

To NASDAQ OMX Copenhagen A/S  
and the press

9 December 2013

## PLAN FOR A STRONGER NYKREDIT

*The "Nykredit 2015" plan has been designed to strengthen customer focus, grow earnings, improve efficiency and develop the Totalkredit concept.*

Nykredit holds a strong position in the financial sector as Denmark's largest lender. Throughout the financial crisis, the Group has increased its lending to both the personal and commercial segments, whereas total sector lending has decreased. The Group has contact with some 1.1 million customers through Nykredit and Totalkredit, and Nykredit is among the best capitalised financial services groups in Europe. The Group aims to retain and develop this prominent market position in coming years.

Nykredit's strategic course is still mortgage lending/banking and Totalkredit's partnerships with the local and regional banks in Denmark. It is natural for Nykredit to realign and develop its business path in the wake of the financial crisis, enhanced national and EU regulation, new requirements from credit rating agencies and a Denmark with moderate economic growth.

In continuation of the fact that the past three months have brought more clarity about the entire area of regulation, Nykredit has performed a number of analyses and assessments to develop the Group with an unequivocal customer focus and to allow for the new regulatory and market conditions.

The main elements are stronger focus on

- Customers and customer service
- Profitability and efficiencies
- IT
- Totalkredit's business partners
- Capital.

The final plan will be ready in the spring, but implementation of the various elements of the plan will take place continually from January 2014 to end-2015. The plan may thus take full effect from 2016.

*– The market, our surroundings and the conditions for running a modern financial business such as Nykredit have changed significantly over the past six months. Nykredit holds a significant market position and will continue to prioritise influencing the development in financial markets. Nykredit holds a great potential, which we intend to unlock through a number of initiatives. When the "Nykredit 2015" plan has been implemented, Nykredit will be even stronger, says Michael Rasmussen, Group Chief Executive.*

As the first part of the plan, decisions have been made with respect to a number of business issues:

### **Improved customer focus**

- Nykredit must ensure maximum customer focus, and all processes will be optimised on the basis of customer needs, which means both faster and more efficient customer servicing.
- Nykredit's business activities will chiefly be aimed at Danish personal and commercial customers. In the personal customers segment, focus will be on the customer's home and wealthy customers/private banking. Nykredit will ensure availability of optimum financing opportunities for all Danish homeowners. Nykredit will also have a broad-based presence in the commercial customers area and will continue to focus on agricultural customers, institutional customers and non-profit housing associations.
- As part of the 2015 plan Nykredit will develop new customer and loyalty concepts and is prepared to invest in the company's growth areas.
- Nykredit's residual loan portfolios in the Polish retail market will be wound up, and commercial loan portfolios abroad granted to foreign customers are expected to be reduced.

### **Higher profitability and efficiency**

- Nykredit must grow its earnings. Initiatives will be launched to increase earnings from Nykredit's core business by DKK 1.0bn with full effect from 2016.
- Nykredit must also reduce costs. Initiatives will be launched to reduce Nykredit's cost base by DKK 0.5bn, or nearly 10%, with full effect in 2016. DKK 0.1bn of this amount will be reinvested in new customer-oriented activities.
- A significant part of the cost savings may be obtained from process optimisation, containing IT costs and general cost restraint/savings.
- As part of the cost reductions and to raise the efficiency of decision-making processes, it will also be necessary to reduce the number of management and staff positions by up to 300 mainly in non-customer facing functions. The reduction will take place through dismissals and by not refilling vacancies. In the immediate future and in accordance with the rules, Nykredit will initiate a dialogue with the staff organisation concerning the reduction.

- The target for the above-mentioned earnings and cost adjustments will be an isolated improvement in the business return of 1 percentage point and a reduction of the cost:income ratio of 5 percentage points by end-2016.

#### **IT area to be reassessed**

- The Group's IT infrastructure, development strategy and projects will be adapted to the future business strategy involving a clearer customer/user-driven prioritisation. As a result, the number and scope of large projects will be reduced.
- Nykredit will intensify the development of digital communication with customers.

#### **Increased focus on the Totalkredit concept**

- Over the years the Totalkredit concept has been a great success for Nykredit as well as for the Danish local and regional banks. This alliance will be intensified and further developed in coming years.
- IT support for the concept will be further coordinated and integrated.
- A number of initiatives have already been taken to strengthen the relations between the banks and Nykredit. For this purpose Michael Rasmussen, Group Chief Executive, will take over as Chairman of the Board of Directors of Totalkredit A/S.

#### **Stronger focus on capital**

- As a systemically important financial institution (SIFI) and a responsible company, Nykredit will continue to operate with a conservative capital structure and ensure high credit ratings.
- Nykredit expects to fulfil prevailing capital requirements in 2019, including a countercyclical buffer, based on a platform of unchanged business volumes and business mix as well as normal earnings expectations.
- Furthermore, Nykredit will build a capital structure that enables the Group to meet the borrowing requirements of Danish customers and to build a strategic capital buffer through earnings growth, cost cuts and active asset-liability management. Any opportunities for raising capital will also be considered.

**Next step**

- The process of particularising "Nykredit 2015" will be intensified in coming months. The 2015 plan in its entirety is expected to be completed by end-Q1/2014, and its implementation will take place successively.

**Contacts:**

*Michael Rasmussen, Group Chief Executive, or Nels Petersen, Head of Corporate Communications, tel +45 44 55 14 70 / +45 20 22 22 72.*