Provisioning Policy

Credit Risk Policy | Global

Version 2.0 · July 2026 · Confidential — Internal Use

This document is a template intended to be reviewed, tailored and approved by your organisation before use.
Replace all references to “the Company” with your organisation’s name.

Document Control

Document name	Provisioning Policy
Document type	Credit Risk Policy
Jurisdiction	Global
Owner	Chief Financial Officer
Approved by	Board Risk Committee
Version	2.0
Effective date	July 2026
Review cycle	Annual
Next review due	July 2027
Classification	Confidential — Internal Use

Contents

1. Purpose
2. Scope
3. Definitions
4. Regulatory Framework
5. Policy Statement and Principles
6. Expected Credit Loss Measurement
7. Significant Increase in Credit Risk and Definition of Default
8. Forward-Looking Information and Macroeconomic Scenarios
9. Management Overlays and Post-Model Adjustments
10. Write-Offs and Recoveries
11. Prudential Classification and Regulatory Adjustments
12. Model Governance
13. Roles and Responsibilities
14. Reporting and Escalation
15. Breaches of this Policy
16. Training and Awareness
17. Review of this Policy
Appendix A: Board Risk Committee Provisioning Report — Minimum Contents
Appendix B: Staging Decision Summary
Policy Administration

1. Purpose

The Company's lending and treasury activities expose it to credit risk: the risk that a borrower or counterparty fails to meet its contractual obligations, resulting in financial loss. Sound, timely and well-governed provisioning ensures that this risk is recognised in the Company's financial statements and regulatory reporting as it emerges, rather than only when losses are incurred.

This Policy sets out how the Company measures, governs and reports provisions for expected credit losses (ECL). It operationalises the impairment requirements of IFRS 9 Financial Instruments, the supervisory expectations in the Basel Committee's Guidance on credit risk and accounting for expected credit losses (GCRAECL), and the Basel definitions of default, non-performing exposures and forbearance, so that provisions are unbiased, probability-weighted, forward-looking and supportable.

The Policy establishes the three-stage ECL model, the criteria for identifying a significant increase in credit risk and default, the rules for staging transfers and cures, the use of forward-looking macroeconomic scenarios and management overlays, write-off criteria, and the respective responsibilities of the Chief Financial Officer, the Chief Risk Officer, management committees and the Board.

This Policy is owned by the Chief Financial Officer and approved by the Board Risk Committee. It forms part of the Company's credit risk management framework and must be read together with the Credit Risk Management Policy, the Credit Policy, the Model Risk Policy and the Risk Appetite Statement.

2. Scope

This Policy applies to the Company and all of its controlled entities, and to all directors, employees and contractors involved in the origination, management, measurement, reporting or audit of credit exposures.

The Policy applies to all financial instruments within the scope of IFRS 9 impairment requirements, including:

- loans, advances and finance receivables measured at amortised cost, across all retail and non-retail portfolios;
- debt securities measured at amortised cost or at fair value through other comprehensive income, including the treasury liquid asset portfolio;
- loan commitments and financial guarantee contracts not measured at fair value through profit or loss;
- lease receivables, trade receivables and contract assets, to which the simplified (lifetime ECL) approach may be applied where permitted by IFRS 9;
- amounts due from banks and other financial institutions.

The Policy does not apply to financial assets measured at fair value through profit or loss or to equity instruments, which are outside the scope of IFRS 9 impairment. Detailed model methodology, parameter estimation and validation standards are governed by the Model Risk Policy; this Policy governs the provisioning framework, judgements, approvals and reporting.

2.1 Jurisdictional application

This Policy states international best practice, anchored to IFRS 9, the Basel Framework and related international guidance. The Company must map the requirements of this Policy to the accounting standards, prudential rules and reporting obligations of each jurisdiction in which it operates, and must document any resulting local variations. Where the law or regulation of an operating jurisdiction imposes a stricter or additional requirement, that local requirement prevails over this Policy.

3. Definitions

Term	Definition
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.
12-month ECL	The portion of lifetime ECL that results from default events that are possible within 12 months of the reporting date, weighted by the probability of those defaults occurring.
Lifetime ECL	The ECL that results from all possible default events over the expected life of a financial instrument, including the effect of expected prepayments and, for revolving facilities, expected drawdowns over the behavioural life.
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).
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.
Credit-impaired exposure	A financial asset in respect of which one or more events with a detrimental impact on estimated future cash flows have occurred, including default; credit-impaired exposures are allocated to Stage 3.
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.
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.
Purchased or originated credit-impaired (POCI) asset	A financial asset that is credit-impaired at initial recognition; POCI assets are measured using lifetime ECL from origination, with interest revenue calculated on a credit-adjusted effective interest rate.
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.
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.

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.
Collective assessment	Measurement of ECL for groups of exposures with shared credit risk characteristics (such as product, collateral type, credit grade, arrears status, geography or industry) using modelled parameters.
Individual assessment	Measurement of ECL for a specific exposure using a discounted cash flow analysis of borrower-specific workout scenarios, applied to exposures exceeding the individual assessment threshold or with characteristics not captured by collective models.
Management overlay	A post-model adjustment to modelled ECL, approved under the Management Overlays and Post-Model Adjustments section of this Policy, that addresses risks or model limitations not adequately captured by the ECL models, such as emerging economic conditions, data limitations or known model weaknesses.
Cure	The return of an exposure to a lower-risk stage or to performing status after the criteria that caused its transfer or classification have ceased to apply and the applicable probation period has been completed.
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.
Regulatory provisioning adjustment	Any amount the Company's prudential regulator requires to be held against credit losses beyond the accounting ECL allowance, including prudential provisioning backstops, regulatory expected loss shortfall deductions or reserves appropriated from retained earnings, as required by applicable law in the Company's operating jurisdiction(s).
Model Risk Policy	The Company's separate policy governing

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.