

ENCLOSURE TO PRESS RELEASE

24 February 2016

2016 EBA EU-WIDE BANK STRESS TEST – MACROECONOMIC SCENARIOS FOR NORWAY

The European Banking Authority (EBA) released on 24 February 2016 its methodology and macroeconomic scenarios for the 2016 EU-wide stress test. The published macroeconomic scenarios contain country-specific macro variables for both baseline and adverse scenarios for EU countries, but not for Norway. DNB Bank is the only Norwegian and non-EU bank taking part in the stress test. The only country-specific macroeconomic variables published for Norway are baseline GDP and deviations from baseline GDP and inflation, respectively.

As a result of this, the Financial Supervisory Authority of Norway (Finanstilsynet) has therefore in cooperation with the Central Bank of Norway (Norges Bank) developed part of the relevant macroeconomic scenarios for Norway. The following approach is chosen:

- For unemployment, house prices, and money market interest rates, baseline projections are based on Norges Bank's Monetary Policy Report 4/2015.
- Baseline commercial real estate prices are assumed to follow the development in house prices.
- For GDP, inflation and equity prices, baseline scenarios and adverse scenarios are provided by the EBA/ESRB.
- For the remaining country-specific macro variables, deviations from baseline scenarios are assumed to equal the unweighted average deviations for Sweden, Denmark, Finland, Germany, the Netherlands and the UK.
- The EUR-NOK exchange rate is assumed to be unchanged in both baseline and adverse scenario.

The relevant macroeconomic scenarios for Norway are outlined in the tables below. All other details relevant to the stress test are given in the documents of the EBA press release package.

TABLES:

Table 1. Long-term government bond yield shocks

	Baseline level in %			Adverse level in %		
	2016	2017	2018	2016	2017	2018
Norway	1.6	1.8	1.9	2.1	2.5	2.5
European Union	1.5	1.7	1.7	2.2	2.5	2.4

Table 2. Money market rate (three month) shocks

	Baseline level in %			Adverse level in %		
	2016	2017	2018	2016	2017	2018
Norway	0.8	0.7	0.9	1.1	0.9	1.0

Table 3. Equity price shocks (percentage deviations from baseline levels)

	2016	2017	2018
Norway	-22.6	-28.7	-19.0
European Union	-25.4	-24.7	-16.4

Table 4. Baseline and adverse scenario paths for real GDP

	Baseline growth in %			Adverse growth in %			Level deviation from baseline in 2018. percent
	2016	2017	2018	2016	2017	2018	
Norway	1.1	1.9	1.9	-2.4	0.3	2.3	-4.6
European Union	2.0	2.1	1.7	-1.2	-1.3	0.7	-7.1

Table 5. Baseline and adverse scenario paths for price inflation

	Baseline inflation in %			Adverse inflation in %			Level deviation from baseline in 2018. percent
	2016	2017	2018	2016	2017	2018	
Norway	2.8	2.4	2.0	0.5	1.6	2.4	-2.6
European Union	1.1	1.6	2.0	-0.9	-0.2	-0.2	-5.8

Table 6. Baseline and adverse scenario paths for the unemployment rate

	Baseline level in %			Adverse level in %		
	2016	2017	2018	2016	2017	2018
Norway	4.6	4.4	4.1	5.6	7.0	7.8
European Union	9.2	8.9	8.9	9.9	10.8	11.6

Table 7. Residential property price impact under baseline and adverse scenarios

	Baseline growth in %			Adverse growth in %			Level deviation from baseline in 2018. percent
	2016	2017	2018	2016	2017	2018	
Norway	4.8	4.1	3.5	-9.2	-4.9	-1.0	-24.2
European Union	3.9	4.5	4.3	-7.7	-2.9	-0.6	-21.3

Table 8. Commercial property price impact under baseline and adverse scenarios

	Baseline growth in %			Adverse growth in %			Level deviation from baseline in 2018. percent
	2016	2017	2018	2016	2017	2018	
Norway	4.8	4.1	3.5	-6.4	-6.8	-4.9	-26.4
European Union	2.9	3.2	3.3	-5.6	-6.7	-3.5	-22.6

Table 9. EURNOK exchange rate

	Baseline exchange rate			Adverse exchange rate		
	2016	2017	2018	2016	2017	2018
EURNOK	9.25	9.25	9.25	9.25	9.25	9.25