



# Annual Report 2023

**KommuneKredit**  
Kultorget 16  
DK-1175 Copenhagen K, Denmark  
CVR No. 22.12.85-12



# Providing equal opportunities for local sustainable growth

KommuneKredit is a Danish special-purpose credit institution, providing funding for the local growth and green transition in municipalities and regions across Denmark.

KommuneKredit is an association with sustainability at its core and a strong ESG profile. Our member base consists of all Danish municipal and regional authorities. Our guarantee structure and safe business model have secured us a premium credit rating (AAA) (Aaa).

That is why we can offer municipalities and regions instant and uncomplicated access to financing of projects large or

small and at the lowest possible cost. With equal opportunities and terms for all – across the entire country.

That is how it has been since 1899, when KommuneKredit first disbursed a loan. And that is the way it is today, as our dedicated employees advise on and arrange more than 3,000 loans every year.

When investors buy our bonds, we can disburse loans for purposes ranging from energy renovation of a local sports centre to the purchase of a new eco-friendly hybrid ferry, or the establishment of more sustainable district heating systems across the country.

For the benefit of ordinary citizens, for our local communities, and for an even greener future.



## Mission

KommuneKredit shall contribute to financial latitude in Danish municipalities and regions by providing funding and financial advice at the lowest possible cost.



## Vision

We will always be the best funding choice for our customers, regardless of the given framework.

We will be modern, efficient and engaged, with a focus on high quality, steadiness and stability.

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## Green Bond Impact Report

Each year, KommuneKredit reports on the environmental impacts of our green loans.

[> Read our Green Bond Impact Report](#)

## Corporate Governance Report

KommuneKredit has published a report on corporate governance.

[> Read our Corporate Governance Report](#)

## 2023 highlights

On our website, we provide information about the past year at KommuneKredit.

[> Read more about the year 2023](#)

## Follow us





## New waterworks at Kristrup

The investment in a new waterworks, including an infiltration basin, helps secure the future supply of clean drinking water for around 1,800 households.

> [Read more about the Kristrup Vandværk investment and green loans](#)

 **Kstrup Vandværk a.m.b.a.**  
· *din lokale vandforsyning*

# 01

## About KommuneKredit

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# Letter from Management

KommuneKredit is a special-purpose financial enterprise. Our purpose is to provide financing for investments in municipalities, regions and affiliated companies at the lowest possible cost. In this way, we benefit everyone, the local democracy and the development of the future of Denmark. This is the way it has been ever since 1899 when KommuneKredit disbursed its first loan.

In 2024, we celebrate KommuneKredit's 125th anniversary, and our business model is as socially relevant today as it was in 1899.

We issue bonds on behalf of our members, which count all of Denmark's municipalities and regions. The members are jointly and severally liable for our liabilities. This means our bonds are very secure and can be sold at low yields relative to market rates. We do not have to make a profit on our business, and we do not pay dividends. Consequently, our success can be measured in terms of the low lending rates we offer our customers when they need to finance their investments. Large and small projects – on equal terms through-

out the country. In other words, we help ensure more local value for citizens' money.

## Results in line with expectations

KommuneKredit's business developed in line with expectations in 2023. Our net interest income is unaffected by market developments as we pass on the market rates to our customers at a small margin. Net interest income was DKK 467 million, which was DKK 67 million more than we expected in the interim report 2023. The increase was primarily driven by higher net interest income from leasing. Expenses developed as expected, and our profit before tax and value adjustments in 2023 was DKK 69 million more than we expected in the interim report 2023. Value



CEO  
Jens Lundager

## Examples of lending and leasing in 2023

- Construction credit facility of DKK 220 million for a new waterworks and solar panels for Greve Vandværk A.m.b.A.
- A DKK 15 million loan to Thorsminde Havn for financing new quay space, deepening the fairway and upgrading an onshore power facility.
- Loan of DKK 3 million for establishing a theatre building to Limfjordsteatrets Byggefond with a guarantee from the Municipality of Morsø.
- Green loan of DKK 10 million to the Municipality of Kolding for establishing dams in combination with recreational areas as part of the climate adaptation.
- Green loan of DKK 10 million to Krstrup Vandværk's new waterworks, including an associated infiltration basin.
- Lease agreement of DKK 185 million for seven ambulance stations for Region Zealand.
- Lease agreement of DKK 65 million for wastewater treatment systems for Odense University Hospital.
- Lease agreement of DKK 46 million for 156 electric vehicles for the Municipality of Silkeborg.
- Lease agreement of DKK 30 million for a health centre in the Municipality of Rebild.

[> Read more about selected projects on our website](#)

adjustments amounted to DKK 276 million, which resulted in a full-year pre-tax profit of DKK 540 million and a net profit for the year of DKK 414 million.

### **New Act on KommuneKredit unanimously passed**

On 1 July 2023, a new Act on KommuneKredit entered into effect after it was unanimously passed by the Danish parliament. KommuneKredit's exemption from the EU legislation applying to credit institutions in the EU and intending to safeguard depositors and financial stability remains a basic element of the new act. The reason for this exemption is our status as a special-purpose credit institution with a simple business model under which all municipalities and regions are jointly and severally liable for our liabilities. Under the new act, KommuneKredit must comply with the same rules as other credit institutions in areas relevant in relation to our business model, while in other areas we retain our own rules. Under the new act, KommuneKredit will be subject to supervision by the Danish FSA. In addition to the independent auditor, our lending activities are subject to supervision by an auditor who is appointed by the Ministry of Industry, Business and Financial Affairs.

### **New loan scheme for Greenland**

Under the new Act on KommuneKredit, we will also be able to grant loans and finance leases fully guaranteed by the Danish State to municipalities and municipally-owned companies in Greenland and the Faroe Islands. The Danish State has provided a guarantee for a total loan amount of DKK 4 billion for loans to Greenlandic local authorities. The loans may be granted from January 2024 to December 2031. The Greenlandic municipalities in question will not become members of KommuneKredit and will therefore not be liable for KommuneKredit's liabilities. The Faroe Islands have so far not indicated a wish to take advantage of KommuneKredit loans to Faroese municipalities.

### **Future-proofing our loans for district heating projects**

The Danish Ministry of the Interior and Health has laid down rules for local government borrowing and guarantees. Furthermore, the specific investment for which a loan is established with us must be a municipal or regional investment and, finally, KommuneKredit lending must comply with the EU state aid rules.

Green and energy-efficient district heating is one of the areas the EU aims to promote with the so-called block exemption regula-

tions, which were revised in spring 2023. The revision extended and ensured more flexible access to granting aid for energy-efficient district heating. This is consistent with the ongoing expansion of energy-efficient district heating in Denmark, which, among other things, is intended as a replacement for natural gas.

When we grant a new loan on the basis of the EU block exemption regulations, the interest benefit at KommuneKredit represents legal state aid. At KommuneKredit, we have introduced a new process for how our customers apply for loans for district heating. The process helps ensure that we receive the information required to our compliance with the block exemption regulations, where relevant. In 2023, we granted 210 loans and construction credit facilities at a total nominal value of DKK 4.7 billion for district heating. Of the loans, 73 were green loans.

### **Changed conditions for waste-to-energy loans**

The Danish parliament has passed a new act on calls for tenders for waste incineration. Waste-to-energy facilities must henceforth be run in separate entities which must compete on commercial terms with other waste-to-energy facilities. This means KommuneKredit

can no longer finance investments in this type of facilities. However, loans granted before the act entered into force on 1 July 2023, with a total nominal value of DKK 7.3 billion, may continue until maturity if the owner municipalities provide a guarantee.

### **Continued focus on strategic initiatives**

Our Strategy 2025 efforts set out to ensure a future for KommuneKredit as a well-run, accessible and sustainable financial institution with public ownership.

In 2023, we completed our new leasing system, we strengthened our IT security and implemented a new document management system. We have also started to gradually phase-in a new lending system as new functions are developed. This process will continue over the next two years.

We have launched a new website, including a new logo. The website is to form the basis of a new customer portal, which we are developing in close collaboration with customers and business partners. The combination of our website and customer portal is to give our customers better self-service options and insights of their exposures. The aim is to make it even easier for customers to engage with KommuneKredit, with the website and

customer portal set to be fully developed and implemented within the next two years.

In 2024, we will continue to communicate what we can finance, thereby contributing to creating more local value for citizens' money.

We will remain focused on a high level of IT security and on complying with the guidelines of the new EU regulation on digital operational resilience in the financial sector (DORA). Furthermore, the year will offer efforts to illustrate the potential of using AI tools in the business.

Lastly, we will start to update Strategy 2025 to establish the foundation for our further efforts to develop a KommuneKredit that, also in the future, will live up to the expectations our members and customers have for us.

### **ESG progress**

As part of our Strategy 2025 efforts, a key strategic priority is to further integrate sustainability in our business model. We aim to anchor a strong ESG profile throughout our organisation and play a key role in the green transition of local communities in Denmark.

Among other things, we have defined nine ESG goals that we regularly address. These

include climate goals and goals about our corporate culture, employee well-being and ESG governance.

In this context, we held a board seminar in 2023, focusing on KommuneKredit's ESG initiatives and the role of the Board of Directors in these endeavours.

Our most significant contribution to the sustainable transition is our lending and leasing for sustainable investments in local Danish communities. Among other things, we issue green bonds to accommodate investor demand for financing green investments in municipalities and regions. In 2023, our external green bond committee approved green loans totalling DKK 3.7 billion, which form the basis for issuing new green bonds.

We have set an ESG target that our green loans should account for 25 pct. of our total lending by 2025. At year-end 2023, green loans accounted for 22 pct.

Within our organisation, we have defined an ESG target of reducing carbon emissions related to our own operations by 55 pct. by 2030 relative to 2018 levels. So far, we have reduced our emissions by 52 pct. For the remaining emissions, we have entered into a

**In 2024, KommuneKredit will be celebrating its 125th anniversary. I am proud that we have managed to keep our business model as socially relevant as it was when we granted our first loan in 1899.**

**Jens Lundager**  
CEO, KommuneKredit

climate compensation agreement on afforestation in Denmark, which is also a part of our ESG goals.

Many of our investors are under an obligation to report on ESG factors, which means they need information from us – both about our own situation and about our lending and leasing. We are not subject to the various EU rules on sustainable financing that many other financial enterprises are. However, we will regularly work to ensure that, as a special-purpose credit institution, we endeavour to accommodate investor demand for ESG data.

In 2023, we started to integrate our sustainability reporting in the annual report instead of preparing a separate report, and the work to strengthen our ESG profile will continue at undiminished strength in the coming years. In addition to initiatives already launched, our activities will include ESG classification of lending and leasing and efforts to further strengthen our ESG governance.

#### **High level of employee well-being**

As in the preceding years, we conducted an employee engagement survey among our employees. The result of the survey is one of the very best of our industry, confirming the strong commitment and high job satisfaction

among our employees. The result proves that KommuneKredit, also in terms of human resources, has a strong foundation, which is crucial for the work that lies ahead in terms of future-proofing our organisation.

On 1 July 2023, KommuneKredit became a member of Finanssektorens Arbejdsgiverforening (the Danish Employers' Association for the Financial Sector - from 1 January 2024 Finans Danmark Arbejdsgiver). This means that our employees are covered by the collective agreement with Finansforbundet (the Danish Financial Services Union). We have defined guidelines for diversity and targets for the under-represented gender to strengthen our inclusive corporate culture. On a trial basis, we have introduced the option for employees to do voluntary work for up to eight hours a year during working hours according to specific criteria for the resulting social impact.

After a successful internship program in the summer of 2023, we recruited an employee who came to Denmark from Ukraine. In the autumn, we recruited two trainees, who will take up their positions in spring 2024. We have continued the flexible work format we developed in continuation of the Covid lockdowns, enabling our employees to plan their

working week flexibly between the workplace and their home. We generally find that the flexibility has a positive effect on how our employees perform their work and on their job satisfaction.

These initiatives support our ESG goals of promoting an inclusive corporate culture and maintaining high employee loyalty and commitment.

#### **Well prepared to face the future**

Since KommuneKredit issued its first loan almost 125 years ago, our financing has played a key role for local government and for developing Danish society as we know it today. Over the course of the years, much has changed. And today, our customers can finance entirely different purposes than back then. Regardless of the economic climate and the winds of change, our business model has generally proven sustainable – year after year. At KommuneKredit, we feel well prepared to provide more local value for citizens' money – also in the future.

**Jens Lundager**  
CEO

# Key figures and financial ratios for KommuneKredit

Million	2023	2023	2022	2021	2020	2019
	EUR	DKK	DKK	DKK	DKK	DKK
<b>Key figures</b>						
Net interest income	63	467	339	383	440	496
Administrative expenses	-26	-193	-224	-140	-130	-126
Profit before value adjustments	35	264	129	238	311	369
Value adjustment of financial instruments	37	276	1,144	249	-33	227
Tax on profit for the year	-17	-126	-282	-109	-60	-148
Comprehensive income for the year	56	414	991	378	218	441
Loans and leases	25,112	187,139	174,974	194,948	192,457	184,965
Portfolio of securities	5,856	43,639	46,591	48,387	33,568	44,982
Investments in property, plant and equipment	0	3	0	0	0	0
Assets	32,556	242,612	237,052	249,077	233,872	236,935
Debt securities issued	29,276	218,173	207,899	233,892	212,728	218,932
Equity	1,366	10,180	9,766	8,775	8,397	8,179
<b>Activities during the year</b>						
Loans and leases, net additions in nominal value (net lending)	788	5,874	4,766	8,675	5,057	2,427
Loans and leases, gross additions in nominal value	3,895	29,027	28,057	36,958	43,507	36,745
Debt securities issued, gross additions in nominal value	5,575	41,543	52,692	65,112	43,163	49,699

Million	2023	2023	2022	2021	2020	2019
	EUR	DKK	DKK	DKK	DKK	DKK
<b>Capital structure</b>						
Total risk exposure amount (REA)*	2,098	15,637	15,653	13,859	11,496	11,911
Common Equity Tier 1 (CET1) capital	1,366	10,180	9,766	8,775	8,397	8,179
Capital base	1,356	10,107	9,684	8,660	8,277	7,997
Capital ratio, pct.*	65	65	62	63	72	67
Equity ratio, pct.	4.2	4.2	4.1	3.5	3.6	3.5
<b>Selected financial ratios</b>						
Losses on loans and leases	0	0	0	0	0	0
Expenses/assets, pct.	0.08	0.08	0.09	0.06	0.06	0.05
Net interest income/assets, pct.	0.19	0.19	0.14	0.15	0.19	0.21
<b>Selected ESG figures</b>						
CO <sub>2</sub> e total (scope 1, 2, 3) (t)	64	64	58	36	44	101
Share of renewable energy, pct.	93	93	93	89	82	84
Gender composition, management level (women), pct.	25.0	25.0	22.2	22.2	22.2	22.2
Employee turnover, pct.	10.0	10.0	9.8	10.4	5.2	10.8
CEO pay ratio/ median employee remuneration	3.6	3.6	3.7	3.7	3.6	3.7
Number of full-time employees	101	101	97	88	82	76

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 31 December 2023: EUR 100 = DKK 745.2242. 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.

# Selected facts 2023

## High international credit rating

Moody's

**P-1/  
Aaa**

Standard & Poor's

**A-1+/  
AAA**

## Equity ratio

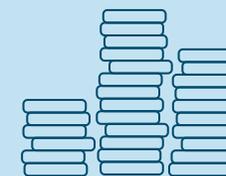
**4.2%**



With an equity ratio of more than 3 pct., KommuneKredit has an adequate capital position.

## Capital ratio

**65%**



The high capital ratio reflects the low risk associated with our business model.

## ESG targets on track



Our green loan portfolio rose from 21 pct. in 2022 to 22 pct. in 2023. Until now, we have reduced our own carbon emissions by 52 pct. relative to 2018. For the remaining emissions, we have entered into a climate compensation agreement on afforestation.

## Consistently strong ESG ratings



We maintain our strong ESG ratings from ISS ESG, MSCI and Sustainalytics.

Read about our ESG ratings on page 79.

## Working with ESG data



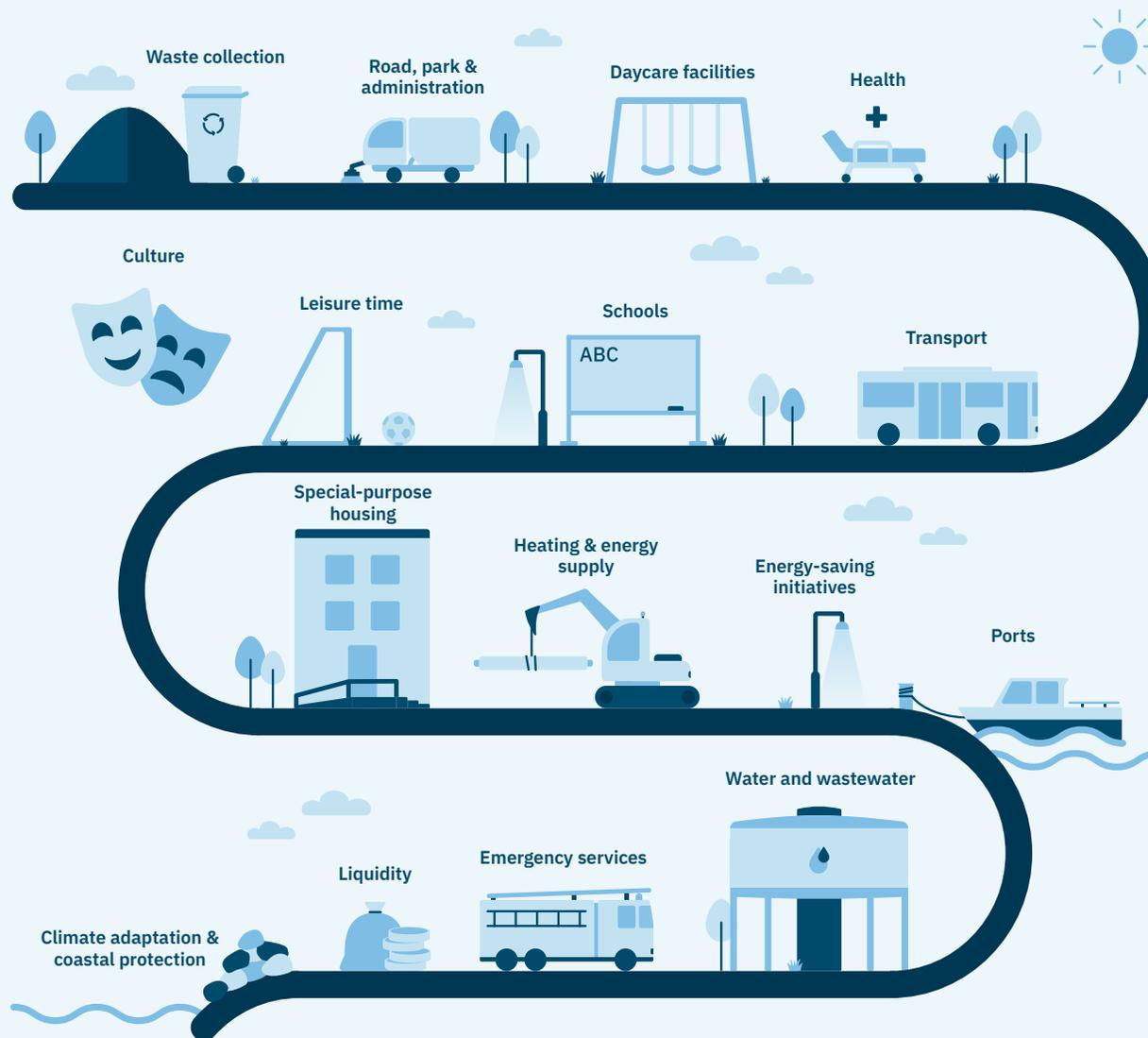
To define the level of ambition for our ESG data and reporting, we regularly identify our investors' need for ESG data.

Read about our work with ESG data on page 74.

# Lending and leasing for many purposes

Our lending and leasing finance many different types of local projects in Danish society, including investments in green and social projects. Investments are made on the basis of democratic decisions in city and regional councils – regardless of the size of the project or where in Denmark it takes place.

The list of investments we have helped finance over the years is long and spans everything from green projects such as investments in energy-efficient district heating, climate proofing and coastal protection, energy-saving initiatives and climate-friendly transport to social purposes such as housing for marginalised people, senior housing, schools, city museums and sports centres.



# Joint and several liability – an unconditional strength

All of Denmark's municipalities and regions are members of KommuneKredit. They have joint and several liability for our liabilities, and combined with our very secure business model this provides KommuneKredit with the highest possible credit rating – in line with that assigned to the Kingdom of Denmark.



## Joint and several liability

All of Denmark's municipalities and regions are members of KommuneKredit. They are jointly and severally liable for our liabilities.



## Safe link

We are the safe link between global funding and local borrowers. We provide access to financing at the lowest possible cost for developing the Danish welfare society.



## Funding of lending

We fund our lending by issuing bonds on the Danish and international capital markets.

# KommuneKredit creates cohesion in Danish society

By offering financing at the lowest possible cost, KommuneKredit helps generate growth. This also applies for example when our members, municipalities and regions, meet their own ambitions for the green transition of local communities and the climate goals adopted by the Danish parliament.

KommuneKredit provides loans and finance leases to the Danish municipalities and regions and to inter-municipal partnerships and to companies undertaking municipal or regional tasks.

KommuneKredit's members – the 98 municipalities and five regions – are jointly and severally liable for all of KommuneKredit's liabilities. We have close ties to the Danish municipal and regional sector. And our financing is essential for local governments and for cohesion in the Danish society.



## Municipalities and regions are key to the Danish welfare society

Municipalities and regions are defined by law and their right of self-government is set out in the Danish constitution and other legislation. KommuneKredit is governed by Act No. 405 dated 25 April 2023 on the Credit Institution for Local and Regional Authorities in Denmark (lov om kreditforeningen af kommuner og regioner i Danmark).



### 5 regions

Hospitals and healthcare, regional development and public transport as well as specialised social institutions.



### Government

Foreign policy, defence, police, universities, major roads, railways, supervision of municipalities and regions and inter-municipal equalisation.



### 98 municipalities

Day care facilities for children and young people, elder care, schools, public transport, utilities, environment and employment.



### KommuneKredit

KommuneKredit's financing plays a key role in relation to supporting the local government and developing Danish society.

### Strong creditworthiness

The joint and several liability structure helps ensure that KommuneKredit has the highest possible rating by the international rating agencies Moody's Investor Service (Aaa) and Standard & Poor's (AAA). This credit rating is in line with that assigned to the Danish state.

The rating agencies base their assessment on the following factors:

- strong capitalisation;
- highly creditworthy borrowers and high-quality assets;
- very strong market and liquidity position and a positive funding profile; and
- the joint and several liability of the municipalities and regions.

In this connection, it is paramount that a municipality cannot be declared bankrupt. This is a basic principle under Danish administrative law, which is also upheld in a High Court ruling, referring to the fact that the supervisory authority, the Government, must ensure that a municipality is able to meet its financial obligations.

KommuneKredit also holds a strong position when it comes to ESG factors and has been assigned ratings by three ESG rating agencies. ISS ESG has assigned us a C rating, which

places us in the Prime category for our industry. MSCI has assigned us the third-highest rating of A, and Sustainalytics has awarded us a rating of 15.9, placing us in their "low risk" category.

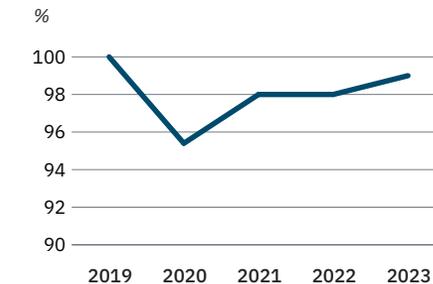
### Central government bears the risk associated with economic volatility

The overall economy of the municipalities is not affected by economic cycle setbacks, as

central government bears the risk associated with general economic trends. In other words, the central government offers compensation to municipalities for excess expenditure related to transfer payments and reduced tax revenues caused by a potential economic slowdown.

> [Read more about the principles of local government economics and access to raising loans](#)

### KommuneKredit's share of municipalities' and regions' long-term debt



### Historical credit ratings of the Danish central government and KommuneKredit

— The Danish Central Government — KommuneKredit

#### Moody's

Short-term P-1



Long-term Aa1



#### Standard & Poor's

Short-term A-1+



Long-term AA+



1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023



## From residual wood to district heating

A green loan for the construction of storage facilities for residual wood contributes to Gelsted Fjernvarme's ambition of phasing out fossil fuels.

[> Read about the transition from natural gas to biomass](#)

**Gelsted**   
**Fjernvarme**



# 02

## Operations 2023

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# Our business model ensures low risk and high reliability of supply

We transfer our funding costs to customers through the lending rate, which is why market fluctuations do not significantly affect our financial position.

The Board of Directors has the overall responsibility for our risk management and for determining the level of risk tolerance. KommuneKredit is supervised by the Danish Financial Supervisory Authority.

At KommuneKredit, we distinguish between financial and non-financial risks. Our total risk exposure amount (REA) has been calculated at DKK 15.6 billion. The capital ratio calculated according to the rules for credit institutions was 65 pct.

We regularly identify, control and mitigate the risks our business is exposed to so they match our low risk tolerance at any given time.

2023 was another year of substantial geopolitical and economic uncertainty, although fluctuations in the financial markets were less severe than in 2022. We transfer our funding

costs to our customers through the lending rate. That is why market fluctuations do not significantly affect our financial position.

## Financial risks

The Danish municipalities and regions have a joint and several liability for KommuneKredit's obligations. This means the risks we assume will ultimately also be risks that municipalities and regions are exposed to. We have a low risk tolerance which is limited to financial risks absolutely necessary in order to accomplish our mission.

## Market risk

Using derivatives, KommuneKredit converts all funding into the currency and interest rate profile that matches our lending and our total liquidity resources. We hedge interest rate and currency exposure to keep our market risk at

a low level. This helps reduce the risk of loss resulting from any changes in market prices.

## Credit risk

KommuneKredit is exposed to credit risk in respect of investment counterparties and financial counterparties. The credit risk on financial counterparties arises from investing the total liquidity resources in bonds, while the credit risk on financial counterparties arises from the agreements entered into on the use of derivatives.

The credit risk in respect of investment counterparties is limited by high credit quality requirements. This applies to both the type of counterparty and the counterparty's credit rating. The credit risk in respect of financial counterparties is also limited by our high credit quality requirements. In addition, we can only trade derivatives with financial counterparties with whom we have entered into a collateral agreement.

KommuneKredit grants loans or finance leases only to Danish local authorities or loans to

## Loss

# 125 years

without loss on lending or leasing

## Risk weight

# 0%

There is a credit risk weight of 0 pct. when banks invest in KommuneKredit's bonds.

## Total Risk Exposure Amount (REA)

# DKK 15.6 billion

Calculated in accordance with the solvency requirements for financial institutions.

## Local authorities

# 98 municipalities and 5 regions

are jointly and severally liable for KommuneKredit's liabilities

local companies and institutions which have received a municipal or regional guarantee.

Danish local authorities are subject to regulation and supervision by the Ministry of the Interior and Health. Combined with the fact that a municipality cannot be declared bankrupt, our lending and leasing are thus characterised by the highest level of security. During our 125-year lifetime, we have never suffered a loss on lending or leasing.

#### *Liquidity risk*

KommuneKredit sources financing denominated in different currencies, while we extend loans in Danish kroner for projects in municipalities and regions. Our duty is therefore to schedule the funding to match the lending profile the customers want.

The Board of Directors has determined that KommuneKredit must have total liquidity resources to cover a longer period of extreme stress in the financial markets. We have therefore prepared a liquidity resource contingency plan which we can activate in case of pressure on liquidity.

KommuneKredit's liquidity resources consist of highly liquid bonds with a very high credit quality (HQLA).

Because of the new Act on KommuneKredit, which took effect on 1 July 2023, KommuneKredit must, on an equal footing with private credit institutions, comply with the requirements about a Liquidity Coverage Ratio and Net Stable Funding Ratio of 100 pct. The Board of Directors has made stricter requirements in our internal guidelines, reflecting KommuneKredit's low risk tolerance. The low liquidity risk ensures that we can at all times settle our financial obligations.

#### *Price risk on own funding spreads*

KommuneKredit's funding spreads express our relative costs of funding relative to the variable market rate. As we calculate the funding at fair value, we are exposed to changes in our own funding spreads. By maintaining relatively constant lending margins, we transfer changes to our own funding spreads to lending prices. Since loans, other than leasing, are also recognised at fair value, we thus reduce the price risk on our own funding spreads.

The remainder of the price risk arises primarily for two reasons. The first reason is that our funding commitment as a whole is longer than the binding period for loans to customers – a consequence of mitigating liquidity exposure. The other reason is that KommuneKredit has total liquidity resources.



## Total Risk Exposure Amount (REA)

KommuneKredit's total risk exposure amount has been calculated at DKK 15.6 billion. We have calculated risk exposure in accordance with the solvency rules for credit institutions and apply it in the determination of the capital ratio. Risk exposure derives from the following areas:



#### Loans

Risk exposure on lending carries a weight of 0.



#### Portfolio of securities

KommuneKredit's risk exposure amount on its portfolio of securities totalled DKK 3.2 billion at the end of 2023. The portfolio of DKK 44 billion derives from bonds in the total liquidity resources. The bonds are highly liquid bonds with a very high credit quality.



#### Derivatives

KommuneKredit's credit exposure on derivatives concluded with financial counterparties totalled DKK 10.9 billion at the end of 2023. We use the derivatives to hedge market risk arising as a result of our role as link between the capital markets and the customers.

The risk exposure derives from a total principal against financial counterparties of DKK 480 billion. The financial counterparties are exclusively financial enterprises which the international rating agencies on average assess to be rated A- or better, and we conclude all derivatives with financial counterparties under agreements on bilateral collateral with daily exchange of collateral.



#### Other risk exposure

Other risk exposure totals DKK 1.5 billion. Other risk exposure mainly consists of operational risk totalling DKK 0.5 billion and currency risk totalling DKK 1.0 billion.

The risk here arises because the fair value of funding is exposed to KommuneKredit's funding spreads, while that is not the case for the bonds in the total liquidity resources.

Our ambition is to keep the risk on our own funding spreads at a low level, but the risk is a part of our business model and cannot be avoided.

#### *Price risk on lending margins*

We maintain relatively constant lending margins but adjust them if our earnings requirement should change. We do this, among other things, to ensure adequate capital in the long term and in that way accommodate e.g. changed lending growth or changed costs related to our total liquidity resources.

As we recognise our loans, other than leasing, at fair value, any change in the lending margin will also result in a change to the fair value of existing loans. However, as long as customers do not redeem their loans early, the change in fair value is temporary. If a customer redeems a loan early, we settle any loss or gain with the customer in connection with such redemption.

#### **Non-financial risks**

In addition to monitoring and managing our financial risks, we focus especially on a

number of risks relating to operations and the development of our business. These risks may cause KommuneKredit a material financial loss, extended use of resources or loss of reputation.

Non-financial risks include operational risk (including IT risk), ESG risk and compliance risk.

Non-financial risk expresses the risk of loss due to, for example, inadequate/failed processes, cyber attacks, human error and actions, system error or external events.

The individual departments at KommuneKredit are responsible for the day-to-day management of operational risks. The efforts are centrally coordinated to ensure optimised management across our business.

Most of our activities are subject to operational risk. We register risk events to improve our business procedures and processes systematically and thereby reduce the number of risk events.

Our written business procedures comprise risk assessment, allocation of responsibilities, segregation of duties, process management and business practices. We automate as

“In addition to monitoring and managing our financial risks, we focus especially on a number of non-financial risks in our operations and the development of our business. They include operational risk – including IT risk – ESG risk and compliance risk.

Jonas Toft Månsson  
Chief Business Development & Risk Officer

many processes as possible to reduce the risk of human error. All critical processes, be they automated or manual, must be supported by either peer checks or objective controls.

KommuneKredit is highly dependent on a well-functioning IT infrastructure. We place particular focus on this area via a disaster recovery plan and an IT security policy that sets guidelines for access control, assignment of roles and rights, system crashes and errors, etc.

#### *ESG risks*

ESG risks are risks caused by environmental, social and governance factors that may adversely affect KommuneKredit's business. As KommuneKredit is a special-purpose credit institution (see page 25), these risks mainly

concern reputational and operational risks related to ESG risks. Based on the TCFD recommendations, we have concluded that our customers' climate-related risks do not result in any financial risk for KommuneKredit. This is due to our joint and several liability and funding structure and our low credit risk on lending. As our members have joint and several liability for KommuneKredit's liabilities, the risks we assume are our members' risks.

In 2023, we focused on ESG risks for KommuneKredit. As a special-purpose credit institution, we are not subject to EU regulation on sustainable financing that many other financial enterprises are. We have identified two overall ESG risk categories. ESG data and ESG capabilities

# Non-financial risks



## Cyber attacks



## IT breakdown



## Critical business processes



## Internal fraud



## ESG risks

### What is the risk?

There is a constant risk of cyberattacks. If our employees lack training or knowledge of how to protect the association against cyberattacks, the risk will increase significantly.

External factors such as power failure, water damage, lightning strikes, etc. create a risk that IT systems and hardware, e.g. servers or IT systems, will fail, break down or be inaccessible.

Critical business processes, including allocation of responsibilities and IT support, which are not adequately documented, increase the risk of system failure, dependence on specific individuals and financial loss.

Inadequate systems, allocation of responsibilities or processes may result in fraud against KommuneKredit or our customers for personal financial gain.

Failure to accommodate investor demand for ESG data, inadequate data quality and governance – including HR factors – are examples of potential ESG risks.

### What consequences could it have?

Inability to access our IT platform, to offer functionality to our customers or to protect customer and employee data.

IT systems are essential for KommuneKredit's business. Without access to our IT infrastructure, we would not be able to run our business.

Our many different tasks are not handled correctly, causing a risk of financial loss.

In addition to financial losses, internal fraud may result in a loss of reputation, which could ultimately affect our ability to run a business.

Weaker confidence in our bonds in the capital market and, by extension, potentially higher funding costs.

### What measures have we taken?

We update and regularly test technical security measures. Furthermore, we conduct awareness campaigns and training for all employees in the prevention of cyber attacks.

We carried out these initiatives in accordance with best practice.

To the fullest extent possible, we support processes using IT systems and business procedures. Working as a "second line of defence", an in-house operational risk function monitors that operational risk is adequately managed.

All processes involving valuables (money and securities) have embedded IT controls, peer checks and segregation of functions. Each year, we complete a management inspection, including an assessment of the adequacy of checks and controls. The Audit Committee regularly discusses the risk of fraud.

In our ESG Committee, we regularly assess the need to report ESG data and focus on developing and optimising our processes, governance and system support of ESG data. Furthermore, we are dedicated to ensuring that the right skills, resources and structures are available to solve the task.

KommuneKredit must have adequate data to assess positive and negative impacts from ESG factors in our surroundings and to accommodate our investors' demand for non-financial data.

With respect to ESG data, risk concerns on the one hand production and reporting of data, including the breadth of data and their coverage of the overall balance as well as ESG data from our own operations. On the other hand, risk concerns data governance to ensure the quality of this type of data.

To define the level of ambition for our ESG data and reporting, we regularly identify our investors' need for ESG data.

With respect to ESG capabilities and governance, there is a risk that our relatively new focus area of ESG is not sufficiently incorporated into relevant processes and task performance at KommuneKredit.

Consequently, ESG data will continue to play a key role in our ESG efforts, with a special focus on developing and optimising our processes, governance and system support of ESG data. Furthermore, we will work to ensure that the right skills, resources and structures are available to solve the task.

# Green transition helps generate lending and leasing growth

Recording net lending of DKK 5.9 billion, in 2023 KommuneKredit again contributed to generating more local value for citizens' money via financing at low cost.

## Earnings and capital base

The year's net interest income amounted to DKK 467 million in 2023, representing an increase of DKK 128 million compared to the year before and also exceeding the outlook for the year's net interest income of DKK 400 million. The higher net interest income was in part driven by improved earnings on securities in the amount of DKK 77 million as a result of a higher level of interest rates in 2023, in part to an increase in earnings from leasing.

Administrative expenses were DKK 193 million, which was less than the guidance for DKK 205 million in the interim report. The difference relative to the forecast was attributable mainly to KommuneKredit's VAT deduction percentage, which has a positive impact on expenses of nearly DKK 7 million. Overall,

administrative expenses were DKK 31 million lower than the year before, primarily because of last year's DKK 35 million provision for additional payroll tax.

Profit before value adjustments and tax came to DKK 264 million, a year-on-year increase of DKK 135 million. The increase was attributable mainly to growth in net interest income.

Value adjustment for the year was DKK 276 million, which was mainly due to KommuneKredit being able to lower the lending margin on new loans to customers in 2023, resulting in a positive value adjustment of existing lending. The value adjustment is low compared with the adjustment of DKK 1,144 million in 2022. Under normal circumstances, KommuneKredit's low risk tolerance and relatively constant lending margin provide a high

degree of maturity symmetry between assets and liabilities, although in a normal year this may lead to annual value adjustment fluctuations of +/- DKK 600 million.

Since 2015, KommuneKredit has been conducting a case on reimbursement of withholding tax on investments in Swiss government bonds pursuant to the double-taxation treaty between Denmark and Switzerland. The Swiss court of first instance has followed the claim

of the Swiss tax authorities that we are not entitled to reimbursement of the withholding tax paid. We have appealed the decision but have written down current assets by DKK 37 million, equal to the amount of the withholding tax paid.

Tax on profit for the year amounted to DKK 126 million in 2023, against DKK 282 million in 2022.

“The increase in lending was driven primarily by construction credits granted to district heating companies which are in the process of expanding district heating areas and other investments relating to the green transition. The increase in leasing was driven in part by a transition from fossil fuel vehicles to electric vehicles.

Morten Søtofte  
Chief Business Support & Finance Officer

Comprehensive income for the year amounted to DKK 414 million compared with DKK 991 million in 2022. The principal reason for the lower comprehensive income was extraordinarily high value adjustments in 2022. Comprehensive income for the year is transferred in its entirety to equity, which now totals DKK 10,180 million, equal to an equity ratio of 4.2 pct. Equity consists of Common Equity Tier 1 (CET1) capital and must, according to the Board of Directors' targets, amount to at least 3 pct. of assets.

The total risk exposure amount (REA) amounted to DKK 15.6 billion at year-end 2023, which was largely unchanged from DKK 15.7 billion at year-end 2022. However,

there has been a change in the underlying elements of the risk exposure. Market risk, as represented by currency risk, was DKK 1.4 billion lower as a result of increased risk hedging in this area. However, the decline is offset by rising exposure from credit risk on financial counterparties of DKK 1.2 billion and a DKK 150 million increase in operational risk. As equity and, by extension, the capital base rose during the period, the result is a capital ratio, calculated in accordance with the solvency rules for credit institutions, of 65 pct. against 62 pct. in 2022.

### Lending and leasing

Net lending, which is new loans including leases less repayment instalments and redemptions, amounted to DKK 5.9 billion. Net

lending was a good deal higher than the DKK 3.0 billion guided for in the interim report.

Our share of green loans was 22 pct., while our ESG target is for green loans to represent 25 pct. by 2025 – see page 73.

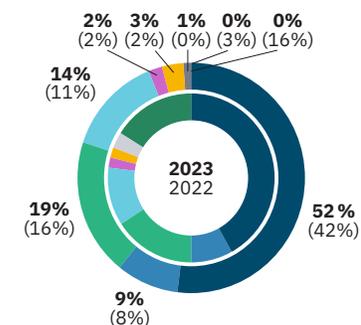
The increase in lending was driven primarily by construction credits granted to district heating companies which are currently establishing or expanding district heating areas. On top of this come other investments relating to the green transition, such as investments in climate adaptation, energy-saving initiatives and climate-friendly transport. The increase in leasing was driven in part by a transition from fossil fuel vehicles to electric vehicles. As the interest rate on lending was lower at year-end 2023 than at end-2022, the fair value of lending rose by DKK 10.8 billion.

### Funding and investments

Total investments – due from credit institutions and the portfolio of securities – fell by DKK 3.1 billion to DKK 43.9 billion at year-end 2023.

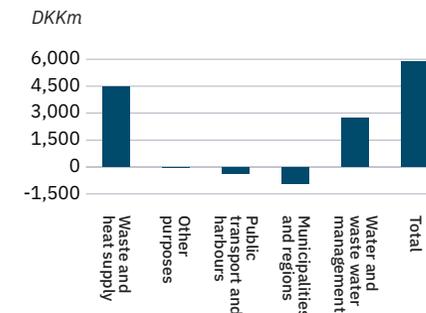
Accumulated funding – due from credit institutions and debt securities issued – rose by DKK 10.3 billion. The increase was mainly due to value adjustment caused by lower interest on funding at year-end 2023.

### Administrative expenses



- Salaries and pension contributions, etc.
- Other staff costs
- Consulting fees
- IT licences
- Charges
- Property management
- Depreciation and amortisation of property plant and equipment and intangible assets
- Other administrative expenses
- Provision for payroll tax

### Distribution of net lending



### Outlook provided for 2023

	Annual report 2022*	Interim report 2023*	Result in 2023
Net lending, DKKm	4,500	3,000	5,874
Net interest income, DKKm	400	400	467
Administrative expenses, DKKm	190	205	193
Profit before value adjustments and tax, DKKm	210	195	264
Equity ratio, pct.	4.1	4.1	4.2

\* Outlook provided for result in 2023

# We expect moderate growth

We expect KommuneKredit will maintain good and stable financing opportunities in 2024 and that we will experience moderate growth in lending.

Developments in KommuneKredit's lending depend on the legislative framework for lending, the provision of guarantees and on the needs of customers to take out a loan. The need for investment among customers was greater than usual in 2023, but we expect more normal lending activity in 2024 equal to a level of around DKK 4.5 billion. We expect the proportion of green loans to continue to rise. Our own target is for green loans to account for at least 25 pct. of total lending by 2025.

Depending on developments in lending, we expect the need for funding with a term to maturity of more than one year to be roughly DKK 37 billion (about EUR 5 billion) in 2024. Our ambition is still to consolidate our presence in the market for sustainable investment, and we expect to issue another green bond in 2024. Focus in 2024 will centre on accommodating investors' need for ESG data.

KommuneKredit is keeping its lending margins relatively constant and has a low risk

tolerance. Consequently, we do not expect net interest income to be materially affected by any changes in market conditions. Irrespective of sentiment in the financial markets, steady and stable investments will be in demand. The continuing demand will enable KommuneKredit to retain access to low funding costs, which we convert into low lending rates for our customers. Lending margins are expected to remain unchanged in 2024, and we therefore forecast relatively unchanged net interest income for the year of just under DKK 500 million.

Administrative expenses are still expected to be around DKK 200 million, but the amount is very much subject to timing of the part of the expenses that relate to our strategic projects.

Viewed over the maturity of lending and financing, recent years' positive value adjustments will be offset by negative value adjustments over the coming years. Other things being equal, we expect value adjustment of around DKK -250 million in 2024. Given the target of a low profit before value adjustment and tax, we may incur a pre-tax loss in 2024.

Under normal circumstances, the annual value adjustment could cause annual value adjustment fluctuations of +/- DKK 600 million.

We expect to maintain our equity ratio at not less than 3 pct. of total assets, which is consistent with KommuneKredit's target. If the equity ratio deviates significantly from the target over a longer period of time, we adjust lending margins in order to maintain an equity ratio of at least 3 pct.

## Outlook for 2024

	Result in 2023	Outlook for 2024
Net lending, DKKm	5,874	4,500
Net interest income, DKKm	467	500
Administrative expenses, DKKm	193	200
Profit before value adjustments and tax, DKKm	264	300
Equity ratio, pct.	4.2	4.2

## Forward-looking statements

The expectations stated in this annual report are inherently subject to uncertainties and may be affected by external factors. This may have the effect that actual developments and actual results may differ significantly from the expectations expressed in the annual report.

# Responsible and efficient corporate governance

KommuneKredit has defined corporate governance as responsible and efficient management that benefits our members and our investors alike.

## Legal basis and current framework

KommuneKredit was established by way of Act no. 35 dated 19 March 1898, which was recently amended by Act no. 405 dated 25 April 2023 on the Credit Institution for Local and Regional Authorities in Denmark (lov om kreditforeningen af kommuner og regioner i Danmark) – in the following referred to as the Act on KommuneKredit.

With the Act on KommuneKredit, the organisation is subject to supervision by the Danish Financial Supervisory Authority. This means KommuneKredit is subject to some of the requirements and supervisory limits that apply to private credit institutions. However, the limits have been adjusted to our special-purpose business and the limited risks we assume.

Among other things, we are comprised by the EU rules on the so-called LCR and NSFR requirements, which serve to manage and mitigate both short-term and long-term liquidity risks. Furthermore, we expect to be comprised by the rules on management and control of banks (governance rules) arising out of the Danish Financial Business Act, which must be applied on the basis of a principle of proportionality. These are rules to which KommuneKredit has already to a large extent aligned its business.

[> Read the act and the articles of association on our website.](#)

## Management structure

The Board of Directors is in charge of the overall and strategic management of KommuneKredit and must ensure a sound organisation. The Board of Directors deter-

mines KommuneKredit's risk tolerance and risk policy and capital and liquidity targets.

Once a year, the Board of Directors takes a position on the matters related to the Board's responsibilities.

The Board of Directors delegates authority to the Management Board. However, the Board of Directors may not delegate to the Management Board authority belonging to the overall management duties of the Board of Directors or of an unusual nature or of material significance for KommuneKredit.

The Management Board is in charge of the day-to-day management of KommuneKredit in accordance with the Act on KommuneKredit and KommuneKredit's articles of association, the policies and guidelines laid down by the Board of Directors and any other instructions by the Board and other applicable legislation.

## Board of Directors

The Board of Directors consists of ten members. Six members are elected by the municipalities, two by the regions and two are elected by the Board of Directors and are independent and have skills in accounting, auditing, finance or risk management, see pages 29-30. Board members are elected for terms of four years, and the term of office runs from 1 June of the year after the most recent election to the regional and local councils. The election term for one of the two independent board members is staggered relative to the other board members by two years.

The Board of Directors holds at least four ordinary board meetings a year, and its duties follow an annual calendar covering every significant business area. In 2023, the Board of Directors met in March, June, September and December. The attendance rate was 87.5 pct.

## Day-to-day management of KommuneKredit



A quorum exists when at least half of the members of the Board of Directors are present and participate in a vote. The Management Board usually participates in board meetings but is not a part of the Board of Directors. Every other year, the Board of Directors carries out an evaluation of its work and of the cooperation between the Board of Directors and the Management Board.

### Audit Committee

The Audit Committee is composed of three board members, of which the two are the independent board members.

The Board of Directors appoints the chairman of the Audit Committee from among the committee members. The Chairman of the Board of Directors cannot act as chairman of the Audit Committee. The Board of Directors has adopted the terms of reference for the Audit Committee, which is available on our website.

[> Read the terms of reference for the Audit Committee on our website](#)

Four meetings were held in the Audit Committee in 2023. The attendance rate was 100 pct. At least once a year, the Audit Committee meets with the independent auditors without

the attendance of the Management Board or any other employees of KommuneKredit.

### Management Board

The CEO is in charge of the day-to-day management of KommuneKredit. Decisions regarding lending, lease agreements, financing, the use of financial instruments and investments require Management Board consensus. In case of disagreement on matters in these areas in the Management Board, the Board of Directors will take a final decision on the matter.

The Management Board informs the Board of Directors about all significant changes in KommuneKredit's affairs and reports on all important events of consequence for KommuneKredit. The Management Board provides the Board of Directors with accounting, financial and risk-related information to update the Board on KommuneKredit's development and allowing the Board to perform to its management duties.

At every meeting of the Board of Directors, the Management Board reports whether KommuneKredit complies with the Board of Directors' guidelines for financial and operational risk management.

### Heads of department and employees

The Management Board focuses on delegation of decision-making authority to the six heads of department, to the heads of team within the respective departments and to the individual employees. In 2023, KommuneKredit had an average of 101 full-time employees.

### Supervision

KommuneKredit is subject to financial supervision by the Danish Financial Supervisory Authority.

Furthermore, the minister for Industry, Business and Financial Affairs has appointed an auditor, who is to oversee that KommuneKredit's lending is in accordance with current rules on local government borrowing and the delimitation of KommuneKredit's customer group laid down in Danish legislation.

Since 1 January 2023, Per Hansen, chief adviser on legal affairs, has been the appointed auditor.

# Annual cycle of business for the Board of Directors 2023/2024

## Board meeting Q2 2023

(after completion of audit committee meeting)

### Focus: Strategy

- Management Board report on developments in KommuneKredit's business and transformation of the core platform
- Compliance reporting
- Distribution of responsibilities between Board of Directors and Management Board
- Annual cycle of business and rules of procedure
- Report on KommuneKredit's lending and customer relations
- Report on KommuneKredit's funding and investment strategy

## Annual board seminar

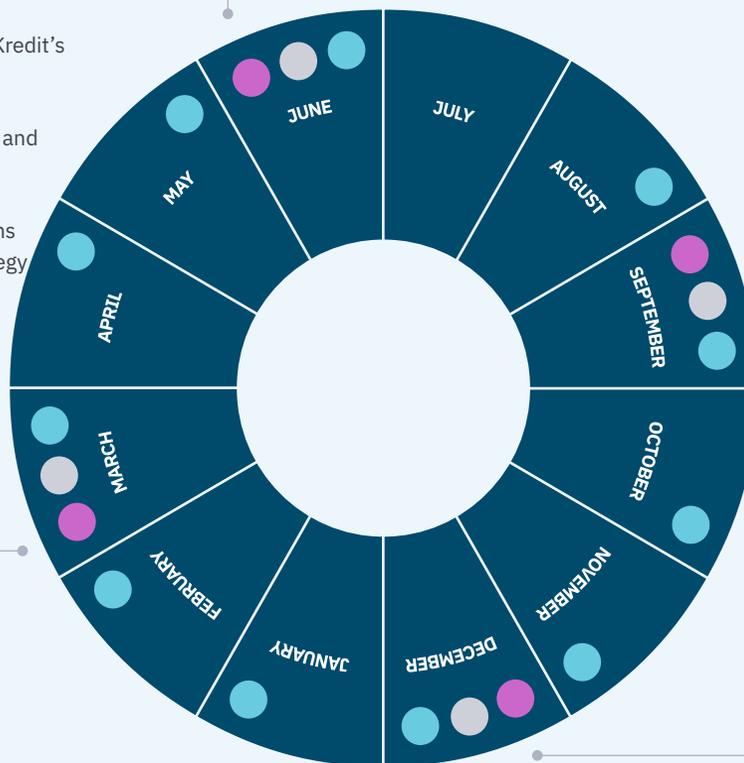
- Follow up on Strategy 2025

## Board meeting Q1 2024

(after completion of audit committee meeting)

### Focus: Annual report

- Annual report, long-form audit report
- Long-term budget
- Management Board report on developments in KommuneKredit's business and transformation of the core platform



## Board meeting Q3 2023

(after completion of audit committee meeting)

### Focus: Interim report

- Interim report and review long-form audit report
- Cost follow-up
- Budget: Draft of level of administrative expenses
- Management Board report on developments in KommuneKredit's business and transformation of the core platform
- Strategic risks

## Board meeting Q4 2023

(after completion of audit committee meeting)

### Focus: Risk management

- Long-form audit report in respect of the interim audit
- Cost follow-up
- Management Board report on developments in KommuneKredit's business and transformation of the core platform
- Budget: Approval of cost budget
- Risk management policy
- Other policies
- Reporting on operational risk
- Synopsis for annual report

- Board meeting
- Audit Committee meeting
- Management Board meets with the Chairman

### Remuneration

The Board of Directors has defined KommuneKredit’s remuneration policy. As of 1 July 2023, KommuneKredit entered into a collective agreement with Dansk Arbejdsgiverforening (the Danish Employers’ Association for the Financial Sector – from 1 January 2024 Finans Danmark Arbejdsgiver) and Finansforbundet (the Danish Financial Services Union). We offer a bonus plan, covering all employees with the exception of the Management Board. The Board of Directors distributes the combined bonus sum between departments based on each department’s payroll and an assessment of efforts and performance during the year.

### Employee composition

KommuneKredit attaches importance to supporting a culture in which employees, regardless of gender, ethnicity and age, have equal opportunity to create a career. In autumn 2023, we adopted guidelines for diversity and the under-represented gender, which applies to KommuneKredit’s managers and employees.

[Read the guidelines for diversity and the under-represented gender](#)

### Corporate governance recommendations

While KommuneKredit is not directly encompassed by a corporate governance code, we do, where relevant and within the provisions of the Act on KommuneKredit, apply the “Corporate governance recommendations” issued by the Danish Committee on Corporate Governance.

[Read the recommendations on the Committee’s website](#)

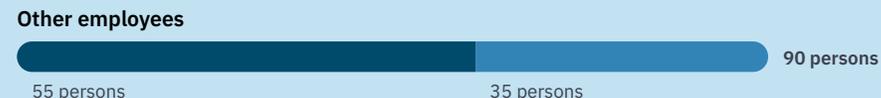
On the basis of the recommendations, we have published a report on corporate governance.

[Read the report on our website](#)

Read more about KommuneKredit’s work with ESG data on page 72.

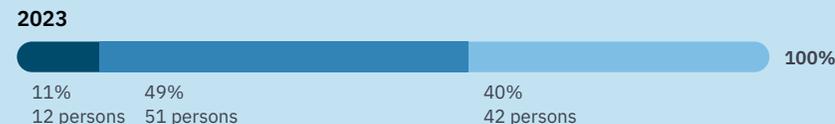
### Gender composition at 31 December 2023 (legal gender)

● Men  
● Women



### Age composition for employees at 31 December 2023

● Aged 30 years or less  
● Aged between 31 and 50 years  
● Aged 51 years or more



# Board of Directors



## Henrik Hvidesten

Chairman

### Municipal Council Member

Municipality of Ringsted

Year of birth: 1978

Joined the Board of Directors: 1 June 2022

### Directorships

Chairman of the board: FGU Danmark; FGU Midt- og Østsjælland; IFFD; Midt- og Østsjællands Brand og Redning; Ugerløse Fællesmagasin; Dimensioneringsudvalget for SOSU (in Zealand Region); Slagelse Sundhedsklynge (co-chairman)

Board member: Fælles Hjælpemiddeldepot I/S; Fonden for Sjællandske Medier Dagbladet A/S; Praktikpladsforum for pædagoguddannelsen (Zealand Region); Health Cooperation Committee in Zealand Region

### Board of Representatives

Member: Movia; Forenet Kredit; Sjællandske Medier; Local Government Denmark



## Thomas Lykke Pedersen

Vice Chairman

### Mayor

Municipality of Fredensborg

Year of birth: 1962

Joined the Board of Directors: 1 June 2018

### Directorships

Chairman of the board: Dansk Fjernvarmes Handelsselskab A.m.b.A; Center for Boligsocial udvikling; Nordsjællands Brandvæsen; Espergærde Gymnasium og HF  
Board member: Fredensborg Forsyning A/S; Norfors I/S



## Birgit Aagaard-Svendsen

Chairman of the Audit Committee

### Member of the Board of Directors

Year of birth: 1956

Joined the Board of Directors: 1 June 2020

### Directorships

Board member: Copenhagen Malmö Port AB; Aker Solutions AS; Stiftelsen Det Norske Veritas and related companies; Prosafe SE; Grama Design Aps; Otto Mønsted A/S



## Michael Fenger

Member of the Board of Directors

### Mayor

Municipality of Gentofte

Year of birth: 1962

Joined the Board of Directors: 1 June 2022

### Directorships

Vice chairman of the board: I/S Vestforbrænding  
Board member: Novafos A/S



## Mikael Klitgaard

Member of the Board of Directors

### Mayor

Municipality of Brønderslev

Year of birth: 1954

Joined the Board of Directors: 1 June 2014

### Directorships

Board member: Nordjyllands Trafiksel-skab; KKR Nordjylland; Vurderingsank-nævnet; Destination Nord; Brønderslev Erhverv; BRN (Business Region North Denmark); Holtegaard Køreforening

### Other committees

Member: Board of Representatives, Aalborg Lufthavn; Board of Representatives, Nordjyllands Trafiksel-skab



### Susanne Kure

Member of the Board of Directors

---

#### Member of the Board of Directors, consultant

Year of birth: 1965

Joined the Board of Directors: 1 June 2022

#### Directorships

**Board member:** Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale; Pensionskassen for Farmakonomer; PKA+ Pension Forsikringsselskab A/S; Genan Holding A/S; Investeringselskabet af 24. februar 2015 A/S; PreSeed Ventures A/S; PSV Management Tech Fund 1 ApS; UCPH Ventures A/S



### Erik Lauritzen

Member of the Board of Directors

---

#### Mayor Municipality of Sønderborg

Year of birth: 1960

Joined the Board of Directors: 1 June 2018

#### Directorships

**Chairman of the board:** Valgbestyrelsen; Sct. Jørgens Hospital

**Vice chairman of the board:** Project Zero Fonden; EUC Syd; Sønderborg Lufthavn; Sydtrafik

**Board member:** Turistdestination Sønderjylland; Region Sønderjylland-Schleswig; AlsFyn Forbindelsen

#### Other committees

**Chairman of the board:** Board of Representatives of Sønderborg Vækstråd

**Member:** Board of Representatives of Sydtrafik; Local Government Denmark's climate action committee



### Tormod Olsen

Member of the Board of Directors

---

#### Regional Council Member Capital Region

Year of birth: 1983

Joined the Board of Directors: 1 June 2022

#### Directorships

**Board member:** Danish Regions; Gate 21



### Carsten Scheibye

Member of the Board of Directors

---

#### Regional Council Member Capital Region

Year of birth: 1970

Joined the Board of Directors: 1 April 2023

#### Directorships

**Chairman of the board:** De lette Kollektivboliger i Hasle og Klemensker S/I; Precure Aps

**Board member:** Hovedstadens Letbane I/S



### Peter Sørensen

Member of the Board of Directors

---

#### Mayor Municipality of Horsens

Year of birth: 1966

Joined the Board of Directors: 1 June 2022

#### Directorships

**Chairman of the board:** Sport Event Denmark

**Board member:** Business Horsens; Kystlandet; Business Region Aarhus; Sydøstjyllands Brandvæsen; Health cooperation committee, Central Denmark Region

# Management Board

## Jens Lundager

CEO

Year of birth: 1962

Joined the Management Board: 1 September 2015

### Former positions:

2011-2015 Assistant Governor, Danmarks Nationalbank

2009-2011 Deputy Permanent Secretary, the Danish Ministry of Economic and Business Affairs

2000-2009 Head of Department, Danmarks Nationalbank

1997-2000 Counsellor (Financial), Royal Danish Embassy, Washington DC

1991-1997 Economist, Danmarks Nationalbank

1987-1991 Economist, Danish Ministry of Finance

### Other fiduciary positions

2016- Chairman, Committee on Auditors (Revisorrådet)

## Henrik Andersen

Managing Director

Year of birth: 1963

Joined the Management Board: 1 January 2018

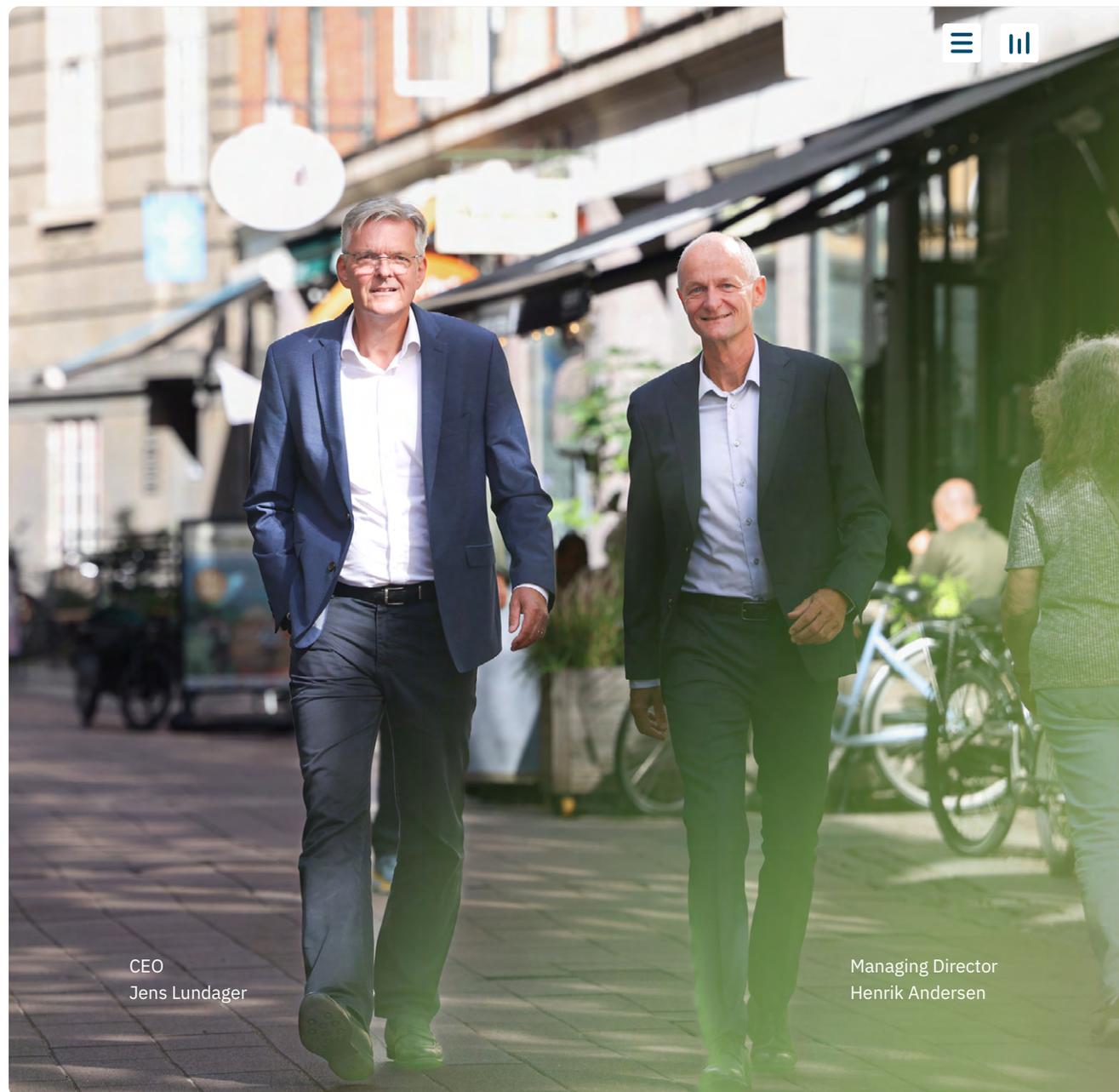
### Former positions:

2015-2017 Head of Group Treasury, Saxo Bank

2014-2015 Senior Vice President, Nykredit Realkredit A/S

2007-2014 Senior Vice President/Head of Treasury, Nykredit Bank A/S

1990-2007 Trainee, Economist, Head of Department, Nykredit A/S



CEO  
Jens Lundager

Managing Director  
Henrik Andersen

# 03

## Financial statements

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## Comprehensive income

DKKm	Note	2023	2022
Interest income	1.1	5,464	1,948
Interest expense	1.2	-4,997	-1,609
<b>Net interest income</b>		<b>467</b>	<b>339</b>
Other operating income		4	27
Other operating expenses		-14	-13
Administrative expenses	2.1-2.2	-193	-224
<b>Profit before value adjustments</b>		<b>264</b>	<b>129</b>
Value adjustments of financial instruments	1.3, 1.4	276	1,144
<b>Profit before tax</b>		<b>540</b>	<b>1,273</b>
Tax on profit for the year	3.1	-126	-282
<b>Profit for the year</b>		<b>414</b>	<b>991</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses		0	0
Tax on actuarial gains and losses	3.1	0	0
<b>Comprehensive income for the year</b>		<b>414</b>	<b>991</b>
<b>Allocated as follows:</b>			
Transferred to equity		414	991
<b>Total</b>		<b>414</b>	<b>991</b>

## Balance sheet

DKKm	Note	2023	2022
<b>Assets</b>			
Due from credit institutions	1.4	273	377
Loans	1.4, 1.5	176,433	165,652
Leases	1.6	10,706	9,322
Portfolio of securities	1.4, 1.7	43,639	46,591
Derivatives	1.4	11,428	14,962
Other assets		133	111
Current tax assets	3.2	0	37
<b>Total assets</b>		<b>242,612</b>	<b>237,052</b>
<b>Liabilities and equity</b>			
Due to credit institutions	1.4	1	1
Debt securities issued	1.4, 1.8	218,173	207,899
Derivatives	1.4	12,949	18,221
Other liabilities		707	595
Current tax liabilities	3.2	32	49
Deferred tax liabilities	3.3	570	521
<b>Total liabilities</b>		<b>232,432</b>	<b>227,286</b>
<b>Equity</b>		<b>10,180</b>	<b>9,766</b>
<b>Total liabilities and equity</b>		<b>242,612</b>	<b>237,052</b>

## Equity

DKKm	Note	2023	2022
<b>Equity</b>			
Equity at 1 January		9,766	8,775
<b>Transferred to equity</b>			
Profit for the year		414	991
<b>Other comprehensive income</b>			
Actuarial gains and losses		0	0
Tax on other comprehensive income		0	0
<b>Other comprehensive income after tax</b>		<b>0</b>	<b>0</b>
<b>Transferred to equity in total</b>		<b>414</b>	<b>991</b>
<b>Equity at 31 December</b>		<b>10,180</b>	<b>9,766</b>

The comprehensive income for the year is transferred to equity in accordance with the articles of association of KommuneKredit.

Equity increased to DKK 10,180 million at year-end 2023 from DKK 9,766 million at the end of 2022. At year-end 2023, equity amounted to 4.2 pct. of total assets, representing an increase relative to year-end 2022. Equity consists of Common Equity Tier 1 (CET1) capital.

Under the legal framework applying to KommuneKredit, equity must equal at least 1.0 pct. of total liabilities, equal to DKK 2,324 million. The Board of Directors' target is for equity to amount to at least 3 pct. of assets, which is considered adequate to support KommuneKredit's activities.

Equity at 1 January and 31 December 2023 includes the DKK 2 million net revaluation reserve.

## Cash flows

DKKm	Note	2023	2022
Profit before tax		540	1,273
Depreciation, amortisation and impairment		1	1
Other adjustments		0	-1
Income tax paid		-95	-247
<b>Total</b>		<b>446</b>	<b>1,026</b>
Net interest income reversed		-467	-339
Financial income received		5,464	1,948
Financial expenses paid		-4,997	-1,609
Change in lending		-12,165	19,974
Change in portfolio of securities		2,952	1,796
Change in debt securities issued		10,273	-25,992
Change in derivative financial liabilities		-5,273	12,914
Change in derivative financial assets		3,534	-9,883
Change in other assets		19	14
Change in other liabilities		113	27
<b>Cash flows from operating activities</b>		<b>-101</b>	<b>-124</b>
Sale of other assets		0	-
Purchase of other assets		-3	-1
<b>Cash flows from investing activities</b>		<b>-3</b>	<b>-1</b>
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>		<b>-104</b>	<b>-125</b>
Cash and cash equivalents at 1 January		376	501
<b>Cash and cash equivalents at 31 December</b>		<b>272</b>	<b>376</b>
Specified as follows:			
Deposits with credit institutions		273	377
Short-term payables to credit institutions		-1	-1
<b>Cash and cash equivalents at 31 December</b>		<b>272</b>	<b>376</b>



# General

## Note 1.0 Accounting policies

### General

The financial statements of KommuneKredit for 2023 have been prepared in accordance with International IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

The financial year follows the calendar year. The functional currency of the association is Danish kroner (DKK), and the annual report is presented in millions of Danish kroner (DKK million).

The concept of materiality has been applied in preparing the annual report. Certain items have been aggregated, and certain disclosures have been omitted because they are immaterial, individually and in the aggregate, to the annual report.

Unless otherwise indicated, all amounts in the annual report are stated in DKK millions. The stated totals have been calculated on the basis of actual amounts before rounding. As amounts are rounded to DKK millions, there may be minor differences between the sum of individual amounts and the stated totals.

The EU Commission delegated regulation 2019/815 on the single electronic reporting format (ESEF Regulation) specifies the use of a special electronic

reporting format for annual reports of companies issuing listed securities. More specifically, the ESEF Regulation requires the preparation of the annual report in XHTML format. In accordance with the requirements of the ESEF Regulation, the annual report approved by management consists of a zip file with the file name Årsrapport 2023-ESEF that contains an XHTML file that can be opened using standard web browsers.

### Change in accounting policies

There are no new or amended IFRS standards or interpretations entering into force and effective for the financial year 2023 or later which are considered to have an effect on the financial reporting for 2023.

### Change in presentation

Relative to last year, minor reclassifications have been made in note 1.8. This has not affected recognition or measurement in the financial statements.

With the adoption of the new Act on KommuneKredit at 1 July 2023, the requirement for calculating liquidity resources is cancelled.

### Significant accounting estimates, assumptions and judgments

In the preparation of the financial statements, management makes a number of accounting estimates and judgments. The estimates and judgments are made in accordance with the accounting policies based on assumptions that management finds reasonable and realistic but which are inherently uncertain and unpredictable. The accounting estimates and judgments are tested and assessed in an ongoing process to ensure that they reflect the historical experience and assessments of future conditions.

The accounting estimates and judgments deemed most critical to the financial statements are where the calculation of fair value is based on input not directly observable in the market and where there is no opposite effect.

In particular, estimates and judgments with respect to the valuation of debt securities issued that are not a part of the bond circuit may affect the financial statements. There is no active market for these securities, as a result of which significant accounting estimates are used in the valuation.

Estimates and judgments in the valuation of certain derivatives may also affect the financial state-

ments, as there are no directly observable prices in the market. Observable input in generally accepted cash flow models is used instead.

There is no observable market for the valuation of loans which are not part of the bond circuit, which means that KommuneKredit applies own current lending prices as market prices.

For all other financial instruments, valuation does not involve significant estimates. This is either because these instruments have quoted prices in an active market, or because there is no significant accounting impact of the estimates applied.

Note 1.4 describes the accounting estimates and judgments relating to the fair value measurement of financial instruments, including how changes to the reference rates will affect KommuneKredit's financials and operations and how KommuneKredit mitigates risk and incorporates changes to its contractual relations, etc.

Relative to information in the annual report for 2022, no changes were made to the accounting estimates made.

# General

## Note 1.0 Accounting policies (continued)

### Currency translation

The presentation currency used in the financial statements is Danish kroner (DKK). On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Assets and liabilities denominated in foreign currency are translated at the exchange rates at the balance sheet date. Realised and unrealised exchange rate adjustments are recognised in the statement of comprehensive income.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to KommuneKredit.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from KommuneKredit and the value of the liability can be reliably measured.

Income is recognised in profit or loss as earned. Costs are recognised when incurred by KommuneKredit.

On initial recognition, financial assets and financial liabilities are recognised at the transaction date. Realised and unrealised adjustments of financial assets and financial liabilities to fair value using the

fair value option over profit or loss are recognised in profit or loss under Value adjustments of financial instruments. Derecognition of both financial assets and financial liabilities is made on expiry or at the time of sale.

The fair value is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price.

If the market for one or more financial assets or financial liabilities is illiquid, fair value is determined using generally accepted valuation methods. Transaction costs and income are measured on initial recognition.

### Offsetting

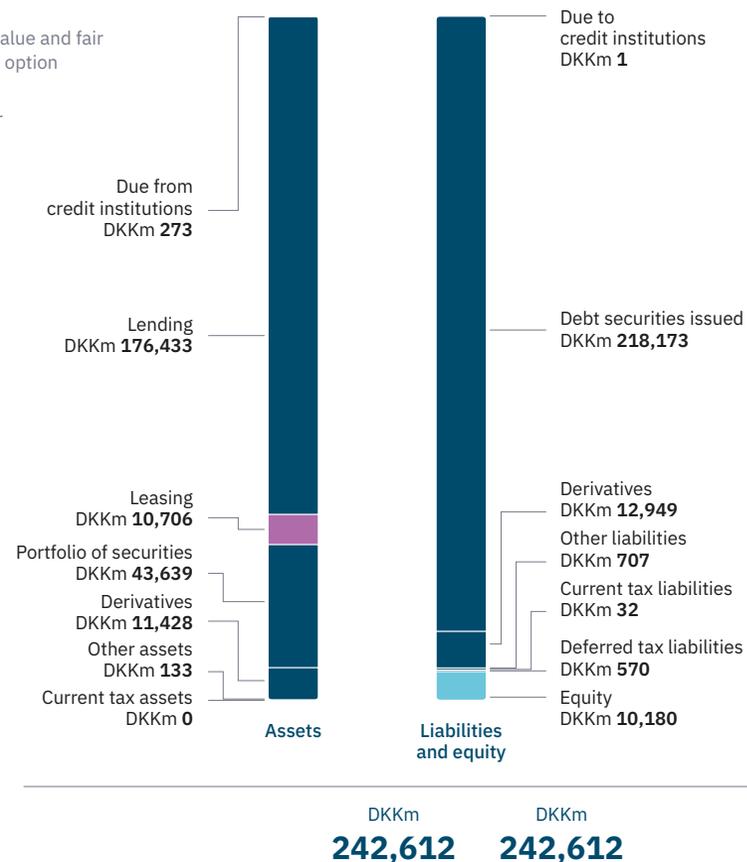
Positive and negative fair values of financial instruments are included in separate items in the balance sheet, and positive and negative values are set off only when KommuneKredit has the right and the intention to settle several financial instruments on a net basis.

### Determination of the value of financial instruments using the fair value option

KommuneKredit has decided to use the fair value option under IFRS 9 "Financial Instruments" to give

### Valuation principles

- Fair value and fair value option
- Cost
- Other



# General

## Note 1.0 Accounting policies (continued)

the reader a transparent and easy-to-understand calculation of the balance sheet components.

Using the fair value option also helps ensure consistent accounting treatment of amounts due from credit institutions, lending, portfolio of securities, debt securities issued and derivatives in respect of risk and matching hedges. This implies that lending, securities and derivatives are measured at fair value through profit or loss.

Overall, 96 pct. of the balance sheet items are measured at fair value.

Further, the fair value option is applied because KommuneKredit's measurement of investment returns is based on fair values, and the relating disclosures to the Management Board and the Board of Directors are based on fair values.

To mitigate the operational risks associated with determination and manual handling of non-observable market data for purposes of fair value measurement of lending, debt securities issued and derivatives, KommuneKredit has internal controls and business procedures in place which ensure distribution of responsibilities, segregation of duties and process management. All critical manual

processes are supported by objective controls or peer checks.

More details on quantification of the sensitivity which is, nevertheless, associated with the use of non-observable data are given in note 1.4 regarding the fair value of financial instruments.

### Other assets

Other assets comprise properties, other non-current assets, VAT receivable and other receivables.

### Other liabilities

Other liabilities comprise pre-invoiced income, salary items payable and creditors.

### Pension obligations

KommuneKredit has entered into pension plans with the majority of its employees. Liabilities relating to defined contribution plans are recognised in the income statement in the period in which they are earned, and payments due are recognised in the balance sheet under other liabilities.

KommuneKredit has entered into defined benefit plans with a few former employees. For defined benefit plans, annual actuarial calculations are made of the net present value of future benefits to be paid under the plan. The net present value is cal-

culated based on assumptions of the future developments of salary, interest, inflation and mortality rates, among other things. The net present value is only calculated for those benefits earned by the employees through their employment with KommuneKredit to date.

The calculations are based on the Danish Financial Supervisory Authority's benchmark for mortality rates and longevity improvements Adjustments to the calculated net present value attributable to changes in actuarial assumptions are recognised in other comprehensive income. The yield curve is that which the Danish FSA instructs institutions to use in connection with measurement of insurance obligations and which is used in the budget agreement for municipal civil servants.

KommuneKredit has paid the pension obligation to Sampension, and the obligation is therefore not recognised in the balance sheet.

### Segment information

The annual report of KommuneKredit does not disclose information about operating segments, as KommuneKredit has one reportable business segment only.

# Net interest income and fair value adjustments, etc.

## Note 1.1 Interest income and

## Note 1.2 Interest expense

Interest income and interest expense are accrued and recognised in the statement of comprehensive income. Interest income and interest expense comprise interest on financial instruments, leasing as well as administrative fees. Interest income and interest expense regarding financial instruments measured at fair value are presented under net interest income.

DKKm	2023	2022
<b>Interest income</b>		
<b>Net financials at amortised cost</b>		
Leases	284	49
<b>Net financials at fair value</b>		
Fixed-term loans	3,283	1,508
Bond loans	727	425
Portfolio of securities	1,170	-34
<b>Total interest income</b>	<b>5,464</b>	<b>1,948</b>
<b>Interest expense</b>		
<b>Net financials at fair value</b>		
Bond deposits	705	404
Other loans and derivatives	4,292	1,205
<b>Total interest expense</b>	<b>4,997</b>	<b>1,609</b>

## Note 1.3 Value adjustments of financial instruments

Value adjustments comprise realised and unrealised value adjustments of financial instruments.

DKKm	2023	2022
<b>Value adjustments of financial instruments</b>		
Portfolio of securities	77	-229
Loans	5,843	-24,894
Impairment of leasing	1	-4
Debt securities issued	-8,462	29,499
Derivatives	2,817	-3,228
<b>Total value adjustments of financial instruments</b>	<b>276</b>	<b>1,144</b>

# Fair value adjustments, etc.

## 1.4.1 Specification of fair value of financial instruments

In accordance with IFRS 13 'Fair Value Measurement', financial instruments measured at fair value must be classified in a fair value hierarchy ranging from level 1 to level 3, depending on how the fair values have been determined and the data on which they are based. The fair value is the amount for which a financial asset or a financial liability can be exchanged between knowledgeable, willing parties.

Fair value is measured on the basis of the following hierarchy:

**Level 1:** Quoted prices in an active market for identical assets or liabilities.

**Level 2:** Observable input based on quoted prices in an active market for similar assets or liabilities, or other valuation methods in which the valuation is based substantially on observable input.

**Level 3:** Non-observable input where the valuation is not based substantially on observable input.

The valuation of fair values in levels 2 and 3 is based on generally accepted models. KommuneKredit uses both A) listed prices for similar issues adjusted for liquidity, credit risk and conversion rights and B) discounted cash flow models, where all estimated and fixed cash flows are discounted using zero coupon interest curves, interest structure and options models.

**A)** KommuneKredit uses listed prices for similar issues adjusted for liquidity, credit risk and conversion rights on the part of debt securities issued and loans which is referred to as the bond circuit. The bond circuit is characterised by being based on the mortgage credit balance principle where the terms and conditions underlying the debt securities issued by KommuneKredit are passed on directly to the bond loan to the customer plus a margin determined by KommuneKredit.

The securities in the bond circuit are issued on Nasdaq Copenhagen, but the bonds are illiquid as the frequency and volume of trading is insufficient. Consequently, the listed price cannot be used, and listed prices from similar issues adjusted for liquidity, credit risk and conversion rights are used instead. Similar issues could be mortgage or government bonds with similar characteristics. As the credit risk on loans to customers corresponds to the issued debt securities, the price of the debt securities issued is also used for the bond loan. Price changes will thus not have any impact on the result.

**B)** KommuneKredit uses discounting of cash flows on derivatives, on the remaining part of the debt securities issued, which are also considered illiquid, and on loans raised at fair value which are part of the bond circuit.

The calculation of fair value in level 2 includes observable input like swap rates, FX base swap spreads, tenor spreads and exchange rates, etc. The valuation of debt securities issued also includes KommuneKredit's estimate of the actual funding expenses. The valuation of lending includes KommuneKredit's current lending prices. KommuneKredit aims to keep lending margins relatively constant by adjusting the actual lending prices on a regular basis against estimated, current funding expenses. The sensitivity associated with estimating actual funding expenses will thus be partly set off by changes in current lending prices. This means that the total value adjustment is considered to have a maximum net effect in the range of +/- DKK 250 million.

A small part of KommuneKredit's debt securities issued and derivatives is classified as fair value level 3. The level is used for structured notes and pertaining hedging derivatives for which input, in addition to input that applies to fair value level 2, also consists of non-observable input like volatility of currencies, shares and commodities and the correlation between these. The structured notes issued are mi-

# Fair value adjustments, etc.

## Note 1.4.1 Specification of fair value of financial instruments (continued)

cro-hedged by derivatives, and changes in the non-observable input will therefore not have any significant impact on the profit as changes in issuance will have an opposite effect on the derivative.

KommuneKredit pursues a risk management strategy of eliminating market risk by using financial instruments (see notes 1.9-1.11). Consequently, the total net effect on the statement of comprehensive income and equity derived from changes in estimates and assumptions used to calculate the fair value under levels 2 and 3 is reduced to include changes in funding expenses and lending prices.

In connection with the "Interest Rate Benchmark Reform", "London Interbank Offered Rates" (LIBOR) have been replaced by alternative risk-free rates. KommuneKredit has adopted ISDA's protocol concerning fallback clauses as stipulated in the protocol. The change in interest payments and in swap rates for discounting cash flows has not had any significant impact on either fair value adjustments or profits.

No transfers between the fair value hierarchy levels were made in 2023.

## Fair value adjustments, etc.

### Note 1.4.1 Specification of fair value of financial instruments (continued)

DKKm	Level 1	Level 2	Level 3	Total
<b>2023</b>				
<b>Assets</b>				
Due from credit institutions	273	0	0	273
Loans	0	176,433	0	176,433
Portfolio of securities	43,639	0	0	43,639
Derivatives	0	11,167	261	11,428
<b>Total assets</b>	<b>43,912</b>	<b>187,600</b>	<b>261</b>	<b>231,773</b>
<b>Liabilities</b>				
Due to credit institutions	1	0	0	1
Debt securities issued	0	214,824	3,349	218,173
Derivatives	0	12,704	245	12,949
<b>Total liabilities</b>	<b>1</b>	<b>227,528</b>	<b>3,594</b>	<b>231,123</b>

DKKm	Level 1	Level 2	Level 3	Total
<b>2022</b>				
<b>Assets</b>				
Due from credit institutions	377	0	0	377
Loans	0	165,652	0	165,652
Portfolio of securities	46,591	0	0	46,591
Derivatives	0	14,706	256	14,962
<b>Total assets</b>	<b>46,968</b>	<b>180,358</b>	<b>256</b>	<b>227,582</b>
<b>Liabilities</b>				
Due to credit institutions	1	0	0	1
Debt securities issued	0	202,845	5,054	207,899
Derivatives	0	17,912	309	18,221
<b>Total liabilities</b>	<b>1</b>	<b>220,757</b>	<b>5,363</b>	<b>226,121</b>

# Fair value adjustments, etc.

## 1.4.2 Specification of level 3 fair value

DKKm	Balance at 1 January	Additions	Disposals	Recognised in profit for the year	31 Dec.
<b>2023</b>					
<b>Assets</b>					
Due from credit institutions	0	0	0	0	0
Loans	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	256	0	-1	6	261
<b>Total assets</b>	<b>256</b>	<b>0</b>	<b>-1</b>	<b>6</b>	<b>261</b>
<b>Liabilities</b>					
Due to credit institutions	0	0	0	0	0
Debt securities issued	5,054	0	-1,761	56	3,349
Derivatives	309	0	-27	-37	245
<b>Total liabilities</b>	<b>5,363</b>	<b>0</b>	<b>-1,788</b>	<b>19</b>	<b>3,594</b>

DKKm	Balance at 1 January	Additions	Disposals	Recognised in profit for the year	31 Dec.
<b>2022</b>					
<b>Assets</b>					
Due from credit institutions	0	0	0	0	0
Loans	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	636	0	-32	-348	256
<b>Total assets</b>	<b>636</b>	<b>0</b>	<b>-32</b>	<b>-348</b>	<b>256</b>
<b>Liabilities</b>					
Due to credit institutions	0	0	0	0	0
Debt securities issued	5,727	0	-344	-329	5,054
Derivatives	250	0	-54	113	309
<b>Total liabilities</b>	<b>5,977</b>	<b>0</b>	<b>-398</b>	<b>-216</b>	<b>5,363</b>

## Fair value adjustments, etc.

### 1.4.3 Development in credit spreads

The monetary effect caused by credit spreads on fair value adjustments on the statement of comprehensive income and balance sheet (equal to CVA/DVA on derivatives) is shown below. The calculations are based on a model based on the future positive and negative exposure adjusted for the probability of default and resulting losses. The calculations are based on market-based probabilities of default.

DKKm	2022	Develop- ment	2023
<b>Statement of comprehensive income</b>			
Value adjustments of financial instruments	-46	3	-43
<b>Total effect on statement of comprehensive income</b>	<b>-46</b>	<b>3</b>	<b>-43</b>
<b>Statement of financial position</b>			
Assets	-38	2	-36
Liabilities	8	-1	7
<b>Total effect on statement of financial position</b>	<b>-46</b>	<b>3</b>	<b>-43</b>

### Note 1.4.4 Offsetting

KommuneKredit settles foreign exchange transactions and derivatives on a net basis when a master netting agreement (ISDA Master Agreement) includes an agreement on Cross-Transaction Payment Netting. The net settlement entails that the accounting values for derivatives contain offsetting in the balance sheet. Total offsetting amounted to DKK 7,917 million at 31 December 2023, against DKK 9,258 million at 31 December 2022.

In ISDA Master Agreements where no Cross-Transaction Payment Netting is included, the accounting values will not include offsetting. The netting value of derivatives not offset has been limited to the lesser of assets and liabilities calculated per counterparty. The amount is included in both assets and liabilities.

ISDA Master Agreements include unilateral or bilateral collateral agreements relating to derivatives. Collateral received and posted under these agreements solely includes bonds with a high credit rating. The amount of collateral is calculated per counterparty and has been limited to the net value of the financial instruments for which the bonds have been provided as collateral. The collateral agreements only allow offsetting in case of bankruptcy and not on a regular basis. No offsetting is applied for the value of the collateral.

KommuneKredit has not entered into any netting agreements and has not posted or received any collateral in relation to lending, leasing or debt securities issued. Accordingly, these financial instruments are not included in the table below. Carrying amounts appear from the balance sheet.

### Derivatives presented in the balance sheet

DKKm	Values offset			Values not offset		
	Gross carry- ing amount	Set-off	Carrying amount	Financial instru- ments	Collateral	Net value
<b>2023</b>						
Assets	19,345	-7,917	11,428	-2,672	-7,658	1,098
Liabilities	20,866	-7,917	12,949	-2,672	-9,798	479
<b>Net</b>	<b>-1,521</b>	<b>0</b>	<b>-1,521</b>	<b>0</b>	<b>2,140</b>	<b>619</b>
<b>2022</b>						
Assets	24,220	-9,258	14,962	-1,705	-12,540	717
Liabilities	27,479	-9,258	18,221	-1,705	-15,076	1,440
<b>Net</b>	<b>-3,259</b>	<b>0</b>	<b>-3,259</b>	<b>0</b>	<b>2,536</b>	<b>-723</b>

# Fair value adjustments, etc.

## 1.4.5 Specification of collateral

DKKm		Collateral posted		Collateral received	
Type of bond	Rating	Market	Market	Market	Market
		value	value after haircut	value	value after haircut
<b>2023</b>					
Danish government bonds	AAA	1,120	1,091	5,196	4,986
Danish mortgage bonds	AAA	0	0	414	406
German government bonds	AAA	53	48	226	213
Finnish government bonds	AA+	0	0	105	102
French government bonds	AA	0	0	29	29
French government bonds	AA-	8,982	8,678	1,754	1,662
British government bonds	AA-	0	0	468	447
<b>Total</b>		<b>10,155</b>	<b>9,817</b>	<b>8,192</b>	<b>7,845</b>
Of which non-nettable collateral		0	-19	0	-187
<b>Total nettable collateral</b>		<b>10,155</b>	<b>9,798</b>	<b>8,192</b>	<b>7,658</b>

DKKm		Collateral posted		Collateral received	
Type of bond	Rating	Market	Market	Market	Market
		value	value after haircut	value	value after haircut
<b>2022</b>					
Danish government bonds	AAA	1,597	1,451	7,740	7,503
Danish mortgage bonds	AAA	0	0	648	596
Danish mortgage bonds	AA+	0	0	0	0
German government bonds	AAA	170	160	182	176
British government bonds	AA-	239	206	370	355
French government bonds	AA	13,831	13,271	4,302	4,017
<b>Total</b>		<b>15,837</b>	<b>15,088</b>	<b>13,242</b>	<b>12,647</b>
Of which non-nettable collateral		0	-12	0	-107
<b>Total nettable collateral</b>		<b>15,837</b>	<b>15,076</b>	<b>13,242</b>	<b>12,540</b>

Reference is made to note 1.10.3 for a detailed description of requirements, etc.

## Fair value adjustments, etc.

### Note 1.5 Lending

Lending is measured at fair value through profit or loss. Lending is measured at amortised cost, but is presented here for the sake of completeness. Value adjustment for the year are included under "Disposals".

DKKkM	No. of loans	2023	2022
<b>Loans</b>			
Balance at 1 January	20,175	174,974	194,948
Additions	3,188	29,027	28,057
Disposals	2,558	16,862	48,031
<b>Total lending</b>	<b>20,805</b>	<b>187,139</b>	<b>174,974</b>
Bond loans	2,187	25,162	24,981
Fixed-term loans	6,291	151,271	140,671
Leases	12,327	10,706	9,322
<b>Total lending</b>	<b>20,805</b>	<b>187,139</b>	<b>174,974</b>

DKKkM	2023	2022
Bond loans	25,162	24,981
Fair value adjustments	732	1,684
<b>Bond loans in nominal values</b>	<b>25,894</b>	<b>26,665</b>
Fixed-term loans	151,271	140,671
Fair value adjustments	9,843	15,181
<b>Fixed-term loans in nominal values</b>	<b>161,114</b>	<b>155,852</b>
Leases	10,706	9,322
Impairment	5	6
<b>Leasing in nominal values</b>	<b>10,711</b>	<b>9,328</b>

## Fair value adjustments, etc.

### Note 1.6 Unearned financial income relating to leasing

Leasing is not covered by the fair value option. KommuneKredit is the lessor of finance leases. Finance leases are recognised in the balance sheet as a receivable at an amount corresponding to the future minimum lease payment discounted at the interest rate implicit in the lease. On subsequent recognition, leasing is measured at amortised cost. The difference between the value on initial recognition and nominal value is accrued over the term to maturity and is recognised as “interest on leasing” under Interest income.

DKKkm	2023	2022
<b>Net investments in finance leases, by lease term</b>		
Up to 1 year	1,546	1,325
From 1 to 5 years inclusive	4,066	3,603
Over 5 years	5,099	4,400
<b>Total net leasing</b>	<b>10,711</b>	<b>9,328</b>
<b>Gross investments in finance leases, by lease term</b>		
Up to 1 year	1,844	1,449
From 1 to 5 years inclusive	4,966	3,987
Over 5 years	6,384	4,863
<b>Total gross leasing</b>	<b>13,194</b>	<b>10,299</b>
<b>Unearned financial income</b>	<b>2,483</b>	<b>971</b>

### Note 1.7 Portfolio of securities

The portfolio of securities is measured at fair value through profit or loss.

DKKkm	2023	2022
<b>Portfolio of securities</b>		
Government/public authorities	12,221	13,435
Multilateral counterparties	0	369
Mortgage debt	31,418	32,787
Mortgage credit institutions	0	0
<b>Total portfolio of securities</b>	<b>43,639</b>	<b>46,591</b>
Of this portfolio of securities used as collateral	8,172	9,717
<b>Portfolio of unencumbered securities</b>	<b>35,467</b>	<b>36,874</b>

## Fair value adjustments, etc.

### Note 1.8 Debt securities issued

Debt securities issued are measured at fair value through profit or loss.

DKKm	Balance at 1 January	Additions	Disposals & value adj.	31 Dec.	Value adjust- ment	Fair value 31 Dec.
<b>2023</b>						
Nasdaq Copenhagen	45,521	1,575	-4,292	42,804	-2,877	39,927
ECP	0	6,105	-6,105	0	0	0
Private Placements	22,135	4,257	-8,390	18,002	-602	17,400
Uridashi	1,811	0	-1,805	6	-4	2
Benchmark	157,052	29,606	-18,549	168,109	-10,632	157,477
Kangaroo	4,372	0	-754	3,618	-251	3,367
<b>Total debt securities issued</b>	<b>230,891</b>	<b>41,543</b>	<b>-39,895</b>	<b>232,539</b>	<b>-14,366</b>	<b>218,173</b>

DKKm	Balance at 1 January	Additions	Disposals & value adj.	31 Dec.	Value adjust- ment	Fair value 31 Dec.
<b>2022</b>						
Nasdaq Copenhagen	49,349	7,620	-11,448	45,521	-3,836	41,685
ECP	164	11,296	-11,460	0	0	0
Private Placements	22,011	3,949	-3,825	22,135	-1,590	20,545
Uridashi	1,676	0	135	1,811	-469	1,342
Benchmark	149,804	29,827	-22,579	157,052	-16,736	140,316
Kangaroo	4,396	0	-24	4,372	-361	4,011
<b>Total debt securities issued</b>	<b>227,400</b>	<b>52,692</b>	<b>-49,201</b>	<b>230,891</b>	<b>-22,992</b>	<b>207,899</b>

# Financial risk management

## General

Our function as a financial link between the capital markets and the local authorities in Denmark exposes KommuneKredit to financial risks. Through prudent risk management, it is ensured that KommuneKredit's risk profile matches the Board of Directors' low risk tolerance. The low risk tolerance means that KommuneKredit only assumes financial risks that are absolutely necessary to accomplish KommuneKredit's mission. KommuneKredit has established a finance and risk committee, which meets regularly to discuss relevant risk exposures like market risk and credit risk.

KommuneKredit distinguishes between the following types of financial risks:

- Market risk is the risk that market factor fluctuations will affect the value of a financial instrument. Market risk comprises currency risk, interest rate risk, volatility risk and other price risk.
- Credit risk is the risk of incurring a credit loss. Credit loss is defined both as the failure of a counterparty to honour its obligations towards KommuneKredit and as changes in market expectations to the ability of a counterparty to honour its obligations in general.
- Liquidity risk is the risk that KommuneKredit at any given time does not have and cannot source adequate liquid funds to cover its obligations and loan commitments given.

## Note 1.9 Market risk

KommuneKredit limits the market risk by using derivatives. The limited market risk mitigates the risk of loss resulting from changes in market factors.

KommuneKredit distinguishes between the following types of market risks:

- Currency risk is the risk that exchange rate fluctuations will affect the value of a financial instrument.
- Interest rate risk is the risk that interest rate fluctuations will affect the value of a financial instrument.
- Volatility risk is the risk that changes in volatilities on interest rates, currencies or similar factors will affect the value of a financial instrument.

- Other price risk is the risk that changes in market factors other than those attributable to interest rate, currency and volatility fluctuations will affect the value of a financial instrument. This includes exposures to e.g. inflation indices and exposure to KommuneKredit's own funding spreads and changes in the lending margin.

## Note 1.9.1 Currency risk

### Policies and procedures

KommuneKredit's risk tolerance in respect of currency risk is very limited, as it is most often not necessary to accept such risk to accomplish KommuneKredit's mission.

Currency risk is managed either by hedging funding in foreign currency using derivatives or by investing the total liquidity resources in the same currency as the funding. In this way, KommuneKredit minimises its currency position. In the principal funding currencies such as EUR and USD, KommuneKredit on a smaller scale assumes currency risk in the form of unrealised gains and losses.

According to the guidelines, the net position calculated as the present value of future payments in EUR must not exceed 13 pct. of equity, and the net position for all other currencies combined must not exceed 3.8 pct. of equity.

### Measurement

The currency position is presented separately for receivables and liabilities as well as derivatives. The distribution shows how the derivatives are used to hedge the resulting currency position from receivables and liabilities.

At the end of 2023, KommuneKredit's largest currency exposure was DKK 858 million in EUR.

# Financial risk management

## Note 1.9.1 Currency risk (continued)

DKK		Assets	Liabilities	Deriva- tives	Currency position
<b>2023</b>					
Australian dollar	AUD	0	4,195	4,261	66
Swiss franc	CHF	102	9,908	9,811	5
Euro	EUR	12,297	92,776	81,337	858
Pound sterling	GBP	0	17,943	17,953	10
Japanese yen	JPY	0	793	797	4
Mexican peso	MXN	0	1,185	1,194	9
Norwegian kroner	NOK	0	10,069	10,086	17
Swedish kronor	SEK	0	4,446	4,479	33
US dollar	USD	1	36,616	36,623	8
Other currencies*		0	327	330	3
<b>Total</b>		<b>12,400</b>	<b>178,258</b>	<b>166,871</b>	<b>1,013</b>

\* Other currencies comprise CAD, NZD, TRY, ZAR.

DKK		Assets	Liabilities	Deriva- tives	Currency position
<b>2022</b>					
Australian dollar	AUD	0	6,147	6,147	0
Swiss franc	CHF	122	7,104	6,982	0
Euro	EUR	11,631	98,808	86,788	-389
Pound sterling	GBP	0	12,980	12,980	0
Japanese yen	JPY	0	923	923	0
Mexican peso	MXN	0	990	990	0
Norwegian kroner	NOK	0	8,006	8,006	0
Swedish kronor	SEK	0	3,927	3,927	0
US dollar	USD	0	28,537	28,537	0
Other currencies*		0	347	347	0
<b>Total</b>		<b>11,753</b>	<b>167,769</b>	<b>155,627</b>	<b>-389</b>

\* Other currencies comprise CAD, NZD, TRY, ZAR.

# Financial risk management

## Note 1.9.2 Interest rate risk

### Policies and procedures

KommuneKredit's risk tolerance in respect of interest rate risks is limited, but it is deemed necessary to accept certain interest rate risks to accomplish KommuneKredit's mission.

KommuneKredit primarily accepts interest rate risks when the total liquidity resources are invested in bonds.

The interest rate risk is managed by hedging lending, funding and investments with a fixed rate of interest of a certain size one-to-one using derivatives. The remaining interest rate risk is also managed using derivatives with hedging at portfolio level.

According to the guidelines, the interest rate risk must not exceed 4 pct. of equity, corresponding to DKK 407 million. The interest rate risk is calculated using a 1 percentage point parallel shift in the yield curve.

DKKm	2023	2022*
<b>Total interest rate risk</b>	<b>104</b>	<b>197</b>
Equity used for limit	10,180	9,766
<b>Interest rate risk limit of 4.0% of equity</b>	<b>407</b>	<b>439</b>
<b>Utilisation of the limit as a percentage</b>	<b>26</b>	<b>45</b>

\*In 2022, the interest rate risk limit was 4.5 pct. of equity

## Note 1.9.3 Volatility risk

### Policies and procedures

KommuneKredit's risk tolerance in respect of currency risk is very limited, as it is most often not necessary to accept such risk to accomplish KommuneKredit's mission.

KommuneKredit may to a very limited extent assume volatility risk in the form of interest rate volatility risk. Interest rate volatility risks arise when KommuneKredit invests in callable bonds or bonds with a cap or floor or issues bonds with a floor.

According to the Board of Directors' guidelines, the interest rate volatility risk must not exceed 0.2 pct. of equity, corresponding to approximately DKK 20 million. The interest rate volatility risk is calculated based on a 1 percentage point shift in the interest rate volatility. At the end of 2023, there was only very limited interest rate volatility risk.

## Note 1.9.4 Other price risk

### Policies and procedures

KommuneKredit is exposed to risk associated with changes to its own funding spreads. By maintaining relatively constant lending margins, we transfer changes to KommuneKredit's own funding spreads to lending prices. As the funding is larger and has longer maturities than the binding loan commitments, part of the effect of changed funding spreads will not be passed on to lending prices. The risk on own funding spreads is a part of KommuneKredit's business model and will therefore be necessary in order to accomplish KommuneKredit's mission, but efforts are made to keep it low.

KommuneKredit is exposed to changes in our lending margin. The lending margin is determined with a view to achieving an appropriate profit to ensure adequate equity. Since KommuneKredit calculates all loans at fair values, a reduction of the lending margin would, all other things being equal, lead to a positive fair value adjustment through more lenient discounting of payments from existing loans. In the same way, an increase of the lending margin would, all other things being equal, lead to a negative fair value adjustment. The lending margin is driven by factors such as earnings on the liquidity portfolio and expected growth in total assets.

The risk associated with KommuneKredit's own funding spreads and the lending margin is measured and reported on a continuing basis.

KommuneKredit's risk tolerance in respect of other price risk than the risk of changes to its own funding spreads and lending margin is very low.

Other price risk than the risk of changes to KommuneKredit's own funding spreads and the lending margin may arise when KommuneKredit issues bonds related to inflation indices or the like. According to the Board of Directors' guidelines, such other price risks must be hedged at the issue date.

# Financial risk management

## Note 1.10 Credit risk

### Policies and procedures

KommuneKredit is exposed to credit risk in connection with short-term placements and investing in bonds for the liquidity resources and when entering into derivatives which reduce the market risk. Moreover, credit risk attaches to loans and leases to the municipal and regional sector in Denmark.

Loans and leases are only granted to Danish local authorities or against a 100 pct. guarantee from these authorities. In this section, recipients of loans and leases will be referred to as customers. Derivatives with customers are hedged in the same way as for loans and leases. Investment counterparties and counterparties with respect to derivatives who are not customers will be referred to as counterparties.

Due to the special credit quality of its customers, KommuneKredit assesses that there is very limited credit risk associated with lending, leasing and derivatives with customers. However, in accordance with IFRS 9, credit risk on leases must be calculated and recognised at cost. The credit risk on leases has been calculated at DKK 5 million.

KommuneKredit has a Grants Committee, whose duties include approving loans for more than DKK 300 million or where a loan otherwise deviates from standard practice. Credit events such as a request for forbearance are also considered by the Grants Committee. KommuneKredit has never recorded a loss on a loan or on leasing.

### Credit risk on lending, leasing and derivatives with customers

DKKm	Carrying amount	Credit risk
<b>2023</b>		
Danish municipalities and regions	101,110	4
Institutions guaranteed by Danish municipalities and regions	86,014	1
<b>Total</b>	<b>187,124</b>	<b>5</b>
<b>2022</b>		
Danish municipalities and regions	98,354	5
Institutions guaranteed by Danish municipalities and regions	76,500	1
<b>Total</b>	<b>174,854</b>	<b>6</b>

In order to reduce the credit risk, KommuneKredit can only enter into financial instruments with counterparties with whom a bilateral collateral agreement has been concluded. According to the guidelines on the posting of collateral, such agreements must meet the following requirements as a minimum:

- Daily exchange of collateral and low threshold values for exchange.
- Collateral received under the agreements must be high-quality liquid bonds. In order to further reduce the credit risk on other counterparties, the credit risk guidelines include strict requirements as to the credit quality, both in relation to the type of counterparty and the credit rating of the counterparty by credit rating agencies. As a result, financial instruments may only be entered into with the following types of counterparties:
- Central governments, regions, municipalities and other public authorities.
- Multilateral development banks and international organisations.
- Banks, other financial institutions and issuers of covered bonds.

# Financial risk management

## Note 1.10 Credit risk (continued)

Counterparties must be located in Zone A countries. These include EU member states and other countries which are full members of the Organization for Economic Cooperation and Development (OECD). The requirement that the counterparty must be located in a Zone A country does not extend to multilateral development banks and international organisations, as these are often not located in any specific country.

In addition, counterparties must have a rating of at least AA- from Standard & Poor's or a similar rating from Fitch Ratings. If a collateral agreement has been entered into with the counterparty, ratings down to A- are accepted. Agreements with lower-rated, systemically important financial institutions in Denmark are also accepted, and also a few non-Danish SIFIs as long as they have a minimum credit rating of A-.

According to the Board of Directors' guidelines, counterparties satisfying these requirements may be granted a credit risk line by the Management Board.

Expected credit risk losses are recognised in the statement of comprehensive income on an ongoing basis.

KommuneKredit sets limits for the concentration of credit risks based on large exposures in EU regulation on prudential requirements for credit institutions and investment firms. According to this regulation, exposures to a single customer or a group of connected customers, net of fully and completely secured exposures, cannot exceed 25 pct. of the base capital, which for KommuneKredit's purposes substantially corresponds to equity. The Management Board has also defined limits for the maximum portfolio of securities issued by a specific issuer.

The concentration of credit risk by rating, counterparty type, geographical area and instrument type is shown in note 1.10.2.

## Note 1.10.1 Credit risk measurement

### Measurement

Credit risks can be broken down into two main components. The first component is the credit risk associated with amounts due from credit institutions and securities, collectively called investment credit risk. This derives from investments made using means from the liquidity resources. The other component is the credit risk associated with derivatives and related collateral, collectively called credit risk on derivatives. This derives from the hedging of, primarily, interest rate risk and currency risk.

The credit risk on both components is limited due to the high credit quality requirements and requirement for collateral agreements when trading in derivatives.

Exposures associated with credit risk decreased by DKK 2.7 billion from DKK 47.6 billion in 2022 to DKK 44.9 billion in 2023. The decrease was exclusively due to a lower exposure on investments.

The credit quality of investments remains very high with 99 pct. of the exposure being placed in securities rated AA- or higher. Most of the investment portfolio consists of Danish mortgage bonds, French government bonds and other highly rated institutions. A small proportion of the investments is placed with unrated counterparties which have been designated a SIFI in Denmark.

The exposure on derivatives after collateral has increased marginally. The exposure before collateral fell by DKK 4.5 billion, while the collateral after haircut fell by DKK 4.9 billion. At the end of 2023, 89 pct. of the fair value of the derivatives portfolio was covered by collateral received.

The rating is based on Standard & Poor's and/or Fitch Ratings. If the counterparty is rated by two rating agencies, the lowest rating will be applied. When investing in securities, the rating of the securities is used if it exists – otherwise the issuer's rating is used. If the security is covered by a guarantee, the rating of the guarantor is used.

Any collateral received that exceeds the fair value of derivatives at counterparty level is not included in the credit risk-reducing collateral. In respect of counterparties posting collateral for their liabilities vis-a-vis KommuneKredit, the collateral is classified based on the rating of the counterparty. Thus, the classification does not reflect the rating of the collateral. The credit risk-reducing element of the collateral equals the value of the nettable collateral in note 1.4.5.

As the credit risk made up as fair value at counterparty level cannot be negative, an adjustment in this respect has been made in the column "Correction for neg. (negative) FV (fair value) per counterparty".

# Financial risk management

## Note 1.10.1 Credit risk measurement (continued)

DKKm	Investment credit risk			Credit risk on derivatives				Total		
	Rating	Due from credit institutions	Securities	Total	Derivatives		Correction for neg. FV per counterparty		Collateral after haircut	Total
Positive					Negative					
<b>2023</b>										
AAA	0	31,418	31,418	0	0	0	0	0	0	31,418
AA+	0	0	0	0	0	0	0	0	0	0
AA	0	0	0	7,455	-6,390	3	-1,014	54	54	54
AA-	1	12,221	12,222	175	-1,143	970	0	2	12,224	12,224
A+	9	0	9	9,356	-11,064	7,292	-4,797	787	796	796
A	15	0	15	2,268	-1,823	1,542	-1,847	140	155	155
A-	0	0	0	15	-356	341	0	0	0	0
NR	248	0	248	0	0	0	0	0	248	248
<b>Total</b>	<b>273</b>	<b>43,639</b>	<b>43,912</b>	<b>19,269</b>	<b>-20,776</b>	<b>10,148</b>	<b>-7,658</b>	<b>983</b>	<b>44,895</b>	<b>44,895</b>
<b>2022</b>										
AAA	0	35,804	35,804	0	0	0	0	0	35,804	35,804
AA+	0	0	0	0	0	0	0	0	0	0
AA	0	10,787	10,787	12,262	-11,857	3,210	-3,491	124	10,911	10,911
AA-	4	0	4	1,040	-8,323	7,860	-283	294	298	298
A+	372	0	372	8,029	-4,038	2,388	-6,233	146	518	518
A	1	0	1	2,033	-2,183	2,137	-1,958	29	30	30
A-	0	0	0	788	-891	735	-575	57	57	57
NR	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>377</b>	<b>46,591</b>	<b>46,968</b>	<b>24,152</b>	<b>-27,292</b>	<b>16,330</b>	<b>-12,540</b>	<b>650</b>	<b>47,618</b>	<b>47,618</b>

# Financial risk management

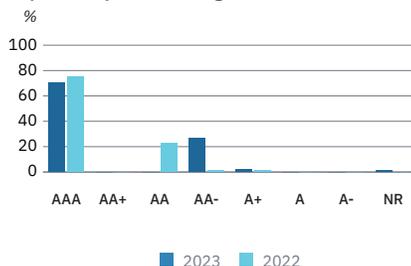
## Note 1.10.2 Credit quality

KommuneKredit has never incurred losses on loans or leases.

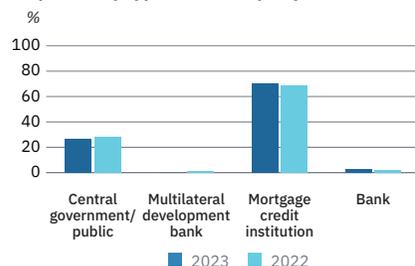
70 pct. of the total exposure relates to counterparties with the highest rating, 27 pct. has a rating between AA+ and AA-, and 3 pct. has a lower credit rating. The credit quality of KommuneKredit's counterparties is thus very high.

The breakdown of exposures from year-end 2022 to year-end 2023 was largely unchanged. In 2023, there was still a need for a certain volume of European government bonds. European government bonds can to a greater extent be used as collateral.

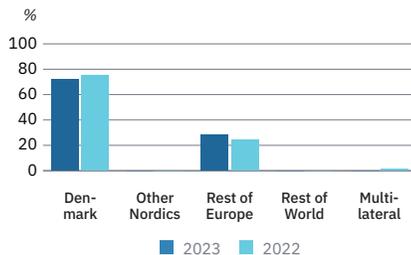
Exposure by credit rating



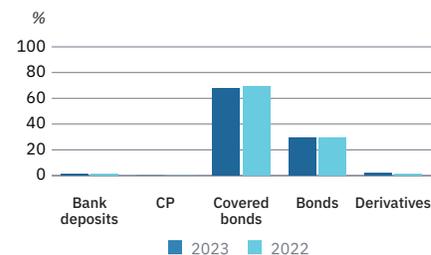
Exposure by type of counterparty



Exposure by geographical area



Exposure by type of instrument



## 1.10.3 Collateral received

All KommuneKredit's collateral agreements have been concluded as annexes (Credit Support Annexes) to ISDA Master Agreements. In order to ensure maximum credit risk reduction, low threshold values have been agreed for the daily exchange of collateral.

When collateral is posted, a haircut (deduction) is calculated in respect of the collateral, depending on instrument, rating and term to maturity. This haircut is a buffer protecting the parties against fluctuations in the market value in case the collateral is to be realised.

4,070 transfers of collateral totalling DKK 261 billion in nominal value were made in 2023. This high level of activity is the result of the low threshold values and the daily exchange, which ensures that collateral is posted on a regular basis for as large a part of the credit risk as possible.

To further reduce the credit risk, the collateral agreements also include strict requirements as to the quality of the collateral posted. Under the collateral agreements, collateral must be government bonds issued by countries with a high rating or highly-rated mortgage bonds. As indicated in note 1.4.5, 95 pct. of the collateral received at year-end 2023 was thus Danish, British, Finnish, French or German government bonds. The remaining 5 pct. was Danish mortgage credit bonds with the highest credit quality. Thus, all collateral received is high-quality liquid bonds.

A minor share of the collateral received exceeds the net value of the derivatives at counterparty level. Accordingly, these are not included as credit risk-reducing collateral.

# Financial risk management

## Note 1.11 Liquidity risk

### Policies and procedures

Even if KommuneKredit's risk tolerance in respect of liquidity risks is very low, such risks cannot be avoided. The Management Board meets regularly with the other members of the Finance and Risk Committee to discuss liquidity risk.

According to the liquidity guidelines, the total holding of high-quality, unrestricted liquid assets (HQLA) must exceed the accumulated liquidity outflows in a 30-day stress scenario. This is achieved by keeping the Liquidity Coverage Ratio (LCR) constantly above 120 pct. Furthermore, the stable medium-term and long-term funding, i.e. more than one year, must exceed the liquidity requirements in a stress scenario. This is achieved by Net Stable Funding Ratio (NSFR) constantly above 110 pct. LCR and NSFR are based on the Liquidity Coverage Ratio and Net Stable Funding Ratio of the Capital Requirement Regulation. At year-end 2023, LCR was 364 pct., and NSFR was 161 pct.

The guidelines also define a requirement on diversification of funding on sources and currencies, including requirements on diversification of funding redemptions, to ensure the best possible access to new funding.

The Board of Directors has determined a minimum 180 day requirement for the survival horizon in a going concern stress scenario. At year-end 2023, the survival horizon was 391 days. The stress scenario is based on assumptions that there is no access to the funding markets, that KommuneKredit continues new loans and that the markets are developing unfavourably for KommuneKredit in relation to investments and collateral for derivatives. Loans subject to renegotiation, for which the binding liquidity commitment is shorter than the term to maturity of the loan, are in the scenario considered as non-terminable.

The survival horizon is supplemented by additional stress scenarios for short-term liquidity, and KommuneKredit has a liquidity resource contingency plan which can be activated in case of pressure on liquidity.

# Financial risk management

## Note 1.11.1 Distribution of maturity

The distribution of maturity is shown in nominal value, excl. interest, according to term to maturity or the liquidity binding period where this is shorter. Loan commitments with known disbursement dates are recognised on the basis of the current date. Loan commitments for which dates and amounts are unknown are recognised on the basis of the term to maturity for the credit lines in question.

DKKm	0-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>2023</b>					
<b>Financial assets</b>					
Due from credit institutions	273	0	0	0	273
Portfolio of securities	6,492	32,572	4,312	0	43,376
Loans	26,913	16,485	60,789	82,821	187,008
Leases	229	1,317	4,066	5,099	10,711
<b>Total recognised financial assets</b>	<b>33,907</b>	<b>50,374</b>	<b>69,167</b>	<b>87,920</b>	<b>241,368</b>
<b>Financial liabilities</b>					
Due to credit institutions	1	0	0	0	1
Debt securities issued	8,569	20,289	99,028	104,653	232,539
Derivatives	29	168	416	-1,833	-1,220
<b>Total recognised financial liabilities</b>	<b>8,599</b>	<b>20,457</b>	<b>99,444</b>	<b>102,820</b>	<b>231,320</b>
<b>Off-balance sheet items</b>					
Credit commitments given	2,593	5,482	10,416	872	19,363

DKKm	0-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>2022</b>					
<b>Financial assets</b>					
Due from credit institutions	377	0	0	0	377
Portfolio of securities	9,769	36,615	11	0	46,395
Loans	28,186	16,137	54,986	83,280	182,589
Leases	213	1,113	3,603	4,399	9,328
<b>Total recognised financial assets</b>	<b>38,545</b>	<b>53,865</b>	<b>58,600</b>	<b>87,679</b>	<b>238,689</b>
<b>Financial liabilities</b>					
Due to credit institutions	1	-	-	0	1
Debt securities issued	10,086	23,187	94,100	103,518	230,891
Derivatives	414	-442	-1,254	-1,003	-2,285
<b>Total recognised financial liabilities</b>	<b>10,501</b>	<b>22,745</b>	<b>92,846</b>	<b>102,515</b>	<b>228,607</b>
<b>Off-balance sheet items</b>					
Credit commitments given	3,001	4,265	7,848	347	15,461

# Administrative expenses

## Note 2.1 Administrative expenses

Administrative expenses comprise staff costs and other administrative expenses, adjustment of pension obligations and amortisation/depreciation and impairment of intangible assets and property, plant and equipment. Actuarial adjustments and changes are recognised in the line item “actuarial gains and losses” in comprehensive income and not in administrative expenses.

Intangible assets and property, plant and equipment are measured at cost less accumulated amortisation/depreciation and impairment charges.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Where individual components of an intangible asset or an item of property, plant and equipment have different useful lives, they are accounted for as separate items and amortised/depreciated separately.

Development costs regarding software comprise consultancy fees and other expenses attributable to KommuneKredit’s development activities. Development projects that meet the applicable accounting requirements are recognised as intangible assets. As for intangible assets and items of property, plant and equipment, amortisation/depreciation is provided on a straight-line basis over the expected useful lives of the assets or components, respectively, as follows:

- Intangible assets (software, etc.), 1-5 years
- Operating equipment, including IT equipment, 3-5 years
- Cars 3 years

Land is not depreciated.

The carrying amounts are tested annually to determine whether there is any indication of impairment. When there is evidence that an asset may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset’s fair value less expected costs to sell and its value in use.

DKKm	2023	2022
<b>Administrative expenses</b>		
Salaries and pension contributions, etc.	101	93
Other staff costs	18	19
Consultancy fees	36	35
IT licences	27	24
Charges	3	4
Property management	6	5
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	1	1
Other administrative expenses	1	8
Provision for payroll tax	0	35
<b>Total administrative expenses</b>	<b>193</b>	<b>224</b>
Average number of employees	101	97
DKK'000	2023	2022
<b>Fees to auditors as per the articles of association:</b>		
Statutory audit of financial statements	540	509
Other assurance engagements	259	234
Other services	0	136
<b>Total fee</b>	<b>799</b>	<b>879</b>

# Administrative expenses

## 2.2 Remuneration of the Board of Directors and Management Board

DKK'000	Fee	Contractual remuneration	Pension	Total
<b>2023</b>				
Management Board	0	5,168	262	5,430
Board of Directors	1,080	0	0	1,080
<b>Total</b>	<b>1,080</b>	<b>5,168</b>	<b>262</b>	<b>6,510</b>
<b>2022</b>				
Management Board	0	4,985	256	5,241
Board of Directors	1,061	0	0	1,061
<b>Total</b>	<b>1,061</b>	<b>4,985</b>	<b>256</b>	<b>6,302</b>

The Management Board is not covered by KommuneKredit's bonus plan.

The members of KommuneKredit's Board of Directors receive a fixed fee.

See KommuneKredit's website for a detailed list of [Management remuneration](#).

# Tax

## Note 3.1 Tax on profit for the year

KommuneKredit computes tax on financial instruments based on the mark-to-market principle. The current corporate income tax rate is 22 pct.

Deferred tax is measured on all temporary differences between the carrying amount and the tax base of assets and liabilities. The current tax rate applied is 22 pct.

Tax on profit for the year comprises current tax for the year, changes in deferred tax for the year, estimated tax on other comprehensive income and prior-year adjustments.

DKKm	2023	2022
Current tax	78	221
Deferred tax charge for the year	49	62
Prior-year adjustments	-1	-1
<b>Total tax on profit for the year</b>	<b>126</b>	<b>282</b>
<b>Tax on profit for the year is explained as follows:</b>		
Estimated tax on the pre-tax profit for the year	119	280
Non-deductible expenses	8	3
Prior-year adjustments to current tax	-1	0
Adjustment of deferred tax relating to prior years	0	-1
<b>Total tax for the year</b>	<b>126</b>	<b>282</b>
Effective tax rate	23	22
Tax on other comprehensive income		
Tax on actuarial adjustment	0	0
<b>Tax on other comprehensive income, total</b>	<b>0</b>	<b>0</b>

# Tax

## Note 3.2 Current tax assets/liabilities

Current tax assets and tax liabilities are recognised in the balance sheet as the sum of current tax, prior-year tax receivables or payables and tax paid for the year.

The tax asset concerns a pending case in Switzerland regarding withholding tax on matured bond investments.

DKKm	2023	2022
Balance at 1 January	37	36
Current tax	0	0
Value adjustment for the year	0	1
Adjustment for the year	-37	0
<b>Total current tax assets</b>	<b>0</b>	<b>37</b>
Balance at 1 January	-49	-75
Current tax	-78	-221
Income taxes paid for the year	95	247
<b>Total current tax liabilities</b>	<b>-32</b>	<b>-49</b>

## Note 3.3 Deferred tax liabilities

Deferred tax assets and tax liabilities are measured on all temporary differences between the carrying amount and the tax value of assets and liabilities. Deferred tax assets and tax liabilities are measured on the basis of the tax rules which will, given the legislation in force at the balance sheet date, apply once the deferred tax is expected to be triggered as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the statement of comprehensive income.

DKKm	2023	2022
Balance at 1 January	521	460
Prior-year adjustments	0	-1
Deferred tax charge for the year	49	62
<b>Total deferred tax liabilities</b>	<b>570</b>	<b>521</b>
<b>Deferred tax liabilities break down as follows:</b>		
Property, plant and equipment and intangible assets	6	5
Lease assets	574	526
Pension obligations	-10	-10
<b>Total deferred tax liabilities</b>	<b>570</b>	<b>521</b>

# Other notes

## Note 4.1 Contingent assets and liabilities

KommuneKredit has a contingent liability for those pension obligations that relate to the defined benefit schemes. The calculations are based on the Danish Financial Supervisory Authority's benchmark for mortality rates and longevity improvements. The commitment was calculated at DKK 48 million at 31 December 2023. In addition, there are excess reserves of DKK 25 million to cover future changes of the scheme. Adjustments to the calculated net present value attributable to changes in actuarial assumptions are recognised in other comprehensive income. However, this only happens if the bonus reserve cannot cover the changes.

## Note 4.2 Related parties

KommuneKredit has no related parties exercising control over KommuneKredit. KommuneKredit's related parties exercising significant influence comprise the members of KommuneKredit's Board of Directors and Management Board and their close family members.

### Board of Directors and Management Board

Management's remuneration is disclosed in note 2.2. Fiduciary positions are mentioned in the Corporate governance section. No other transactions were carried out with members of the Board of Directors and Management Board in the year.

## Note 4.3 Events after the balance sheet date

No events have occurred after the balance sheet date that have a significant impact on KommuneKredit's results of operations.

## Note 5 IFRS 9 impairment

KommuneKredit uses the fair value option for a significant part of its balance sheet, as a result of which IFRS 9 only affects the measurement of leasing.

KommuneKredit grants loans and leasing exclusively to municipalities, regions and companies with a full local government guarantee. Danish municipalities and regions are subject to supervision by the Ministry of the Interior and Health.

It has been decided by court order that Danish municipalities cannot file for restructuring proceedings. The Ministry of the Interior and Health has laid down administrative rules (executive orders) to ensure that municipalities and regions maintain an adequate level of liquidity. Compliance with these rules is controlled and enforced by the ministry. Pursuant to the so-called "overdraft rule", liquidity in a municipality, calculated as a 12-month average, must as a minimum be positive.

This means that all Danish municipalities and regions are highly creditworthy and subject to a low probability of Default (PD). Therefore, they are all placed in the category with the lowest PD level. The strong creditworthiness is reflected in the applied PD value in which the Credit Default Swap price (CDS) price on the Danish State is used as a proxy to determine the current value.

The CDS price on the Danish State is determined on the basis of observable market data, and the calculation of value impairment is made using the same loss given default (LGD) value as for determining the CDS prices.

As a result of the use of IFRS 9, the measurement of leasing includes an expected credit loss. This means that, already when the lease agreement is established, the undertaking must recognise an impairment charge at an amount equal to the expected credit losses resulting from default events within 12 months. The impairment is recognised in three stages depending on credit risk developments:

## Other notes

### Note 5 IFRS 9 impairment – continued

#### Stage 1

If the credit risk has not increased significantly, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months. The impairment charge is recognised at the time when the lease agreement is established and is subsequently adjusted to reflect non-significant changes to the credit risk.

#### Stage 2

If the credit risk has increased significantly, the agreement is transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised. A shift to stage 2 would take place in case of an increase in PD on the expected term to maturity of the financial asset of 100 pct. and an increase in 12-month PD of 0.5 of a percentage point.

#### Stage 3

In the case of default or other credit impairment, the agreement is transferred to stage 3. Impairment is recognised using the same principles as in stage 2, but with the difference that interest income attributable to the write-down portion of the agreement is recognised on the basis of the write-down value.

When calculating the expected loss, the term to maturity of the agreement is capped at the contractual term. Model-calculated stage 1 and stage 2 impairment charges are based on transformations of PD and LGD values at short term (12 months) or long term (term to maturity of agreement).

Throughout the history of KommuneKredit, there have been no losses on loans or leases to municipalities and regions, and therefore all leasing is classified as stage 1. There were no shifts between the stages during the reporting period.

Impairment at 31 December 2023 is shown in the table below, and all lease were in stage 1 on the balance sheet date.

#### Impairment of assets at cost

DKKm	PD level	Cost	Impairment	Carrying amount
Stage 1 (12-month expected loss)	0	0	0	0
1 January 2023	0.0% - 0.5%	9,328	6	9,322
Movement	-	1,383	-1	1,384
31 December 2023	0.0% - 0.5%	10,711	5	10,706

PD expresses the probability of default. At stage 1, the PD expresses the probability of the customer defaulting on its obligations towards KommuneKredit within the next 12 months.

LGD (Loss Given Default) expresses the proportion expected to be lost given default by the customer.

The change from 1 January to 31 December 2023 was due to a changed business volume and a general decrease in the market on credit risk.

## Other notes

### Note 6 Key figures

Million	2023	2023	2022	2021	2020	2019
	EUR	DKK	DKK	DKK	DKK	DKK
<b>Key figures</b>						
Net interest income	63	467	339	383	440	496
Administrative expenses	26	-193	-224	-140	-130	-126
Profit before value adjustments	35	264	129	238	311	369
Value adjustment of financial instruments	37	276	1,144	249	-33	227
Tax on profit for the year	-17	-126	-282	-109	-60	-148
Comprehensive income for the year	56	414	991	378	218	441
Loans and leases	25,112	187,139	174,974	194,948	192,457	184,965
Portfolio of securities	5,856	43,639	46,591	48,387	33,568	44,982
Investments in property, plant and equipment	0	3	0	0	0	0
Assets	32,556	242,612	237,052	249,077	233,872	236,935
Debt securities issued	29,276	218,173	207,899	233,892	212,728	218,932
Equity	1,366	10,180	9,766	8,775	8,397	8,179
<b>Activities during the year</b>						
Loans and leases, net additions in nominal value (net lending)	788	5,874	4,766	8,675	5,057	2,427
Loans and leases, gross additions in nominal value	3,895	29,027	28,057	36,958	43,507	36,745
Debt securities issued, gross additions in nominal value	5,575	41,543	52,692	65,112	43,163	49,699

Million	2023	2023	2022	2021	2020	2019
	EUR	DKK	DKK	DKK	DKK	DKK
<b>Capital structure</b>						
Total risk exposure amount (REA)*	2,098	15,637	15,653	13,859	11,496	11,911
Common Equity Tier 1 (CET1) capital	1,366	10,180	9,766	8,775	8,397	8,179
Capital base	1,356	10,107	9,684	8,660	8,277	7,997
Capital ratio, pct.*	65	65	62	63	72	67
Equity ratio, pct.	4.2	4.2	4.1	3.5	3.6	3.5
<b>Selected financial ratios</b>						
Losses on loans and leases	0	0	0	0	0	0
Expenses/assets, pct.	0.08	0.08	0.09	0.06	0.06	0.05
Net interest income/assets, pct.	0.19	0.19	0.14	0.15	0.19	0.21
Number of full-time employees	101	101	97	88	82	76

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

Exchange rate at 31 December 2023: EUR 100 = DKK 745.2242.

\* 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.



# 04

## Statements and reports

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# Statement by the Board of Directors and the Executive Management

The Board of Directors and the Management Board have today considered and adopted the annual report of KommuneKredit for the financial year 1 January – 31 December 2023.

In our opinion, the annual report with the file name > [Årsrapport 2023-ESEF](#) has in all material respects been prepared in accordance with the ESEF Regulation.

The financial statements have been prepared in accordance with legislative requirements, including IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

It is our opinion that the financial statements give a true and fair view of the financial position of KommuneKredit at 31 December 2023 and of the comprehensive income of KommuneKredit's operations and cash flows for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair view of the development in KommuneKredit's operations and financial matters, principal risks and uncertainties, the comprehensive income for the period and KommuneKredit's financial position as such.

Copenhagen, 13 March 2024

## Management Board

**Jens Lundager**  
Chief Executive Officer,  
Managing Director

**Henrik Andersen**  
Managing Director

**/Morten Søtofte**  
CFO

## Board of Directors

**Henrik Hvidesten**  
Chairman

**Thomas Lykke Pedersen**  
Vice Chairman

**Birgit Aagaard-Svendsen**

**Michael Fenger**

**Mikael Klitgaard**

**Susanne Kure**

**Erik Lauritzen**

**Tormod Olsen**

**Carsten Scheibye**

**Peter Sørensen**

# Independent auditor's report

## To the Board of Directors of Kommunekredit

### Opinion

We have audited the financial statements of KommuneKredit for the financial year 1 January to 31 December 2023, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the Association's financial position at 31 December 2023 and of its financial performance and cash flows for

the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional

Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No. 537/2014.

We were appointed auditors of KommuneKredit for the first time on 26 August 2016 for the financial year 2017. We have been reappointed annually by decision of the Board of Directors for a total contiguous engagement period of eight years up to and including the financial year 2023.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2023. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

### Fair value measurement of derivative financial assets and liabilities

Generally, KommuneKredit's loans and advances, securities, derivatives and bonds issued are measured at fair value based on listed prices or input market data for yield curves and exchange rates.

In particular, KommuneKredit's financial assets comprise positive derivatives that are measured at fair value of Levels 2 and 3 of the fair value hierarchy, corresponding to DKK 11,428 million of the assets at 31 December 2023 (2022: DKK 14,962 million). In particular, KommuneKredit's financial liabilities comprise negative derivatives that are measured at fair value of Levels 2 and 3 of the fair value hierarchy, corresponding to DKK 12,949 million of the liabilities at 31 December 2022 (2022: DKK 18,221 million).

Because of the general materiality of measuring derivative financial assets and liabilities at fair value and especially the complexity of measuring derivatives at fair value of Level 3 of the fair value hierarchy, these matters are key audit matters.

The measurement principles are described in the Summary of significant accounting policies, and Management has described the determination of fair values and the management of market risks in more detail in the notes on fair value adjustments etc. and financial risk management.

### How the matter was addressed in our audit

Determining fair values is generally based on correct input and use of different observable market prices and parameters. Particularly the measurement of instruments in Level 3 of the fair value hierarchy is based on non-observable input and estimates.

Our audit comprised a review of relevant business procedures, test of key controls and analyses of developments in fair values.

Furthermore, our audit procedures included:

- Testing master data on contracts on a sample basis and regular reconciliation to counterparties
- Testing of input and use of parameters to determine fair values
- Assessment and testing of the measurement of instruments classified into Level 3 of the fair value hierarchy.

Finally, the audit comprised testing for compliance with disclosure requirements for financial assets, liabilities and derivatives.

### Statement on the management commentary

Management is responsible for the Management's

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant laws and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the information required by relevant laws and regulations. We did not identify any material misstatement of the management commentary.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrep-

resentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists
- related to events and conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on compliance with the ESEF regulation**

As part of our audit of the financial statements of KommuneKredit, we have performed procedures to express an opinion on whether the annual report for the financial year 1 January to 31 December 2023, with the file name > [Årsrapport 2023-ESEF](#), has been prepared, in all material respects, in compliance with Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of an annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation, including preparation of an annual report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The procedures include testing whether the annual report is prepared in XHTML format.

In our opinion, the annual report for the financial year 1 January to 31 December 2023, with the file name > [Årsrapport 2023-ESEF](#), has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 13 March 2024

### **DELOITTE**

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56

#### **Anders Oldau Gjelstrup**

State-Authorised Public Accountant  
Identification number: mne10777

#### **Jens Ringbæk**

State-Authorised Public Accountant  
Identification number: mne27735

# Report by the ministry-appointed auditor

## To the Board of Directors of KommuneKredit

As the auditor appointed by the Ministry, I have reviewed the financial statements of KommuneKredit for the financial year 1 January – 31 December 2023, prepared by Management. In addition, I have read the Management's review.

During my review, I did not identify any non-compliance with the framework for KommuneKredit's lending operations, which I supervise. The audit procedures performed by Deloitte did not give rise to any comments on my part.

Copenhagen, 13 March 2024

Per Hansen



# 05

## ESG

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# ESG goals and activities

KommuneKredit has an ambition of integrating environmental, social and governance (ESG) considerations into our business. This enables us to maintain and extend our focus on social responsibility, which has been a natural part of our business since we issued our first loan nearly 125 years ago.

When we launched our Strategy 2025 in 2021, ESG was made a strategic priority in KommuneKredit. As a result of the strategy, we have defined nine ESG goals that set the direction for our ESG initiatives in the current strategy period.

We have five environmental (E) goals, two social (S) goals and two governance (G) goals.

In the following pages, we describe our work with the ESG goals and the activities we have launched during the period under review. Also, we present our expectations for the remainder of the strategy period.



# Climate and environmental responsibility



## Reduced climate footprint from own operations

At the end of 2023, we had reduced our overall climate footprint from own operations by 52 pct. relative to carbon emissions in 2018. Our target is a 55 pct. reduction by 2025. However, in 2023 we recorded a 10 pct. increase relative to emissions in 2022. The increase was primarily driven by higher emissions from our canteen, which is more or less back to normal operations after Covid-19, when we worked more from home. See our ESG key figures on page 80.

To further reduce carbon emissions from own operations, we have started to prepare an internal CO<sub>2</sub> budget for our travel activities. Travel activities, which we primarily undertake in connection with investor-related activities, and the purpose of which is to ensure financing at the lowest possible cost for our members, is the item that contributes most to carbon emissions from own operations.

Relative to our climate compensation goal, we entered into an agreement on afforestation in 2023. Under the agreement, 232 trees will be planted in 2024 to reduce atmospheric CO<sub>2</sub> by an amount equal to our own carbon footprint in 2022. At the same time, afforestation contributes to establishing a more diverse nature.

## Green loan options

At the end of 2023, green loans accounted for 22 pct. of our total lending, and our goal is a minimum of 25 pct. by 2025. Read more about our green loan portfolio in our [Green Bond Impact Report 2023](#).

To increase awareness about KommuneKredit's financing, we introduced an inspiration catalogue in 2023 that describes the financing options at KommuneKredit. We also had an ambition of adding the first green lease agreements to the green loan portfolio. For technical reasons, we did not meet this objec-



tive in 2023 but we expect to include the first leases in our green portfolio in 2024.

### Mapping of financed emissions

In 2023, we started our work on mapping the climate footprint of our lending, leasing and investment portfolios (financed emissions). For the lending and leasing portfolio, we are currently categorising our activities to better calculate our financed emissions. This work will also be a focus area in 2024.

To strengthen the ESG data for our own operations and portfolios, in 2023 we launched a strategy ESG data project, which we will also prioritise in 2024. With the ESG data project, we want to create the foundation for KommuneKredit's future ESG reporting and to further develop our ESG strategy and goals in the area.

### ESG goals

- Reduce carbon emissions related to our own operations by at least 55 pct. by 2030 relative to 2018.
- Annually compensate carbon emissions from our operations that cannot be eliminated or reduced.
- Increase the share of green loans to at least 25 pct. by 2025.
- Map the carbon footprint from the association's loan and investment portfolio.
- Assess the possibility of setting reduction targets for the carbon footprint of our loan and investment portfolio.

### 2023 activities and results

- Climate footprint from own operations reduced by 52 pct. relative to emissions in 2018.
- Internal CO<sub>2</sub> budget under preparation.
- Agreement on afforestation signed (equal to emissions from own operations).
- Green loan ratio risen to 22 pct.
- Green Bond Impact reporting automated.
- Methods for calculating green impacts have been updated.
- Mapping of the climate footprint of our portfolios has commenced.
- Inspiration catalogue on loan options has been prepared.
- A contract was entered into with a data centre focusing specifically on lowering the power consumption and on sustainability at the data centre.
- Purchasing of sustainable paper for printing and low consumption was maintained.
- The existing ventilation system was reviewed and upgraded.

### Outlook for 2024

- Implement internal CO<sub>2</sub> budget.
- Approve the first green lease agreements.
- Carry out at least one green bond issue.
- Map the climate footprint of our portfolios.
- Continue ESG data project.



### SDG linkage

We support SDG 12 and 13 by optimising our consumption of natural resources and reducing our climate impact as well as ensuring employee awareness on sustainability issues. Read more about the SDG which our green financing supports in our [Green Bond Impact Report 2023](#).





## Social responsibility

At the end of 2023, the number of employees had grown to 105. We intend to promote an inclusive corporate culture. For example, we recruited an employee from Ukraine in 2023. The employment started as a traineeship, which we subsequently converted to a permanent job. In 2024, we will strengthen the goal of promoting an inclusive corporate culture when two trainees, who we recruited in autumn 2023, start their traineeship at KommuneKredit.

In 2023, KommuneKredit signed a collective agreement with Finansforbundet (the Danish Financial Services Union). This means KommuneKredit's employees are now employed

on the same terms as employees in the financial sector in terms of e.g. holidays and inflation indexation of wages.

In 2023, we met our goal of maintaining the high level of job satisfaction from our employee engagement survey in 2022. The overall result of the engagement survey is one of the very best of our industry, ranking us as one of the best workplaces in Denmark. We will endeavour to maintain that position in 2024.

In 2024, we will also implement our guidelines for diversity and the under-represented gender in relevant processes. Furthermore, we will follow up on targets for an even more

equal gender distribution (legal gender) of 40/60 women/men in our management team and among our employees. In 2023, 25.0 pct. of our managers were women, and there were 37.2 pct. women among our employees. See page 81. We will focus on the value of organisational diversity. We do so in our recruitment processes and by staying aware of how diversity is a strength for our organisation and for solving tasks successfully. Finally, we integrate diversity as a topic in our ongoing management development.

> [Read our guidelines for diversity and the under-represented gender](#)

KommuneKredit's social goals focus on internal factors. In 2024, we will use data to improve the descriptions of the social objectives that KommuneKredit finance across the country.

### ESG goals

- Promote an inclusive corporate culture.
- Maintain high level of employee well-being.

### 2023 activities and results

- Collective agreement signed with Finansforbundet (the Danish Financial Services Union).
- Overall score of 84 in employee engagement survey (response rate of 97 pct.), placing us at the very top of our industry and in the Danish labour market.
- Guidelines prepared for diversity and targets defined for the under-represented gender.
- Job adverts with gender-neutral and inclusive wording introduced.
- Traineeship implemented.
- Employee theme about inclusive corporate culture introduced.
- Trial period with volunteer work during working hours initiated.
- Offer of flexibility and work from home maintained.
- Health promotion initiatives maintained; offer of influenza vaccination and health check.

### Outlook for 2024

- Implement considerations for diversity and inclusion in existing processes, incl. reporting.
- Analyse level of equal employment terms and benefits.
- Focus on supplementary training options.
- Launch theme on stress and manager roles.
- Improve description of social objective in loan portfolio.



### SDG linkage

We support SDG 5 by providing equal opportunities for leadership at all levels of decision-making and we support SDG 8 by ensuring safe and secure working environments and supporting the health and well-being of our employees.





## Governance

At the end of 2022, KommuneKredit set up an ESG committee to strengthen our internal ESG governance and anchor ESG in our core business. The committee met six times in 2023.

Among other things, the committee launched an ESG data project in 2023 for the purpose of establishing system support and governance of ESG data both within our organisation and in our portfolio. In 2024, the strategy for ESG data will be handled at board level to ensure that KommuneKredit consistently lives up to its mission of providing financing at the lowest possible cost. A key element in this context is to accommodate investors' prima-

ry demand for ESG data, which is becoming increasingly important in our dialogue with investors.

One of our goals for 2024 is to increase transparency in relation to the world around us. We aim to achieve this by publishing more policies, information and readily accessible data on our website to illustrate how we work.

In 2023, KommuneKredit for the first time participated at the Climate People's Meeting in Middelfart. We communicated that we are able to finance key aspects of local government climate action plans. We will participate



again in 2024 and plan to get involved in a greater number of relevant debates.

Our efforts to integrate ESG into KommuneKredit's policies and processes remain ongoing and are accompanied by various initiatives to anchor ESG in our corporate culture in accordance with our goals.

One of the initiatives we keep is for our employees from Sustainable Finance to participate at meetings with the other departments, facilitate ESG supplementary training in several business functions and offer e-learning on ESG factors for new employees. In 2023, we prepared a catalogue setting out proposed ESG training activities for our managers, and we learned that supplementary training calls for ongoing and long-term efforts. We will remain focused on ESG supplementary training in 2024.

Overall, our ESG initiatives contributed to our most recent ESG ratings. See page 79.

### ESG goals

- Strengthen our ESG governance.
- Increase the visibility of our ESG profile.

### 2023 activities and results

- ESG strategy seminar held for the Board of Directors.
- Evaluation of board competencies carried out
- ESG committee in operation.
- ESG risks reviewed.
- Project launched on data support and governance
- Participation at Climate People's Meeting 2023.
- Presentations held on ESG and related topics at network meetings and conferences.
- New and adjusted business procedures prepared to integrate ESG.

### Outlook for 2024

- Engage the Board of Directors in ESG data strategy.
- Increase transparency with respect to policies and guidelines.
- Sustained focus on ESG supplementary training.
- Increase visibility in own communication channels and by in debates and at conferences.



### SDG linkage

We support SDG 12 by adopting sustainable procurement practices and by integrating sustainability information into our reporting practice. We support SDG 16 by promoting good corporate governance and management practices.



# ESG ratings



**MSCI**  
In 2023, KommuneKredit was assigned an A rating and thus retain our 2022 rating by MSCI ESG.<sup>1</sup>



**ISS ESG**  
The latest rating from ISS ESG is a C-rating in 2022.



**Sustainalytics**  
In September 2023, KommuneKredit received an ESG Risk Rating of 14.8 and was assessed by Morningstar Sustainalytics to be at Low risk of experiencing material financial impacts from ESG factors. In no event KommuneKredit's Annual Report shall be construed as investment advice or expert opinion as defined by the applicable legislation<sup>2</sup>

<sup>1</sup> **Disclaimer:** The use by KommuneKredit of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of KommuneKredit by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

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# ESG key figures

## Climate and environmental data (E)

	2023	2022	2021	2020	2019	Comment
CO <sub>2</sub> e Scope 1 (t)	0	0	0	0	0	KommuneKredit has no direct GHG emissions from owned sources.
CO <sub>2</sub> e Scope 2 (t)	8	7	11	13	18	Our supplier of district heating, has so far achieved consistent GHG emission reductions for the district heating supplies. In 2023, the emissions rose for the first time during the calculation period despite an unchanged consumption measured in MWh. The reason is that our supplier of district heating for the first time in the reporting period has increased the emission factor for district heating supplied. All electricity is from certified wind power.
CO <sub>2</sub> e Scope 3 (t)	55	52	26	31	83	KommuneKredit's scope 3 emissions rose by about 3.5 tonnes. The increase was due to higher emissions from the organisation's canteen, which is probably due to the fact that the first months of 2022 were marked by fewer staff using the canteen due to Covid-19, whereas the level of activity returned to normal in 2023.
CO <sub>2</sub> e total (t)	64	58	36	44	101	Total emissions rise by nearly 6 tonnes explained by comments for Scope 2 and Scope 3 emissions. Despite the increase, we have reduced emissions by 52 pct. relative to 2018, when emissions were 132 tonnes.
Energy consumption (MWh)*	385	390	393	449	585	The energy consumption has fallen slightly, but is relatively stable. Energy consumption was previously calculated on the basis of estimates, but from 2023 we have read the consumption directly for the period in question.
Renewable energy share (%)	93	93	89	82	84	The renewable energy share of KommuneKredit's energy consumption remains stable because the share of renewable energy of the supplied district heating remains unchanged from the year before.
Water consumption (m <sup>3</sup> )*	1,045	893	710	1,005	1,196	Water consumption rises to pre-pandemic levels. Water consumption was previously calculated on the basis of estimates, but from 2023 we have read the consumption directly for the period in question.

\* The calculation method has been updated. We now read consumption directly instead of using estimates.

Figures in the table above have been rounded to the nearest whole figure, so totals do not necessarily tally.

## Social data (S)

	2023	2022	2021	2020	2019	Comment
Full-time equivalent (FTE)	101	97	88	82	76	As part of the IT security efforts at KommuneKredit, we recorded another increase in the number of full-time employees in 2023.
Gender diversity (% women)	37.2	34.4	39.2	41.1	39.9	Gender diversity at KommuneKredit is back on track. We focus on this area and have a target of a 40/60 women/men distribution.
Gender diversity, Management (N1, N2)	25.0	22.2	22.2	22.2	22.2	Gender diversity at management level increased compared with 2022. We focus on this area and have a target of a 40/60 women/men distribution.
Gender pay ratio (multiply)	1.1	1.1	1.1	1.1	1.1	The gender pay ratio is stable.
Employee turnover ratio (%)	10.0	9.8	10.4	5.2	10.8	The level is maintained at around 10 pct. At KommuneKredit, we focus on retaining skilled employees. Our employee turnover ratio is considered normal.
Employee training hours per FTE	10.6	13.1	7.3	14.5	15.5	The number of training hours per employee fell in 2023. We will focus on training over the next year to ensure that all managers and employees are aware of the opportunities for supplementary training at KommuneKredit.
Absence due to illness (days/FTE)	5.8	3.5	3.0	3.7	6.5	There has been an increase in absence due to illness, and KommuneKredit will pay attention to this development as the increase is quite large. However it is lower than the pre-pandemic level.
Employee engagement (score)	84	81	80	80	77	Again in 2023, we saw an increase in the result of the engagement survey. It is a good sign that we have such engaged employees who thrive in their jobs. This is consistent with our goal in the area.

## Governance data (G)

	2023	2022	2021	2020	2019	Comment
Attendance rate at board meetings (%)	87.5	82.5	80.0	82.1	83.3	The Board of Directors held four meetings in 2023. It is positive to see an increase in board meeting attendance.
Attendance rate at audit committee meetings (%)	100	100	91.7	81.8	81.5	The Audit Committee held four meetings in 2023 and again recorded a 100 pct. attendance rate.
CEO pay gap	3.6	3.7	3.7	3.6	3.7	The pay gap between CEO and employees fell slightly.
Gender diversity, Board of Directors (%)	20	20	20	20	11	The Board of Directors consists of ten members. Six members are elected by the municipalities, two by the regions and two are elected by the Board of Directors and are independent. The two independent members are women.
Penalties regarding corruption per employee	0	0	0	0	0	KommuneKredit's policies and processes mitigate the risk of corruption and ensure that employees do not receive a personal benefit from professional relations.

# Definitions and formulas (ESG)

ESG indicator	Definition	Formula
CO <sub>2</sub> e Scope 1 (t)	We have no direct GHG emissions from owned or controlled sources.	N/A
CO <sub>2</sub> e Scope 2 (t)	Indirect GHG emissions caused by the undertaking's consumed energy.	Electricity Consumption * EF factor + District Heating * EF
CO <sub>2</sub> e Scope 3 (t)	GHG emissions that occur in our upstream and downstream value chain beyond Scope 2. Including GHG Protocol Scope 3 Category 1 (canteen), 3, 6 (national and international flight and train travel) and 13 (for leased activities in own office buildings).	Food type * EF + Total Energy usage (MWh) * supply chain EF + Travel type, haul, class, and passenger km * EF + Total Energy usage (MWh) in downstream leased office buildings * EF
CO <sub>2</sub> e total (t)	Sum of GHG emissions in Scope 1, 2 and 3.	∑ Scope 1, 2 and 3
Energy consumption (MWh)	Total energy consumption in MWh related to own operations.	∑ Electricity and district heat consumption
Renewable energy share (%)	Share of total energy consumption deriving from renewable energy sources.	(Renewable Energy usage / Total Energy usage) * 100
Water consumption (m <sup>3</sup> )	Consumption of water related to own operations.	∑ Water consumption
Full-time equivalent (FTE)	A measurement used to figure out the number of full-time hours worked by all employees in a business. We consider 37 hours to be a full-time week.	∑ Full-time employees + (Individual part-time employee work hours / Full-time hours)
Gender diversity (% women)	Employee breakdowns by gender.	(Full-time equivalent (Women)/Full-time equivalent (Women + Men)) * 100
Gender diversity, Management (N1, N2)	The gender distribution in percentage at management level.	(Women in management / Women + Men in management) *100
Gender pay ratio (multiply)	How many times can the female median pay be covered by the male median pay.	Men median pay / Women median pay

ESG indicator	Definition	Formula
Employee turnover ratio (%)	The rate of employee turnover in the reporting period in percentage.	$((\text{Voluntary} + \text{Involuntary FTE leaving}) / \text{FTE}) * 100$
Employee training hours per FTE	The average number of training hours per employee.	$\sum \text{Employee Training Hours} / \text{FTE}$
Absence due to illness (days/FTE)	A measurement of the average number of days of absence due to illness per FTE.	$\sum \text{Number of days of absence due to illness} / \text{FTE}$
Employee engagement (score)	A measure of how committed our employees are at helping our organisation succeed.	Externally calculated based on survey
Attendance rate at board meetings (%)	Activity level of board members.	$(\sum \text{Board members attending for all meetings in the reporting year} / (\sum \text{Number of meetings} * \sum \text{Board members})) * 100$
Attendance rate at audit committee meetings (%)	Activity level of Audit Committee members.	$(\sum \text{Audit Committee members attending for all meetings in the reporting year} / (\sum \text{Number of meetings} * \sum \text{Audit Committee members})) * 100$
CEO pay ratio	The annual total remuneration ratio of the highest paid individual (CEOs) to the median annual total remuneration for all employees (excluding the highest-paid individual).	CEO compensation / Median staff pay
Gender diversity, Board of Directors (%)	Calculated as an average ratio of female to male board members.	$(\text{Women on the board} / (\text{Women} + \text{Men on the board})) * 100$
Penalties regarding corruption per employee	The number of convictions for violation of anti-corruption and anti-bribery laws.	$\sum \text{Number of penalties per corrupt employee}$

# 06

## Additional information

86 Definitions and formulas



# Definitions and formulas

**Benchmark:** Public issues under a standard loan programme. Maturities often vary between 3 and 10 years depending on currency.

**Cap:** An interest rate cap is a maximum interest rate on a given financial instrument with variable interest payments.

**Co<sub>2</sub>e Scope total:** Direct and indirect emissions of CO<sub>2</sub> from purchased energy (such as electricity and district heating).

**Cross-Transaction Payment Netting:** When payments are netted into one net payment across multiple transactions.

**CVA:** Credit Value Adjustment (CVA) designates the value by which derivatives must be adjusted to reflect the probability of a counterparty's default.

**DVA:** Debt Value Adjustment (DVA) designates the value by which derivatives must be adjusted to reflect the probability of KommuneKredit's default.

**ECP:** European Commercial Paper. Issues under a standard loan programme with a short term to maturity.

**Equity ratio =** 
$$\frac{\text{Equity}}{\text{Total assets}}$$

**Common Equity Tier 1 (CET1) capital:** Equity less various deductions, which in KommuneKredit's case is zero.

**Floor:** An interest rate floor is a minimum interest rate on a given financial instrument with variable interest payments.

**Funding spread:** KommuneKredit's funding spread is its funding costs relative to the variable market rate in DKK.

**Green Bond Framework (GBF):** The framework for KommuneKredit's issue of green bonds, including the criteria defining which loan purposes may be classified as green.

**General block exemption rules:** The General Block Exemption Regulation is part of the EU's state aid rules and is designed to reduce administrative burdens on specific types of state aid without giving recipients an unfair competitive advantage.

**Haircut:** Deductions in the quoted price of bonds, the size depending on the liquidity properties of the bond.

**HQLA:** High-quality liquid assets.

**ICMA:** International Capital Market Association.

**ISDA Master Agreement:** Bilateral framework agreement and master netting agreement for trading in OTC derivatives between financial counterparties.

**Kangaroo:** Issues in AUD primarily for Australian and Japanese investors under a standardised loan programme.

**Capital base:** Common Equity Tier 1 (CET1) capital less various deductions (e.g. prudent valuation, current losses, intangible assets).

**Capital ratio =** 
$$\frac{\text{Capital base}}{\text{Total risk exposure amount (REA)}}$$

The capital ratio is calculated in accordance with the solvency requirements for financial institutions.

**Local authority mandate:** The rules on local authority mandates are based on unwritten legal doctrines that allow municipalities to undertake assignments and make certain financial transactions of an economic nature without explicit statutory authority.

**Cyclical fluctuations** Cyclical fluctuations are the rises and falls in economic activity in the Danish society over a long period of time.

**LIBOR/IBOR:** Interbank Offered Rate is a daily reference rate based on the interest rates for unsecured loans charged among banks.

**Total liquidity resources:** Total liquidity resources are composed of equity and liquidity resources.

**Liquidity Coverage Ratio (LCR):** Indicates the ratio between the portfolio of liquid assets and the net runoff from cash flows over a 30-day horizon in a stress scenario. The financial ratio was introduced in connection with Basel III and subsequently CRR/CRD IV.

**Nasdaq Copenhagen:** Bonds listed on the stock exchange in Copenhagen. These bonds are often denominated in DKK.

**Net Stable Funding Ratio (NSFR):** The ratio between defined stable funding and the estimated need for stable funding. The financial ratio was introduced in connection with Basel III and subsequently CRR/CRD IV.

**Net lending:** Net additions of loans and leases in nominal value.

**Bond circuit:** The bond circuit is characterised by being based on the mortgage credit balance principle where the terms and conditions underlying the debt securities issued by KommuneKredit are passed on directly to the bond loan to the client plus a margin determined by KommuneKredit.

**Private placement:** An issue directed at a single investor. Issues may be denominated in different currencies and maturities.

**Risk tolerance:** The level of risk a business is willing to accept.

**Risk weight:** Weight attributed to the individual exposures when calculating the capital ratio. Given by the solvency rules for credit institutions.

**Total risk exposure amount (REA)** The value of total assets when calculating the capital ratio, allowing for the risk weight of the exposure. Total risk exposure amount is calculated in accordance with the solvency requirements for credit institutions.

**Collateral agreement (Credit Support Annex):** Agreement between financial counterparties regarding exchange of collateral in case of fluctuations in the market value of derivatives.

**SOFR:** Secured Overnight Financing Rate.

**Structured notes:** Structured notes are typically a mixture of a bond and an embedded element of derivatives (most often options) which provides exposure to other forms of investment assets, for example developments in a price, interest rate or equity index or a selection of equities.

**TCFD:** Task Force on Climate-related Financial Disclosures.

**Uridashi:** Issue for the Japanese retail market under a standard loan programme.



#### Photos

Municipality of Kolding (front page), Krstrup Vandværk, Gelsted Fjernvarme and KommuneKredit.

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#### Disclaimer

The annual report is prepared in Danish and translated into English. In the event of discrepancies the Danish version shall prevail.



## Contact

Jens Lundager, Chief Executive Officer,  
Managing Director

Please direct questions regarding bond issuance to:  
Jette Moldrup, Chief Treasury & Sustainability Officer

### **KommuneKredit**

Kultorvet 16  
DK-1175 Copenhagen K, Denmark

Tel. +45 3311 1512  
kk@kommunekredit.dk  
www.kommunekredit.com  
CVR No. 22 12 86 12

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