Significance Test and Impairment Type

The **Customer Impairment Workbench** provides a framework to capture and maintain expected recovery cash flows for stage 3 impaired deals.

Depending on the significance of a customer or the significance of an individual deal, different types of impairment are supported:

- Specific Provision
- Lumps sum specific provision

The impairment type links

- the significance of an financial asset
- with the method which will be applied for calculation of the risk provision
- and specific report positions

For significant deals, specific provisioning is based on individual expected recoveries (collaterals, regular and irregular payments) captured in the Customer Impairment Workbench.

For significant deals the impairment type "specific risk provsion (SRP)" is assigned.

For not significant deals different ways are supported to calculate the recoverable amount, e.g. the recoverable amount is can be calculated by the following methods:

- **Lump Sum Specific Provision:**
  Each individual epected recovery cash flows which are derived based on the contractual cash flow plan, taking a recovery-rate into account before, is discounted with the original effective interest rate (EIR) of the financial aasset. The sum of discounted recoveries equals the recoverable amount.
  For not significant deals using the gross carrying amount and a loss rate as input to calculate the recoverable aount, the **impairment type "LSSP carrying amount"** is considered.
- **Lum Sum Carrying Amount:**
  multiplication of the current gross carrying amount with a loss-rate.
  For not significant deals using the gross carrying amount and a loss rate as input to calculate the recoverable aount, the **impairment type "LSSP carrying amount"** is considered.