

Bank of England

Prudential Regulation Authority

ANNEX XX – Instructions regarding disclosure of the use of the credit risk Standardised Approach (excluding counterparty credit risk and securitisation positions)

1. Instruments subject to Counterparty Credit Risk (CRR) Part of the PRA Rulebook Chapter 6 of Title II of Part Three CRR (exposures to CCR), as well as instruments to which the requirements in Chapter 5 of Title II of Part Three CRR (securitisation exposures) apply, are not covered by the templates for which instructions are provided in this Annex.

Table UKB CRD – Qualitative disclosure requirements related to standardised model. Flexible format

2. Firms ~~Institutions~~ shall apply the instructions provided below in this Annex in order to complete table UKB CRD as presented in Annex XX to this Implementing Regulation, in application of ~~points (a) to (d) of Article 444(a-d) of CRR~~. For the purposes of this Annex, references to the CRR should be interpreted to include a reference to the relevant CRR rule, where appropriate.

Row reference letter	Legal reference and instructions	
	Explanation	
(a)	Point (a) of Article 444 CRR	Institutions <u>Firms</u> shall disclose the names of the nominated external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used, and the reasons for any changes in those nominations over the disclosure period.
(b)	Point (b) of Article 444 CRR	Institutions <u>Firms</u> shall indicate the exposure classes, specified in Article 112 of the <u>Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook CRR</u> , for which institutions calculate the risk-weighted exposure amounts in accordance with <u>Credit Risk: Standardised Approach (CRR) Part Chapter 2 of Title II of Part Three CRR</u> using the credit assessment of the nominated ECAI or ECA.
(c)	Point (c) of Article 444 CRR	When an issuer or an issue credit assessment is used to determine the risk weight to be assigned to an exposure not included in the trading book in accordance with Article 139 of the <u>Credit Risk: Standardised Approach (CRR) Part Chapter 2 of Title II of Part Three CRR</u> , the institutions <u>firms</u> shall describe the process used.
(d)	Point (d) of Article 444 CRR	Institutions <u>Firms</u> shall indicate, for each of the exposure classes specified in Article 112 of the <u>Credit Risk: Standardised Approach (CRR) Part CRR</u> , the alphanumeric scale of each nominated ECAI/ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in <u>Articles 114-122B and 129 of the Credit Risk: Standardised Approach (CRR) Part Chapter 2 of Title II of Part Three CRR</u> , except where the institution complies with the standard association published by the EBA (as mapped in Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016).

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Template UKB CR4 – Credit risk exposure and CRM effects. Fixed format

3. Institutions calculating the risk-weighted exposure amounts for credit risk in accordance with Articles 111-141 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook Chapter 2 of Title II of Part Three CRR shall apply the instructions provided below in this Annex in order to complete template UKB CR4 as presented in Annex XX to these rules, by exposure class, in application of points (g), (h) and (i) of Article 453 CRR and of point (e) of Article 444 CRR.

Column reference letter	Legal references and instructions
	Explanation
a	<p>Exposures before CGF <u>Conversion Factor (CF)</u> and before CRM <u>Credit Risk Mitigation (CRM)</u> – On-balance_-sheet exposures:</p> <p>Institutions shall disclose the on-balance-sheet exposure under the regulatory scope of consolidation in accordance with Article 111 <u>of the Credit Risk: Standardised Approach (CRR) Part CRR</u>, after specific credit risk adjustments in accordance with Article 110 <u>of the Credit Risk General Provisions (CRR) Part CRR</u>, additional value adjustments in accordance with Articles 34 <u>CRR</u> and 105 <u>of the Trading Book (CRR) Part</u>, amounts deducted in accordance with point (m) <u>of Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook</u>, other own funds reductions and write-offs (as defined in the applicable accounting framework), but before (i) the application of credit conversion factors as specified in the same Article and (ii) the application of CRM techniques specified in <u>Credit Risk Mitigation (CRR) Part of the PRA Rulebook Chapter 4 of Title II of Part Three CRR</u>. Exposure values for leases are subject to Article 134(7) <u>of the Credit Risk: Standardised Approach (CRR) Part CRR</u>.</p>
b	<p>Exposures before CGF and before CRM – Off-balance_-sheet exposures:</p> <p>Institutions shall disclose the off-balance-sheet exposure value under the regulatory scope of consolidation, after reduction of specific credit risk adjustments and amounts deducted in accordance with point (m) <u>of Article 36 (1)(m) of the Own Funds and Eligible Liabilities (CRR) Part</u>, but before the application of credit conversion factors in accordance with Article 111 <u>of the Credit Risk: Standardised Approach (CRR) Part CRR</u> and before the effect of CRM techniques (in application of <u>Credit Risk Mitigation (CRR) Part Chapter 4 of Title II of Part Three CRR</u>).</p>
c	<p>Exposures post_CF and post_CRM – On-balance_-sheet amount:</p> <p>Institutions shall disclose the amount of the on-balance-sheet exposure under the regulatory scope of consolidation (in accordance with Article 111 <u>of the Credit Risk: Standardised Approach (CRR) Part CRR</u>), after specific credit risk adjustments in accordance with Article 110 <u>of the Credit Risk General Provisions (CRR) Part CRR</u>, additional value adjustments in accordance with Articles 34 <u>CRR</u> and 105 <u>of the Trading Book (CRR) Part</u>, amounts deducted in accordance with point (m) <u>of Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook</u>, other own funds reductions and write-offs as defined in the applicable accounting framework, after the application of all credit risk mitigants and credit</p>

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	conversion factors. This is the amount to which the risk weights (in accordance with Articles <u>111 to 113 of the Credit Risk: Standardised Approach (CRR) Part CRR</u> and with <u>Section 1 of Chapter 2 of Title II of Part Three CRR</u>) are applied. It is a net credit equivalent amount, after having applied CRM techniques and CGF.
d	Exposures post-CF and post-CRM – Off-balance-sheet amount: Institutions shall disclose the amount of the off-balance-sheet exposure after taking into account specific credit risk adjustments as defined in the Commission Delegated Regulation (EU) 183/2014 <u>of 20 December 2013</u> ¹ , additional value adjustments and other own funds reductions, after the application of all credit risk mitigants and credit conversion factors. This is the amount to which the risk weights (in accordance with Articles <u>111 to 113 of the Credit Risk: Standardised Approach (CRR) Part</u> and with <u>Section 1 of Chapter 2 of Title II of Part Three CRR</u>) are applied. It is a net credit equivalent amount, after having applied CRM techniques and CGF.
e	RWEAs The risk-weighted exposure amounts (RWEAs) calculated according to <u>Articles 111-113 of the Credit Risk: Standardised Approach (CRR) Part Section 1 of Chapter 2 of Title II of Part Three CRR</u> .
f	RWEA density (Column e/Columns(c+d)) The ratio shall be calculated by dividing the RWEAs of the respective exposure class (column e) by the amount of the respective exposures after taking into account all credit risk mitigants and credit-conversion factors (sum of columns c and d).

Row number	Legal references and instructions
	Explanation
1 - 16	<p>Exposure classes as defined in accordance with Article 112 <u>of the Credit Risk: Standardised Approach (CRR) Part CRR</u>.</p> <p>Exposures assigned to exposure class 'items representing securitization provisions' <u>positions</u>' according to point (m) <u>of Article 112(1)(m) of the Credit Risk: Standardised Approach (CRR) Part CRR</u> are not included.</p> <p><u>'of which: specialised lending' exposures are assigned to exposure class 'exposures to corporates' according to Article 112(1)(g) of the Credit Risk: Standardised Approach (CRR) Part (Article 122A and 122B of the Credit Risk: Standardised Approach (CRR) Part).</u></p>

¹ COMMISSION DELEGATED REGULATION (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments (OJ L 57/3, 27.2.2014) Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments

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	<p><u>'of which: residential real estate exposures - not materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124E and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: residential real estate exposures - materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124F and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: commercial real estate exposures - not materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124G and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: commercial real estate exposures - materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124G and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: land acquisition, development and construction' exposures are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124I of the Credit Risk: Standardised Approach (CRR) Part)</u></p>
16	<p><u>"Other items"- exposure class refers to:</u></p> <p>- assets subject to a specific risk weight set out in Article 134 of the Credit Risk: Standardised Approach (CRR) Part CRR; - assets not deducted in application of:</p> <ul style="list-style-type: none"> • Article 39 CRR (tax overpayments, tax loss carry backs and deferred tax assets that do not rely on future profitability);; • Article 41 CRR (defined benefit pension fund assets);; • Article 46 CRR (non-significant investments in CET1 of financial sector entities);; • Article 48 CRR (deferred tax assets and direct, indirect and synthetic investments in CET1 <u>capital</u> instruments of financial sector entities up to the defined threshold);; • Article 49 CRR and Article 471 CRR (participations in insurance entities whether or not insurance entities are supervised under the conglomerate directive);; • Article 60 CRR and Article 475 CRR (non-significant and significant direct, indirect and synthetic investments in CET1, additional <u>Additional tier Tier 1 (AT1) and Tier 2 (T2)-capital</u> instruments issued by financial sector entities);; <u>and</u> • Article 70 CRR (insignificant and significant direct, indirect and synthetic holdings of T2 <u>Tier 2 capital (T2)</u> issued by a financial sector entity) when not allocated to other exposure classes, and to qualifying holdings outside the financial sector when they are not

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	1250% risk-weighted (in application of point (k) of Article 36 of of the <u>Own Funds and Eligible Liabilities (CRR) Part Chapter 1 of Title I of Part Two CRR</u>).
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Draft for consultation



Template UKB CR5 – Standardised Approach. Fixed format

4. Institutions shall apply the instructions provided below in this Annex in order to complete template UKB CR5 as presented in Annex XX to this Implementing Regulation, in application of point (e) of Article 444- CRR.

Column reference	Legal references and instructions
	Explanation
a - <u>oac</u>	<p>Risk weight:</p> <p>Institutions shall disclose the information on the allocation of risk weights within the respective exposure class according to the <u>Credit Risk: Standardised Approach (CRR) Part Section 2 of Chapter 2 of Title II of Part Three CRR</u>.</p>
<u>pad</u>	<p>Total:</p> <p>Total amount of on-balance-sheet and off-balance-sheet exposures RWA under the regulatory scope of consolidation:</p> <ul style="list-style-type: none"> - after specific credit risk adjustments in accordance with <u>Article 110 of the Credit Risk General Provisions (CRR) Part of the PRA Rulebook CRR</u>, additional value adjustments in accordance with <u>Articles 34 CRR and 105 of the Trading Book (CRR) Part</u>, amounts deducted in accordance with <u>point (m) of Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook</u>, other own funds and write-offs (as defined in the applicable accounting framework) for on-balance-sheet exposures, in accordance with <u>Article 111 of the Credit Risk: Standardised Approach (CRR) Part CRR</u>; - in accordance with <u>Article 111 of the Credit Risk: Standardised Approach (CRR) Part CRR</u>, after reduction of specific credit risk adjustments and amounts deducted in accordance with <u>point (m) of Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part</u> for off-balance-sheet exposures, in accordance with <u>Article 111 of the Credit Risk: Standardised Approach (CRR) Part CRR</u>; - after (i) the application of conversion factors as specified in the same Article and (ii) the application of <u>CRM Credit Risk Mitigation (CRM) techniques specified in Credit Risk Mitigation (CRR) Part Chapter 4 of Title II of Part Three CRR</u> for both on-balance-sheet and off-balance-sheet exposures.
<u>gae</u>	<p>Of which unrated:</p> <p>Exposures for which a credit assessment by a nominated <u>ECAI External Credit Assessment Institutions (ECAI)</u> is not available and that are applied specific risk weights depending on their exposure class, as specified in <u>Article 113 to Article 134 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook CRR</u>.</p>

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<u>ba</u>	<p><u>Amount of on-balance-sheet exposures under the regulatory scope of consolidation:</u></p> <p>- <u>after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part, amounts deducted in accordance with Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part, other own funds and write-offs (as defined in the applicable accounting framework) for on-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part;</u></p>
<u>bb</u>	<p><u>Amount of off-balance-sheet exposures (pre-conversion factors) RWA under the regulatory scope of consolidation:</u></p> <p>- <u>in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part, after reduction of specific credit risk adjustments and amounts deducted in accordance with Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part for off-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part;</u></p>
<u>bc</u>	<p><u>Weighted average conversion factor for reported row</u></p>
<u>bd</u>	<p><u>Amount of on-balance-sheet and off-balance-sheet exposures under the regulatory scope of consolidation:</u></p> <p>- <u>after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part of the PRA Rulebook, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part, amounts deducted in accordance with Article 36(1)(m) CRR, other own funds and write-offs (as defined in the applicable accounting framework) for on-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part;</u></p> <p>- <u>in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part, after reduction of specific credit risk adjustments and amounts deducted in accordance with Article 36(1)(m) of the Own Funds and Eligible Liabilities (CRR) Part for off-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;</u></p> <p>- <u>after (i) the application of conversion factors as specified in the same Article and (ii) the application of CRM techniques specified in Credit Risk Mitigation (CRR) Part of the PRA Rulebook for both on-balance-sheet and off-balance-sheet exposures.</u></p>

Row number	Legal references and instructions
	Explanation
1 - 16	<p><u>Exposure classes in accordance with Article 112 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook CRR.</u></p> <p>Exposures assigned to exposure class 'items representing securitisation provisions' positions according to point (m) of Article 112(m) of the Credit</p>

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	<p><u>Risk: Standardised Approach (CRR) Part of the PRA Rulebook CRR are not included.</u></p> <p><u>'of which: specialised lending' exposures are assigned to exposure class 'exposures to corporates' according to Article 112(1)(g) of the Credit Risk: Standardised Approach (CRR) Part (Article 122A and 122B of the Credit Risk: Standardised Approach (CRR) Part).</u></p> <p><u>'of which: residential real estate exposures - not materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124E and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: residential real estate exposures - materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124F and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: commercial real estate exposures - not materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124G and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: commercial real estate exposures - materially dependent on cash flow generated by the property' are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124G and 124H of the Credit Risk: Standardised Approach (CRR) Part)</u></p> <p><u>'of which: land acquisition, development and construction' exposures are assigned to exposure class 'real estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124I of the Credit Risk: Standardised Approach (CRR) Part)</u></p>
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16	<p>“Other items” exposure class refers to:</p> <ul style="list-style-type: none"> - assets subject to a specific risk weight set out in Article 134 of the <u>Credit Risk: Standardised Approach (CRR) Part Chapter 4 of Title II of Part Three CRR</u>; - assets not deducted in application of: <ul style="list-style-type: none"> • -Article 39 CRR (tax overpayments, tax loss carry backs and deferred tax assets that do not rely on future profitability); • Article 41 CRR(defined benefit pension fund assets); • Article 46 and Article 469 CRR (non-significant investments in CET1 <u>capital</u> of financial sector entities); • Article 49 and Article 471 CRR_(participations in insurance entities whether or not insurance entities are supervised under the conglomerate directive); • Article 60 and Article 475 CRR (non-significant and significant direct, indirect and synthetic investments in additional tier<u>Additional Tier 1 (AT1) capital</u> of financial sector entities); • Article 70 and Article 477 CRR_(insignificant and significant direct, indirect and synthetic holdings of T2<u>Tier 2 capital</u> from a financial sector entity) when not allocated to other exposure classes, and to qualifying holdings outside the financial sector when they are not 1250% risk-weighted (in application of point (k) of Article 36 <u>of the Own Funds and Eligible Liabilities (CRR) Part of Chapter 1 of Title I of Part Two CRR</u>).
<u>18-33</u>	<u>Institutions shall disclose the information on the allocation of risk weights according to the Credit Risk: Standardised Approach (CRR) Part.</u>