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Max Bank launches its “Plan 2013” which is to make the Bank independent of government guarantees in two years

2010 saw Max Bank realise a net loss of DKK 28m. This corresponds exactly to the expected performance announced in the Stock Exchange Announcement of 8 February 2011. This is the third year running with a loss, which is not satisfactory. Also, the latest bank failures lead to the expectation that the capital provision market for small and medium-sized banks will become both more expensive and more difficult. Max Bank has therefore developed Plan 2013, specifying the efforts to be made in terms of capital structure and optimisation of the income statement and balance sheet in a future world of finance without government-backed schemes.



Henrik Lund, Chief Executive Officer

“We want to make ourselves independent of government guarantees when we reach the end of 2013 when the existing guarantees expire,” says CEO Henrik Lund. “Even though new government-backed solutions or market solutions may be developed to replace all or some of the existing government guarantees, Max Bank does not want to find itself in a future situation of inadequate liquidity or capital.”

“This is why we have decided to take on the challenge ourselves of carrying through a very firm and drastic plan over the next two years,” Henrik Lund adds. “We have three major challenges that we will now be addressing.”

Capital resources

“First of all, we see that it may prove difficult to raise new subordinate loans when those existing mature. So in order to secure a solvency ratio that is high enough we will have to trim our balance sheet, which will be done by reducing the Bank’s loans and advances,” says Henrik Lund. “And this will be relevant particularly for the real estate segment where the Bank’s exposures are relatively high, and for business outside our market area.”

Loans and advances in ratio to deposits

“Secondly, our loans and advances exceed our de-

posits considerably,” says Henrik Lund. “Today, we primarily fund this gap by means of government-guaranteed loans. However, with the recent bank failures in this country, we cannot expect to obtain funding in this way when the existing government guarantee expires at the end of 2013. We therefore need to have loans and advances balance with deposits. We will do so by reducing lending as mentioned before and by attracting more deposits.”

Earnings

“And thirdly,” Henrik Lund points out, “we need to improve the Bank’s operations so that we will realise a profit again. In the beginning the trimming of the balance sheet will cause a reduction in earnings. And to again generate a profit, we cannot avoid raising our prices, meaning that being a customer will become more expensive. Also, it will be necessary to lower the level of costs throughout the Bank.”

“So we are talking about a drastic remedy over the next two years. However, looking forward, the plan is to provide a sound foundation for the continued development of Max Bank as a major regional bank in southern and western Zealand based on the existing values of close relations to and positive experiences for our customers,” Henrik Lund rounds off.