

Question ID	2021_5859
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	47a
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
Article/Paragraph	ANNEX II, Section 8. NPE LOSS COVERAGE (NPE LC)
Date of submission	18/05/2021
Published as Final Q&A	17/02/2023
Disclose name of institution / entity	Yes
Name of institution / submitter	Croatian national bank
Country of incorporation / residence	Hrvatska
Type of submitter	Competent authority
Subject matter	Application of NPE prudential backstop in connection with the new COREP templates
Question	The application of the requirements of Articles 47a, 47b and 47c of the CRR is connected with a new COREP reporting requirement for NPE loss coverage envisaged in templates C 35.01, C35.02 and C 35.03. When filling that new COREP reporting templates a the following question has appeared: do all three or any of COREP 35 reporting templates include NPE for which 100% of impairments was already made, that have accounting exposure value of 0 and 100% of specific credit adjustments?
Background on the question	As we understand that all NPE should be included into COREP 35 reporting templates, even if the balance sheet value of such exposure is zero because for such exposure 100% coverage with provisions/ adjustment/ deductions was made. This is usually true for the unsecured short-term consumer loans when they become past due for the material amount.

<p>Final answer</p>	<p>In accordance with Annex II (instructions) to Regulation (EU) 2021/451 (ITS on Supervisory Reporting), the NPE loss coverage templates C 35.01, C35.02 and C 35.03 contain information about non-performing exposures (NPEs) for the purposes of calculating the minimum loss coverage requirement for non-performing exposures as specified in Articles 47a, 47b and 47c of Regulation (EU) No 575/2013 (CRR). Article 469a of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/630 establishes that these Articles applies to (i) exposures, originated on and after 26 April 2019, that become non-performing, and (ii) exposures originated before 26 April 2019 when they are modified by institutions after that date in a way that increases their exposure value to the obligor), that become non-performing.</p> <p>Furthermore, the instructions for row 0050 of template C 35.01 determine that institutions shall report the “Exposure value” as regulated in article 47a(2) CRR, that is “For the purposes of point (m) of Article 36(1), the exposure value of a debt instrument shall be its accounting value measured without taking into account any specific credit risk adjustments, additional value adjustments in accordance with Articles 34 and 105, amounts deducted in accordance with point (m) of Article 36(1), other own funds reductions related to the exposure or partial write-offs made by the institution since the last time the exposure was classified as non-performing”.</p> <p>In conclusion, all exposures originated on and after 26 April 2019 and exposures originated before that date when they are modified by institutions after in a way that increases their exposure value to the obligor, that become non-performing, shall be reported, regardless of the percentage of coverage with provisions, adjustments or deductions. The relevant specific credit adjustments will be reported under row 0100.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5859</p>

European Banking Authority, 29/05/2023

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