



KOMMUNE  
KREDIT

STEADY  
& STABLE

# INTERIM REPORT 2020

## SUMMARY

- Lending and leasing increased by close to DKK 6 billion to DKK 191 billion, of which DKK 4 billion was due to new loans and leases in the period.
- Net interest income decreased to DKK 221 million against DKK 250 million in the same period last year, which is in line with expectations at the end of 2019.
- Pre-tax profit amounted to DKK 186 million.
- Comprehensive income for the period amounted to DKK 145 million against DKK 316 million at the end of the first half of 2019.
- Common Equity Tier 1 (CET1) capital corresponding to equity increased to DKK 8,324 million from DKK 8,179 million at the end of 2019.
- At 3.5% the equity ratio is unchanged from 31 December 2019.

KommuneKredit has today 3 September 2020 announced the [interim report 2020](#).

The outbreak of COVID-19 caused turmoil in the financial markets in the first half of 2020. However, the pandemic has not curtailed our lending to our customers, and KommuneKredit has had a satisfactory economic development.

Due to the agreements between the government, LGDK and Danish Regions to excel capital investments our expectation for net lending in 2020 has been raised from DKK 2 billion to DKK 4 billion. 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.

In accordance with KommuneKredit's articles of association, we may not pay dividends, which is why net profit is transferred to equity. KommuneKredit maintains an equity ratio of 3.5%.

In connection with the announcement of the interim report CEO Jens Lundager states:

» *To safeguard our activities, we have designed our business in such a way that – even during severe financial stress – we would still be able to continue our lending activities for up to one year without having to issue bonds. Despite the special situation this past spring, the financial performance of KommuneKredit in the first half of 2020 was in line with expectations.*”

He continues:

» *We have also seen progress in terms of green finance. Our Green Bond Committee has approved close to 100 new green loans of a combined value of DKK 3.1 billion. With the latest approvals, which are testament to the green transition in the Danish local governments, the committee has approved green loans totalling DKK 22.4 billion. Simultaneously, we are focused on creating a strategic step change when it comes to integrating sustainability at the core of our business. As part of these endeavours, we will explore whether we can extend the limits for issuing green bonds.*”

## GUIDANCE FOR 2020

KommuneKredit holds a strong market position and has a low risk tolerance. This has served us well during COVID-19. We therefore still expect a stable development for the remainder of 2020. We are raising expectations for net lending from approximately DKK 2 billion to around DKK 4 billion, while expectations for net interest income is maintained at around DKK 400 million.

We maintain expectations that administrative expenses for the year 2020 will end at DKK 150 million.

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► PRELIMINARY ANNOUNCEMENT OF FINANCIAL STATEMENTS, 3 SEPTEMBER 2020

KEY FIGURES

Million	H1 2020	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
<b>KEY FIGURES FOR THE PERIOD</b>							
Net interest income	30	221	250	235	341	362	496
Other operating income	1	5	7	6	6	5	13
Other operating expenses	-1	-8	-7	-7	-7	-6	-13
Administrative expenses	-9	-67	-62	-62	-58	-54	-126
Profit before value adjustments	20	152	187	172	282	307	369
Value adjustments of financial instruments	5	35	218	163	63	88	227
Tax on profit for the period	-6	-41	-89	-74	-76	-87	-148
Comprehensive income for the period	20	145	316	261	269	308	441
Lending and leasing	25,626	190,698	185,878	176,788	172,271	166,257	184,965
Portfolio of securities	5,054	37,609	42,181	45,683	42,706	35,690	44,982
Assets	31,806	236,685	237,182	229,599	230,199	223,599	236,935
Debt securities issued	29,086	216,443	216,451	207,718	210,357	204,369	218,932
Equity	1,119	8,324	8,052	7,593	7,113	6,655	8,179
<b>ACTIVITIES DURING THE PERIOD</b>							
Lending and leasing, net additions in nominal value	526	3,914	2,774	3,423	4,939	5,090	2,427
Lending and leasing, gross additions in nominal value	3,215	23,926	17,995	24,067	19,008	16,670	36,745
Debt securities issued, gross additions in nominal value	3,609	26,855	31,762	42,871	54,741	52,090	49,699
<b>CAPITAL STRUCTURE</b>							
Total risk exposure amount (REA)*	1,857	13,817	14,366	19,926	9,699	7,582	11,911
Common Equity Tier 1 (CET1) capital	1,119	8,324	8,052	7,593	7,113	6,655	8,179
Capital base	1,097	8,165	7,851	7,340	6,590	6,450	7,997
Capital ratio, pct.*	59	59	55	37	68	85	67
Equity ratio, pct.	3.5	3.5	3.4	3.3	3.1	3.1	3.5
<b>SELECTED FINANCIAL RATIOS</b>							
Losses on lending and leasing	0	0	0	0	0	0	0
Expenses/assets, pct.	0.03	0.03	0.03	0.03	0.03	0.02	0.05
Net interest income/assets, pct.	0.09	0.09	0.11	0.10	0.15	0.16	0.21
Liquidity resources, pct.	15	15	18	22	24	18	19
Number of full-time employees	79	79	74	69	69	67	76

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

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

Exchange rate at 30/06/2020: EUR 100 = DKK 744.156.