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ANNEX II

‘ANNEX II

**INSTRUCTIONS FOR REPORTING ON OWN FUNDS AND OWN FUNDS REQUIREMENTS**

**PART II: TEMPLATE RELATED INSTRUCTIONS**

(…)

8. NPE Loss Coverage (NPE LC)

8.1. General remarks

202. The NPE loss coverage templates 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.

203. The block of templates consists of a set of three templates:

1. The calculation of deductions for NPEs (C 35.01): this is an overview template indicating the applicable amount of insufficient coverage, calculated as the difference between the total minimum coverage requirements for NPEs and the total provisions and adjustments or deductions already made. The template covers both the non-performing exposures where forbearance measure has not been granted, and non-performing forborne exposures.
2. Minimum coverage requirements and exposure values of non-performing exposures, excluding forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013 (C 35.02): the template calculates the total minimum coverage requirements for non-performing exposures that are not non-performing forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013, indicating the factors to be applied on the exposure values for the purposes of this calculation given whether the exposure is secured or unsecured and given the time since the exposure became non-performing.
3. Minimum coverage requirements and exposure values of non-performing forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013 (C 35.03): the template calculates the total minimum coverage requirements for non-performing forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013, indicating the factors to be applied on the exposure values for the purposes of this calculation given whether the exposure is secured or unsecured and given the time since the exposure became non-performing.

204. The minimum loss coverage requirement for non-performing exposures 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 after that date in a way that increases their exposure value to the obligor (Article 469a of Regulation (EU) No 575/2013), that become non-performing. In line with Article 47c(4a) of Regulation (EU) No 575/2013, the minimum loss coverage requirement does not apply to the part of non-performing exposures guaranteed or insured by an official export credit agency.

205. Institutions shall calculate the deductions for NPEs in accordance with Article 47c(1), points (a) and (b), of Regulation (EU) No 575/2013, including the calculation of minimum coverage requirements and total provisions and adjustments or deductions, at individual exposure level (‘transaction based’) and not at debtor or portfolio levels.

206. For the purposes of calculating the deductions for NPEs, institutions shall differentiate between the unsecured and secured part of a NPE in accordance with Article 47c(1) of Regulation (EU) No 575/2013. To this end, institutions shall report exposure values and minimum coverage requirements separately for the unsecured part of NPEs and for the secured part of NPEs.

207. For the purposes of mapping of relevant applicable factors and calculating minimum coverage requirements, institutions shall classify the secured part of NPEs depending on the type of credit protection in accordance with Article 47c(3) of Regulation (EU) No 575/2013 as follows: (i) “secured by immovable property or residential loan guaranteed by an eligible protection provider as referred to in Art. 201”, (ii) “secured by other funded or unfunded credit protection” or (iii) “guaranteed or counter-guaranteed by an eligible protection provider”. When a non-performing exposure is secured by more than one type of credit protection, its exposure value shall be allocated according to the quality of the credit protection, starting from the one with the best quality.

207a. In line with Article 36(5) of Regulation (EU) No 575/2013 specialised debt restructurers shall report all relevant exposures including non-performing exposures purchased by these institutions in templates C35.01 to C35.03 and set the applicable amount of insufficient coverage of the purchased part equal to zero in row 0010 of C35.01.

8.2. C 35.01 – THE CALCULATION OF DEDUCTIONS FOR NON-PERFORMING EXPOSURES (NPE LC1)

* + 1. Instructions concerning specific positions

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| Columns | Instructions |
| 0010 – 0100 | **Time passed since exposures classified as non-performing**  The ‘time passed since exposures classified as non-performing’ shall mean the time in years passed, as of the reference date, since exposure has been classified as non-performing. For purchased non-performing exposures, the time in years shall start to run from the date on which the exposures was originally classified as non- performing, and not from the date of their purchase.  Institutions shall report data on exposures for which the reference date falls under the corresponding time interval indicating the period in years following exposures’ classification as non-performing, regardless of any application of forbearance measures.  For the time interval, “> X year(s), <= Y year(s)”, institutions shall report data on exposures for which the reference date corresponds to the period between the first and the last day of the Yth year following the classification of these exposures as non-performing. |
| 0110 | **Total**  Institutions shall report the sum of all columns from 0010 to 0100. |

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| Rows | Instructions |
| 0010 | **Applicable amount of insufficient coverage**  Article 47c(1) of Regulation (EU) No 575/2013  For the calculation of the applicable amount of insufficient coverage, institutions shall deduct the total provisions and adjustments or deductions (capped) (row 0080) from the total minimum coverage requirement for non-performing exposures (row 0020).  The applicable amount of insufficient coverage (i.e. the shortfall in the total minimum coverage requirement for non-performing exposures) shall be equal to or greater than zero. |
| 0020 | **Total minimum coverage requirement for non-performing exposures**  Article 47c(1), point (a), of Regulation (EU) No 575/2013  For the calculation of the total minimum coverage requirement for non-performing exposures, institutions shall sum the minimum coverage requirement for the unsecured part of NPEs (row 0030) and for the secured part of NPEs (row 0040). |
| 0030 | **Unsecured part of NPEs**  Article 47c(1), point (a)(i), Article 47c(2), Article 47c(6) of Regulation (EU) No 575/2013  Institution shall report the total minimum coverage requirement for the unsecured part of NPEs, i.e. the aggregate of calculations at exposure level.  The amount reported in each column shall be equal to the sum of the amounts reported in row 0020 of C 35.02 and row 0020 of C 35.03 (where applicable) in the respective columns. |
| 0040 | **Secured part of NPEs**  Article 47c(1), point (a)(ii), Article 47c(3), Article 47c(4), Article 47c(6) of Regulation (EU) No 575/2013.  Institutions shall report the total minimum coverage requirement for the secured part of NPEs, i.e. the aggregate of calculations at exposure level.  The amount reported in each column shall be equal to the sum of the amounts reported in row 0030-0045 of C 35.02 and row 0030-0040 of C 35.03 (where applicable) in the respective columns. |
| 0050 | **Exposure value**  Article 47a(2) of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of NPEs including both unsecured and secured exposures. This shall correspond to the sum of row 0060 and row 0070. |
| 0060 | **Unsecured part of NPEs**  Article 47a(2) and Article 47c(1) of Regulation (EU) No 575/2013 |
| 0070 | **Secured part of NPEs**  Article 47a(2) and Article 47c(1) of Regulation (EU) No 575/2013 |
| 0080 | **Total provisions and adjustments or deductions (capped)**  Institutions shall report the capped amount of the sum of the items listed in rows 0100-0150 in accordance with Article 47c(1), point (b), of Regulation (EU) No 575/2013. The maximum limit for capped provisions and adjustment or deductions is the amount of minimum coverage requirement at exposure level.  Capped amount shall be calculated separately for each exposure as the lower amount between minimum coverage requirement for this exposure and total provisions and adjustments or deductions for the same exposure. |
| 0090 | **Total provisions and adjustments or deductions (uncapped)**  Institutions shall report the sum of uncapped amount of the items listed in rows 0100-0150 in accordance with Article 47c(1), point (b), of Regulation (EU) No 575/2013. Provisions and adjustment or deductions (uncapped) shall not be limited to the amount of minimum coverage requirement at exposure level. |
| 0100 | **Specific credit risk adjustments**  Article 47c(1), point (b)(i) of Regulation (EU) No 575/2013 |
| 0110 | **Additional valuation adjustments**  Article 47c(1), point (b)(ii) of Regulation (EU) No 575/2013 |
| 0120 | **Other own funds reductions**  Article 47c(1), point (b)(iii) of Regulation (EU) No 575/2013 |
| 0130 | **IRB shortfall**  Article 47c(1), point (b)(iv) of Regulation (EU) No 575/2013 |
| 0140 | **Difference between the purchase price and the amount owed by the debtor**  Article 47c(1), point (b)(v) of Regulation (EU) No 575/2013 |
| 0150 | **Amounts written-off by the institution since the exposure was classified as non-performing**  Article 47c(1), point (b)(vi) of Regulation (EU) No 575/2013 |

* 1. C 35.02 – MINIMUM COVERAGE REQUIREMENTS AND EXPOSURE VALUES OF NON-PERFORMING EXPOSURES EXCLUDING FORBORNE EXPOSURES THAT FALL UNDER ARTICLE 47C (6) OF REGULATION (EU) NO 575/2013 (NPE LC2)
     1. Instructions concerning specific positions

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| Columns | Instructions |
| 0010 – 0100 | **Time passed since exposures classified as non-performing**  The ‘time passed since exposures classified as non-performing’ shall mean the time in years passed since exposure has been classified as non-performing. Institutions shall report data on exposures for which the reference date falls under the corresponding time interval indicating the period in years following exposures’ classification as non-performing, regardless of any application of forbearance measures.  For the time interval, “> X year(s), <= Y year(s)”, institutions shall report data on exposures for which the reference date corresponds to the period between the first and the last day of the Yth year following the classification of these exposures as non-performing. |
| 0110 | **Total**  Institutions shall report the sum of all columns from 0010 to 0100. |

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| Rows | Instructions |
| 0010 | **Total minimum coverage requirement**  Article 47c(1), point (a), of Regulation (EU) No 575/2013  For the calculation of the total minimum coverage requirement for non-performing exposures, excluding forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013, institutions shall sum the minimum coverage requirement for the unsecured part of NPEs (row 0020) and the minimum coverage requirement for the secured part of NPEs (rows 0030-0045). |
| 0020 | **Unsecured part of NPEs**  Article 47c(1), point (a)(i), Article 47c(2) of Regulation (EU) No 575/2013  The minimum coverage requirement shall be calculated by multiplying the aggregate exposure values in row 0070 by the corresponding factor per column. |
| 0030 | **Part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider**  Article 47c(1), point (a)(ii), and Article 47c(3), points (a), (b), (c), (d), (f), (h) and (i), of Regulation (EU) No 575/2013  The minimum coverage requirement shall be calculated by multiplying the aggregate exposure values in row 0080 by the corresponding factor per column. |
| 0040 | **Part of NPEs secured by other funded or unfunded credit protection**  Article 47c(1), point (a)(ii), and Article 47c(3), points (a), (b), (c), (e) and (g), of Regulation (EU) No 575/2013  The minimum coverage requirement shall be calculated by multiplying the aggregate exposure values in row 0090 by the corresponding factor per column. |
| 0045 | **Part of NPEs guaranteed or counter-guaranteed by an eligible protection provider**  Article 47c(4)(b) of Regulation (EU) No 575/2013.  The minimum coverage requirement shall be calculated by multiplying the aggregate exposure values in row 0110 and 0120 by the corresponding factors per column. |
| 0060 | **Exposure value**  Article 47a(2) of Regulation (EU) No 575/2013  For the calculation of row 0060, institutions shall sum the exposure values reported for the unsecured part of NPEs (row 0070), the part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider (row 0080), the part of NPEs secured by other funded or unfunded credit protection (row 0090) and the part of NPEs guaranteed or counter-guaranteed by an eligible protection provider (row 0110 and row 0120). |
| 0070 | **Unsecured part of NPEs**  Article 47a(2), Article 47c(1), Article 47c(2) of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of unsecured part of NPEs broken-down by time passed since exposures classified as non-performing. |
| 0080 | **Part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider**  Article 47a(2), Article 47c(1) and Article 47c(3), points (a), (b), (c), (d), (f), (h) and (i), of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of the parts of NPEs secured by immovable property pursuant to Part Three, Title II of Regulation (EU) No 575/2013 or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201 of that Regulation . |
| 0090 | **Part of NPEs secured by other funded or unfunded credit protection**  Article 47a(2), Article 47c(1) and Article 47c(3), points (a), (b), (c), (e) and (g), of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of the parts of NPEs secured by other funded or unfunded credit protection pursuant to Part Three, Title II of Regulation (EU) No 575/2013. |
| 0110 | **Part of NPEs guaranteed or counter-guaranteed by an eligible protection provider (factor 1)**  Article 47c (4), point (b) of Regulation (EU) No 575/2013 (factor 1) |
| 0120 | **Part of NPEs guaranteed or counter-guaranteed by an eligible protection provider (factor 0)**  Article 47c (4), point (a) and point (b) of Regulation (EU) No 575/2013 (factor 0). Exposures for which an eligible protection provider agreed to fulfil all payment obligations of the obligor towards the credit institution in full and in accordance with the original contractual payment schedule should be reported in row 0120 (for all time buckets) |

* 1. C 35.03 – MINIMUM COVERAGE REQUIREMENTS AND EXPOSURE VALUES OF NON-PERFORMING FORBORNE EXPOSURES THAT FALL UNDER ARTICLE 47C (6) OF REGULATION (EU) NO 575/2013 (NPE LC3)
     1. Instructions concerning specific positions

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| Columns | Instructions |
| 0010 – 0100 | **Time passed since exposures classified as non-performing**  The ‘time passed since exposures classified as non-performing’ shall mean the time in years passed since exposure has been classified as non-performing. Institutions shall report data on exposures for which the reference date falls under the corresponding time interval indicating the period in years following exposures’ classification as non-performing, regardless of any application of forbearance measures.  For the time interval, “> X year(s), <= Y year(s)”, institutions shall report data on exposures for which the reference date corresponds to the period between the first and the last day of the Yth year following the classification of these exposures as non-performing. |
| 0110 | **Total**  Institutions shall report the sum of all columns from 0010 to 0100. |

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| Rows | Instructions |
| 0010 | **Total minimum coverage requirement**  Article 47c(1), point (a), and Article 47c(6) of Regulation (EU) No 575/2013  For the calculation of total minimum coverage requirement of non-performing forborne exposures that fall under Article 47c (6) of Regulation (EU) No 575/2013, institutions shall sum minimum coverage requirements for the unsecured part of forborne NPEs (row 0020), the part of forborne NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider (row 0030) and the part of forborne NPEs secured by other funded or unfunded credit protection (row 0040). |
| 0020 | **Unsecured part of NPEs**  Article 47c(1), point (a)(i), Article 47c(2), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total minimum coverage requirement for the unsecured part of non-performing forborne exposures that fall under Article 47c(6) of Regulation (EU) No 575/2013, i.e. the aggregate of calculations at exposure level. |
| 0030 | **Part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider**  Article 47c(1), point (a)(ii), and Article 47c(3), points (a), (b), (c), (d), (f), (h) and (i), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total minimum coverage requirement for parts of non-performing forborne exposures secured by immovable property pursuant to Part Three, Title II of Regulation (EU) No 575/2013 or that are residential loans guaranteed by an eligible protection provider as referred to in Article 201 of that Regulation, falling under Article 47c(6) of that Regulation, i.e. the aggregate of calculations at exposure level. |
| 0040 | **Part of NPEs secured by other funded or unfunded credit protection**  Article 47c(1), point (a)(ii), and Article 47c(3), points (a), (b), (c), (e) and (g), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total minimum coverage requirement for parts of non-performing forborne exposures se-cured by other funded or unfunded credit protection, falling under Article 47c(6) of Regulation (EU) No 575/2013, i.e. the aggregate of calculations at exposure level. |
| 0050 | **Exposure value**  Article 47a(2) and Article 47c(6) of Regulation (EU) No 575/2013  For the calculation of exposure value, institutions shall sum exposure values for the unsecured part of NPEs (row 0060), the part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider (row 0070) and the part of NPEs secured by other funded or unfunded credit protection (row 0120), where applicable. |
| 0060 | **Unsecured part of NPEs**  Article 47a(2), Article 47c(1), Article 47c(2), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of unsecured part of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 where the first forbearance measure has been granted between the first and the last day of the second year after the classification of the exposure as non-performing (>1 year; <=2 years). |
| 0070 | **Part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider**  Article 47a(2), Article 47c(1) and Article 47c(3), points (a), (b), (c), (d), (f), (h) and (i), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of the parts of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by immovable property pursuant to Part Three, Title II of that Regulation or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201 of that Regulation . |
| 0080 | **> 2 and <= 3 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by immovable property or residential loan guaranteed by an eligible protection provider where the first forbearance measure has been granted between the first and the last day of the third year after the classification of the exposure as non-performing. |
| 0090 | **> 3 and <= 4 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by immovable property or residential loan guaranteed by an eligible protection provider where the first forbearance measure has been granted between the first and the last day of the fourth year after the classification of the exposure as non-performing. |
| 0100 | **> 4 and <= 5 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by immovable property or residential loan guaranteed by an eligible protection provider where the first forbearance measure has been granted between the first and the last day of the fifth year after the classification of the exposure as non-performing. |
| 0110 | **> 5 and <= 6 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs secured that fall under Article 47c(6) of Regulation (EU) No 575/2013 by immovable property or residential loan guaranteed by an eligible protection provider where the first forbearance measure has been granted between the first and the last day of the sixth year after the classification of the exposure as non-performing. |
| 0120 | **Part of NPEs secured by other funded or unfunded credit protection**  Article 47c(1), and Article 47c(3), points (a), (b), (c), (e) and (g), Article 47c(6) of Regulation (EU) No 575/2013  Institutions shall report the total exposure value of the parts of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by other funded or unfunded credit protection pursuant to Part Three, Title II of Regulation (EU) No 575/2013. |
| 0130 | **> 2 and <= 3 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by other funded or unfunded credit protection, where the first forbearance measure has been granted between the first and the last day of the third year after the classification of the exposure as non-performing. |
| 0140 | **> 3 and <= 4 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by other funded or unfunded credit protection, where the first forbearance measure has been granted between the first and the last day of the fourth year after the classification of the exposure as non-performing. |
| 0150 | **> 4 and <= 5 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c (6) of Regulation (EU) No 575/2013 secured by other funded or unfunded credit protection, where the first forbearance measure has been granted between the first and the last day of the fifth year after the classification of the exposure as non-performing. |
| 0160 | **> 5 and <= 6 years after classification as NPE**  Institutions shall report exposure value of forborne NPEs that fall under Article 47c(6) of Regulation (EU) No 575/2013 secured by other funded or unfunded credit protection, where the first forbearance measure has been granted between the first and the last day of the sixth year after the classification of the exposure as non-performing.’ |