[F1 ANNEX VII

INSTRUCTIONS FOR THE REPORTING ON LOSSES STEMMING FROM LENDING COLLATERALISED BY IMMOVABLE PROPERTY

Textual Amendments

F1 Substituted by Commission Implementing Regulation (EU) 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (Text with EEA relevance).

1. This Annex contains additional instructions in relation to the tables included in Annex VI of this Regulation. This Annex complements the instructions in format of references included in the tables in Annex VI.

2. All the general instructions in Part I of Annex II shall also apply.

1. Reporting scope

3. Data specified in Article 101(1) of CRR is subject to reporting by all institutions using immovable property for the purposes of Part Three, Title II, of CRR.

4. The template covers all national markets an institution/group of institutions is exposed to (see Article 101(1) of CRR). According to the third sentence of Article 101(2), the data should be reported for each property market within the Union separately.

2. Definitions and general instructions

5. ‘Loss’ means ‘economic loss’ as defined in Article 5(2) of CRR. The recovery flows stemming from other sources (e.g. bank guarantees, life insurance, etc.) shall not be recognised when calculating losses stemming from immovable property. Losses of one position shall not be netted with the profit of a successful recovery of another position.

6. For exposures secured by residential and commercial property, the calculation of economic loss should start from outstanding exposure value at reporting date and should include at least: (i) proceeds from collateral realisation; (ii) direct costs (including interest rates payments and workouts costs linked to the liquidation of the collateral); and (iii) indirect costs (including operating costs of the workout unit). All components need to be discounted to the reporting reference date.

7. The exposure value follows the rules laid down in Part Three, Title II, of CRR (see Chapter 2 for institutions using the standardised approach, and Chapter 3 for institutions using the IRB approach).

8. The property value follows the rules laid down in Part Three, Title II, of CRR

9. The reporting currency shall be used with the exchange rate at the reporting date. Moreover, the estimates of the economic losses should consider the F/X effect if the exposure or collateral is denominated in a different currency.

3. Geographical breakdown

10. In accordance with the reporting scope, the reporting of exposures and losses from lending collateralised by immovable property (‘CR IP Losses’) shall consist of the following templates:

(a) one total template;

(b) one template for each national market in the Union where the institution is exposed to; and

(c) one template aggregating the data for all national markets outside the Union where the institution is exposed to.

4. Reporting of exposures and losses

11. Exposures: all exposures that are treated according to Part Three, Title II, of CRR and where the collateral is used to reduce own funds requirements, are reported in CR IP Losses. This also means that in case the risk mitigation effect of immovable property is only used for internal purposes (i.e. under Pillar 2) or for large exposures (see Part Four of CRR), the exposures and losses concerned must not be reported.

12. Losses: the institution which has the exposure by the end of the reporting period shall report the losses. Losses shall be reported as soon as provisions are to be booked according to accounting rules. Estimated losses should also be reported. Loss data shall be collected on a loan-by-loan basis, i.e. aggregation of individual loss data stemming from exposures collateralised by immovable property.

13. Reference date: the exposure value from the date of default shall be used for reporting of losses.

(a) Losses should be reported for all defaults on loans secured by real estate property that occur during the respective reporting period (i.e. irrespective of whether the work out is completed during the period or not). Since there may be a long time lag between default and loss realisation, loss estimates (which includes incomplete workout process) shall be reported in cases where the workout has not been completed within the reporting period.

(b) For all defaults observed within the reporting period, there are three scenarios: (i) defaulted loan can be restructured so that it is no longer treated as in default (no loss observed); (ii) realization of all collateral is completed (completed workout, actual loss known); or (iii) incomplete workout (loss estimates to be used). Loss reporting shall include only losses stemming from point (ii), realisation of collateral (observed losses) and point (iii) incomplete workout (estimates of losses).

(c) As losses shall be reported only for exposures having defaulted during the reporting period, changes to losses of exposures having defaulted during previous reporting periods will not be reflected in the reported data. This means that proceeds from the realisation of the collateral at a later reporting period or lower realised costs than previously estimated shall not be reported.

14. Role of the valuation of the property: the latest valuation of the property before the default date of the exposure is needed as reference date for reporting the part of exposure secured by mortgages on immovable property. After default, the property might be re-valued. This new value should however not be relevant for identifying the part of the exposure which was originally fully (and completely) secured by the mortgages on immovable property. However, the new value of the property shall be considered in economic loss reporting (a reduced property value is part of economic costs). In other words, the latest valuation of the property before the default date shall be used to determine which part of the loss is to be reported in cell 010 (identification of exposure values which is fully and completely secured) and the re-valued property

value for the amount to be reported (estimation of a possible workout from collateral) in cells 010 and 030.

15. Treatment of loan sales during the reporting period: the institution which has the exposure by the end of the reporting period shall report losses, but only if a default for that exposure has been identified.

5. Instructions concerning specific positions

Columns	
010	**Sum of losses stemming from lending up to the reference percentages** Article 101(1)(a) and (d) of CRR, respectively. Market value and mortgage lending value according to Article 4(74) and (76) of CRR. This column collects all losses stemming from lending collateralised by residential property or by commercial immovable property up to the part of exposure treated as fully and completely secured according to Article 124(1) of CRR.
020	**Of which: immovable property valued with mortgage lending value** Reporting of those losses, where the value of the collateral has been calculated as mortgage lending value.
030	**Sum of overall losses** Article 101(1)(b) and (e) of CRR, respectively. Market value and mortgage lending value according to Article 4(74) and (76) of CRR. This column collects all losses stemming from lending collateralised by residential property or by commercial immovable property up to the part of exposure treated as fully secured according to Article 124(1) of CRR.
040	**Of which: immovable property valued with mortgage lending value** Reporting of those losses, where the value of the collateral has been calculated as mortgage lending value.
050	**Sum of the exposures** Article 101(1)(c) and (f) of CRR, respectively. The value to be reported is only that part of the exposure value which is treated as fully secured by immovable property, i.e. the part that is treated as unsecured is not relevant for the loss reporting.

Rows	
010	**Residential property**
020	**Commercial immovable property]**