Press Release

DANMARKS NATIONALBANK

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Stress Tests, 2nd Half 2011

Today Danmarks Nationalbank publishes "Stress Tests, 2nd Half 2011". This publication assesses the liquidity and capitalisation of the Danish banks.

The European banking sector has recently been affected by the debt crisis and the turmoil in the financial markets. Looking ahead, great uncertainty is associated with the banks' access to funding on market terms. This also applies to many Danish banks, which are facing more difficult funding conditions.

Overall, the liquidity of the Danish banks is good, but with a considerable spread between banks. The most significant challenge in the coming years is the large volumes of senior debt maturing, including government-guaranteed debt issued in the period 2009-10.

"The banks should continue their adjustment to a situation without government guarantees, with the aim of being self-supporting in the longer term. For some banks, this adjustment process may take time. In order to supplement the banks' access to liquidity and ease the transition to a situation without government guarantees, Danmarks Nationalbank has introduced a number of measures, including 3-year loans and expansion of the collateral basis to include the banks' own credit claims of good quality," says Nils Bernstein.

Danmarks Nationalbank's stress test model provides the basis for a general assessment of the largest Danish banks' capitalisation under various economic stress scenarios. The stress test analysis shows that the large and medium-sized Danish banks are able to withstand economic scenarios that are considerably more adverse than the one that is expected. One bank will need additional capital. However, in the event of a very severe negative shock to the Danish economy, more banks will need to strengthen their capitalisation.

"Over the last few years, the large and medium-sized Danish banks have improved their capitalisation. Both the current uncertainty and the coming years' strengthened capital requirements warrant that the banks maintain their focus on improving capitalisation," Nils Bernstein states.

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