

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](#).

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 please refer to "[Customer Impairment](#)".