

Interim Report for first half 2024

Today, 4 September, 2024, KommuneKredit has announced [Interim Report for first half 2024](#).

Summary

- Profit before value adjustments and tax came to DKK 230 million, a year-on-year increase of DKK 143 million.
- Total net interest income for the first half of 2024 was DKK 336 million, up DKK 145 million from the year-earlier level.
- The value of total loans and leases rose by DKK 3.6 billion from end-2023 to DKK 190.7 billion at 30 June 2024, primarily because the increase in net lending was partly offset by negative value adjustments of lending due to slightly rising interest rates.
- Common Equity Tier 1 (CET1), equivalent to equity, decreased to DKK 9,968 million from DKK 10,180 million at end-2023. The decrease is due to negative value adjustments.

KommuneKredit is organised as an association in which all local municipalities and regions are members. We fund our activity by issuing bonds, for which our members have joint and several liability. This means our bonds are very secure and can be traded at low yields relative to market rates. Moreover, we do not have to make a profit on our business, and we do not pay dividends.

Our success can be measured in terms of the low lending rates we offer our customers when we help to finance their investments – irrespective of the size of the investment or where in Denmark a project is located. In other words, we provide equal opportunities for local sustainable growth.

Sustained growth in lending and negative comprehensive income

KommuneKredit's profit before value adjustments and tax came to DKK 230 million, a year-on-year increase of DKK 143 million. The result includes net interest income of 336 million DKK, which is higher than the same period last year, as well as administrative expenses for the period of DKK 99 million.

The higher net interest income was driven primarily by improved earnings on securities in the amount of DKK 95 million as a result of a higher level of interest rates in 2024.

Profit before value adjustments and tax came to DKK 230 million, a year-on-year increase of DKK 143 million. KommuneKredit has recorded large positive value adjustments in recent years. Most of these are offset by negative value adjustments in later periods. This was the case in the first half of 2024, which saw negative value adjustments of financial instruments in the amount of DKK 502 million. Against this background, comprehensive income was negative in the amount of DKK 212 million at 30 June. Comprehensive income for the period has been transferred to equity, which now stands at DKK 9,968 million.

The Board of Directors has defined a target that earnings should provide appropriate capitalisation, corresponding to an equity ratio of at least 3 pct. At 4.0 pct., the equity ratio was slightly lower than the 2024 estimate of 4.2 pct., but still meeting the Board's target.

Outlook for 2024

Relative to previous guidance, we upgrade our guidance for net interest income from DKK 500 million to DKK 650 million, primarily owing to higher interest income on investments. We have also upgraded our guidance for net lending from DKK 4.5 billion to DKK 6.5 billion because net lending has so far been higher than expected. Our guidance for administrative expenses of DKK 200 million is unchanged. Accordingly, we are guiding for a profit for the year before value adjustments and tax of DKK 450 million.

Given the negative value adjustments in the first half of 2024 of DKK 502 million, comprehensive income for the year is likely to be negative. We still expect to maintain our equity ratio at not less than 3 pct. both in the short term and in the long term.

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Key figures and financial ratios for KommuneKredit

Million	H1 2024	H1 2024	H1 2023	H1 2022	H1 2021	H1 2020	Full-year 2023
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
Key figures for the period							
Net interest income	45	336	191	187	180	221	467
Administrative expenses	-13	-99	-100	-119	-68	-67	-193
Profit before value adjustments	31	230	87	65	109	152	264
Value adjustment of financial instruments	-67	-502	153	535	190	35	276
Tax on profit for the year	8	60	-53	-132	-66	-41	-126
Comprehensive income for the year	-28	-212	187	468	233	145	414
Balance sheet							
Loans and leases	25,578	190,748	181,070	179,513	191,156	190,698	187,139
Portfolio of securities	6,051	45,125	46,279	50,530	36,745	37,609	43,639
Investments in property, plant and equipment	-	-	3	0	0	0	3
Assets	33,606	250,617	240,280	245,327	234,368	236,685	242,612
Debt securities issued	30,314	226,063	211,642	221,784	216,970	216,443	218,173
Equity	1,337	9,968	9,953	9,243	8,630	8,324	10,180
Activities during the period							
Loans and leases, net additions in nominal value (net lending)	753	5,616	4,296	3,367	3,782	3,914	5,874
Loans and leases, gross additions in nominal value	2,741	20,439	16,508	16,912	19,874	23,926	29,027
Debt securities issued, gross additions in nominal value	3,834	28,594	24,801	33,319	35,229	26,855	41,543
Capital structure							
Total Risk Exposure Amount (REA)	2,395	17,861	15,176	16,267	12,202	13,817	15,637
Common Equity Tier 1 (CET1) capital	1,337	9,968	9,953	9,243	8,630	8,324	10,180
Capital base	1,325	9,880	9,873	9,136	8,530	8,165	10,107
Capital ratio, pct.	55	55	65	56	70	59	65
Equity ratio, pct.	4.0	4.0	4.1	3.8	3.7	3.5	4.2
Selected financial ratios							
Losses on loans and leases	0	0	0	0	0	0	0
Expenses/assets, pct.	0.04	0.04	0.04	0.05	0.03	0.03	0.08
Net interest income/assets, pct.	0.13	0.13	0.08	0.08	0.08	0.09	0.19
Other figures							
Number of full-time employees	104	104	102	94	87	79	101

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 30 June 2024: EUR 100 = DKK 745.7414. The format is unchanged from last year.

* REA and capital ratio have been calculated in accordance with the principles applying to credit institutions, even though these rules do not apply to KommuneKredit.