

Federal Deposit Insurance Corporation



Instructions for Preparation of
**Company-Run Annual Stress Test Reporting Template and
Documentation for Covered Banks with Total Consolidated Assets of
\$10 Billion to \$50 Billion under the Dodd-Frank Wall Street Reform
and Consumer Protection Act**

Reporting Form FDIC DFAST 10-50

Effective September 30, 2013

INSTRUCTIONS FOR PREPARATION OF

Company-Run Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$10 Billion to \$50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act

FDIC DFAST 10-50

GENERAL INSTRUCTIONS

Summary & Background

Section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act") requires certain financial companies, including FDIC-insured state nonmember banks ("state nonmember banks") and FDIC insured state-chartered savings associations ("state-chartered savings associations") (or "covered banks"), to conduct annual stress tests¹ and requires the primary financial regulatory agency² of those financial companies to issue regulations implementing the stress test requirements.³ State nonmember banks and state-chartered savings associations are subject to the stress test requirements if their total consolidated assets exceed \$10 billion.

Under section 165(i)(2), a covered bank is required to submit to the Federal Deposit Insurance Corporation ("FDIC") and to the Board of Governors of the Federal Reserve System (Board) a report at such time, in such form, and containing such information as the FDIC may require.⁴ On October 15, 2012, the FDIC published in the *Federal Register* a final rule implementing the section 165(i)(2) annual stress test requirement.⁵ These instructions describe the reports and information required to meet the reporting requirements under section 165(i)(2) for covered banks with average total consolidated assets between \$10 billion and \$50 billion. These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)) and the FDIC's Rules and

Regulations regarding the Disclosure of Information (12 CFR Part 309).

The Act requires the FDIC, in coordination with the Board and Office of the Comptroller of the Currency ("OCC") (collectively, the "agencies" or "banking agencies") to define "stress test", establish methodologies to review the annual company-run stress tests, and to require at least three different sets of conditions (baseline, adverse, and severely adverse).

The company-run Dodd-Frank Act Stress Test (DFAST) will cover a nine-quarter planning horizon beginning on the first day of a stress test cycle (on October 1) and position information as of September 30 of a reporting year (for a total of ten quarters of information reported).

Covered banks, will report on the FDIC DFAST 10-50 ("DFAST 10-50") templates their quantitative projections of losses, resources available to absorb those losses, balance sheet positions and capital composition on a quarterly basis over the duration of the scenario and planning horizon.

In addition to the quantitative projections collected on the DFAST 10-50 templates, state nonmember banks and state-chartered savings associations are also required to submit qualitative information supporting their projections. The report of the results of the stress test must include, under the baseline, adverse, and severely adverse scenarios: a description of the types of risks included in the stress test, a summary description of the methodologies used in the stress test, an explanation of the most significant causes for the changes in regulatory capital ratios, and any other information required by the FDIC. Under DFAST, the FDIC may also request supplemental information, as needed.

¹ 12 U.S.C. 5365(i)(2)(A).

² 12 U.S.C. 5301(12).

³ 12 U.S.C. 5365(i)(2)(C).

⁴ 12 U.S.C. 5365(i)(2)(B).

⁵ 77 FR 62417 (October 15, 2012).

Data that are collected as part of the annual company-run stress test requirement is confidential. All templates, worksheets, and supporting information are the property of the FDIC and unauthorized disclosure is prohibited pursuant to 12 CFR 4.37.

State nonmember banks and state-chartered savings associations must submit the DFAST 10-50 templates and supporting information to the FDIC through a secure site that allows documents to be managed in a secure environment.

All correspondence and questions regarding the DFAST 10-50 templates and these instructions should be directed to a secure mailbox (see Where to Submit Reports and Supporting Information section for more information regarding electronic report submission).

The FDIC is developing the reporting templates and associated instructions in coordination with the other banking agencies. However, each agency will publish its own proposal in the Federal Register. The banking agencies have committed to developing very similar, if not identical, reporting templates. In addition, the majority of line items in the reporting templates map to existing MDRM codes used in the Consolidated Reports of Condition and Income ("Call Report").

Who Must Report

A. Reporting Criteria

State nonmember banks and state-chartered savings associations that meet a total consolidated asset threshold of more than \$10 billion but less than \$50 billion in total consolidated assets, as defined by the FDIC's final Dodd Frank stress test rule, are required to submit the Annual Company-Run Stress Test Report (FDIC DFAST 10-50 templates) and supporting information to the FDIC and to the Board. The annual stress test rule defines total consolidated assets as the average of the covered bank's total consolidated assets over the four most recent consecutive quarters, as reflected on the respondent's Consolidated Report of Condition and Income (Call Report FFIEC 041 or FFIEC 031) As appropriate, separate worksheets for each scenario must be reported for additional variables used to conduct the stress test. All worksheets are required to be reported by all state nonmember banks and state-chartered savings associations with total

consolidated assets between \$10 billion and \$50 billion.

B. Exemptions from Reporting

Only state nonmember banks and state-chartered savings associations that do not meet the reporting criteria listed above, or are otherwise notified per the FDIC's reservation authority, are exempt from reporting under this requirement.

Where to Submit the Reports and Supporting Information

All state nonmember banks and state-chartered savings associations subject to these reporting requirements must submit completed reports electronically through the identified portal. Instructions for the electronic submission will be provided at a later date.

Covered banks must submit clear documentation in support of the projections included in the worksheets to support efficient and timely review of annual stress test results by the FDIC. As such, template filenames should follow the format **FDIC DFAST 10-50_SUMMARY_CHARTERID_BANKNAME_YY MMDD**. All supporting information should follow the format of **CHARTERID_BANKNAME_SUBJECT_YYMMDD**. The "subject" in the supporting information title should change based on the type of documentation that the file supports. For example, the supporting information that describes the methodologies to produce the loss, reserve charge, and revenue projections should be titled **CHARTERID_BANKNAME_CAPITAL_METHODOLOGY_YYMMDD**, while model risk management policies should be titled **CHARTERID_BANKNAME_MRM_POLICY_YY MMDD**.

In general, documentation should not be abridged into one large file, embedded within one document or contained within a zipped file. Supporting information, including follow-up question and answer documents, should follow a similar file naming convention and be readily identifiable among other supporting documentation. Furthermore, documentation file

names should not include special characters, such as "&", "# or ",."

<http://www.fdic.gov/regulations/resources/call/index.html>.

When to Submit the Reports and Supporting Information

State nonmember banks and state-chartered savings associations must file the FDIC DFAST 10-50 templates and associated supporting documentation on or before March 31. If the submission date falls on a weekend, the report must be received on the first business day after the weekend. The reports are due by the end of the reporting day on the submission date. Early submissions are encouraged and aids the FDIC in reviewing and processing data.

How to Prepare the Reports

A. Applicability of GAAP, Consolidation Rules, and Other Instructional Guidance

State nonmember banks and state-chartered savings associations are required to prepare and file the FDIC DFAST 10-50 templates in accordance with generally accepted accounting principles (GAAP) and these instructions. The financial records of state nonmember banks and state-chartered savings associations should be maintained in such a manner and scope to ensure that the FDIC DFAST 10-50 templates are prepared in accordance with these instructions and reflects a fair presentation of state nonmember banks and state-chartered savings associations' financial condition and assessment of performance under stressed scenarios.

Respondents should reference the Call Report for general instructions on the rules of consolidation. Unless otherwise noted, the templates map directly to the respondent's Call Report for the "actual" quarterly data provided as of September 30 for the given year while all remaining quarterly data over the nine quarter horizon are based on the covered bank's quarterly projections.

If there is a conflict in guidance, state nonmember banks and state-chartered savings associations should first use the information contained in these instructions and then the instructions available in the latest Call Report.

B. Confidentiality

As these data are collected as part of the supervisory process, the FDIC DFAST 10-50 templates and supporting information will be treated as confidential and no action is required by respondents to ensure confidential treatment. The confidentiality of information submitted to the FDIC and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act (5 U.S.C. 552(b)) and the FDIC's Rules and Regulations regarding the Disclosure of Information (12 CFR Part 309).

C. Amended Reports

Consistent with the Call Report's general instructions regarding amended reports, state nonmember banks and state-chartered savings associations must file an amended report when it or the FDIC discovers significant errors or omissions subsequent to submission of a report. Failure to file amended reports on a timely basis may subject the covered bank to supervisory action.

D. Questions and Requests for Interpretations

State nonmember banks and state-chartered savings associations should contact the FDIC if they have any questions at: XXXX@FDIC.gov (TBD)

SCENARIO VARIABLES TEMPLATE

To conduct the stress test required, a state nonmember bank and state-chartered savings association may choose to project additional economic and financial variables beyond the supervisory scenarios provided in order to estimate losses or revenues for some or all of its portfolios. The FDIC expects a state nonmember bank or state-chartered savings association to ensure that the paths of any additional variables are consistent with the scenarios the FDIC provided. Where bank-specific assumptions are made that differ from the broad macroeconomic assumptions incorporated into the stress scenarios provided by the FDIC, the documentation must describe such assumptions and how those assumptions relate to the reported projections. If additional variables are used, the state nonmember bank or state-chartered savings association must complete the following worksheets for each scenario where the covered bank chose to use additional variables.

A. Scenario Variable Worksheet

This worksheet should be used to list and define the variables projected to estimate losses by a state nonmember bank or state-chartered savings association beyond supervisory scenarios provided by the FDIC.

- The worksheet provides space for the baseline scenario, adverse scenario, and severely adverse scenario. These sections must be completed if an covered bank chooses to use additional variables.
- The variables names should be listed in the column titled "Variable Name."
- Variable definitions should be provided in the column titled "Variable Definition." Variable definitions should include a description of the variable (e.g., "Real GDP") and the denomination and/or frequency of the variable (e.g., "Billions of 2005 dollars" or "in percent, average of monthly values").
- For convenience, the worksheet provides space for ten additional variables per scenario, but any number of variables may be reported, depending on the number of variables actually used in the scenario. Extra lines may be created as needed.

The same variables do not necessarily have to be included in each scenario.

- State nonmember banks and state-chartered savings associations should include all economic and financial market variables that were important in projecting results and are in addition to those provided by the FDIC, including those that may affect only a subset of portfolios or positions. For example, if asset prices in a specific sector had a meaningful impact then the assumed level of prices and projections should be included; or, if bankruptcy filings affect credit card loss estimates then the assumed levels of these should be reported if used in the projections.
- State nonmember banks and state-chartered savings associations should also include any variables capturing regional or local economic or asset value conditions, such as regional unemployment rates or regional housing prices, if these were used in the projections.
- State nonmember banks and state-chartered savings associations should include historical data, as well as projections, for any macroeconomic, regional, local or financial market variables that are not generally available. Historical data for these variables can be included in a separate worksheet.
- Variable names and definitions should be consistent throughout the worksheets.
- List quarterly values for the variables starting with the last realized value (3Q 2013) through the end of the planning horizon (4Q 2015) for the initial reporting period.
- Please enter all variables as levels rather than as changes or growth rates (for instance, the dollar value of real GDP rather than the GDP growth rate).

B. DFAST Baseline Scenario

This worksheet should be used to report the values of any additional variables generated for the FDIC DFAST 10-50 baseline scenario.

C. DFAST Adverse Scenario

This worksheet should be used to report the values of any additional variables generated for the FDIC DFAST 10-50 adverse scenario.

D. DFAST Severely Adverse Scenario

This worksheet should be used to report the values of any additional variables generated for the FDIC DFAST 10-50 severely adverse scenario.

RESULTS TEMPLATE

A. Overview

The FDIC DFAST 10-50 Results template includes data collection templates related to income and losses and balance sheet and equity/capital statements.

State nonmember banks and state-chartered savings associations should complete income statement and balance sheet/capital worksheets for **each** required scenario (baseline, adverse, severely adverse).

In the worksheet labeled Submission Cover Sheet, include:

- The name and FDIC charter ID of the submitting state nonmember bank or state-chartered savings association ;
- Type of covered bank— state nonmember bank or state-chartered savings association ;
- The date of submission to the FDIC; and
- Any other requested information.

B. Technical Details

The following instructions apply to all worksheets within the Results template.

- Do not enter any information on the Summary Worksheet or in gray highlighted cells in other worksheets.
- Report income and loss data on a quarterly basis

and **not** on a cumulative or year-to-date basis.

- The ‘planning horizon’ refers to nine quarters beginning on the first day of the stress test cycle (on October 1) of a reporting year. For the stress test cycle commencing in 2013, the nine quarter projection will begin on October 1, 2013 and end on December 31, 2015.
- If there are no data for certain fields then populate them with a zero, “0”.
- Micro Data Reference Manual (MDRM) codes and formulas are provided in the ‘031’ or ‘041 Call Report Item’ column for most line items. Definitions in the Call Report for those items should be used.
- Negative entries are generally not appropriate and should not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. When negative entries do occur in one or more of these items, they shall be recorded with a minus (-) sign rather than in parentheses.
- All dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Rounding could result in details not adding to their stated totals. However, to ensure consistent reporting, the rounded detail items should be adjusted so that the totals and the sums of their components are identical.

C. Income Statement Worksheet

The Income Statement worksheet collects projections for the main components of the income statement. When applicable, the definitions of the state nonmember banks or state-chartered savings associations projections should map to the definitions outlined by the corresponding MDRM code within the Call Report. For each scenario, input the loan loss projections for the various line items in this worksheet. State nonmember banks or state-chartered savings association should include losses tied to the relevant balances reported on the Balance Sheet worksheet.

D. Data items not defined by MDRM numbers on the Income Statement Worksheet:

Item 13. All other loans and leases (net charge-offs): Report all other loans and leases net charge offs that have not been reported in the loan charge-off categories above. This line item represents the following Call Report FFIEC 031 MDRM numbers: (RIAD3584 + RIADB512 + RIAD4653 + RIAD4654 + RIAD4655 + RIAD4643 + RIAD4644 + RIADF185 + RIADC880) - (RIAD3585 + RIADB513 + RIAD4663 + RIAD4664 + RIAD4665 + RIAD4627 + RIAD4628 + RIADF187 + RIADF188)

This line item represents the following Call Report FFIEC 041 MDRM numbers: (RIAD3584 + RIAD4481 + RIAD4643 + RIAD4644 + RIAD4266) - (RIAD3585 + RIAD4482 + RIAD4627 + RIAD4628 + RIAD4267)

Item 22. All other gains (losses): Report all other gains and losses, extraordinary items and any others items that are not either (i) reported above line 22 or (ii) in taxes reported in item 23. The amounts reported in line 22 comprise the remaining portion of net income reported in line 24.

Items 27-32. Itemize and describe amounts greater than 15 percent of non-interest income (line 16).

Items 33-38. Itemize and describe amounts greater than 15 percent of non-interest expense (line 17).

Items 39-44. Itemize and describe amounts greater than 15 percent of all other gains (losses) (line 22).

E. Balance Sheet and Capital Worksheet: Balance Sheet section

For each scenario, input the loan balance projections in the various line items in this worksheet. When applicable, the definitions of the state nonmember bank and state-chartered savings association's projections should map to the definitions outlined by the corresponding MDRM code within the Call Report. Domestic refers to portfolios in the domestic U.S. offices (as defined in the Call Report), and International refers to portfolios outside of the domestic U.S. offices.

Unlike the loan balances reported in the Call Report RC-C schedule, for this template separately report the loans covered by loss-sharing agreements with the FDIC (line 14).⁶ Note that state nonmember banks and state-chartered savings associations should explain any M&A and divestitures included and how they are funded (liabilities, asset sales, etc.) in supporting information.

F. Data items not defined by MDRM numbers in the Balance Sheet Section:

Item 13. All other loans and leases: Report all other loans and leases that have not already been reported in the loan categories above in lines 1 through 12.

Item 30. All other assets: Report all other assets that have not been reported in any other category above that comprise total consolidated assets for the reporting banking organization. This line item represents the following Call Report FFIEC 031 MDRM numbers: RCFD0081 + RCFD0071 + RCONB987 + RCFDB989 + RCFD2145 + RCFD2130 + RCFD3656 + RCFD2160

This line item represents the following Call Report FFIEC 041 MDRM numbers: RCON0081 + RCON0071 + RCONB987 + RCONB989 + RCON2145 + RCON2130 + RCON3656 + RCON2160

Item 32. Loans and leases guaranteed by other U.S. government or GSE guarantees (i.e. non-FDIC loss sharing agreements): Report in this item loans and leases wholly or partially guaranteed by the U.S. government or GSE guarantees, excluding loans and leases covered by loss-sharing agreements with the FDIC.

This line item represents the following Call Report FFIEC 031 MDRM numbers: RCONK679 + RCONK680 + RCONK681 + RCONK682 + RCFDK670 + RCFDK671 + RCFDK672

This line item represents the following Call Report FFIEC 041 MDRM numbers: RCONK679 +

⁶ For more information, refer to Schedule RC-M Item No. 13 in the Call Report instructions (Assets covered by loss-sharing agreements with the FDIC).

RCONK680 + RCONK681 + RCONK682 + RCONK670 + RCONK671 + RCONK672

Item 35. Retail funding (core deposits): Report all retail funding deposits. This line item represents the following Call Report FFIEC 031 and 041 MDRM numbers: RCON2200 - RCONJ474 – RCON2365

Item 36. Wholesale funding: Report all wholesale funding deposits . This line item represents the following Call Report FFIEC 031 MDRM numbers: RCONB993 + RCFDB995 + RCFD3190 + RCON2365 + RCONK223 + RCONJ474 + RCFN2200. For 041 filers, MDRM codes are RCONB993 + RCONB995 + RCON3190 + RCON2365 + RCONK223 + RCONJ474.

Item 38. All other liabilities: Report all other liabilities that have not been reported in any other category above that comprise total consolidated liabilities.

Items 46-52. Average rates: The average rates are meant to reflect the average over each quarter. State nonmember banks and state-chartered savings associations may report the average rates so that it equals a weighted average rate over the period. If the average rates are materially affected by large shifts in balances over the period, highlight this in documentation supporting the submission.

G. Balance Sheet and Capital Worksheet: Capital Section

This section collects projections of components of equity capital and regulatory capital, components of assets and liabilities, and deferred tax asset items. When applicable, the definitions of the state nonmember’s and state-chartered savings association’s projections should map to the definitions outlined by the corresponding MDRM code within the Call Report.

State nonmember banks and state-chartered savings associations are required to provide projections of Tier 1 common equity capital, which is defined as Tier 1 capital less Tier 1 non-common equity capital elements. Tier 1 non-common equity capital elements include, but are not limited to: perpetual preferred stock and related surplus, minority interests, and other additions/deductions from Tier 1 capital. See

instructions for item 56, below, for additional information regarding Tier 1 non-common equity capital elements.

The projections should clearly show any proposed capital actions or other scenario-dependent actions that would affect the state nonmember’s and state-chartered savings association’s regulatory capital, including any assumptions required under the FDIC’s regulations. A state nonmember bank or state-chartered savings association is required to make the following assumption regarding its capital actions over the planning horizon under DFAST. For the first quarter of the planning horizon, the state nonmember bank or state-chartered savings association must take into account its actual capital actions as of the end of that quarter.

Also, projections of risk-weighted assets (line item 63) must be based on the FDIC’s capital rules in effect in a given quarter.

H. Data items not defined by MDRM numbers in the Capital Section:

Item 55. Tier 1 common equity capital: This line item is calculated as Tier 1 common equity capital (RCFD8274) less non-common elements (line 56). This definition is subject to change pending final U.S. rulemaking on implementing Basel III regulatory capital.

Item 56. Tier 1 non-common capital elements: Tier 1 non-common capital elements should include the following items captured in the Call Report: perpetual preferred stock and related surplus (Schedule RC, line item 23,) net of nonqualifying perpetual preferred stock (Schedule RC-R, line item 5); qualifying noncontrolling (minority) interests in consolidated subsidiaries; (Schedule RC-R line item 6); and other additions to (deductions from) Tier 1 capital (Schedule RC-R, line item 10).

Item 69. Sale, conversion, acquisition, or retirement of capital stock: For state nonmember banks and state-chartered savings associations this line item is the sum of the following in the Call Report: Net sale, conversion, acquisition, or retirement of capital stock, excluding treasury stock transactions (Schedule RI-A, line item 5, RCFDB509; plus Net treasury stock

transactions (Schedule RI-A, line item 6, RCFDB509).

CONTACT INFORMATION TEMPLATE

The Contact Information Template should contain cover sheet information along with contact information for the Results and Scenario Variables Templates.

QUALITATIVE SUPPORTING INFORMATION

Each state nonmember bank and state-chartered savings association is required under DFAST to submit information supporting its projections. Supporting information should provide sufficient detail to inform a third party of an covered bank's general approach and assumptions.

The FDIC DFAST 10-50 submission must include, under the baseline, adverse, and severely adverse scenarios:

- a description of the types of risks included in the stress test;
- a summary description of the methodologies used in the stress test;
- an explanation of the most significant causes for the changes in regulatory capital ratios,
- and, any other information required by the FDIC.

A. Description of the Types of Risks Included in the Stress Test

For the Results Template and the Scenario Variables Template, supporting qualitative information should clearly describe the types of risks and exposures captured in the stress test scenarios for all lines of business and activities. This includes information about risks that may threaten or adversely affect the covered bank's capital position through increased losses, reduced revenues and changes in the balance sheet or risk-weighted assets. The information should discuss the extent to which risks are wholly or only partially covered by the stress tests (for example, if not all aspects of interest-rate risk are captured by the tests with the given scenarios provided).

B. Summary Description of the Methodologies used in the Stress Test

For each part of the Results Template and the Scenario Variables Template, the state nonmember banks or state-chartered savings association should submit supporting information that clearly describes the methodology used to produce the projections. Each state nonmember banks or state-chartered savings association should include a description of how it translated the macroeconomic and financial variables from the supervisory scenarios into its

projections and technical details of any underlying statistical methods used. Information should be provided for all elements of the stress tests, including loss estimation, revenue estimation, projections of the balance sheet and risk-weighted assets, and capital levels and ratios. Where judgment is an essential part of the projection, each covered bank should describe the rationale and magnitude, as well as the process involved to ensure consistency of projections with scenario conditions. Furthermore, the covered banks should include thorough discussion of any material deviations from these instructions and how the materiality of such deviations was decided upon.

Discussion of methodologies should be consistent with expectations in existing supervisory guidance on stress testing issued by the agencies. In particular, the covered bank should provide a summary of the design, theory, and logic underlying the methodologies used.

Each covered bank should include information supporting any additional scenario variables used to conduct the Dodd-Frank stress tests. The information should detail the rationale behind including new scenario variables and the process for projecting additional variables, including the linkage with the macroeconomic and financial scenarios provided by the FDIC.

If third-party models are used, a covered bank should provide summary information about those models, including model design, key assumptions, known limitations, and implementation and execution.

Each state nonmember banks or state-chartered savings association should provide credible support for all key assumptions used to derive loss and revenue estimates, including assumptions related to the components of loss, severity of loss, drivers of revenue, any known weaknesses in the translation of assumptions into loss and revenue estimates. Each covered bank should demonstrate that these assumptions are clearly conditioned on the stated macroeconomic and financial scenarios and are consistent with stated business strategies including but not limited to mergers, acquisitions or divestitures of business lines or entities, and changes in strategic direction. If the covered bank's models rely upon historical relationships, describe the historical data used and clearly describe why these relationships are

expected to be maintained in each scenario. The impact of assumptions concerning new growth or changes to credit policy on forecasted loss estimates relative to historical performance should be clearly explained.

Covered banks should provide information on the specific assumptions used to calculate regulatory capital, including a discussion of any proposed capital distributions. When appropriate, clearly state assumptions related to the corporate tax rate and the evolution of the deferred tax assets. In situations where the state nonmember banks or state-chartered savings association choose not to project components of the balance sheet, those components should be held constant at the last current level and the covered bank should explain why the held constant assumption is appropriate in the given scenario.

Each state nonmember banks or state-chartered savings association should submit any other information and documentation necessary to support or explain its capital calculations. For example, as appropriate, a covered bank should show the calculations related to the projections of the deferred tax asset that may be disallowed for regulatory capital purposes. Where applicable, covered banks should reference the additional supporting information to the worksheets.

While judgment is an essential part of risk measurement and risk management, including for loss forecasting, companies should not be over-reliant on judgment to prepare their loss estimations without providing documentation or evidence of transparency and discipline around the process. Each state nonmember banks or state-chartered savings association should provide support for any judgment applied or qualitative adjustments made and explain how they are appropriate and in line with scenario conditions.

C. Explanation of the Most Significant Causes for the Changes in Regulatory Capital Ratios

For each part of the Results Template and the Scenario Variables Template, each state nonmember banks or state-chartered savings association should provide a clear explanation of the changes in regulatory capital ratios from the stress test scenarios over the planning horizon. For instance, a covered

bank may indicate that a major component of the reduction in regulatory capital ratios resulted from deterioration in the quality of its retail credit exposures over the planning horizon. The explanation should take into account the risks identified and describe the changes in capital by material income statement and balance sheet statement line items affected by the stress test scenario.

D. Explanation of Capital Actions

Covered banks should provide a qualitative discussion on capital planning, outlining decisions and options that senior management and the board may pursue to maintain internally established capital goals on a post-stress basis.

E. Other Information

Supporting information also should describe internal governance around the development of stress testing models and methodologies, and discuss how the stress testing methodologies have been implemented in the state nonmember banks or state-chartered savings association's existing enterprise-wide risk management practices. This should include information about model risk management practices for stress testing models, including validation and independent review. Each covered bank should describe how senior management provided the board of directors with sufficient information to facilitate the board's full understanding of the stress testing used by the bank for capital planning purposes and allow for the appropriate level of challenge of assumptions and outcomes.