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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	Draft ITS on Supervisory Reporting of Institutions
Article/Paragraph	ANNEX II INSTRUCTIONS FOR REPORTING ON OWN FUNDS AND OWN FUNDS REQUIREMENTS, 8. NPE LOSS COVERAGE (NPE LC)
Date of submission	18/05/2021
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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 requirements for NPE prudential backstop in connection with the new COREP templates
Question	<p>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 the new COREP reporting templates a several issues have appeared, that are divided into following questions:</p> <ol style="list-style-type: none"> 1. Do restrictions for specific credit adjustments, which have been recognized during the financial year, apply even for calculation of NPL prudential backstop although RTS on the calculation of credit risk adjustments (RTS 183/2014) that stem from Article 110(4) of the CRR do not include Articles 47a, 47b and 47c of the CRR? 2. Does NPL definition in Article 47a of the CRR (namely requirement for

	<p>calculating past due days for requirements in Articles 47a(3)(c) and second sub-paragraph, 47a(4)(c), 47a(6)(c) and second sub-paragraph, 47(7)(c) and forbearance measures definition in Article 47b of the CRR (namely requirement for calculation of past due days for requirements in Article 47b(3)) takes into account material threshold for the assessment of materiality of a credit obligation past due as referred to in Article 178(1)(b) and the RTS 2018/171 or the past due days calculation takes into account any past due exposure of the borrower regardless of the amount?</p>
<p>Background on the question</p>	<p>1. Article 1 of the RTS 183/2014 refers only to situations specified in Articles 111, 159, 166, 167, 168, 178, 246 and 266 of the CRR, but does not include situations envisaged with Articles 471, 47b and 47c of the CRR. This RTS as specified in Article 1(1) sub-paragraph 2 states specific conditions for inclusion of an amount of impairment that has been recognized during the financial year as a specific credit adjustment only if the respective amounts have been deducted from an institution's CET1 or such inclusion of retained earnings (interim profits) in CET1 was pre-approved by competent authority (according to Article 26(2) of the CRR). 2. It seems that level 1 text is unclear and if it is strictly adhered, it seems that Articles 47a(3)(c), 47a(4)(c), 47a(6)(c) and second sub-paragraph, 47a(7)(c) and 47b(3) CRR require that the banks should take into account any past due amount. Such clarification could be taken from paragraph 96 of Part 2 of Annex V to Commission Implementing Regulation (EU) 2021/451 (ITS 2021/451, that is given for FINREP reporting template F 18.00) and that states the following: "96. Financial assets shall qualify as past due where any amount of principal, interest or fee has not been paid at the date it was due." Connection between the F 18.00 template and Art 47a is stated in paragraph 213 of Part 2 of Annex V of the ITS 2021/451 by the following: "213. For the purposes of template 18, non-performing exposures shall be exposures listed in Article 47a(3)". But the paragraph 216 of Part 2 of Annex V of the ITS 2021/451 states that the materiality threshold in accordance with Article 178 CRR and the Commission Delegated Regulation (EU) 2018/171 (RTS on materiality threshold for credit obligations past due) should be assessed for the exposures referred to in point (a) of Article 47a(3) CRR. Additionally, paragraph 222 of Part 2 of Annex V of the ITS 2021/451 states that for the purpose of classification of exposures as non-performing in accordance with point (a) of Article 47a(3) CRR, the counting of 90 days past due commences once the past due amount, being the sum of past due principal, interest and fees, breaches the materiality threshold as defined in paragraph 216 of Part 2 of Annex V of the ITS 2021/451, and if the past due part of exposures continues to be material for 90 consecutive days, the exposure should then be classified as non-performing.</p>
<p>Final answer</p>	<p>Question 1:</p> <p>Although Article 1(1) of Regulation (EU) No 183/2014 specifically refers to the identification of general and specific credit risk adjustments for the</p>

purposes of Articles 111, 159, 166, 167, 168, 178, 246 and 266 of Regulation (EU) No 575/2013 (CRR), the same conditions shall apply to identify specific credit risk adjustments also for the purposes of Article 47c CRR.

Question 2:

The materiality threshold specified in [Commission Delegated Regulation \(EU\) 2018/171](#) is also applicable to the counting of past due for the purpose of entering the status of 'non-performing' in case of defaulted exposures since point (a) of Article 47a(3) CRR explicitly refers to the definition of default as stated in Article 178 CRR.

As regards the provisions laid down in paragraphs 4 and 6 of Article 47a CRR on the exit criteria from the non-performing status, there is no direct reference to Article 178 CRR for the past due amounts under points (c). Therefore, for the purposes of Articles 47a(4), point (c), and 47a(6), point (c), CRR, any past due amounts shall be taken into account, without applying the materiality thresholds specified in the Commission Delegated Regulation (EU) 2018/171.

Due to the lack of reference to article 178 CRR, also for the purposes of articles 47a(7), point (c), CRR (i.e. exit criterion from the “under probation” status) and 47b(3) CRR (i.e., indicators that a forbearance measure may have been adopted) any past due amount shall be taken into account, without applying the materiality thresholds specified in the Commission Delegated Regulation (EU) 2018/171.

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5860

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