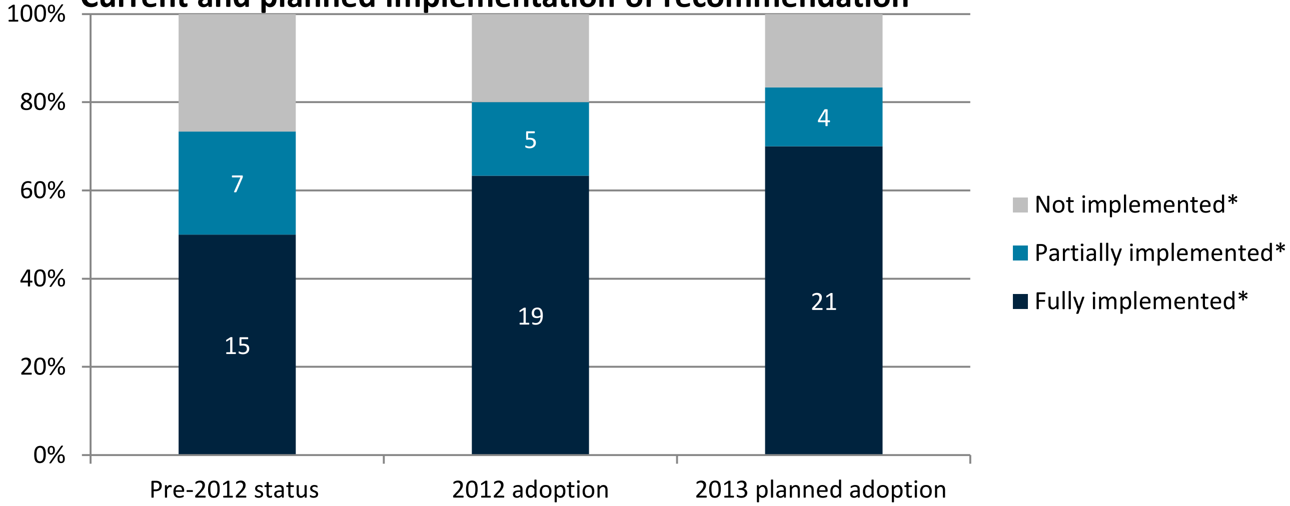


** For 2013, indicates planned status*

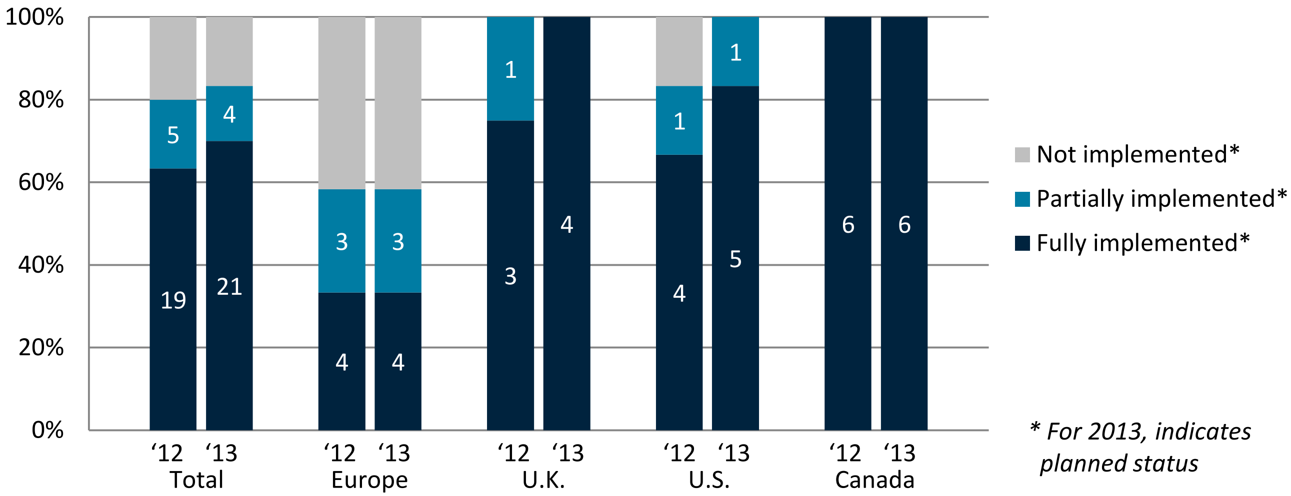
- As of 2012, twenty three banks reported that they described their policies and definitions for impaired loans as recommended by the EDTF, resulting in a 79% implementation rate. Two banks implemented this recommendation after the EDTF report was released.
- All seven banks that had not fully implemented the recommendation for year-end 2012 disclosed impaired or non-performing loans prior in a way that was partially aligned to the EDTF recommendation.
- U.S. banks are required to disclose impaired or non-performing loan information in reporting to the SEC , which is reflected in their 100% implementation rate.
- For 2013 year-end, an additional five banks plan to implement this recommendation, increasing the implementation rate of the group to 93%.

Recommendation 28: 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

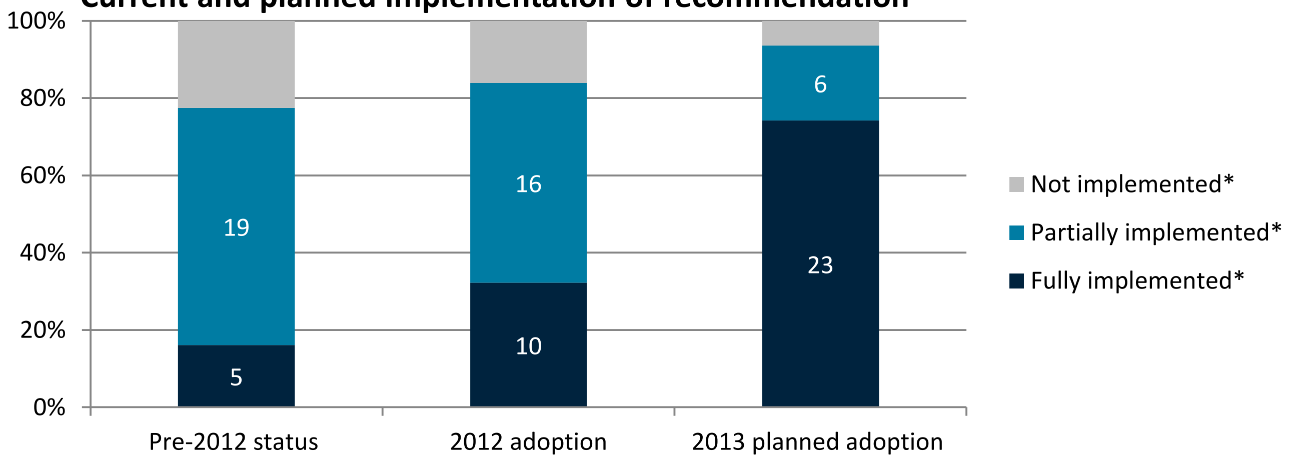


** For 2013, indicates planned status*

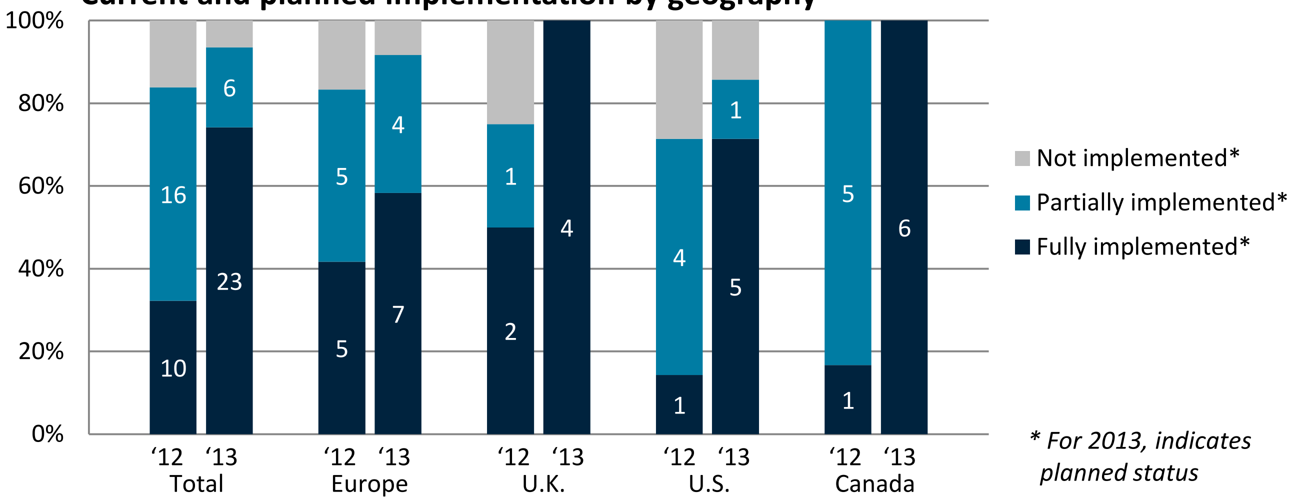
- For year-end 2012, 63% of banks reported that they had fully implemented the recommendation to provide a reconciliation of opening and closing balances of impaired or non-performing loans.
- Of this group, Canadian and U.K. participants showed the highest implementation rates for 2012 year-end at 100% and 75%, respectively.
- For 2013 year-end, one U.K. and one U.S. participant plan to enhance disclosure by including retail exposures, which would be fully in line with the EDTF recommendation. The planned implementation rate for 2013 year-end is 70%.
- Numerous European ex. U.K. banks are evaluating whether to include this information in their future disclosures.
- Some banks have not made a decision on how or whether to implement the recommendation yet.

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

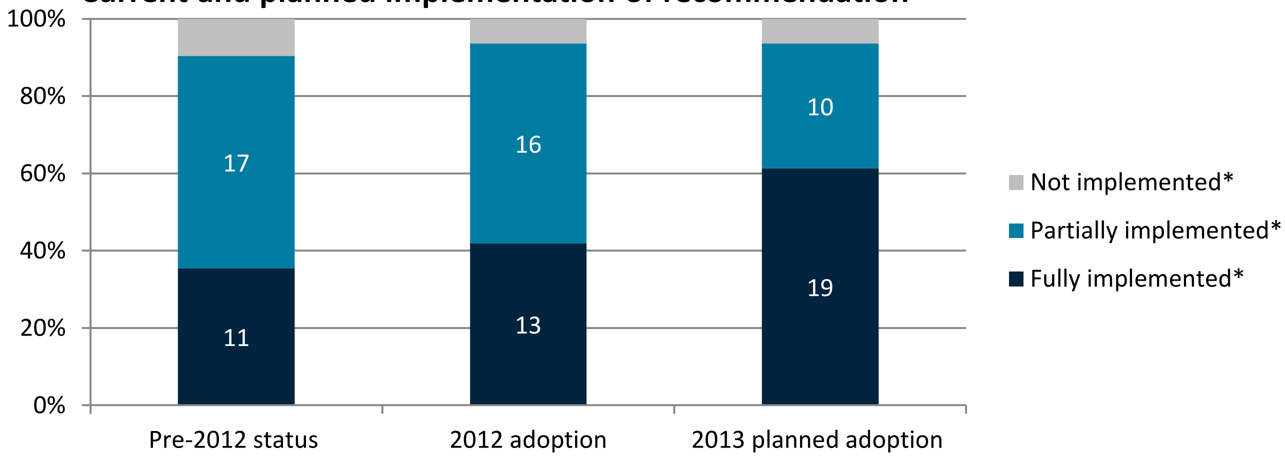


** For 2013, indicates planned status*

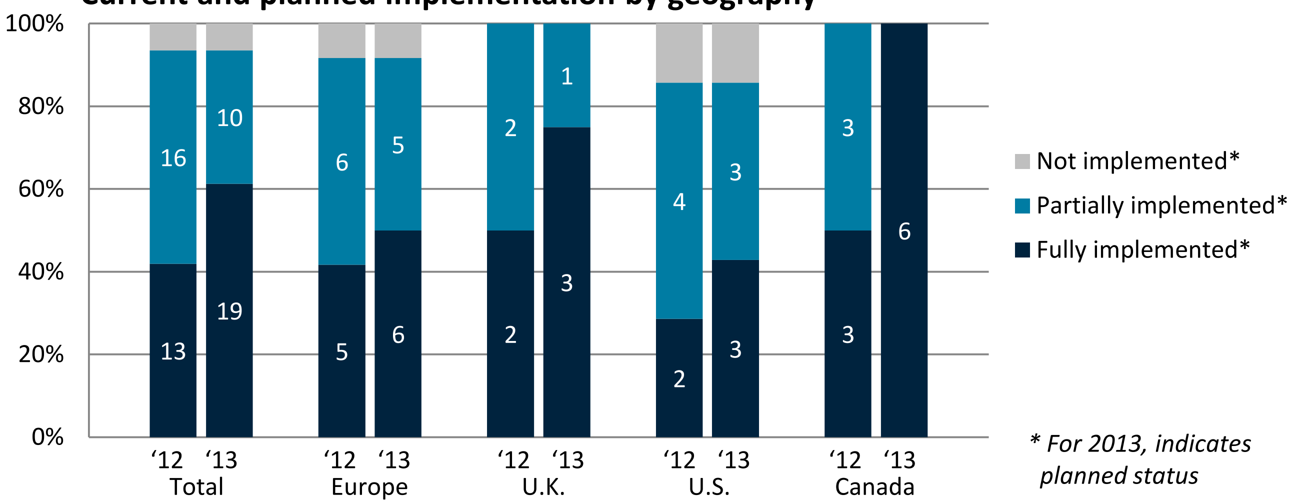
- Ten participants disclosed quantitative and qualitative information on counterparty credit risk exposures from derivatives transactions for 2012 year-end in line with the EDTF recommendations. Of this group that has implemented the recommendation, the majority are participants from Europe and the U.K.
- All but five participants fully or partially disclosed counterparty credit risk information in their year-end 2012 reports.
- For year-end 2013, an additional thirteen banks plan to fully implement the recommendation, which results in a 74% implementation rate.
- Planned implementation rates for U.K. and Canadian banks are 100%, while U.S. end European ex. U.K. banks closely follow with planned implementation rates of 57% and 42%, respectively.

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



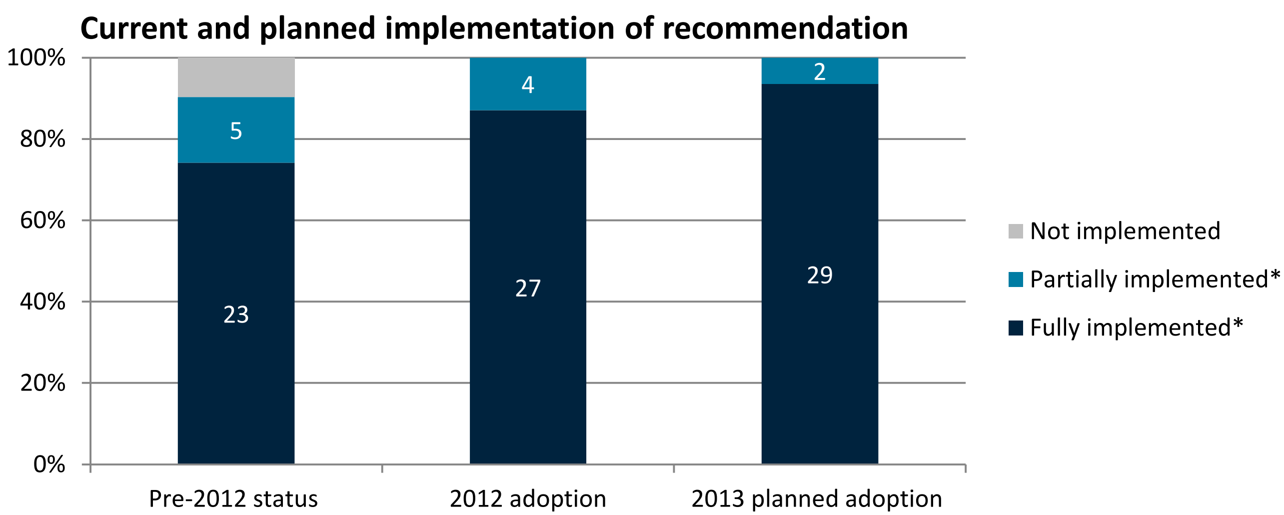
** For 2013, indicates planned status*

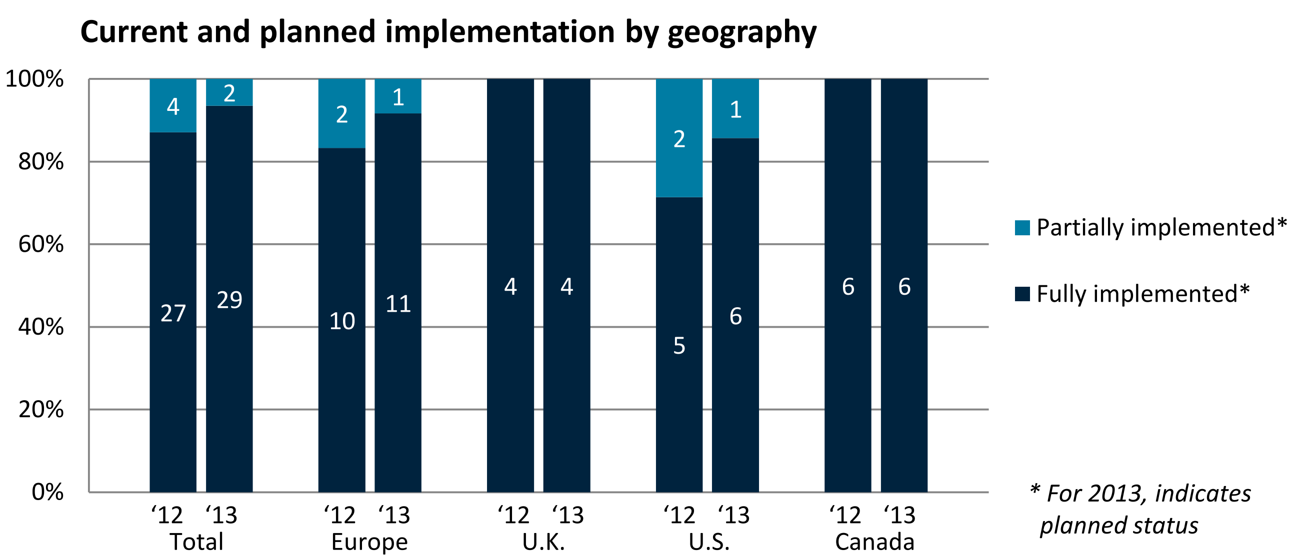
- For year-end 2012, 42% of banks reported that they disclosed credit risk mitigation information as recommended by the EDTF. Two out of these thirteen participants provided this disclosure after the release of the EDTF report.
- U.K. and Canadian participants had slightly higher implementation rates (50%) than European ex. U.K. and U.S. participants, at 42% and 27%, respectively.
- For 2013 year-end, six additional banks plan on fully implementing the recommendation, which would increase the implementation rate of the group to 61%.
- The 2013 planned implementation rate for Canadian participants is 100%. Some European banks indicated that no separate disclosures are planned for OTC derivative exposures, while others indicated they are still evaluating whether to implement this recommendation.

Section 2.8

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.



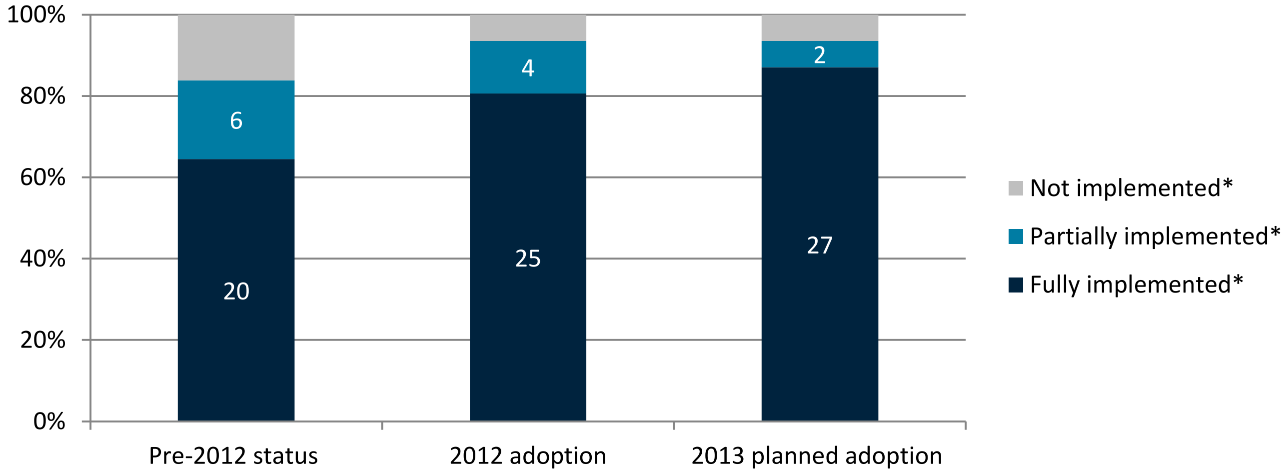


** For 2013, indicates planned status*

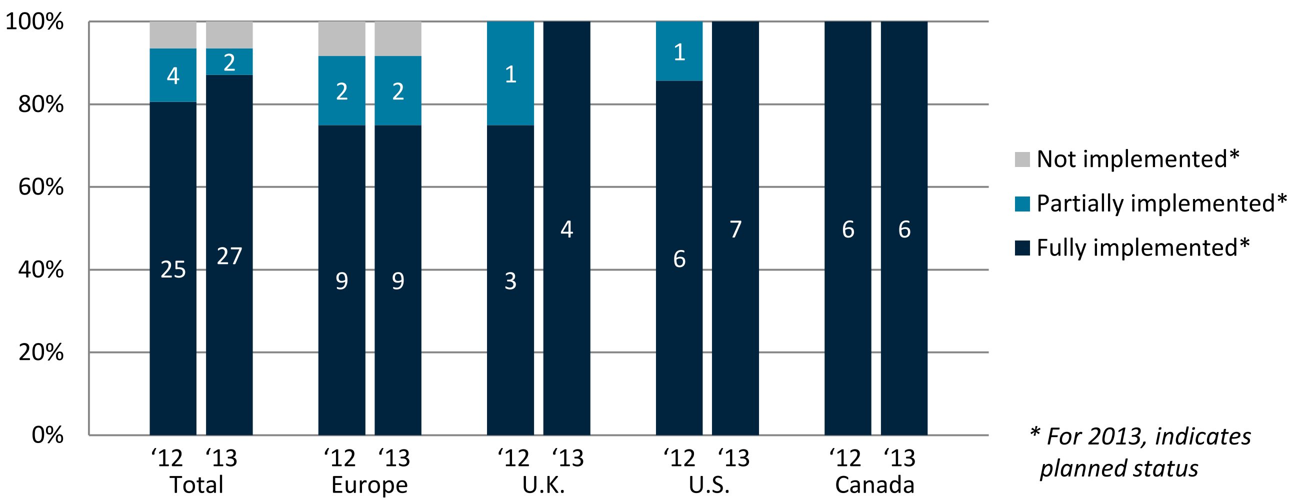
- For year-end 2012, 87% of participants reported that they described other risks and the bank's risk management approach for such risks as recommended by the EDTF.
- All but four of the participants that disclosed this information for 2012 year-end, also disclosed it prior to 2012, indicating the relatively high degree of disclosure existing prior to the EDTF recommendation.
- Implementation rates for 2012 year-end were 100% for both U.K. and Canadian participants.
- For 2013 year-end, two additional banks plan to implement the recommendation, increasing the overall implementation rate to 94%.

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 2013, indicates planned status*

- For year-end 2012, 81% of banks reported that they disclosed information on risk events related to other risks as recommended by the EDTF. All but five of these participants disclosed this information prior to the release of the EDTF report.
- Implementation rates for year-end 2012 were above 75% for each of the major regions, with Canadian participants at 100%.
- By 2013 year-end, two additional banks from the U.K. and the U.S., respectively, plan to fully implement the recommendation, which would increase the implementation rate to 87%.

Section 3

Results of User Group review

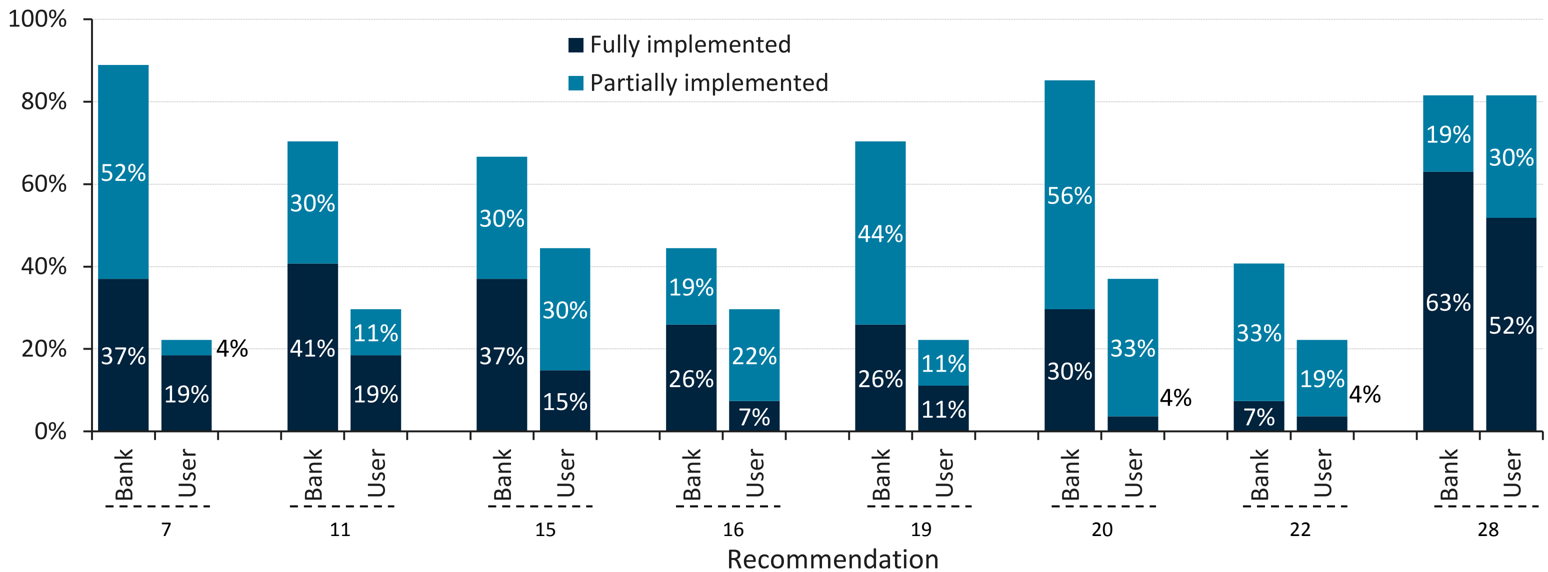
An EDTF User Group conducted an independent assessment of the degree of implementation for eight recommendations

- The User Group, consisting of investor and analyst members of the EDTF, assessed banks' disclosures considering both the "letter" of the recommendations as well as the "spirit" in which they were developed
- Each bank's self-assessment for the eight recommendations as of 2012 year-end was reviewed by members of the User Group, who provided their own assessment of whether each bank had fully or partially implemented the recommendation. The initial user assessment was then independently checked by another member of the User Group. Differences in the assessment were discussed before a the User Group assessment was made final
- The responses included in the user review consisted of a subset of the total group of respondents as two banks expressed a preference to maintain the confidentiality of their responses
- The recommendations included in the user review are summarised below. Figure references are to the EDTF report from October 2012 are provided in parenthesis:

#	Description
7.	Describe key risks that arise from the bank's business model and activities (Figure 1)
11.	Present a flow statement of movements since the prior reporting date in regulatory capital (Figure 2)
15.	Present a tabulation of credit risk in the banking book for major Basel asset class portfolios (Figure 3)
16.	Present an RWA flow statement for each risk type (Figure 4)
19.	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories (Figure 5)
20.	Present a tabulation of consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity (Figure 6)
22.	Provide information on linkages between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures (Figure 7)
28.	Provide a reconciliation of non-performing or impaired loans and the allowance for loan losses (Figure 8)

From the perspective of the User Group, implementation rates are lower than those resulting from the banks' self-assessments for the eight recommendations reviewed

A summary of the results of the user review is below. The graph shows the comparison of results between the banks' self-assessments and the assessment of the User Group, by recommendation reviewed



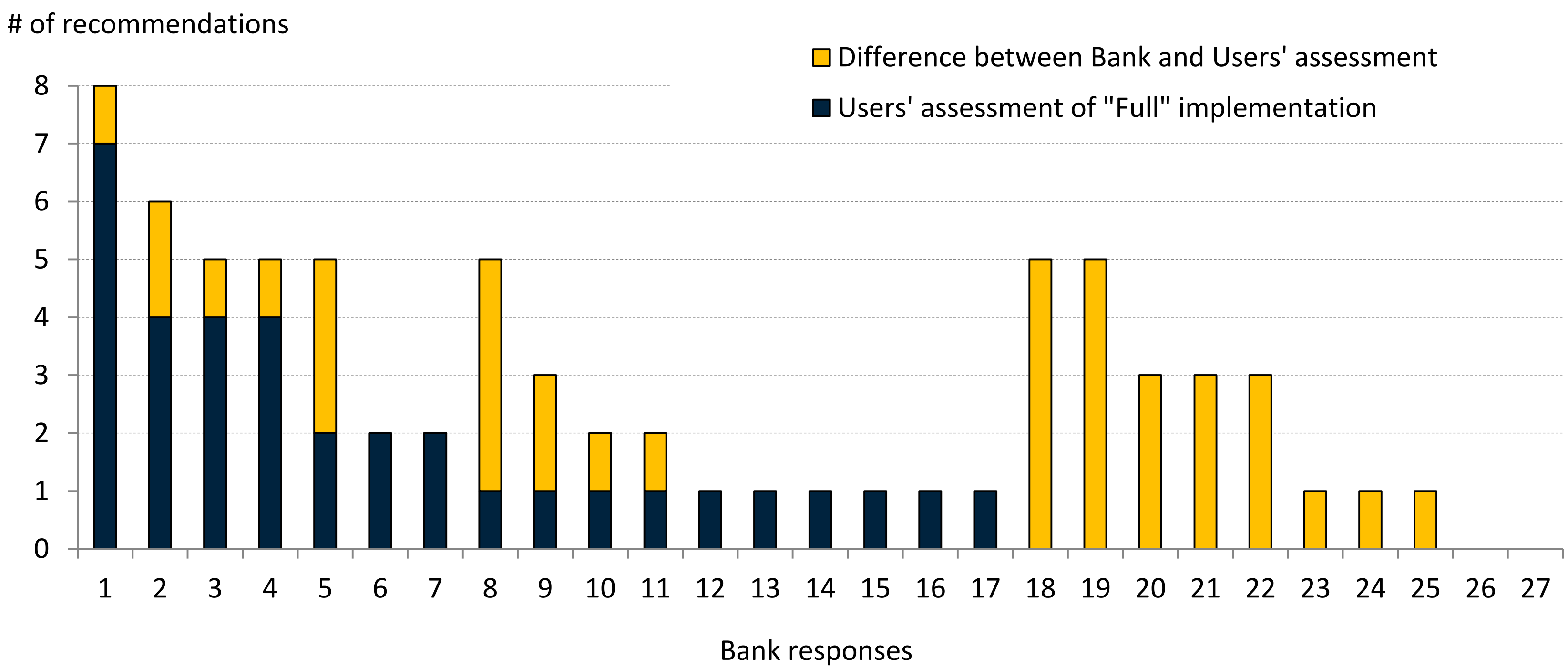
Possible drivers of differences in assessment results

- **Lack of clarity over the EDTF recommendation**: It is possible that the recommendation was unclear and that lack of clarity resulted in different views on how implementation could be achieved
- **Insufficient granularity**: In many cases the difference between bank self-assessments and the User Group's assessment was a result of the level of detail disclosed. For example, six of the eight recommendations requested a flow statement, tabular or reconciliation formats presented at a specific level of detail
- **Sample bias**: As noted, the User Group assessed only a subset of the EDTF recommendations that were viewed by investors to be the more important ones; these recommendations may have been more challenging to implement
- **Difference due to bank management practices**: Some banks were unable to provide certain disclosures in the format shown in the EDTF report because the banks do not manage risk using information in that format

There is a notable difference between Banks' and Users' assessments on a bank-by-bank basis

A graph depicting the Bank and Users' assessments, on a per bank basis, is below.

- The graph shows how many recommendations each bank (numbered 1-27 on the horizontal axis) assessed as being fully implemented (yellow) as well as how many recommendations the User Group assessed as being fully implemented (dark blue)
- There were seven instances where both Bank and Users' assessments agreed on the number of fully implemented recommendations, and one instance where the User Group assessment exceeded the Bank assessment
- For ten of the responding banks, the User Group did not agree that the bank had fully implemented any of the recommendations reviewed as part of their 2012 Annual Report and Pillar 3 disclosure
- The User Group intends to discuss these differences with the banks on an individual basis to help support further enhancements and to narrow the gap between users' and banks' assessments in 2013

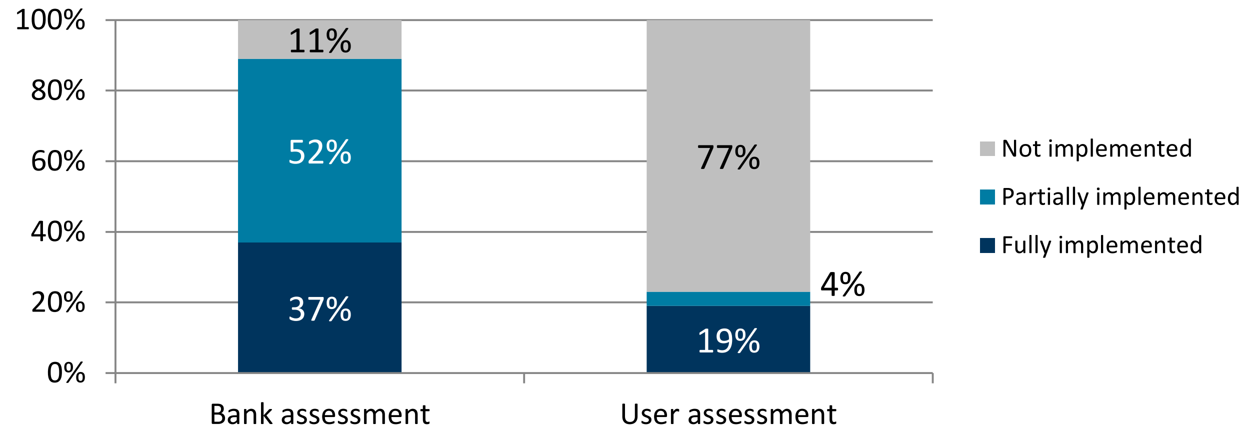


Comparison of User Group and banks' self assessments based on 2012 year end disclosures

Recommendations 7 and 11

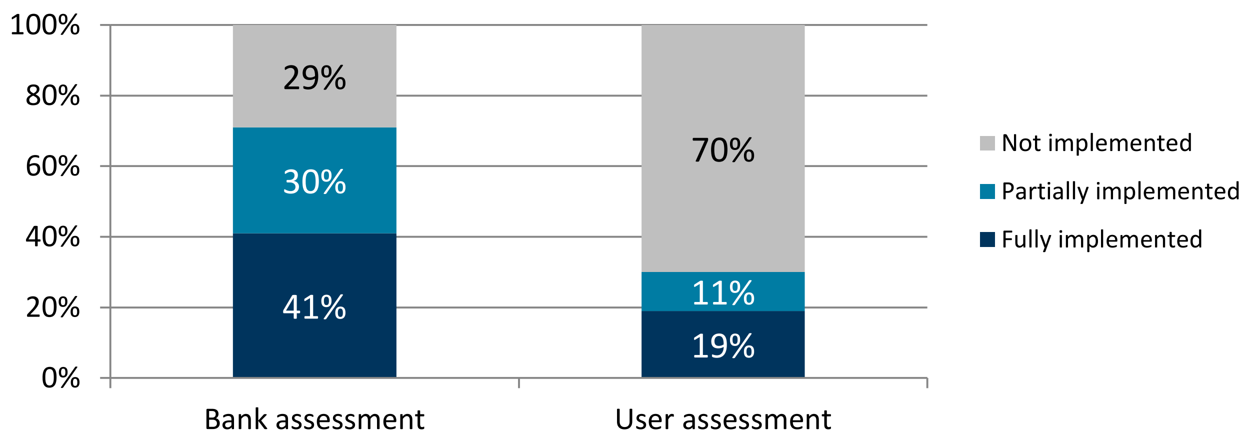
Highlights of User Group feedback

7: Describe key risks that arise from the bank's business model and activities



- Differences between the User Group and banks' assessments were due to
  - Only five banks mapped risk exposures to lines of business or the balance sheet (required for full implementation)
  - Several banks that reported "full" implementation did not discuss risk appetite or risk limits / targets
- Users also sought to see how risk (i.e., RWAs, economic or regulatory capital) was allocated across business units

11: Present a flow statement of movements in regulatory capital

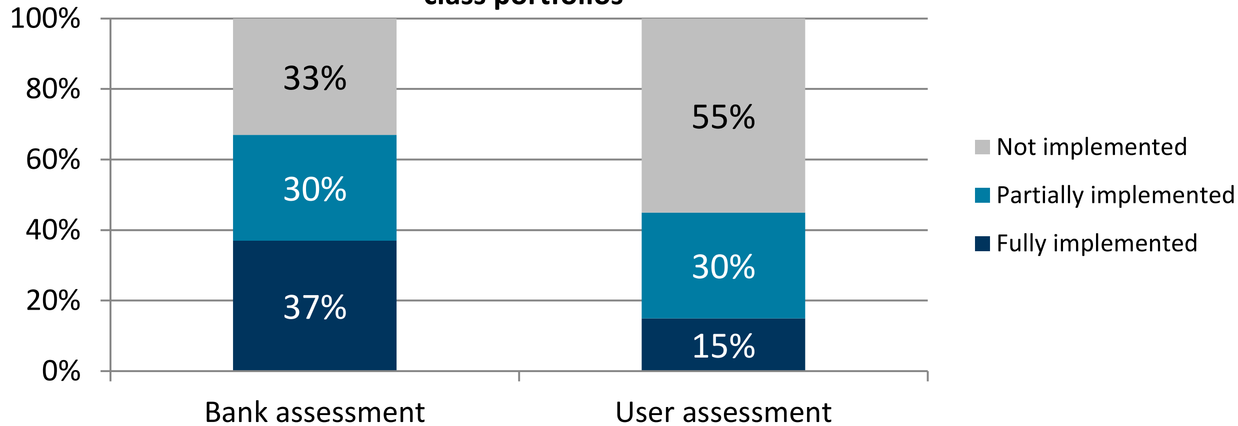


- Differences between the User Group and banks' assessments were due to
  - Several banks provided a table that showed the components of capital in 2011 and 2012, but no flow statement
  - Two Canadian banks showed a flow statement of total regulatory capital, not specifically Tier 1/Tier 2/etc.
- Users did not consider a "Changes in Equity Capital" table as meeting this recommendation

Comparison of User Group and banks' self assessments based on 2012 year end disclosures

Recommendations 15 and 16

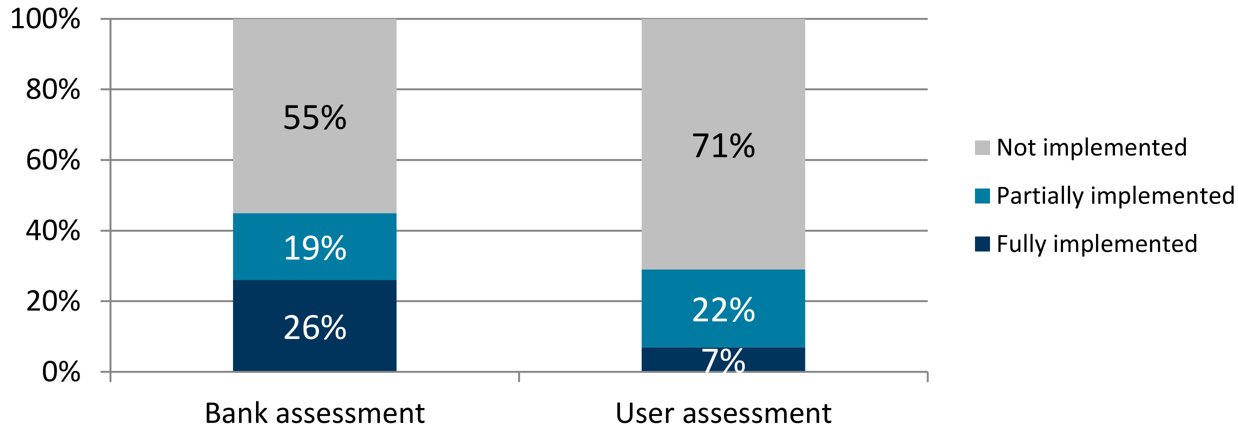
15. Present a tabulation of credit risk in the banking book for major Basel asset class portfolios



Highlights of User Group feedback

- Differences between the User Group and banks' assessments were due to
  - Several banks did not map internal ratings to PD band, or mapped them against few rating bands (e.g., 4-8 bands shown)
  - Two banks reported only aggregate numbers by Retail / Commercial
- Users sought to see PD, LGD, EAD mapped to external ratings or PD bands (e.g., ~18 buckets expected) by asset class

16: Present an RWA flow statement for each risk type

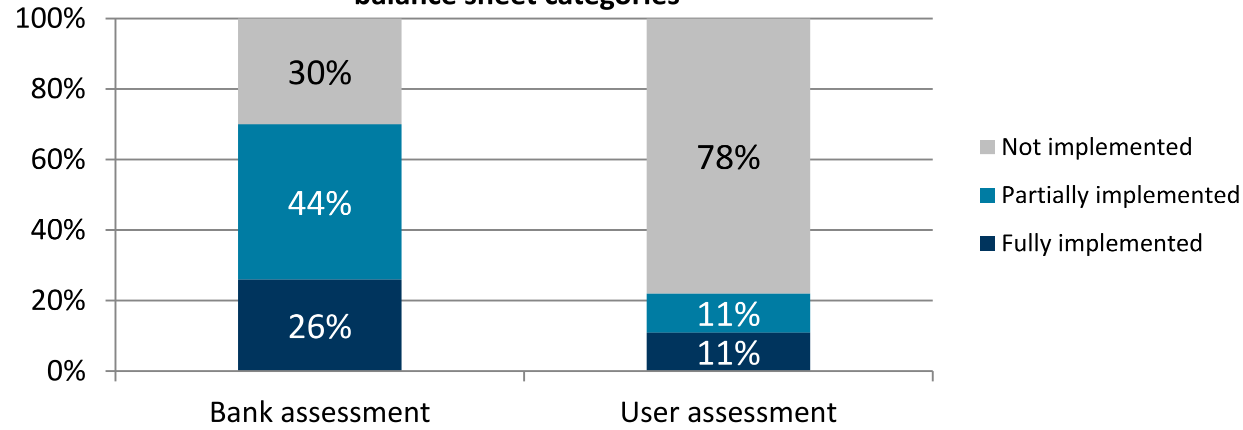


- Differences between the User Group and banks' assessments were due to
  - Three banks provided a flow statement, but did not breakout the changes with enough granularity (e.g., volume changes vs. quality changes)
  - Three banks provided only a flow statement for credit risk RWAs
- Users sought to see RWA changes broken out separately by book size & quality and for model changes (e.g., shift to AIRB, new models) vs. changes in model assumptions

Comparison of User Group and banks' self assessments based on 2012 year end disclosures

Recommendations 19 and 20

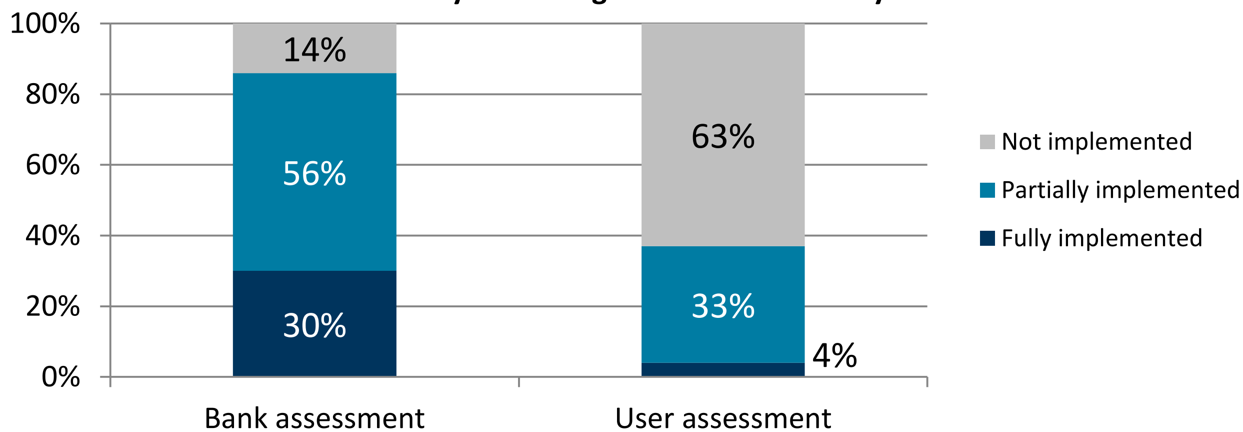
19: Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories



Highlights of User Group feedback

- Differences between the User Group and banks' assessments were due to
  - Only three banks provided a table of encumbered vs. unrestricted assets by balance sheet categories
  - Several banks did not identify collateral received that can be re-hypothecated
- Users did not consider a high-level "assets pledged" table as meeting this recommendation

20: Present a tabulation of consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity

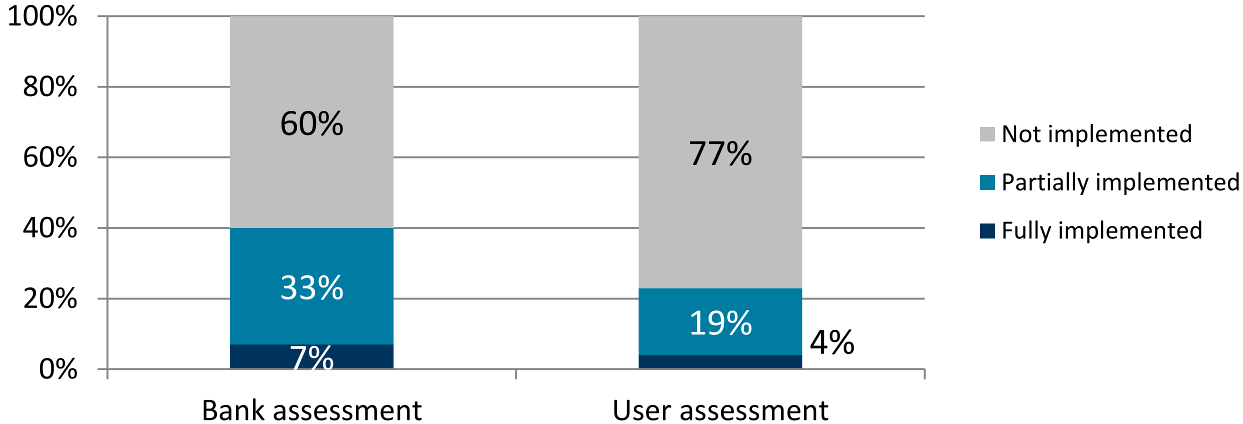


- Differences between the User Group and banks' assessments were due to
  - Only one bank tabulated both assets and liabilities by remaining contractual maturity
  - Several banks provided a contractual maturity table for liabilities, but not for assets or off-balance sheet commitments
  - Several banks reported as few as three maturity buckets (8 requested)
- Users did not consider the IFRS undiscounted contractual maturity table for liabilities as meeting this recommendation

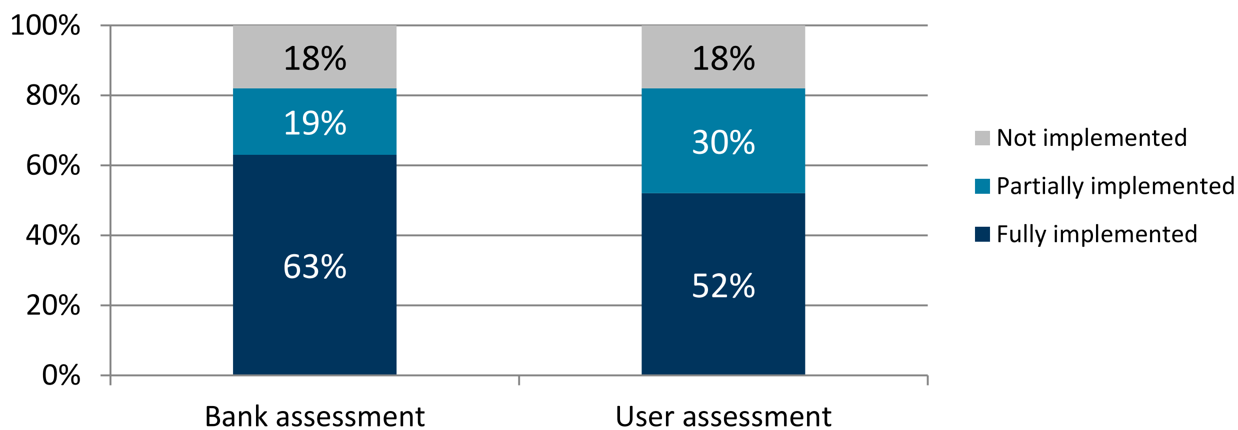
Comparison of User Group and banks' self assessments based on 2012 year end disclosures

Recommendations 22 and 28

22: Provide information on linkages between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures



28. Provide a reconciliation of non-performing or impaired loans and the allowance for loan losses



Highlights of User Group feedback

- Differences between the User Group and banks' assessments were due to
  - Only one bank defined market risk metrics and quantified the linkages to the balance sheet and income
  - Several banks separated balance sheet exposures by traded and non-traded market risk, without providing sensitivities
- Although the recommendation did not specifically require tabular disclosures, the User Group viewed such quantification as integral to "full" implementation

- Differences between the User Group and banks' assessments were due to
  - Three banks reconciled opening and closing allowances, but did not do so for impaired loans
  - Several banks provided no explanation on the impact of restructurings on ratio trends
- Users generally agreed with banks' assessments on NPLs and impaired loans
- Users encourage banks to break out charge-offs and recoveries separately