



KOMMUNE
KREDIT

STEADY
& STABLE

ANNUAL REPORT 2017

SUMMARY

- Profit for the year before value adjustments and tax amounted to DKK 511 million against DKK 550 million in 2016.
- Comprehensive income for the year was DKK 489 million against DKK 497 million in 2016.
- Lending increased by 3 pct. to DKK 174 billion.
- Net interest income decreased to DKK 634 million from DKK 656 million in 2016.
- Common Equity Tier 1 (CET1) capital, corresponding to equity, increased to DKK 7,333 million from DKK 6,844 million in 2016.
- The equity ratio rose to 3.3 pct. from 3.1 pct. in 2016.
- No loss on lending for the 119th consecutive year.

In connection to the announcement of the Annual Report 2017 CEO Jens Lundager says: "KommuneKredit emerged from 2017 with a satisfactory result. KommuneKredit does not pay dividends to our owners, and the association's earnings only need to cover expenses and ensure an adequate equity ratio. Thus, our profitability translates into low lending rates for our clients."

"In May 2017, we launched our inaugural green bond issue for EUR 500 million", Jens Lundager continues. "With this new type of green financing we help increase focus on the environmental and climate improvements that are enabled through investments in local communities across Denmark. The inaugural bond issue covered 128 green projects, including water purification in Svendborg and district heating on the island of Bornholm."

GUIDANCE FOR 2018

Based on strengthened liquidity in the municipalities an unchanged net new lending of DKK 5 billion, as well as a gross funding requirement of roughly DKK 80 billion, is forecast. Owing to KommuneKredit's strong market position and relatively constant lending margins, net interest income is expected to be in the amount of DKK 500 million. The continued roll-out of the IT strategy and the refurbishing of KommuneKredit's offices is expected to result in increased administrative expenses in 2018. As a result, profit before value adjustments and tax is expected to be around DKK 370 million with the equity ratio being maintained at just over 3 pct.

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KEY FIGURES AND FINANCIAL RATIOS

DKKm	2017	2017	2016	2015	2014	2013
	EUR	DKK	DKK	DKK	DKK	DKK
KEY FIGURES						
Net interest income	85	634	656	674	450	503
Administrative expenses	-17	-123	-106	-96	-95	-96
Profit before value adjustments of financial instruments	69	511	550	578	355	407
Value adjustment of financial instruments	16	117	89	-451	-17	-75
Tax on profit for the year	-19	-138	-141	-23	-84	-53
Comprehensive income for the year	66	489	497	103	249	279
Lending and leasing	23,311	173,580	168,589	157,693	152,085	142,711
Securities portfolio	5,688	42,361	34,049	33,983	32,376	31,709
Assets	29,887	222,564	223,938	213,199	201,413	184,239
Debt securities issued	27,145	202,145	202,642	193,382	182,033	167,404
Equity	985	7,333	6,844	6,347	6,244	5,995
ACTIVITIES DURING THE YEAR						
Lending and leasing, net additions in nominal value (net new lending)	674	5,022	8,998	7,273	6,835	9,627
Lending and leasing, gross additions in nominal value	3,801	29,835	31,113	30,517	28,752	31,583
Debt securities issued, gross additions in nominal value	9,585	71,379	85,963	102,462	66,190	91,299
CAPITAL STRUCTURE						
Total risk exposure amount (REA)*	2,356	17,544	7,393	7,766	6,829	10,388
Common Equity Tier 1 (CET1) capital	985	7,333	6,844	6,347	6,244	5,995
Capital base	956	7,121	6,324	6,195	6,153	5,995
Capital ratio*	41	41	86	80	90	58
Equity ratio, pct.	3.3	3.3	31	30	31	3.3
SELECTED FINANCIAL RATIOS						
Losses on lending and leasing	0	0	0	0	0	0
Expenses/assets, pct.	0.06	0.06	0.05	0.05	0.05	0.05
Net interest income/assets, pct.	0.28	0.28	0.29	0.32	0.22	0.27
Liquidity resources, pct.	20	20	16	18	17	18
Number of full-time employees	70	70	66	62	62	58

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Finance Society.

Exchange rate at 31.12.2017: EUR 100 = DKK 744.69. The format is unchanged from last year.

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