

Exhibit B (After Recasting 2004-06)

	Distribution of Obligor Risk Grades (%)					Change
	2004	2005	2006	2007	2008	04-'08
1	1	1.1	1.2	1.2	1.3	0.3
2	10	11	12	13	13	3.0
3	22	23	24	26	25	3.0
4	16	15	16	16	17	1.0
5	35	36	35	33	34	(1.0)
6	8	7	7	7	6	(2.0)
7	4	4	3	2	1	(3.0)
D	4	2.9	1.8	1.8	2.7	(1.3)
Total	100	100	100	100	100	0

This example is based on applying ratings historically using data already collected by the bank. However, for some rating system refinements, institutions may identify in the future drivers of default or loss that might not have been collected for borrowers or facilities in the past. That is why institutions are encouraged to collect data that they believe may serve as a stronger predictor of default in the future. For example, certain elements of a borrower's cash flow might currently be suspected to overstate actual operational health for a particular industry. In the future, should an institution decide to deduct this item from cash flow with a resulting downgrade of many obligor ratings, the institution that collected these data could apply this rating change for prior years. This would provide the benefit of providing a consistent picture of risk over time and also present opportunities to validate the new criteria using historical data. Recognizing that institutions will not be able to anticipate fully the data they might find useful in the future, institutions are expected to reallocate grades on a best efforts basis when practical.

Calculating Capital Ratios and Reporting to the Public

Data retained by the bank will be essential for regulatory risk-based capital calculations and public reporting under the Pillar 3 disclosures. These uses underscore the need for a well-defined data maintenance framework and strong controls over data integrity. Control processes and data elements themselves should also be subject to

periodic verification and testing by internal and external auditors. Supervisors will rely on these processes and also perform testing as circumstances warrant.

Supporting Risk Management

The information that can be gleaned from more extensive data collection will support a broad range of risk management activities. Risk management functions will rely on accurate and timely data to track credit quality, make informed portfolio risk mitigation decisions, and perform portfolio stress tests. Trends developed from obligor and facility risk rating data will be used to support internal capital allocation models, pricing models, ALLL calculations, and performance management measures, among others. Summaries of these are included in reports to institutions' boards of directors, regulators, and in public disclosures.

D. Managing Data Quality and Integrity

Because data are collected at so many different stages involving a variety of groups and individuals, there are numerous challenges to ensuring the quality of the data. For example:

- Data will be retained over long timeframes,
- Qualitative risk-rating variables will have subjective elements and will be open to interpretation, and
- Exposures will be acquired through mergers and purchases, but without an adequate and easily retrievable institutional rating history.

Documentation and Definitions

S. Institutions must document the process for delivering, retaining and updating inputs to the data warehouse and ensuring data integrity.

Given the many challenges presented by data for an IRB system, the management of data must be formalized. Fully documenting how the institution's flow of data is managed provides a means for evaluating whether the data maintenance framework is functioning as intended. Moreover, institutions must be able to communicate to individuals developing or delivering various data the precise definition of the items intended to be collected. Consequently, a "data dictionary" is necessary to ensure consistent inputs from individuals and data vendors and to allow third parties (such as the rating system review function, auditors, or bank supervisors) to evaluate data quality and integrity.

S. Institutions must develop comprehensive definitions for the data elements used within each credit group or business line (a "data dictionary").

Electronic Storage

S. Institutions must store data in electronic format to allow timely retrieval for analysis, validation of risk rating systems, and required disclosures.

To meet the significant data management challenges presented by the validation and control features of an IRB system, institutions will need to store their data electronically. Institutions will have a variety of storage techniques and potentially a variety of systems to create their data