

Question ID	2013_239
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	178
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	NA
Date of submission	12/09/2013
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Off-balance sheet items and definition of default
Question	Please confirm that indeed the off-balance sheet part of a facility (e.g. undrawn amount) or any other off-balance sheet items e.g. acceptances, guarantees, etc should not be categorised in the "in default" exposure class even if the customer is classified as "in default".
Background on the question	Art.178 states that (excluding retail customers), if (a) the institution considers the obligor unlikely to pay its credit obligations to the institution, or any subsidiary or parent company, in full without recourse to actions such as realising security; or (b) the obligor is past-due more than 90 days on any material obligation to the institution, or any subsidiary or parent company, then all the exposures of that obligor should be classified as in default. However, from their nature (not yet materialised), off balance sheet items cannot be in default.
EBA answer	Off-balance sheet items are treated like on-balance sheet exposures and therefore shall be risk-weighted as defaulted exposure in case of default according to Article 178 of Regulation (EU) No. 575/2013 (CRR). The key difference between off-balance and on-balance exposures relates to the definition and calculation of the exposure value that needs to be risk-

	weighted. The definition and calculation of the exposure value of off-balance sheet items is detailed in Article 166 subparagraphs 8 to 10 (for the IRB approach) and Article 111(1)(for the Standardised approach) of the CRR.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_239

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