

# Bank of England PRA

## **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 (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 shall apply the instructions provided below in this Annex in order to complete table UKB CRD as presented in Annex XX of Chapter 6 of the Disclosure (CRR) Part of the PRA Rulebook, in application of Article 444(a-d) of Disclosure (CRR) Part . For the purposes of this Annex, references to the CRR or Disclosure (CRR) Part should be interpreted to include a reference to the relevant CRR or Disclosure (CRR) Part rule, where appropriate.

Row letter	Legal reference and instructions	
	Explanation	
a	Point (a) of Article 444 Disclosure (CRR) Part	Firms 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 Disclosure (CRR) Part	Firms shall indicate the exposure classes, specified in Article 112 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook, for which institutions calculate the risk weighted exposure amounts in accordance with Credit Risk: Standardised Approach (CRR) Part using the credit assessment of the nominated ECAI or ECA.
c	Point (c) of Article 444 Disclosure (CRR) Part	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 Articles 138 and 139 of the Credit Risk: Standardised Approach (CRR) Part, firms shall describe the process used.
d	Point (d) of Article 444 Disclosure (CRR) Part	Firms shall indicate, for each of the exposure classes specified in Article 112 of the Credit Risk: Standardised Approach (CRR) Part, the alphanumerical 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 Articles 114 to 122B and Article 129 of the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three CRR (as mapped in Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016).

# Bank of England PRA

## Template UKB CR4 – Credit risk exposure and Credit Risk Mitigation (CRM) effects. Fixed format

3. Institutions calculating the risk-weighted exposure amounts for credit risk in accordance with the Credit Risk: Standardised Approach (CRR) Part and 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 of Chapter 6 of the Disclosure (CRR) Part, by exposure class, in application of points (g), (h) and (i) of Article 453 CRR and of point (e) of Article 444 Disclosure (CRR) Part.

Column letter	Legal references and instructions
	Explanation
a	<p>Exposures before Conversion Factors (CF) and before Credit Risk Mitigation (CRM) – 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 of the Credit Risk: Standardised Approach (CRR) Part, after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014<sup>1</sup>, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part of the PRA Rulebook, 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 Credit Risk Mitigation (CRR) Part. Exposure values for leases are subject to Article 134(7) of the Credit Risk: Standardised Approach (CRR) Part.</p>
b	<p>Exposures before CF 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 but before the application of CFs in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part and before the effect of CRM techniques (in application of the Credit Risk Mitigation (CRR) Part).</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 of the Credit Risk: Standardised Approach (CRR) Part), after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014<sup>2</sup>, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part, other own funds reductions and write-offs as defined in the applicable accounting framework, after the</p>

<sup>1</sup> 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, as it applies in the UK.

<sup>2</sup> See footnote 1.

# Bank of England PRA

	application of all credit risk mitigants and credit conversion factors. This is the amount to which the risk weights (in accordance with Articles 111 to 113 of the Credit Risk: Standardised Approach (CRR) Part) are applied. It is a net credit equivalent amount, after having applied CRM techniques and CF.
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 in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) 183/2014, 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 111 to 113 of the Credit Risk: Standardised Approach (CRR) Part) are applied. It is a net credit equivalent amount, after having applied CRM techniques and CF.
e	RWEAs  The risk-weighted exposure amounts (RWEAs) calculated according to Articles 111 to 113 of the Credit Risk: Standardised Approach (CRR) Part.
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 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 of the Credit Risk: Standardised Approach (CRR) Part.</p> <p>Exposures assigned to exposure class 'items representing securitisation positions' according to Article 112(1)(m) of the Credit Risk: Standardised Approach (CRR) Part are not included.</p> <p>'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).</p> <p>'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 124F and 124J(2) of the Credit Risk: Standardised Approach (CRR) Part)</p> <p>'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</p>

# Bank of England PRA

	<p>Approach (CRR) Part (Article 124G and 124J(1) of the Credit Risk: Standardised Approach (CRR) Part) – residential real estate exposures only).</p> <p>‘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 124H and 124J(3) of the Credit Risk: Standardised Approach (CRR) Part).</p> <p>‘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 124I and 124J(1) of the Credit Risk: Standardised Approach (CRR) Part) – commercial real estate exposures only).</p> <p>‘of which: land acquisition, development and construction’ are assigned to exposure class ‘real estate exposures’ according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124K of the Credit Risk: Standardised Approach (CRR) Part)</p>
16	<p>‘Other items’ exposure class refers to:</p> <ul style="list-style-type: none"> <li>- assets subject to a specific risk weight set out in Article 134 of the Credit Risk: Standardised Approach (CRR) Part; - assets not deducted in application of:</li> <li>• Article 39 CRR (tax overpayments, tax loss carry backs and deferred tax assets that do not rely on future profitability);</li> <li>• Article 41 CRR (defined benefit pension fund assets);</li> <li>• Article 46 CRR (non-significant investments in CET1 of financial sector entities);</li> <li>• Article 48 CRR (deferred tax assets and direct, indirect and synthetic investments in CET1 capital instruments of financial sector entities up to the defined threshold);</li> <li>• Article 49 CRR (participations in insurance entities whether or not insurance entities are supervised under the conglomerate directive);</li> <li>• Article 60 CRR (non-significant and significant direct, indirect and synthetic investments in CET1, Additional Tier 1 (AT1) and Tier 2 capital instruments issued by financial sector entities); and</li> <li>• Article 70 CRR (insignificant and significant direct, indirect and synthetic holdings of Tier 2 capital 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 1250% risk-weighted (in application of point (k) of Article 36 of the Own Funds and Eligible Liabilities (CRR) Part).</li> </ul>



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## 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 of Chapter 6 of the Disclosure (CRR) Part, in application of point (e) of Article 444 Disclosure (CRR) Part.

Column reference	Legal references and instructions
	Explanation
a - ac	<p>Risk weight:</p> <p>Institutions shall disclose the information on the allocation of risk weights within the respective exposure class according to the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three CRR.</p> <p>Real estate exposures classified as regulatory real estate (residential or commercial) which are not materially dependent on the cash flows generated by the property (Articles 124F and 124H of the Credit Risk: Standardised Approach (CRR) Part) shall be reported in two parts, against the risk weight applied to the portion up to 55% of the value of the property, and against the portion above 55% of the value of the property (if applicable).</p> <p>Exposures subject to the currency mismatch multiplier (Article 123B of the Credit Risk: Standardised Approach (CRR) Part) shall be reported against the risk weight which would have applied if the currency mismatch multiplier was not applied. However, the RWEA shall still reflect the currency mismatch multiplier.</p> <p>Real estate exposures where there are ‘charges not held by the institution ranking in priority ahead of the charge that the exposure is secured by’ (Articles 124G(2), 124H(3) and 124I(3) of the Credit Risk: Standardised Approach (CRR) Part), shall be reported against the risk weight which would have applied if Article 124G(2) and Article 124I(3) were disapplied (including for risk weights applied in accordance with Article 124H(3)). However, the RWEA shall still reflect the charge priority structure.</p> <p>Mixed real estate exposures (as defined in Rule 1.2 of the Credit Risk: Standardised Approach (CRR) Part and referred to in Article 124(4) of the Credit Risk: Standardised Approach (CRR) Part) shall be reported against the risk weights for their constituent parts.</p> <p>Equity exposures (including higher risk equity exposures) in the exposure class ‘subordinated debt, equity and other own funds instruments’ subject to the transitional provisions in Rules 4.1 to 4.10 of the Credit Risk General Provisions (CRR) Part shall be reported against the risk weights set out in Article 133 of the Credit Risk: Standardised Approach (CRR) Part disregarding the transitional provisions. However, the RWEA shall still reflect the transitional provisions.</p>



# Bank of England PRA

ad	<p>Total:</p> <p>Total amount of on-balance sheet and off-balance sheet exposures under the regulatory scope of consolidation:</p> <ul style="list-style-type: none"> <li>- after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part of the PRA Rulebook and Commission Delegated Regulation (EU) No 183/2014<sup>3</sup>, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part, and other own funds deductions 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;</li> <li>- in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part, after reduction of specific credit risk adjustments for off-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part;</li> <li>- after (i) the application of conversion factors as specified in the same Article and (ii) the application of credit risk mitigation (CRM) techniques specified in Credit Risk Mitigation (CRR) Part for both on-balance-sheet and off-balance-sheet exposures.</li> </ul>
ae	<p>Of which unrated:</p> <p>Exposures for which a credit assessment by a nominated External Credit Assessment Institutions (ECAI) is not available and that are applied specific risk weights depending on their exposure class, as specified in Article 113 to Article 134 of the Credit Risk: Standardised Approach (CRR) Part and Section 2 of Chapter 2 of Title II of Part Three CRR.</p>
ba	<p>Amount of on-balance sheet exposures under the regulatory scope of consolidation:</p> <ul style="list-style-type: none"> <li>- after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014<sup>4</sup>, additional value adjustments in accordance with Articles 34 CRR and 105 of the Trading Book (CRR) Part, and 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.</li> </ul>
bb	<p>Amount of off-balance sheet exposures (pre-conversion factors) under the regulatory scope of consolidation:</p> <ul style="list-style-type: none"> <li>- after reduction of specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014<sup>5</sup> for off-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part.</li> </ul>

<sup>3</sup> See footnote 1.

<sup>4</sup> See footnote 1.

<sup>5</sup> See footnote 1.

# Bank of England PRA

bc	Weighted average conversion factor for reported row
bd	<p>Amount of on-balance sheet and off-balance sheet exposures under the regulatory scope of consolidation:</p> <ul style="list-style-type: none"> <li>- after specific credit risk adjustments in accordance with Article 110 of the Credit Risk General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014<sup>6</sup>, additional value adjustments in accordance with Article 34 CRR and Article 105 of the Trading Book (CRR) Part, and 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;</li> <li>- in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part; for off-balance-sheet exposures, in accordance with Article 111 of the Credit Risk: Standardised Approach (CRR) Part;</li> <li>- 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 for both on-balance-sheet and off-balance-sheet exposures.</li> </ul>

Row number	Legal references and instructions
	Explanation
1 - 16	<p>Exposure classes in accordance with Article 112 of the Credit Risk: Standardised Approach (CRR) Part.</p> <p>Exposures assigned to exposure class 'items representing securitisation positions' according to Article 112(m) of the Credit Risk: Standardised Approach (CRR) Part are not included.</p> <p>'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).</p> <p>'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 124F and 124J(2) of the Credit Risk: Standardised Approach (CRR) Part).</p> <p>'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 124G and 124J(1) of the Credit Risk: Standardised Approach (CRR) Part) – residential real estate exposures only.</p> <p>'of which: commercial real estate exposures - not materially dependent on cash flow generated by the property' are assigned to exposure class 'real</p>

<sup>6</sup> See footnote 1.

# Bank of England PRA

	<p>estate exposures' according to Article 112(1)(i) of the Credit Risk: Standardised Approach (CRR) Part (Article 124H and 124J(3) of the Credit Risk: Standardised Approach (CRR) Part)</p> <p>'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 124I and 124J(1) of the Credit Risk: Standardised Approach (CRR) Part) – commercial real estate exposures only.</p> <p>'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 124K of the Credit Risk: Standardised Approach (CRR) Part).</p>
16	<p>'Other items' exposure class refers to:</p> <ul style="list-style-type: none"> <li>- assets subject to a specific risk weight set out in Article 134 of the Credit Risk: Standardised Approach (CRR) Part</li> <li>- assets not deducted in application of: <ul style="list-style-type: none"> <li>• Article 39 CRR (tax overpayments, tax loss carry backs and deferred tax assets that do not rely on future profitability);</li> <li>• Article 41 CRR (defined benefit pension fund assets);</li> <li>• Article 46 CRR (non-significant investments in CET1 capital of financial sector entities);</li> <li>• Article 49 CRR (participations in insurance entities whether or not insurance entities are supervised under the UK enactment and rules which implemented Directive 2002/87/EC);</li> <li>• Article 60 CRR (non-significant and significant direct, indirect and synthetic investments in Additional Tier 1 (AT1) capital of financial sector entities);</li> <li>• Article 70 CRR (insignificant and significant direct, indirect and synthetic holdings of Tier 2 capital 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 of the Own Funds and Eligible Liabilities (CRR) Part).</li> </ul> </li> </ul>
18-33	<p>Institutions shall disclose the information on the allocation of risk weights according to the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three CRR.</p>