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EBA stress test confirms Nordea's resilient capital position

On 2 November 2018 the European Banking Authority (EBA) published the results of the biennial EU-wide stress test conducted in cooperation with the European Systemic Risk Board (ESRB), the European Central Bank (ECB) and the European Commission (EC). The forward-looking analysis covers the period 2018-2020 and considers the resilience of financial institutions to adverse economic shocks.

The exercise confirms Nordea's resilient capital position. Under the severe stress scenario Nordea's CET1 ratio is estimated to decline from 19.3% at year-end 2017 to a low of 16.2% at year-end 2019. This would still be well above the minimum capital requirement. (The reported CET1 capital ratio as of end Q3 2018 has increased to 20.3%).

The 2018 EBA stress test results reflect that the scenarios for the Nordic countries, and especially for Sweden, are generally more severe than the average for the Euro area. The severity of the scenarios in the 2018 exercise also explains why the estimated impact on Nordea is now larger than in the 2016 EBA stress test.

The 2018 exercise was undertaken on the basis of Swedish FSA rules. As a consequence, the results are not comparable to the capital ratios and the capital requirements applicable from 1 October, following Nordea's re-domiciliation to the Banking Union.

The stress test is conducted based on banks' capital ratios as of 31 December 2017, with adjustments accounting for the introduction of IFRS 9. The approach is based on consistent methodologies, scenarios and key assumptions for all participating banks. This includes an assumption of constant balance sheets and no management actions to preserve capital during the scenario horizon.

The stress test results will not result in changes to Nordea's capital planning or capital targets.

The stress test results can be found on the website of the European Banking Authority, <https://www.eba.europa.eu>

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