
Example of calculation of credit line

The following is an example of how a financial institution's credit line is calculated under the temporary credit facility based on excess capital adequacy.

A bank has risk-weighted assets for DKK 10 billion and a base capital of DKK 1.6 billion, i.e. a solvency ratio of 16 per cent. The bank's capital need has been calculated at 9 per cent.

The credit line is calculated as:

(Risk-weighted assets x (solvency – capital need – margin)) =

(DKK 10 billion x (0.16 – 0.09 – 0.01)) = DKK 600 million.

When applying for credit, all information for calculating the excess capital adequacy must be stated for both the parent company and the group.

When calculating excess capital adequacy, financial institutions that apply the IRB approach for calculating credit risk must take into account the additional solvency requirement during the transitional period.