

Nykredit Realkredit A/S raises guidance and expects to recommend distribution of dividend

Financial mutual Nykredit expects a business profit and profit before tax for 2020 of about DKK 6.5 billion and about DKK 6.8 billion, respectively, compared with previous guidance of a business profit of DKK 6.1-6.3 billion and a profit before tax of DKK 6.2-6.4 billion.

Our earnings upgrade is driven by business growth, increasing activity levels and refinancing income as well as a continued favourable performance in investment and derivatives portfolios.

Nykredit expects to recommend to the General Meeting on 25 March 2021 that Nykredit distributes dividend corresponding to DKK 40% of profit after tax for 2020. This expectation builds on an overall assessment of Nykredit's position as well as dialogue with the Danish Financial Supervisory Authority. The Danish FSA's final confirmation is pending.

In its overall assessment of Nykredit's position, Group Management has attached particular importance to the raised guidance for profit before tax, which exceeds our original guidance of DKK 6.25-6.75 billion determined before the corona crisis set in. Management also underlines that Nykredit holds a strong capital position, even after distributing dividend of 40% of profit after tax, with a Common Equity Tier 1 (CET1) capital ratio of more than 20% and that Nykredit has taken loan impairment charges for 2020 of about DKK 2.3 billion, of which about DKK 2.0 billion has been provided for future losses related to the corona crisis.

The cost:income ratio, return on equity (ROE) and return on allocated capital (ROAC) for the year are expected at about 39.6%, about 6.6% and about 8.6%, respectively.

Michael Rasmussen, Group Chief Executive, says:

– We ended 2020 with a profit before tax that exceeds the guidance we provided before the corona crisis outbreak. This indicates that Danish homeowners and a large part of the Danish business sector have until now weathered the crisis better than we could have hoped for and also testifies to Nykredit's strong underlying business. In Nykredit Bank as well as Totalkredit we have seen strong customer and lending growth in 2020.

– At Nykredit, it is our customers who benefit from dividend payments. Part of the dividends previously paid to Forenet Kredit has been returned to Nykredit and Totalkredit. We have again returned them to our customers in the form of eg KundeKroner and ErhvervsKroner mortgage discounts. For this reason, we are pleased with the prospects that we can resume distributing dividend.

– A month ago Nykredit Bank reopened access to the special corona initiatives launched in spring 2020. They remain available to customers, as we are fully committed to helping those of our customers who are experiencing exceptional financial hardship from the new wave of lockdown measures. Distributing dividend will naturally not change this. Neither will it change the fact we have ample capacity to provide loans and liquidity to Danish homeowners and businesses, if the economy, contrary to expectations, should suffer new significant setbacks.

In addition to the above, Totalkredit raises its guidance for business profit and profit before tax to approximately DKK 2.5 billion from DKK 2.0-2.2 billion.

As scheduled, Nykredit will publish its Annual Report 2020 on 11 February 2021 where Nykredit's Executive Board will be available for further comments.

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