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## Major Danish banks show strong resilience in EU stress test

The four Danish banks participating in the EU-wide stress test all show strong resilience toward adverse changes in the macroeconomic conditions. Danske Bank, Jyske Bank, Nykredit and Sydbank come out of the stress test with Core Tier 1 capital ratios in the range 9.4-13.6 per cent, well above the stress test's minimum ratio of 5 per cent.

The 2011 EU-wide stress test has been conducted by the European Banking Authority (EBA) in cooperation with national authorities, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). From Denmark Danmarks Nationalbank and the Danish Financial Supervisory Authority participated as national authorities.

The EU-wide stress test, carried out across 90 banks in 21 countries, seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions.

The assumptions and methodology were established to assess banks' capital adequacy against a 5 per cent Core Tier 1 capital benchmark.

"The stress test results show that even in the adverse economic scenario, all four Danish banks are well capitalised and robust toward credit quality deterioration in their loan portfolios," says Ulrik Nødgaard, Danish Financial Supervisory Authority.

"The stress test results support our view that the overriding part of the Danish banking sector is well consolidated and resilient," says Nils Bernstein, Danmarks Nationalbank.

The participating Danish banks (including Nordea Bank Danmark which participates in the stress test through Nordea Bank AB) together account for more than 80 per cent of the Danish banking sector.

All four Danish banks pass the EBA stress test with a comfortable margin to the 5 per cent Core Tier 1 capital benchmark. In fact, the four Danish banks all experience significant increases in their Core Tier 1 ratios under the specified adverse scenario.

The stress test also shows that the Danish banks' exposures to the most vulnerable sovereign entities in Europe are very limited. Exposures towards Greece are immaterial.

The stress test was carried out based on the EBA common methodology and key common assumptions (e.g. constant balance sheet) as published in the EBA Methodological note. Therefore, the information relative to the baseline scenario is provided only for comparison purposes. Neither the baseline scenario nor the adverse scenario should in any way be construed as a bank's forecast or directly compared to a bank's other published information.

The detailed results of the stress test under the baseline and adverse scenarios as well as information on banks' credit exposures and exposures to central and local governments can be found on Danmarks Nationalbank and Danish Financial Supervisory Authority's home-pages ([http://www.nationalbanken.dk/DNUK/FinanceStab.nsf/side/Danish\\_results\\_of\\_EU\\_stress\\_test!OpenDocument](http://www.nationalbanken.dk/DNUK/FinanceStab.nsf/side/Danish_results_of_EU_stress_test!OpenDocument) and [www.finanstilsynet.dk/EU-stresstest](http://www.finanstilsynet.dk/EU-stresstest) respectively) in the disclosure templates based on the common format provided by the EBA.

See more details on the scenarios, assumptions and methodology on the EBA website: [www.eba.europa.eu/EU-wide-stress-testing/2011.aspx](http://www.eba.europa.eu/EU-wide-stress-testing/2011.aspx)

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