Banks

Market Developments in 2017

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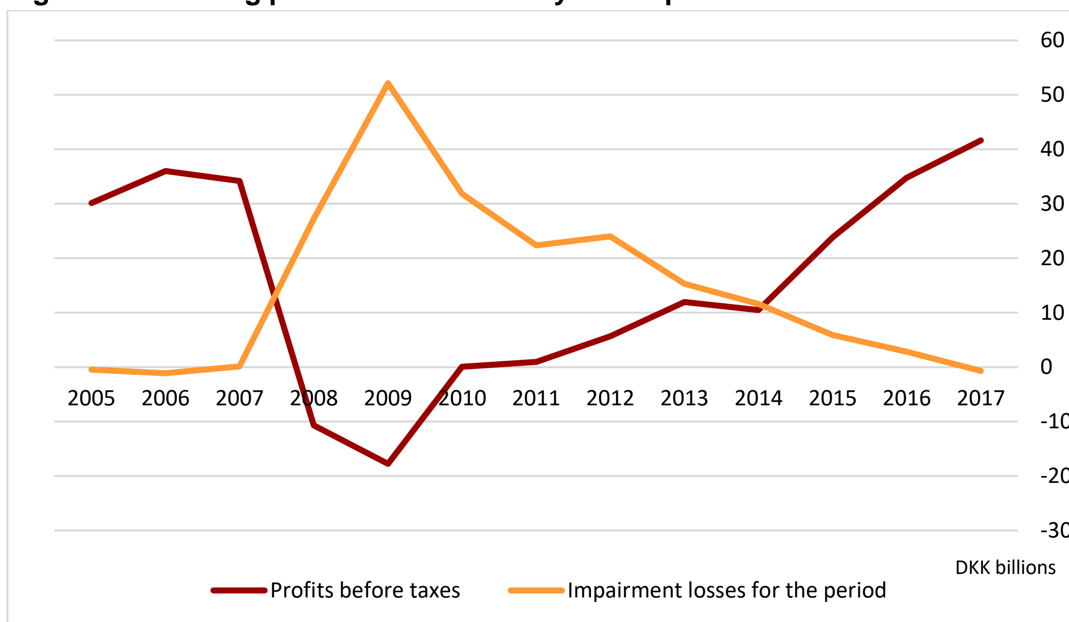
1. Summary – High earnings and increased risk taking

Danish banks are favoured by the current economic situation and in 2017 achieved further improvement in the financial results compared to the previous year.

- The banks' annual accounts for 2017 showed a profit of DKK 40 billion before taxes, corresponding to an increase of approx. 20 percent compared to 2016.
- The improvement was mainly driven by income from charges and fees, positive price adjustments and very low impairments on loans.
- The core business is challenged by the low interest rate environment. Interest income dropped by approx. 7 percent compared to the previous year.
- The combination of a good financial climate and low interest rates resulted in an increasing risk appetite, and there are indications of risk building, mainly based on the granting of credit and rising asset prices, e.g. in the housing market.
- Although the growth in credit granting remained in overall decline, there was considerable spread among the banks, as well as significant growth in certain lending segments, e.g. lending for housing.
- The banks' capital position was strengthened, mainly attributable to a growing capital base, while risk exposures have not risen accordingly.
- Dividend payments and share buybacks rose. The banks’ capital targets should be sufficiently robust to counteract unforeseen events or cyclical backlashes.
- In addition, Danish banks will experience increased capital requirements in the coming years as a result of international legislation, including the completion of Basel III and MREL.

In 2017, bank earnings were higher than in the years leading up to the financial crisis, see figure 1. However, the improvement was not driven by the core business in the form of net interest rates, as these have been pushed down by the very low interest rates, but mainly by income from charges and fees, price adjustments and historically low impairments on loans. See the banks' accounting figures in appendix.

Figure 1 – Growing profits and historically low impairments on loans



Source: Reports to the Danish FSA.

Banks have net reversed impairment losses in 2017. This has not occurred since the years leading up to the financial crisis.

However, creditworthiness remained challenged in some industries, and new impairments are mainly attributable to corporate loans, including lending to agriculture. See appendix for the distribution of creditworthiness across industries.

While the banks achieved good net profits, their underlying core business was challenged by the low interest rates. Net interest rates dropped and were only partially compensated by income from charges and fees. When the drop in interest income is not fully compensated by income from charges and fees, the banks' core earnings come under pressure.

The banks' growth in earnings reflects a strong macroeconomic environment, but the low interest rates and the good financial climate prompts an increasing risk appetite, which is reflected in the granting of credit and rising asset prices.

Table 1 – Housing loans – Small and medium-sized banks grow

	Lending growth, 2015-2017, percent	Lending growth, 2015-2017, percent
	Growth area	Rest of the country
Banks	5	-6
Group 1	-4	-11
Group 2	36	13
Group 3	30	13
Mortgage credit institutions	19	0
Total credit institutions	16	-1

Note: The table shows growth in housing loans in respectively growth areas and the rest of the country from the end of 2015 to the end of 2017. Growth areas include Copenhagen, the Copenhagen Environs and Aarhus. Group 1 also includes Handelsbanken and Nordea, which are branches of foreign banks.
Source: Reports to the FSA

Overall, the growth in banks' granting of credit is waning, but there is considerable spread among the banks, as well as significant growth in certain lending segments, e.g. in the granting of housing loans in growth areas, cf. table 1. In particular, small and medium-sized banks have increasing lending for housing. The figures also show that, in particular, small and medium-sized banks expand the credit granting outside their home region. Historically, a high credit growth is associated with the risk of subsequent major credit losses.

Housing prices are higher than ever, and in 2017 rose particularly in Copenhagen and Aarhus. Interest rates and risk premiums remained low, with the risk of a reversal of risk perception and valuation in several asset classes.

The banks' capital position has been strengthened over a number of years. This development is attributable to increased capital base and dropping risk exposures.

The banks paid out large dividends to their owners and made large share repurchases (see figure 14). The dividend policy should be reconciled with capital targets that are robust to unforeseen events and a less favourable economic development.

For a number of years, money laundering has been a focus area for the Danish FSA. Alongside the increased supervision and supervisory responses this has prompted, that the Danish FSA has increased information efforts to companies to help them comply with the rules and support them in their preventive efforts against money laundering and terrorist financing. The Danish FSA will issue guidelines on customer knowledge (KYC) within a short period of time. A more comprehensive guide to the money laundering area will follow later this year.

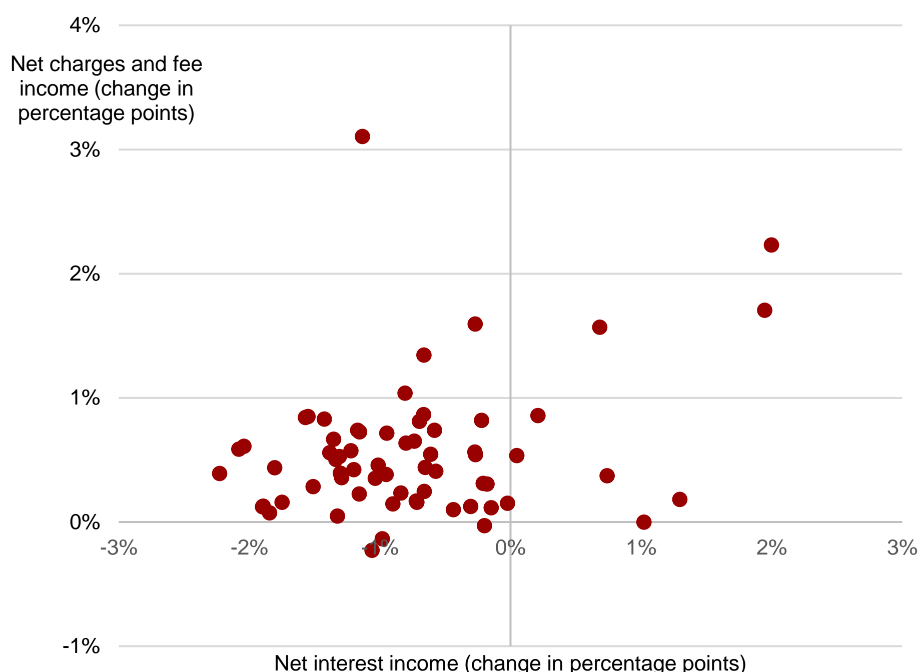
Macroeconomic environment and prudential measures

2. Pressure on core earnings despite good results

Traditionally, banks have achieved the majority of earnings on interest income. Therefore, the current low-interest environment pressures the banks on earnings. At the same time, Danish banks have a deposit surplus that boosts the appetite to seek out other sources of earnings.

Income from charges and fees on e.g. securities trading, payment services, borrowing fees and guarantee commission has risen since 2011. However, increasing charges and fee income did not fully outweigh the income lost on interest income.

Figure 2 – Income from charges and fees relative to interest income, 2017



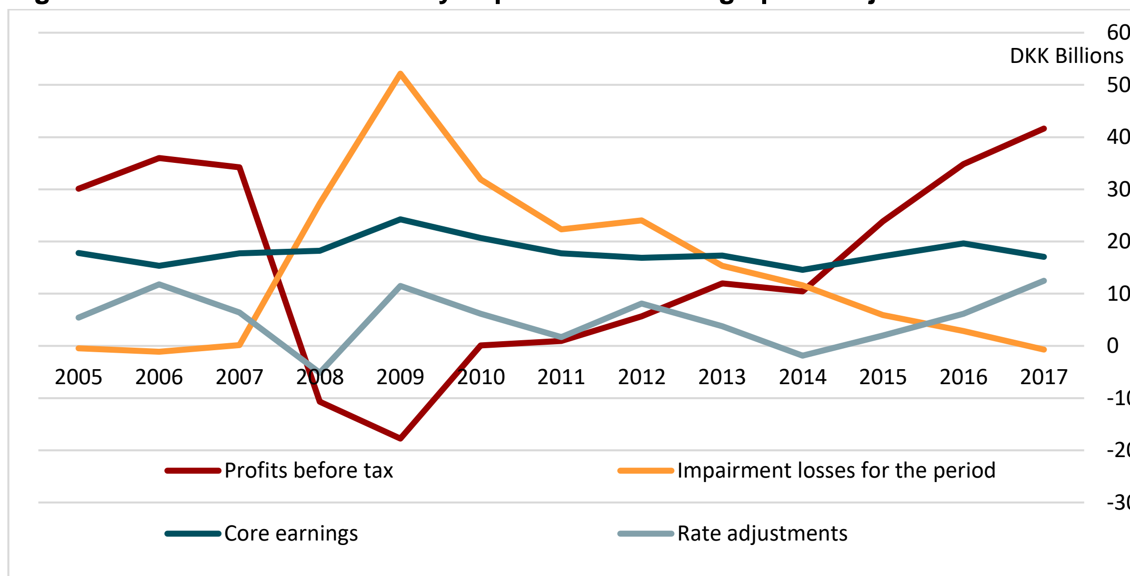
Source: Reports to the Danish FSA.

Core earnings, see box 1, are falling, see figure 3.

Box 1 – Core earnings

Basic earnings are net income before price adjustments, impairments and earnings in subsidiaries. Thus, core earnings are the banks' net interest and fee income as well as other operating income, minus staff and administrative expenses, depreciation and impairment losses on intangible and tangible assets and other operating expenses. It is thus a measure of whether banks are able to earn money on their core business, lending and deposits.

Figure 3 – Good results driven by impairments and high price adjustments

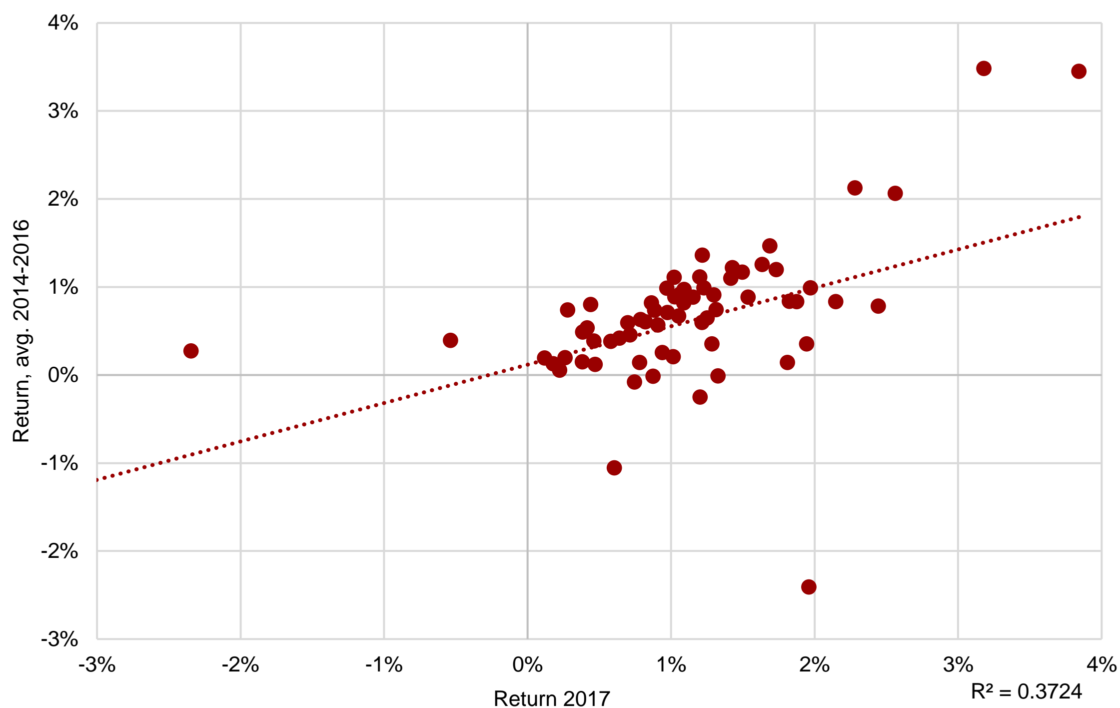


Source: Reports to the Danish FSA.

Generally, the Danish banks have positive price adjustments and very low impairments. In 2017, there was a net reversal of impairments. The group 1 banks are driving the net reversals while, overall, group 2, 3 and 4 banks have minor positive impairments.

The banks that achieved good results in 2014-2016, also achieved good results in 2017, see Figure 4. The sector thus demonstrates poor short-term income mobility. In 2017, only a few banks did not achieve a positive result.

Figure 4 – Coherence between returns in the short and long term



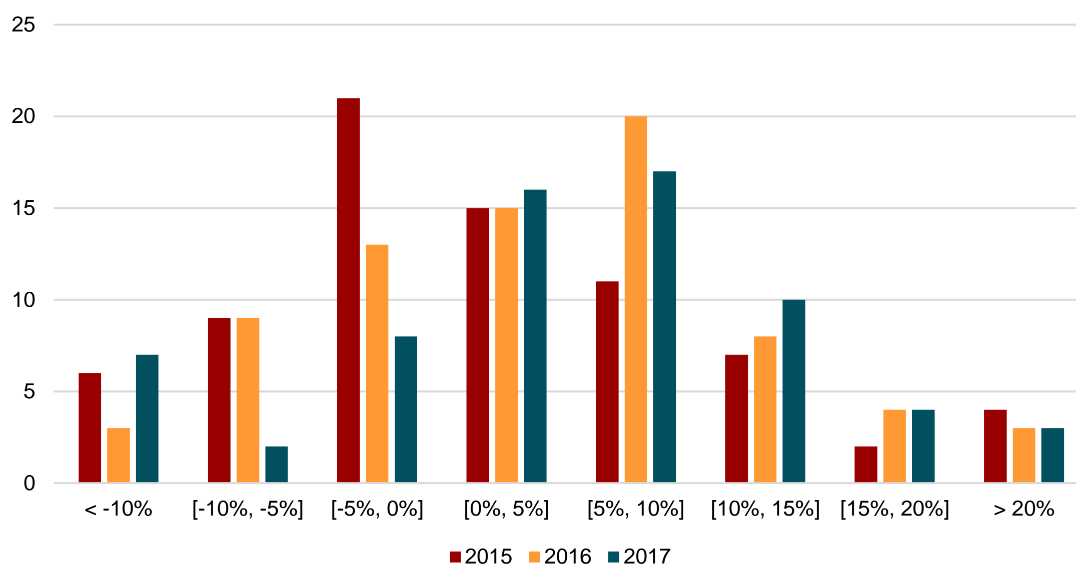
Note: Results after taxes.
Source: Reports to the Danish FSA.

3. Developments in granting of credit

For the sector as a whole, the granting of credit continues to decline, but with a larger spread among banks, see figure 5, and in the granting of credit at the regional level. Some banks, particularly among the smaller and medium-sized ones, experienced relatively strong growth, and credit growth was expanded, especially in growth areas in and around the major cities[1].

[1] Source: Reports to the Danish FSA.

Figure 5 – Large spread in lending growth



Note: Annual lending growth in Danish banks by tranches. Number of banks per tranche per year.
Source: Reports to the Danish FSA.

Where as a whole, the sector had a negative lending growth in 2017, driven by group 1 banks[2], over 70 percent of banks had positive lending growth in 2017. Several banks had increased growth rates in 2017, and the median lending growth was 4.5 percent, versus 4.1 percent in 2016 and 0.3 percent in 2015.

[2] Several group 1 banks shifted lending to mortgage credit institutions, which can jointly fund loans with mortgage credit bonds – either outside the group or through subsidiaries in the group. In 2017, this option was used to a greater extent than before. Danske Bank branched its Finnish subsidiary bank in 2017. This means that the institutional numbers in the parent bank grow with the branching of the business. A correction has been made for the branching in these numbers.

Box 2 – Supervisory diamond for banks

The regulatory framework for banks consists of five benchmarks. These are to ensure that banks do not expose themselves to excessive risk, while it must remain possible to operate a profitable banking business. The supervisory diamond was introduced after the financial crisis, and included i.a. some of the factors that contributed to the fact that several Danish banks succumbed in the years following the financial crisis.

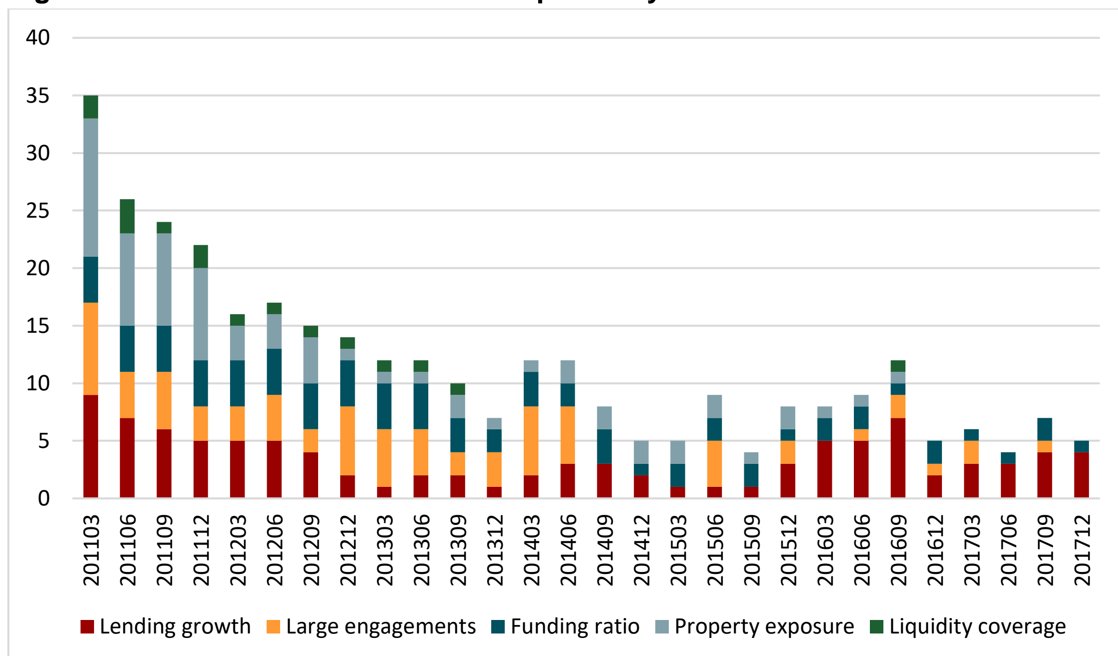
- Sum of large exposures < 175 percent
- Funding ratio < 1
- Lending growth < 20 percent
- Property exposures < 25 percent
- Liquidity coverage ratio > 50 percent.

The banks must comply with all five benchmarks.

Lately, the benchmarks for respectively large exposures and excess liquidity coverage have been revised. The change in the latter is described in more detail in the *Liquidity and funding* section.

To a lesser extent than previously, banks receive risk notices as a result of exceeding supervisory diamond benchmarks.

Figure 6 – Fewer exceedances of the supervisory diamond



Note: The number of exceedances of each benchmark per quarter.
Source: Reports to the Danish FSA.

Total lending by banks decreased by 3.5 percent, driven by the large banks reducing their lending by 5.6 percent. Group 1 banks account for approx. 82.5 percent of the banking sector's total lending. The drop in group 1 banks' lending can be attributed mainly to the fact that mortgage loans have been moved from the balance of banks to being financed instead via the balance of mortgage credit institutions[3]. This applies to both group 1 banks, where a mortgage credit institution is part of the group, and for banks that collaborate with a mortgage credit institution outside the group. Overall, mortgage credit institutions experienced a 2.9 percent growth in lending in 2017.

In group 2, 3 and 4 banks, growth was overall positive and increasing. For the smallest banks, group 4 banks, lending growth was 11.5 percent. This is the highest since the financial crisis.

In 2017, several banks came closer to exceeding the supervisory diamond's benchmark (see Box 2) for lending growth. Others broke the limit values for the benchmark and received a risk notice from the Danish FSA. In 2017, more banks had a lending growth exceeding 10 percent than in previous years. There may be several factors that explain why a bank has a large lending growth. The Danish FSA will make an individual and concrete assessment of whether it should deliver risk notices in situations where the bank exceeds the limit values of the supervisory diamond. In the assessment, the Danish FSA will take into account e.g. mergers, acquisitions, group relationships and other matters of relevance to the risk image. A newly established bank may have high lending growth rates during a phasing-in period, which the Danish FSA normally will take into account.

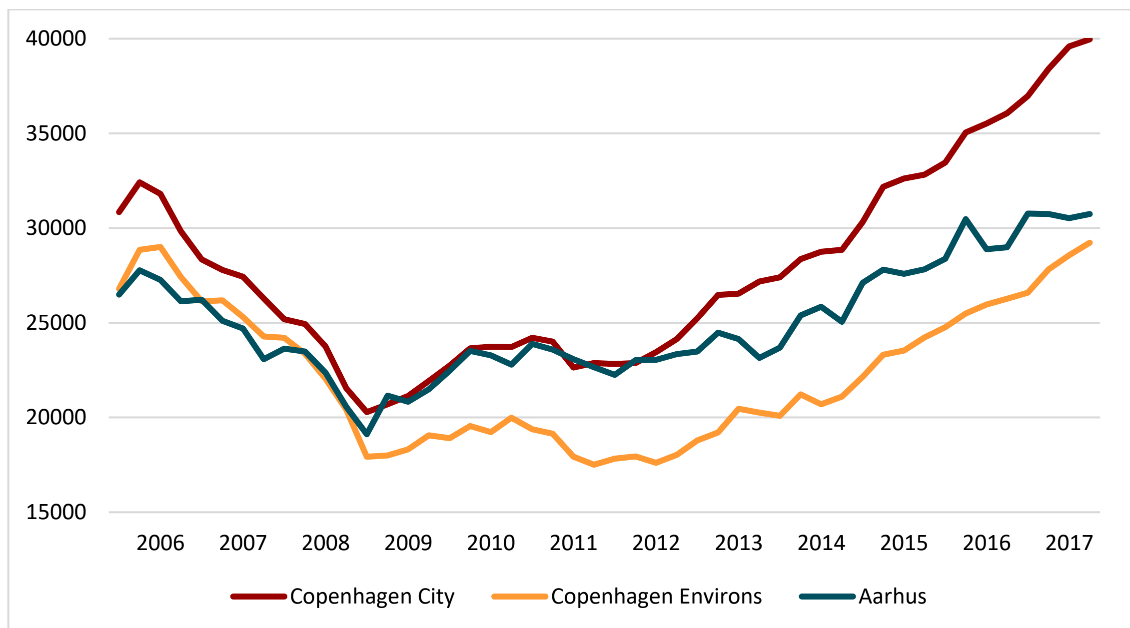
The number of exceedances of the surveillance diamond's benchmarks has generally decreased, and the banks receive fewer risk notices than before, see Figure 6. Where previously, the benchmark for property exposures was often the one exceeded, the benchmark for lending growth is more frequently exceeded today.

4. Rising housing prices and lending in growth areas

In the housing market in Copenhagen and the surrounding area, as well as Aarhus, property prices have risen sharply since the crisis, especially for owner-occupied and cooperative flats. The price development for owner-occupied flats in Aarhus, Copenhagen and the Copenhagen Environs is shown in Figure 7. For Copenhagen City, square metre prices for owner-occupied flats have almost doubled since 2009, while in Aarhus and the Copenhagen Environs, they have increased by more than 60 percent.

[3] For a more detailed account of joint funding of mortgage loans, see Market Development Article for Mortgage credit institutions 2017.

Figure 7 – Prices of owner-occupied flats in growth areas are higher than before the financial crisis

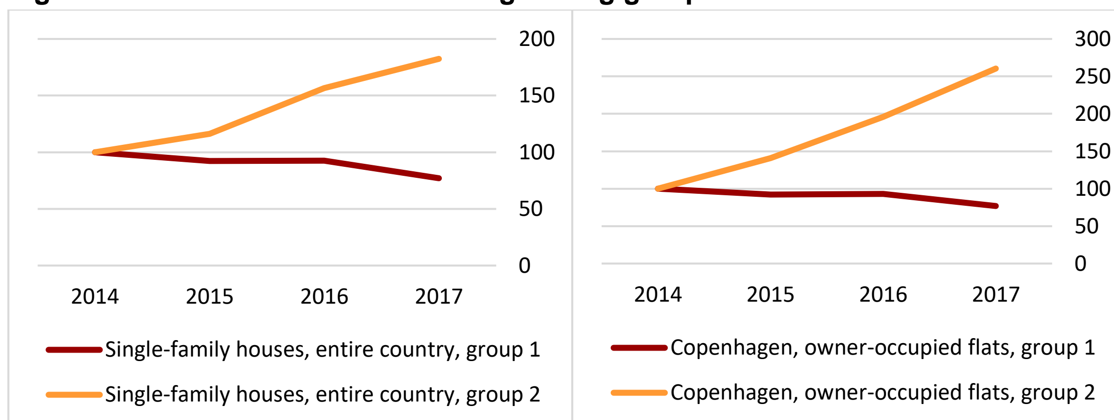


Note: Square metre prices in DKK.
Source: Finance Denmark's housing market statistics.

While prices in growth areas rose, the banks reduced overall lending as seen above. However, medium-sized banks saw particular growth in the granting of credit for housing, especially in growth areas, see Figures 8a and 8b.

The reduced mortgage lending for Group 1 banks was due to an increased use of joint funding. Finanstilsynet did not observe the same for group 2 banks. In this group, there was a large lending growth and seemingly great appetite for getting housing loans on the books. The lending of group 2 banks continued to make up a small proportion of total lending, but the growth in lending for housing was significant.

Figures 8a and 8b – Growth in lending among group 2 banks



Note: 2014 = index 100.
Source: Reports to the Danish FSA. Data for all group 1 banks and four group 2 banks.

High lending growth places high requirements on the banks' credit policy and credit standards. A number of macro-prudential measures and supervisory initiatives have been launched to address this, e.g. Guidance on prudence in the credit assessment for the mortgaging of housing in growth areas etc., see box 3[4].

Box 3 – Guidance on prudence in the credit assessment

Guidance on prudence in the credit assessment when financing properties in growth areas etc. has the purpose of ensuring that banks are sufficiently cautious in their lending for financing of owner-occupied and cooperative housing in Aarhus, Copenhagen and the Copenhagen Environs. The guide covers a total of 18 municipalities. The banks must ensure that the customers' finances are sufficiently robust.

Among other things, the guidance requires:

- Disposable amount during interest rate stress
- Disposable amount during interest rate stress situations for owners of cooperative housing
- Financial robustness of customers with negative wealth
- Sufficient wealth in case of high debt ratio
- Financial robustness of customers with two homes
- Disposable amount (applies to all geographical areas)
- Sufficiently sound finances of cooperative housing associations (applies to all geographical areas).

Recently, the rules of good practice have been extended for the granting of housing credit for customers with a high LTV ratio[5], see box 4.

Box 4 – The order on best practice

The order on good practice for financial institutions is intended to ensure that financial institutions comply with a number of general requirements for good practice and conduct. The order implies that, as a general rule, financial companies should not provide risky loans to customers with a debt factor above 4, and where the LTV ratio exceeds 60 percent.

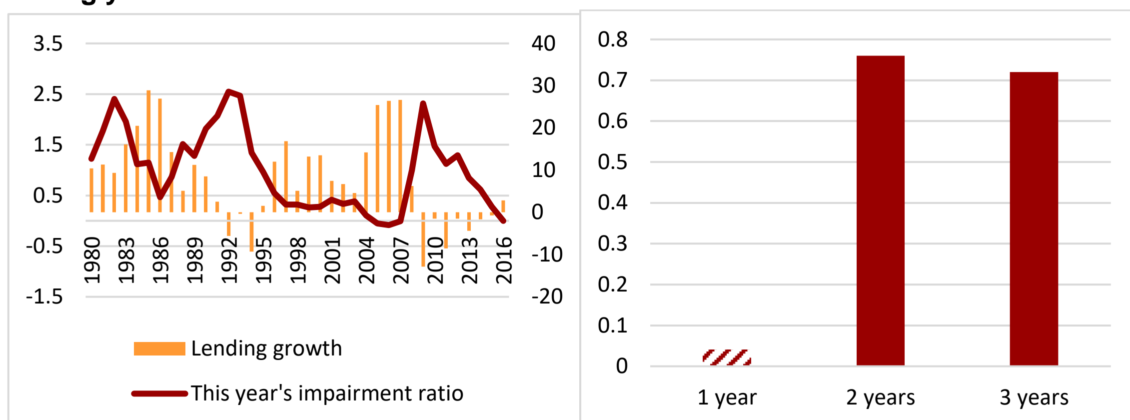
Risky loans are:

- Variable interest rate loans
- Loans where the interest rate is fixed for less than five years
- Loans with repayment freedom.

[4] https://www.finanstilsynet.dk/da/Nyheder%20og%20presse/Pressemeddelelser/2016/Pressemedddelelse-Vejledning-om-forsigtighed-i-kreditvudering-ved-belaaning-010216
[5] https://em.dk/nyheder/2017/10-26-nye-retningslinjer-for-boliglaan

Historically, periods of high lending growth are often followed by periods of large impairments, see figures 9a and 9b. In its ongoing supervisory activities, the Danish FSA ensures that the credit institutions' granting of credit is sufficiently cautious and sound, and that they are sufficiently equipped and economically robust to withstand economic recession.

Figures 9a and 9b – High lending growth increases the risk of impairments in the following years



Note: Figure on the left: Impairments for the year in percent, left-hand axis, and year-on-year growth in lending, right-hand axis. A Granger causality test conducted on a sector-wide VAR model for the period 1980-2017 cannot reject the hypothesis that lending growth leads to higher impairments.
Figure on the right: Shows the coefficients of a panel data analysis, where the impairments are regressed on the lagged loan lending growth. Solid columns indicate that the coefficient is significant at a 95 percent confidence interval. The panel data analysis has been conducted at the institutional level for the period 2005-2017.
Source: Reports to the Danish FSA.

The Danish FSA conducts transverse thematic investigations that highlight risk taking, e.g. credit and granting standards for lending in growth areas. Box 5 describes some of the thematic investigations conducted by the Danish FSA in 2018.

Box 5 – Thematic investigations in 2018

- **Study of housing lending in growth areas for large banks**

The purpose of the study was to look at the banks' compliance with Guidelines on prudence in the credit assessment when financing properties in growth areas etc. There was a big difference in the proportion of the granting of credit in the individual banks which differed from the guidance. The most deviations were made from the guidance's point on high debt factors and the second-most deviations were made from point 3 on negative assets. The investigation has not been finalised.

- **Reports of information about lending for housing in growth areas in medium-sized banks**

The reports are to highlight the lending of medium-sized banks in growth areas and the banks' implementation of the Guidelines on prudence in the credit assessment.

- **Study of the use of SIFI banks' financing of acquisitions of companies by capital funds and others**

The study is intended to cover the Danish SIFI banks' and selected branches of foreign banks' financing of purchases of companies by capital funds and others. The purpose of the study is to assess the adequacy of the banks' risk analysis in granting the funding, and the banks' risk tolerance in this regard.

- **Study of lending for cooperative housing**

The study illuminated new lending for cooperative housing across six banks. The purpose was to assess the banks' risk appetite in connection with cooperative housing loans and the basis on which the banks granted these. It was concluded that the banks' valuations of cooperative housing certificates for the use of granting etc. was often insufficient as a basis for the granting, and in some cases, the value of the certificates was overestimated. In addition, the risk appetite was high in some cases, and there were some grantings that did not adequately take the particular risks associated with lending for housing in growth areas into account. Finally, in many cases the banks' governance setup was insufficient in relation to the particular risks associated with lending for cooperative housing.

5. Non-performing loans (NPL)

In Europe, there is currently a strong focus on non-performing loans (NPL, see definition in Box 6). This is mainly due to the fact that many southern European banks have many bad loans. Not only do these pose a problem to the individual bank, they may also be problematic for the economy as a whole. The bad loans usually take a long time to settle, and it is difficult for a bank with many bad loans to raise new capital on reasonable terms.[6]

Among other things, the reason is uncertainty about reasonable impairments. All things being equal, investors will demand a higher return from banks with many NPLs. In addition, bad loans impact the balance sheet, which means that existing capital is tied to NPL rather than financing new and good loans in the economy. Therefore, bad loans inhibit the bank's lending opportunities and probably also the companies' financing options.

In 2017, NPLs amounted to 4.9 percent of total lending and guarantees in Danish banks[7]. The level has dropped in recent years from a share of 6.2 percent at the end of 2015. Banks are able to settle more of the bad loans as we put the crisis behind us.

In Denmark, banks do not have many NPLs compared to the southern European countries. On the other hand, there are more bad loans in Denmark than in the countries Denmark usually compare itself to, e.g. The Netherlands, Norway and Sweden[8]. This is probably due to Denmark being hit relatively hard by the financial crisis, even by historical standards. For example, the backlash on the housing market and in GDP was greater in Denmark than in most other countries in northern Europe.

Danish banks with a high proportion of NPLs are characterised by a large amount of lending for agriculture, low earnings and a low coverage ratio. The coverage ratio indicates how much the banks have written down on the NPLs on which impairments have been conducted (i.e. an indication of whether or not the level of impairments is sufficient)[9]. In addition to lower direct earnings, a high proportion of NPL is associated with lower lending growth and thus potentially also even lower earnings in the long term. Therefore, banks should write down on

Box 6 – NPL

An exposure is defined as NPL, if at least one of two criteria is met:

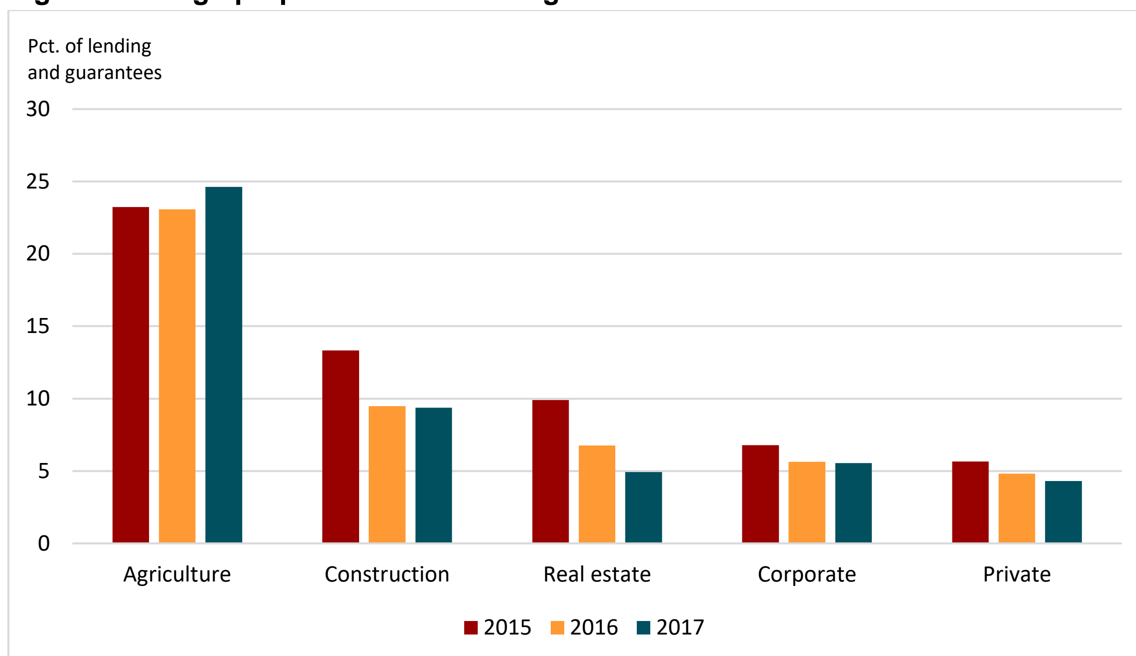
- The exposure has been in arrears (i.e. any amount of interest, fee or repayment has not been paid) for more than 90 days.
- It is estimated as unlikely that the debtor will fully meets their payment obligations without realising collateral.

[6] On 14 March 2018, the Commission presented a proposal to amend the Capital Requirements Regulation (CRR) as regards minimum coverage of losses for defaulted exposures. The proposal is part of a package of initiatives aimed at managing European banks' holdings of defaulted loans. The purpose of the proposal is to strengthen the European banking sector in the future, and help reduce the build-up of defaulted loans in the EU by ensuring that banks write them down in a timely and sufficient manner. Among other things, this will improve banks' ability to sell portfolios of defaulted loans without significant negative financial consequences to the banks, which thus reduce their risk of having to limit lending capacity or become distressed as a result of a large amount of defaulted loans.
[7] In the calculation of NPL in Denmark, all banks in groups 1-3 are included, and correction has been made for outliers. Since the end of 2015, the banks have reported NPL loans to the Danish FSA twice a year.
[8] EBA, Report in the Dynamics and Drivers of Non-Performance Exposures in the EU Banking Sector, July 2016.
[9] Panel analysis including approx. 55 banks and five data points, adjusted for a number of institutional and macro-specific variables.

bad loans sufficiently. This can make it easier to resell the loan, as sales do not require additional impairments.

In Denmark, bad loans are mainly from lending to agriculture, but the construction industry also holds a large share of the bad loans, cf. figure 10. When bad loans are prominent in agriculture, the reason may be that agriculture as an industry is equipment-intensive, why collateral may be difficult to realise. Thus, it is harder for agriculture to adapt to the financial cycle, which to some extent also applies to the real estate industry.

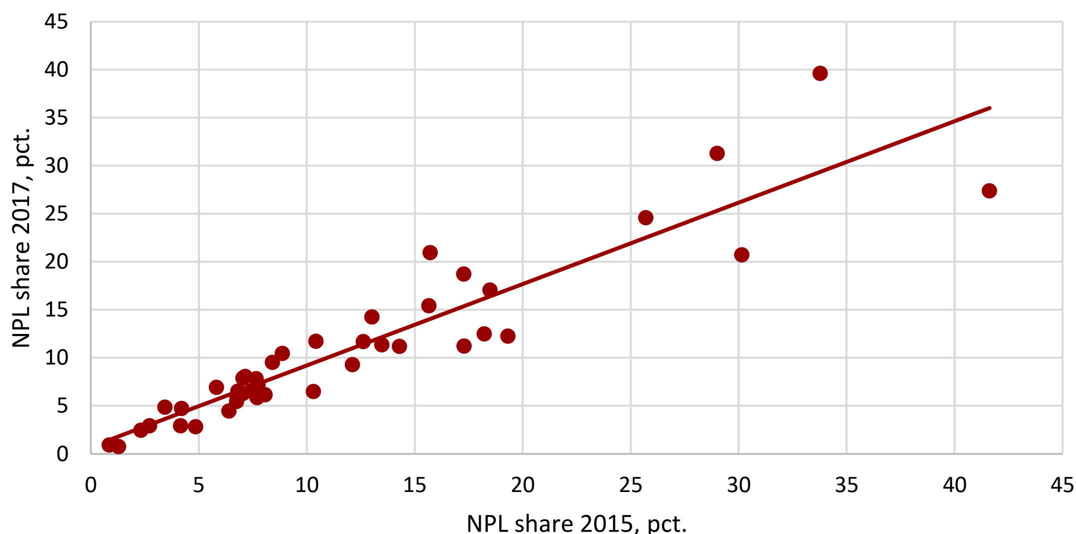
Figure 10 – High proportion of NPL for agriculture



Note: Includes banks in group 1-3. Adjusted for outliers. Weighted average of NPL by industry.
Source: Reports to the Danish FSA.

Bad loans usually follow the banks over a number of years. If a customer encounters financial difficulties, it will take time before the situation might change for the better. The situation may also turn to the worse. The banks that had many bad loans by the end of 2015, still had bad loans at the end of 2017, cf. figure 11. However, it is necessary to break this persistence to ensure a more efficient and robust banking sector, e.g. by divesting bad loans. However, this usually causes a significant loss for the banks, and in agriculture, banks have been particularly reluctant to settle bad loans. The low-interest environment in recent years has further reduced banks' incentives to settle bad customers, i.a. due to low borrowing costs. Apart from the fact that there is a market for the sale of private loans to debt collection companies, the banks may find it difficult to sell bad portfolios in Denmark.

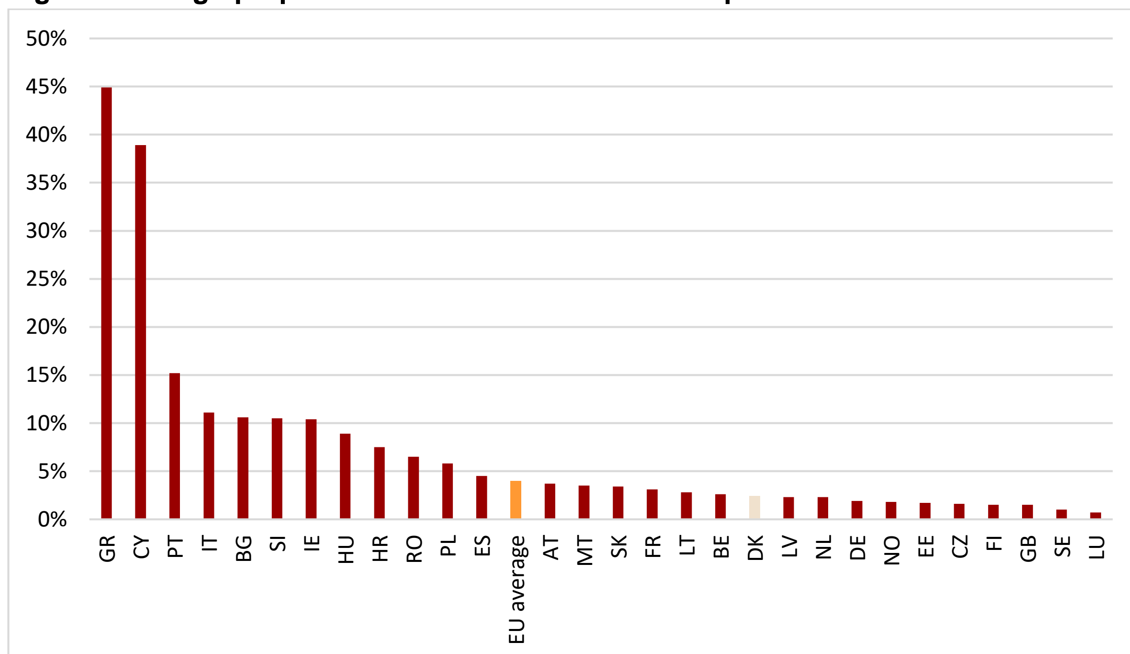
Figure 11 – Bad loans follow the banks



Note: The scatter plot indicates the individual banks' NPL share of lending and guarantees at the end of 2015 and end of 2017, respectively.
Source: Reports to the Danish FSA.

At the European level, the concern over NPL is greater than in Denmark.

Figure 12 – High proportion of NPLs in Southern Europe



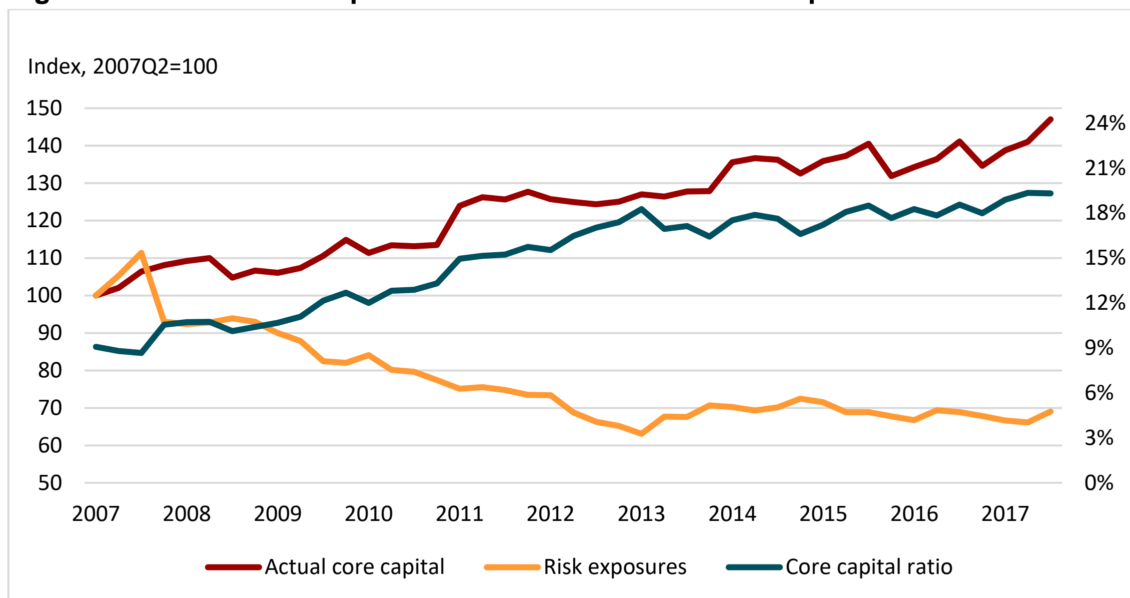
Note: Data from the largest European banks. Four Danish banks participate in the exercise. Data for the fourth quarter of 2017.
Source: EBA's Risk Dashboard.

The fear is that, with negative economic shocks in countries with a high proportion of NPL or global interest rate shocks, situations may arise which can throw Europe into another debt crisis.

6. Development in capital position

The banks' core capital ratio also increased in 2017, mainly attributable to an increasing capital base, while risk exposures have not risen correspondingly, cf. figure 13.

Figure 13 – Increase in capital ratios and decrease in risk exposures



Note: Actual core capital and risk exposures left-hand axis, core capital ratio right-hand axis.
Source: Reports to the Danish FSA.

Table 2 – Capital ratios of banks

	Group 1			Group 2			Group 3			Group 4		
DKK billions	*2016*	*2017*	*Change*	*2016*	*2017*	*Change*	*2016*	*2017*	*Change*	*2016*	*2017*	*Change*
Actual core capital	190.3	195.0	2.4%	30.6	34.7	13.6%	14.0	15.1	7.8%	0.7	0.9	24.5%
Core capital	216.7	216.8	0.0%	33.9	37.8	11.5%	15.2	16.2	6.4%	0.8	1	26.1%
Capital base	242.5	243.4	0.4%	37.9	41.8	10.2%	15.9	17.2	8.2%	0.8	1	28.5%
Total risk exposures	962.4	955.4	-0.7%	216.9	223.7	3.1%	87.5	90.3	3.2%	2.8	3.8	37.3%
Actual core capital ratio	19.8%	20.4%		14.1%	15.5%		16.0%	16.7%		26.5%	24.1%	
Core capital ratio	22.5%	22.7%		15.6%	16.9%		17.4%	18.0%		27.0%	24.8%	
Capital percentage	25.2%	25.5%		17.5%	18.7%		18.1%	19.0%		27.1%	25.3%	

Source: Reports to the Danish FSA

The use of internal models for risk exposures may have procyclical properties, so that capital requirements drop in good times and rise in bad ones. This applies especially to those models that depend on cyclically-sensitive variables such as property values and behavioural information (e.g. overdrafts and arrears). Primarily group 1 banks use internal models.

Box 7 – IRB and the Standard Method

The IRB and Standard Method are two different methods that can be used to calculate credit and market risk. Credit risk accounts for the vast majority of the total risk exposures in Danish banks.
The standard method is the simplest of the two methods of risk calculation. It consists of a set of standardised risk weights for calculating risk exposures for each risk class.
The IRB method implies that the bank develops its own models internally. The IRB method has a number of advantages. The method increases the incentive to know one's own credit risks. Banks that choose to use their own models usually have a better creditworthiness in their lending books than banks using the standard method.

Since the financial crisis, the banks have had falling risk exposures. As a rule, drops in risk exposures should be based on real risk exposure changes and not on the basis of procyclicality in risk weights. It is important for banks to limit the cyclical dependency in their models. Banks using internal models can generally not have an overall risk weight in their residential real estate portfolio below 10 percent. Using the standard method, the risk weights are at least 35 percent for residential properties.

The Danish FSA focuses on how credit institutions' capital requirements develop over time. The Danish FSA expects the banks themselves to have a good understanding of the development, to continuously relate to the need for compensatory measures, and to incorporate cycle-diminishing properties in their models, so that fluctuations in the capital requirement are reduced.

In January 2018, the Danish FSA published a press release on credit institutions' risk weighting of housing loans in growth areas[10]. The background was an analysis in which the Danish FSA found that several credit institutions used disproportionately low risk weighting in growth areas (Copenhagen and environs and Aarhus). The Danish FSA stated that, for all portfolios, banks should ensure that the risk weights are fair and at a reasonable level. For well-functioning models, the banks' average risk weight for Danish loans with real estate mortgages should be at least 10 percent.

7. Dividend payment and capital building

The banks must build up capital in good times, so that they can withstand the negative financial shocks that arise when bad times arrive. Having customers who are unable to meet their obligations is expensive to the banks, and there are also costs associated with the recovery of money from such customers.

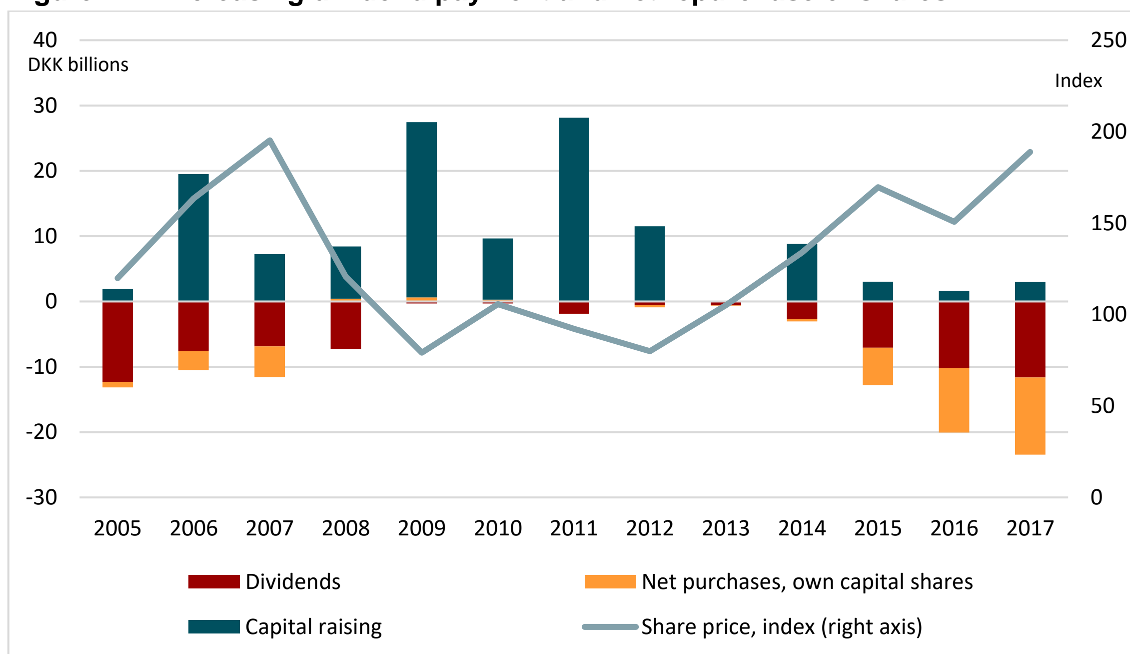
Banks often prefer to withhold profits rather than having to bring in funding from external sources. If they are not sufficiently aware that, at some point, there will be adverse economic climates with no opportunity to build up capital cheaply, the banks may need to bring in very expensive, external funding. If they are unable to do so, they will be challenged. In addition, as a result of international legislation – including the completion of Basel III and future MREL

[10] https://www.finanstilsynet.dk/da/Nyheder-og-Presse/Pressemeddelelser/2018/boliglaan-veakstomraader-150118

requirements – Danish banks will encounter increased capital requirements over the coming years. Therefore, the Danish FSA has called on banks to show moderation when paying out dividends to shareholders.

The payment of dividends must depend on the general economic situation of the individual bank, but the Danish FSA would like to see general restraint in spite of good financial results. As previously explained in this article, banks' surplus is driven by low impairments and price adjustments, which in turn are the result of a healthy, macroeconomic situation. One cannot expect the good economic times to continue infinitely. Therefore, banks should show moderation in their dividend payments. As can be seen from figure 14, the banks' dividend payments have increased in line with the last couple of years. Historically, it has been necessary for the banks to raise capital in the years following years of major net repurchases and dividend payments.

Figure 14 – Increasing dividend payment and net repurchase of shares



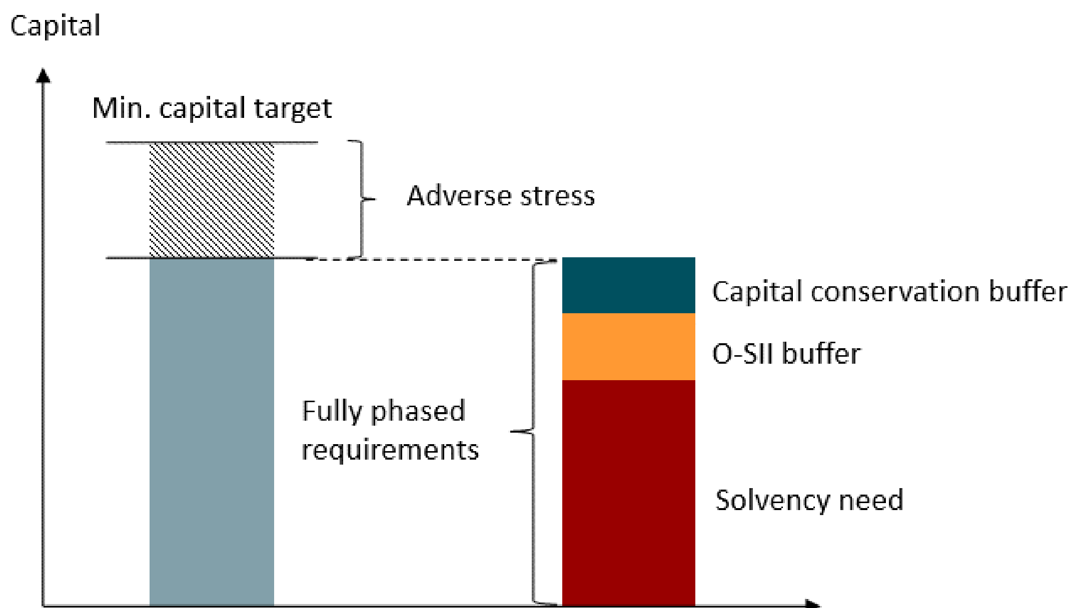
Source: Reports to the Danish FSA.

8. The Danish FSA's approach to sufficient capital and capital objectives

As a result of new national and international legislation, the banks' capital requirements have been tightened in recent years. After the 2008 financial crisis, several Danish banks did not have enough capital to withstand the crisis. The Danish banks were hit significantly harder

by the financial crisis than the Norwegian and Swedish ones, and this has affected the real economy adversely. Since then, Danish banks' capitalisation has increased significantly.

Figure 15 – The Danish FSA's access to sufficient capital



The Danish FSA expects the capital targets of each bank to be above the capital requirement. The Danish FSA expects the banks to undergo stress tests when setting their capital targets.

In Sweden and Norway, the capital requirements for the larger banks are greater than in Denmark. Norway has gearing requirements and operates with a hard Basel floor, which is calculated on the basis of risk-weighted exposures, and not on the basis of capital as in Denmark. Sweden has a higher SIFI buffer than Denmark. On the other hand, the supervisory authorities in Norway and Sweden do not make as high demands on the capital target.

The Danish approach ensures that Danish banks are well-equipped like their Norwegian and Swedish counterparts, but also that the banks have sufficient capital to withstand a situation where they come under severe stress, without breaking the capital requirements.

9. International financial legislation

International, cross-border financial legislation, which aims to ensure banks' resilience to financial shocks, impacts Danish banks. The different rules have different purposes, but overall they are intended to ensure financial stability.

- IFRS 9 is a set of international accounting rules which will ensure i.a. an appropriate write-down on time.
- MREL is intended to ensure a sufficient level of impairment liabilities when a credit institution is to undergo resolution.

- Among other things, the Basel Committee's work entails new capital requirements. The Basel Committee’s recommendations are described in more detail below.

Box 8 – Effect of IFRS 9 on the accumulated impairments at the beginning of 2018

In 2018, the Danish FSA asked all banking and mortgage credit institutions to report an estimate of the expected increases in accumulated impairment losses from the end of 2017 to the beginning of 2018 as a result of IFRS 9.

Overall, the sector as a whole expects an increase in impairments of DKK 6-7 billion. This corresponds to an increase in impairments of almost 13 percent.

10. Basel Committee recommendations

The Basel Committee wishes to make capital requirements more robust by, for example, reducing differences in credit institutions' capital requirements, which cannot be explained by differences in risks. The recommendations are intended to increase comparability between credit institutions and correct weaknesses under the current capital requirements rules. For example, the banks must have more robust internal models and more risk-sensitive standard methods.

The Basel Committee's recommendations consist of a number of changes to the rules on capital coverage of credit risk, market risk cf. box 10, and operational risk. In addition, the recommendations contain a minimum requirement for banks that use internal models to calculate the capital requirement. Five Danish banks, Danske Bank, Jyske Bank, Sydbank, Lån & Spar Bank and Nykredit Bank, use such internal models.

Box 9: The Basel Committee

The Basel Committee *(Basel Committee on Banking Supervision, BCBS)* is a committee of national banks and supervisory authorities from 27 countries. The Basel Committee aims to develop global standards for regulating credit institutions with the overall objective of strengthening global financial stability.

Denmark is not a member of the Basel Committee. However, the director of the Danish FSA is a member of the *Basel Consultative Group*, which is one of the subcommittees of the Basel Committee.

The Basel Committee's recommendations are not directly applicable legislation, but form the basis for global financial regulation, including European regulation of banks and mortgage credit institutions. This means that the recommendations will go through a process in the EU, where they will be translated into concrete EU legislation. In this process, it is possible that the original recommendations will be changed and adapted to a European context.

On the basis of data reports from the five biggest systemically important Danish credit institutions, an expert group set up by the Minister for Industry, Business and Financial Affairs

has[11] estimated that credit institutions' capital requirements will rise by approx. 34 percent at the group level, compared to already-known capital requirements[12]. This corresponds to a decrease in CET1 of 4.9 percentage points. The calculations also show that capital requirements will rise particularly for exposures against large corporate customers, housing loans and market risk, cf. table 3.

Table 3 – Increase in capital requirements at the group level

	Relative effect on portfolio in question
Overall increase	34 pct.
Credit risk	36 pct.
Of which large corporate	45 pct.
Of which SMEs	28 pct.
Of which housing loans	61 pct.
Of which other	6 pct.
Market risk	70 pct
Operational risk	-17 pct.

Source: The Ministry of Industry, Business and Financial Affairs' Expert Group.[13]

The table shows increases at the group level. This is based on all Basel Committee recommendations, including a proposed output floor of 72.5 percent. That is, the total risk exposures calculated using the internal method should be at least 72.5 percent of total risk exposures calculated under the standard method. The recommendations will be phased in over a longer period of time and will be fully phased in by 2027. Most of the total increase in capital requirements stems from the output floor.

[11] Data are from Danske Bank, Nykredit, Jyske Bank, Sydbank and Nordea Kredit from the fourth quarter of 2016.
[12] https://em.dk/nyheder/2018/02-07-basel-ekspertruppe-krav-kan-gaa-haardt-ud-over-penge-og-realkreditinstitutter
[13] At the time of these calculations, the CRR2 negotiations have yet to be completed. The market risk calculations reflect the anticipated outcome of the negotiations. Since then, the implementation of CRR2 in the market risk area has been postponed until 2022, due to the Basel Committee's deferred implementation. The Basel Committee has also sent FRTB into renewed consultation (FRTB 2.0). Therefore, the European implementation of capital requirements in the market risk area as a result of the FRTB has not been clarified. The Basel Committee's new calibration of the capital requirements for the market risk area (FRTB 2.0) is expected to prompt an easing of capital requirements relative to the original FRTB.

Box 10 – Revision of FRTB

In December 2017, Basel published new standards for **market risk** – Fundamental Review of the Trading Book (FRTB). In particular, the purpose is to increase risk sensitivity using the standard method, so that it may serve as a credible alternative to the advanced method. However, the debate on both the new standard method and the new advanced method is still open in a Basel context. Work is being done to complete a revised version of FRTB (FRTB 2.0) by the end of 2018.

As regards the standard method, the most important discussions concern the determination of risk weighting for interest rate, spread, currency and convex risk as well as provisions relating to structural FX.

For the advanced method, the discussions specifically deal with the definition and management of non-modellable risk factors and calibration of the profit and loss distribution test that a bank must pass to obtain permission to use the advanced method.

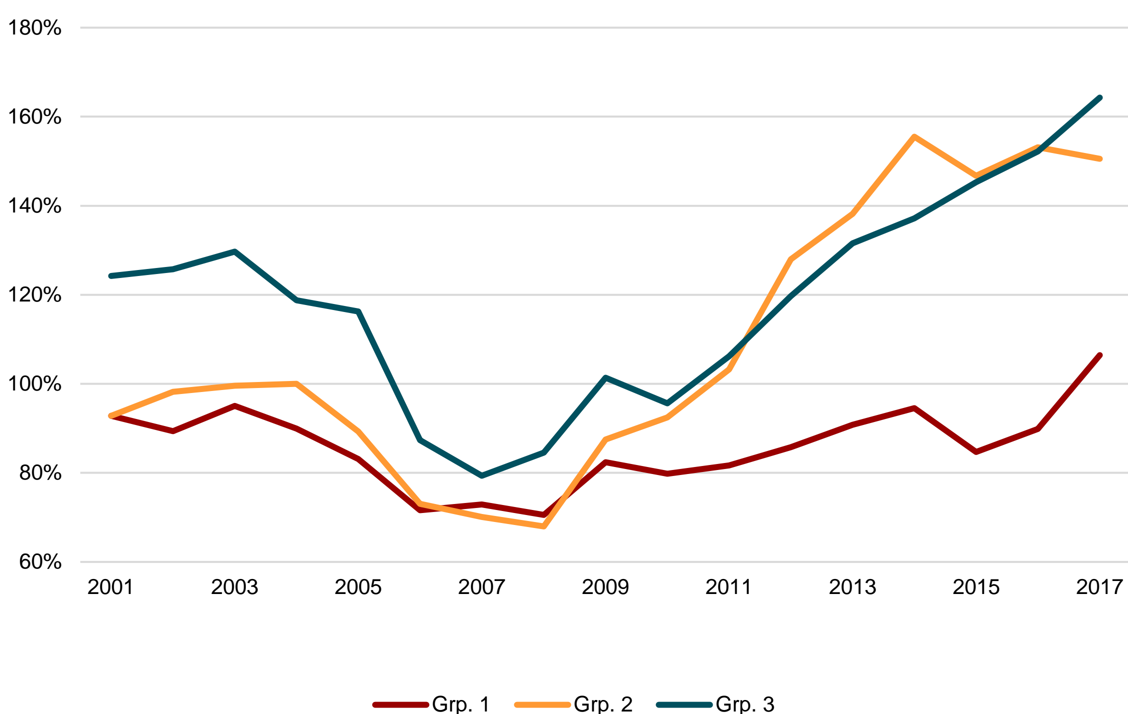
Due to the outstanding areas, implementation in EU regulation has been deferred. The expectation is that a reporting requirement will come into force first, while actual capital requirements will only be determined at a later date. Although some of the standards remain under recalculation, expectations remain that the new capital requirements will lead to higher capital requirements and increased operational complexity.

11. Liquidity and funding

Banks' lending and other assets are primarily financed through deposits and equity, issuance of various debt instruments and loans from other credit institutions and central banks. The composition of the different sources of funding is crucial for the banks' liquidity risks.

In the years leading up to the financial crisis, Danish banks built up a significant deposit deficit. In 2012-2013, this was changed to a total deposit surplus, and by the end of 2017 this was approx. DKK 215 billion. The deposit surplus is currently at a higher level than in the 2000-2005 period, i.e. in the years leading up to the financial crisis, cf. figure 16. Over the course of 2017, the group 1 banks turned the deposit deficit into a deposit surplus.

Figure 16 – Deposit surplus (balance sheet deposits/lending)



Note: Deposit surplus is stated in the figure in percent, and shows the balance sheet deposits relative to balance sheet lending for the banks in groups 1, 2 and 3, respectively. I.e. deposits and loans are calculated incl. repo and reverse repo.
Source: Reports to the Danish FSA and own calculations.

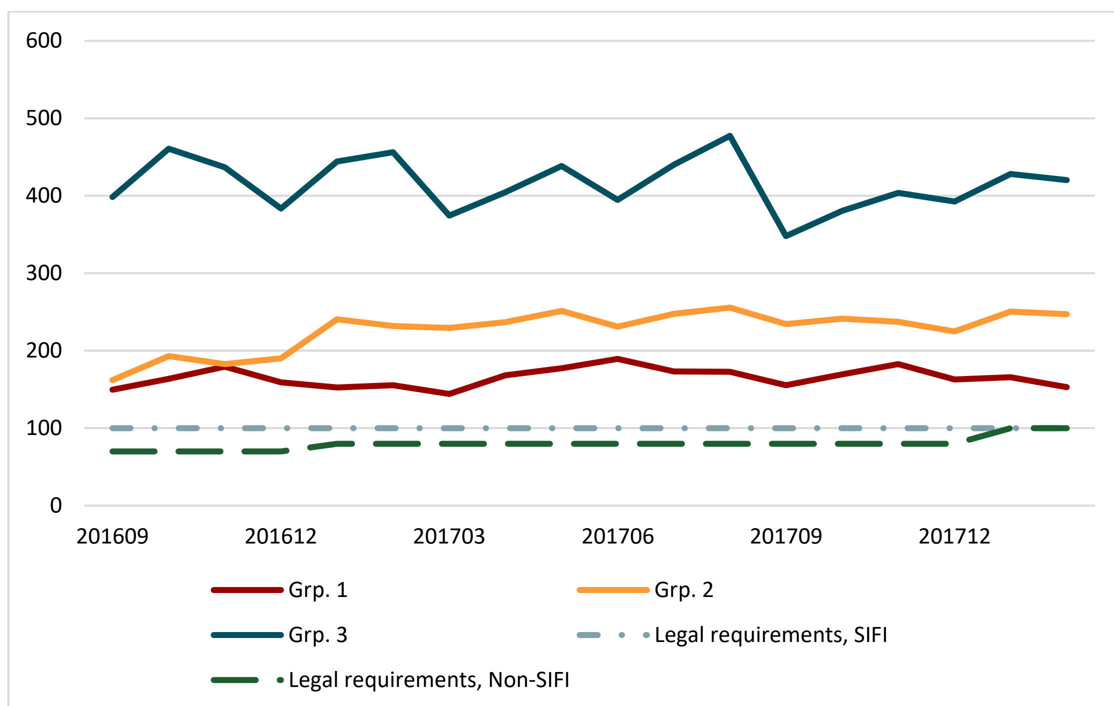
Some banks have such a small deposit surplus that, in some quarters, it changes to a minor deficit. It is essential that banks with deposit deficits have sufficient stable funding. Currently, the banks have access to market-based financing, and this is currently relatively cheap and easily accessible compared to previous periods. However, the situation may change rapidly, and the banks should therefore not base their business on less stable sources of funding.

12. LCR requirement

Since 1 October 2015, Danish credit institutions have been subject to the joint European liquidity coverage requirement, LCR (Liquidity Coverage Ratio). LCR requires banks to maintain a sufficiently large portfolio of high-quality liquid assets to cover potential

imbalances between banks' incoming and outgoing cash flows during a 30-day intensive liquidity stress.

Figure 17 – Smaller banks have higher LCR levels



Note: Group 1 banks are all SIFI banks. The median values for LCR for group 4 banks are above the median values for group 3 banks. During the period, group 4 banks had median values for LCR ranging between 706-1323 percent.
Source: Reports to the Danish FSA and own calculations.

As of 1 January 2018, the LCR requirement was fully applicable to all banks. All banks met the minimum LCR requirement of 100 percent per 1 January 2018, cf. figure 17.

The LCR level will change during the year as a result of the banks' general operations. Recently, the Danish FSA has seen some examples of exceedances of the LCR requirement due to insufficient risk management of LCR. It is worth noting that the LCR requirement is exceeded in a situation of abundant liquidity in the financial sector. The Danish FSA finds that the banks should be aware of i.a. changes in their LCR buffer due to the expiration of government and mortgage credit bonds. Banks should also be aware of portfolio changes in the LCR buffer compared to the requirements which the LCR Regulation make of mortgage credit bonds, including the series size.

The Danish FSA's new liquidity benchmark will come into force on 30 June 2018. The benchmark indicates the banks' ability to cope with three months of liquidity stress. The benchmark is intended to ensure that the banks have a certain braking distance to the regulatory minimum requirement, in order to respond to potential challenges with compliance with the LCR requirement[14].

[14] For an in-depth description of the liquidity benchmark, see Guidance on the Supervisory Diamond for Banks, which can be found at https://www.finanstilsynet.dk/da/Tilsyn/Tilsynsdiamanten-for-pengeinstitutter

13. Systemic liquidity and low-interest environment

Since the financial crisis, there has been ample liquidity in Danish banks. This means that the incentives for tight liquidity management (and consequent costs) have been reduced. At the same time, this also poses a risk that banks' stress tests will not reveal their weak points, as their liquidity management can be less stringent in good times. Since the banks' liquidity is central to financial stability, it is therefore important that the banks focus on building the necessary expertise in risk management in good times.

For several years, the banks have operated under extremely low interest rates in DKK. With low interest rates and ample liquidity, banks should not be tempted to invest in higher-yield financial products of which they do not know the liquidity during normal or stressful times. It is therefore essential that, in a low-interest environment, banks maintain their risk profiles and liquidity management, even though this prompts a negative return in the short term.

The banking institutions typically place their deposit surplus on a current account at Danmarks Nationalbank, or invest in certificates of deposit. Danmarks Nationalbank has set individual limits on how much eachbank can place in its current account. The size is adjusted to the individual bank's balance sheet. The interest rate on the current account is currently zero, and it is thus more attractive than buying certificates of deposit where the interest rate is minus 0.65 percent. Alternatively, banks may invest their liquidity buffers in other liquid assets such as government and mortgage credit bonds. Currently, the very short mortgage credit bonds also have a negative interest rate which is, however, higher than the deposit interest rate.

The introduction of the new liquidity benchmark and LCR provides incentives for banks to have a balanced financing structure and for banks' liquidity buffers to consist of high-quality assets. This reduces the likelihood of the banks getting into distress as a result of a risky financing structure. However, the new requirements cannot stand alone, and the banks' own liquidity management and liquidity stress testing should be based on these targets.

14. Prevention of money laundering and terrorist financing

The prevention of money laundering and terrorist financing is high on the government agenda, and is one of seven special focus areas in the Danish FSA's 2020 strategy. In June 2017, the government parties have entered into an agreement with a number of other parties to strengthen the money laundering area.

As a result of the political agreement, the Danish FSA was provided with more funds to strengthen supervision in this area. With the new grant, the Danish FSA was able to establish a special money laundering office in June 2017.

The office supervises approx. 1,500 companies’ compliance with the Money Laundering Act. It includes as diverse companies as banks, brokerage companies, pension funds, money transfer companies, currency exchange companies and credit and leasing companies.

Supervision, particularly inspections, will partly focus on those companies where the Danish FSA estimates that the risk of non-compliance with the rules is the greatest, and partly on

companies with a relatively large amount of customers, where failure to comply with the rules can have particularly great consequences.

At the same time, the Danish FSA is continuously working to maintain its insight into the risks and compliance with the rules in each industry, and the individual types of companies within each industry.

In some cases, inspections may be theme-based and involve more companies at the same time. Some supervisory activity will be done off-site.

Finanstilsynet will also build an IT-based system for risk assessment of individual companies and industries, so that supervisory resources are focused where needed as much as possible. The system is likely to require certain reports from companies, in order to be as effective as possible. Therefore, the industry will be involved in this work.

Alongside the increased supervision, the Danish FSA has increased information efforts to companies to help them comply with the rules and to support them in their efforts to prevent money laundering and terrorist financing.

Appendix

15. Danish banks' organisation and foreign banks in Denmark

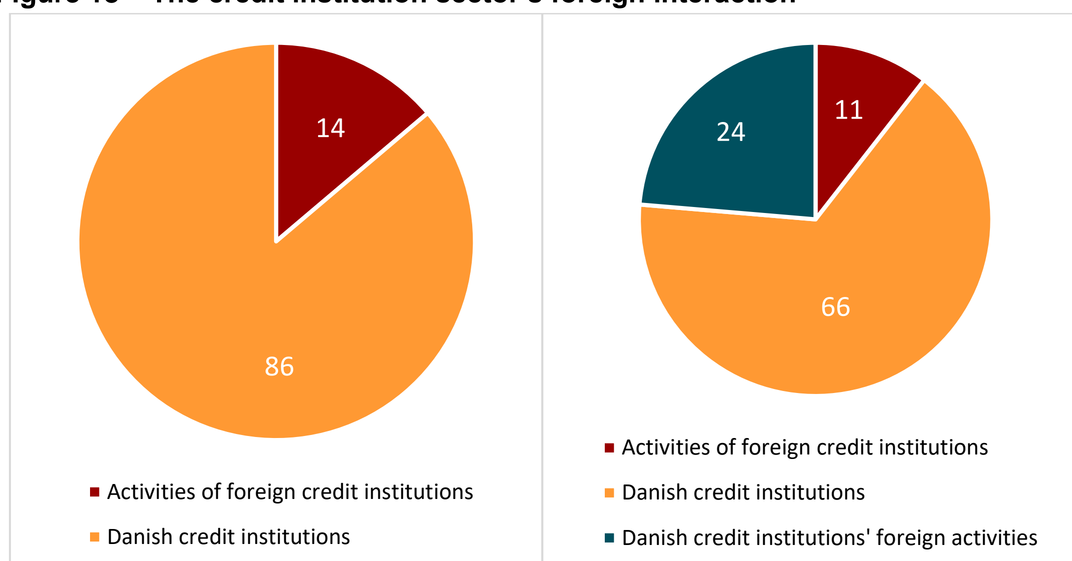
In addition to Danish banks, the Danish credit institution sector consists of foreign credit institutions' activities in Denmark. To the extent this is possible, the statistical basis for this article includes the activities of foreign banks in Denmark, in order to cover the entire market. The accounting figures in the appendix contain the activities of foreign institutions in Denmark. However, in the figures it is not possible to isolate Danish banks' foreign activities.

In total, there are 26 branches of foreign credit institutions in Denmark. A large part of these are the Nordic banks. Most recently, Nordea's Danish banking activities have become a branch of Swedish Nordea[15]. Nordea's mortgage credit business is still a Danish subsidiary. This means that the formal supervisory responsibility for banking activities belongs to the Swedish authorities (January 1, 2017[16]). Swedish SEB and Handelsbanken also have a large presence in the Danish credit market. The activities of foreign credit institutions in Denmark total 14 percent of the Danish credit institution sector, when the Danish credit institutions' foreign operations are deducted from the balance, cf. figure 18, left-hand diagram.

Figure 18, right-hand diagram, shows the entire Danish credit institution sector, where the foreign activities of Danish credit institutions are included in the balance sheet, total assets. The total balance is therefore larger, and activities of foreign credit institutions correspond to 11 percent of the credit institution sector. The foreign activities of Danish credit institutions (branches and subsidiaries) amount to 24 percent of the credit institution sector.

[15] Nordea has decided to move its headquarters to Finland, thus branching the Nordic banking business under a Finnish parent company.
[16] https://www.finanstilsynet.dk/da/Nyheder-og-Presse/Pressemeddelelser/2016/PM-EVM-Nordea-Bank-Danmark

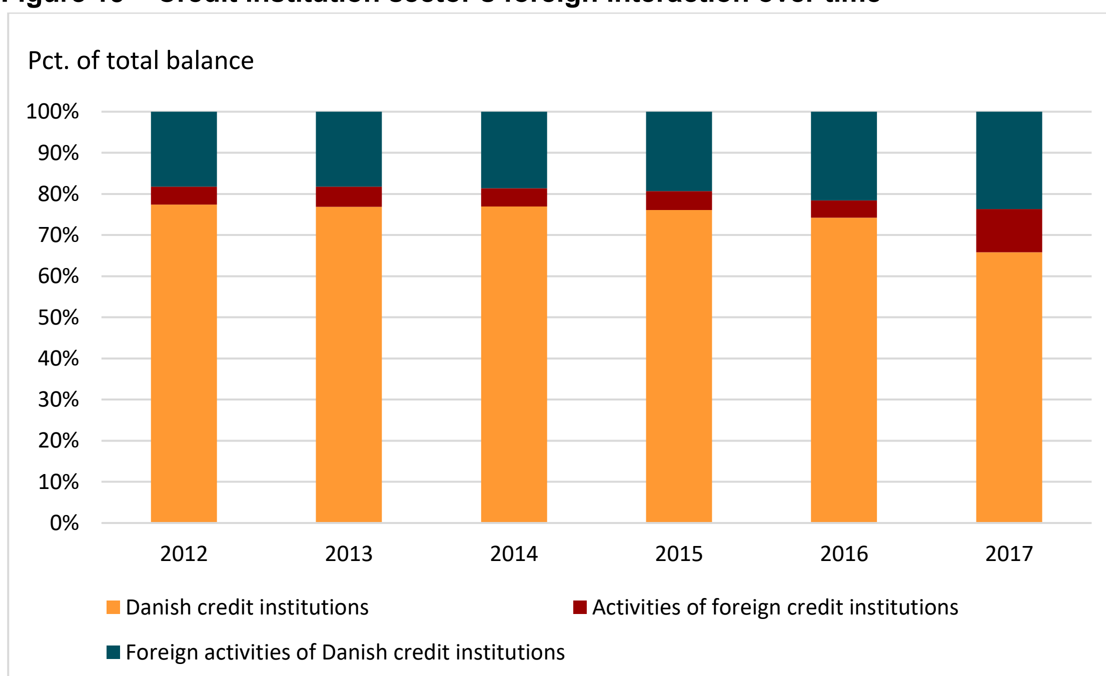
Figure 18 – The credit institution sector's foreign interaction



Note: The left-hand diagram shows the Danish credit institution sector, excluding the foreign activities of Danish credit institutions. The distribution of Danish banks' size, measured by balance sheet in 2017, and the activities of foreign credit institutions is shown as a percentage. The right-hand diagram shows the percentage distribution between Danish credit institutions, the activities of foreign credit institutions and Danish credit institutions' foreign activities, measured by balance sheet in 2017.
Source: Reports to the Danish FSA.

This trend has not changed significantly in recent years. However, the Danish activities of Danish credit institutions still amount to less, see figure 19. Changes in company structures can also have an impact.

Figure 19 – Credit institution sector's foreign interaction over time



Note: The figure shows the percentage distribution between Danish credit institutions, the activities of foreign credit institutions and Danish credit institutions' foreign activities, measured by balance sheet of the relevant year.

16. Financial institutions' key ratios

Table 4 – Financial institutions' accounting figures 2013-2017

DKK millions	2013	2014	2015	2016	2017	Change 2016-2017
Income statement						
Interest income	68,911	63,148	52,681	50,685	47,096	-7.1%
Interest expenses	29,142	22,561	14,060	14,406	13,367	-7.2%
Net interest income	39,769	40,588	38,622	36,279	33,729	-7.0%
Dividends on shares etc.	1,739	2,490	1,436	886	544	-38.6%
Fees and commission income	21,171	22,863	24,810	24,564	27,085	10.3%
Fee and commission expenses	5,906	5,576	5,580	5,359	5,212	-2.7%
Net interest and fee income	56,774	60,366	59,287	56,369	56,145	-0.4%
Rate adjustments	3,716	-1,814	2,108	6,124	12,440	103.1%
Staff and administration expenses	38,026	37,417	36,511	36,612	38,224	4.4%
Amortisation and impairment of intangible and tangible assets	2,951	12,084	6,974	2,940	3,063	4.2%
Impairment losses on loans and receivables etc.	14,920	11,114	4,845	2,463	-1,005	-140.8%
Income from equity investments in associated and affiliated undertaking	5,983	8,938	9,576	11,446	10,988	-4.0%
Results before taxes	11,830	10,525	24,193	34,388	41,260	20.0%
Taxes	2,213	1,895	3,941	4,895	6,083	24.3%
Net result for the year	9,617	8,629	20,251	29,493	35,177	19.3%
Balance sheet items						
Receivables from credit institutions and central banks	222,317	216,469	172,880	327,849	405,935	23.8%
Loans	1,446,694	1,429,131	1,425,200	1,487,804	1,545,979	3.9%
Loans ex. repo	1,116,140	1,114,995	1,134,358	1,207,124	1,294,368	7.2%
Bonds	884,040	929,361	717,896	695,765	690,833	-0.7%
Equities	23,331	23,261	37,989	39,798	40,031	0.6%
Investments in associates and affiliates	113,029	129,364	131,063	126,504	116,493	-7.9%
Assets linked to pool schemes	81,201	86,027	96,214	104,478	120,027	14.9%
Other assets	352,168	545,887	440,260	444,040	341,798	-23.0%
Total assets	3,216,118	3,435,835	3,107,067	3,291,238	3,386,676	2.9%
Debts to credit institutions and central banks	546,763	563,099	430,034	418,936	349,331	-16.6%
Deposits	1,423,226	1,471,932	1,348,622	1,483,743	1,758,865	18.5%
Deposits ex. repo	1,262,304	1,251,412	1,286,440	1,397,887	1,616,141	15.6%
Bonds issued	310,815	336,586	378,171	407,660	408,480	0.2%
Liabilites, total	2,882,561	3,111,134	2,772,708	2,950,352	3,038,682	3.0%
Subordinated debts	81,616	50,601	45,821	46,592	39,926	-14.3%
Equity	241,474	262,938	278,419	284,319	298,342	4.9%
Total liabilities	3,216,118	3,435,835	3,107,067	3,291,238	3,386,676	2.9%

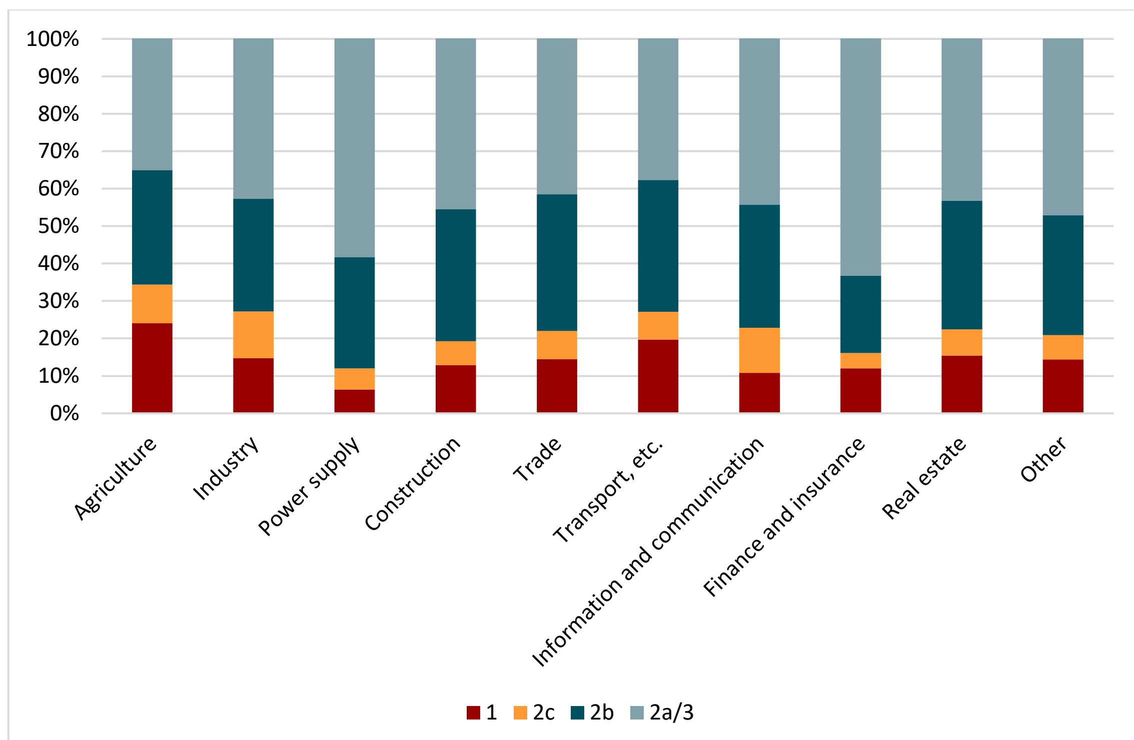
Note: The table shows only selected items. The figures are based on the institutes that existed in the individual years. As of January 1, 2017, Nordea's banking business has been branched and is now part of the parent bank of Swedish Nordea. Nordea's banking activities have been excluded for all the years to better compare the accounting figures.
Source: Reports to the Danish FSA.

Table 5 – Financial institutions' key ratios 2013-2017

	2013	2014	2015	2016	2017
Solvency ratio	22.5	21.1	22.6	23.4	23.8
Core capital ratio	20.5	19.1	20.5	21.0	21.3
Return on equity before tax for the year	5.0	4.2	9.0	12.4	14.2
Return on equity after tax for the year	4.1	3.4	7.5	10.6	12.1
Earnings per cost in DKK	1.2	1.2	1.5	1.8	2.0
Interest rate risk	0.9	1.1	1.3	1.3	2.0
Loans plus impairments on these relative to deposits	106.5	101.5	109.7	103.4	90.1
Excess liquidity coverage	209.1	159.7	205.3	210.1	221.2
Total large exposiures	7.6	6.6	6.0	10.3	10.7
Accumulated impairment ratio	4.3	4.0	3.5	2.9	2.4
This year's impairment ratio	0.9	0.6	0.3	0.1	0.0
Loans relative to equity	6.0	5.5	5.1	5.2	5.2

Note: The table shows only selected items. The figures are based on the institutes that existed in the individual years. As of January 1, 2017, Nordea's banking business has been branched and is now part of the parent bank of Swedish Nordea. Nordea's banking activities have been excluded for all the years to compare the accounting figures.
Source: Reports to the Danish FSA.

Figure 20 – Distribution of creditworthiness across individual industries



Note: The distribution covers total lending for the banks.
Source: Reports to the Danish FSA.

Table 6 – Size grouping of groups 1-4, 3rd quarter 2017

Group 1 – Working capital exceeding DKK 75 billion.

3000	Danske Bank A/S	8079	Sydbank A/S
7858	Jyske Bank A/S	8117	Nykredit Bank A/S

Group 2 – Working capital exceeding DKK 12 billion.

9380	Spar Nord Bank A/S	522	Sparekassen Sjælland-Fyn A/S
5301	A/S Arbejdernes Landsbank	8099	Nordjyske Bank A/S
7670	Ringkjøbing Landbobank A/S	400	Lån & Spar Bank A/S
1149	Saxo Bank A/S	9070	Sparekassen Vendsyssel
7730	Vestjysk Bank A/S	9217	Jutlander Bank A/S
9335	Sparekassen Kronjylland	9686	Den Jyske Sparekasse

Group 3 – Working capital exceeding DKK 750 million.

755	Middelfart Sparekasse	6140	Møns Bank A/S
5999	Danske Andelskassers Bank A/S	1671	Basisbank A/S
7681	Alm. Brand Bank A/S	9044	Dronninglund Sparekasse
9090	Sparekassen Thy	9682	Sparekassen for Nr. Nebel og Omegn
7320	Djurslands Bank A/S	9797	Broager Sparekasse
6771	Lægernes Bank A/S	9137	Ekspres Bank A/S
9740	Frøs Sparekasse	7570	PenSam Bank A/S
844	Fynske Bank A/S	9388	Sparekassen Djursland
7780	Skjern Bank A/S	9827	Sparekassen Bredebro
6471	Grønlandsbanken, Aktieselskab	537	Dragsholm Sparekasse
9695	Saxo Privatbank A/S	6620	Coop Bank A/S
13460	Merkur Andelskasse	13080	Frørup Andelskasse
7890	Salling Bank A/S	7500	Hvidbjerg Bank. Public Limited Company
6520	Lollands Bank, Aktieselskab	847	Rise Flemløse Sparekasse
7930	Kreditbanken A/S	9283	Langå Sparekasse
6880	Totalbanken A/S	9312	Sparekassen Balling
6860	Nordfyns Bank, Aktieselskabet	9354	Rønde Sparekasse

Group 4 – Working capital less than DKK 750 million.

9860	Folkesparekassen	13070	Faster Andelskasse
9133	Frøslev-Mollerup Sparekasse	1693	PFA Bank A/S
13290	Andelskassen Fælleskassen	579	Sparekassen Den lille Bikube
9684	Fanø Sparekasse	5125	Leasing Fyn Bank A/S
9124	Sønderhå-Hørsted Sparekasse	28001	Maj Bank A/S

9135	Klim Sparekasse	9629	Stadil Sparekasse
13100	Københavns Andelskasse	13220	Andelskassen OIKOS
9634	Borbjerg Sparekasse	13350	Østervrå Andelskasse

Table 7 – Branches of foreign banks in Denmark

Group 5 – Branches of foreign banks in Denmark	
546	Siemens Financial Services Denmark, branch of Siemens Financial Services AB, Sweden
582	Ikano Bank, Branch of Ikano Bank AB (publ), Sweden
856	Forso Denmark, branch of Forso Nordic AB, Sweden
880	Handelsbanken, branch of Svenska Handelsbanken AB (publ), Sweden
884	Handelsbanken Kredit, branch of Stadshypotek AB, Sweden
2222	Nordea Danmark, branch of Nordea Bank AB (publ), Sweden
5127	SEB Kort Bank, Denmark, branch of SEB Kort Bank AB, Sweden
5128	Diners Club Denmark, branch of Diners Club Nordic AB, Sweden
5287	Santander Consumer Bank, branch of Santander Consumer Bank AS, Norway
5290	DNB Bank ASA, branch of DNB Bank ASA, Norway
5294	FOREX Bank, branch of FOREX Bank AB, Sweden
5295	Skandinaviska Enskilda Banken, Denmark, branch of Scandinavian Enskilda Banken AB (PUBL.), Sweden
5299	Scania Finans, branch of Scania Finans AB, Sweden
6004	Swedbank, branch of Swedbank AB (publ), Sweden
6012	JP Morgan Europe (UK), Copenhagen Branch, Branch of JPMorgan Europe Limited, United Kingdom
6014	De Lage Landen Finans Danmark, branch of De Lage Landen Finans AB, Sweden
7958	Nordnet Bank, branch of Nordnet Bank AB, Sweden
8149	BNP Paribas Fortis Denmark, branch of BNP Paribas Fortis SA / NV Belgium
8222	BIL Denmark, branch of Banque Internationale à Luxembourg SA, Luxembourg
9043	Telia Finance Danmark, Branch of Telia Finance AB, Sweden
29000	Carnegie Investment Bank, Branch of Carnegie Investment Bank AB (publ.) Sweden
29001	UBS Europe SE, Denmark Branch, branch of UBS Europe SE
29002	Eurocard Denmark, branch of Eurocard AB, Sweden
29003	Resurs Bank, branch of Resurs Bank Aktiebolag, Sweden
29005	Citibank Europe plc, Denmark Branch, Branch of Citibank Europe plc, Ireland
29006	BNP Paribas SA Denmark, branch of BNP Paribas SA France
29007	EnterCard Denmark, branch of EnterCard Group AB, Sweden

Table 8 – Terminated banks in 2017 and 2018

Terminated banks in 2017		Continuing banks
9369	Søby-Skader-Halling Sparekasse	Sparekassen Djursland
6102	Landbrugets Finansieringsbank A/S	*Ceased*
544	Refsnæs Sparekasse	Dragsholm Sparekasse
13330	Slagelse, Andelskassen J.A.K	*Ceased*
2222	Nordea Bank Danmark A/S	*Branching*
800	Flemløse Sparekasse	Rise Flemløse Sparekasse

Terminated banks in 2018		Continuing banks
9639	Fjaltring-Trans Sparekasse	*Ceased*
7230	Østjydsk Bank A/S	Sparekassen Vendsyssel