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## Danish banks pass EU stress test

Today the Danish Financial Supervisory Authority and Danmarks Nationalbank publish the results for the three Danish banks – Danske Bank, Jyske Bank and Sydbank – that have participated in the pan-European stress test. The purpose of the stress test has been to assess the resilience of the European banking sector to adverse economic developments in 2010 and 2011.

The results show that none of the three Danish banks need further capital injections during the period covered by the stress test under the adverse economic scenario.

Among other factors, the adverse economic scenario operates with Danish GDP growth of 0.8 and 0.2 per cent in 2010 and 2011, respectively. If – contrary to expectations – the economy develops in accordance with this scenario, and an additional sovereign shock materializes, the Tier 1 ratio, which is the key ratio in the test, will be 10.0 per cent for Danske Bank, 12.5 per cent for Jyske Bank and 13.2 per cent for Sydbank at end-2011.

Calculation of Danske Bank's Tier 1 ratio is still affected by transitional provisions that limit the bank's capital relief in connection with the transition from Basel I to Basel II. Without these transitional provisions, Danske Bank's Tier 1 ratio would be 12.1 per cent at end-2011 in the adverse economic scenario.

The stress test result also shows that none of the three Danish banks are significantly exposed to the rising yields on government bonds against which the banks are tested.

The Danish Financial Supervisory Authority and Danmarks Nationalbank welcome the EU stress test and find the results for the European banking sector overall positive.

The results do not change the perception of financial stability in Denmark, and hence no new initiatives are called for. The three Danish banks perform well in the test and the results have not prompted

us to consider any new measures in terms of regular supervision of these banks.

Tables detailing the results for the three banks and the economic scenarios for Denmark used in the stress test can be seen at [www.nationalbanken.dk](http://www.nationalbanken.dk) under Financial Stability – Analyses of financial stability.

For further information, please contact Søren Møller Christensen, the Danish Financial Supervisory Authority, tel. (+45) 33 55 82 99, or Karsten Bilotft, Danmarks Nationalbank, tel. (+45) 33 63 60 21.

For further information about the European stress test please see: [www.c-eps.org](http://www.c-eps.org)