Resilient banking: capturing opportunities and managing risks over the long term

Supporting and driving societal resilience

11th annual EY/IIF global bank risk management survey

IIF Institute of International Finance

EY Building a better working world

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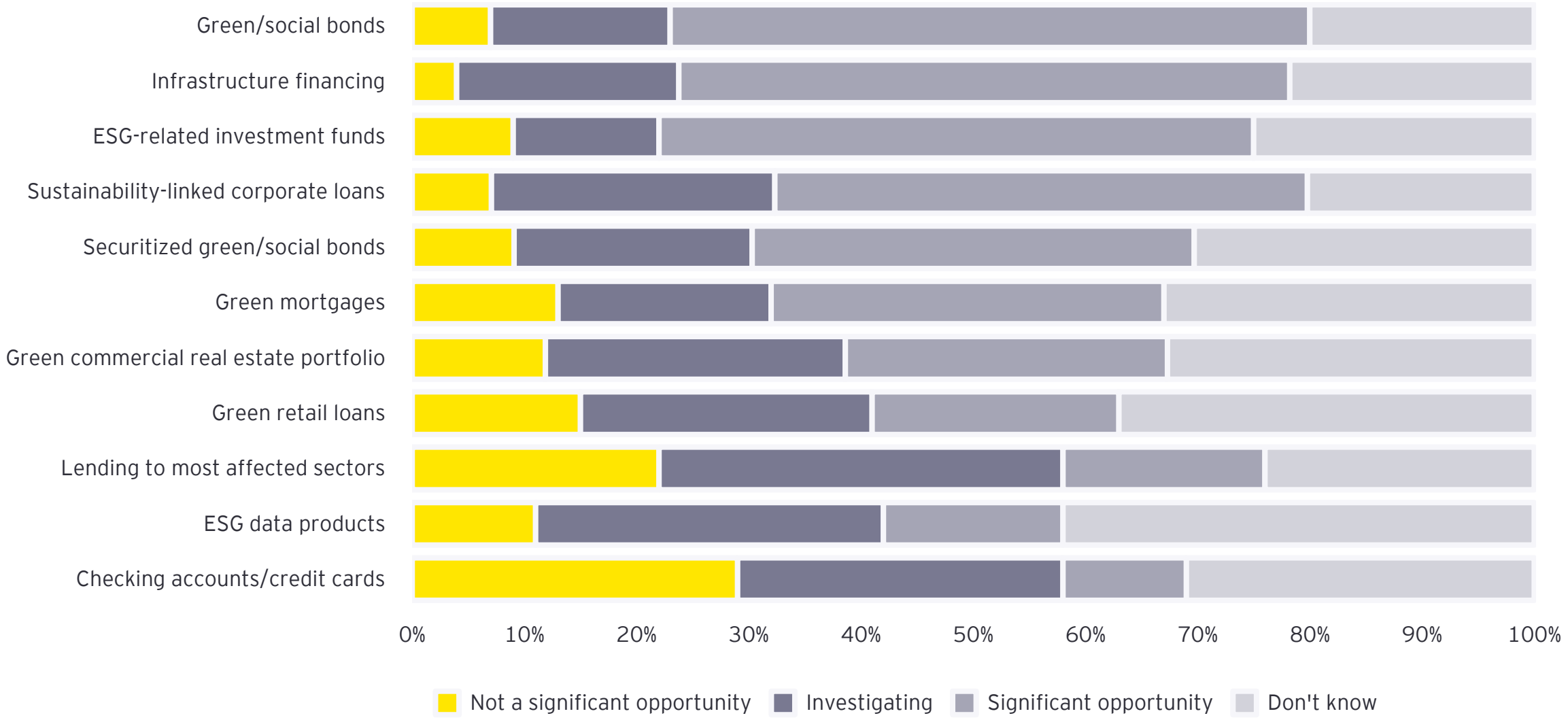
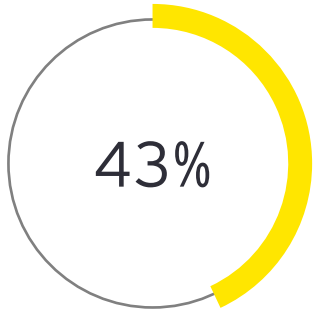
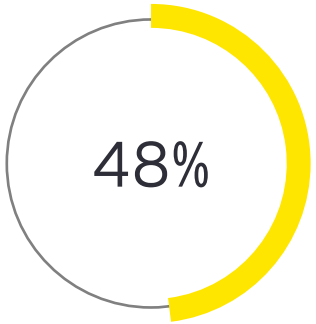
While some CROs identify many sustainable finance growth opportunities, many have not analyzed the market



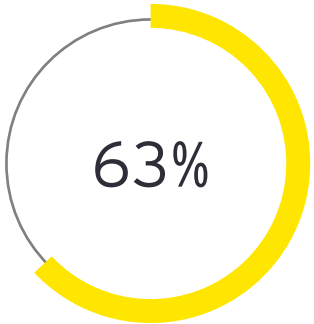
The first line plays some key roles in driving the bank's sustainable finance strategy



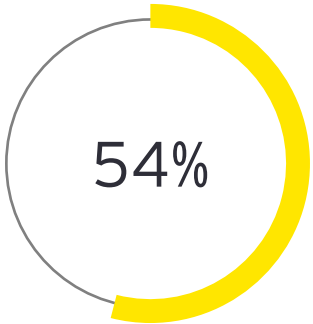
Evaluate existing products and strategies to consider new sustainable finance opportunities



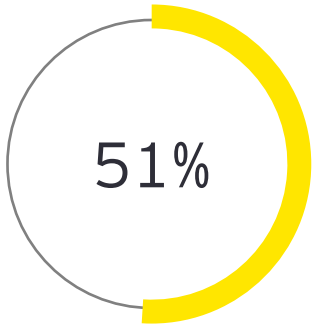
Develop new sustainable finance products or services



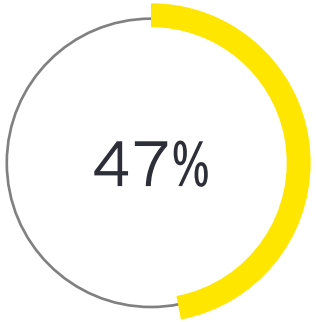
Build sustainable finance into business plans



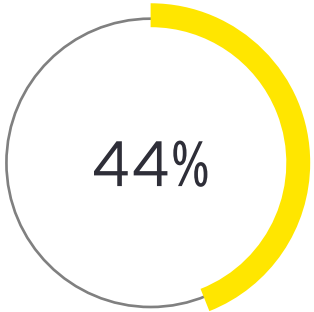
Develop and drive sustainable finance strategy



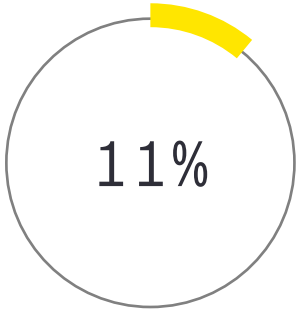
Monitor activity against sustainable finance commitments



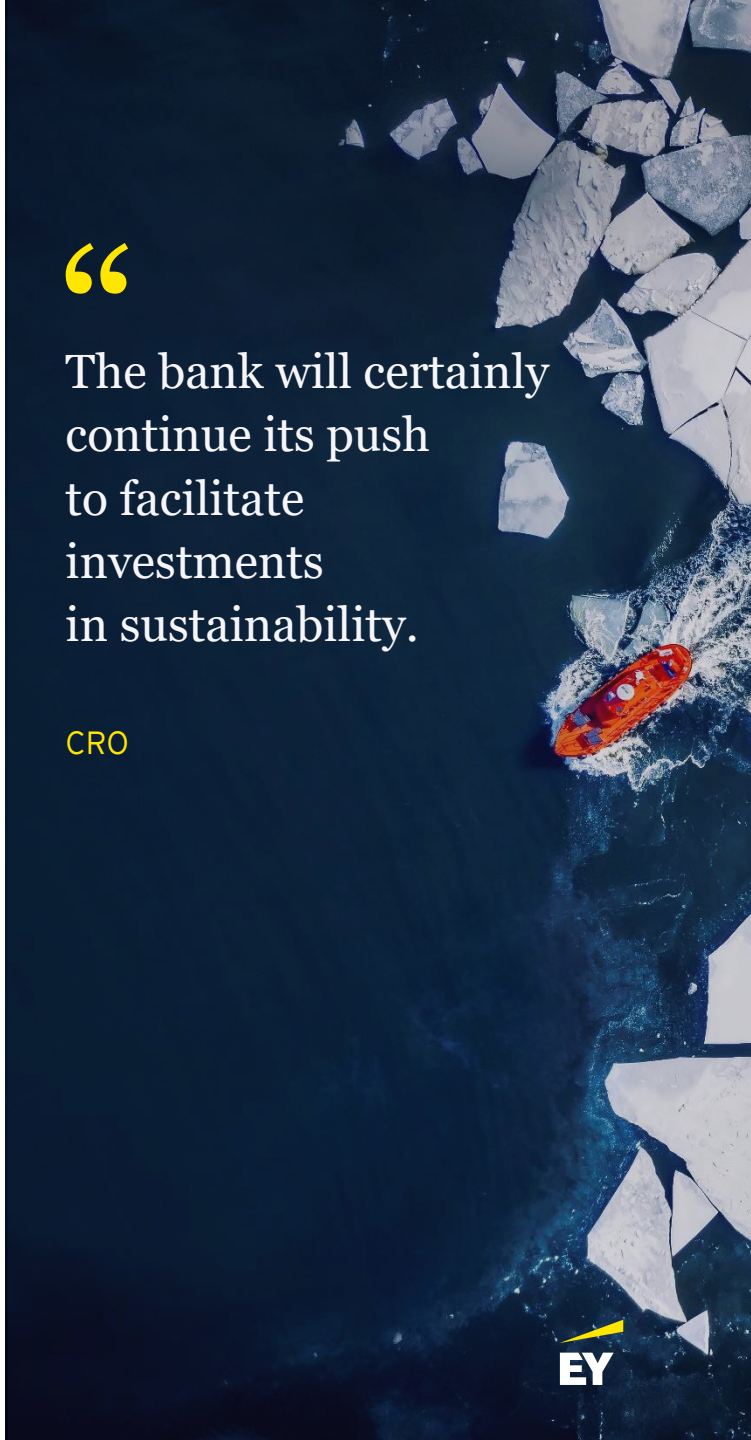
Incorporate sustainable finance into assessments of finance deals



Develop and set sustainable finance commitments



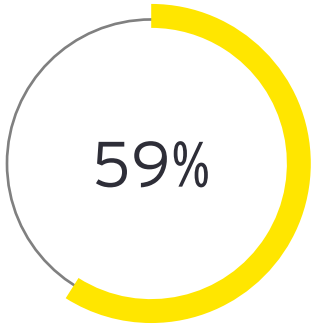
None of the above



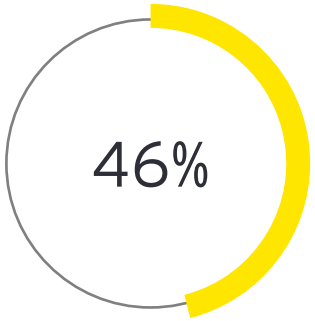
"The bank will certainly continue its push to facilitate investments in sustainability.

CRO

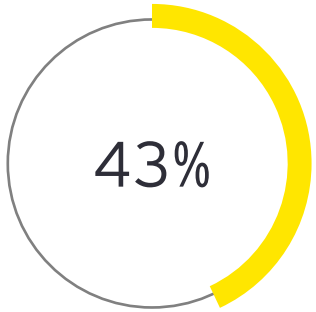
There are number of factors limiting growth of ESG-related opportunities



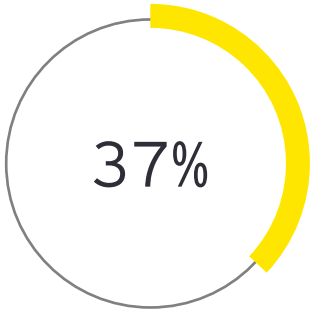
Lack of necessary data



Lack of clarity of regulatory/supervisory expectations

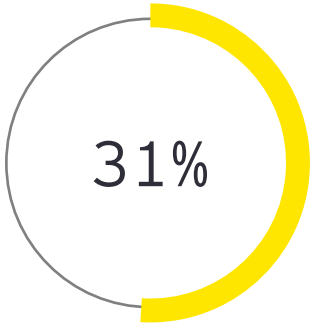


Lack of agreed industry methodologies

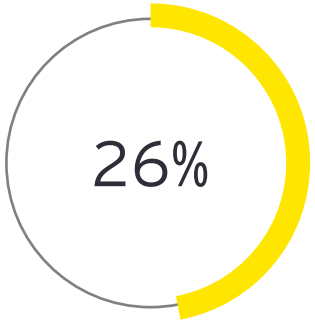


Lack of standardized industry framework(s)

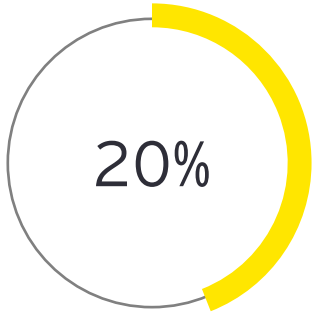
> “Emissions and intensity of data at the level of individual clients, below the sector level, is patchy.
>
> CRO



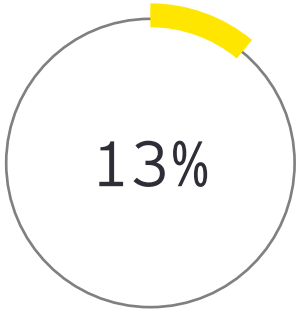
Lack of customer/ client demand



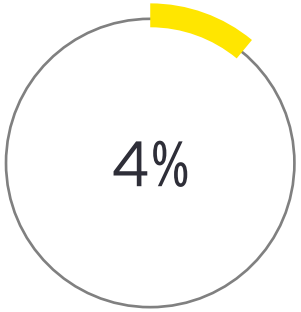
Lack of necessary skills in sustainable finance



Inconsistent regulatory requirements

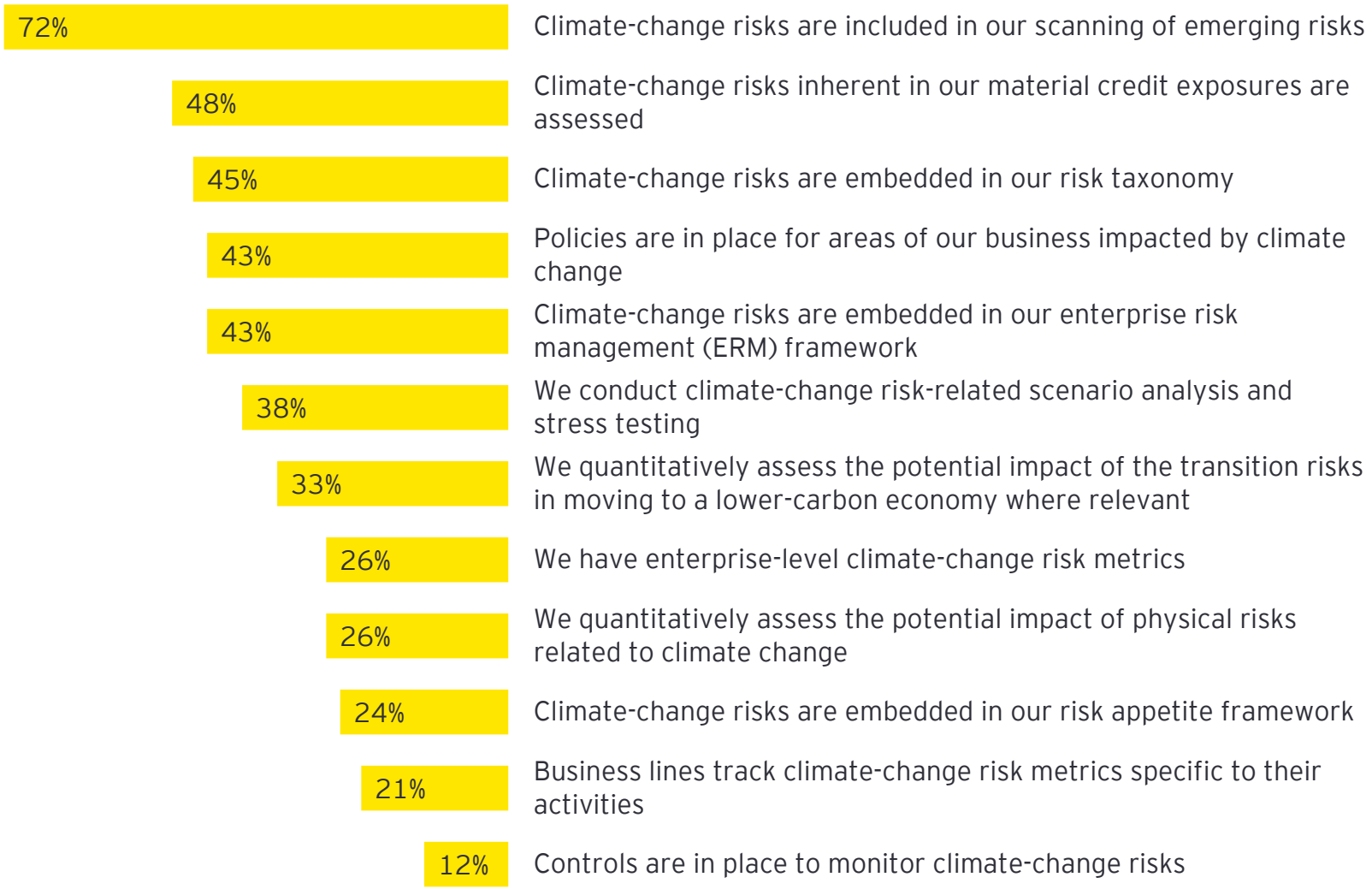


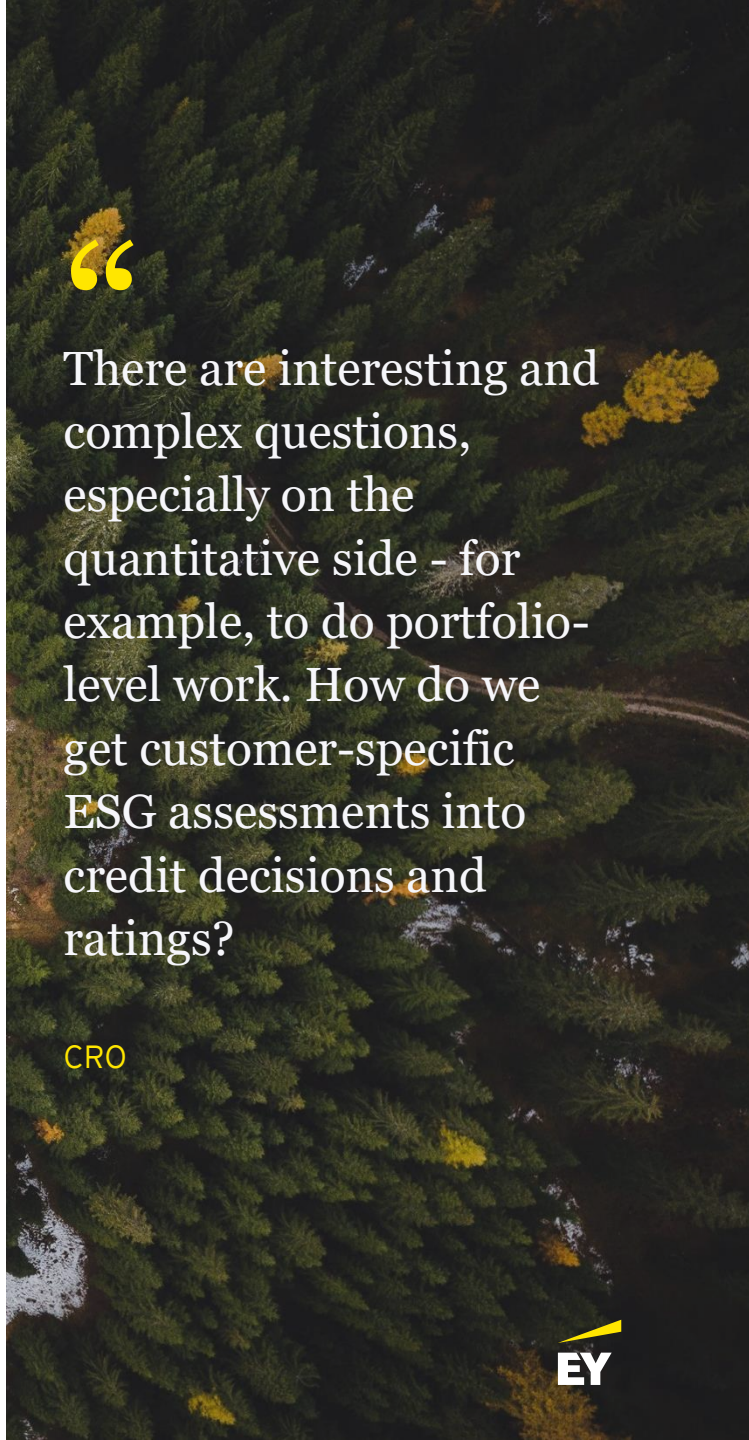
Lack of senior management commitment to pursue opportunities



Self-imposed prohibitions on working with certain sectors or categories of firms

Banks are using a number of ways to incorporate climate risks into their risk management activities

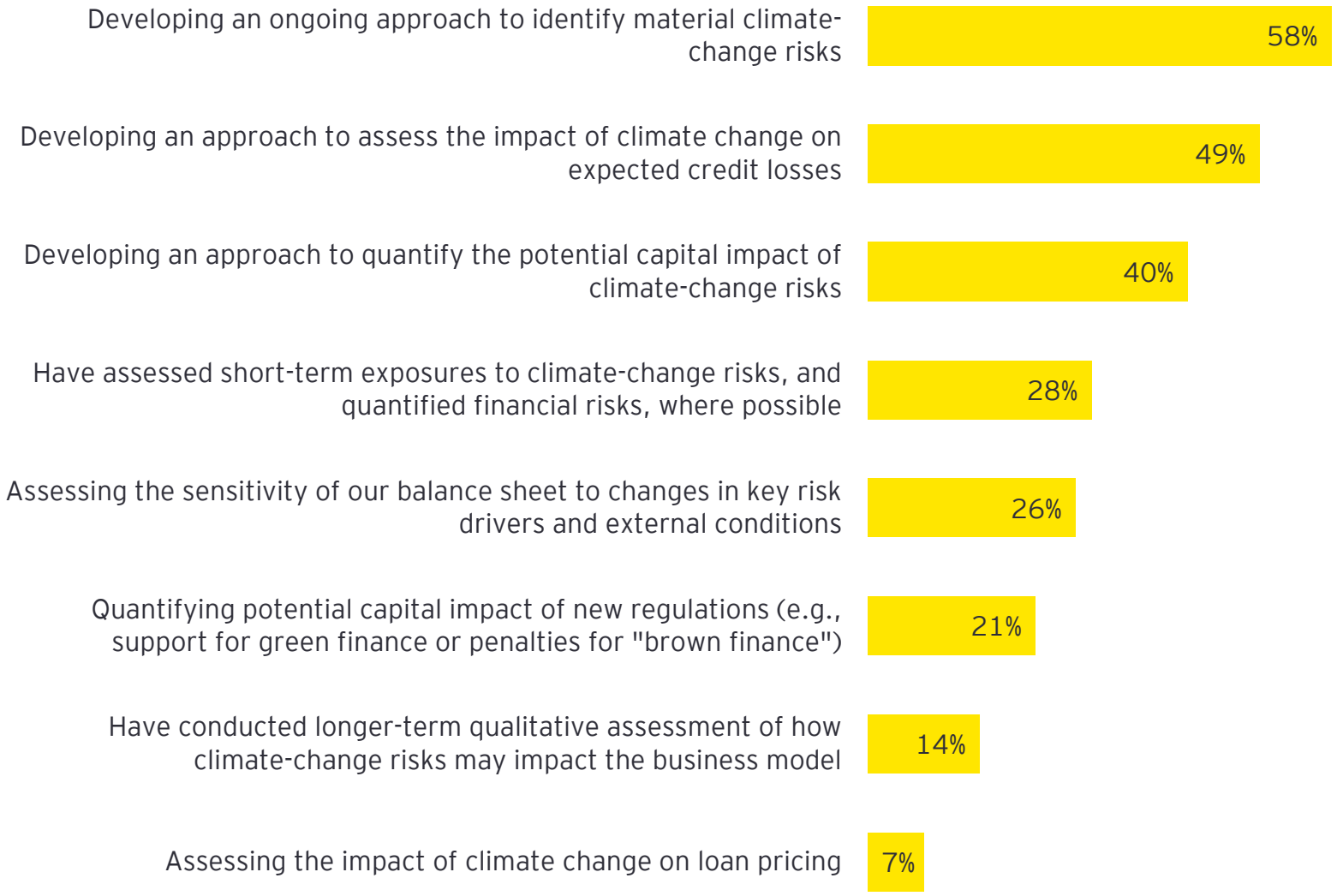


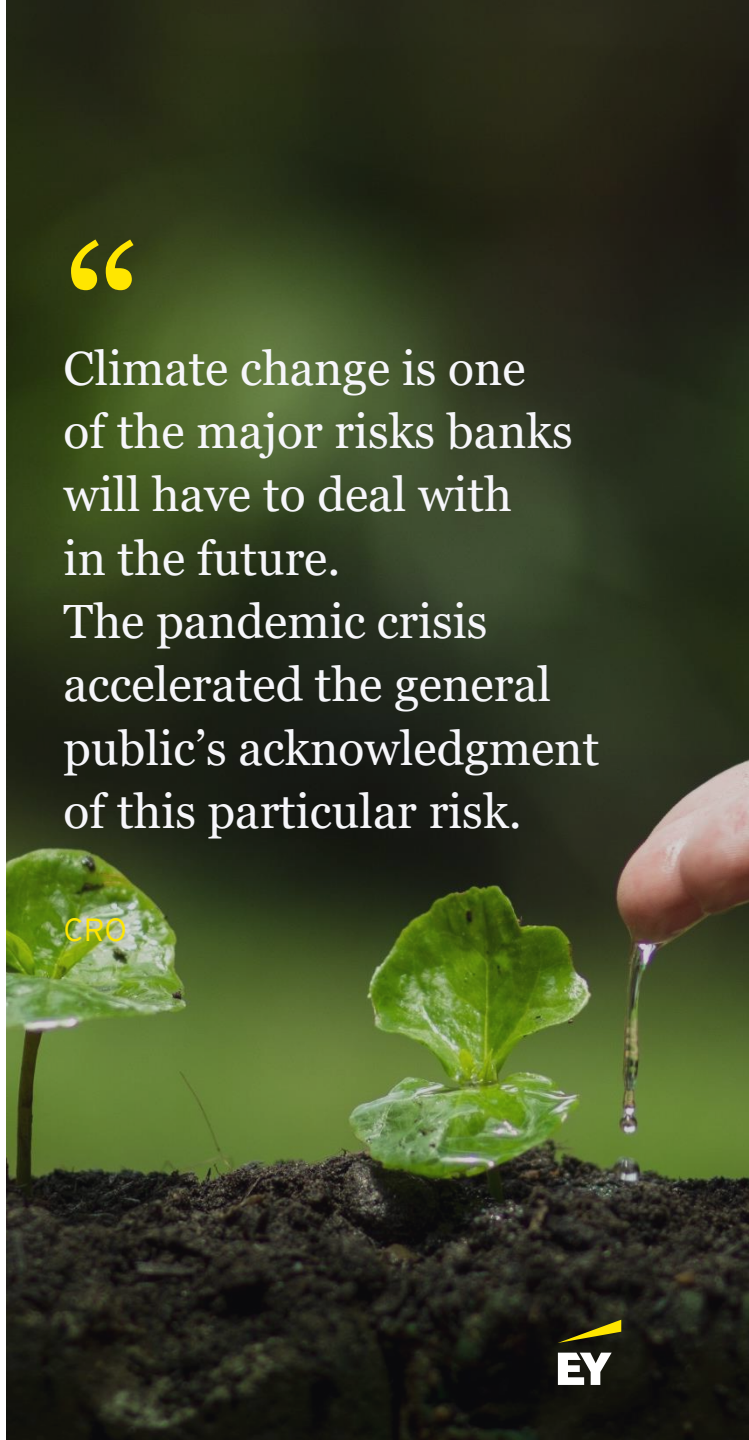


"There are interesting and complex questions, especially on the quantitative side - for example, to do portfolio-level work. How do we get customer-specific ESG assessments into credit decisions and ratings?

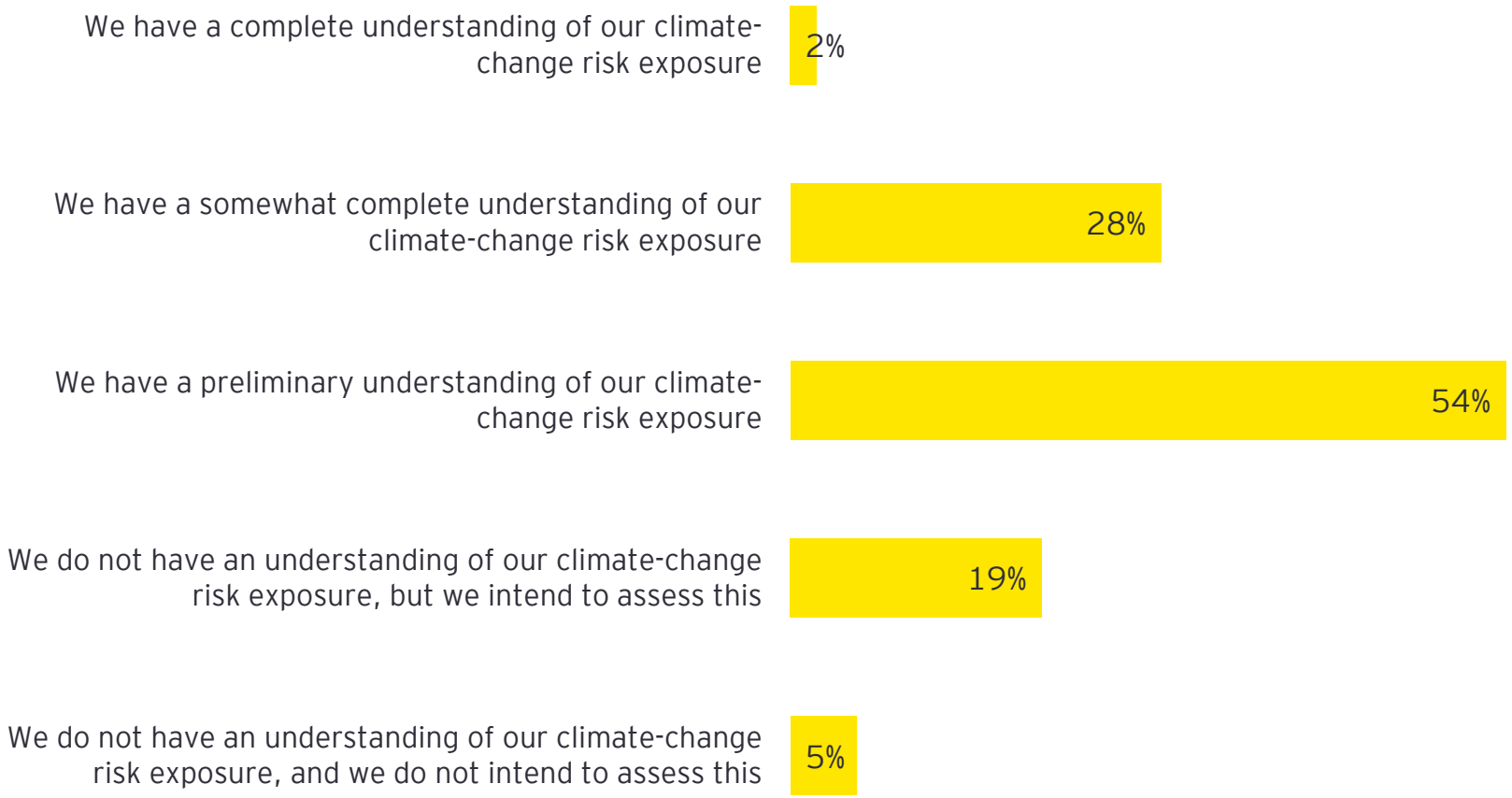
CRO

Banks are undertaking a range of scenario and financial analyses on the impact of climate change





Banks are fairly immature in their climate-change physical risk and transition risk/exposure analysis

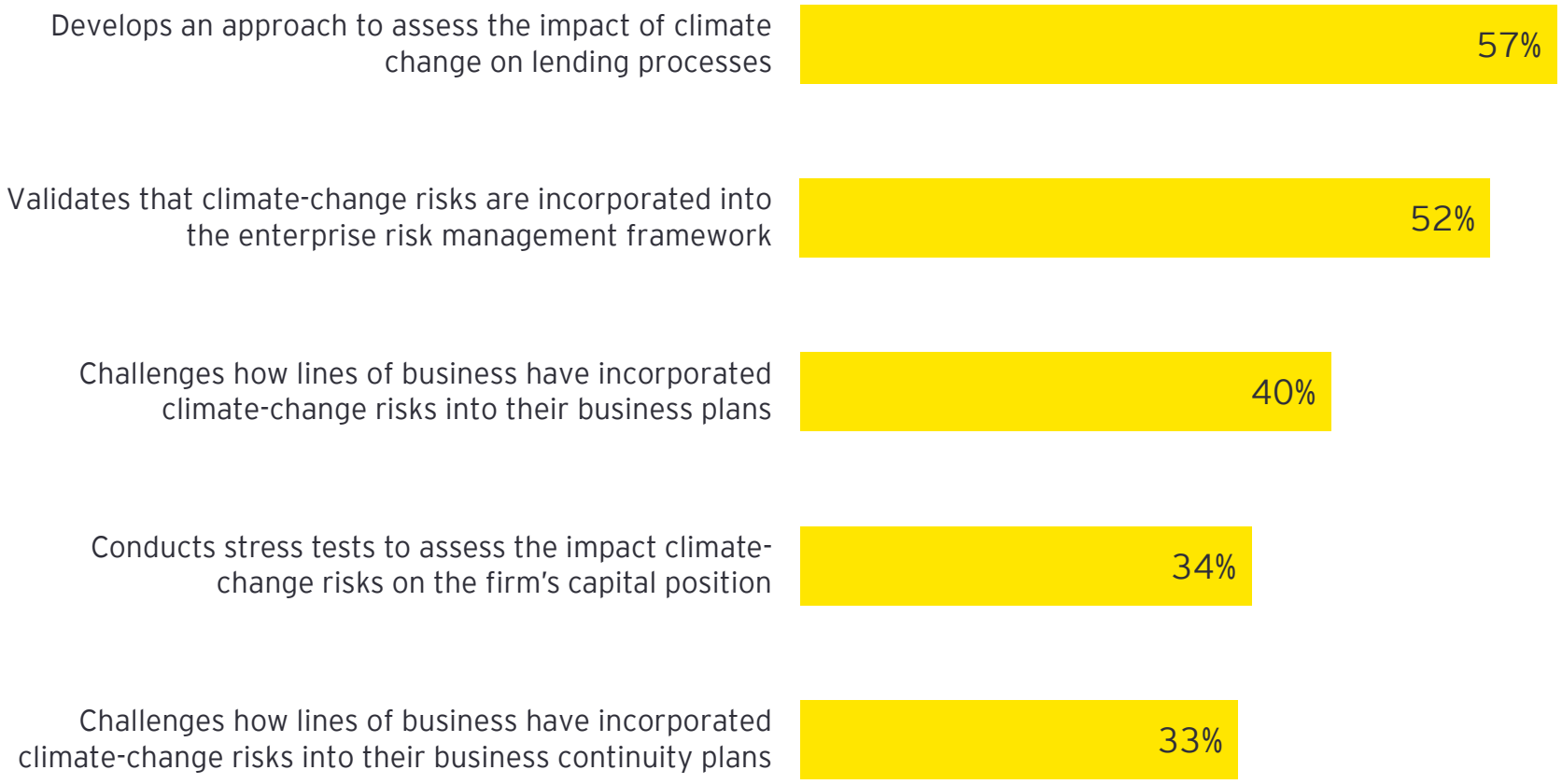


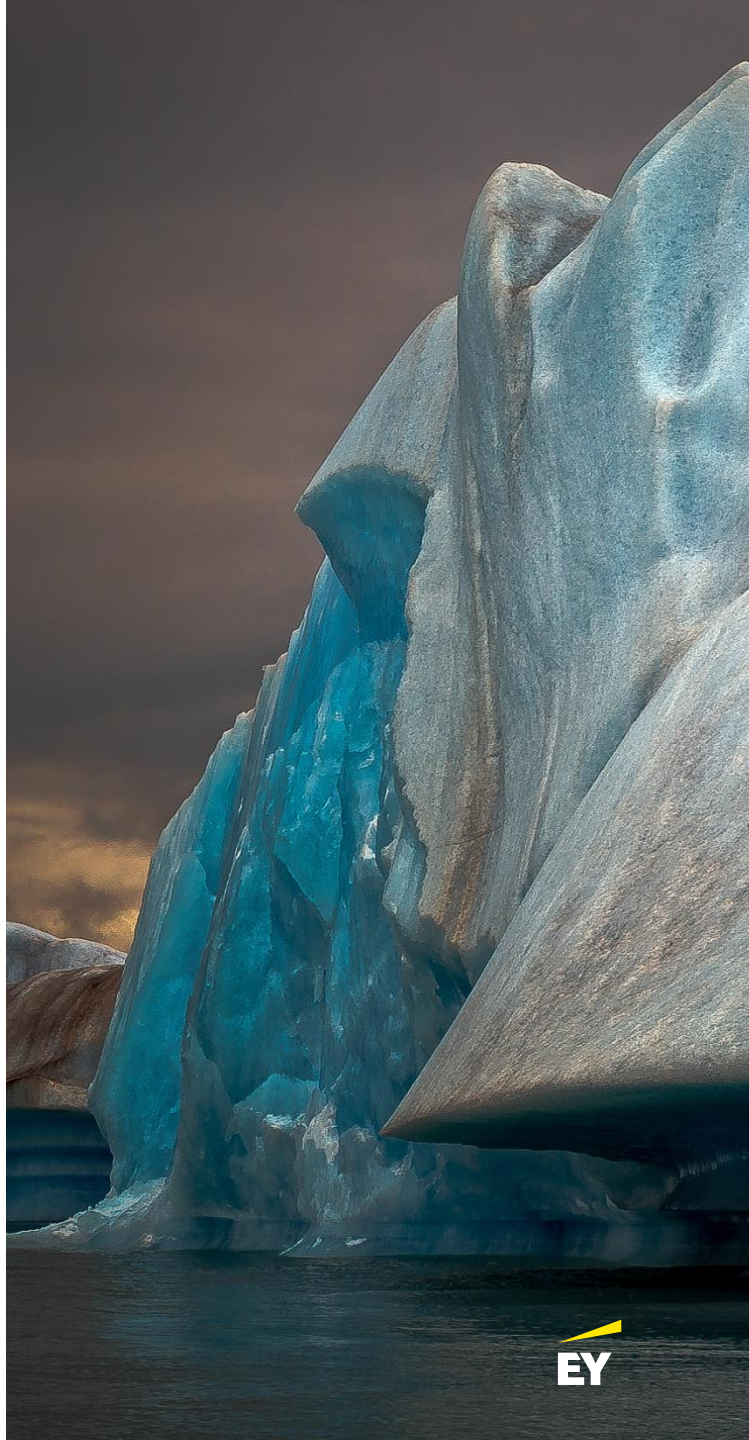
“

Close monitoring of how portfolios are built, especially on the credit side, will be critical because clients might suffer from transition risk (albeit more difficult to assess). This will lead to more stringent client-selection processes.

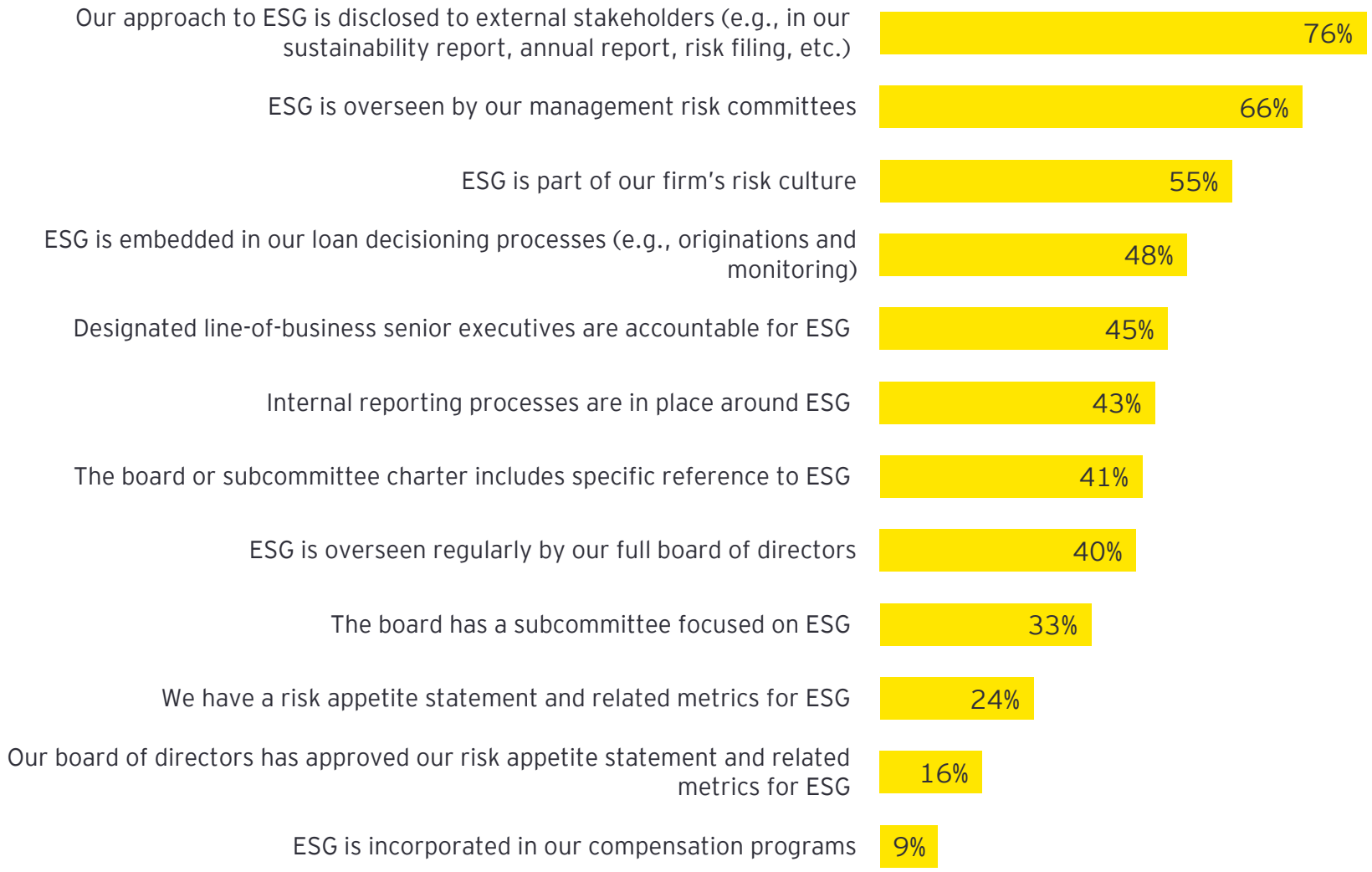
CRO

Second-line risk management can play important roles in evaluating the impact of climate risk





Banks have adopted a range of approaches to governing ESG



"The board is really sharp and is pushing and challenging it in the right way; management has been forced to sharpen it up.

CRO

Research methodology

The global EY organization, in conjunction with the IIF, surveyed IIF member firms and other banks in each region globally (including a small number of material subsidiaries that are top-five banks in their home countries) from November 2020 through January 2021. Participating banks' CROs or other senior risk executives were interviewed, completed a survey, or both.

In total, 88 financial institutions across 33 countries participated. Survey data in this report relates to 62 of these institutions (generally larger banks). As shown in the subsequent slide, participating banks were fairly diverse in terms of asset size, geographic reach and type of bank. Regionally, those banks were headquartered in Asia-Pacific (18%), Europe (24%), Middle East and Africa (13%), Latin America (16%) and North America (29%). Of those, 19% are globally systemically important banks (SIFIs) and 61% have been designated as systemically important domestically.

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