

28 July 2023

## Results of EBA stress test

Nykredit's strong capital position provides us with a solid foundation for withstanding even a very severe macroeconomic downturn. This was confirmed by the just published EU-wide stress test of 70 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 remains strong and resilient, even in the event of a very severe recession,"* says Nicolaj Legind Jensen, Executive Vice President, who is responsible for the Group's capital management.

In this year's stress test exercise, the Danish banks were subjected to a historically severe macroeconomic stress scenario. A 31% housing price decline and not least a 32% drop in commercial property prices really put Nykredit's large property loan book to the test.

At end-2022 the Nykredit Realkredit Group had Common Equity Tier 1 (CET1) capital equal to 19.6% of risk-weighted assets. According to EBA projections, Nykredit's CET1 capital ratio will rise to 20.1% by 2025 in an unstressed scenario. In the EBA stress scenario, that same ratio will decline to 13.2% by 2024 and subsequently rise to 13.7% by the end of the stress scenario in 2025. In that scenario, Nykredit will in 2024 have a marginal shortfall relative to the regulatory CET1 requirement with buffers, including the 2.5% countercyclical buffer, of 13.5%.

By the end of the stress scenario, Nykredit will have an excess coverage of 0.2%, meaning that Nykredit's CET1 capital ratio will only briefly and marginally be below the regulatory requirement with buffers.

At the end of 2022, the Nykredit Realkredit Group's total own funds equalled 23.3% of risk-weighted assets. In the EBA stress scenario, the own funds ratio will drop to 16.2% by 2024 and will be 16.9% at the end of the scenario in 2025. In both years, Nykredit will have a shortfall relative to the regulatory own funds requirement with buffers, including the 2.5% countercyclical buffer, of 18.5%.

This year, the countercyclical capital buffer is included in the buffer requirement of the EBA stress scenario. With this new approach, the EBA has once again raised the bar in terms of the resilience required of financial institutions. The countercyclical buffer will typically be released in case of a stress scenario in the financial system. Including a released countercyclical buffer, Nykredit will, in a stress scenario, have excess coverage of 2.7 percentage points relative to the regulatory CET1 requirement and 0.8 percentage points relative to the own funds requirement at the end of the stress period.

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