



DANISH BANKERS ASSOCIATION

EBA – European Banking Authority

Dear Sir/Madam,

Reference: EBA/CP/2013/06

Comments on the EBA Consultation Paper on Supervisory reporting on forbearance and non-performing exposure

Danish Bankers Association appreciates the opportunity to comment on the EBA Consultation Paper on Supervisory reporting on forbearance and non-performing exposure. This letter represents the views of Danish Bankers Association.

Danish Bankers Association is a member of the European Banking Federation (EBF) and concurs with the comments in EBF's comment letter which we refer to.

In addition to the comments from EBF please find the following comments relating to the definitions of forbearance and non-performing exposures:

Definition of forbearance

Danish Bankers Association finds that a loan should only be registered as forborne when the borrower is granted concessions due to the borrower's financial difficulties. This would be in line with IAS 39, 59(c), which states that objective evidence of impairment (OEI) is identified in this case.

In our opinion the EBA definition of forbearance, especially the "safety net bullets" on page 11 in the consultation paper may lead to registration of modified loans as forborne even though the modifications of the terms of the loans reflect commercial renegotiations and/or sound financial management and no OEI can be identified.

For instance the first bullet implies that more favorable terms than normal market terms should automatically lead to forbearance irrespective of the financial situation of the borrower. Loans with high credit quality may on this basis be registered as forborne which in our opinion does not seem meaningful. Modifications for such loans represent commercial renegotiations.

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We recommend that the definition of forbearance is narrowed and aligned to IFRS.

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Definition of non-performing

Danish Bankers Association is concerned that the definition of non-performing exposures is too broad as well.

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For instance the second bullet of the definition on page 12 in the consultation paper implies that exposures with a risk of not being paid back in full shall be registered as non-performing irrespective of the significance of this risk. There is always a risk on a loan – even on loans with very high credit quality. In our opinion a loan should only be registered as non-performing if the risk of non-repayment is significant.

We recommend that the definition is narrowed and aligned with the regulatory definition of default.

If you need further information or have any questions, please do not hesitate to contact us.

Yours sincerely,

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