

KOMMUNEKREDIT (AAA/Aaa)

THE CREDIT INSTITUTION FOR LOCAL AND REGIONAL
AUTHORITIES IN DENMARK

October 2017



KOMMUNE
KREDIT

STEADY
& STABLE

ORGANIZATION

- KommuneKredit was established in 1899 by a special Act and is legally organized as an association (a membership organization) under Danish law.
- Membership is restricted to Danish municipalities and regions (local governments). Membership is voluntary and currently all local governments are members, thereby representing the entire population of Denmark.
- KommuneKredit is supervised by The Ministry for Economic Affairs and the Interior.

DANISH LOCAL GOVERNMENT

- Local governments are a cornerstone of the extensive Danish welfare society and the level of spending by local governments amounts to 28% of GDP. The sector provides a wide range of important services such as: social security, health care, education and caring for children and elderly.
- The most important sources of financing are income taxes and user fees.
- There is a close relationship between central government and the local governments:
 1. The Ministry for Economic Affairs and the Interior is closely monitoring the economy of the entire sector.
 2. Borrowing by the local governments is highly regulated and only permitted to finance capital investments.
- Danish local governments cannot be subject to insolvency proceedings.
- The Danish economic fundamentals are in very good shape.

DIRECT JOINT AND SEVERAL GUARANTEE

- Members of KommuneKredit are directly jointly and severally liable for all KommuneKredit's obligations. As the municipalities in Denmark have an unlimited right to levy taxes on income and property, the security behind KommuneKredit constitutes the entire tax base of Denmark collected by the municipalities.
- KommuneKredit has an excellent asset quality and has not suffered any loan losses in more than 118 years of operation.

OBJECTIVE

- KommuneKredit operates as a non-profit organization with the objective to secure cost-efficient financing for its clients. Clients are Danish municipalities, regions and other entities benefiting from a 100% local government guarantee. Cross border lending is not allowed.
- Local government borrowing in Denmark is highly regulated and total local government debt amounts to only 5.5% of GDP.
- The products offered range from loans, financial leasing, derivatives to advisory services and lately also Public Private Partnerships (PPP).
- A high market share of 98 pct. has been achieved through competitive prices and low costs.

FUNDING

- KommuneKredit carefully diversifies the funding on a range of different markets and products in order to minimise dependence on specific sources of funding.
 1. Regular issuance of benchmark transactions and public issues in other markets.
 2. Issuance of private placements and commercial paper.
 3. High flexibility in meeting demand from investors in terms of currency, maturity etc.
- Estimated long-term funding budget for 2017: EUR 7-9bn.
With the Kingdom of Denmark's limited issuance in the international capital markets, KommuneKredit is the sole active Danish issuer to provide a proxy to Danish sovereign risk.
- Strict risk policies are maintained by KommuneKredit to secure that the business is managed with very limited currency and interest rate exposure.

ISSUER

KommuneKredit
16 Kultorget
DK-1175 Copenhagen K
www.kommunekredit.com

BUSINESS

Local government funding agency

GUARANTEE

Direct joint and several guarantee from all municipalities and regions in Denmark

CREDIT RATINGS

Standard & Poor's: AAA / A-1+ (Stable)
Moody's: Aaa / P-1 (Stable)

RISK WEIGHTING AND LCR

0% risk weighting in Denmark and in several other European countries
HQLA Level 1 asset by the Danish FSA

FINANCIAL HIGHLIGHTS FIRST HALF 2017

Millions	DKK	EUR
Total assets	230,199	30,943
Total loans	172,271	23,156
Equity	7,113	956
Profit before tax	345	46

MACRO ECONOMICS 2016

%	DK	EU
Real GDP growth	1.7	1.8
Consumer prices	0.3	0.2
LFS Unemployment	6.1	10.0
Govt. Budget Balance as % of GDP	-0.9	-1.5
EMU Debt as % of GDP	37.8	89.2

Source: Eurostat, Statistics Denmark

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