



Interim report First half 2023

KommuneKredit
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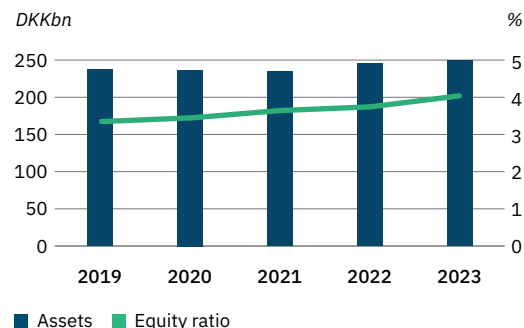
Case: Padel for everyone

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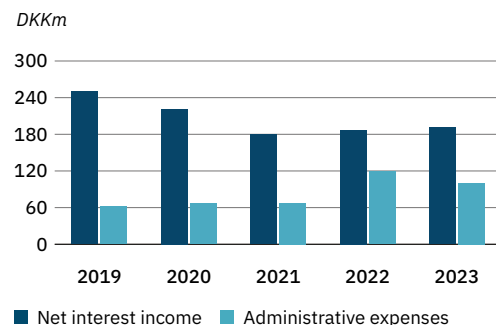


Key figures and financial ratios

Assets and equity ratio first half 2019-2023



Net interest income and administrative expenses first half 2019-2023



Million	H1 2023 EUR	H1 2023 DKK	H1 2022 DKK	Full-year 2022 DKK
Key figures for the period				
Net interest income	26	191	187	360
Administrative expenses	-13	-100	-119	-224
Profit before value adjustments	12	87	65	129
Value adjustment of financial instruments	21	153	535	1,144
Tax on profit for the period	-7	-53	-132	-282
Comprehensive income for the period	25	187	468	991
Loans and leases	24,313	181,070	179,513	174,974
Portfolio of securities	6,214	46,279	50,530	46,591
Assets	32,263	240,280	245,327	237,052
Debt securities issued	28,418	211,642	221,784	207,899
Equity	1,336	9,953	9,243	9,766
Activities during the period				
Loans and leases, net additions in nominal value (net lending)	577	4,296	3,367	4,766
Loans and leases, gross additions in nominal value	2,217	16,508	16,912	28,057
Debt securities issued, gross additions in nominal value	3,330	24,801	33,319	52,692
Capital structure				
Total Risk Exposure Amount (REA)	2,038	15,176	16,267	15,653
Common Equity Tier 1 (CET1) capital	1,336	9,953	9,243	9,766
Capital base	1,326	9,873	9,136	9,684
Capital ratio, pct.	65	65	56	62
Equity ratio, pct.	4.1	4.1	3.8	4.1
Selected financial ratios				
Losses on loans and leases	0	0	0	0
Expenses/assets, pct.	0.04	0.04	0.05	0.09
Net interest income/assets, pct.	0.08	0.08	0.08	0.14
Liquidity resources, pct.	20	20	22	21
Number of full-time employees	102	102	94	97

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark.
Exchange rate at 30 June 2023: EUR 100 = DKK 744.75.



More local value for citizens' money

KommuneKredit is a very special financial enterprise which helps to ensure that municipalities and regions get more local value for their citizens' money. This is to everyone's benefit – no matter whether you live in Nørresundby, Nakskov or Nørrebro.

KommuneKredit is in fact an association. An association that enables municipalities and regions to gain quick and easy access to financing for their projects. Big or small. At the lowest possible cost. On equal terms – throughout the country.

This also applies when local companies and institutions, backed by a municipal guarantee, borrow money for everything

from museums to coastal protection. We provide the financing.

This is the way it has been ever since 1899 when KommuneKredit disbursed its first loan. We are not overstating things when we say that KommuneKredit since then has played a key role for local governments and for building modern Danish society.

And that is also how it is now, with our dedicated and skilled employees providing advice and facilitating more than 2,000 annual loans and leases for everything from the leasing of electric vehicles for the municipal home care service, the buying of new scanners for hospitals, to establishing district heating throughout Denmark. Or for something else entirely.



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.

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

KommuneKredit is an association. Members – Denmark's 98 municipalities and 5 regions – represent the entire Danish population and are jointly and severally liable for our liabilities.



Safe link

Acting as a safe link between global funding and lending for projects across the country, KommuneKredit provides a financial foundation for developing the Danish welfare society and supporting the green transition.



Funding of lending

KommuneKredit funds its lending by issuing securities in the Danish and international capital markets.

Strong trends and many changes

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. This way we support local growth and the green transition in Denmark.

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

Change in the framework of KommuneKredit's lending to district heating and waste incineration

The Danish Ministry of the Interior and Health has laid down rules for local government borrowing and guarantees, and KommuneKredit complies with these rules as part of our lending and leasing activities. Furthermore, the specific investment for which a loan is raised 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



Chairman of the Board of Directors
Henrik Hvidesten



CEO
Jens Lundager

Examples of lending and leasing in H1 2023:

- DKK 3 million for a water softening system for Strøby Egede Vandværk
- Just under DKK 27 million for an electric boiler and a storage tank for Rask Mølle Varmeværk
- DKK 30 million for Skanderborg-Hørning Fjernvarme to finance two 6 MW heat pumps
- Finance leases of eight ambulance stations for Region Zealand in the amount of DKK 126 million
- Power infrastructure for the Odense super hospital in the Region of Southern Denmark in the amount of DKK 86.2 million

with the so-called block exemption regulations, 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 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 ensures that we collect the information required to apply the block exemption regulations, where relevant.

The Danish parliament has passed a new act on calls for tenders for waste incineration, which means waste incineration activities must henceforth be run on commercial terms. This means KommuneKredit can no longer finance investments in waste incineration plants. However, loans granted before the act entered into force on 1 July 2023 may continue until maturity. Municipally owned waste management companies must, by 1 January 2025, have established a public or private limited company to run the waste incineration plant. With a new municipal guarantee, the

new company is able to take over the existing KommuneKredit loans. The interest benefit of these KommuneKredit loans which are continued in commercial enterprises will, according to the rules on state aid, be regarded as existing aid.

New Act on KommuneKredit

The Danish parliament unanimously passed a new Act on KommuneKredit in spring 2023 after thorough preparatory legislative work. The act came into force on 1 July 2023.

Under the new act, KommuneKredit must comply with the same rules as other financial enterprises in relevant areas, and the Danish FSA will supervise our compliance. 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 regulation. 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 will be able to grant loans and finance leases fully guaranteed by the Danish State to municipalities and municipally-owned companies in

» *We have managed to ensure that district heating companies in all parts of the country still have access to the cheapest possible financing of their investments in green and energy-efficient district heating, in full compliance with the EU's state aid rules.*

Jens Lundager
CEO

Greenland and the Faroe Islands. The Greenlandic and Faroese municipalities in question will not become members of KommuneKredit and will therefore not be liable for KommuneKredit's liabilities.

A process is underway to secure the necessary contractual basis regarding a state guarantee for loans to municipalities and municipal entities in Greenland, which is expected to be in place by 1 January 2024. Within our organisation, we are ready to serve our Greenlandic customers.

The Faroe Islands have not indicated a wish to take advantage of KommuneKredit loans to Faroese municipalities.

Continued focus on Strategy 2025

Strategy 2025 sets out to ensure a future for KommuneKredit as a well-run, accessible and sustainable publicly-owned financial enterprise. In the first half of 2023, we completed our new leasing system, we implemented a new document management system, and we have reached a stage of development for a new lending system where we have begun to gradually implement new functionality as it is developed. This process will continue over the next 18 to 24 months. In the second half of 2023, we will be launching a new website

which will gradually offer new self-service options for our customers. The objective is to make it even easier to be a customer at KommuneKredit.

We have supported this development by way of an organisational change in the first half of 2023 to move our development capabilities closer to the business.

ESG progress

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

Given our status as a special-purpose credit institution, our main contribution to the sustainable transition comes from our lending and leasing. We issue green bonds to accommodate investor demand for financing sustainable investments in municipalities and regions. In the first half of 2023, our external green bond committee approved green loans totalling DKK 1.7 billion, which form the basis for issuing new green bonds.

In the years ahead, many of our investors will come under an obligation to report on ESG

Russia

Pursuant to our investment policy, KommuneKredit cannot invest in Russian securities, and to the best of our knowledge we have no direct relations with Russian banks.

Climate-related issues

KommuneKredit's financial risks are unaffected by climate change, and we therefore do not report on climate aspects. For our assessment of the need for TCFD reporting, see our [Sustainability Report 2021](#).

factors, which means they will need more information from us – both about KommuneKredit's own situation and about our lending. We are currently analysing how to expand our ESG data. We are planning to integrate ESG data in our annual report for 2023.

With respect to employee matters, on 1 July we became a member of the Danish Employers' Association for the Financial Sector and are thus comprised by the collective agreement with the Danish Financial Services Union. 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. We are currently recruiting trainees at KommuneKredit, and after a successful trainee period we have hired a Ukrainian citizen, who came to Denmark because of the war.

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.

Our goal is to offer an even more attractive workplace of satisfied and committed employees who perform to the best of their ability in all the areas we cover. We generally find that the flexibility has a positive effect on how our employees perform their work.

Henrik Hvidesten
Chairman

Jens Lundager
CEO





CASE

From motor city to electric vehicle city

Silkeborg Municipality was facing a major challenge of how to reduce carbon emissions and create a more climate-friendly transport solution for the large fleet of municipal vehicles. By leasing 156 electric vehicles through KommuneKredit, Silkeborg has taken an important step towards its goal of becoming carbon neutral by 2025.

Facts

Silkeborg Municipality has leased 156 electric vehicles of two different types with lease periods of 72 and 96 months, respectively

Want to learn more?

Contact one of our leasing customer advisers at kleas@kommunekredit.dk

During the past 40 years, Silkeborg has built a reputation as a motor city. The city can now also rightly be referred to as the 'electric vehicle city' after Silkeborg Municipality opted to accelerate the green transition by replacing 256 of the municipality's petrol-fuelled cars with electric vehicles. However, replacing such a large fleet of vehicles is not something you do overnight.

Huge climate and financial impact

This year, Silkeborg Municipality started to phase in the first 156 electric vehicles leased through KommuneKredit. The lease agreement creates great value for the climate as well as for the operating costs of the municipality.

The lease agreement enables Silkeborg to spread the expenses over a longer period and to avoid incurring large financial expenditure all at once. This has ultimately enabled the municipality to maintain the required vehicle replacement volume while at the same time effectively contributing to meeting Silkeborg's climate goals. When all 256 electric vehicles have been phased into the municipality's operations, total carbon emissions will have been reduced by as much as 500 tonnes. This is a crucial step towards meeting Silkeborg's ambitious goal of becoming carbon neutral by 2025.

» By leasing the electric vehicles through KommuneKredit, we have reduced our annual operating costs. We can better balance our budget instead of having to make a large one-time payment. If we had to pay all the costs up front, the level of replacement of these 256 vehicles would probably have been difficult to achieve before the end of 2025.

Jeppe Abildgaard Pedersen
Fleet manager, Silkeborg Municipality



CASE

Padel for everyone

Tåsinge Tennis og Padel Klub dreamt of making padel available for everyone but lacked financial support for building a padel centre. Financing from KommuneKredit was one of factors that made the dream come true for the padel club, which is now providing much joy for its members and the local community in southern Funen.

In the course of just a few years, padel tennis has become a highly popular sport in Denmark, and many padel centres and clubs have been established across the country. Most clubs and centres are run by private individuals, however, and as that often means expensive hourly fees for playing, the sport is not accessible to everyone. Tåsinge Tennis og Padel Klub wanted to change that and therefore wanted to build a padel centre, offering cheap court rental in order to make padel a sport for everyone. But the project faced a major challenge: A lack of financing.

Foundations had already provided a part of the required financing, but the club was struggling to source the remaining 3.5 million kroner. With a guarantee from Svendborg Municipality, KommuneKredit was able to provide the remaining funds:

» *We are happy to contribute by providing large or small loans. This applies when we issue loans for large projects such as district heating extensions, residential care facilities or light rail solutions, and when we grant loans to small community associations wishing to make good local ideas come true, such as padel courts and the like.*

Bettina Hedegaard Petersen
Senior Customer Advisor, KommuneKredit

Creating value for the local community

Having secured financing, the club commissioned the building of a smart padel centre with four courts, which now provides a setting for well-being, health and fellowship for the club's 1,000 members and the rest of the local community. For padel is a sport for everyone – regardless of age and level. One of the passionate supporters behind

the project is very happy that the dream came true.

» *It was a challenge to source funding for our project so it was fantastic for us to be presented with a quick and easy solution through KommuneKredit. Ultimately, the construction credit probably made the difference as to whether the project would succeed.*

Søren Filskov Madsen
Alternate member of the board of directors of Tåsinge Tennis og Padel Klub

Today, Tåsinge Tennis og Padel Klub is the cheapest place to play padel in Denmark with the first padel centre run by an association. On the island of Tåsinge, padel is now available for everyone.



Facts

Borrower: Tåsinge Tennis og Padel Klub
Guarantor: Municipality of Svendborg
Loan amount: DKK 3.5 million

Want to learn more?

Contact one of our loan customer advisers at kunde@kommunekredit.dk

Strong results and lower lending prices

Improved earnings on securities enabled us to lower our lending prices relative to current funding costs, resulting in lower lending costs for our customers without affecting profits.

Earnings and capital base

Net interest income amounted to DKK 191 million in the first half of 2023, which is an increase of DKK 4 million relative to the year-earlier period.

KommuneKredit has conducted a case regarding coupon tax on certain investments in Swiss government bonds since 2015. We have received a notification from the Swiss court of first instance stating that we did not succeed in our claim. Therefore, we have chosen to write down current tax assets at 30 June 2023 by DKK 37 million, corresponding to the value of the case.

Administrative expenses for the period amounted to DKK 100 million, against DKK 119 million in the corresponding period last

year. The decline was due to last year's DKK 35 million provision for additional payroll tax. Furthermore, higher costs for IT development have been incurred in 2023 due to progress in our strategic projects and for staff and IT-support in the IT security area.

Profit before value adjustments and tax came to DKK 87 million, a year-on-year increase of DKK 22 million. Profit before value adjustments and tax is on a level with expectations at the beginning of the year, which were for a profit before value adjustments and tax of DKK 210 million for the full year 2023.

Value adjustments of financial instruments amounted to DKK 153 million in the first half of 2023, against DKK 535 million in the first half of 2022. Value adjustments during the

period were mainly driven by improved earnings on the securities portfolio, which enabled KommuneKredit to lower its lending prices relative to current funding costs.

Comprehensive income for the first half of 2023 amounted to DKK 187 million against DKK 468 million in the first half of 2022. Comprehensive income for the period has been transferred to equity, which now stands at DKK 9,953 million. The Board of Directors has defined a target that earnings should provide appropriate capitalisation, corresponding to an equity ratio of 3 pct. At 4.1 pct., the equity ratio was in line with the target defined by the Board of Directors and on a level with the expected 2023 level.



» *Improved earnings on the securities portfolio enabled KommuneKredit to lower its lending prices.*

Morten Søjtofte
Director, CFO

The total risk exposure amount (REA) fell to DKK 15.2 billion at 30 June 2023 from DKK 15.7 billion at 31 December 2022. The fall was primarily due to a lower foreign exchange risk during the period. This brought the capital ratio, calculated in accordance with the solvency rules for credit institutions, to 65 pct. at 30 June 2023, against 62 pct. at year-end 2022.

Loans and leases

Net lending, which is new loans including leases less repayment instalments and redemptions, amounted to DKK 4.3 billion in the first half of 2023, against DKK 3.4 billion in the first half of 2022.

The value of total loans and leases rose from DKK 175.0 billion at 31 December 2022 to DKK 181.1 billion at 30 June 2023, driven by growth in net lending and positive value adjustments of loans as a result of interest rate developments.

Funding and investments

Total investments, i.e. amounts due from credit institutions plus the portfolio of securities, amounted to DKK 46.6 billion at 30 June 2023, which was largely unchanged relative to 31 December 2022. Accumulated funding,

i.e. amounts due to credit institutions plus debt securities issued, rose by DKK 3.7 billion to DKK 211.7 billion. The increase was attributable mainly to growth in net lending.

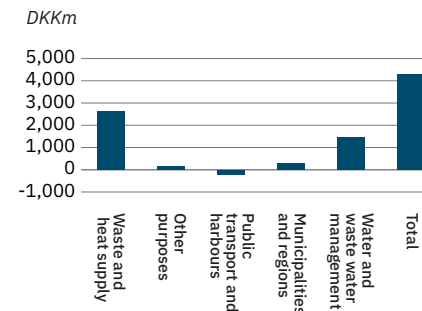
The majority of the outstanding funding is still in EUR, USD and DKK.

Total assets were up by DKK 3.2 billion to DKK 240.3 billion.

Outlook for 2023

Relative to previous guidance, we downgrade our guidance for net lending from the expected level of DKK 4.5 billion to DKK 3.0 billion. We have also upgraded our guidance for administrative expenses from DKK 190 million to DKK 205 million. This is due to progress in our strategic projects, in which we have successfully started up projects faster than we had budgeted for at the beginning of the year and higher costs for VAT and payroll tax. Accordingly, we forecast a profit for the year before value adjustments and tax of DKK 195 million. Value adjustments for the first half of 2023 amounted to DKK 153 million.

Distribution of net lending



The expectations stated in this interim 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 from the expectations expressed in the interim report.

Financial statements H1 2023

Comprehensive income

DKKkm	Note	H1 2023	H1 2022
Interest income		2,418	719
Interest expense		-2,227	-532
Net interest income		191	187
Other operating income		3	4
Other operating expenses		-7	-6
Administrative expenses		-100	-119
Profit before value adjustments		87	65
Value adjustments of financial instruments		153	535
Profit before tax		240	600
Tax on profit for the period		-53	-132
Profit for the period		187	468
Other comprehensive income			
Actuarial gains and losses		0	0
Tax on actuarial gains and losses		0	0
Comprehensive income for the period		187	468
Allocated as follows:			
Transferred to equity		187	468
Total		187	468

Balance sheet

DKKkm	Note	30 June 2023	31 Dec. 2022
Assets			
Due from credit institutions	3	335	377
Loans	3	171,086	165,652
Leases		9,984	9,322
Portfolio of securities	3	46,279	46,591
Derivatives	3, 4	12,430	14,962
Other assets		132	111
Current tax assets		34	37
Total assets		240,280	237,052
Liabilities and equity			
Due to credit institutions		3	1
Debt securities issued	3	211,642	207,899
Derivatives	3, 4	17,575	18,221
Other liabilities		557	595
Current tax liabilities		29	49
Deferred tax liabilities		521	521
Total liabilities		230,327	227,286
Equity		9,953	9,766
Total liabilities and equity		240,280	237,052

Equity

DKKkm	Note	H1 2023	H1 2022
Equity			
Equity at 1 January		9,766	8,775
Transferred to equity			
Profit for the period		187	468
Other comprehensive income			
Actuarial gains and losses		0	0
Tax on other comprehensive income		0	0
Other comprehensive income after tax		0	0
Transferred to equity in total		187	468
Equity at 30 June		9,953	9,243

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

Equity increased to DKK 9,953 million at 30 June 2023 from DKK 9,766 million at year-end 2022. At 30 June 2023, equity amounted to 4.1 pct. of total assets, which is unchanged from year-end 2022. Equity consists in its entirety of transferred comprehensive income.

Under the legal framework applying to KommuneKredit, equity must equal at least 1.0 pct. of total liabilities, equal to DKK 2,303 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 30 June 2023 includes a DKK 2 million net revaluation reserve.

Cash flows

DKKkm	Note	H1 2023	H1 2022
Profit before tax		240	600
Depreciation, amortisation and impairment		1	0
Income tax paid		-106	-150
Total		134	450
Net interest income reversed		-191	-187
Financial income received		2,418	719
Financial expenses paid		-2,227	-532
Change in lending		-6,096	15,435
Change in securities		312	-2,143
Change in debt securities issued		3,743	-12,108
Change in derivative financial liabilities		-647	7,896
Change in derivative financial assets		2,532	-9,435
Change in other assets		19	-37
Change in other liabilities		-38	11
Cash flows from operating activities		-41	69
Purchase of assets		-3	-
Cash flows from investing activities		-3	-
Cash flows from financing activities		-	-
Change in cash and cash equivalents		-44	69
Cash and cash equivalents at 1 January		376	501
Cash and cash equivalents at 30 June		332	570
Specified as follows:			
Deposits with credit institutions		335	571
Short-term payables to credit institutions		-3	-1
Cash and cash equivalents at 30 June		332	570

Note 1

Accounting policies

General

This interim report covers the period from 1 January to 30 June 2023.

The interim report is presented in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional disclosure requirements for interim reports.

Unless otherwise indicated, all amounts in the interim 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 accounting policies are consistent with the policies applied in the 2022 Annual Report. Reference is made to the annual report for a complete description of the accounting policies.

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.

Significant accounting estimates and judgments

In the preparation of the interim 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 statements, 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.

Relative to information in the annual report for 2022, no changes were made to the accounting estimates made. A full description of applied methods and principles for determining accounting judgments and estimates with respect to the fair value of financial instruments is provided in the annual report for 2022.

Note 2

Events after the balance sheet date

No significant events occurred after the balance sheet date.

Note 3

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) On the part of debt securities issued and loans which is referred to as the bond circuit, KommuneKredit uses listed prices for similar issues adjusted for liquidity, credit risk and conversion rights. 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 listed 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 micro-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 mitigating market risk by using financial instruments. 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 levels were made in the first half of 2023.

Note 3

Specification of fair value of financial instruments

DKKm	Level 1	Level 2	Level 3	Total
30 June 2023				
Assets				
Due from credit institutions	335	0	0	335
Loans	0	171,086	0	171,086
Portfolio of securities	46,279	0	0	46,279
Derivatives	0	12,193	237	12,430
Total assets	46,614	183,279	237	230,130
Liabilities				
Due to credit institutions	3	0	0	3
Debt securities issued	0	206,840	4,802	211,642
Derivatives	0	17,304	271	17,575
Total liabilities	3	224,144	5,073	229,220

DKKm	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets				
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
Total assets	46,968	180,358	256	227,582
Liabilities				
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
Total liabilities	1	220,757	5,363	226,121

Note 3

Specification of level 3 fair value

DKK ^m	1 January	Additions	Disposals	Recognised in profit for the period	30 June
30 June 2023					
Assets					
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	-18	237
Total assets	256	0	-1	-18	237
Liabilities					
Due to credit institutions	0	0	0	0	0
Debt securities issued	5,054	0	-294	42	4,802
Derivatives	309	0	-5	-33	271
Total liabilities	5,363	0	-299	9	5,073

DKK ^m	1 January	Additions	Disposals	Recognised in profit for the year	31 Dec.
31 December 2022					
Assets					
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
Total assets	636	0	-32	-348	256
Liabilities					
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
Total liabilities	5,977	0	-398	-216	5,363

Note 4

Specification of fair value of financial instruments

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 9,588 million at 30 June 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 carrying amount	Set-off	Carrying amount	Financial instruments	Collateral	Net value
30 June 2023						
Assets	22,018	-9,588	12,430	-2,426	-9,412	592
Liabilities	27,163	-9,588	17,575	-2,426	-14,374	775
Net	-5,145	0	-5,145	0	4,962	-183
31 December 2022						
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
Net	-3,259	0	-3,259	0	2,536	-723

Note 5

Liquidity resources

Under the previous Act on KommuneKredit, the supervisory authority allows KommuneKredit to build up liquidity resources, based on pre-funding of up to 25 pct. of total lending at the end of the preceding quarter. The upper limit amounted to DKK 44.5 billion at the end of the period, and KommuneKredit had liquidity resources of DKK 35.7 billion. The utilisation of the limit has fluctuated in 2023 to date, and the highest level of liquidity resources at the end of a month was 21 pct.

Liquidity resources are calculated as due to credit institutions, debt securities issued and derivatives less total loans and leases recognised at carrying amount.

With the adoption of the new Act on KommuneKredit at 1 July 2023, the requirement for calculating liquidity resources is cancelled. The note on liquidity resources will therefore also be omitted in future financial reports.

DKKm	30 June 2023	31 Dec. 2022
Liquidity resources		
Amounts due to credit institutions, debt securities issued and derivatives		
Due to credit institutions	3	1
Debt securities issued	211,642	207,899
Derivatives, liabilities	17,575	18,221
Derivatives, assets	-12,430	-14,962
Total amounts due to credit institutions, debt securities issued and derivatives	216,790	211,159
Loans and leases		
Loans	171,086	165,652
Leases	9,984	9,322
Total loans	181,070	174,974
Liquidity resources	35,720	36,185
Liquidity resources cannot exceed 25 pct. of total lending at the end of the preceding quarter.		
Liquidity resources	35,720	36,185
Total lending at the end of the preceding quarter	177,818	174,586
Liquidity resources, pct.	20	21

Note 6

Key figures and financial ratios

Million	H1 2023	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019	FY 2022
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
Key figures for the period							
Net interest income	26	191	187	180	221	250	360
Administrative expenses	-13	-100	-119	-68	-67	-62	-224
Profit before value adjustments	12	87	65	109	152	187	129
Value adjustments of financial instruments	21	153	535	190	35	218	1,144
Tax on profit for the period	-7	-53	-132	-66	-41	-89	-282
Comprehensive income for the period	25	187	468	233	145	316	991
Loans and leases	24,313	181,070	179,513	191,156	190,698	185,878	174,974
Portfolio of securities	6,214	46,279	50,530	36,745	37,609	42,181	46,591
Assets	32,268	240,280	245,327	234,368	236,685	237,182	237,052
Debt securities issued	28,418	211,642	221,784	216,970	216,443	216,451	207,899
Equity	1,336	9,953	9,243	8,630	8,324	8,052	9,766
Activities during the period							
Loans and leases, net additions in nominal value	577	4,296	3,367	3,782	3,914	2,774	4,766
Loans and leases, gross additions in nominal value	2,217	16,508	16,912	19,874	23,926	17,995	28,057
Debt securities issued, gross additions in nominal value	3,330	24,801	33,319	35,229	26,855	31,762	52,692

Million	H1 2023	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019	FY 2022
	EUR	DKK	DKK	DKK	DKK	DKK	DKK
Capital structure							
Total Risk Exposure Amount (REA)	2,038	15,176	16,267	12,202	13,817	14,366	15,653
Common Equity Tier 1 (CET1) capital	1,336	9,953	9,243	8,630	8,324	8,052	9,766
Capital base	1,326	9,873	9,136	8,530	8,165	7,851	9,684
Capital ratio, pct.	65	65	56	70	59	55	62
Equity ratio, pct.	4.1	4.1	3.8	3.7	3.5	3.4	4.1
Selected financial ratios							
Losses on loans and leases	0	0	0	0	0	0	0
Expenses/assets, pct.	0.04	0.04	0.05	0.03	0.03	0.03	0.09
Net interest income/assets, pct.	0.08	0.08	0.08	0.08	0.09	0.11	0.14
Liquidity resources, pct.	20	20	22	15	15	18	21
Number of full-time employees	102	102	94	87	79	74	97

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 30 June 2023: EUR 100 = DKK 744.75.



Statements and reports

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of KommuneKredit for the period 1 January – 30 June 2023.

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU.

In our opinion, the interim financial statements give a true and fair view of the financial position of KommuneKredit at 30 June 2023 and of the comprehensive income of KommuneKredit’s operations and cash flows for the period 1 January – 30 June 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, 7 September 2023

Management Board

Jens Lundager
CEO

Henrik Andersen
Director

/Morten Søjtofte
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 on review of the interim financial statements

To the Board of Directors of KommuneKredit

We have reviewed the interim financial statements of KommuneKredit for the period 01.01.2023 - 30.06.2023, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies.

Management's responsibility for the interim financial statements

Management is responsible for the preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Inde-

pendent Auditor of the Entity and additional requirements under Danish audit regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements for the period 01.01.2023 - 30.06.2023 have not been prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for listed companies.

Statement on the management's review

Management is responsible for the management's review.

Our conclusion on the interim financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the interim financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Copenhagen, 7 September 2023

DELOITTE

Statsautoriseret Revisionspartnerselskab
CVR No. 33 96 35 56

Anders Oldau Gjelstrup

State Authorised Public Accountant
Identification No. (MNE) mne10777

Jens Ringbæk

State Authorised Public Accountant
Identification No. (MNE) 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 interim financial statements of KommuneKredit for the period 1 January – 30 June 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 governing KommuneKredit's lending business, which is the subject of my supervision. The audit procedures performed by Deloitte did not give rise to any comments on my part.

Copenhagen, 7 September 2023

Per Hansen

Additional information

Definitions and formulas

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

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

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

Common Equity Tier 1 (CET1) capital:

Equity less various deductions, which in KommuneKredit's case is zero.

General Block Exemption Regulation: Under the General Block Exemption Regulation (GBER), entities are exempt from the duty under the EU Treaty to notify state aid to the European Commission if the aid-granting entity has ensured compliance with the provisions of the GBER. The aid can thus be granted directly, and the aid-granting entity is only obliged to inform the Commission afterwards.

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: Framework agreement based on an international standard agreement entered into between two parties regarding derivatives transactions. The agreement includes a provision on close-out netting that applies to all outstanding transactions under the agreement. See Collateral agreement (Credit Support Annex) below.

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

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

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 Nasdaq Copenhagen.

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.

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 entered into as an annex to an ISDA Master Agreement (see explanation above). The agreement defines the mutual obligations of the parties to provide collateral, typically in the form of securities, to hedge, on a daily basis, fluctuations in the market value of the derivatives transactions entered into by the parties.

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.

Liquidity resources: Amounts due to credit institutions, debt securities issued and derivatives less lending.



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

Photos Thomas Jessen, Silkeborg Municipality and KommuneKredit

Thank you to Skive Municipality and Tåsinge Tennis og Padel Klub for participating in cases

Design and production Noted

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