PRA Retail Credit Risk Unsecured Portfolio Quality Return

January 2015

Guidance Notes

Purpose of the Template

The purpose of this template is to provide the PRA with a consistent dataset to help form an assessment of portfolio quality for selected unsecured portfolios across major lenders. This data will be used to support such projects as Asset Quality Reviews and 2015 Stress Testing exercise.
The PRA appreciates that it may be difficult to reach an exact consistent definition across all firms for some of the metrics requested. As such, we will hold conversations with each firm in order to agree on the definitions of the data to be provided.
We believe some of the metrics should be straightforward but for others where we anticipate a requirement for flexibility, we have provided a brief outline of our intended outcome below.
Please supply explanations to other metrics or data where you believe clarification is needed.

Definitions of terms

Drawn Balance	Amount of a loan drawn by a borrower on a specified date. Balances should be reconcilable to the statutory accounts and regulatory returns. Loan balances should be entered net of write-offs and gross of Provisions. Balances should be gross of any off-set balances, i.e. the actual outstanding principal amount owed.
Undrawn Balance	The difference between the Committed Limit on a loan (or Credit Card) and the Drawn Balance.
Up-to-date	A customer is deemed to be up-to-date if all contractual payments have been made at the required time. A customer is deemed to be not up-to-date (i.e. in arrears) if they have fallen below their contractual payment by 1p or more for a period of one day or more.
Cycles Past Due/ Arrears	The Cycles Past Due is a count of the number of monthly cycles the customer has been through whilst being not up-to-date.
All Forbearance	The definition for forbearance should be taken from: ***For UK portfolios:*** The FSA definition of forbearance as detailed in the published guidance - see link http://www.fsa.gov.uk/pages/Library/Policy/final_guides/2011/fg11_15.shtml ***For Non-UK Portfolios*** - either: 1) The EBA consultation paper on Implementing Technical Standards on Supervisory Standards (link: https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/draft-implementing-technical-standard-on-supervisory-reporting-forbearance-and-non-performing-exposures-/-/regulatory-activity/consultation-paper;jsessionid=977C01AB68450B28D2A4AFF7FF4AA743); or 2) The FSA definition of forbearance as detailed in the published guidance - see link http://www.fsa.gov.uk/pages/Library/Policy/final_guides/2011/fg11_15.shtml; or 3) Your own definitions of forbearance - please provide full details. We will discuss with you which is the most appropriate for your specific portfolio.
Provisions Balance	Provision held against the accounts where there has been an impairment event. For provisions (including management overlays) applied at an aggregate level, please distribute the provision proportionately - i.e. by balance - to all accounts that are included in that level of aggregation.
Impairment Charge	Amount of Impairment taken in the time period specified. This should be the impairment charge recorded in the Firm's P&L. In the Risk Measures by Portfolio projections submission for Retail/Wholesale credit risk, this refers to the forecasted P&L impairment charge under base and stress scenario. Impairment charge is typically expressed as a positive number (i.e. a loss is represented by a positive figure).
Write-offs	Balance written off net of recoveries for the period. This is the amount written off loan balances in the quarter (and off provisions charged to the income and expenditure account) and is to be on a basis consistent with amounts shown in the firm's published accounts as 'written off' within the analysis of changes in loss provision usually appearing as Notes to the Accounts.
Other Movement in Provisions	Any other change in the provisions balance from one reporting period to the next not captured by the standard impairment charge and write-off adjustments.
Total Number of Open Accounts	The number of accounts with an 'open' status at the end of the reporting period.
Number of New Accounts Opened in Quarter	The number of new accounts opened within the reporting period, to include new lending to existing customers but only where a new account record is created and the previous account record status is classified as closed.
Sum Balances of New Accounts Opened in Quarter	The sum of drawn balances held by accounts opened in the reporting period at the end of the reporting period.
Average Origination PD of New Accounts Opened in Quarter	The simple average of the origination probability of default for new accounts opened in the reporting period (application PD). The time horizon for the default should be calibrated to 12 months from the date of origination.
Number of Accounts Closed in Quarter (not written-off)	The number of accounts closed at the customer's request, not for reasons related to write-offs or fraud investigations.
Franchise Customers	Please use the firm's internal definition of 'Franchise' or the equivalent existing customer terminology. Please provide this definition in the box below.
	Definition of 'Franchise' used:
Portfolio PD	Please use the Probability of Default associated with the firm's internal point-in-time behavioural score that is generated for existing customers and is used for customer management purposes; which may or may not be the IRB PD used in Basel models. Where such a score does not exist, such as for new accounts, please use the Origination PD defined above. Please provide the balance weighted average.
Observed Average LGD for Write-offs in Quarter	The observed loss at point of write-off as a percentage of the drawn balance at point of default.
Balance-Weighted Interest Yield	The average interest yield achieved for the book weighted by the drawn balances of accounts.

% Revolving Balances >y% - =< x% APR	The percentage of revolving balances that are priced in the defined range. Where applicable, this should capture different APR tiers for each account and not reflect the average APR band charged per account (e.g. if an account is revolving a balance at 0% price tier and also one at a 25% price tier, the respective balances should be split into the appropriate band)
Purchase Transactions as a % of Balances (CC only)	The average result for the three months in the given reporting quarter, the sum of purchase transactions as a percentage of drawn balances.
% Balances Revolving (CC only)	The average result for the three months in the given reporting quarter, the percentage of drawn balances that are deemed to be revolving (i.e. where the principle balance was not paid in full).
% of Accounts Inactive (CC only)	The average result for the three months in the given reporting quarter, the percentage of open accounts that had a zero balance.
% of Balances Making Minimum Payment at least Once in Quarter (CC only)	As a percentage of drawn balances at the end of the given reporting quarter, the sum of balances where at least once in the quarter the account made only the minimum payment in any given cycle.
% of Balances Making Minimum Payment for all Payments in Quarter (CC only)	As a percentage of drawn balances at the end of the given reporting quarter, the sum of balances where for each cycle in the quarter the account made only the minimum payment.
% of Balances with Remaining Tenure > x Months - <= y Months	As a percentage of drawn balances at the end of the given reporting quarter, the sum of balances where the remaining contractual term of the loan is within the defined range.
Expected Loss	Please provide the Basel Expected Loss (EL). We expect this to use the downturn LGD for accounts not in default and the PiT LGD for accounts in default.
Account-Level Annualised Interest Yield Band	The annualised interest yield achieved for an account in the quarter.
Full-Payer	For each cycle in the reporting quarter, the account paid the outstanding balance as set at the previous cycle in full.
<= x Year Amortisation based on payments made in quarter	Assuming no further drawdown of credit, calculate the amortisation period of the outstanding balance for each cycle in the quarter and provide the balance-weighted average of these three results in the appropriate range. This calculation should only include accounts that: a) were not in arrears at the start of the quarter; and b) did not enter arrears during the quarter, except for those accounts on an agreed forbearance plan.
Vintage	The year in which a loan was first originated.

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Portfolio Analysis

Balances (Local Currency)

	2008				2009				2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Drawn Balance																												
Undrawn Balance																												
All																												

Cycles Past Due (as % of Portfolio Balance)

	2008				2009				2010				2011				2012				2013				2014			
Number of Cycles Past Due	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Up-to-date																												
>0 - <1																												
>=1 - <2																												
>=2 - <3																												
>=3 - <6																												
>=6 - <12																												
>=12 - <18																												
>=18 - <24																												
>=24																												
*Charged Off																												
All																												

Charge Off category should only be used where the account has been Charged Off and the number of cycles past due cannot be identified due to system issues

Forbearance/Restructuring (£ Balance)

	2008				2009				2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Forbearance - Up-to-Date																												
All Forbearance - Past Due																												
All																												

Provisions & Impairments (Local Currency)

	2008				2009				2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Opening Provisions Balance																												
Impairment Charge																												
Write-offs																												
Other Movement in Provisions																												
Closing Provisions Balance																												
Provisions on Up-to-Date Balances not in Forbearance																												
Provisions on Balances Past Due and not in Forbearance																												
Provisions on Up-to-Date Balances in Forbearance																												
Provisions on Balances Past Due and in Forbearance																												
Provision Cover for Accounts >= 12 Cycles Past Due																												

Asset Quality

	2008				2009				2010				2011				2012				2013				2014			
New business and portfolio	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Number of Open Accounts																												
Number of New Accounts Opened in Quarter																												
Sum Balances of New Accounts Opened in Quarter																												
Average Origination PD of New Accounts Opened in Quarter																												
Number of Accounts Closed in Quarter (not written-off)																												
% of New Accounts Opened in Quarter to Franchise Customers																												
% of Total Portfolio Balances held by Franchise Customers																												
Average Balance of Up-to-Date Accounts																												
Average Balance of Accounts in Arrears (i.e. not Up-to-Date)																												
Portfolio Balance-weighted PD																												
Portfolio Account-weighted PD																												
Observed Average LGD for Write-offs in Quarter																												

New Business Loan Purpose - Unsecured Personal Loans Only

% of New Drawn Balances for Car Loans																												
% of New Drawn Balances for Home Improvement Loans																												
% of New Drawn Balances for Re-Financing Existing Debt																												
% of New Drawn Balances for Other Loan Purposes																												

Pricing (All balances for loans; revolving balances for credit cards)

Portfolio Balance-Weighted Interest Yield																												
% Balances on 0% APR																												
% Balances >0% - =< 5% APR																												
% Balances > 5% - =<7.5% APR																												
% Balances > 7.5% - =<10% APR																												
% Balances > 10% - =<12.5% APR																												
% Balances > 12.5% - =<15% APR																												
% Balances > 15% - =<22.5% APR																												
% Balances > 22.5% - =<30% APR																												
% Balances > 30% - APR																												

Credit Cards Only

Purchase Transactions as a % of Balances																												
% Balances Revolving																												
% of Accounts Inactive																												
% of Balances Making Minimum Payment at least Once in Quarter																												
% of Balances Making Minimum Payment for all Payments in Quarter																												

Unsecured Personal Loans Only

% of Balances with Remaining Tenure <= 12 Months																												
% of Balances with Remaining Tenure > 12 Months - <= 24 Months																												
% of Balances with Remaining Tenure > 24 Months - <= 36 Months																												
% of Balances with Remaining Tenure > 36 Months - <= 48 Months																												
% of Balances with Remaining Tenure > 48 Months																												

% of Balances by Arrears Stage and Forbearance Status

	Arrears Status (Cycles Past Due)										
	Up-to-date	>0 - <1	>=1 - <2	>=2 - <3	>=3 - <6	>=6 - <12	>=12 - <18	>=18 - <24	>=24	*Charged Off	All
In Forbearance											
Not in Forbearance											
All											

Charge Off category should only be used where the account has been Charged Off and the number of cycles past due cannot be identified due to system issues

Provisions Cover (% of Balances in Segment)

Arrears Status (Cycles Past Due)

	Up-to-date	>0 - <1	>=1 - <2	>=2 - <3	>=3 - <6	>=6 - <12	>=12 - <18	>=18 - <24	>=24	*Charged Off	All
In Forbearance											
Not in Forbearance											
All											

**Charge Off category should only be used where the account has been Charged Off and the number of cycles past due cannot be identified due to system issues*

Expected Loss (% of Balances in Segment)

	Arrears Status (Cycles Past Due)										
	Up-to-date	>0 - <1	>=1 - <2	>=2 - <3	>=3 - <6	>=6 - <12	>=12 - <18	>=18 - <24	>=24	*Charged Off	All
In Forbearance											
Not in Forbearance											
All											

**Charged Off category should only be used where the account has been Charged Off and the number of cycles past due cannot be identified due to system issues*

% of Balances by Amortisation Profile (Credit Cards only)

	Account-Level Annualised Interest Yield Band							
Mutually Exclusive Groups	0%	>0% - <=5%	>5% - <=10%	>10% - <=15%	>15% - <=22.5%	>22.5% - <=30%	>30%	All
Full-Payer								
> 0, <= 1 Year Amortisation based on payments made in quarter								
> 1, <= 3 Year Amortisation based on payments made in quarter								
>3, <= 5 Year Amortisation based on payments made in quarter								
>5, <= 10 Year Amortisation based on payments made in quarter								
>10, <= 20 Year Amortisation based on payments made in quarter								
> 20 Year Amortisation based on payments made in quarter								
All								

% of Balances by Probability of Default and APR Band

	Account-Level Annualised Interest Yield Band							
Probability of Default	0%	>0% - <=5%	>5% - <=10%	>10% - <=15%	>15% - <=22.5%	>22.5% - <=30%	>30%	All
<=0.01%								
>0.01%, <=0.05%								
>0.05%, <= 0.25%								
>0.25%, <=0.5%								
>0.5%, <=1%								
>1%, <=2.5%								
>2.5%, <=5%								
>5%, <=10%								
>10%, <=25%								
>25%								
Unknown								
All								

Vintage Analysis

% of Opened Accounts EVER 3 or more Cycles Past Due	Number of Accounts Opened in Year	Quarters on Books																									
Vintage		>=0 - <1	>=1 - <2	>=2 - <3	>=3 - <4	>=4 - <5	>=5 - <6	>=6 - <7	>=7 - <8	>=8 - <9	>=9 - <10	>=10 - <11	>=11 - <12	>=12 - <13	>=13 - <14	>=14 - <15	>=15 - <16	>=16 - <17	>=17 - <18	>=18 - <19	>=19 - <20	>=20 - <21	>=21 - <22	>=22 - <23	>=23 - <24	>=24 - <25	>=25 - <26	>=26 - <27
pre 2004																												
2004																												
2005																												
2006																												
2007																												
2008																												
2009																												
2010																												
2011																												
2012 H1																												
2012 H2																												
2013 Q1																												
2013 Q2																												
2013 Q3																												
2013 Q4																												
2014 Q1																												
2014 Q2																												
2014 Q3																												
2014 Q4																												

% of Opened Accounts >=12 Cycles Past Due, Charged-off or Written-off	Number of Accounts Opened in Year	Quarters on Books																									
Vintage		>=0 - <1	>=1 - <2	>=2 - <3	>=3 - <4	>=4 - <5	>=5 - <6	>=6 - <7	>=7 - <8	>=8 - <9	>=9 - <10	>=10 - <11	>=11 - <12	>=12 - <13	>=13 - <14	>=14 - <15	>=15 - <16	>=16 - <17	>=17 - <18	>=18 - <19	>=19 - <20	>=20 - <21	>=21 - <22	>=22 - <23	>=23 - <24	>=24 - <25	>=25 - <26	>=26 - <27
pre 2004																												
2004																												
2005																												
2006																												
2007																												
2008																												
2009																												
2010																												
2011																												
2012 H1																												
2012 H2																												
2013 Q1																												
2013 Q2																												
2013 Q3																												
2013 Q4																												

Vintage

	Sum Outstanding Balances (£)	Number of Opened Accounts (#)	Number of Open Accounts (#)	Cycles Past Due (as a % of portfolio balance)										Forborne accounts - all (% outstanding balance)		Assets on Standardised vs IRB		Balance-weighted PD	Provisions as % of Outstanding Balances	EL as % of Outstanding Balances
Year of Origination				Up-to-date	>0 - <1	>=1 - <2	>=2 - <3	>=3 - <6	>=6 - <12	>=12 - <18	>=18 - <24	>=24	*Charged Off	Up-to-date	Any arrears	Standardised	IRB			
Pre 2004																				
2004																				
2005																				
2006																				
2007																				
2008																				
2009																				
2010																				
2011																				
2012 H1																				
2012 H2																				
2013 Q1																				
2013 Q2																				
2013 Q3																				
2013 Q4																				
2014 Q1																				
2014 Q2																				
2014 Q3																				
2014 Q4																				
Unknown																				
All																				

**Charged Off category should only be used where the account has been Charged Off and the number of cycles past due cannot be identified due to system issues*