

Company announcement

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### **Danske Bank passed stress test with a solid margin**

Danske Bank Group passed the pan-European stress test and has a substantial capital buffer to withstand future losses. During recent months, the Group participated in a pan-European stress test exercise whose purpose was to test the banks' ability to absorb losses in two specific economic scenarios.

The stress test involved two macroeconomic scenarios for the period 2014-2016: an adverse scenario and a baseline scenario. The stressed solvency of the banks, measured as common equity tier 1 capital relative to risk-weighted assets, was measured against a threshold of 5.5% in the adverse scenario and a threshold of 8% in the baseline scenario. Danske Bank Group passed the stress test with a capital buffer of DKK 57 billion, resulting in a common equity tier 1 capital ratio of 11.7% at the end of 2016 in the adverse scenario. The capital ratio was calculated to be 14.5% at the end of 2016 in the baseline scenario. This means that, in the adverse scenario, Danske Bank Group passed the test with a capital that is more than double the threshold value set by the European Banking Authority.

The stress test of Danske Bank Group was based on the Bank's balance sheet for 2013 adjusted on the basis of a review of the Bank's assets. The review was made by the Danish Financial Supervisory Authority (FSA) and took place concurrently with a large European review of banks' assets – the Asset Quality Review (AQR).

#### **Adjustment of CET1 capital and additional impairments**

On the basis of the AQR, the FSA has assessed that Danske Bank must reduce its common equity tier 1 (CET1) capital by DKK 2.2 billion before tax at 31 December 2013, which was the starting point for the stress test. The adjustment consists of DKK 1.6 billion in additional impairments and DKK 0.6 billion in credit value adjustments of the Bank's trading portfolio.

The additional impairments of DKK 1.6 billion relate mainly to charges in Denmark and Ireland. At 30 September 2014, Danske Bank had already booked a significant portion of

the impairments identified. The remaining amount of DKK 0.7 billion, including DKK 0.4 billion relating to the Group's Non-core activities, will be taken into account in the Bank's impairment charges for the fourth quarter of 2014. The additional impairments do not change the Bank's expectations for impairments for 2014.

The FSA has also given the Bank a number of orders relating to the Bank's credit and impairment procedures. Furthermore, the FSA has ordered the Bank to adjust its accounting treatment of credit value adjustments of derivatives, beginning with the full year 2014 financial statements, and to prepare relevant business procedures.

"Danske Bank's results in the stress test were very sound. Even in the adverse scenario, we had more than twice the amount of capital required by the authorities. Danske Bank is thus well prepared to continue to support our customers," says Henrik Ramlau-Hansen, Chief Financial Officer of Danske Bank.

The FSA's statement, including its orders, is available at [danskebank.com/fsa](http://danskebank.com/fsa). The results of Danske Bank's stress test and AQR are available at [danskebank.com/stress-test](http://danskebank.com/stress-test).

#### **Danske Bank Plc included in stress test and AQR**

Danske Bank's Finnish subsidiary, Danske Bank Plc, also participated in the AQR and passed the stress test. Its results are included in the Group's overall stress test results. The data for Danske Bank Plc are available at [danskebank.fi](http://danskebank.fi).

Danske Bank

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