Nykredit

30 July 2021

Results of EBA stress test

Nykredit's strong capital position enables us to withstand an even very severe macroeconomic downturn. This was confirmed by the just published EU-wide stress test of all large European banks.

"This year's EBA stress test included a very severe scenario for the Danish economy. In particular, the scenario's large property price declines had a significant adverse impact on both personal and business lending. That said, the results show that Nykredit's position remains strong and resilient, even to a gale-force recession," says Executive Vice President Nicolaj Legind Jensen, who is responsible for the Group's capital management.

As in the 2018 exercise, the macroeconomic stress scenario to which Danish banks were subjected was quite severe. A 22% housing price decline and not least a 37% drop in commercial property prices really put Nykredit's very large mortgage book to the test.

At end-2020 the Nykredit Realkredit Group had CET1 capital (equity) equal to 20.2% of risk-weighted assets. According to EBA projections, Nykredit's CET1 capital ratio will have risen to 21.4% in 2023 in the unstressed scenario. In the EBA stress scenario, the CET1 capital ratio drops to 13.8% in 2022, but subsequently rises to 13.9% in 2023.

This means that Nykredit would, in that situation, still have excess coverage of 3.1-3.3 percentage points relative to the regulatory CET1 capital requirement incl buffers of 10.7%. Excess coverage relative to the regulatory own funds requirement, which includes subordinated debt, drops from 8.9% in 2020 to 1.6% in 2022, but rises again to 1.7% in 2023.

With its 2021 exercise, the EBA raises the bar for stress test severity. Nykredit's internal analyses confirm that Nykredit could even withstand a substantially more severe crisis before hitting the regulatory requirements. This, including the results of the EBA stress test, testifies to Nykredit's very strong and historically robust capital position.

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