



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

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ECB concludes comprehensive assessment of Nordea

- Comprehensive assessment required following relocation to euro area
- Stress test and asset quality review conducted
- The exercise did not reveal any capital shortfall

The European Central Bank (ECB) today published the results of a [comprehensive assessment](#) for Nordea Bank Abp (Nordea), which has consented to their disclosure. Nordea was required to undergo the assessment following the relocation of its headquarters from Sweden to Finland in 2018.

All banks that become or are likely to become subject to direct ECB supervision are required to undergo a comprehensive assessment, consisting of a stress test and an asset quality review (AQR). Nordea has been directly supervised by the ECB since it was granted a new banking license in Finland in 2018.

The comprehensive assessment shows that Nordea does not face any capital shortfalls as it did not fall below the relevant thresholds used in the AQR and the stress test. However, the bank will be expected to follow up on the outcome of the exercise and undertake actions to address findings of the AQR such as deficiencies in policies, and processes and weaknesses in data systems.

The 2019 comprehensive assessment of Nordea was similar to the in-depth financial health check of 130 banks in the run-up to the launch of European banking supervision in 2014, and of an additional 13 banks in 2015 and 2016.

The AQR is a prudential rather than an accounting exercise and provides the ECB with a point-in-time assessment of the carrying values of a bank's assets on a particular date (30 June 2018 in the case of Nordea).

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The AQR also determines whether there is a need to strengthen a bank's capital base. The AQR for Nordea followed the updated ECB AQR Methodology which was published in June 2018 and incorporates the effect of the accounting standard IFRS 9.

The AQR was complemented by a stress test exercise, which looked at how the bank's capital positions would evolve under a baseline scenario and an adverse scenario over the next three years (2018-2021). The stress test was conducted using the same methodology as that applied in the 2018 European Banking Authority (EBA) stress test.

The threshold ratios applied for identifying capital shortfalls were maintained at the same levels as in previous exercises: a Common Equity Tier 1 (CET1) ratio of 8% for the AQR and the stress test baseline scenario, and a CET1 ratio of 5.5% for the stress test adverse scenario. The CET1 ratio is a key measure of a bank's financial soundness.

Table 1: Evolution of CET1 ratios

Bank name	CET1 starting point (1)	CET1 post-AQR (1)	CET1 baseline scenario (2)	CET1 adverse scenario (2)	CET1 shortfall
	<i>(in %)</i>	<i>(in %)</i>	<i>(in %)</i>	<i>(in %)</i>	<i>(in € millions)</i>
Nordea Bank Abp	14.99%	13.95%	14.21%	9.23%	0

(1) CET1 ratio as at 30 June 2018.

(2) Lowest CET1 ratio over the three-year horizon of the stress test.

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