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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Annex III - F 04.04, F 07.00; Annex V, Part 2, para.36-38
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Disclose name of institution / entity	Yes
Name of institution / submitter	National Bank of Romania
Country of incorporation / residence	Romania
Type of submitter	Competent authority
Subject matter	Financial assets impairment
Question	Where should be reported in the financial reporting forms F 04.04 and F 07.00 the allowances related to individually insignificant financial assets which were not assessed for impairment on individual basis (following the option of IAS 39.64), but were found collectively impaired?
Background on the question	F 04.04 and FIN 07.00 templates request the reporting of three categories of impairment allowances: specific allowances for individually assessed financial assets, specific allowances for collectively assessed financial assets and collective allowances for incurred but not reported losses. According to the provisions of para.36-38 from Part 2 of Annex V to the ITS (FINREP instructions): - the specific allowances for individually assessed financial assets should be determined for individually significant financial assets found to be impaired on individual basis; - the specific allowances for individually assessed financial assets may be determined for individually

insignificant financial assets found to be impaired on individual basis; - the specific allowances for collectively assessed financial assets may be determined for individually insignificant financial assets found to be impaired on individual basis; - the collective allowances for incurred but not reported losses should be determined for the financial assets which are not impaired on individual basis. IAS 39.64 states that an entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In other words, the option provided by IAS 39.64 for financial assets that are not individually significant is related to the process of assessing whether objective evidence of impairment exists, individually or collectively, and not to the process of computing the impairment loss, on individual or portfolio basis.

Final answer

In paragraphs 36 to 38 of Part 2 of Annex V of the Regulation (EU) No 680/2014 ~~ITS on supervisory reporting of institutions~~ ~~ITS on Supervisory reporting~~, it is explained that allowance accounts for credit loss shall be classified in accordance with two criteria:

- i. whether the impairment loss is estimated individually or collectively (e.g. through statistical approaches); and
- ii. whether the related allowance account covers a specific financial asset or a group of financial assets (IAS 39.AG88-89).

When the impairment loss of a financial asset is individually estimated, the related allowance, which obviously covers a specific financial asset, shall be reported under "Specific allowances for individually assessed financial assets". The impairment loss of insignificant financial assets classified individually as impaired may be estimated collectively. In this case, the respective allowance shall be reported as "Specific allowances for collectively assessed financial assets".

Finally, allowances may cover a group of financial assets that are not considered individually impaired, including those financial assets (either significant or not) that, after being individually assessed for impairment, are not considered as impaired (see IAS 39.AG87 and IAS 39.AG90) and those insignificant financial assets which have not been evaluated for impairment. The related amounts must be reported as 'Collective allowances for incurred but not reported losses'.

In FINREP templates, the term 'collectively' refers to the way in which the estimation of the impairment loss is done (as in IAS 39.AG87), not to whether objective evidence of impairment is found. In order to clarify this issue, the term "assessed" used in columns 080 and 090 of F07.00 shall be understood with the meaning of "estimated".

Therefore, the allowances estimated for a group of financial assets not considered individually impaired shall be reported as "Collective allowances

	<p>for incurred but not reported losses ".</p> <p><i>*As of 1/8/2014 the content of this answer was modified to reflect the publication of the final ITS on supervisory reporting of institutions in the Official Journal of the European Union. As a result, the references to the ITS were updated and the disclaimer deleted. For reasons of transparency, revisions are highlighted in track changes.</i></p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_200

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