

To NASDAQ OMX Copenhagen A/S
and the press

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Nykredit's comment on the decision of the Danish Competition Council:

Dialogue and appeal

– We are pleased with the Danish Competition Authority's clear indication that they are prepared to look into whether the market and regulatory conditions have changed to an extent that warrants adjustment or discontinuation of Nykredit's administration margin freeze.

This was the comment of Peter Engberg Jensen, Group Chief Executive, on today's decision by the Danish Competition Council to refuse Nykredit the opportunity to raise administration margin rates on private residential mortgages relative to the rates prevailing on 14 October 2003 as otherwise announced in respect of new and existing mortgage loans.

– However, we are in total disagreement with the decision of the Danish Competition Council. In our opinion, there is no legal or competition-related basis for the decision, and we have consequently decided to bring the Council's decision before the Competition Appeals Tribunal, adds Peter Engberg Jensen.

– Today, Nykredit Realkredit is the only Danish mortgage bank without the opportunity to compensate for significantly changed market terms by means of the administration margin rates. We have therefore decided on two approaches going forward: dialogue and lodging an appeal against the decision with the Competition Appeals Tribunals, says Peter Engberg Jensen.

The announced price rise for new and existing Nykredit and Totalkredit mortgage loans will therefore not be implemented as planned. Further, the case and its outcome will be decisive to the Nykredit Group's future possibilities of adjusting administration margin rates.

In February this year, Nykredit and Totalkredit announced an increase of the administration margins charged on mortgage loans. For existing mortgage loans, the increase came to 0.1 percentage point – from 0.5% to 0.6%.

The reason for the price rise is that the costs of granting mortgage loans have risen. The economic climate and declining property prices have increased housing loan losses. Also, the requirement in respect of the capital that Nykredit and Totalkredit have to provide as security for customer loans has been increased, and the capital has become more expensive.

However, the Authority found that the price rise may conflict with Nykredit's undertaking in 2003 to the Competition Authority – in connection with the acquisition of Totalkredit – to lower administration margins at the time. The Competition Council has now decided that this undertaking still applies, for which reason Nykredit is not allowed to raise its administration margin rates.

Nykredit has been and still is of the opinion that the announced administration margin rises do not conflict with the undertaking from 2003 and has claimed in its argumentation to the Competition Authority that it has never been agreed that the undertaking was to be indefinite or to be of a duration stretching beyond the undertakings made in the partnership agreements with the former owners of Totalkredit, which all expired on 1 April 2010.

The complete decision by the Danish Competition Council, including Nykredit's comments on the individual aspects of the case, is available at nykredit.com, totalkredit.dk and konkurrencestyrelsen.dk.

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