

Jyske Bank's current capital base in the EBA stress test is satisfactory provided that the impacts from the acquisition of Handelsbanken Denmark are recognised

Jyske Bank has participated in the European Banking Authority's (EBA) stress test. EBA's methodological framework imposes restrictions on incorporating the income generated from the acquired portfolio from Svenska Handelsbanken, while the capital requirements are fully imposed.

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In connection with the publication of the result of the stress test, Anders Dam, Managing Director and CEO states:

"The results of the EBA stress test for Jyske Bank are adversely affected by the acquisition of Handelsbanken Denmark. Consequently, the results do not give a representative and fair picture of Jyske Bank's current capital position when assessing Jyske Bank's ability to withstand the severe stress scenario. Had the well-known effects and the development in H1 2023 been recognised, the common equity tier 1 capital ratio would not breach the combined capital buffer requirements."

The capital structure is challenged in the very severe stress test but although the income from the acquisition of Handelsbanken Denmark has not been fully recognised the indispensable requirements is unbreached

The EBA has carried out a stress test of the 70 largest European banks, including Jyske Bank. The purpose of the exercise is to assess and compare the resilience of the European financial sector. The participating institutions are subject to a base line scenario and a stress scenario of a severity which is considerably tougher than previous crises. The scenario comprises, among other things, an accumulated decline in GDP of roughly 8% and a decline in housing prices of more than 30%. The stress test is based on the accounting figures reported end-2022 and does therefore not include the already ascertainable positive impacts on Jyske Bank's operating conditions and capital position in H1 2023.

The results of the stress test show that Jyske Bank's common equity tier 1 capital ratio (CET1) will in the base line scenario account for 18.0% of the risk-weighted assets at end-2025 and 8.7% in the stress scenario whereas the capital ratio is computed at 22.1% in the base line scenario and 12.4% in the stress scenario. Therefore, Jyske Bank would for both CET1 and the capital ratio have to use parts of the combined "soft" capital buffers in the stress scenario. The purpose of the "soft" capital buffers is that they can be utilized during an exceptionally severe and unusual stress scenario.

Impact from the acquisition of Handelsbanken Denmark

The acquisition of Handelsbanken Denmark has already and will also in future increase Jyske Bank's earnings considerably, but due to methodological restrictions in the stress test such earnings are not recognised. Yet, loan impairment charges and the full capital charge of the acquired portfolio from Handelsbanken Denmark are recognised. However, the EBA has also acknowledged the inappropriateness of the method.

At the end of H1 2023, Jyske Bank's CET1 capital ratio was 16.1% (at end-2022: 15.2%). The total capital ratio was 20.3% (at end-2022: 19.5%). On the basis of the improved capital base and a fair treatment of the acquired portfolio, Jyske Bank's CET1 would not breach the combined capital requirements.

Institution-specific data are available at jyskebank.com/investorrelations/capitalstructure.

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