Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik „EDTF publishes IFRS 9 Impairment disclosure recommendations for banks“ stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:

Guido Fladt
Tel.: +49 69 9585-1455
E-Mail: g.fladt@de.pwc.com

Karsten Ganssauge
Tel.: +49 40 6378-8164
E-Mail: karsten.ganssauge@de.pwc.com

Wolfgang Weigel
Tel.: +49 69 9585-2574
E-Mail: wolfgang.weigel@de.pwc.com

In brief

A look at current financial reporting issues

January 2016

EDTF publishes IFRS 9 Impairment disclosure recommendations for banks

Background

The Enhanced Disclosure Task Force (EDTF) has published a report Impact of Expected Credit Loss Approaches on Bank Risk Disclosures[1]. This recommends disclosures in banks' annual reports to help the market understand an expected credit loss (ECL) approach to provisioning for impairment, such as that introduced in IFRS 9 'Financial Instruments'.

The EDTF emphasises that the importance of high quality, comparable and consistent disclosures increases when using ECL models. This is because of the greater degree of management judgement and inherently complex calculations involved for banks. Accordingly, the EDTF's recommendations are more extensive than the disclosure requirements in IFRS (see our In depth INT2015-02 IFRS 9: Expected credit loss disclosures for banking[2]).

The EDTF's recommendations have been developed with large international banks in mind, although they should be equally applicable to other banks that actively access the major public equity or debt markets.

Recommendations

Transition period from now to adoption

The new ECL requirements in IFRS 9 are effective for annual periods beginning on or after 1 January 2018. However, the EDTF highlights that disclosures are needed in the transition period, starting with 31 December 2015 annual reports.

The EDTF recommends a gradual and phased approach to disclosures during this transition period. This will give users clearer insights into the likely impacts of IFRS 9 as implementations progress and allow them to make increasingly useful comparisons between banks.

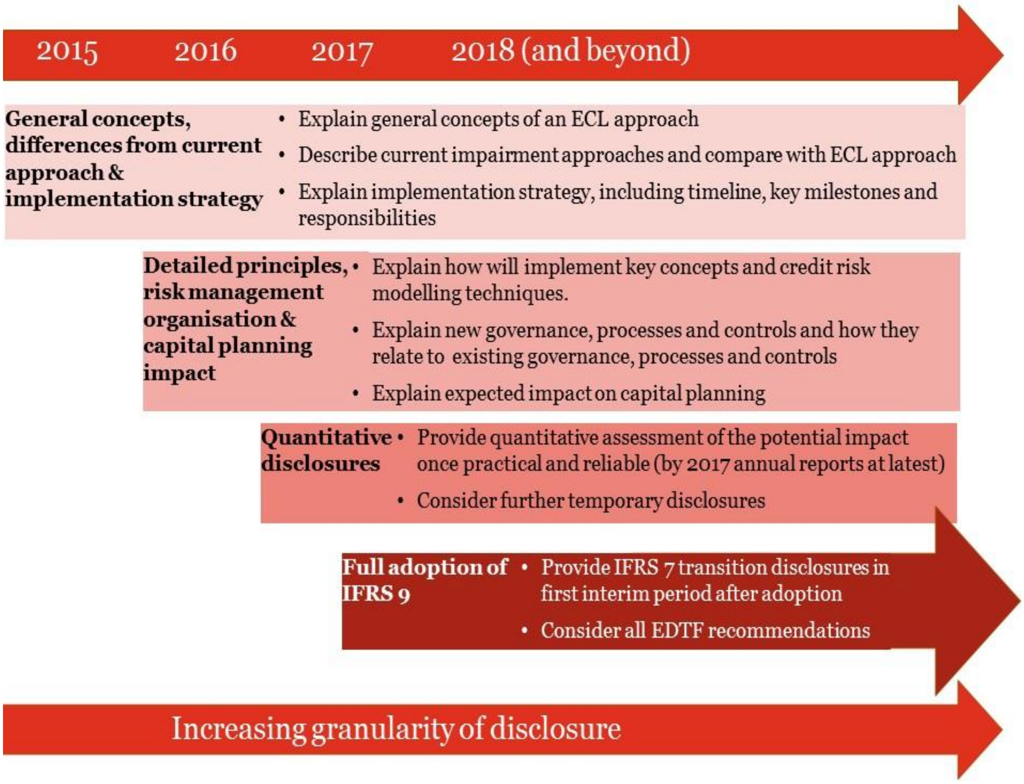
As highlighted in the indicative timeline overleaf (which is based on an implementation date of 2018 for banks with December financial year ends), the initial focus should be on qualitative disclosures. Quantitative disclosures should be provided as soon as they can be practically determined and are reliable, but at the latest, in the 2017 annual reports for IFRS reporters. Some, but not all, of these disclosures will be temporary and only needed in the transition period.

The timing of providing disclosures is likely to vary between banks due to differences in their timetables for developing and implementing ECL provisioning. The initial timing of information provided should be weighed against reliability and it is expected that the nature and extent of disclosures will develop over time.

[1] http://www.fsb.org/wp-content/uploads/Impact-of-expected-credit-loss-approaches-on-bank-risk-disclosures.pdf

[2] https://inform.pwc.com/inform2/s/INT2015_02_IFRS_9_Expected_credit_loss_disclosures_for_banking/informContent/152223530112350

Indicative timeline for implementing the EDTF recommendations:



Ongoing 'permanent' disclosures

The EDTF report also contains recommended disclosures that will apply on a permanent basis once IFRS 9 has been adopted. These fall into four categories: general recommendations; risk governance and risk management/business model; capital adequacy and risk weighted assets; and credit risk.

Sensitivity disclosures

One of the main additional 'permanent' disclosures the EDTF recommends is sensitivity disclosures. These would show the key drivers of change in credit losses when they are meaningful and relevant to understanding material changes. Such sensitivities may occur on an ongoing basis, eg the sensitivity to house prices for a residential mortgage book, or may be due to changes that emerge at a point in time for specific lending portfolios, eg when there has been an economic shock to either a specific country or industry.

What's next?

Action needed now

Banks should consider all the recommendations raised in the EDTF's report and how they plan to incorporate them in their IFRS 9 implementation processes. In particular, banks should consider the transition disclosures needed now, on a gradual and phased basis, starting with their 2015 annual reports for December year ends and continuing until the first period of adoption of IFRS 9.