

To Nasdaq Copenhagen

November 3rd. 2017

## **Recommendation of sale of shares to Danish pension companies**

Forenet Kredit has today concluded a conditional sales agreement with a group of Danish pension companies headed by PFA and with PensionDanmark, PKA, AP Pension and MP Pension as co-investors. The agreement is subject to approval by the Committee of Representatives of Forenet Kredit and relevant authorities.

The pension companies will buy 10.9% of the shares in Nykredit A/S from Forenet Kredit at a price of DKK 7.5bn, and they will undertake to contribute capital to Nykredit in future, should such need arise.

The pension companies have also entered into agreements with Industriens Fond and Østifterne f.m.b.a to buy part of the shares held by these minority shareholders of Nykredit A/S. These agreements are conditional on the completion of Forenet Kredit's sale of shares to the pension companies. Combined, the agreements will bring the pension companies' total investment up to 16.9% of the shares in Nykredit A/S at a total price of DKK 11.6bn.

If the transaction is completed, it will constitute the largest unlisted equity investment by institutional investors in Denmark seen so far.

Backed by the Board of Directors and the Group Executive Board of Nykredit A/S, the Board of Directors of Forenet Kredit will recommend that the Committee of Representatives of Forenet Kredit approve the transaction after which the IPO preparations will be discontinued.

The main reasons for the recommendation are:

- Nykredit A/S will gain a strong capacity for raising equity capital and thus a very secure future capital position.
- Nykredit A/S will gain a stable and lasting ownership structure consisting of robust Danish owners.
- Forenet Kredit will maintain a large ownership interest of nearly 80% of Nykredit A/S.
- Forenet Kredit will get a fair price for the shares.

The flexibility of funding entailed by this solution will enable Nykredit A/S to expand the customer loyalty concept KundeKroner to encompass more customer categories and also increase distributions.

## **Nina Smith, Chairman of the Board of Directors of Forenet Kredit, says:**

*– Thanks to this solution, a number of robust Danish pension companies will join as shareholders. They know Nykredit as a company and Danish mortgage lending in general very well indeed. Furthermore, these companies are driven by customer interests. They will thus be shareholders with unique insight into and appreciation of Nykredit's and Forenet Kredit's circumstances and will therefore support Forenet Kredit's key priorities and the Group's corporate values – for example that we will be active in all of Denmark and share our success with the customers through our customer loyalty programme, KundeKroner. At the same time, the pension companies are prepared to pay a fair price. On balance, this is the best solution for our customers, for Denmark, for our staff and for Nykredit.*

## **Steffen Kragh, Chairman of the Board of Directors of Nykredit A/S, says:**

*- Nykredit will benefit from having financially strong owners, enabling the Group to raise new equity capital in case of a crisis or new regulatory requirements. Nykredit's management and staff have delivered a radical transformation of the company and significantly optimised operations, which has facilitated the completion of a large private placement to Danish pension funds, and this constitutes an attractive solution for Nykredit. In 2015 the option of a sale of a minority shareholding was explored, but at the time it was not a viable way to proceed, as Nykredit's performance was not strong enough to obtain an attractive solution. In*

spring 2017 the Board of Directors authorised the Executive Board to re-explore the option of involving Danish investors in parallel with the IPO preparations.

**Michael Rasmussen, Group Chief Executive of Nykredit A/S, says:**

*– The solution marks a major milestone for the Group and our efforts of the past four years. We have gained much more control of earnings and costs, which is evident from today's financial statements. This solution will stabilise Nykredit's future capital structure, and the Group will have rock solid positions in three essential areas: costs, earnings and capital. We must maintain our focus on efficiency and profitability, but with this solution, we can shift yet more of our focus towards strengthening the Group's competitiveness. We want to be able to award more KundeKroner bonuses to more customers and concentrate on generating growth, attracting more customers and not least ensuring higher customer satisfaction.*

**Facts on the transaction**

According to the conditional agreement, a group of Danish pension companies headed by PFA and with PensionDanmark, PKA, AP Pension and MP Pension as co-investors will pay Forenet Kredit DKK 7.5bn for a shareholding in Nykredit A/S of 10.9%. This corresponds to a total valuation of Nykredit A/S of DKK 68.8bn. Forenet Kredit will subsequently hold 78.9% of the shares in Nykredit A/S. The agreement is subject to approval by the Committee of Representatives of Forenet Kredit and relevant authorities.

The agreement will be presented to the Committee of Representatives at its meeting on 23 November 2017. Backed by the Board of Directors and the Group Executive Board of Nykredit A/S, the Board of Directors of Forenet Kredit will recommend that the Committee of Representatives of Forenet Kredit approve the transaction after which the IPO preparations will be discontinued.

The pension companies have also entered into agreements with Industriens Fond and Østifterne f.m.b.a to buy part of the shares held by these minority shareholders of Nykredit A/S. These agreements are conditional on the completion of Forenet Kredit's sale of shares to the pension companies. Combined, these agreements will bring the pension companies' total investment up to 16.9% of the shares in Nykredit A/S at a total price of DKK 11.6bn. PRAS A/S wishes to continue as shareholder and will therefore maintain its current 2.3% ownership interest.

The pension companies support Forenet Kredit's key priorities, endorse the essence of Forenet Kredit's Active Ownership Policy and back the Group's strategy.

As part of the agreement, Nykredit will operate with a risk-adjusted return target on a level with the most profitable of Nykredit's peers – currently 8.5% pa after tax of Nykredit's current capital requirement, which will be adjusted down to approximately 16% of the risk exposure amount according to the agreement. The agreement does not exclude a later stock exchange listing, should this be in the best interest of Forenet Kredit and Nykredit, but there are currently no such plans if the agreement is approved at the meeting of the Committee of Representatives.

Upon completion of the agreement, Forenet Kredit will issue a letter of support allocating DKK 7.2bn from the share transaction as capital reserves. The capital reserves will in coming years be expanded to DKK 10bn by retaining future surplus dividends after funding of the KundeKroner programme.

The pension companies will also give a non-binding undertaking to contribute another DKK 7.5bn of new equity if necessary for regulatory or similar reasons. Furthermore, the investors will issue a letter of support in which they undertake to contribute capital to support and expand Nykredit's core business.

Based on these conditions, the solution will from the onset stabilise Nykredit's capitalisation, providing access to DKK 14.7bn of equity – around DKK 7.2bn from Forenet Kredit's capital reserves and DKK 7.5bn from the pension companies. Against

this backdrop, it is the assessment of the Danish Financial Supervisory Authority that Nykredit's capital requirements will drop to a level comparable to that of stock exchange listing. Total capital reserves will in the long term grow from DKK 14.7bn to DKK 17.5bn when Forenet Kredit has expanded its capital reserves to DKK 10bn.

## **Facts on the expansion of KundeKroner**

Totalkredit's more than 700,000 personal mortgage customers have today been guaranteed annual KundeKroner bonuses of DKK 1,000 per million kroner borrowed. This guarantee applies up to and including Q2/2019.

If Nykredit is able to raise equity as implied by the above solution, the Group will be able to raise distributions under and expand the concept.

Totalkredit's personal customers will receive a higher annual amount than the DKK 1,000 per million kroner borrowed, and this will be guaranteed up to end-2019. All the Group's business customers having mortgage loans will be guaranteed the same amounts in the same period.

For loans exceeding DKK 20m, customers will only receive administration margin discounts for the first DKK 20m of the debt outstanding.

## **Background**

In February 2016, it was decided to start preparations for a stock exchange listing with a view to preparing Nykredit for an IPO within a period of 24 months. As a natural part of this process, Nykredit's Group Executive Board has, by agreement with the Board of Directors, also explored alternatives to a stock exchange listing.

This led to talks with PFA starting in spring 2017. After the summer holidays, specific negotiations have taken place between Nykredit, Forenet Kredit and the pension companies. These negotiations have resulted in the above solution.

The option to sell a minority shareholding was also explored before the Committee of Representatives of Forenet Kredit decided to start IPO preparations. At the time, this was not a viable solution. The solution announced today was facilitated by the Nykredit Group's highly improved financial performance in recent years and the development in capital markets where investor demand for unlisted equity investments has grown.

Nykredit is the largest loan provider in Denmark and the only systemically important financial institution of its size that is unable to raise equity if necessitated by new crises, new regulation or other factors. The Managements of Forenet Kredit and Nykredit are pleased to note that the Group's significantly improved financial results have expanded the opportunities for raising new equity.

*Please direct questions to Nykredit Press Relations, tel +45 44 55 14 50, or Forenet Kredit Press Relations, tel +45 51 28 67 72.*