



KOMMUNE  
KREDIT

STEADY  
& STABLE

# ANNUAL REPORT 2016

Results of operations in 2016 lived up to the expectations. Lending grew by 7.0 per cent, and profit before value adjustments and tax amounted to DKK 550 million.

The low interest rate level that prevailed in 2016 led to decreasing interest income and interest expenses, and net interest income fell by 3.0 per cent in 2016 from DKK 674 million to DKK 656 million. KommuneKredit adjusted its lending rates on an ongoing basis during the year to ensure they followed funding expenses including derivatives.

Profit for the year before value adjustments and tax dropped by DKK 28 million to DKK 550 million. This is below the expectations expressed in the interim report – DKK 0.6 billion – and is mainly owing to a DKK 56 million reclassification from net interest income to value adjustment of financial instruments in the financial statements for 2016.

Value adjustments of financial instruments totalled DKK 89 million at year-end 2016, mainly due to price adjustments of securities. In 2015, the value adjustment totalled DKK -451 million. KommuneKredit maintains a high degree of symmetry between assets and liabilities and keep lending margins at a constant level. Under normal circumstances, the value adjustments of financial instruments for accounting purposes would be low – like in 2016.

Comprehensive income for the year increased from DKK 103 million to DKK 497 million, corresponding to the DKK 0.5 billion expected in the interim report. The increase is attributable to the substantial negative value adjustment in 2015. According to the Board of Directors' guidelines, KommuneKredit's compre-

hensive income should ensure an appropriate capitalisation, corresponding to an equity ratio in the order of 3.0 per cent, which was also the level attained at year-end 2016. Since 2012, KommuneKredit's equity ratio has been at least 3.0 per cent.

In nominal values, lending and lease receivables totalled DKK 31.1 billion, up DKK 0.6 billion on 2015. During the same period, the total fair value of lending and lease receivables went up from DKK 157.7 billion to DKK 168.6 billion at the end of 2016.

KommuneKredit's funding situation was favourable in 2016 as well, with considerable international interest in securities with a high credit quality. In the year under review, KommuneKredit issued securities worth DKK 86 billion against DKK 102 billion in 2015. Overall, the value of debt securities issued increased by DKK 9.3 billion to DKK 202.6 billion, due both to an increase in nominal value and to increased value adjustment of the issues.

## OUTLOOK FOR 2017

A stable development is expected in 2017 with a constant equity ratio of approx. 3.0 per cent. New lending, net, is expected to be in the order of DKK 7.0 billion and profit before value adjustments and tax is expected to be around DKK 550 million.

## CONTACTS

Jens Lundager, Chief Executive Officer, Managing Director  
Johnny Munk, Managing Director  
Morten Sjøtofte, Chief Financial and Risk Officer

## FINANCIAL SUMMARY FOR KOMMUNEKREDIT

DKKm	2016	2015	2014	2013	2012
New lending, net	8,998	7,273	6,835	9,627	6,662
Net interest income	656	674	450	503	603
Profit before value adjustments of financial instruments and tax	550	578	355	407	503
Comprehensive income for the year	497	103	249	279	516
Lending and lease receivables	168,589	157,693	152,085	142,711	136,296
Assets	223,938	213,199	201,413	184,239	181,885
Equity	6,844	6,347	6,244	5,995	5,716
Equity ratio, pct.	3.1	3.0	3.1	3.3	3.1

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