



KOMMUNE
KREDIT

STEADY
& STABLE

ANNUAL REPORT 2018

SUMMARY

- Lending increased by nearly DKK 4 billion to DKK 177 billion.
- Net interest income decreased to DKK 441 million from DKK 637 million in 2017.
- Profit for the year before value adjustments and tax amounted to DKK 314 million against DKK 511 million in 2017.
- Comprehensive income for the year was DKK 405 million against DKK 489 million in 2017.
- Common Equity Tier 1 (CET1) capital, corresponding to equity, increased to DKK 7,736 million from DKK 7,333 million in 2017.
- The equity ratio rose to 3.4 pct. from 3.3 pct. in 2017.

In connection to the announcement of the Annual Report 2018 Chairman Lars Krarup states: "KommuneKredit was not created to generate earnings for members. We ensure funding at the lowest possible cost to finance municipal and regional investments, and the financial performance for 2018 is satisfactory. We guarantee funding on equal terms across Denmark – Bornholm, Frederiksberg and Lemvig – and we have done so for 120 years without suffering any losses on our loans."

CEO Jens Lundager continues: "In summer 2018, rating agency Standard & Poor's chose to lower KommuneKredit's credit rating from AAA to AA+, while we remain Aaa-rated with rating agency Moody's."

I believe KommuneKredit is a Triple A issuer. I did so last summer, and I continue to do so. Consequently, we are working to obtain a rating of AAA again. We have implemented some initiatives to ensure a better match with Standard & Poor's model. We have also increased equity, and we are now stronger than ever before."

GUIDANCE FOR 2019

A slightly lower net lending of DKK 2 billion is expected for 2019. In recent years, the maturity of KommuneKredit's funding has, furthermore, become longer, and the funding requirement is expected to be DKK 50 billion in 2019.

Owing to KommuneKredit's strong market position and relatively constant, low lending margins, net interest income in the amount of DKK 400 million is expected.

Administrative expenses are forecast at DKK 120 million against DKK 127 million in 2018, as part of the increase in 2018 was of a temporary nature.

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KEY FIGURES AND FINANCIAL RATIOS

DKKm	2018	2018	2017	2016	2015	2014
	EUR	DKK	DKK	DKK	DKK	DKK
KEY FIGURES						
Net interest income	59	441	637	656	675	450
Administrative expenses	-17	-127	-123	-106	-96	-95
Profit before value adjustments	42	314	511	550	578	355
Value adjustment of financial instruments	30	227	117	89	-451	-17
Tax on profit for the year	-16	-119	-138	-141	-23	-84
Comprehensive income for the year	54	405	489	497	103	249
Lending and leasing	23,768	177,456	173,580	168,589	157,693	152,085
Securities portfolio	5,752	42,944	42,361	34,049	33,983	32,376
Assets	30,351	226,609	222,564	223,938	213,199	201,413
Debt securities issued	27,888	208,218	202,145	202,642	193,382	182,033
Equity	1,036	7,736	7,333	6,844	6,347	6,244
ACTIVITIES DURING THE YEAR						
Lending and leasing, net additions in nominal value	476	3,554	5,022	8,998	7,273	6,835
Lending and leasing, gross additions in nominal value	5,125	38,261	29,835	31,113	30,517	28,752
Debt securities issued, gross additions in nominal value	8,044	60,055	71,379	85,963	102,462	66,190
CAPITAL STRUCTURE						
Total risk exposure amount (REA)*	1,854	13,843	17,544	7,393	7,766	6,829
Common Equity Tier 1 (CET1) capital	1,036	7,736	7,333	6,844	6,347	6,244
Capital base	1,007	7,520	7,121	6,324	6,195	6,153
Capital ratio in pct.*	54	54	41	86	80	90
Equity ratio in pct..	3.4	3.4	3.3	3.1	3.0	3.1
SELECTED FINANCIAL RATIOS						
Losses on lending and leasing	0	0	0	0	0	0
Expenses/assets in pct.	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%
Net interest income/assets in pct.	0.19%	0.19%	0.28%	0.29%	0.32%	0.22%
Liquidity resources in pct.	19%	19%	20%	16%	18%	17%
Number of full-time employees	70	70	70	66	62	62

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by the Danish Finance Society. Exchange rate at 31 December 2018: EUR 100 = DKK 746.62.

* The figures are not directly comparable over time because the format has been changed.