

Question ID	2021_5778
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	430
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
Article/Paragraph	Annex V. Part 2, paragraph 38
Date of submission	11/03/2021
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Interest expenses categories
Question	Under which heading of interest expenses should be declared commissions paid on commitments received ?
Background on the question	Under IFRS, commissions on commitments are classified as “Interest” and not “Commissions”; for French entities, this is also in accordance with French regulatory financial statements model for Credit institutions. Indeed, it is considered that commission fees received by the entity for the issuance of a loan have the character of interest calculated in accordance with the provisions of IFRS 15 or IFRS 9, when the loan commitment is not measured according to paragraph 4.2.1 (a) and it is probable that the entity will enter into a loan agreement (IFRS 9 B5.4.2). In FINREP (FIN 2 and FIN 16.1), no heading of interest is fully consistent with the instrument concerned (commissions on off-balance instruments), since they all relate to financial liabilities. For FIN 2, the ITS 2.38 indicates that “‘Interest expenses - other liabilities’ shall include amounts of interest expenses not included in the other items 5...). Even if commissions paid on commitments received are not related to liabilities, should we report these commissions in this category of interests (FIN 2 row 140 and FIN 16.1 row 260). If not, under which heading of interest expenses should these commissions be declared by

	default?
Final answer	<p>In accordance with IFRS, fees related to loan commitments shall be treated:</p> <ol style="list-style-type: none"> 1. under IFRS 9, paragraph B.5.4.2 (b), when it is probable that the entity will enter a specific lending arrangement. In this case the fee is considered as interest, since it is quite sure that a loan will be granted and classified in the amortised cost portfolio and the fee will be an integral part of the effective interest rate of a financial instrument; 2. under IFRS 15, as defined in IFRS 9, paragraph B.5.4.3 (b), when it is unlikely that a specific lending arrangement will be entered into. In this case it is probable that a loan will not be granted, and the fee cannot be treated as an interest. <p>In line with the accounting treatment, the fees related to loan commitments received shall be reported as follow:</p> <ol style="list-style-type: none"> 1. Other assets: template F01.1 (r0360;c0010) if it is probable that entity will enter in the lending arrangement but the loan is not yet granted; 2. Deposits: when the loan is drawn fee adjusts carrying amount of financial liability being recognized in template F01.02 (r0110;c0010) 3. Interest expenses: when the loan is drawn fee is being amortized to interest expenses being reported in template F16.01 (r160;c020) and template F02.00 (r0120;c010)); 4. Fee expenses: template F22.01 (r270;c010) and template F02.00 (r210;c010) if it is unlikely that the loan will be granted.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5778

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