



## **ANNEX XXXVIII – Instructions for the Disclosure of Interest Rate Risk in the Banking Book (IRRBB) Templates**

### **Table UK IRRBBA – IRRBB risk management objectives and policies:** Flexible format

1. Institutions shall apply the instructions provided below in this Annex in order to complete table UK IRRBBA as presented in Annex XXXVII to this Implementing Regulation, in application of points (c), (d), (e), (f) and (g) of Article 448(1) CRR.
2. Institutions that use the standardised framework as defined in Rule 9.1B of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook are not required to disclose information in points (c), (e)(i), (e)(ii), (e)(iii) and (e)(iv) of Article 448(1) in accordance with Articles 448(2) CRR.
3. This table has a flexible format. In case that institutions apply a different format, they shall provide information comparable with the information required in this table, with a similar level of granularity and including all the substance information required.
4. This table contains qualitative and quantitative information. Quantitative information should be based on the daily or monthly average of the year or on the data as at the reporting date.

<b>Legal references and instructions</b>	
<b>Row letter</b>	<b>Explanation</b>
<b>Qualitative Disclosure</b>	
a	A description of how the institution defines, measures, mitigates and controls IRRBB for the purposes of risk control and measurement.
b	A description of the institution's overall IRRBB management and mitigation strategies. Examples are: monitoring of economic value of equity (EVE) and net interest income (NII) in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the asset and liability management committee, the institution's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.
c	The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific risk measures that the institution uses to gauge its sensitivity to IRRBB, including changes to its economic value and earnings.
d	A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in its economic value and in earnings.

e	<p>A high-level description of key modelling and parametric assumptions used in calculating change in economic value of equity (<math>\Delta</math>EVE) and change in net interest income (<math>\Delta</math>NI) in Template UK IRRBB1, which includes:</p> <ul style="list-style-type: none"> <li>• For <math>\Delta</math>EVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.</li> <li>• How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour).</li> <li>• The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.</li> <li>• Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed <math>\Delta</math>EVE and <math>\Delta</math>NI in Template UK IRRBB1, including an explanation of why these are material.</li> <li>• Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.</li> </ul>
f	<p>Where significant modelling assumptions used in the institution's internal risk measurement systems (IMS) (ie the EVE metric generated by the institution for purposes other than disclosure, eg for the purposes of meeting its obligations in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the Rulebook) are different from the modelling assumptions used for the disclosure in Template UK IRRBB1 as described in row e, the institution should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).</p>
g	<p>A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment. This includes internal hedges that meet the requirements laid down in Article 106(3).</p>
h	<p>Any other information which the institution wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.</p>
<b>Quantitative disclosures</b>	
i	Average repricing maturity assigned to non-maturity deposits (NMDs).
j	Longest repricing maturity assigned to NMDs.

#### Template UK IRRBB1 – Quantitative information on IRRBB: Fixed format

5. The purpose of this template is to provide information on the institution's changes in economic value of equity ( $\Delta$ EVE) and net interest income ( $\Delta$ NI) under each of the prescribed interest rates shock scenarios.
6. Institutions shall apply the instructions provided below in this Annex in order to complete Template UK IRRBB1 as presented in Annex XXXVII to this Implementing Regulation, in application of point (a) and (b) of Article 448(1) CRR.

7. Institutions shall explain in the accompanying narrative to the template the significance of the reported values and an explanation of any material changes since the previous reporting period.

<b>Legal references and instructions</b>	
<b>Row number</b>	<b>Explanation</b>
{010}	The values for $\Delta\text{EVE}$ and $\Delta\text{NII}$ under the 'Parallel shock up' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) and (b) of Article 448(1) CRR.
{020}	The values for $\Delta\text{EVE}$ and $\Delta\text{NII}$ under the 'Parallel shock down' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) and (b) of Article 448(1) CRR.
{030}	The value for $\Delta\text{EVE}$ under the 'Steeper' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) of Article 448(1) CRR.
{040}	The value for $\Delta\text{EVE}$ under the 'Flattener' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) of Article 448(1) CRR.
{050}	The value for $\Delta\text{EVE}$ under the 'Short rates shock up' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) of Article 448(1) CRR.
{060}	The value for $\Delta\text{EVE}$ under the 'Short rates shock down' supervisory shock scenario as prescribed in Rule 9.7 of the ICAA Part of the PRA Rulebook and in accordance with point (a) of Article 448(1) CRR.
{070}	Highest values for rows {010} to {060}, corresponding to the maximum $\Delta\text{EVE}$ and $\Delta\text{NII}$ under the various supervisory shock scenarios.
{080}	The values for the Tier 1 capital of the institution.
<b>Column letter</b>	<b>Explanation</b>
{a}	Information on $\Delta\text{EVE}$ calculated for the most recent reporting period as required by Rule 9.4A of the ICAA Part of the PRA Rulebook.
{b}	Information on $\Delta\text{EVE}$ calculated for the previous reporting period as required by Rule 9.4A of the ICAA Part of the PRA Rulebook.
{c}	Information on $\Delta\text{NII}$ calculated for the most recent reporting period. When performing the calculation, institutions are expected to apply the following principles: <ul style="list-style-type: none"> <li>• Include expected cash flows (including commercial margins and other spread components) arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the non-trading book;</li> </ul>

	<ul style="list-style-type: none"> <li>• <math>\Delta</math>NII should be computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, repricing period and spread components; and</li> <li>• <math>\Delta</math>NII should be disclosed as the difference in future interest income over a rolling 12-month period.</li> </ul>
{d}	<p>Information on <math>\Delta</math>NII calculated for the previous reporting period. When performing the calculation, institutions are expected to apply the following principles:</p> <ul style="list-style-type: none"> <li>• Include expected cash flows (including commercial margins and other spread components) arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the non-trading book;</li> <li>• <math>\Delta</math>NII should be computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, repricing period and spread components; and</li> <li>• <math>\Delta</math>NII should be disclosed as the difference in future interest income over a rolling 12-month period.</li> </ul>
{e}	Tier 1 capital of the institution for the most recent reporting period.
{f}	Tier 1 capital of the institution for the previous reporting period.