Credit Risk Management Policy

Credit Risk Policy | 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 Policy is the Company's umbrella credit risk policy. It establishes the framework through which the Company identifies, measures, evaluates, monitors, controls and reports credit risk across all portfolios, consistent with the BCBS Principles for the Management of Credit Risk, the Basel Framework and the Board-approved Risk Appetite Statement.

The Policy defines the Board's expectations for credit risk appetite and limits, credit governance and delegations, origination and decisioning standards, security and valuation practices, ongoing and problem credit management, provisioning, concentration management, credit data quality, stress testing and reporting. It binds all subordinate credit policies, standards and procedures, which must be consistent with this Policy and must not weaken its requirements.

This Policy has been approved by the Board Risk Committee under authority delegated by the Board. The Chief Risk Officer owns this Policy and is accountable for its maintenance, interpretation and annual review.

2. Scope

This Policy applies to the Company and all controlled entities, and to all directors, employees, contractors and third parties (including brokers, introducers and outsourced service providers) involved in originating, approving, managing or reporting credit exposures on the Company's behalf.

It covers all on-balance sheet and off-balance sheet credit exposures, including retail lending (residential mortgages, personal lending, credit cards and overdrafts), non-retail lending (SME, commercial and corporate facilities), treasury and interbank counterparty exposures, guarantees, undrawn commitments and settlement exposures, across all origination channels.

- Subordinate credit policies (including the Retail Credit Policy, Business Lending Policy, Collections and Hardship Policy and Security and Valuations Policy) set detailed operational requirements and must be read with this Policy.
- Where a subordinate document conflicts with this Policy, this Policy prevails and the conflict must be reported to the Chief Risk Officer within [X] business days of identification.
- Market risk arising from traded instruments and liquidity risk are excluded and are governed by their respective policies; counterparty credit risk on treasury exposures remains in scope.

2.1 Jurisdictional application

This Policy states international best practice anchored to the Basel Framework and related standards. The Company must map the requirements of this Policy to the law and regulatory requirements of each jurisdiction in which it operates, including local responsible-lending, consumer credit, hardship and enforcement rules, and any regulator-imposed LTV, DTI or buffer minima. Where local law or a local regulator imposes a stricter requirement than this Policy, the stricter local requirement prevails.

3. Definitions

Term	Definition
Credit Risk	The risk of financial loss arising from a borrower or counterparty failing to meet its obligations to the Company in accordance with agreed terms, including default risk, migration risk, concentration risk and the risk of inadequate recovery from security.
Credit Risk Appetite	The nature and quantum of credit risk the Board is willing to accept in pursuit of the Company's strategic objectives, expressed through the Risk Appetite Statement as qualitative statements and quantitative limits, tolerances and triggers.
Delegated Credit Authority (DCA)	A written authority, conferred under the Board-endorsed delegations framework, permitting a named individual, committee or approved automated decisioning system to approve credit exposures up to specified limits and within specified conditions, recorded in the delegated credit authority register and monitored under that framework.
Serviceability	A borrower's assessed capacity to meet the repayments on a proposed credit facility, together with all existing financial commitments and reasonable living expenses, from verified income and without substantial hardship over the life of the facility, tested at the applicable assessment buffer or sensitised rate.
Interest Rate Buffer	The margin, expressed in percentage points, added to the applicable product or facility interest rate when assessing serviceability, so that a borrower's capacity to repay is tested at a rate materially above the rate actually payable; it must not be set below any minimum specified by the Company's prudential regulator.
Loan-to-Value Ratio (LTV)	The total approved facility amount, including capitalised fees and any mortgage insurance premiums, expressed as a percentage of the accepted value of the security property; for a purchase, the

	lower of the transaction price and the assessed market value is used as the denominator.
Debt-to-Income (DTI) Ratio	The borrower's total committed debt across all credit providers divided by verified gross annual income.
Default	The state of an exposure where the borrower is 90 days or more past due on a material credit obligation to the Company, or the Company considers the borrower unlikely to pay its credit obligations in full without recourse to actions such as realising security, whichever occurs first, consistent with the definition of default in the Basel Framework.
Non-Performing Exposure	An exposure that is in default, more than 90 days past due, or otherwise assessed as unlikely to be repaid in full without realisation of collateral, classified consistent with the Basel Committee's harmonised definitions on the prudential treatment of problem assets and forbearance.
Forborne Exposure	An exposure in respect of which the Company has granted a concession on terms it would not otherwise consider, or which has been refinanced, because the borrower is experiencing or is about to experience financial difficulty, identified and classified consistent with the BCBS harmonised definition of forbearance.
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.
Large Exposure	An aggregate exposure to a counterparty, or to a group of connected counterparties, that equals or exceeds 10 per cent of the Company's Tier 1 Capital, measured in accordance with the Basel Framework large exposures standard (LEX).
Connected Counterparties	Two or more counterparties linked by a control relationship or by economic interdependence such that if one fails, the others are likely to encounter repayment difficulties, and whose exposures must

	therefore be aggregated as a single risk.
Override	A decision by an authorised person to depart from, set aside or reverse the outcome produced by a scorecard, internal rating model, decision engine, policy rule or automated system control, whether that outcome is an approval, a decline, a rating, a price, a limit or a workflow block, supported by documented rationale.
Policy Exception	An approved decision that departs from one or more requirements of an applicable policy, standard or lending criterion, granted under the documented exception governance process and recorded in the exceptions register.
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.
Financial Difficulty Notification	A communication from a borrower, in any form, indicating present or anticipated inability to meet credit obligations, which triggers the Company's hardship assessment processes and any obligations under applicable local consumer credit law.
Covenant	A contractual undertaking given by a borrower (financial or non-financial) whose breach entitles the Company to review, reprice or accelerate a facility, and which is monitored as an early-warning indicator.

4. Regulatory Framework

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

Instrument / Standard	Relevance
BCBS Principles for the Management of Credit Risk	The primary international standard for this Policy; sets supervisory expectations for credit risk strategy, sound origination, credit administration, measurement, monitoring and control.
Basel Framework — Standardised	Determines the risk-weighting and capital

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.