

## **Chapter 2**

# **Commission Delegated Regulation (EU) 2018/171**

## Article 1 Conditions for setting the materiality threshold for retail exposures

(1) A competent authority shall set for all institutions in its jurisdiction a single materiality threshold for retail exposures.

However, for institutions applying the definition of default laid down in points (a) and (b) of the first subparagraph of Article 178(1) of Regulation (EU) 575/2013 at the level of an individual credit facility, the competent authority may set a separate single materiality threshold for retail exposures.

(2) The materiality threshold referred to in the first subparagraph of paragraph 1 shall consist of an absolute and a relative component.

The absolute component shall be expressed as a maximum amount for the sum of all amounts past due owed by an obligor to the institution, the parent undertaking of that institution or any of its subsidiaries ("credit obligation past due"). The maximum amount shall not exceed 100 EUR or the equivalent of that amount in the relevant national currency.

The relative component shall be expressed as a percentage reflecting the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor of the institution, the parent undertaking of that institution or any of its subsidiaries, excluding equity exposures. The percentage shall be between 0 % and 2,5 % and shall be set at 1 % whenever that percentage reflects a level of risk that the competent authority considers to be reasonable in accordance with Article 3

(3) The materiality threshold referred to in the second subparagraph of paragraph 1 shall be set in accordance with the conditions laid down in paragraph 2, with the only difference that "credit obligation past due" and "total amount of all on-balance sheet exposures of the institution to that obligor, excluding equity exposures" shall refer to the amounts of the credit obligation of the obligor that result from a single credit facility granted by the institution, the parent undertaking or any of its subsidiaries.

(4) When setting the materiality threshold in accordance with this Article, the competent authority shall take into account the risk characteristics of retail exposures and the specification of retail exposures as set out in Article 147 of Regulation (EU) No 575/2013 for banks applying the Internal Ratings Based Approach and in Article 123 of that Regulation for institutions that apply the Standardised Approach.

(5) When setting the materiality threshold in accordance with this Article, the competent authority shall assume that the obligor is defaulted when both the limit expressed as

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the absolute component of the materiality threshold and the limit expressed as the relative component of that threshold are exceeded either for 90 consecutive days or for 180 consecutive days, where all of the exposures included in the calculation of the credit obligation past due are secured by residential or SME commercial real estate and the 90 days have been replaced by 180 days in accordance with Article 178(1)(b) of Regulation (EU) No 575/2013 for those exposures.