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Results of EBA stress test

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– Quite as expected, Nykredit currently fulfils all formal regulatory requirements, also in a stressed scenario. This is the main conclusion of the EU-wide stress test of European banks just published. Naturally, that is how it should be for a business such as ours. It is a basic condition for a strong rating of our covered bonds and thus for the low mortgage rates offered to Danish homeowners, says Dan Sørensen, Managing Director and Head of Group Capital at Nykredit.

According to the stress test, Nykredit will have a Common Equity Tier 1 (CET1) capital ratio of an estimated 22.5% in 2018 in a baseline scenario with no stress. In this scenario, the ratio is thus considerably above the formal minimum capital requirements. In the adverse scenario, the same ratio declines to 14.2% (or 13.9% on a CRR/CRD IV fully loaded basis instead of on a transitional basis). In this scenario, Nykredit exceeds the formal minimum requirement of 10.1% by 4.1% (or 2.7% on a fully loaded basis).

– A business such as Nykredit cannot be guided exclusively by the formal minimum requirements. Our current capital target is 17.5%, as we deem that credit rating agencies and investors require us to hold a considerable buffer above the minimum capital requirements. Against this backdrop, the stress test shows that Nykredit is still challenged as the ratio drops to around 14% in the adverse scenario, says Dan Sørensen.

Looking at the total capital requirements instead of the CET1 capital requirements, Nykredit's excess capital coverage ranges between 1.1% and 2.5% above the capital requirement of 16.3-15.3%, depending on whether it is on a CRR/CRD IV transitional or fully loaded basis.

See the appendix for an overview of Nykredit's results.

The EBA stress test is based on the businesses' current risk-weighted assets. Thus, it does not take into consideration that – even without stress – Nykredit's risk-weighted assets will increase markedly in the coming years, which in itself will cause the Group's capital requirements to increase as well. Moreover, the calculation of the excess capital coverage is only based on the capital requirements already adopted. The coming Basel IV rules and the revisions of the leverage ratio, MREL/TLAC etc have not been factored in.

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Appendix: EU-wide stress test results for Nykredit

Common Equity Tier 1 (CET1) capital – % of total risk exposure amount (REA)	
CET1 capital ratio, end-2015	19.4
<ul style="list-style-type: none"> Baseline scenario, end-2018 	22.5
<ul style="list-style-type: none"> Adverse scenario, end-2018, CRR/CRD IV transitional basis (fully loaded in brackets) 	14.2 (13.9)
Capital requirement, end-2018, CRR/CRD IV transitional basis (fully loaded in brackets)	10.1 (11.1)
Excess capital coverage, end-2015	10.7
<ul style="list-style-type: none"> Adverse scenario, end-2018, CRR/CRD IV transitional basis (fully loaded in brackets) 	4.1 (2.7)

Total own funds – % of total risk exposure amount (REA)	
Own funds, end-2015	23.9
<ul style="list-style-type: none"> Baseline scenario, end-2018 	27.1
<ul style="list-style-type: none"> Adverse scenario, end-2018, CRR/CRD IV transitional basis (fully loaded in brackets) 	17.8 (17.4)
Capital requirement, end-2018, CRR/CRD IV transitional basis (fully loaded in brackets)	15.3 (16.3)
Excess capital coverage, end-2015	8.5
<ul style="list-style-type: none"> Adverse scenario, end-2018 CRR/CRD IV transitional basis (fully loaded in brackets) 	2.5 (1.1)