This component is e.g. used for trade receivables and current accounts.

As a practical expedient for expected credit losses, the solution uses historical credit loss experience in order to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant.

The provision specifies fixed provision rates depending on the number of days past due. For example:

- 1 per cent if it is not past due,
- 2 per cent if it is less than 30 days past due,
- 3 per cent if it is more than 30 days but less than 90 days past due,
- 20 per cent if it is 90-180 days past due etc.

Depending on the diversity of the customer base, the solution supports appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used for group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).