IFRS 9 Stage 3

Impairment stage 3 is related to the objective evidence of impairment.

After at least one individual financial asset has been assigned to impairment stage 3, the solution supports the impairment of customers.

In a first step, a significance test is applied for those deals impaired in stage 3.

The significance test compares the total exposure of an individual deal with a configured threshold. If the total exposure exceeds the threshold, it will be classified as a significant deal. Otherwise, it will be classified as a non-significant deal. For details about the significance test please refer to Significance Test and Impairment Type.

In both cases, the risk provision is calculated at individual deal level. The basis of calculation is the comparison of the Gross Carrying Amount (GCA) and the recoverable amount, but for

- **Significant deals,** the recoverable amount is derived on the basis of individual deal specific recovery cash flows.
  Expected credit losses are posted as Specific Provision.
- **Non-significant** deals, the recoverable amount is derived on the basis of a loss that is calculated using **statistical methods** applied to historic performance information on the portfolio to which the individual deal belongs.
  Expected credit losses for non-significant financial assets are posted as Lump Sum Specific Provision.

For further details about the treatment of specific provision and lump sum specific provision plrease refer to "Customer Impairment".