



AASB 13-14 July 2011 Agenda paper 16.2



Update on the IASB/FASEB

FINANCIAL INSTRUMENTS: IMPAIRMENT

by Christina Ng





Where are we now

- A high-level variation of the Supplemental impairment model developed in June 2011
- Amortised cost financial assets managed in open portfolios only

Tentative objective:

“... seeks to reflect the general pattern of deterioration of the credit quality of loans...”

... seeks to be responsive to changes in information that has an effect on credit loss expectations.”

(source: IASB/FASB 13 June 2011 Agenda Paper 8)



Preliminary model



| Bucket 1 | Bucket 2 | Bucket 3 |
|----------|----------|----------|
|----------|----------|----------|

No events with direct relationship to possible future defaults

Events indicating a direct relationship to possible future defaults

EL NOT individually identifiable

EL individually identifiable



Minimum 12 months EL based on initial expectations + full amount of subsequent changes in EL

← Full remaining lifetime EL →



Preliminary model

Application



Criteria

Bucket 1

Bucket 2

Bucket 3

No events with direct relationship to possible future defaults

Events indicating a direct relationship to possible future defaults

EL NOT individually identifiable

EL individually identifiable



Observable event

Decrease in GDP in Country X

Housing prices in Town ABC decline

Rent decrease on specific buy-to-let loans in Town ABC



Revised project timing



- IFRS 9 effective date revised to 1 January 2015?



Questions?