



## WRITTEN NOTICE IRB PERMISSION

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**To:** Virgin Money UK Plc (FRN 744208) (“the company”)

**Of:** Floor 15, 122 Leadenhall Street, London, EC3V 4AB

**Date:** 16 November 2021

### DECISIONS

1. In accordance with the discretions afforded to the Prudential Regulation Authority (“PRA”) under Chapter 3, Title II, Part Three of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (as it forms part of Retained EU Law) (the “CRR”), the company has been granted the permission to calculate its risk weighted exposure amounts using the Internal Ratings Based Approach (“IRB Approach”) on the terms and conditions set out in Annex 1 (the “IRB Permission”).
2. If the company ceases to comply with the conditions for granting of this IRB Permission set out in Chapter 3, Title II, Part Three of the CRR, and the terms and conditions of the IRB Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IRB Permission and the requirements relevant to it, including a revocation of the IRB Permission in whole or in part.
3. The IRB Permission takes effect on 22 October 2021.
4. The full text of this Decision Notice will not be published. However, in the interests of transparency, the PRA’s policy is to publish an abridged version of the permission notice as a record that the IRB permission has been granted.

This decision was taken by SRPC

## ANNEX 1

### **THE INTERNAL RATINGS BASED PERMISSION**

#### **Legal Entities**

1. The IRB Permission means that the company may apply the Internal Ratings Based approach to the legal entities in its calculation of own funds requirements on the following basis:
  - a. Clydesdale Bank Plc (“the firm”) on its consolidated situation.
2. The company must calculate its risk-weighted exposure amounts for the categories of exposure identified in Table 1 of Schedule 1 (with the exception of the permanent exemptions and any exposures still subject to sequential implementation) using the IRB Approach, to the extent, in the manner and subject to the conditions set out in this IRB Permission, and in accordance with Table 1 in Schedule 1.

#### **Ratings Systems**

3. The company is permitted to use the ratings systems and internal models approaches to equity exposures (together the “Ratings Systems”) as specified in the documentation contained in the firm’s IRB case file (reference ACTS: 24744) comprising its IRB application documentation, as modified by all changes and specifications notified to the firm and the company by the PRA, including those specified in this IRB Permission Notice, all changes and extensions notified by the firm and the company and accepted by the PRA, and all material changes and extensions for which permission has been granted by the PRA noted in Annex 2.

#### **Permanent partial use**

4. The company is permitted to apply the Standardised Approach for the exposures listed in Table 2 in Schedule 1 in accordance with Article 150 of the CRR.

#### **Reversion to the Standardised Approach under art 149**

5. Not applicable

#### **Reversion to CRR art 151(8) LGD/Conversion factors under CRR art 149**

6. Not applicable

#### **Sequential implementation**

7. The company is permitted to implement the IRB Approach sequentially in accordance with Table 3 in Schedule 1 in accordance with Article 148 of the CRR.

#### **Treatment by exposure class**

8. The company is permitted to use its own estimates of LGDs and conversion factors for the exposure classes as set out in Table 1 of Schedule 1.
9. However, given the use of FIRB for SME & Corporate lending, the company is not permitted to use its own estimates of LGDs and conversion factors for the corporate exposure classes as set out in Table 1 of Schedule 1.

### **Maturity under art 162 of the CRR**

10. To the extent that the company does not have permission to use own estimates of LGDs and conversion factors it shall calculate maturity as set out under CRR Article 162(2).

### **Definition of default**

11. For the Virgin Money Heritage Mortgage model suites only, 90 days is replaced with 180 days in CRR Article 178(1)(b) for exposures secured by residential real estate in the retail exposure class.

### **Unfunded credit protection**

12. Not applicable.

### **Eligible collateral**

13. The company may use as eligible collateral types of physical collateral other than those indicated in paragraphs 2, 3 and 4 of Article 199 of the CRR where permission is or has been granted in accordance with paragraph 6 of Article 199.

### **Further specifications**

14. Not applicable.

### **Material, significant and other changes**

15. In accordance with Article 143(3), (4) of the CRR and the Delegated Regulation (EU) No 529/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the IRB Approach and the Advanced Measurement (as amended),

- (1) the company will require a further permission from the PRA in respect of the following changes to the IRB Permission:
  - (a) material changes to the range of application of a ratings system or an internal models approach to equity exposures; or
  - (b) material changes to a ratings system or an internal models approach to equity exposures; and
- (2) the company must notify the PRA of all changes to ratings systems and internal models approaches to equity exposures subject to the IRB Permission.

16. In accordance with Article 143(3) of the CRR, the PRA has granted permission for material changes as set out in Annex 2.

## SCHEDULE 1

### High-level scope and coverage of IRB permission

The PRA has granted the IRB permission for the categories and types of exposures identified in Table 1 below with the exception of the permanent exemptions in Table 2. Exposure classes that are not applicable to the company are marked N/A.

**Table 1**

<i><b>IRB exposure classes</b></i>	<i><b>Sub-classes (&amp; art 155 approach, if applicable)</b></i>	<i><b>Country</b></i>	<i><b>Own estimates of LGDs and Conversion Factors (tick if apply)</b></i>	<i><b>Additional provisions/</b></i>
<b>Exposures on central governments and central banks</b>	N/A	N/A	N/A	N/A
<b>Exposures on institutions</b>	N/A	N/A	N/A	N/A
<b>Exposures on corporates</b>	Mid-market SME Small Business Limited financial information Large agriculture Small agriculture	UK		
<b>Retail exposures</b>	Residential mortgages (excluding custom build mortgages held in the custom build portfolio) Buy-to-let mortgages Current Account Mortgages Origination/Pipeline	All countries	✓	
<b>Equity exposures</b>	N/A	N/A	N/A	N/A
<b>Securitisation positions</b>	N/A	N/A	N/A	N/A
<b>Non credit-obligation assets</b>	N/A	N/A	N/A	N/A

ANNEX 2

**VERSION CONTROL SCHEDULE**

**NOTICES OF MATERIAL CHANGES AND EXTENSIONS TO IRB PERMISSION**

<b>Version</b>	<b>Comment</b>	<b>Authorisation</b>	<b>Date</b>
1.0	IRB permission granted	PRA	10/10/2018
2.0	Approval to extend Clydesdale Bank Plc's permission to include Virgin Money Plc's IRB permission.	PRA	16/02/2021
3.0	Permission granted to the Holding Company on a consolidated basis.	PRA	22/10/2021