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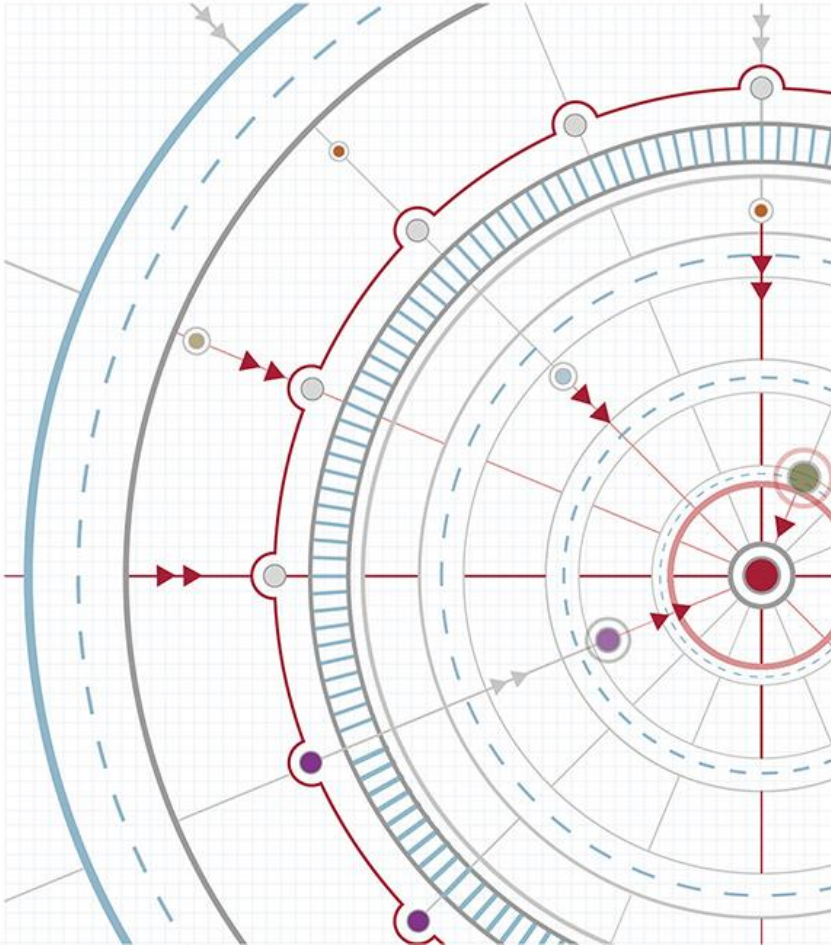

IFRS 9
Financial Instruments
Overview

Vienna, Austria

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The views expressed in this presentation are those of the presenter,
not necessarily those of the International Accounting Standards Board or IFRS Foundation.

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Classification and measurement

Classification

Financial Assets
Classification process

Test
Cash flow characteristics

Financial Assets
Cash flow characteristics assessment

- If cash flows solely Principal and Interest, measurement depends on the business model
- Interest is consideration received for time value of money and credit risk
- Standard provides guidance on application of the principle when:
  - Interest rate is leveraged,
  - There is an ‘interest rate mismatch’,
  - Regulated rates

Example
Contractual cash flow characteristics

- Instrument A is a bond with a stated maturity date
- Payments of principal and interest on the principal amount outstanding are linked to an inflation index of the currency in which the instrument is issued.
- The inflation link is not leveraged and the principal is protected

Example
Contractual cash flow characteristics

- Instrument B is a variable interest rate instrument with a stated maturity date that permits the borrower to choose the market interest rate prospectively
  - For example, at each interest rate reset date, the borrower can choose to pay three-month LIBOR for a three-month term or one–month LIBOR for a one-month term

Example
Contractual cash flow characteristics

- Instrument C is a bond with a stated maturity date and pays a variable market interest rate
- That variable interest rate is capped

- Instrument D is a full recourse loan and is secured by collateral

Paragraph B4.1.13 of IFRS 9

Example
Contractual cash flow characteristics

- Instrument E is issued by bank with stated maturity date
  – pays fixed rate and cash flows are non-discretionary
- Bank subject to legislation that permits resolving authority to impose losses on holders of Instrument E in particular circumstances
  – For example, resolving authority has power to write down par amount of Instrument or convert it to fixed number of issuer's ordinary shares if it determines that the issuer is having severe financial difficulties

Paragraph B4.1.13 of IFRS 9

Example
Contractual cash flow characteristics

Instruments that are not SPPI

- A bond that is convertible into a fixed number of equity instruments of the issuer
- A loan that pays an inverse floating interest rate (ie the interest rate has an inverse relationship to market interest rates).

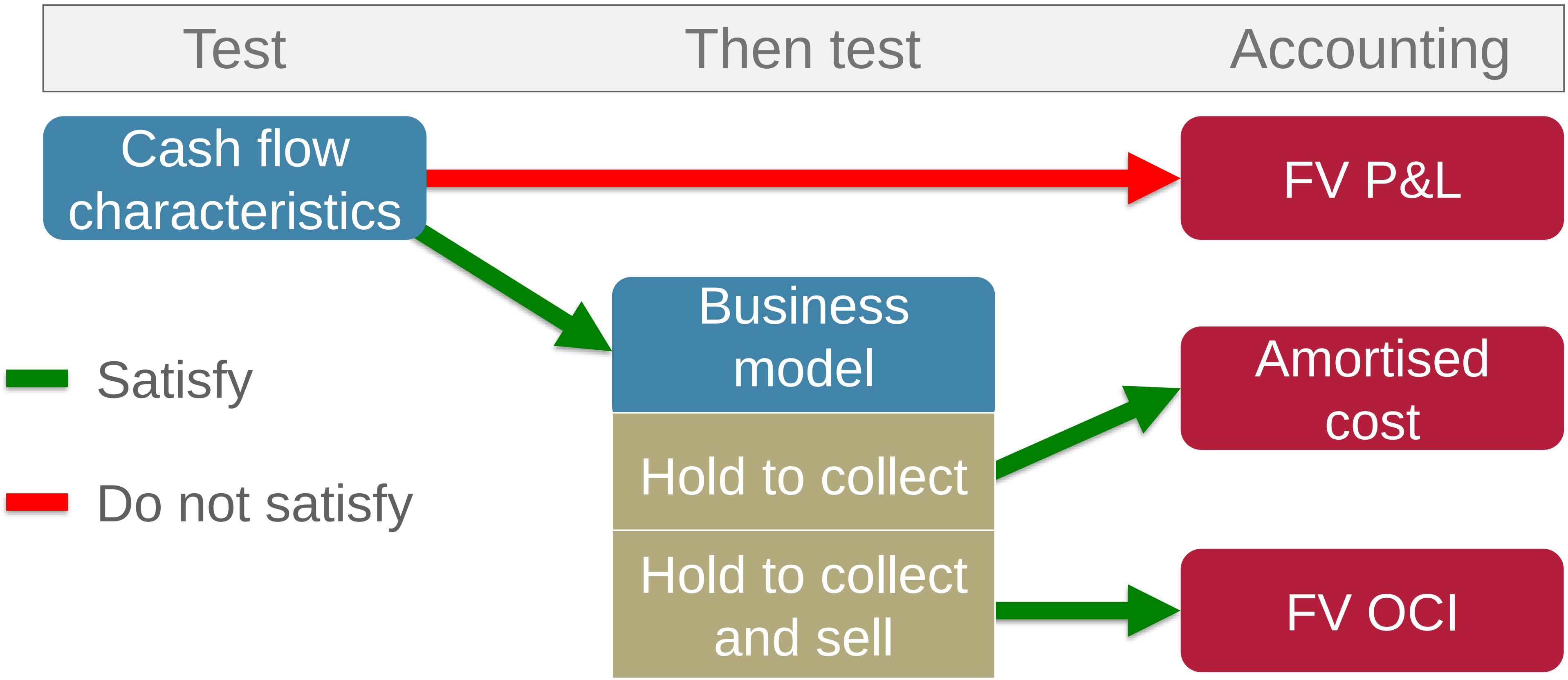
Paragraph B4.1.13 of IFRS 9

Example
Contractual cash flow characteristics

- Instrument H is perpetual instrument but issuer may call at any point and pay holder par plus accrued interest
- Instrument pays market interest rate but payment of interest cannot be made unless the issuer is able to remain solvent immediately afterwards
- Deferred interest does not accrue additional interest.

Paragraph B4.1.13 of IFRS 9

Financial Assets
Classification process



Financial Assets
At amortised cost

- Business model:
  - Objective of holding instruments is to collect contractual cash flows rather than to sell
  - Not an instrument by instrument
- Contractual cash flow characteristics
  - Payments represent solely principal and interest
  - Interest is consideration for time value of money and credit risk
  - Prepayment/extension options may qualify
- No ‘tainting’ rules for assets at amortised cost

Financial Assets
At Fair Value through OCI (FVOCI)

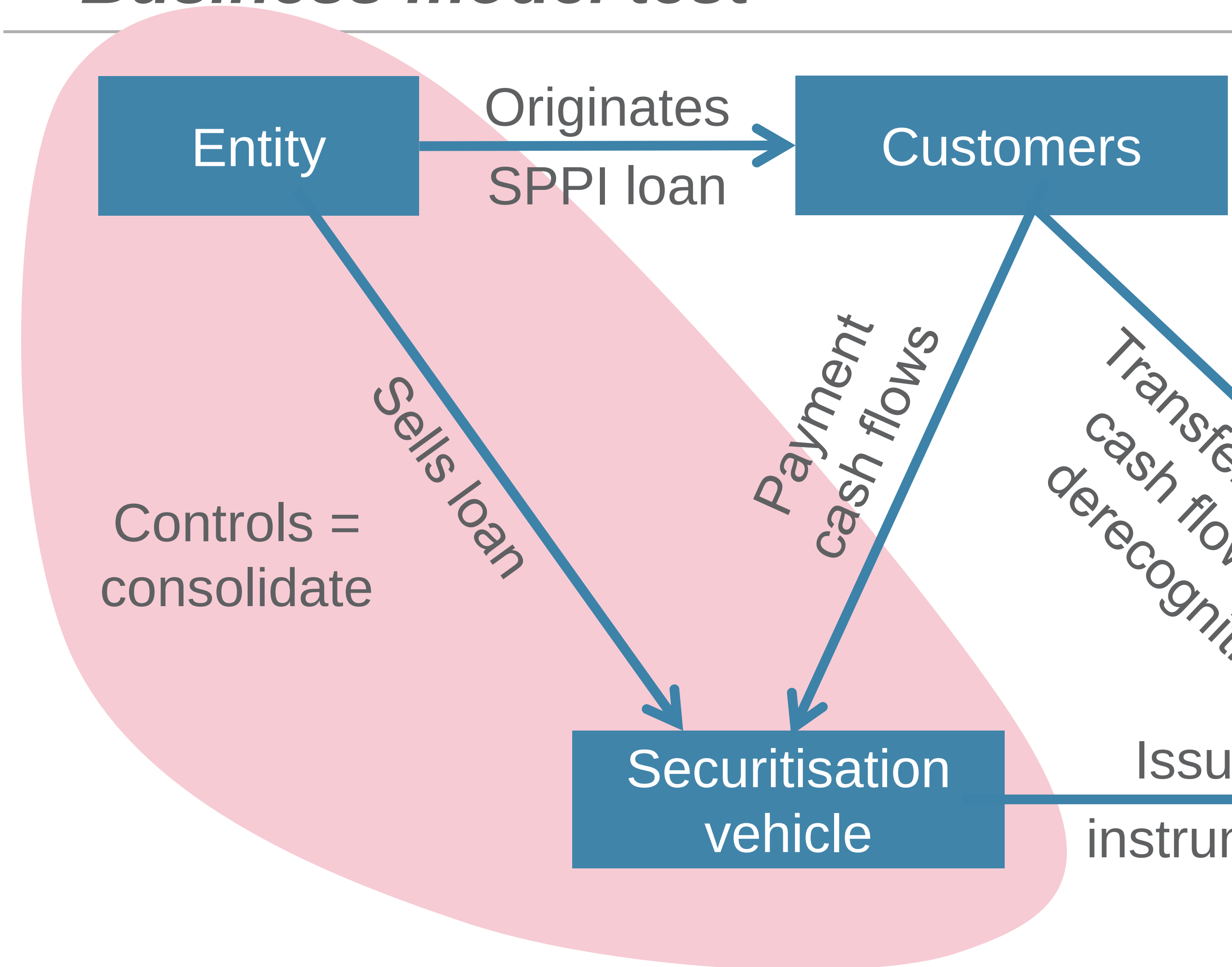
- Business model:
  - Objective of holding instruments is to:
    - collect contractual cash flows; and
    - Sell financial assets
  - Not an instrument by instrument approach
- Contractual cash flow characteristics
  - Payments represent solely principal and interest
  - Interest is consideration for time value of money and credit risk
  - Prepayment/extension options may qualify
- No ‘tainting’ rules for assets at amortised cost

Example
Business model test

- Entity A holds assets to collect contractual cash flows
- A has risk management activities to reduce credit losses
  - sales have typically occurred when assets' credit risk has increased (credit criteria no longer met)
- Infrequent sales occur for unanticipated funding needs
- Reports to key management focus on credit quality of the financial assets and contractual return.
- A monitors fair values of assets among other information

Example 1, Paragraph B4.1.4 of IFRS 9

Example
Business model test



Concludes the business model is hold to collect

Example 1, Paragraph B4.1.4 of IFRS 9

Example
Business model test

- Bank holds assets to meet liquidity needs in ‘stress case’ scenario - ~~no other sales anticipated~~
- Credit quality of assets is monitored
- Objective: collect contractual cash flows
- Assets monitored on fair value basis
- Objective: monitor cash to be realised in stress case
- Periodically, entity makes insignificant sales to demonstrate liquidity – no other sales anticipated

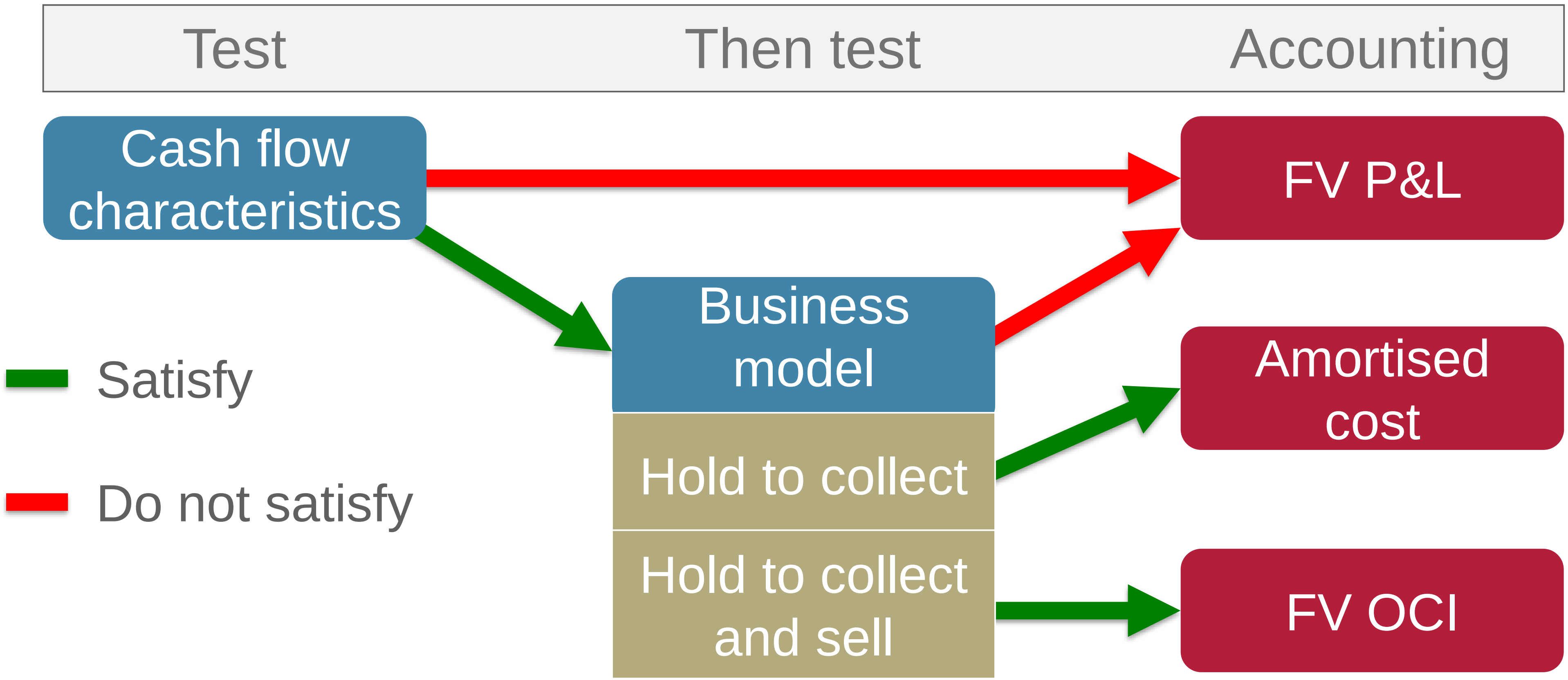
Example 4, Paragraph B4.1.4 of IFRS 9

Example
Business model test

- Bank holds assets to meet everyday liquidity needs
  - Seeks to minimise costs of liquidity and therefore actively manages return on portfolio
  - Return = collecting contractual payments + gains and losses from the sale of financial assets.
- Holds assets to collect cash flows **and** sells assets to reinvest in higher yield assets or better match liabilities
- Strategy results in frequent sales of significant value
- Activity is expected to continue in the future

Example 6, Paragraph B4.1.4 of IFRS 9

Financial Assets
Classification process



Financial Assets
Classification process - options

Accounting	Allowed option	Restrictions
FV P&L	Equities through OCI, not for trading	Irrevocable No recycling
Amortised cost FV OCI	FV for accounting mismatch	Irrevocable

Financial Assets

Test	Accounting	Option
Cash flow characteristics	Amortised cost	FV for accounting mismatch
Business Model	FV OCI	
Instruments which fail either test	FV P&L	Equities through OCI

‡ Reclassification required if business model changes

* Same impairment model for amortised cost and FVOCI

Reclassifications

Financial Assets

- When, and only when, an entity changes its business model for managing financial assets
- Expected to be very infrequent
- Changes must be significant to entity's operations and demonstrable to external parties
- Date is 1st day of 1st reporting period following change

Reclassification of financial assets

<table>
<tr><th colspan="2"></th><th colspan="3">To:</th></tr>
<tr><th colspan="2"></th><th>FVPL</th><th>FVOCI</th><th>Amort. Cost</th></tr>
<tr><th rowspan="6">From:</th><th rowspan="2">FVPL</th><td rowspan="2"></td><td>Continue at FV</td><td>FV at reclass. date = cost</td></tr>
<tr><td colspan="2">EIR at FV on reclass date</td></tr>
<tr><th rowspan="2">FVOCI</th><td rowspan="2">Continue at FV, accum OCI at reclass to P&L</td><td rowspan="2"></td><td rowspan="2">FV at reclass. date = cost, accum OCI set off to asset value</td></tr>
<tr></tr>
<tr><th rowspan="2">Amort cost</th><td colspan="2">FV measured at reclass date</td><td rowspan="2"></td></tr>
<tr><td>Diff cost and FV to P&L</td><td>Diff cost and FV to OCI</td></tr>
</table>

See detail in apendix

Example
Reclassifications

- Entity A has portfolio of commercial loans that it holds to sell in the short term
- A acquires company B that manages commercial loans in order to collect the contractual cash flows
- A transfers portfolio of commercial loans to B, and portfolio is held to collect contractual cash flows

Example (a), Paragraph B4.4.1 *of IFRS 9*

Example
Reclassifications

- Bank B decides to shut down retail mortgage business
- B no longer accepts new business and
- B actively markets its mortgage loan portfolio for sale

Example (b), Paragraph B4.4.1 *of IFRS 9*

Example
Reclassifications

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- The temporary disappearance of a particular market
- A transfer of financial assets between parts of the entity with different business models

Paragraph B4.4.3 *of IFRS 9*

Financial liabilities

Test	Accounting	Option
Held for trading	FV P&L	
All other financial liabilities	Amortised cost	FV for accounting mismatch

Financial Liabilities
FVO and own credit

- What is 'own credit'?
  - fair value changes in liability arising from changes in the liability's credit quality
- How is it measured?
  - often measured as change in margin over a benchmark interest rate
- What is the concern?
  - gain when credit quality deteriorates, loss when credit quality improves
  - reporting such gains and losses is not considered useful

IFRS 9
Own credit on Fair Value Liabilities

Financial Statements (IFRS 9)	
Balance Sheet	Comprehensive Income
Fair value liability: All changes including own credit	P&L: all changes except own credit OCI: changes in own credit

- P&L gain when 'own credit' deteriorates, loss when it improves
- Limited amendments propose allowing the 'own credit' requirements to be applied before the rest of IFRS 9
- Required by IFRS 9 for liabilities under the FVO

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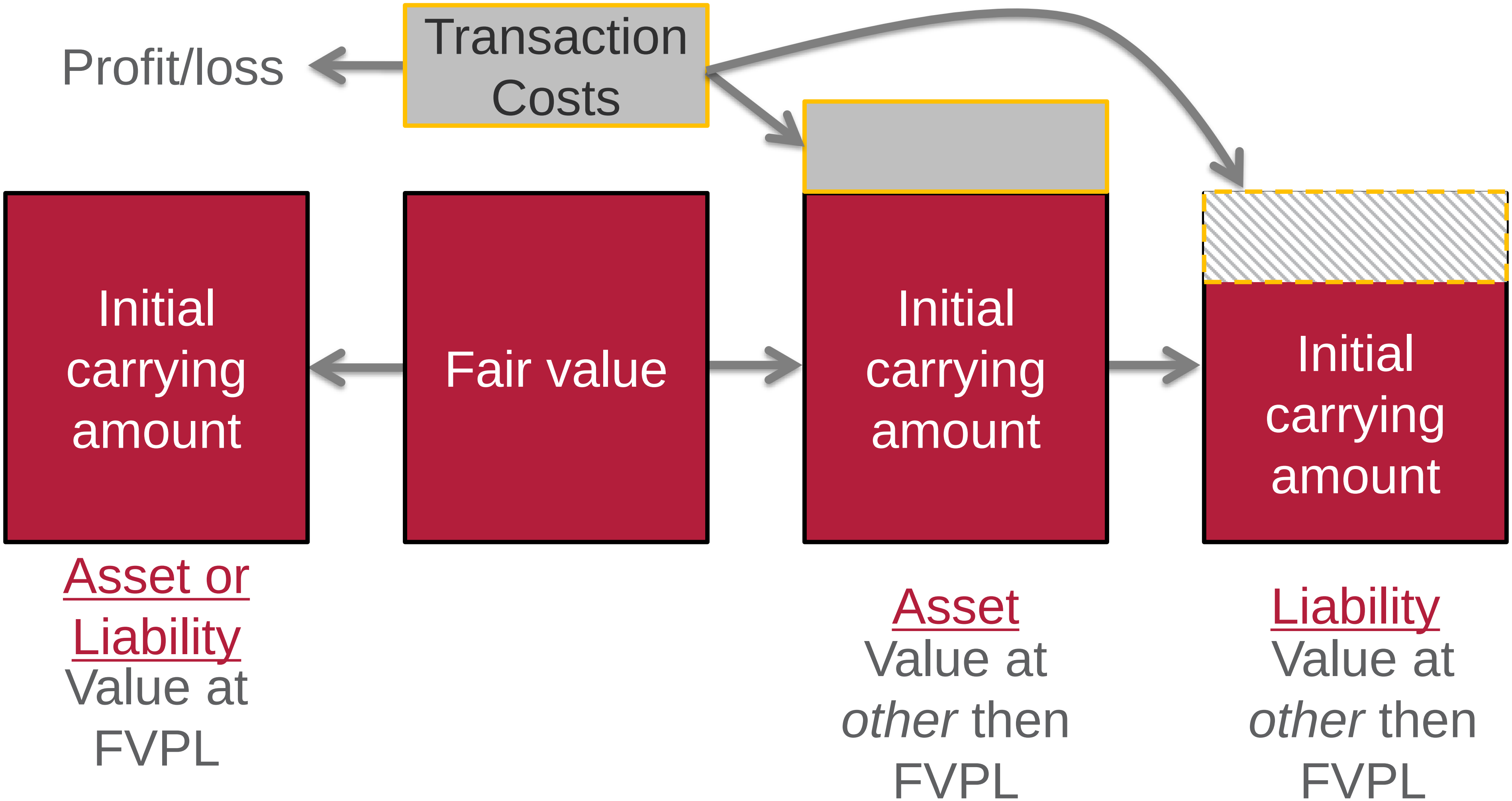
Classification and measurement

Measurement

Initial measurement



Example
Initial measurement

- Entity acquires asset A for CU100 plus purchase commission of CU2

	Cost	FVOCI	FVPL
Asset A	102 Dr	100 Dr	100 Dr
Cash (purchase price)	102 Cr	102 Cr	102 Cr
Profit or loss (Loss)	-	-	2 Dr
OCI (Loss)	-	2 Dr	-

Paragraph B5.2.2 of IFRS 9

Fair value versus transaction price

Best evidence of fair value is normally transaction price

- If FV at initial recognition differs from transaction price:
  - If quoted price in active market or valuation using only data from observable markets
    - Recognise the difference as a gain or loss
  - In all other cases:
    - At initial recognition: defer difference
    - After initial recognition: recognise deferred difference as gain or loss only to extent that it arises from a change market participants would take into account

Fair value versus transaction price

Best evidence of fair value is normally transaction price

- If FV at initial recognition differs from transaction price
- If part of the consideration might not be for the financial instrument itself, eg
  - ‘Interest free’ loan to a subsidiary
  - Providing below-market interest rate loan for rebates or minimum purchase volume regarding other items
- An entity measures the fair value of the financial instrument, and takes difference to profit or loss

Subsequent measurement
Amortised cost

Statement of financial position	Profit or loss	OCI
Amortised cost	Interest (EIR)	Fair value change not recognised in profit or loss
	Impairment	Nil
	Gain/loss on FX	
	Gain/loss on derecognition	

Subsequent measurement
Fair value through OCI (debt instruments)

Statement of financial position

Fair value

Profit or loss

Interest (EIR)

Impairment

Gain/loss on FX

Gain/loss on derecognition

OCI

Fair value change not recognised in profit or loss

Accumulated balance recycled on derecognition

Example
Subsequent measurement

- Debt instrument acquired on 15 Dec x0 for CU1 000
- 5% interest rate, 10 year term, EIR of 5%
- 12 month ECL is CU30
- Business model ‘held to collect and sell’

	Debit	Credit
Financial Asset	1 000	
Cash (purchase price)		1 000
Impairment loss (P&L)	30	
Impairment loss (OCI)		30
(To recognise the debt instrument measured at its FV)		

Example 13 of IFRS 9 Illustrative examples

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Example *continued*
Subsequent measurement

- FV decreased to CU950 at reporting date
- Entity determines no change in credit risk

	Debit	Credit
Financial Asset	50	
OCI		50
(To recognise FV changes on the debt instrument)		

Example 13 of IFRS 9 Illustrative examples

Example *continued*
Subsequent measurement

- Balance Sheet at reporting date:

	Debit	Credit
Financial Asset (FV)	950	
Cash overdraft		1 000
Retained income	30	
Accumulated OCI	20	

Example 13 of IFRS 9 Illustrative examples

Example *continued*
Subsequent measurement

- Day after reporting date, entity sells instrument for CU950, which is its FV at that date

	Debit	Credit
Cash	950	
Financial asset		950
Accumulated OCI		20
Loss on sale (P&L)	20	
(To derecognise the FVOCI asset and recycle amounts accumulated in OCI to P&L)		

Example 13 of IFRS 9 Illustrative examples

Example *continued*
Subsequent measurement

- FV decreased to CU950 at reporting date
- **If** entity determines increase in credit risk of CU40

	Debit	Credit
Financial Asset	50	
OCI		50
Impairment loss (P&L)	40	
Impairment loss (OCI)		40
(To recognise FV changes on the debt instrument)		

Amended Example 13 of IFRS 9 Illustrative examples

Example *continued*
Subsequent measurement

- Balance Sheet at reporting date:

	Debit	Credit
Financial Asset (FV)	950	
Cash overdraft		1 000
Retained income	70	
Accumulated OCI		20

Amended Example 13 of IFRS 9 Illustrative examples

Example *continued*
Subsequent measurement

- Day after reporting date, entity sells instrument for CU950, which is its FV at that date

	Debit	Credit
Cash	950	
Financial asset		950
Accumulated OCI	20	
Profit on sale (P&L)		20
(To derecognise the FVOCI asset and recycle amounts accumulated in OCI to P&L)		

Amended Example 13 of IFRS 9 Illustrative examples

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Subsequent measurement
Fair value through OCI (Equity instruments)

Statement of financial position	Profit or loss	OCI
Fair value	Dividends	All changes in fair value and FX component
		Accumulated balance never recycled - may be transferred within equity

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Subsequent measurement
Fair value through Profit and Loss

Statement of financial position	Profit or loss	OCI
Fair value	Changes in Profit or Loss	Nil

Disclosures
IFRS 7

Main areas of disclosure for classification & measurement

- Effect of transition from IAS 39 to IFRS 9
- Derecognised financial assets measured at amortised cost—gains/losses and the reasons for derecognition.
- Reclassification of financial assets—change in business model and qualitative description of its effects
- OCI presentation election for equity investments—reasons for using election, information about designated investments

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Impairment

Deterioration model

Credit quality deterioration since initial recognition

	Stage 1	Stage 2	Stage 3
Impairment recognition	12 month expected loss	Lifetime expected loss	Lifetime expected loss
Interest revenue	Gross basis	Gross basis	Net basis

Stage 1
Performing

Stage 2
Under-performing

Stage 3
Non-performing

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12 Month expected loss

Recognise 12 month expected loss if probability of default has not increased significantly since initial recognition

- Proxy for adjusting interest rate for initial expected credit losses
- Expected shortfall in all contractual cash flows given probability of default occurring in next 12 months
- NOT
- Expected cash shortfalls in next 12 months
- Credit losses on assets expected to default in next 12 months

Lifetime expected loss

Recognise lifetime expected losses if probability of default has increased significantly since initial recognition

- Smaller change in PD for good quality assets and bigger change in PD for poorer quality assets
- Example: an existing asset would be priced differently because of increase in credit risk since initial recognition
- To address complexity and cost:
- Don’t recognise lifetime losses on low risk assets
- Symmetrical model

When to calculate net interest

When assets are ‘credit impaired’

- Interest is usually calculated on the gross carrying amount (ie before the loss allowance)
- Change to calculation on a net basis (ie on the amortised cost that is net of the loss allowance) when IAS 39 criteria for impairment are satisfied
- Consistent with population considered impaired under IAS 39 today (excluding IBNR)

Assessing deterioration

- Use best information available without undue cost and effort
- Information to consider includes:
  - Borrower specific
  - Macro-economic
  - Internal default rates and probabilities of default
  - External pricing
  - Credit ratings
  - Delinquencies
- Rebuttable presumption that assets 30 days past due have deteriorated

Assessing deterioration

- Change in probability of default occurring (not change in expected losses)
- Compared with initial recognition
- Maturity matters
- Operational simplifications:
  - Recognise 12-month expected credit losses if investment grade
  - Rebuttable presumption: significant deterioration when payments are more than 30 days past due
  - Don’t need to assess for trade and lease receivables

Assessing deterioration
Significant increase in credit

- Recognise lifetime ECL on a significant increase in credit risk
- Change in credit risk over the life of the instrument (ie probability of a default occurring)
  - Not changes in expected losses
  - Compared to credit risk at initial recognition
- Doesn’t require mechanical assessment of probability of default statistics
- Use information that is available without undue cost or effort

Assessing deterioration
Examples of factors to consider

- Significant change in required charge for credit risk because of changes in credit risk
- Changes in external market indicators of credit risk
- Actual or expected change in
  - internal or external credit rating
  - risk of default on another facility with same borrower
  - operating results of borrower
- Change in how bank manages credit risk on instrument
- Past due information

Example
Assessing deterioration - unanticipated

- Bank X provides senior secured loan facility to Co Y
- At the time of origination of loan:
  - expected Y would meet covenants over life of instrument
  - stable expected revenue and cash flow in Y’s industry
- Subsequent to initial recognition:
  - Y underperforms on its business plan
  - Y close to breaching its covenants
  - prices for Y’s bonds decreased, market spreads increased, not explained by market environment
- X expects further deterioration in economic environment

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Example 1 of IFRS 9 Illustrative Examples

Example
Assessing deterioration - anticipated

- Co C is parent of group operating in cyclical industry
  - Group structure complex, subject to change, investors struggle to analyse expected performance and forecast cash flows
- Bank B provided loan to C when prospects are positive
  - However, a potential decrease in sales was anticipated
- At the time that Bank B originates the loan:
  - Creditors concerned about C’s ability to refinance its debt.
  - C’s leverage in line with other customers with similar risk
  - Headroom on its coverage ratios high

Example 2 of IFRS 9 Illustrative Examples

Example *continued*
Assessing deterioration - anticipated

- B determines on initial recognition that loan is subject to considerable credit risk and has speculative elements
- Subsequent to initial recognition, C announces significant reduction in sales volume in some subsidiaries but expects improving in following months.
- C announces a corporate restructure, which will increase flexibility to refinance existing debt and the ability of the subsidiaries to pay dividends to C.

Example 2 of IFRS 9 Illustrative Examples

Example
Assessing deterioration - collateral

- Co H owns property financed by 5 year loan from Bank Z
  - loan-to-value (LTV) ratio is 50%.
  - secured by first-ranking security over property
- Subsequent to initial recognition:
  - H's revenues and profits decrease due to recession
  - New regulations will potentially further negatively affect H
  - Negative effects could be significant and ongoing
- Z estimates further deterioration may result in H missing payments
- 3rd party appraisals indicate an LTV of 70%.

Example 3 of IFRS 9 Illustrative Examples

Assessing deterioration
Collective assessment

- In general, assessment made on individual level
- Collective assessment if same outcome as individual assessment, ie same risk characteristics, such as
  - Credit risk ratings
  - Industry
  - Geographical location of borrower
  - Remaining term to maturity
- Grouping changes as time reduces uncertainty of outcome
- Objective is to recognise lifetime ECL on instruments for which credit risk has increased significantly

Example
Assessing deterioration - collateral

Bank provides mortgages to finance residential real estate in a specific area

Area includes mining community - largely dependent on export of coal and related products

Significant decline in coal exports occurs and closure of several coal mines expected

Risk of default on loans to borrowers employed by coal mines determined to have increased significantly

Example 4 of IFRS 9 Illustrative Examples

Measurement

- Impairment loss measured as difference between carrying value and Present Value of expected future cash flows
- Probability weighted outcome
  - Need not consider every possible outcome
  - Must consider (at least) possibility that a default will occur and that a default will not occur
- Time value of money
  - Reasonable rate between (and including) risk-free rate and effective interest rate

Measurement

- Particular measurement methods are not prescribed
- Borrower specific:
  - changes in operating results of borrower
  - technological advances that affect future operations
  - changes in collateral supporting obligation
- Macro-economic:
  - house price indexes, GDP, household debt ratios
  - Internal default rates and probabilities of default
  - External pricing, eg credit rating agency information

Example
12 month expected loss

- Entity B acquires 1,000 5-year bullet loans for CU1,000 each (ie CU1million in total).
  - average 12-month PD = 0.5% for the portfolio
  - portfolio has an average LGD of 25%
- B determines no significant increase in credit risk since initial recognition
- 12-month PD remains at 0.5% at the reporting date.
- B measures loss allowance on a collective basis at 12-month expected credit losses based on average 0.5% 12-month PD, and LGD of 25%

Example 8 of IFRS 9 Illustrative Examples

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Low credit risk

- Operational simplification for high quality financial instruments (for example, investment grade)
- Choice to assume instrument remains in stage 1
- Therefore, no need to assess whether changes in credit risk have been significant
- Still need to update expected credit losses for changes in expectations even if in stage 1

But

- Not a hair-trigger – if the credit quality falls below investment grade, need to assess whether deterioration is significant (ie normal model appl

Delinquency - rebuttable presumption

- Objective is to act as a backstop or latest point to identify significant deterioration
- Rebuttable presumption payments are more than 30 days past due
- A lagging indicator, but should identify before default
- Proxy for significant deterioration if no other borrower-specific information
- Can be rebutted
- However, cannot ignore information that suggest significant deterioration prior to 30 days delinquency

Credit impaired on initial recognition

- Scope
  - Both originated and purchased credit-impaired
  - same population as IAS 39 impaired
- Always outside general deterioration model
- Use credit-adjusted effective interest rate
  - No day 1 allowance balance
  - No day 1 impairment loss recognised
- Allowance balance represents changes in lifetime loss expectations

Trade and lease receivables

- Without a significant financing component (eg short term):
  - Measure receivable at invoice amount
  - Allowance is always lifetime expected losses
  - Provision matrix can be used
- With a significant financing component (eg long term) and lease receivables (policy election):
  - general deterioration model or
  - always recognise lifetime expected losses

Example
Provision matrix

- Co M has trade receivables of CU30 million in 20X1
- Customer base consists of large number of small clients
- Receivables have common credit risk characteristics and do not have a significant financing component
- M uses a provision matrix to determine the expected credit losses for the portfolio,
  - based on historical observed default rates
  - adjusted for forward-looking estimates.
- M expects that economic conditions will deteriorate over the next year

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Example 12 of IFRS 9 Illustrative Examples

Example
Provision matrix

M estimates the following provision matrix:

	Current	1–30 days	31–60 days	61–90 days	> than 90 days
Default rate	0.3%	1.6%	3.6%	6.6%	10.6%

	Gross carrying amount	Default rate	Lifetime ECL allowance
Current	15 000 000	0.3%	45 000
1-30 days	7 500 000	1.6%	120 000
31-60 days	4 000 000	3.6%	144 000
61-90 days	2 500 000	6.6%	165 000
More then 90 days	1 000 000	10.6%	106 000

Example 12 of IFRS 9 Illustrative Examples

Loan commitments and guarantees

- Apply general deterioration model
- Instruments that create a present legal obligation to extend credit
- Maximum contractual period exposed to credit risk
  – Except where behavioural life prevails
- Estimate usage behaviour over the lifetime
- Expected losses presented as liability

Disclosures

- Inputs, assumptions and techniques used in:
  - estimating expected credit losses; and
  - assessing whether the recognition of lifetime expected losses have been met
- Roll-forward of the carrying amount and allowance balance
- Disaggregation of carrying amount by credit quality
- Credit-impaired assets at initial recognition
- Collateral
- Assets evaluated on individual basis

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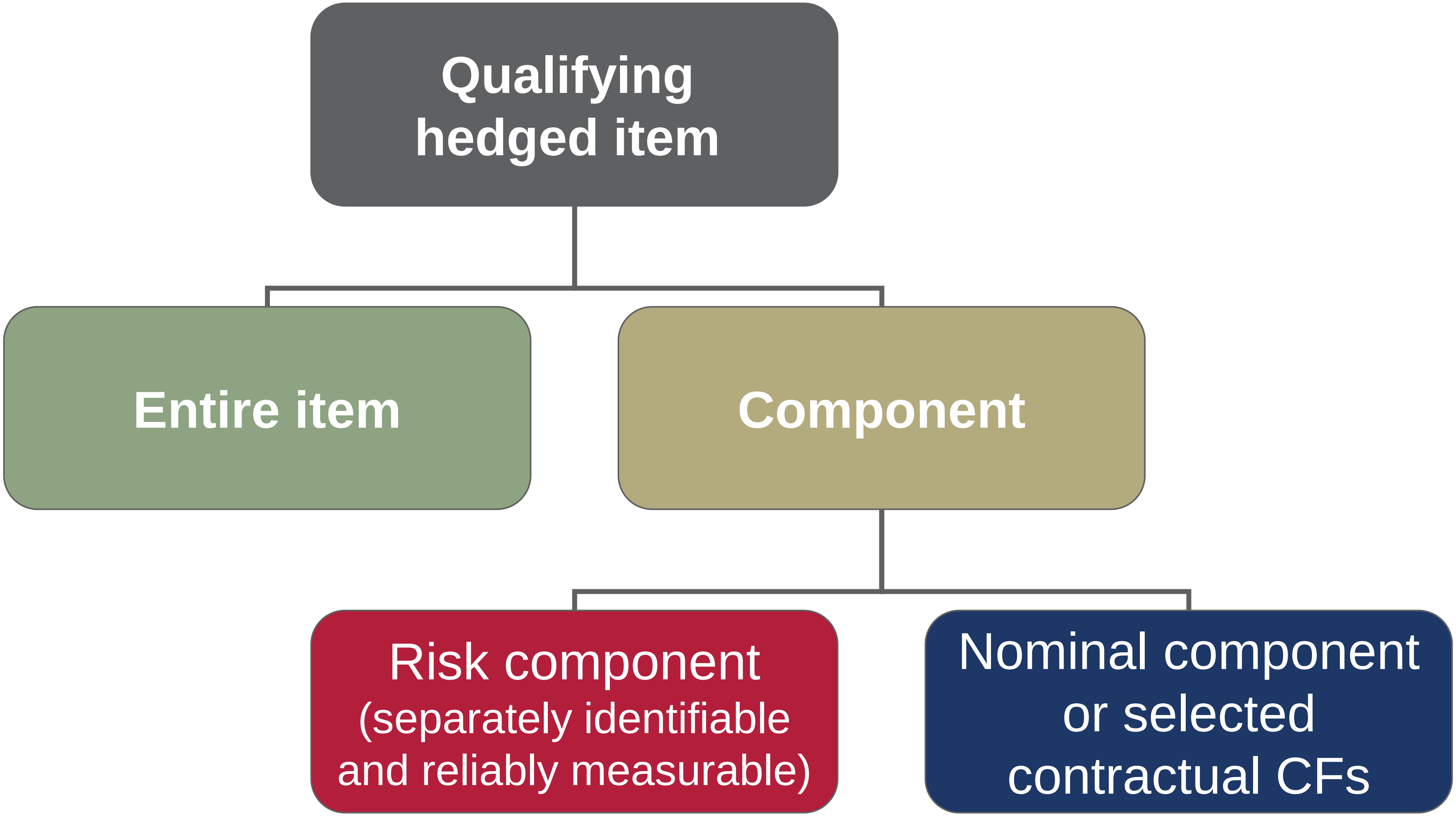
Hedge accounting

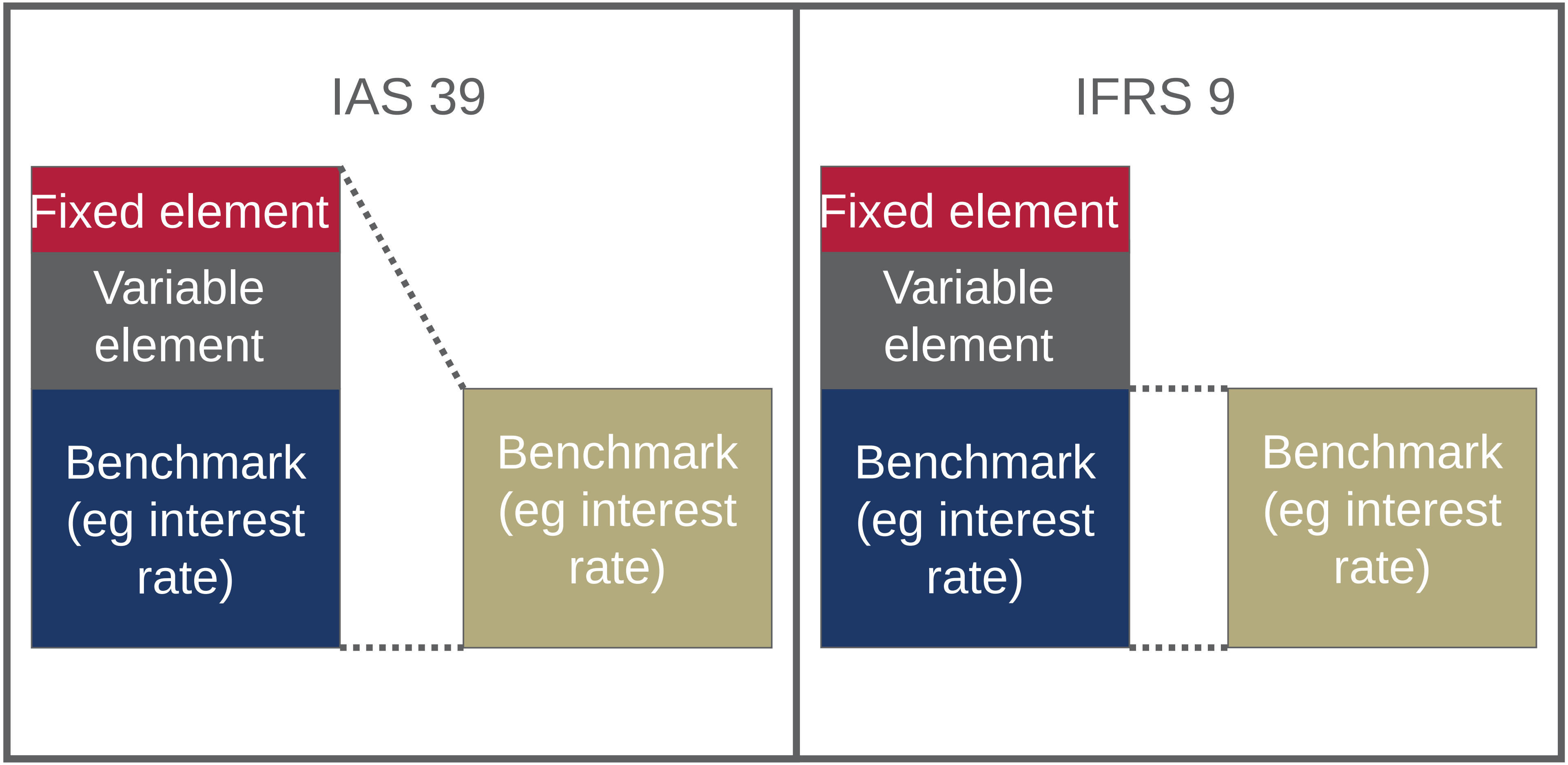
Introduction

- Greater alignment with risk management including:
  - Eligibility criteria based on more economic assessment of hedging relationship
  - Expansion of risk components for non-financial items
  - Introduction of 'costs of hedging'
  - Ability to hedge aggregated exposures (combination of derivative and non-derivative)
- Enhanced disclosures
- **Not really for banks**

Hedged items

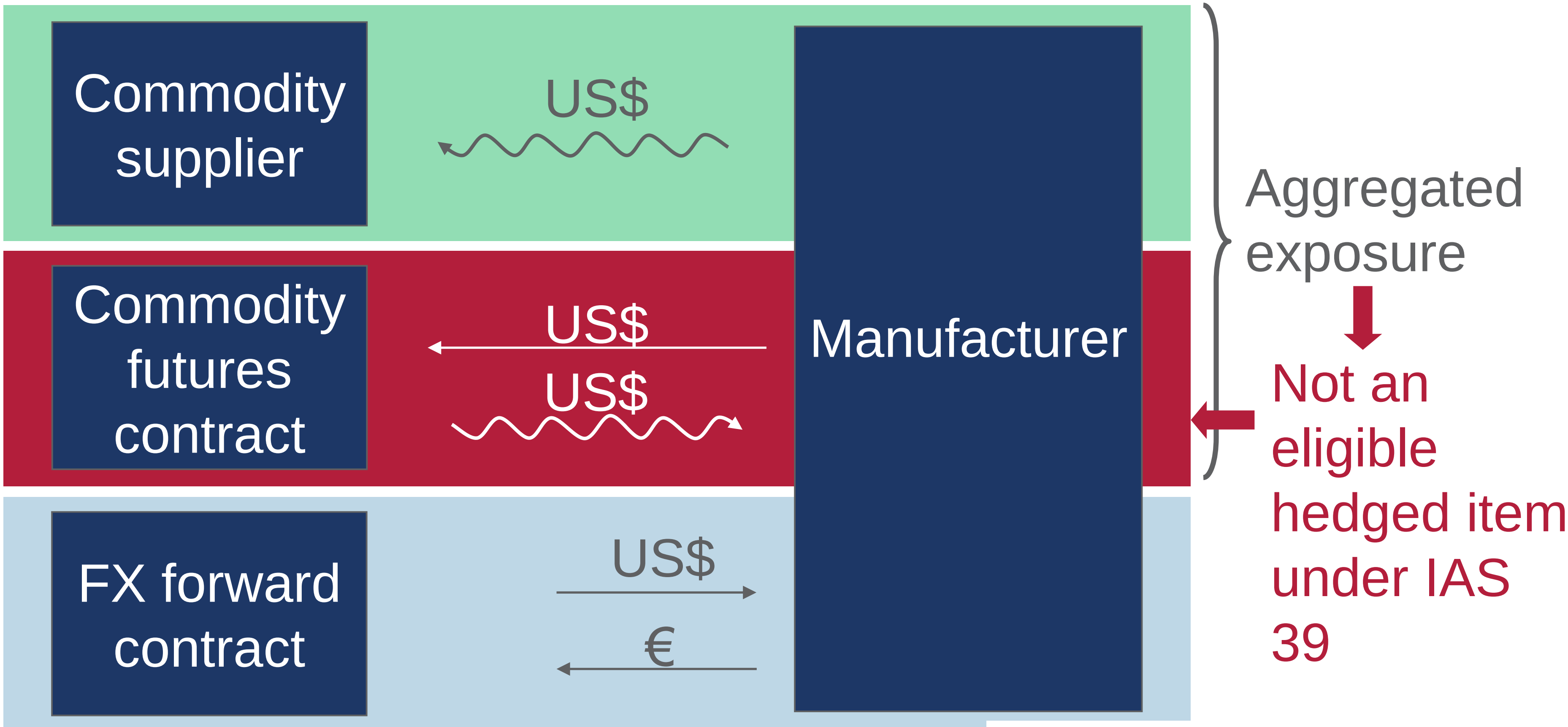


Hedged items
Risk components

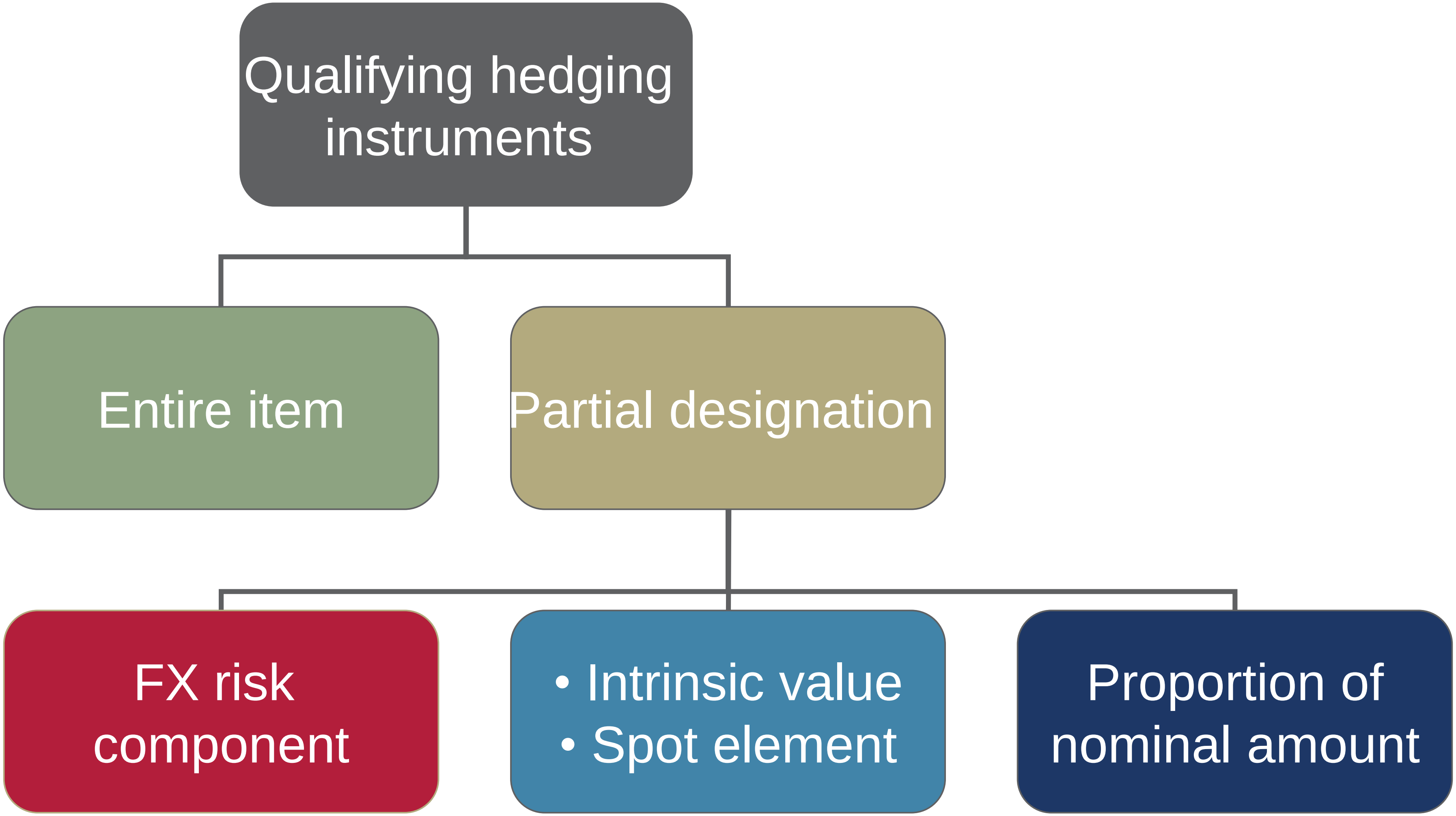


Hedged items
Aggregated exposures

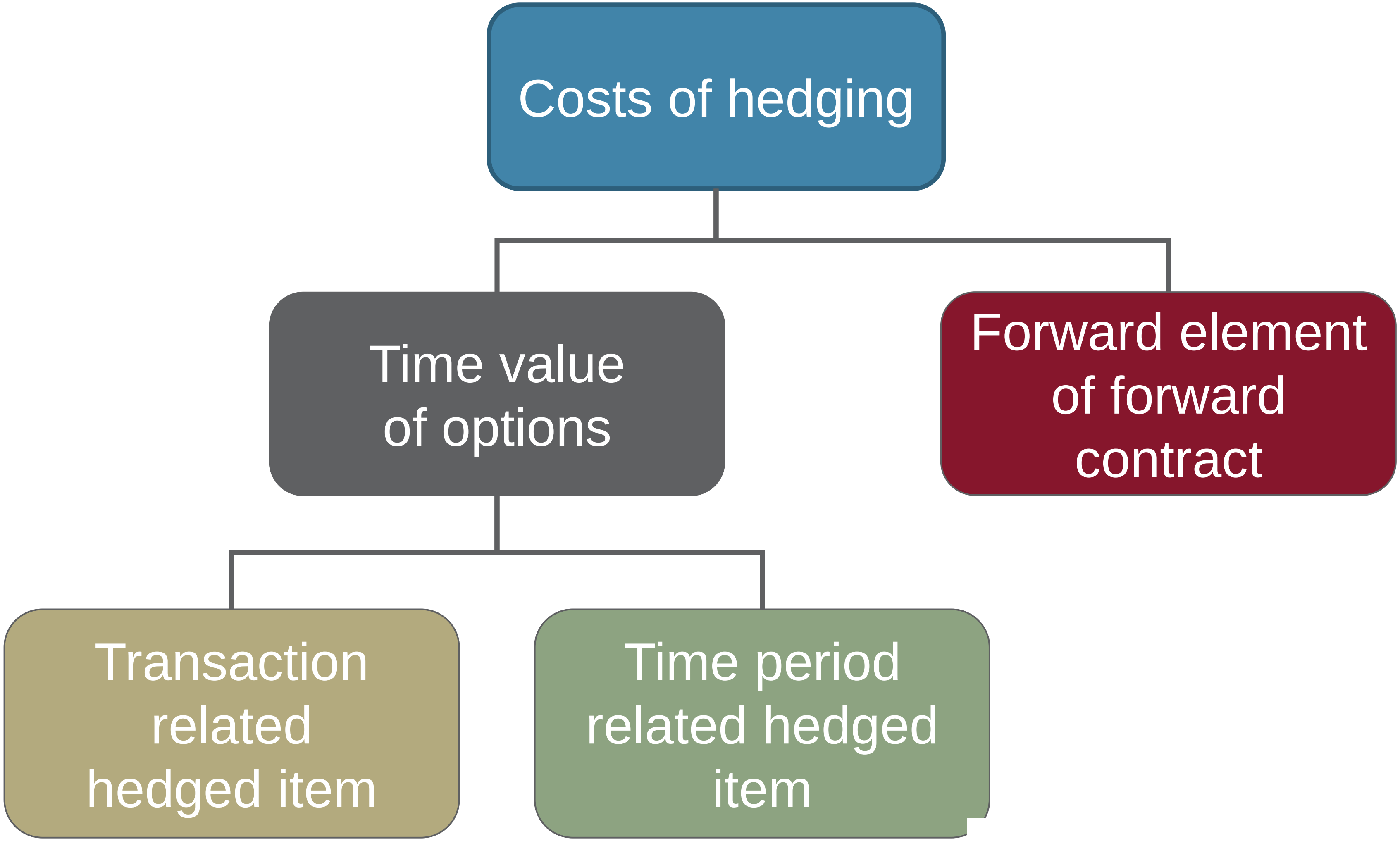
Example: hedging commodity price & FX risk



Hedging instruments

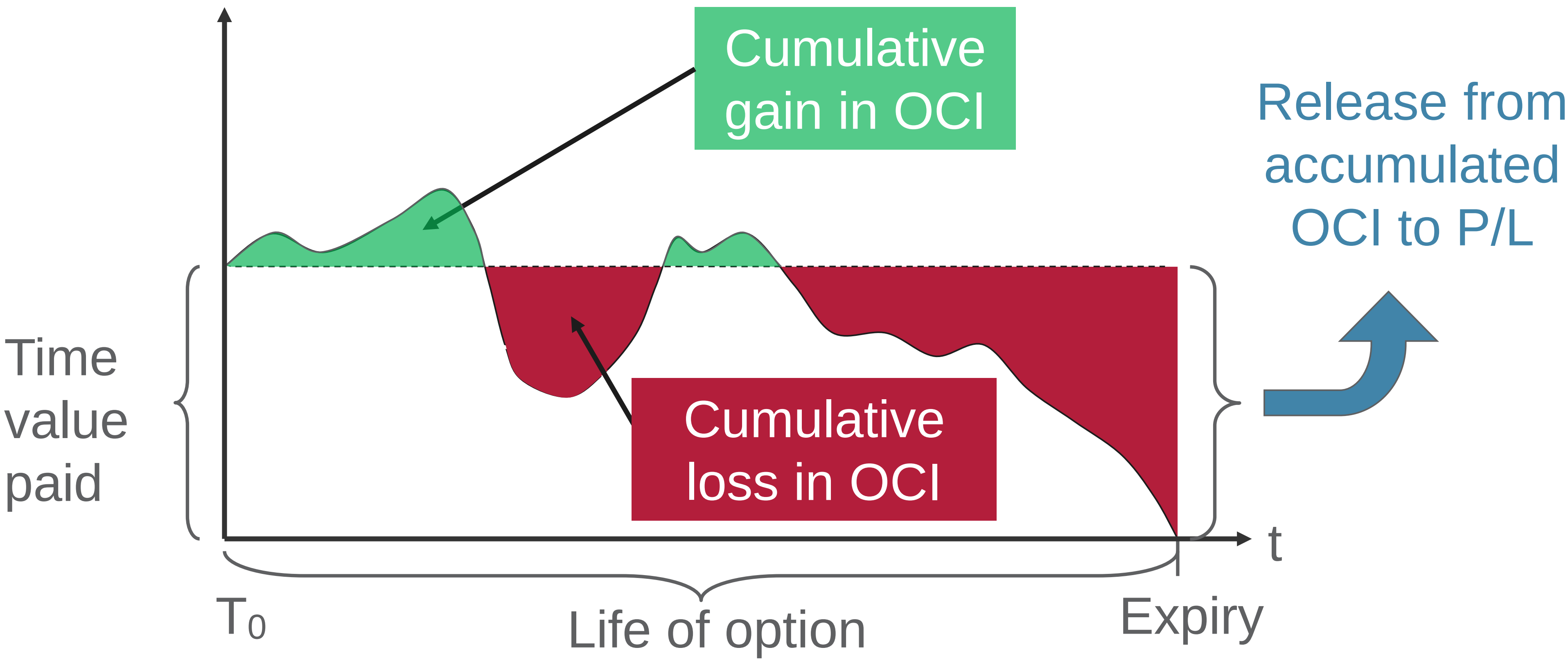


Costs of hedging



Option: time value

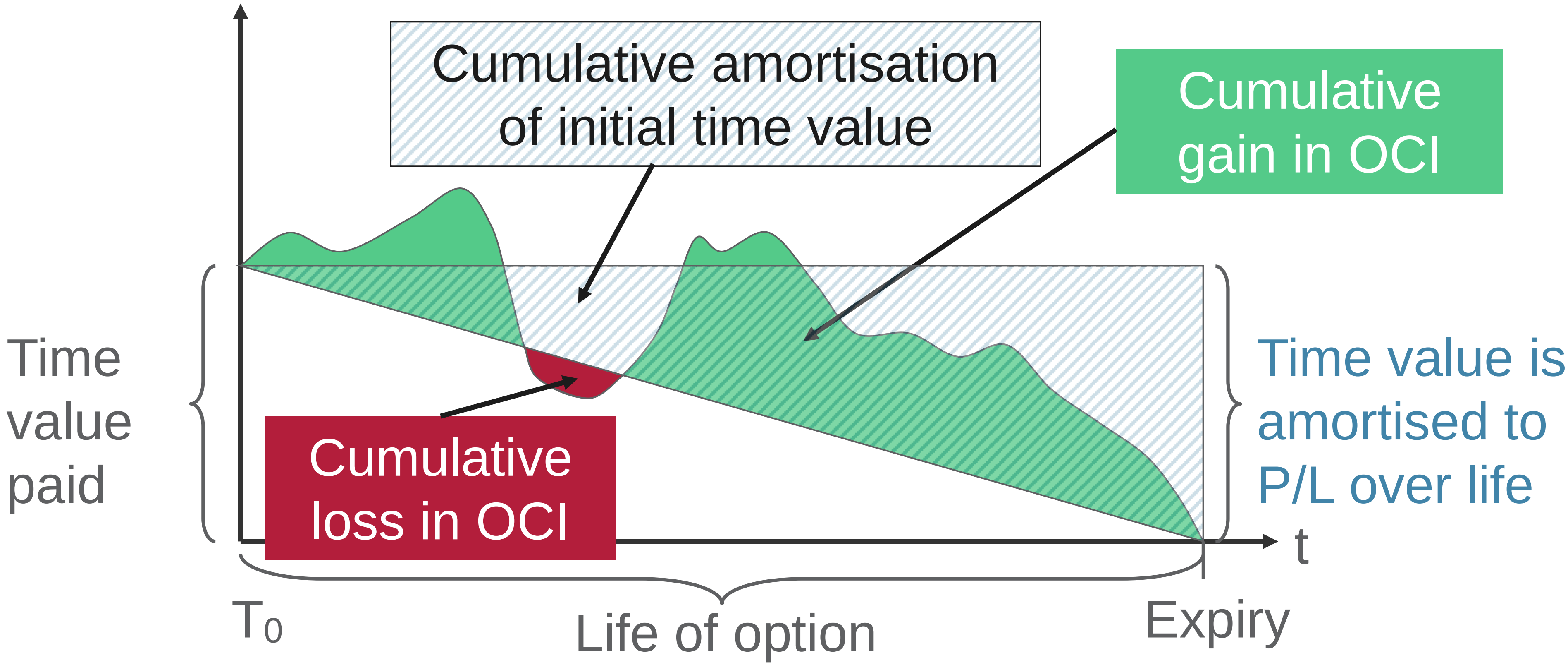
Accounting if the hedged item is transaction related



Treatment as a cost of hedging reflects economics

Option: time value

Accounting if the hedged item is <u>time period related</u>



Treatment as a cost of hedging reflects economics

Hedge effectiveness

Hedge effectiveness

Hedge effectiveness test:
1. Economic relationship
2. Effect of credit risk
3. Hedge ratio

Measuring and recognising hedge ineffectiveness

Rebalancing

Discontinuation

Disclosures

Hedge accounting disclosures

- Risk management strategy
- Amount, timing and uncertainty of future cash flows
- Effects of hedge accounting on the primary financial statements
- Specific disclosures for dynamic strategies and credit risk hedging

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Impairment Transition Resource Group and Implementation of IFRS 9

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Impairment Transition Resource Group

- Four meetings held during 2014 and 2015
- Only one issue raised with Board:
  - the staff did not propose further action on this issue
  - Board noted that requirements of IFRS 9 were clear
- No further meetings have been scheduled:
  - need to balance implementation support with creating uncertainty that could delay implementation; however
  - group remains and meetings will be convened if needed
- All ITG agenda papers and meeting summaries can be found on IASB web page

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Questions or comments?

Appendix

Reclassification of financial assets

<table>
<tr><td></td><td></td><th colspan="3">Reclassification to</th></tr>
<tr><td></td><td></td><th>Fair value through profit or loss</th><th>Fair value through OCI</th><th>Amortised cost</th></tr>
<tr><th rowspan="5">Reclassification from</th><th rowspan="2">Fair value through profit or loss</th><td rowspan="2"></td><td>• Continue to measure at FV</td><td>• FV at reclassification date = new gross carrying amount</td></tr>
<tr><td colspan="2">• The effective interest rate is determined on the basis of the fair value of the asset at the reclassification date</td></tr>
<tr><th>Fair value through OCI</th><td>• Continue to measure at FV
• Cumulative gain or loss in OCI → reclassified to profit or loss at reclassification date</td><td></td><td>• Reclassify the financial asset at its FV at the reclassification date
• Cumulative gain or loss in OCI → removed from equity and adjusted against FV at reclassification date
• Effective interest rate and expected credit losses → not adjusted</td></tr>
<tr><th rowspan="2">Amortised cost</th><td colspan="2">• FV measured at reclassification date</td><td rowspan="2"></td></tr>
<tr><td>• Difference between previous amortised cost and FV → recognised in profit or loss</td><td>• Difference between previous amortised cost and FV → recognised in OCI
• Effective interest rate and expected credit losses → not adjusted</td></tr>
</table>