



KOMMUNE
KREDIT

INTERIM REPORT 2011

MANAGEMENT COMMENTARY & FINANCIAL STATEMENTS

1ST HALF



CONTENTS

Management commentary	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes	8
Statement by the Board of Directors and Management	9
Auditor reports	10

The interim report comprises 12 pages

This interim report for 2011 is a translation of the original interim report in the Danish language. In case of discrepancies, the Danish version prevails.

Contacts

Søren Høgenhaven, Managing director, CEO
Johnny Munk, Managing director
Jens Bloch Behrendt, CFO

Address

KommuneKredit
Kultorget 16
DK-1175 Copenhagen K
Telephone +45 33 11 15 12
kk@kommunekredit.dk
www.kommunekredit.dk

CVR no. 22 12 86 12

Announcement date: 19 August 2011

MANAGEMENT COMMENTARY

Financial summary

The Group consists of KommuneKredit and its wholly-owned subsidiary, KommuneLeasing A/S.

DKKm	1st Half 2011	1st Half 2010
Lending in nominal values		
Total gross lending	14,087	18,327
Conversions/refinancing	4,722	8,195
Total net lending	9,365	10,132
Key figures		
Net interest income	314	188
Staff costs and administrative expenses	41	43
Value adjustment of lending, funding and derivative financial instruments	19	16
Value adjustment of securities	-12	44
Comprehensive income for the period	206	150
Total assets*	166,596	166,207
Equity*	4,890	4,684

**) Comparative figures as at 31 December 2010*

In the first half of 2011, KommuneKredit's gross lending amounted to DKK 14.1 billion against DKK 18.3 billion in the first half of 2010. Net lending amounted to DKK 9.4 billion in the first half of 2011, which is DKK 0.7 billion less than in the first half of 2010. The decrease in gross lending is thus primarily a result of a decrease in conversions. Gross lending to municipalities and regions in the first half of 2011 decreased by DKK 2.5 billion, and lending for energy purposes decreased by DKK 1.5 billion, while lending to seaports, public transportation, water supply and waste-water disposal increased by DKK 0.7 billion.

It is expected that the lending activity for the second half of 2011 will amount to DKK 14-15 billion, which is a little less than in the second half of 2010, where lending amounted to DKK 16 billion. Consequently, gross lending for 2011 is expected to amount to DKK 28-29 billion against DKK 34.8 billion in 2010.

Overall lending as at 30 June 2011 amounted to DKK 123.5 billion against DKK 125.1 billion at year end 2010. The decrease in lending is, amongst other things, a result of extraordinary instalments of DKK 4 billion in the first half of 2011.

Net interest income has increased to DKK 314 million in the first half of 2011 against DKK 188 million in 2010. The increase in net interest income is due to a minor adjustment in lending prices.

Value adjustment of lending, funding and derivative financial instruments showed a gain of DKK 19 million in the first half of 2011 against a gain of DKK 16 million in the first half of 2010. The value adjustment reflects the fact that KommuneKredit's risk tolerance is low and only comprises financial risks that are considered absolutely necessary for compliance with KommuneKredit's mission.

Value adjustment of securities showed a negative adjustment of DKK 12 million in the first half of 2011 against a gain of DKK 44 million in the first half of 2010. This adjustment reflects the generally low duration of KommuneKredit's portfolio.

Profit before tax for the period amounted to DKK 275 million against DKK 201 million in the first half of 2010. Profit after tax amounted to DKK 206 million against DKK 150 million in the first half of 2010. Equity amounted to 2.9 per cent of assets as of 30 June 2011, which is an increase of 0.1 percentage point since the annual report for 2010.

In the annual report for 2010, KommuneKredit expected profit for 2011, not including value adjustments, to be in the region of DKK 320 million. Profit for the year, not including value adjustments, is now expected to be in the region of DKK 400 million.

STATEMENT OF COMPREHENSIVE INCOME

DKKm	Note	GROUP	
		1st Half 2011	1st Half 2010
Interest income		2,012	1,904
Interest expense		1,698	1,716
Net interest income		314	188
Other operating income		2	2
Value adjustments of lending, funding and derivative financial instruments		19	16
Value adjustment of securities		-12	44
Staff costs		21	21
Other administrative expenses		20	22
Depreciation on property, plant and equipment and amortisation of intangible assets		6	4
Adjustment of pension obligations		-1	-2
Profit before tax		275	201
Tax on profit for the period		69	51
Profit for the period		206	150
Other comprehensive income, net of income tax		0	0
Comprehensive income for the period		206	150
Appropriation:			
Transferred to equity		206	150
Total		206	150

STATEMENT OF FINANCIAL POSITION

ASSETS

DKKm	Note	GROUP	
		30 Jun 2011	31 Dec 2010
Receivables from credit institutions		240	1,439
Lending		120,823	122,290
Lease receivables		2,727	2,846
Portfolio of securities		28,714	24,885
Shares		3	3
Derivative financial instruments		13,882	14,612
Intangible assets		8	11
Properties		80	80
Other property, plant and equipment		6	7
Other assets		113	19
Current tax assets		0	15
Total assets		166,596	166,207

LIABILITIES AND EQUITY

DKKm	Note	GROUP	
		30 Jun 2011	31 Dec 2010
Liabilities			
Securities issued on OMX	2	49,192	54,246
International securities	3	105,936	101,989
Derivative financial instruments		5,882	4,586
Other liabilities		296	339
Pension obligations		67	68
Current tax liabilities		38	0
Deferred tax liabilities		295	295
Total liabilities		161,706	161,523
Equity		4,890	4,684
Total liabilities and equity		166,596	166,207

STATEMENT OF CHANGES IN EQUITY

DKKm	Note	GROUP	
		1st Half 2011	1st Half 2010
Equity			
Equity at 1 January		4,684	4,375
Comprehensive income for the period		206	150
Total equity		4,890	4,525

STATEMENT OF CASH FLOWS

DKKm	Note	GROUP	
		1st Half 2011	1st Half 2010
Cash flows from operating activities			
Profit before tax		275	201
Adjustment for non-cash operating items, etc.		-9	-10
Profit for the year adjusted for non-cash operating items, etc.		266	191
Change in operating capital			
Change in receivables		-94	-134
Change in trade payables and other payables		-43	-164
Change in lending and derivative financial instruments		2,316	-15,754
Change in funding and derivative financial instruments		189	13,550
Total change in operating capital		2,368	-2,502
Total cash flows from operating activities		2,634	-2,311
Cash flows from investing activities			
Receivables from credit institutions		45	2,139
Portfolio of securities		-3,829	-2,590
Intangible assets		-2	-2
Property, plant and equipment		-1	-4
Total cash flows from investing activities		-3,787	-457
Total cash flows for the period		-1,153	-2,768
Cash at bank and in hand at 1 January		1,393	8,168
Cash at bank and in hand at 30 June		240	5,400

In the statement of cash flows, receivables from credit institutions that fall due less than three months after the date of conclusion are stated separately as cash at bank and in hand.

NOTES

1: Accounting policies

KommuneKredit's interim financial statements for the first half of 2011 are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The interim financial statements also comply with IAS 34 as issued by the IASB.

In 2011, KommuneKredit adopted the standards and interpretations that are effective for the financial year starting on 1 January 2011. The adoption complies with the effective dates of the IASB. The new accounting standards and interpretations have not affected recognition and measurement, and the accounting policies therefore remain unchanged compared to 2010. The financial statements for 2010 contain a complete description of the accounting policies.

Note DKKm

2: Securities issued on OMX Nominal values

	Currency	1 January	Additions	Disposals and foreign currency translation adjustment	Total
1st Half 2011					
Bonds issued on OMX	DKK	52,280	9,190	13,462	48,008
2010					
Bonds issued on OMX	DKK	57,756	18,369	23,845	52,280

3: International securities Nominal values

	Currency	1 January	Additions	Disposals and foreign currency translation adjustment	Total
1st Half 2011					
International securities	DKK	102,745	29,908	26,166	106,487
2010					
International securities	DKK	76,906	44,655	18,816	102,745

4: Specification of fair value of financial instruments

The applied methods for calculating fair value remain unchanged since 31 December 2010. Likewise, KommuneKredit has not made significant transfers between levels 1, 2 and 3 in 2011. The applied methods as well as uncertainties and estimates relating to the calculation of fair value are described in more detail in notes 20 and 32 in the financial statements for 2010.

5: Accounting estimates and evaluations

KommuneKredit's credit risk, liquidity risk and market risk, as well as the management of these, have not changed significantly since 31 December 2010. The annual report for 2010 contains a further description of financial risks and risk management.

STATEMENT BY THE BOARD OF DIRECTORS AND MANAGEMENT

The Board of Directors and Management have today discussed and approved the interim report of the KommuneKredit Group for the period 1 January - 30 June 2011.

The interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position

at 30 June 2011 and of the results of the Group's operations and cash flows for the period 1 January - 30 June 2011 and describes the material risks and uncertainties affecting the Group.

Further, in our opinion, Management's commentary gives a fair review of the development in the Group's operations and financial matters, profit for the period and the Group's financial position as a whole.

Copenhagen, 19 August 2011

Management:

Søren Høgenhaven
Chief Executive Officer, Managing Director

Johnny Munk
Managing Director

/ Jens Bloch Behrendt
Chief Financial Officer

Board of Directors:

Erik Fabrin
Chairman

Henning G. Jensen
Vice-chairman

Kaj Petersen

Vibeke Storm Rasmussen

Hans Toft

Henrik Zimino

Anker Boye

Lars Krarup

Mariann Nørgaard

Aleksander Aagaard

AUDITOR REPORTS

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of KommuneKredit

We have reviewed the interim financial statements of the KommuneKredit Group for the period 1 January – 30 June 2011 comprising statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes. The interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Our review did not include the Management commentary.

The Board of Directors and Management are responsible for the interim financial statements of the KommuneKredit Group for the period 1 January – 30 June 2011. Our responsibility is to express an opinion on the interim financial statements based on our review.

Scope of review

We have conducted our review in accordance with RS 2410 "Review of Interim Financial Information Performed by the Independent Auditor".

Copenhagen, 19 August 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Torben Bender
State authorised public accountant

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Danish Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not conducted an audit, and accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the KommuneKredit Group for the period 1 January – 30 June 2011 have not been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Anders Duedahl-Olesen
State authorised public accountant

REPORT BY THE AUDITOR APPOINTED BY THE MINISTRY OF THE INTERIOR AND HEALTH

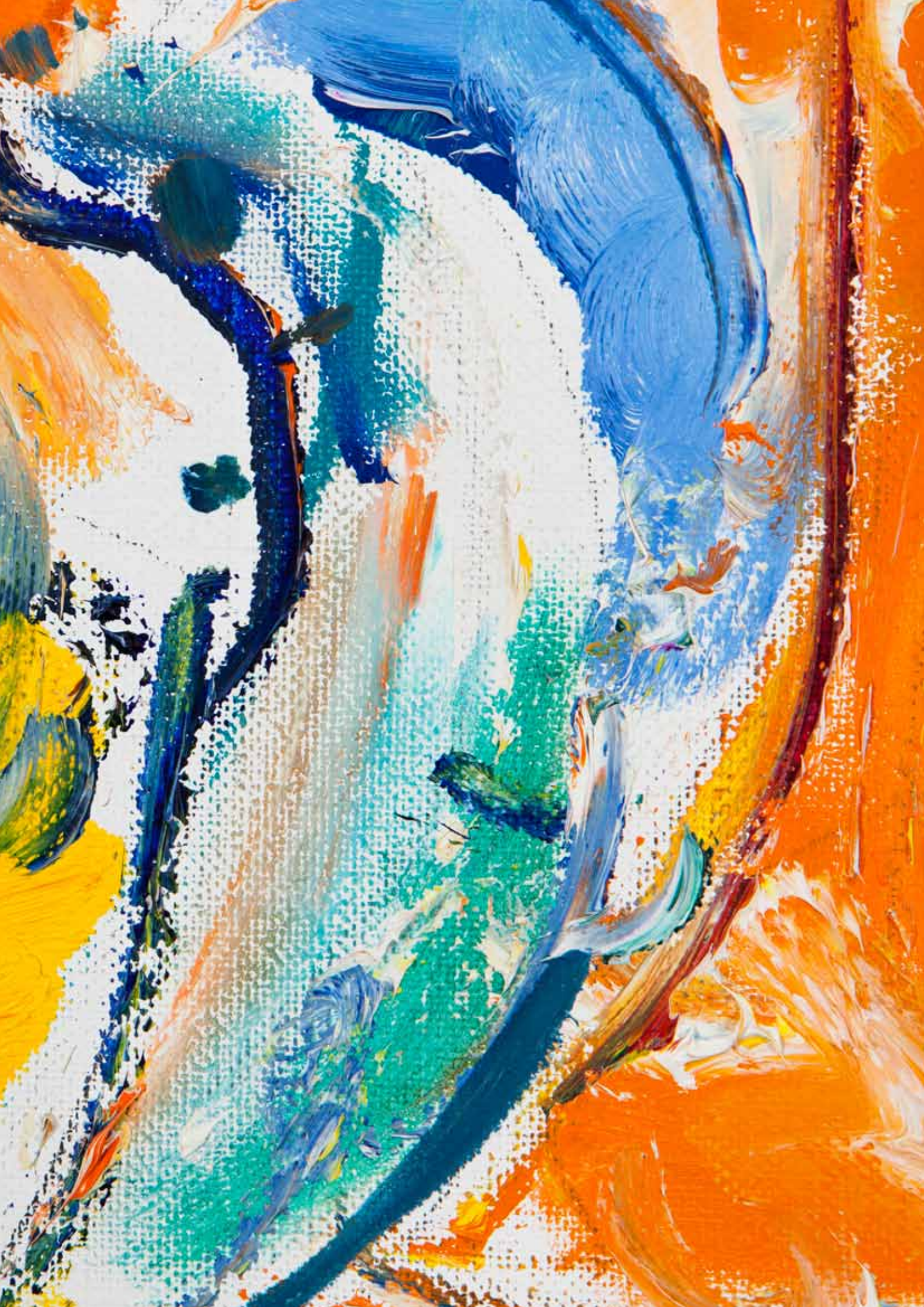
To the Board of Directors of KommuneKredit

As auditor appointed by the Ministry of the Interior and Health, I have examined the interim financial statements of the KommuneKredit Group for the period 1 January – 30 June 2011 prepared by the Board of Directors and Management. During my

examination, I did not identify any non-compliance with neither the Act on KommuneKredit nor the Articles of Association of KommuneKredit. The review procedures carried out by KPMG did not give rise to any comments on my part.

Copenhagen, 19 August 2011

Emil le Maire
Former Prefect





KommuneKredit

Kultorvet 16
DK-1175 Copenhagen K
Telephone +45 33 11 15 12

kk@kommunekredit.dk
www.kommunekredit.dk
CVR no. 22 12 86 12