



Joint Vienna Institute (JVI)

**Asset Classification and Provisioning  
from Prudential and IFRS Perspectives**

Vienna, Austria, May 2–6, 2016

**Program**

**Monday, May 2, 2016**

---

8:45 a.m.–9:30 a.m.

**Administrative Briefing and Opening by JVI Director**

*Tamara Tsikhistavi, JVI Program Officer, Norbert Funke, JVI Director*

**Introduction by Instructors and Participants**

*Ellen Gaston, Antonio Pancorbo, Susan Thetford, Jose Luis González*

9:30 a.m.–10:00 a.m.

***Coffee Break—Group Photo***

10:00 a.m.–11:15 a.m.

**IFRS Introduction and Overview of Supervisory Roles in Provisioning in Countries Implementing IFRS**

This session will discuss the challenges faced by supervisors in dealing with the diverging loan loss provisioning approaches between regulatory and accounting requirements and how supervisors can work through the differences and effectively help banks to comply with both principles. The session will also provide an update of recent developments in both accounting and regulatory fronts in terms of credit loss recognition and discuss new challenges and implications for supervisors.

*Ellen Gaston*

11:15 a.m. – 11:30 a.m.

***Coffee Break***

11:30 a.m. – 1:00 p.m.

**Bank Credit as Macro- and Micro-Prudential Concerns**

This session discusses bank credit as macro- and micro-prudential concerns, presents the commonly accepted policy response, particularly from its microprudential angle, and introduces international standards on banks' and supervisors' expectations regarding management, classification, and provisioning of bank credit exposures.

*Antonio Pancorbo*

1:00 p.m.-2:15 p.m.	<b><i>Lunch Break</i></b>
2:15 p.m.-3:45 p.m.	<p><b>A Supervisory Approach: Introduction and Asset Classification</b></p> <p>Introduction about the importance of assets classification and provisioning from a supervisory perspective. Analysis of the relevant issues for a proper supervision of the assets classification.</p> <p><i>José-Luis González</i></p>
3:45 p.m.-4:00 p.m.	<b><i>Coffee Break</i></b>
4:00 p.m.-5:00 p.m.	<p><b>IAS 39 and IFRS 9—Classification and Measurement</b></p> <p>Classification, reclassification, measurement, and comparison between the two standards. Supervisory implications will also be discussed.</p> <p><i>Susan Thetford</i></p>
6:00 p.m.–7:30 p.m.	<b><i>Evening City Tour or some other activity</i></b>

## **Tuesday, May 3, 2016**

---

9:00 a.m.–10:30 a.m.	<p><b>A Supervisory Approach: Loan Loss Provisioning</b></p> <p>Analysis of the relevant issues for a proper supervision of the cost of credit and provisioning.</p> <p><i>José-Luis González</i></p>
10:30 a.m.–10:45 a.m.	<b><i>Coffee Break</i></b>
10:45 am.–12:30 p.m.	<p><b>Classification and Provisioning—current supervisory practices</b></p> <p>Purposes and uses of a supervisory classification system.</p> <p>Classification of assets and provisioning in selected countries. The purpose of this session is show how different approaches are used in different countries.</p> <p><i>Antonio Pancorbo and José-Luis González</i></p>
12:30 p.m.–2:00 p.m.	<b><i>Lunch Break</i></b>
2:00 p.m.–3:30 p.m.	<p><b>IAS 39— Impairment Loss Recognition</b></p> <p>Current IFRS requirements for recognizing impairment, application of estimating future cash flows, implications of the effective interest method concept, impairment measurement on a collective basis, estimating losses for off-balance sheet exposures, and accounting and valuation for foreclosed assets.</p> <p><i>Susan Thetford</i></p>
3:30 p.m.–3:45 p.m.	<b><i>Coffee Break</i></b>
3:45 p.m.–5:00 p.m.	<p><b>Supervisory Loan Loss Classification and Provisioning—Implementation Issues</b></p> <p><i>Implementing an off-site and on-site supervision on a credit portfolio classification and provisioning.</i></p> <p><i>Jose Luis González</i></p>

## Wednesday, May 4, 2016

---

- 9:00 a.m.–10:45 a.m. **IFRS 9—Credit Loss Recognition**  
Scope of IFRS 9 as it relates to impairment of financial assets and comparison to the scope of IAS 39. Credit losses, 12-month expected credit losses, and lifetime expected credit losses. Determining when credit risk of a loan increases ‘significantly’. Three ‘stages’ of financial assets in applying the IFRS 9 impairment model. Recognition of interest income after impairment, collective assessments of assets, and modified (restructured) loans. Loan commitments and financial guarantee contracts.  
*Susan Thetford*
- 10:45 a.m.–11:00 a.m. **Coffee Break**
- 11:00 a.m.–12:30 p.m. **IFRS 9—Hands-on Exercises (case studies)**  
Exercise: Interest income on impaired loans. Case Study: Impairment under IFRS 9 for Individual Loans and Loans Assessed on a Collective Basis.  
*Susan Thetford*
- 12:30 p.m.–2:00 p.m. **Lunch Break**
- 2:00 p.m.–3:15 p.m. **Disclosure Requirements and Presentation—IFRS 7, EDTF, IAS 1, and Transition Rules**  
Changes to the IFRS disclosure requirements for financial instruments under IFRS 7, resulting from adoption of IFRS 9, including specific transitional guidance for disclosures in the first IFRS financial statements after adoption. Additional minimum financial statement line items under IAS 1. Overview of the Enhanced Disclosure Task Force (EDTF) report regarding the *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures*.  
*Susan Thetford*
- 3:15 p.m. – 3:30 p.m. **Coffee Break**
- 3:30 p.m.–5:30 p.m. **Classification and Provisioning under a Supervisory Perspective: Hands-on Exercise**  
Hands-on exercises and practices on supervising assets classification and provisioning.  
*Jose Luis González*

## Thursday, May 5, 2016

---

- 9:00 a.m.–11:00 a.m. **Supervisory Roles in Dealing with Common Provisioning Issues in Countries Implementing IFRS**  
Participants will be divided into groups and given a set of questions on how supervisors should deal with common provisioning issues in countries implementing IFRS. Each group will present their answers before the instructor will go over the issues.  
*Ellen Gaston*
- 11:00 a.m.–11:15 a.m. **Coffee Break**
- 11:15 a.m.–12:30 p.m. **Interaction between accounting and capital requirements.**  
Both accounting and capital requirements are essential tools for an adequate supervision. In this session we will analyse the interaction between both for a proper supervision of credit risk.  
*Jose Luis González*
- 6:30 p.m. **Departure to the Farewell Dinner**

## **Friday, May 6, 2016**

---

9:00 a.m.–10:30 a.m.

### **IFRS 9 Implementation Related Issues:**

This session will discuss issues related to IFRS 9 transitioning and implementation, including making important accounting policy and implementation decisions. What are the biggest challenges, and how should these challenges be prioritized?

*Susan Thetford*

10:30 a.m.–10:45 a.m.

### ***Coffee Break***

10:45 a.m.–12:15 p.m.

### **Presentation by Participants**

This session aims to provide a platform for participants to share experience and views with their counterparts. Each volunteer will be asked to prepare a 10-15 minutes presentation on issues related to classification and provisioning systems in their own countries, interactions with IFRS, IFRS 9 preparation/implementation, NPL resolution, or other topics they wish to share.

*Facilitated by Antonio Pancorbo*

12:15 p.m.–

### **Closing Session/Graduation**

---