



**Single  
Rulebook  
Q&A**

<b>Question ID</b>	2021_5840
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Supervisory reporting - FINREP (incl. FB&NPE)
<b>Article</b>	99
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
<b>Article/Paragraph</b>	Annex 5 - F 12.01
<b>Date of submission</b>	06/05/2021
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Inclusion of Held for sale in Other adjustments in template F 12.01
<b>Question</b>	Where shall the changes in allowances for financial assets, which have been reclassified as held for sale prior to a disposal, be reported in FINREP template F 12.01?
<b>Background on the question</b>	According to IFRS 5 paragraph 6 “an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.” As such, before the transfer to third parties of non-performing exposures, a

bank should reclassify the relevant exposures as held for sale. At the same time, the IFRS 5 principle (paragraph 9 and Appendix B) allows banks to account for firm purchase commitment even before the execution date of the relevant deals. Paragraph 160 of Annex V of Regulation (EU) No 680/2014 (ITS on Reporting) states that “Decreases due to derecognition’ shall include the amount of changes in allowances due to financial assets de-recognised totally in the reporting reference period for reasons other than write-offs, which include transfers to third parties or the expiry of the contractual rights due to full repayment, disposal of those financial assets or their transfer in another accounting portfolio. The change in allowance shall be recognised in this column at the first reporting reference date following the repayment, disposal or transfer.” Following the above cited texts, once the asset disposal is finalised, the amount of changes in allowances should be reported in FINREP F12.01, column ‘Decreases due to derecognition’ (c030). However, it is not straightforward where they should be reported in the interim period between the binding agreement and the actual realisation. There are two options: (i) Report the amount in FINREP F12.01, column 090 (‘Other adjustments’) - According to Annex V, paragraph 166 in fact: ‘Other adjustments’ shall include any amount not reported in the previous columns, including the adjustments on expected losses due to foreign exchange differences where it is consistent with the reporting of the impact of foreign exchange in template 2.’. (ii) Report the amount in FINREP F12.01, column 030 (‘Decreases due to derecognition’) - As the financial assets have been reclassified (to held for sale due to a transfer to a third-party), they should be reported in column 030.

**EBA answer**

According to paragraph 156 of Annex V of Regulation (EU) No 2021/451 (ITS on Reporting), the scope of template F 12.1 is financial assets measured at amortised cost and at fair value through other comprehensive income.

According to paragraph 160 of the same annex “‘Decreases due to derecognition’ shall include the amount of changes in allowances due to financial assets de-recognised totally in the reporting reference period for reasons other than write-offs, which include transfers to third parties or the expiry of the contractual rights due to full repayment, disposal of those financial assets or their transfer in another accounting portfolio. The change in allowance shall be recognised in this column at the first reporting reference date following the repayment, disposal or transfer”.

According to Part 1, paragraph 13 of Annex V, accounting portfolios do not include financial instruments classified as “held for sale”.

Following the above cited instruction, since the assets have been transferred out from the accounting portfolios of template F 12.1 to be accounted for as “non-current assets held for sale” (IFRS 5) during the period, the amount shall

	be reported in column 030. The instructions will be amended to explicitly include such cases.
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