



KOMMUNE  
KREDIT

STEADY  
& STABLE

# ANNUAL REPORT 2019

## SUMMARY

- Lending and leasing increased by DKK 8 billion to DKK 185 billion.
- Net interest income amounted to DKK 496 million in 2019 against DKK 441 million in 2018, which was in line with expectations at the half year 2019.
- Pre-tax profit amounted to DKK 596 million partly due to positive value adjustments of DKK 227 million.
- Comprehensive income for the year amounted to DKK 441 million against DKK 405 million in 2018.
- Common Equity Tier 1 (CET1) capital equivalent to equity increased to DKK 8,179 million from DKK 7,736 million at the end of 2018.
- The equity ratio increased to 3.5% at the end of 2019 from 3.4% at the end of 2018.

The Board of Directors of KommuneKredit has today, 19 March 2019, approved [the Annual Report for 2019](#).

KommuneKredit experienced a satisfactory financial performance in 2019. Lending and leasing increased by DKK 8 billion to DKK 185 billion. This means that the association meets nearly all municipal and regional financing requirements within the parameters of the Danish regulation on public sector tasks performed by municipalities and regions and the EU state aid rules.

The net interest income was DKK 496 million in 2019 and expenses amounted to DKK 126 million, which corresponds to 0.05% of assets. Positive value adjustments of DKK 227 million lead to a pre-tax profit of DKK 596 million and a net profit for the year of DKK 448 million.

In accordance with KommuneKredit's articles of association, the association may not pay dividends, which is why net profit is transferred to equity. KommuneKredit's equity ratio was 3.5% at the end of 2019 against 3.4% in 2018.

In connection with the announcement of the annual report Chairman of the Board Lars Krarup states:

» *KommuneKredit issues bonds on behalf of municipalities and regions, and we lend the money to local government investments at the lowest possible costs – on equal terms across the country. We do not need to generate a profit.*

He continues:

» *When local green transition initiatives are implemented in various parts of the country, and substantial long-term investments are made, they may with advantage be financed at the lowest possible costs through KommuneKredit. There are opportunities within the current regulations, e.g. climate adjustment, public transport, energy efficiency initiatives in public buildings and sustainable supply facilities. I believe that the regulation can be adjusted, allowing us to underpin the Government's climate goals and the need for climate adaptation to an even greater extent.*

CEO Jens Lundager adds:

» *The current situation surrounding COVID-19 has an impact on the capital markets but is not expected to influence our ability to meet the needs of our customers. Should the markets shut down completely, our total liquidity resources ensure that lending may continue unaffected for a very long time. All KommuneKredit's tasks can be carried out regardless of where the employees are located.*

## GUIDANCE FOR 2020

KommuneKredit holds a strong market position and has a low risk tolerance. Therefore, we expect a stable development in 2020 where we maintain an equity ratio above 3%. At the same time, we expect net lending of approximately DKK 2 billion and a net interest income of approximately DKK 400 million.

We have initiated an ambitious transformation that will bring KommuneKredit's processes and systems up-to-date. In the light of this, we expect the administrative expenses to increase to DKK 150 million.

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## KEY FIGURES AND FINANCIAL RATIOS

Million	2019	2019	2018	2017	2016	2015
	EUR	DKK	DKK	DKK	DKK	DKK
<b>KEY FIGURES</b>						
Net interest income	66	496	441	637	656	675
Other operating income	2	13	11	11	10	9
Other operating expenses	-2	-13	-12	-14	-10	-10
Administrative expenses	-17	-126	-127	-123	-106	-96
Profit before value adjustments	50	369	314	511	550	578
Value adjustment of financial instruments	30	227	227	117	89	-451
Tax on profit for the year	-20	-148	-119	-138	-141	-23
Comprehensive income for the year	59	441	405	489	497	103
Lending and leasing	24,785	184,965	177,454	173,580	168,589	157,693
Portfolio of securities	6,027	44,982	42,944	42,361	34,049	33,983
Assets	31,749	236,935	226,609	222,564	223,938	213,199
Debt securities issued	29,336	218,932	208,218	202,145	202,642	193,382
Equity	1,096	8,179	7,736	7,333	6,844	6,347
<b>ACTIVITIES DURING THE YEAR</b>						
Lending and leasing, net additions in nominal value (net lending)	325	2,427	3,554	5,022	8,998	7,273
Lending and leasing, gross additions in nominal value	4,924	36,745	38,261	29,835	31,113	30,517
Debt securities issued, gross additions in nominal value	6,660	49,699	60,055	71,379	85,963	102,462
<b>CAPITAL STRUCTURE</b>						
Total risk exposure amount (REA)*	1,596	11,911	13,843	17,544	7,393	7,766
Common Equity Tier 1 (CET1) capital	1,096	8,179	7,736	7,333	6,844	6,347
Capital base	1,072	7,997	7,520	7,121	6,324	6,195
Capital ratio, pct*	67	67	54	41	86	80
Equity ratio, pct	3.5	3.5	3.4	3.3	3.1	3.0
<b>SELECTED FINANCIAL RATIOS</b>						
Losses on lending and leasing	0	0	0	0	0	0
Expenses/assets, pct	0.05%	0.05%	0.06%	0.06%	0.05%	0.05%
Net interest income/assets, pct	0.21%	0.21%	0.19%	0.28%	0.29%	0.32%
Liquidity resources, pct	19%	19%	19%	20%	16%	18%
Number of full-time employees	76	76	70	70	66	62

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark.

Exchange rate at 31 December 2019: EUR 100 = DKK 746.2871. The format has been changed compared with last year.

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