

**LAPSE OF
TIME**

SM/20/99
Correction 2

July 10, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Denmark—Financial System Stability Assessment**

Board Action:

The attached correction to SM/20/99 (6/29/20) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

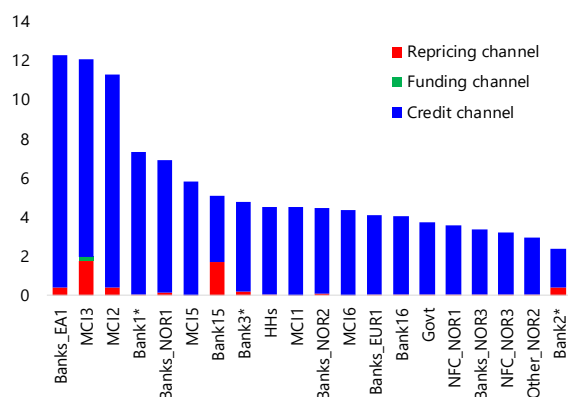
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Questions:

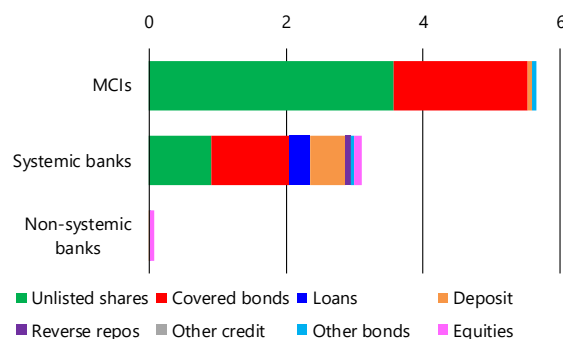
Mr. Elekdag, MCM (ext. 34835)

Figure 22. Denmark: Contagion Analysis Results

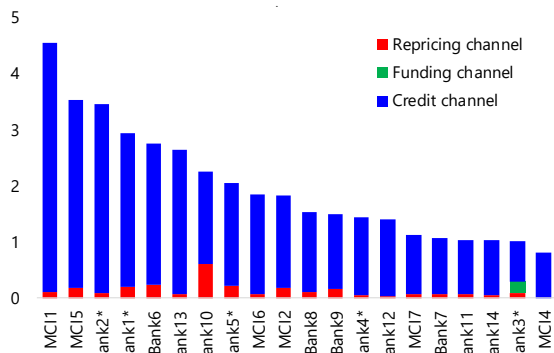
Contagion Index



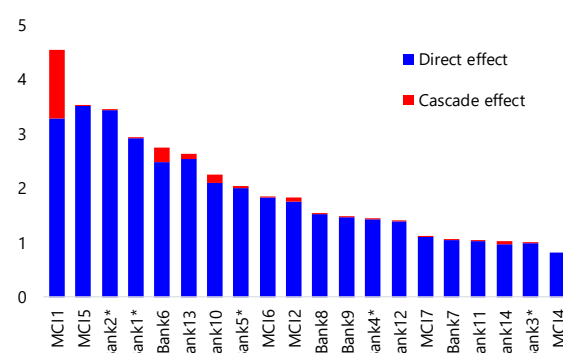
Contagion Index by Layer



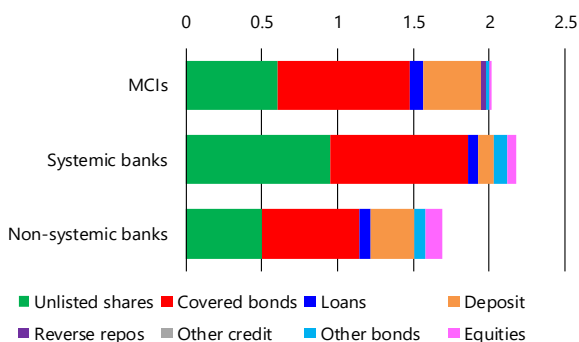
Vulnerability Index



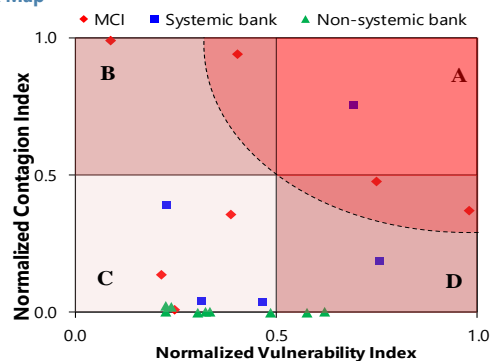
Vulnerability Index by Effect



Vulnerability Index by Layer



Risk Map



Sources: IMF and Danmarks Nationalbank staff

Notes: Based on September 2019 data. Banks with * indicate systemic banks; NOR represents Nordic Region countries. Contagion index (CI) is the average losses to the core network comprising 21 credit institutions normalized by their capital. For example, the hypothetical default of the most contagious individual entity, MCI34, results in the average losses to the other 20 entities of around 12 percent of their capital. The most vulnerable bank as measured by Vulnerability Index (VI), also MCI1, incurs average losses of about 4.5 percent of its capital across all independent simulations, following the hypothetical default of each core entity in the network. Systemic Risk Map plots the normalized CI and VI (between 0 and 1) of each entity indicating where the tipping points might be in the network. For example, all the entities in the dark-shaded quadrant are relatively both more contagious and more vulnerable than the rest in the network.