

Copenhagen, 4 March 2011

## FINANCIAL SUMMARY – THE GROUP

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

DKKm	2010 EUR*	2010 DKK	2009 DKK	2008 DKK	2007 DKK	2006 DKK
<b>Lending, nominal values</b>						
Bond loans	184	1,373	2,346	8,174	5,569	4,687
Tailor-made loans	4,491	33,478	28,474	32,280	22,205	16,993
Total gross lending	4,675	34,851	30,820	40,454	27,774	21,680
Conversions/refinancing	1,865	13,904	16,007	18,464	12,067	8,224
Total net lending	2,810	20,947	14,813	21,990	15,707	13,456
<b>Leasing</b>						
Gross lending	101	756	892	738	838	876
Instalments and repayments	105	783	787	732	759	708
Net lending	-4	-27	105	6	79	168
<b>Key figures</b>						
Net income	61	453	350	378	274	213
Staff costs and administrative expenses	11	83	81	71	59	66
Value adjustment of securities, etc.	6	47	-4	39	-2	7
Profit before tax	55	411	255	338	209	150
Tax on profit for the year	14	102	63	84	24	41
Profit for the year	41	309	192	254	185	109
Comprehensive income for the year	41	309	192	254	185	109
Lending	16,787	125,136	111,538	105,213	90,703	86,159
Funding	20,959	156,235	133,926	117,254	105,403	92,167
Total assets	22,296	166,207	143,207	128,788	117,772	102,758
Equity	628	4,684	4,375	4,183	3,929	3,738
Number of full-time employees	60	60	57	50	44	45

\*Exchange rate 100 EUR = 745.44 DKK. The conversion has been made at the balance sheet date.

KommuneKredit retained its position in 2010 as the absolute leading supplier of funding to local governments as the banks' willingness to provide loans to local governments, at interest rates equivalent to those offered by KommuneKredit, has been limited. The importance of local governments having their own funding institution offering stable and favourable funding has thus been clearly demonstrated.

In 2010, gross lending amounted to DKK 34.8 billion against DKK 30.8 billion in 2009. Net lending amounted to DKK 20.9 billion against DKK 14.8 billion in 2009. The increase in new lending is due to several factors.

First of all, an extraordinary loan pool of DKK 4.3 billion was allocated to the local governments in 2010 in order to provide funding for an increase in investments and to create employment in the building and construction sector.

Secondly, lending to the utility sector has increased, among other things as a result of an increase in investments in energy supply. Moreover, the municipal water supply and waste-water disposal were to be hived off into special local government-owned utility companies not later than 1 July 2010, and in this connection, the local governments were given the option of providing guarantees for loans. Funding of water supply and waste-water disposal is thus no longer part of municipal borrowing.

In addition, loan conversions amounted to DKK 13.9 billion. The loan conversions aimed at combining loans in more transparent loan pools and at extending maturity periods in order to generate financial latitude for municipalities and regions.

KommuneLeasing's lease receivables remained almost unchanged compared to 2009. Lease receivables amounted to DKK 2.8 billion at year end 2010.

In 2010, KommuneKredit made its second benchmark issue. According to the plan, the issue was to amount to USD 1 billion; however, as a result of the large demand, it was increased to USD 1.5 billion. More than half of the issue was sold to central banks and public institutions.

Although the financial sector has been stabilised in a number of countries, KommuneKredit has retained its very restrictive credit policy. Focus has among other things been on reducing the credit risk by entering into special collateral agreements (CSA),

and the number of these agreements has thus increased from 20 to 24 agreements.

Due to the increasing business volume, cash resources, ex. equity, improved from DKK 17.4 billion at year end 2009 to DKK 23.3 billion at year end 2010.

The Group's net interest income amounted to DKK 453 million in 2010 against DKK 350 million in 2009. In 2009, an interest rate adjustment was made, and accordingly an amount of DKK 142 million was paid to KommuneKredit's borrowers. When the comparative figure for 2009 has been restated for this adjustment, net interest income has effectively decreased by DKK 39 million, which is primarily caused by lower interest income on the portfolio of securities due to the lower interest level in 2010.

Administrative expenses, including depreciation, amounted to DKK 90 million in 2010 compared to DKK 88 million in 2009, corresponding to an increase of 2.3 percent.

The Group's profit before tax was DKK 411 million against DKK 255 million in 2009. This exceeded expectations in the interim report which estimated profit before tax at DKK 320-370 million. The increase in profit is mainly attributable to income from value adjustment of securities and financial instruments, etc., of DKK 47 million. Profit after tax amounted to DKK 309 million against DKK 192 million in 2009.

KommuneKredit's total assets increased by DKK 23.0 billion to DKK 166.2 billion at year end 2010. The increase in total assets is attributable to an increase in lending of DKK 13.6 billion as well as an increase in the value of derivative financial instruments of DKK 6.5 billion, which is mainly caused by fluctuations in exchange rates.

As regards liabilities, the issue of international securities increased significantly, and they now amount to DKK 102.0 billion.

The comprehensive income for the year is transferred to equity in accordance with the articles of association of KommuneKredit. Equity increased from DKK 4.4 billion at year end 2009 to DKK 4.7 billion at year end 2010. At year end 2010, equity amounted to DKK 2.8 percent of the assets against 3.1 percent in 2009. KommuneKredit's long-term equity goal is in the region of 3.0 percent which is considered adequate to support the Group's activities. In accordance with the legal framework of KommuneKredit,

equity must equal at least 1 percent of KommuneKredit's total liabilities, i.e. DKK 1.6 billion.

## Lending

Gross lending to municipalities amounted to DKK 21.3 billion, corresponding to 61 percent of total lending. In 2009, gross lending amounted to DKK 22.3 billion, corresponding to 73 percent of total lending. Lending to regions amounted to DKK 2.9 billion, corresponding to 8 percent. In 2009, lending to regions amounted to DKK 4.1 billion, corresponding to 13 percent. The decrease in lending to municipalities is attributable to an increase in lending aimed at increasing investments and thus creating employment, but a decrease in lending for among other things water supply and waste-water disposal which have been hived off into special utility companies. Lending to municipality-guaranteed enterprises and institutions amounted to DKK 10.6 billion, corresponding to 31 percent, against DKK 4.4 billion, corresponding to 14 percent, in 2009. The increase is primarily attributable to an increase in the number of loans to energy supply companies and water supply and waste-water disposal companies.

Tailor-made loans accounted for 96 percent and bond loans for 4 percent of total lending. Accordingly, the share of tailor-made loans of total lending increased from 92 percent to 96 percent of total lending in 2010. Most bond loans have been raised to finance municipal housing for the elderly where total lending in 2010 amounted to DKK 1.3 billion, which is a decline compared to total lending of DKK 2.1 billion in 2009.

In 2010, lending comprised 66 percent floating-rate loans and 34 percent fixed-rate loans. In 2009, lending comprised 89 percent floating-rate loans and 11 percent fixed-rate loans. The increase in fixed-rate loans is due to the expected rise in interest levels.

## Outlook for 2011

It is expected that the number of new loans to local governments will decrease in 2011 as the extraordinary loan pool has been reduced from DKK 4.3 billion in 2010 to DKK 800 million in 2011. However, it will be possible to transfer loan permissions granted for 2010 to 2011. Moreover, part of the loans regarding capital expenditure in 2010 will be raised during the first months of 2011. These factors will reduce the decrease in lending.

It is expected that loans to the utility sector will also be at a high level in 2011.

As Danish economy is healthier than many other European economies and as a result of KommuneKredit's high credit rating, it is expected that the favourable funding situation will continue in 2011. KommuneKredit therefore expects to retain its position as the absolute leading supplier of funding to local governments.

It is expected that profit for 2011 after tax, excluding value adjustments, will be in the region of DKK 320 million.

## Contacts

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