Credit Risk Forecast

Credit Risk Report | Global

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Replace all references to “the Company” with your organisation’s name.

Document Control

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Contents

1. Purpose

This document is the Company's quarterly Credit Risk Forecast report template. It presents a forward-looking view of credit portfolio performance — arrears, losses, expected credit loss (ECL) provisioning and concentrations — over the forecast horizon, under both base and downside macroeconomic scenarios. Its purpose is to give the Board, Board Risk Committee and executive management early visibility of expected credit deterioration so that pricing, origination settings, provisioning and capital decisions can be made before losses crystallise.

The report gives effect to the Basel Committee's expectation that a bank's board and senior management receive timely, forward-looking information on the condition of the credit portfolio, and to the IFRS 9 requirement that expected credit losses incorporate reasonable and supportable forward-looking information, including probability-weighted macroeconomic scenarios. It is prepared quarterly by the Credit Risk function, owned by the Chief Risk Officer, and approved by the Chief Executive Officer before submission to the Board Risk Committee. It complements, and must reconcile to, the Company's monthly credit risk dashboard, the ECL provisioning calculation performed by Finance, and the credit quality returns submitted to the Company's prudential regulator for the corresponding period.

Instructional text in [square brackets] guides the author each quarter and must be replaced with current data and commentary, or deleted, before the report is issued. Table cells shown as [placeholders] must be populated from the Company's credit risk data warehouse and forecasting models.

2. Scope

This report covers all on- and off-balance-sheet credit exposures of the Company and its controlled entities, including: residential mortgage finance; personal finance; commercial finance; leasing and asset finance; and undrawn commitments and guarantees. Treasury counterparty credit risk is covered only at summary level; detailed treasury credit reporting is provided separately under the Company's liquidity and market risk reporting.

The reporting period is the quarter ended [quarter-end date]. The forecast horizon is the rolling [12] months from the reporting date for arrears and loss forecasts, and [3] years for ECL and capital planning inputs. All figures are in [currency, thousands] unless otherwise stated, and prior-quarter comparatives are restated where methodology has changed, with restatements disclosed in Section 14 (Data Quality and Caveats).

- Exclusions: [list any excluded portfolios, e.g. run-off books reported separately, intercompany exposures].
- Data cut-off: positions as at [date]; forecast model run date [date]; macroeconomic inputs as published at [date].

2.1 Jurisdictional application

This report template states international best practice, anchored to the Basel Framework and IFRS 9. The Company must map its content to the credit risk management, classification, provisioning and regulatory reporting requirements of each jurisdiction in which it operates, including any locally prescribed definitions of default, non-performance or forbearance and any prescribed reporting formats. Where the law or regulatory requirements of an operating jurisdiction impose a stricter or more specific requirement than this template, local law prevails and the template must be adapted accordingly.

3. Definitions

Term	Definition
Arrears	The status of a credit exposure where one or more contractual payments have not been received in full by the due date, measured in days past due from the earliest missed payment.
Base Scenario	The central macroeconomic scenario used in the forecast, representing management's most likely view of economic conditions over the forecast horizon, consistent with the scenario used in the Company's financial planning.
Downside Scenario	A plausible but adverse macroeconomic scenario reflecting a material deterioration in conditions (for example, rising unemployment and falling property prices), used to test the sensitivity of arrears, losses and provisions.
Dynamic LVR (DLVR)	The current loan balance divided by the current estimated value of the security property, updated using indexed or revised valuations rather than the valuation at origination.
Exposure at Default (EAD)	The estimated amount owed by a borrower at the point of default, comprising drawn balances, accrued interest and fees, and expected further drawdowns of committed but undrawn limits estimated using modelled credit conversion factors.
Expected Credit Loss (ECL)	The probability-weighted estimate of credit losses on a financial instrument determined under IFRS 9, measured as the present value of expected cash shortfalls discounted at the original effective interest rate, on a 12-month basis for Stage 1 exposures and a lifetime basis for

	Stage 2 and Stage 3 exposures.
Forbearance	A concession granted to a borrower experiencing, or about to experience, financial difficulty — such as a payment moratorium or deferral, reduced instalments, term extension, arrears capitalisation, rate concession or restructure — that the Company would not otherwise have granted, whether or not the concession is at its discretion, consistent with the Basel Committee's definitions of forbearance.
Forecast Horizon	The forward period covered by this report: a rolling [12] months for arrears and loss forecasts, and [3] years for ECL and capital planning inputs unless otherwise stated.
Loss Given Default (LGD)	The estimated economic loss on an exposure should the borrower default, expressed as a percentage of exposure at default, net of expected recoveries including realisation of security and enforcement, and inclusive of material direct and indirect collection costs and discounting effects.
Non-Performing Exposure (NPE)	An exposure that is in default or is 90 or more days past due on a material obligation, or whose obligor is assessed as unlikely to pay its credit obligations in full without recourse to actions such as realising security, classified consistently with the Basel Committee's harmonised definition of non-performing exposures.
Overlay / Post-Model Adjustment	A management adjustment applied on top of modelled ECL outputs to capture risks or model limitations not adequately reflected in the models, approved and documented with a defined release path.
Probability of Default (PD)	The estimated likelihood that a borrower defaults over a specified horizon, expressed as a percentage; point-in-time twelve-month and lifetime estimates, conditioned on current and forecast economic conditions and forward-looking scenarios, are used for expected credit loss measurement.
Provision Coverage Ratio	Total provisions for expected credit losses divided by total gross credit exposures (or a defined sub-portfolio), expressed as a percentage.

Significant Increase in Credit Risk (SICR)	A significant increase, since initial recognition, in the risk of default occurring over the expected life of an exposure, assessed using quantitative criteria and qualitative backstops including the 30 days past due rebuttable presumption, and triggering transfer under IFRS 9 from Stage 1 (12-month expected credit losses) to Stage 2 (lifetime expected credit losses).
Stage 1 / Stage 2 / Stage 3	IFRS 9 impairment stages: Stage 1 — performing exposures with no significant increase in credit risk (12-month ECL); Stage 2 — exposures with a significant increase in credit risk since origination (lifetime ECL); Stage 3 — credit-impaired exposures (lifetime ECL).
Watchlist	The register of performing exposures exhibiting early warning indicators of potential deterioration or otherwise heightened credit risk, such as covenant breaches, deteriorating financial performance or adverse industry conditions, which are subject to enhanced monitoring and defined management actions.
Write-Off	The derecognition, in whole or in part, of the gross carrying amount of a financial asset when the Company has no reasonable expectation of recovering that amount, whether or not enforcement activity continues, and net of any subsequent recoveries.

4. Regulatory Framework

The key legislation, regulations and standards relevant to this document include (as amended from time to time):

Instrument / Standard	Relevance
Basel Committee on Banking Supervision — Principles for the Management of Credit Risk	Establishes supervisory expectations for credit risk monitoring, measurement and reporting to the board and senior management, which this report operationalises.
Basel Framework — Credit Risk standards (CRE), standardised and internal ratings-based approaches	Credit risk-weighted asset treatments that make the portfolio composition, parameter and asset quality forecasts in this report an input to capital planning and the ICAAP.

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.