

Annual Report 2022

KommuneKredit
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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 2,000 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.

Table of contents

- 01 About KommuneKredit
- 02 Operations in 2022
- 03 Financial statements
- 04 Statements and reports
- 05 Additional information

Sustainability Report

Each year, KommuneKredit publishes a Sustainability Report, which is part of our permanent reporting segment.

[Click here to read the report](#)

Corporate Governance Report

KommuneKredit has published a report on corporate governance.

[Click here to read the report](#)

Green Bond Impact Report

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

[Click here to read the report](#)



Case: Tejn Waterworks

4



Case: Svendborg Waste Management

16



Case: TVIS

41





CASE

Clean water in the taps

Clean drinking water at the lowest possible price – today and tomorrow. This was the underlying aim behind replacing the clean-water tank and modernising the pumps at Tejn Waterworks on the island of Bornholm. The improvements will cut the average age of its tanks by 30 years and enable future upgrades to be made without supply interruptions.

The waterworks in Tejn now has a new clean-water tank which will help future-proof the supply of drinking water to its 844 consumers, who together get through a good 73,000 cubic metres of water every year. Replacing a tank dating from 1967 and building redundancy into the system so that future renovations do not result in interruptions of supply, the new tank means safer storage of treated drinking water. The pumps at the plant are also

being replaced as they are nearing the end of their service life, and this is expected to cut power wastage by at least 30 pct.

The project has been financed with a construction loan from KommuneKredit.

» *“Our mission is to protect the environment and provide clean drinking water throughout our supply area. Replacing the clean-water tank and pumps will help achieve this well into the future. Both the old tank and the pumps were on their last legs. Luckily it was easy to ring up KommuneKredit and get a loan so that we could start on the renovations.”*

Mikkel Mortensen
Deputy Chair, Tejn Waterworks



Facts

Borrower:	Tejn Vandværk
Guarantor:	Regional Municipality of Bornholm.
Loan purpose:	Construction loan for establishing clean-water tank and replacing pumps
Loan amount:	DKK 4.75 million
Construction period:	2022

Want to learn more?

Contact Christian Jeppesen, Director, Head of Lending and Leasing, chj@kommunekredit.dk



About KommuneKredit

- 06 Management's review
- 10 Key figures and financial ratios
- 11 Selected facts 2022
- 13 The Danish economy

01

Management's review

KommuneKredit is a special-purpose credit institution. Our purpose is to provide financing for projects in municipalities, regions and affiliated companies at the lowest possible cost. This way we support local growth and the green transition in Denmark.

KommuneKredit is an association. 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 profitability can be measured in terms of the low lending rates we offer our customers when they need to finance their projects. Large and small projects – on equal terms throughout the country. In other words, we help ensure more local value for citizens' money.

We facilitate more than 2,000 loans and finance leases every year – also in 2022 when for example we granted a loan for DKK 10 million to Lemvig Vand for investment in the piping network. We issued the loan with a guar-

antee from the Municipality of Lemvig. We also granted a loan for close to DKK 5 million to Halsnæs Affald with a guarantee from the Municipality of Halsnæs. The loan was issued to finance dustbins and recycling bins. The coastal protection association Sunddragets kystbeskyttelseslag af 2021 borrowed close to DKK 4 million with a guarantee issued by the Municipality of Struer for coastal protection. Furthermore, we leased ambulances to the Capital Region for just under DKK 16 million and electric vehicles for the municipal home care service in the Municipality of Hjørning for close to DKK 23 million.

Value adjustments lifted our profit

2022 was a year of great volatility in the international financial markets, which were marked by the war in Ukraine, the energy crisis and the high rate of inflation. Interest rates climbed significantly over the course of

the year, causing higher interest expenses for municipalities and regions which had borrowed funds for their investments. Market developments did not as such have any impact on KommuneKredit's net interest income. The reason is that we pass on the market rates to our customers at a small margin. Our profit before tax and value adjustments in 2022 was not in line with what we expected at the beginning of the year due to our higher costs. On the other hand, market developments affected our value adjustments because we measure both assets and liabilities at market value. In 2022, we recorded positive value adjustments of DKK 1.1 billion, and our pre-tax profit was therefore a record-high DKK 1.3 billion. The positive value adjustment will be partly offset by negative value adjustments over the coming years and we expect this to reduce profit going forward.

In recent years, we have lowered our earnings margin and, by extension, our net interest income. This is to the benefit of our customers and the citizens who get more value for their tax money. For example, net interest income fell from DKK 496 million in 2019 to DKK 339 million in 2022. The reduction results in a deliberate downward trend in profit before value adjustments. At the same time, it increases the likelihood of negative fair value adjustments resulting in an overall negative result in individual years going forward.

New Board of Directors

In the summer of 2022, KommuneKredit's Board of Directors elected new members to serve for the next four years. Local Government Denmark (KL) and Danish Regions (Danske Regioner) elected eight members on the basis of the 2021 elections for municipal and regional councils. The Board of Directors also includes two independent members with skills in accounting, auditing, finance or risk management appointed by KommuneKredit's Board of Directors.

On the Board of Directors, we remain focused on executing on Strategy 2025 to ensure a future for KommuneKredit as a well-run, accessible and sustainable publicly-owned financial enterprise.



Chairman of the Board of Directors
Henrik Hvidesten

» On the Board of Directors, we believe it is important for KommuneKredit to define our own climate targets. We want to contribute to society's green transition, both by reducing our own carbon footprint and by supporting our members' climate initiatives through our financing."

Henrik Hvidesten

Chairman of the Board of Directors, KommuneKredit

Strategy 2025

In 2022, we came a long way in developing new IT platforms for supporting our lending and leasing procedures. This comprehensive project will continue in the years to come. As long as the work is underway, KommuneKredit will record a higher cost level. In the leasing area, we finalised the upgrading and migration of the central IT system. The upgrade has strengthened our workflows from start to finish. In the lending area, we have made good progress in the development work that is crucial for us to modernise the lending process both internally and in relation to customers. We expect to start using the loan platform in 2023. Furthermore, we are launching a new website that will eventually provide access to a new customer portal. The portal will give customers access to self-service options and to search for information about their own exposures.

We have also launched a new core story about KommuneKredit. We use this core story as a foundation for strengthening our communications to customers, business partners and prospective employees.

Like the rest of the world, KommuneKredit needs to manage a growing level of IT security threats. To address these threats, our initiatives in 2022 included allocating additional IT security resources, establishing a collaboration with market-leading suppliers and continuing employee training.

Sustainable transition throughout the country

Many of the municipal and regional investments arise from local community ambitions for the green transition. When, for example, Danish municipalities, regions or affiliated companies want to establish district heat-



CEO
Jens Lundager

» I'm proud that our employee engagement survey puts us at the very top for the financial sector. It has been a volatile year of many outside factors and a continuing high workload in connection with our strategic projects. I appreciate the efforts of managers and employees taking a joint responsibility for creating a positive working environment."

Jens Lundager
CEO, KommuneKredit

ing based on surplus heat, which helps to lower consumer heating bills, the project can often be financed by a green loan from KommuneKredit. That also applies to sustainable building work or investments in climate-friendly transport. At 31 December 2022, we had issued loans for green projects totalling DKK 30 billion.

We issue green bonds to fund the green loans – and have done so since 2017. By accommodating investor demand for sustainable investments, we help ensure we can continue to offer our customers the cheapest possible loans for their projects.

On the Board of Directors, we have adopted five ESG targets to emphasise KommuneKredit's social responsibility and contribution to the green transition. The targets focus

both on our internal carbon footprint and the footprint of the projects for which we offer loans. One of the five targets is our ambition to increase the share of sustainable lending, which must be at least 25 per cent by 2025. The other targets involve, within our organisation, reducing our own carbon footprint by 55 per cent in 2030 relative to emissions in 2018, entering into a climate compensation agreement for the remaining carbon emissions and, outside the organisation, mapping the carbon footprint of our loan and investment portfolio and assessing the possibility of setting reduction targets for the carbon footprint of our loan and investment portfolio.

District heating to replace natural gas

A key component of the green transition in local communities in Denmark is to develop energy-efficient district heating to replace

sources such as natural gas, which has affected the private finances of many Danish households during the past year. We expect KommuneKredit will also be financing a very large share of these projects in the future, and we are focused on ensuring that we can continue to lend funds for district heating projects in accordance with the rules on state aid, including in cases where there may be competition in a particular district heating area. Green and energy-efficient district heating is precisely one of the areas the EU intends to promote with the so-called block exemption regulations.

Later this year, the European Commission is expected to adopt a revised version of the regulations, which will extend and ensure more flexible access to granting aid for energy-efficient district heating. In 2022, we met with the European Commission to discuss the various possibilities for providing subsidies in the area. Against that background, we have introduced a new process for applying for loans for district heating. The new process helps ensure that we gather the information required to potentially apply the block exemption regulations. When we grant a new loan on the basis of the block exemption regulations, the interest benefit at KommuneKredit represents legal state aid.

Bill on allowing competition within waste incineration

The Danish government has submitted a bill for consultation with a view to implementing the political agreement on allowing competition within waste incineration. Under the proposed amendments, KommuneKredit would only be able to extend existing loans for waste incineration on existing terms, meaning that existing loans would not be eligible to be converted to a different type of loan. Extending existing loans would require owner municipalities to guarantee the loan.

Nor would KommuneKredit be able to provide loans to finance green and sustainable investments in waste incineration plants, even though EU allows support for such plants producing “highly-efficient district heating”.

New legislation opening up for loans to Greenland and the Faroe Islands

On 8 February 2023, a proposal was tabled for a new Act on KommuneKredit, which is expected to be adopted in spring and enter into force on 1 July 2023. The Act will establish a balanced model for regulation and supervision based on a principle of proportionality. KommuneKredit is subject to the same rules as apply to other financial enterprises in the areas that are relevant for our business. The

Danish FSA will supervise this. The bill has been underway for a couple of years, and we have come a long way in adapting to the new regulation.

The new Act on KommuneKredit will also open up for granting loans to municipalities in Greenland and the Faroe Islands as well as certain municipal entities. These loans will be fully guaranteed by the Danish State. The Greenland and Faroese municipalities in question will not become members of the association and will therefore not be liable for KommuneKredit’s liabilities.

The Government of Greenland, the Danish State and KommuneKredit are to establish a framework agreement for state-guaranteed KommuneKredit loans to municipalities and municipal entities in Greenland within a predetermined guarantee framework. We are very pleased to be teaming up with the Danish State to assist in providing financing for infrastructure in Greenland. We look forward to the collaboration and expect to be able to provide loans to entities in Greenland from 1 July 2023.

The new Act opens up for making a similar framework agreement on loans to municipalities and municipal entities in the Faroe

Islands between the Faroese Home Rule Government, the Danish State and KommuneKredit.

Well-being at KommuneKredit

Within our organisation, we continued the flexible work format we developed in continuation of the COVID-19 lockdowns. Together with their immediate superior, our employees can plan their working week flexibly between the workplace and their home. Employees and management are both very pleased with this way of working, as witnessed by a very positive employee engagement survey we conducted in autumn 2022. The survey showed that enhanced flexibility has given our employees room to concentrate and better opportunities for a good work-life balance. We also find that the flexibility has a positive effect on how our employees carry out their work.

Henrik Hvidesten
Chairman

Jens Lundager
CEO

Key figures and financial ratios for KommuneKredit

Million	2022	2022	2021	2020	2019	2018
	EUR	DKK	DKK	DKK	DKK	DKK
Key figures						
Net interest income	46	339	383	440	496	441
Administrative expenses	-30	-224	-140	-130	-126	-127
Profit before value adjustments	17	129	238	311	369	314
Value adjustment of financial instruments	154	1.144	249	-33	227	227
Tax on profit for the year	-38	-282	-109	-60	-148	-119
Comprehensive income for the year	133	991	378	218	441	405
Loans and leases	23,529	174,974	194,948	192,457	184,965	177,454
Portfolio of securities	6,265	46,591	48,387	33,568	44,982	42,944
Assets	31,877	237,052	249,077	233,872	236,935	226,609
Debt securities issued	27,957	207,899	233,892	212,728	218,932	208,218
Equity	1,313	9,766	8,775	8,397	8,179	7,736
Activities during the year						
Loans and leases, net additions in nominal value (net lending)	641	4,766	8,675	5,057	2,427	3,554
Loans and leases, gross additions in nominal value	3,773	28,057	36,958	43,507	36,745	38,261
Debt securities issued, gross additions in nominal value	7,086	52,692	65,112	43,163	49,699	60,055

Million	2022	2022	2021	2020	2019	2018
	EUR	DKK	DKK	DKK	DKK	DKK
Capital structure						
Total Risk Exposure Amount (REA)*	2,105	15,653	13,859	11,496	11,911	13,843
Common Equity Tier 1 (CET1) capital	1,313	9,766	8,775	8,397	8,179	7,736
Capital base	1,302	9,684	8,660	8,277	7,997	7,520
Capital ratio, pct.*	62	62	63	72	67	54
Equity ratio, pct.	4.1	4.1	3.5	3.6	3.5	3.4
Selected financial ratios						
Losses on loans and leases	0	0	0	0	0	0
Expenses/assets, pct.	0.09	0.09	0.06	0.06	0.05	0.06
Net interest income/assets, pct.	0.14	0.14	0.15	0.19	0.21	0.19
Liquidity resources, pct.	21	21	20	13	19	19
Selected ESG figures						
CO ₂ e total (scope 1, 2, 3) (t)	58	58	36	44	101	132
Renewable energy share, pct.	93	93	89	82	84	82
Gender diversity, Management (women), pct.	26.7	26.7	33.3	37.5	38.5	46.2
Employee turnover ratio, pct.	9.8	9.8	10.4	5.2	10.8	9.6
CEO pay ratio (median)(Times)	3.7	3.7	3.7	3.6	3.7	3.4
Number of full-time employees	97	97	88	82	76	70

Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark. Exchange rate at 31 December 2022: EUR 100 = DKK 743.6475. * REA and capital ratio have been calculated in accordance with the principles applying to credit institutions, though these rules do not apply to KommuneKredit.

Selected facts 2022

High international credit rating

KommuneKredit is rated by Moody's and Standard & Poor's. The outlook is stable.



Equity ratio

4.1%

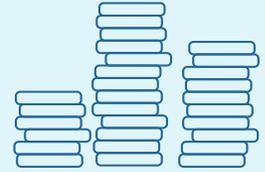
With an equity ratio of more than 3 pct., KommuneKredit has an adequate capital position.



Capital ratio

62%

The high capital ratio reflects the low risk associated with KommuneKredit's business model.



Green loans

DKK 8.9 billion

In 2022, KommuneKredit approved 290 green loans, equal to loans for DKK 8.9 billion.



ESG targets

KommuneKredit's Board of Directors has adopted a number of climate targets aimed at reducing our own carbon footprint and increasing the share of sustainable loans in our loan portfolio.



Strengthened ESG governance

KommuneKredit has set up an ESG Committee, the responsibilities of which include making decisions on the direction and level of ambition for ESG initiatives across all departments and management levels at KommuneKredit.



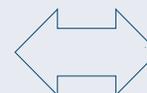
Joint and several liability – an unconditional strength

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.

KommuneKredit creates cohesion in Danish society

By offering financing at the lowest possible cost, KommuneKredit helps ensure that citizens obtain as much growth and development as possible for their tax money. On equal terms throughout the country. This also applies when our members meet the ambitions for the green transition 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. We are governed by Act No. 383 dated 3 May 2006 on the Credit Institution for Local and Regional Authorities in Denmark (lov om kreditforeningen af kommuner og regioner i Danmark). A bill for a new Act on KommuneKredit was tabled on 8 February 2023.

The 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.

Strong creditworthiness

The joint and several liability structure means 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**
- **our members’ joint and several liability.**

Moreover, as the main provider of financing to municipalities and regions, we play an important role for local government finances.

KommuneKredit also enjoys a strong position in terms of environmental, social and governance (ESG) factors and have been assigned a

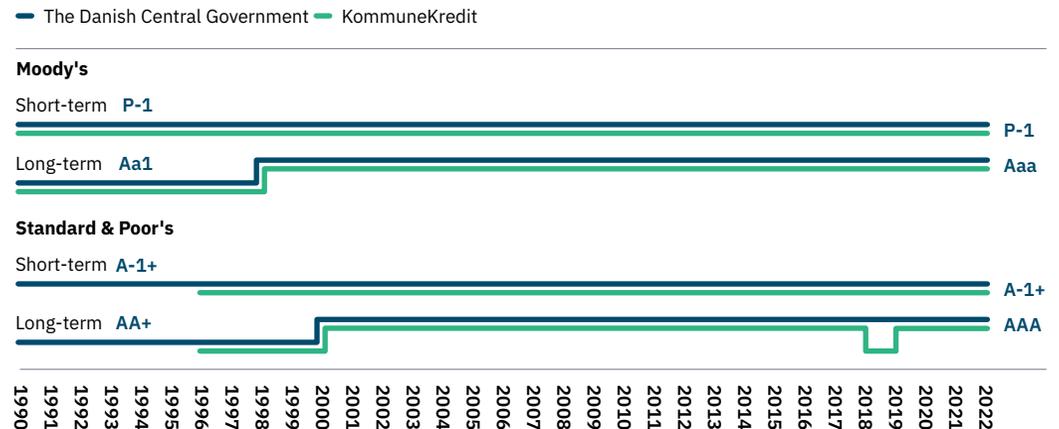
rating by three ESG rating agencies. ISS ESG has assigned us a C rating, which places us in the Prime category for our industry. MSCI has assigned us a rating of A, and Sustainalytics has awarded us a rating of 15.9, placing us in their “low risk” category.

Healthy Danish economy

The Danish economy is healthy and competitive. Furthermore, the Danish society is based on high institutional efficiency, mature political and institutional frameworks that encourage fiscal discipline and a relatively low national debt.

Denmark has been a member of the EU since 1973, but has opted out of the single curren-

Historical credit ratings of the Danish central government and KommuneKredit



cy, the euro (EUR). This means the currency in Denmark is the krone (DKK).

Macroeconomics Q3 2022	DK	EU27
GDP real growth YTD	3.2%	2.5%
Consumer prices	11.1%	10.9%
Unemployment, year-end	4.6%	6.1%
Government budget balance as % of GDP YTD	1.0%	-2.7%
EMU debt as % of GDP	30.7%	85.1%

Source: Eurostat

Municipalities and regions safeguarding the Danish welfare society

Denmark has one of the most decentralised public sectors in the world, with tasks divided between the central government, regions and municipalities. The Danish municipalities and regions represent more than half of public expenditure.

The municipalities are responsible for most of the services offered by the Danish welfare system to its citizens, including schools, elder care, day care facilities for children and young people, employment initiatives, social integration of marginalised people, local roads, the environment, culture and preventive health measures.

The municipalities are also responsible for planning utility services, such as water and heating supplies. This responsibility is often managed through municipal companies.

The regions are responsible for tasks which are best handled in a decentralised setting, but require a larger catchment population than that represented by even the large municipalities in Denmark. The regions' responsibilities include hospitals, regional development, participation in regional public transport companies, and specialist social institutions.

Regions and municipalities both play a key role in ensuring the sustainable transition of local communities in Denmark. Their ambitions and efforts will have crucial significance for whether Denmark will reach the Danish parliament's 2030 climate ambition of cutting its greenhouse gas emissions by 70 pct. relative to 1990. And of Denmark being climate-neutral by 2050.

Central government bears the risk associated with economic fluctuations

Income taxes paid by the citizens represent a little more than half of the income for municipalities. The rest of the income are block grants and central government reimburse-

Municipalities and regions are key to the Danish welfare society



Government

Foreign policy, defence, police, universities, major roads, railways, supervision and equalisation.



5 regions

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



98 municipalities

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

The municipalities and regions are responsible for most of the services offered by 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.

ments as well as user fees and property taxes that are set by the individual municipalities.

However, municipalities may raise loans for municipal capital expenditure within the framework set by the Danish Ministry of the Interior and Health. In addition, municipalities can provide loan guarantees for other entities' capital expenditure provided such guarantees are authorised under municipal law (e.g. utility companies). The Danish municipalities' debt-to-equity ratios are low in an international perspective.

Denmark has an extensive economic equalisation system for municipalities. The equalisation system is to ensure a uniform level of service for all citizens regardless of each municipality's tax base and service expenditure.

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.

It is a basic principle under Danish administrative law that a municipality cannot be

declared bankrupt. This principle was 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.

Regional funding consists of government grants and municipal contributions and charges. Regions may raise loans for specific capital expenditure within the framework set by the Danish Ministry of the Interior and Health.

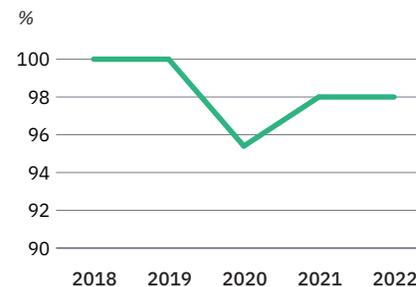
Throughout its 124-year history, KommuneKredit has never suffered losses on loans or leasing.

The Danish municipalities and regions are characterised by high creditworthiness, which is expressed in the CRR/CRD IV risk weight of 0 pct. The risk weight is used to calculate credit institutions' capital requirements. A risk weight of 0 pct. means that municipalities and regions belong to the most secure category, in which no losses are expected.

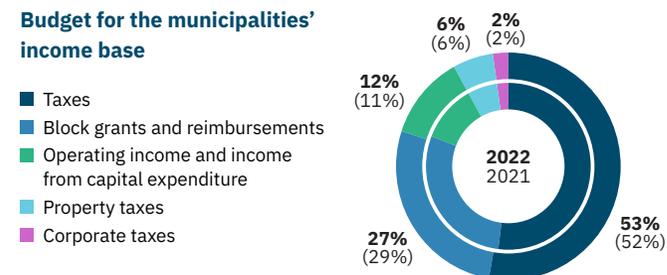
Ministerial supervision

The Ministry of the Interior and Health is the ultimate supervisory authority in respect of municipalities and regions.

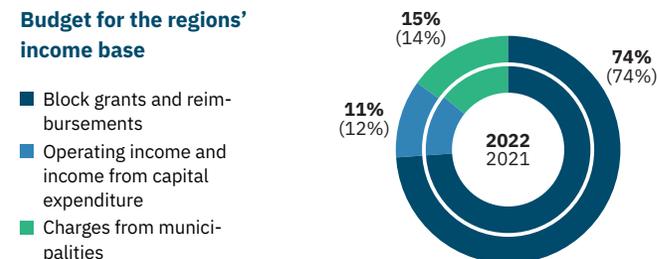
KommuneKredit's share of municipalities' and regions' long-term debt



Budget for the municipalities' income base



Budget for the regions' income base





CASE

Svendborg now recycling twice as much

Environmental value for money and a smaller carbon footprint. These were the ambitious goals behind Svendborg's updated plan for sorting waste, which has been rolled out for all inhabitants and municipal bodies in recent years and enabled the municipality to meet national targets for carbon reductions and recycling.

For the Municipality of Svendborg, reducing and recycling waste is an important step towards a circular economy, benefitting local inhabitants and the local environment. It is also important for achieving the goals of both Denmark's national plan for zero waste and the EU's recycling targets.

Since 2020, there have been campaigns to get people to sort their waste in new ways, and the municipality's waste collection, sorting and transfer system has

been updated. This joint effort from the municipality and its population has meant that the recycling rate for collected waste has risen from 27 pct. to more than 58 pct. Higher recycling rates also help reduce carbon emissions, as the waste is not then sent for incineration or replaced with virgin materials.

The project has been financed with a green loan from KommuneKredit in the waste management category.

» *“We need to ensure that even more of our resources are recirculated so that we reduce our carbon footprint and get the best environmental value for money. In the coming years we will be focusing increasingly on preventing waste and recycling products before they become waste.”*

Morten Schytte

Production Manager, Svendborg Water and Waste

Facts

Borrower:	Svendborg Affald A/S
Guarantor:	Municipality of Svendborg
Loan purpose:	Municipal waste management
Loan amount:	DKK 32 million
Construction period:	2020-2022

Want to learn more?

Contact Christian Jeppesen, Director, Head of Lending and Leasing, chj@kommunekredit.dk

Operations 2022

- 18 Sustainability
- 20 Loans and leases
- 24 Funding
- 28 Risks
- 32 Financial review
- 34 Outlook for 2023
- 36 Corporate governance



Intensified ESG focus

When we launched our Strategy 2025 two years ago, we placed a particular focus on sustainability. Since then, we have worked systematically to integrate environmental, social and governance (ESG) factors in our products and services as well as in our corporate functions and in-house operations.

In 2022, we implemented a number of ESG initiatives across the organisation. We set our first climate targets and defined objectives for corporate culture, employee well-being and ESG governance. During 2022, we also held an ESG staff day, set up an internal ESG committee and launched an e-learning module on sustainability in the financial sector.

Focus on climate – or environmental responsibility (E)

In December 2022, the Board of Directors adopted five ESG targets with a particular emphasis on climate. Our ambition is:

- to cut our own carbon footprint by 55 pct. by 2030 relative to emissions in 2018;
- to pay climate compensation for the remaining emissions from our own carbon

footprint that cannot be eliminated or reduced;

- for the share of sustainable loans to be at least 25 pct. by 2025;
- to map the carbon footprint from the association's loan and investment portfolio; and
- to assess the possibility of setting reduction targets for the carbon footprint of our loan and investment portfolio.

The political ambitions both in Denmark and internationally – and the regulations that follow – have put a focus on the special role of the financial sector in the sustainable transition. With our targets, we aim to support our members' management of climate change. Lean more about KommuneKredit's goals and targets in our [Sustainability Report](#).



Social responsibility (S)

During the past year, we also focused on social responsibility and agreed on goals to:

- promote an inclusive corporate culture; and
- maintain high employee loyalty and engagement.

We focus on social responsibility because we believe that the combination of diversity and satisfied employees yields better decisions, better results and helps to retain skilled employees.

To meet our goals, we will take steps aimed at promoting employee well-being and diversity and which underpin a corporate culture that offers room for different approaches and opinions. Our ambition is that KommuneKredit's total score for employee loyalty and engagement should, as a minimum, match that of financial sector peers. In 2022, we were 'best in class' for the financial sector on these metrics.

Governance responsibility (G)

We believe governance responsibility is a prerequisite for us to achieve our ESG targets. We generally aim to accomplish our strategic

ambition of integrating sustainability into all areas of our business by:

- strengthening the association's ESG governance; and
- increasing the visibility of the association's ESG profile.

In the autumn, we established an internal ESG Committee, the responsibilities of which include making decisions on the direction and level of ambition for sustainability initiatives across all departments and management levels at KommuneKredit. The members of the committee will facilitate and ensure progress in the area.

We also held an ESG staff day for all employees in autumn 2022, the purpose of which was to ensure that the ESG agenda is deeply anchored in all employee groups. Additionally, all employees completed an e-learning module on sustainability in the financial sector.

ESG considerations have also become an integral part of the formalised decision-making process at KommuneKredit's executive level. All proposals for decisions must thus describe how a case affects the E, S and G and also whether a given case is consistent with

the association's guidelines for sustainable procurement.

In 2023, we will continue our work to anchor ESG in KommuneKredit's policies, decision-making processes and business procedures. Also, we will increase the transparency and visibility of the association's ESG profile, for example by communicating about our targets and initiatives on various platforms and channels.

In terms of development, we will in 2023 focus particularly on ESG data. We will in part focus on how we can adequately accommodate our investors' data requirements, driven among other things by EU sustainability regulations, such as Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation and the Corporate Sustainability Reporting Directive (CSRD).

All in all, KommuneKredit has intensified its ESG efforts, both through the activities we carried out in 2022 and through our ESG targets for the upcoming period.

Learn more about our ESG targets and initiatives in our [Sustainability Report 2022](#).



ESG committee

Chairman

Head of Sustainable Finance

Permanent participants

Management Board
 Director, Head of Business Development & Strategy
 Chief Treasury and Sustainability Officer
 Head of Sustainable Finance
 An employee representative appointed by the Management Board

Ad hoc participants

Specialists and others who are relevant for the current agenda

KommuneKredit supports the sustainable transition

As far back as 1899, when KommuneKredit disbursed its first loan, our financing has supported the building of the modern Danish society. That is still the case today, where our loans and leases increasingly support the sustainable transition across Denmark.

Total loans and leases fell from DKK 194.9 billion at year-end 2021 to DKK 174.9 billion at the end of 2022. The decrease covers an increase in loans and leases measured in nominal values. Net lending, which is new loans and leases less repayment instalments and redemptions, amounted to DKK 4.8 billion. The substantial rise in interest rates in 2022 resulted in a negative value adjustment of lending of DKK 24.9 billion.

Loans and leases for municipalities and regions account for 55 pct. of total loans and leases and are used for financing e.g. climate adaptation initiatives, senior housing, hospital equipment and vehicles for the municipal home care service.

Companies or institutions covered by a municipal guarantee, such as local sports cen-

tres, winter bathing clubs, village halls and schools as well as companies that provide heating, manage waste or wastewater or produce drinking water, account for the rest of the loans. On page 4, you can read about how Tejn Waterworks has future-proofed the supply of drinking water.

In 2022, KommuneKredit disbursed more than 700 new loans totalling DKK 25.1 billion. Of this amount, municipalities and regions accounted for DKK 6.9 billion, district heating for DKK 7.0 billion and water and wastewater for DKK 4.5 billion.

In 2022, municipalities and regions entered into more than 2,900 new lease agreements with KommuneKredit for DKK 2.9 billion. The lease agreements cover many different types of assets, but most often the leasing of

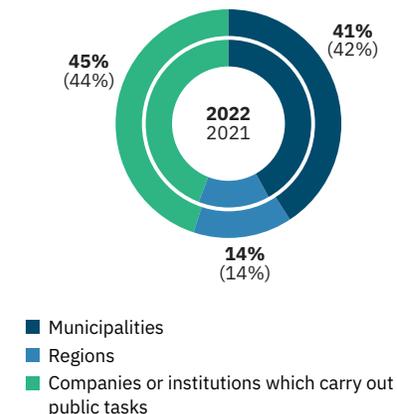
vehicles, vans, IT equipment, properties and hospital equipment.

Green loans

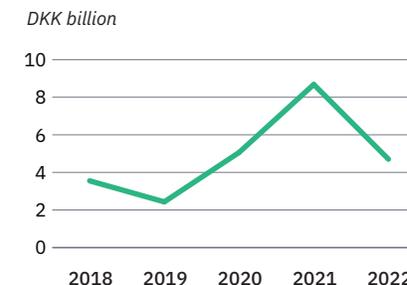
Sustainable financing is a strategic priority in our Strategy 2025, and it is our ambition to support sustainable transition in municipalities, regions and affiliated companies and institutions. In 2022, we updated and expanded our [Green Bond Framework 2022](#), which forms the foundation of our green bond issues that fund sustainable investments all over the country.

Our green bond investors request information about the type of investment the proceeds of the green bonds are used for and about the positive effects our green loan projects have on the climate and the environment. With the assistance of our customers, we gather these

Total loans and leases by borrower



Development in net lending



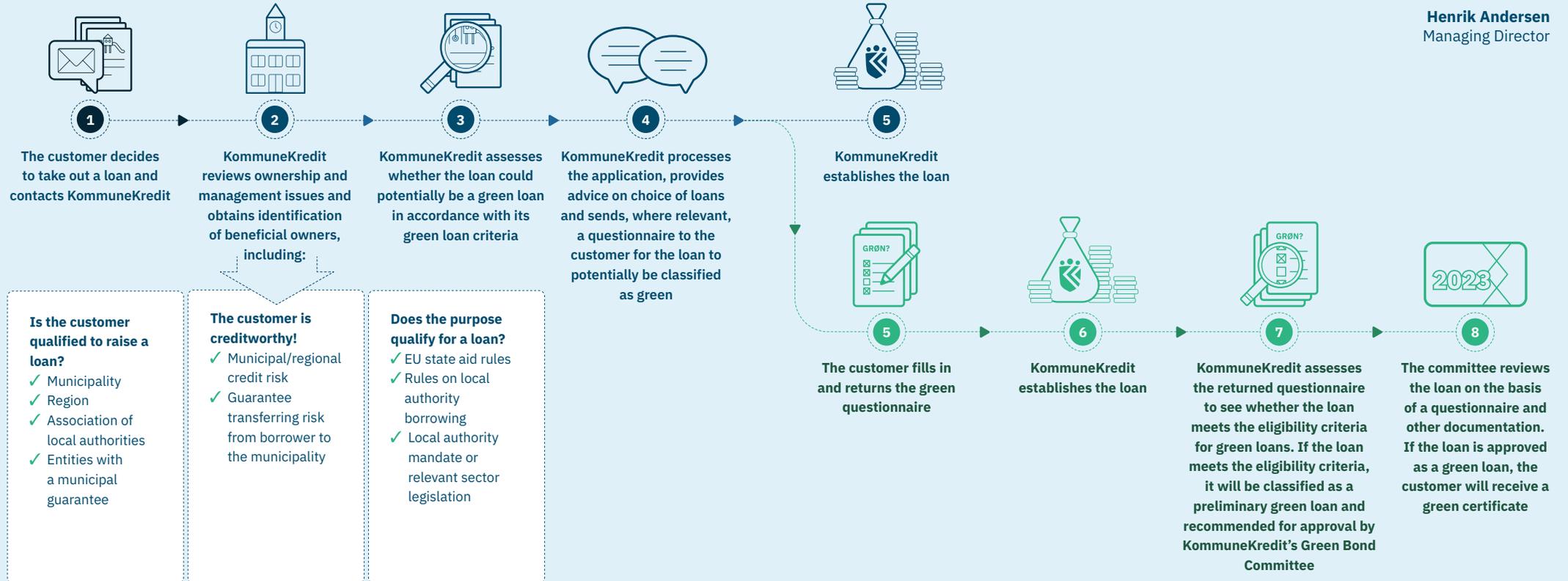
The good customer experience

KommuneKredit provides financing for projects whose implementation is determined on the basis of democratic processes. This means that local or regional democratic support has been established for the investments for which municipalities or regions want to borrow funds through KommuneKredit.

» Being a customer at KommuneKredit should be easy. Which is why in recent years we have worked to improve communication between us and our customers."

Henrik Andersen
Managing Director

Example



data and present them in our annual [Green Bond Impact Report](#). We are making a dedicated effort to making it as easy as possible for all green borrowers to supply these data with a view to providing the best possible basis for financing even more investments with green loans within the framework of current legislation.

KommuneKredit’s Green Bond Committee consists of independent experts from the utilities sector who have in-depth knowledge about green initiatives in the sectors in which we offer green loans. Furthermore, KommuneKredit’s Management Board and Sustainable Finance team have representatives

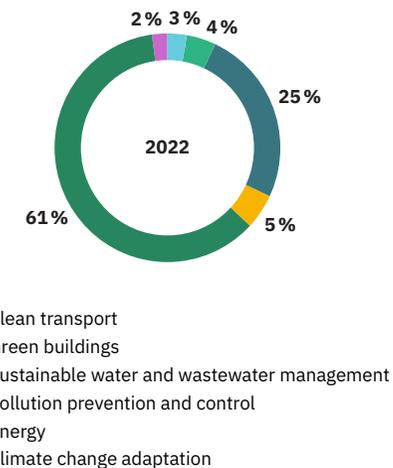
on the committee. The committee uses fixed criteria to assess whether a loan qualifies as a green loan. In 2022, 290 loans with a total value of DKK 8.9 billion were approved as being green. Most of the approved green loans financed projects in energy and sustainable water and wastewater management, while a small portion were granted for pollution prevention and control, green buildings, clean transport and climate change adaptation. Learn more in our [Green Bond Impact Report](#).

Easier accessibility for our customers

Being a customer at KommuneKredit should be simple. To that end, we have in recent years worked to further facilitate the contact

between us and our customers. We now hold more virtual meetings, as opposed to previously when we had face-to-face meetings with customers either at our offices in Copenhagen or at our customers’ location. The virtual meetings enable us to quickly settle specific questions and issues, thus supporting a more professional customer journey, but they also allow both KommuneKredit and our customers to cut our carbon emissions in connection with transport. In addition, they help to save time during the working day. However, we endeavour to maintain a reasonable balance between face-to-face and virtual meetings.

Approved green loans by purpose



» Sustainable financing is a strategic priority in our Strategy 2025, and it is our ambition to support sustainable transition in municipalities, regions and affiliated companies and institutions.”

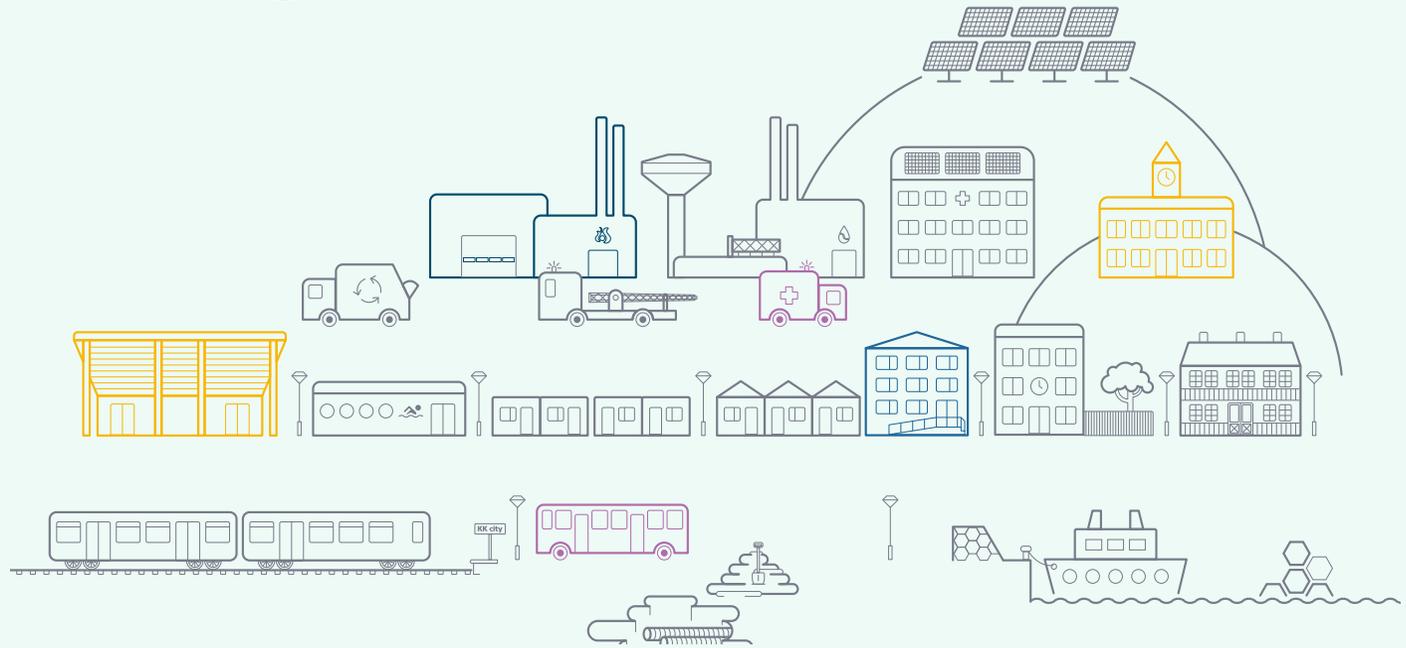
Christian Jeppesen
Director, Head Lending and Leasing

KommuneKredit finances growth and development

Our loans finance many different types of local projects in Danish society, including green investments as well as an expansion and improvement of the infrastructure.

KommuneKredit has financed a large number of municipal and regional projects:

Waste incineration with heat utilisation, district heating supply plants and district heating distribution, waste water plants, water supply plants and water distribution, heat-producing solar collector systems, general energy-saving measures, waste disposal collection, fire engines, ambulances, medtech equipment, IT equipment, sports centres, swimming pools, housing for refugees, residential care facilities, schools, city museums, light rail solutions, city buses, energy-efficient LED street lights, climate proofing initiatives, local ferries, coastal protection



2,109
subsidised loans

Subsidised loans financing residential care facilities and housing for the elderly.

1,147
electric vehicles

Of all the registered vehicles leased to customers, 1,147 are electric.

54
ESCO projects

Energy improvements to existing properties that contribute to the green transition.

Funding and investment

We have maintained KommuneKredit's funding strategy and have raised the bulk of the funding for the year via large public issuances, including a green issuance of EUR 500 million under our updated [Green Bond Framework](#). We expect our funding requirement in 2023 to be on a level with 2022, and our ambition is still to consolidate our presence in the market for ESG products.

KommuneKredit's funding strategy is an important tool to ensure that we will always be able to offer our customers loans and lease agreements at the lowest possible cost, while always having access to adequate and marketable liquidity reserves. We fund our loans by issuing bonds.

Our strategy is to ensure good and stable access to the capital markets, and we aim to offer liquid bond series to a well-diversified investor base. Consequently, our initiatives focus primarily on adding and maintaining large public issuances in EUR and USD. Concurrently with these issuances, we also execute issuances in other markets, including in Scandinavia.

KommuneKredit needs to be able to issue both short-term and long-term bonds to fund

our lending across all maturities. Therefore, we also issue private placements, which typically help cover financing needs in longer maturities of up to 20-30 years.

Funding activities in 2022

In line with our strategy, we have raised more than three-quarters of the year's funding via large public issuances in USD, EUR and DKK. In May, we issued our first green bond – of EUR 500 million – under our updated [Green Bond Framework](#).

In 2022, we also issued another two EUR benchmarks with maturities of seven and ten years, respectively, and increased the volume of existing benchmarks via tap issuance. In USD, we added two new benchmarks, one referencing the SOFR rate.

In the Danish bond market, we issued for DKK 5.5 billion maturing in 2024. KommuneKredit issues bonds in DKK to finance subsidised adjustable-rate loans for financing social purposes, including municipally owned care and elderly dwellings. In 2022, we therefore issued bonds for DKK 2 billion, all of which were purchased by the Danish State. KommuneKredit has also issued smaller private placements in GBP and other currencies, including SEK and NOK.

KommuneKredit regularly hedges short-term liquidity requirements by issuing European commercial papers (ECP) and by taking out short-term bank loans. The ECP issues have maturities of less than a year, and in 2022 we only issued in USD.



»» *At KommuneKredit we are proud that our work with sustainability has resulted in an updated Green Bond Framework of high quality.”*

Jette Moldrup
Chief Treasury & Sustainability Officer

Markets

Capital markets were affected by geopolitical instability, rising inflation and high volatility throughout much of 2022. Rising interest rates characterised the year, and Danmarks Nationalbank, the Danish central bank, hiked its benchmark certificates of deposit rate from -0.60 pct. to +1.75 pct.

KommuneKredit has had access to funding from the market throughout the entire period, and we sourced our budgeted funding as planned. Due to the financial market turbulence fuelled by the war in Ukraine, the energy crisis and inflation, KommuneKredit raised the level of its total liquidity resources in March 2022. We have maintained the heightened level, equivalent to “Normal operation with enhanced monitoring”, which entails general management being provided with information at least once a week about factors in the outside world that are normally of special importance to KommuneKredit’s sourcing of liquidity.

Investment and liquidity

KommuneKredit’s investment policy only allows investments to be made in highly rated bonds issued by governments, regions, municipalities, multilateral development banks,

financial institutions or mortgage credit institutions within the EU and OECD.

During certain periods, developments in the capital markets have caused large fluctuations in the demand for bonds which we can use as collateral for KommuneKredit’s portfolio of derivatives. We therefore regularly adjust our total liquidity resources and, by extension, the bond holdings of our investment portfolio in order to optimise returns, balance sheet composition and the volume of the bonds we can use as collateral within the limits of the investment policy.

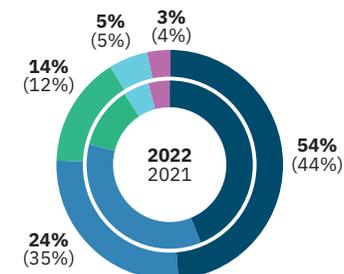
Total liquidity resources fell from DKK 48 billion at the end of 2021 to DKK 47 billion at the end of 2022. We have placed our investments in AAA and AA-rated government and mortgage bonds with short maturities. By the end of the year, the composition of the portfolio was such that more or less the entire investment portfolio will mature in 2023.

Green bonds

Demand for green bonds and ESG investments continue to grow all over the world. By combining KommuneKredit’s high credit rating with the initiatives we launch to integrate ESG into our business, we raise Kommune-

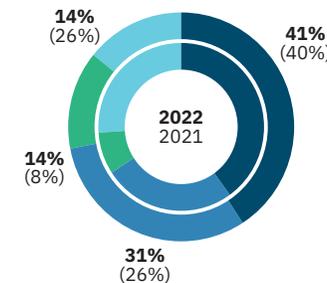
Investor distribution by issues

- Banks and treasury departments
- Central banks and supranationals
- Asset managers
- Corporations and pension funds
- Insurance companies and similar



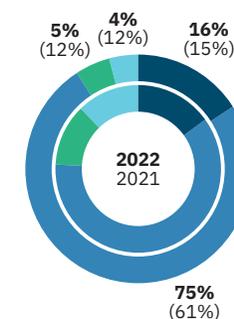
The year’s funding by currency

- USD
- EUR
- DKK
- Other



The year’s funding by market

- Denmark
- Europe
- Americas
- Asia



Kredit's overall quality as an issuer of bonds. This will help ensure that we can perform our function as a link between the global capital markets and our members in the best possible way.

It is a strategic priority for KommuneKredit to integrate sustainability into our business, and we regularly launch initiatives and projects to help strengthen our ESG profile. This also applies to our funding activities. In addition to efforts relating specifically to our green loans and bonds, we also focus on our own carbon footprint. This focus has led to the setting of a specific target of reducing our carbon footprint by 55 pct. by 2030 relative to emissions in 2018. As a result, we focused on holding virtual investor meetings in 2022 – and will maintain this focus in the coming years.

In 2022, we also launched and implemented an updated and improved Green Bond Framework, in which we have increased the criteria for green loans and improved the impact reporting methodology. With the update, we have increased the number of green categories from four to six. This means more loan and lease purposes may henceforth be classified as green in KommuneKredit, and we have thus strengthened the foundation for our green bond issues. We work closely

together with our customers to obtain and undertake quality assurance of data on green loans. During the past year, we added 290 green Danish loans to our portfolio, which can all be financed with KommuneKredit's green bonds. The total portfolio of green loans now amounts to DKK 30 billion. This corresponds to 21 pct. of our total customised loans

➤ [Green Bond Impact Report](#).

The year ahead

In 2023, we expect to issue bonds with maturities of more than one year for an amount of DKK 37 billion.

We are budgeting for stable growth in our green loan portfolio and therefore also expect to be able to issue another green bond in 2023. We have a target that 25 pct. of our loans must be sustainable by 2025.

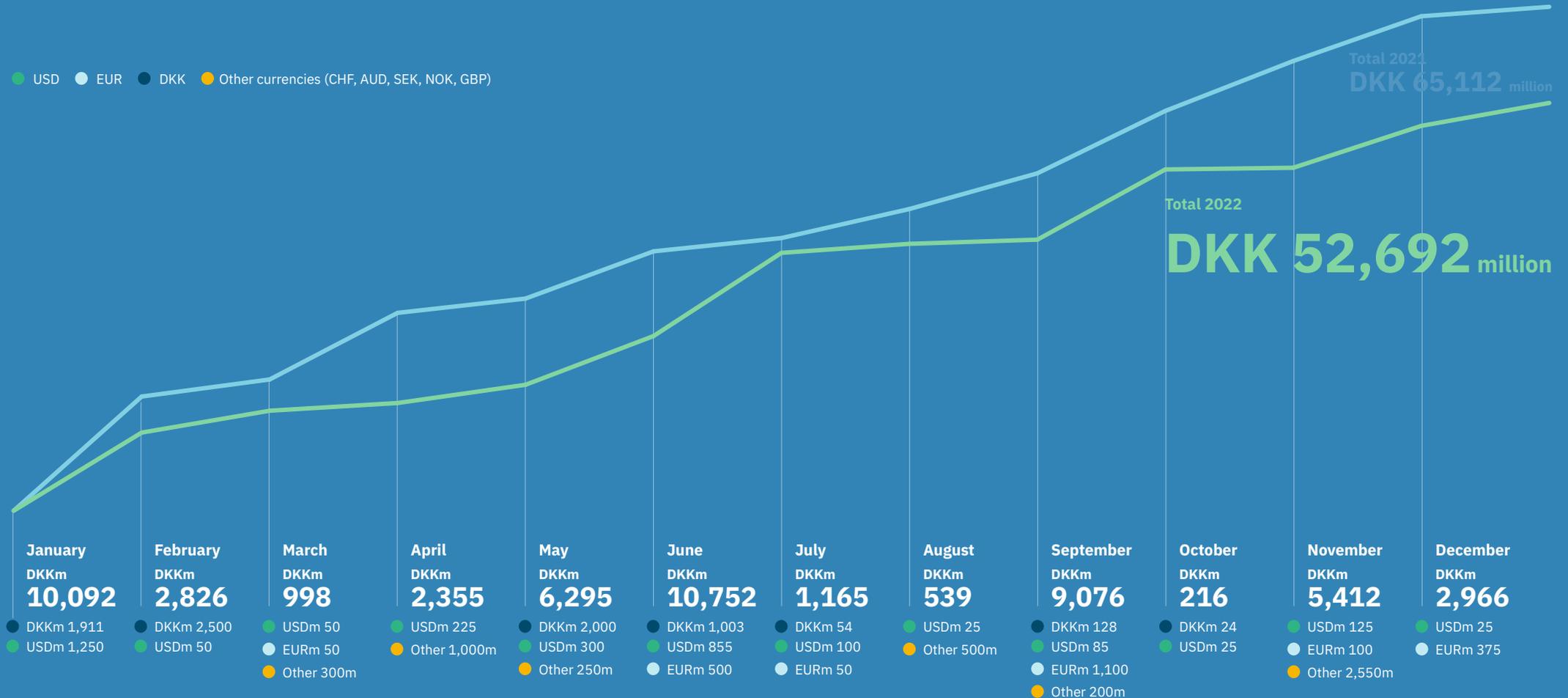
We will continue to add new public issuances in EUR, USD and other currencies. We still expect to have a funding requirement in short-term, medium-term and long-term maturities and thus continue the trend for issuance activities from 2022.





Bond issuance in 2022 by market per month

● USD ● EUR ● DKK ● Other currencies (CHF, AUD, SEK, NOK, GBP)



Low risk, high level of security

As a solid link between global investments and local financing needs, KommuneKredit helps to ensure more local value for citizens' money.

The Board of Directors has the overall responsibility for KommuneKredit's risk management and for determining the level of risk tolerance. In its capacity as KommuneKredit's supervisory authority, the Ministry of Industry, Business and Financial Affairs is authorised to make changes to the guidelines adopted by the Board of Directors.

At KommuneKredit, we distinguish between financial and non-financial risks. Our total risk exposure amount (REA) has been calculated at DKK 15.7 billion, equal to a capital ratio of 62 pct.

KommuneKredit is exposed to a number of risks which we regularly identify, control and mitigate so as to match our low risk tolerance at any given time.

2022 was a year of strong geopolitical instability and high inflation, which caused financial market volatility, including sharply rising

interest rates and fluctuating exchange rates. KommuneKredit's strong business model and our high credit rating and low risk tolerance have provided strong protection against these fluctuations, which have therefore not had any noteworthy impact on KommuneKredit's financial position.

Financial risks

KommuneKredit is a solid link between customers and investors and cannot pay dividends to our members. We therefore have a low risk tolerance which is limited to financial risks absolutely necessary in order to accomplish our mission. As Danish local authorities are jointly and severally liable for KommuneKredit's liabilities, the risks we assume are ultimately also their risks.

KommuneKredit sources financing denominated in different currencies, which we relend for projects in Danish municipalities and regions. Our role is therefore to schedule

the funding to match the lending profile the customers want.

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 changes in market prices.

Credit risk

KommuneKredit is exposed to credit risk in respect of investment counterparties and financial counterparties. The credit risk on investment 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

Loss

124 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 15.7 billion

Calculated in accordance with the solvency requirements for financial institutions.

Local authorities

98 municipalities and 5 regions

are liable for KommuneKredit's obligations

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 local companies and institutions which have a municipal guarantee. Danish local authorities are subject to strict regulation and close supervision by the Ministry of the Interior and Health. Our loans and leases are thus characterised by the highest level of security, and during our 124-year lifetime, we have never suffered a loss on lending or leasing.

Liquidity risk

To limit liquidity risk, KommuneKredit cannot enter into binding commitments on lending unless at least corresponding equity or binding financing commitments are in place with at least corresponding terms to maturity. This ensures that KommuneKredit's lending is financed throughout the commitment period.



Total risk exposure amount (REA)

KommuneKredit's total risk exposure amount has been calculated at DKK 15.7 billion. We calculate risk exposure in accordance with the solvency rules for credit institutions and apply same 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 3.4 billion at the end of 2022. The portfolio of DKK 47 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 9.4 billion at the end of 2022. 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 481 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.



Other risk exposure

Other risk exposure totals DKK 2.9 billion. Other risk exposure mainly consists of operational risk totalling DKK 0.3 billion and currency risk totalling DKK 2.4 billion.

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

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. KommuneKredit has therefore prepared a liquidity resource contingency plan which we can activate in case of pressure on liquidity.

The Board of Directors has also defined guidelines for KommuneKredit's Liquidity Coverage Ratio and Net Stable Funding Ratio, which are calculated in accordance with the Capital Requirements Regulation.

The low liquidity risk ensures that KommuneKredit can at all times settle its financial obligations.

Price risk on own funding spreads

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

are also recognised at fair value, we reduce the price risk on own funding spreads.

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

KommuneKredit maintains relatively constant lending margins, but we adjust them if our earnings requirement should change. We do this, among other things, to ensure adequate capital in the long term to accommodate 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 fair value change on existing loans. However, as long as customers do not redeem the loans early, the fair value change is temporary.



Non-financial risks

In addition to monitoring and managing our financial risks, we focus especially on a number of risks in our operations and the development of our business. These risks may cause KommuneKredit a material financial loss, extended use of resources or loss of reputation.

Generally, non-financial risks are not considered to be directly associated with the revenue-generating activity reflected in the comprehensive income and the balance sheet. Nevertheless, they may have significant adverse strategic, business and/or reputational consequences. Non-financial risks include operational risk (including IT risk), ESG risk and compliance risk.

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

Most of KommuneKredit's 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 describe risk assessment, allocation of responsibilities, segregation of duties, process management and business practices. We automate as 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. In the table, we present the most important non-financial risks.

Continued on the next page 



Cyber attacks



IT breakdown



Critical business processes



Internal fraud



ESG risks

What is the risk?

There is a constant risk of cyberattacks, and 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 the association or its customers for personal financial gain.

Greenwashing, financing of projects with a negative societal impact, inability to meet regulatory or investor demands for sustainability data, limited reduction of our carbon footprint and dissatisfaction among employees, etc. are examples of 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 running 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 KommuneKredit's ability to run its business.

Weaker confidence in our bonds in the capital market and, by extension, higher funding costs, and inability to attracting qualified labour.

What mitigating measures have been taken?

Technical security measures are regularly updated and tested to respond to cyberattacks. We are conducting awareness campaigns and training all employees in the prevention of cyber risks.

We have implemented measures in accordance with best practices to handle IT breakdowns.

Processes are to the fullest extent possible supported by 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.

We have updated our Green Bond Framework with due consideration to the targets of the EU Taxonomy, report annually on our ESG performance and the effect of green loans, have carried out a TCFD assessment and launched ESG targets for KommuneKredit.



TCFD assessment

In 2021, KommuneKredit made an overall assessment of the financial consequences of climate-related risks and opportunities for the association, including the relevance of TCFD reporting relative to our special business model. The assessment was made in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and was facilitated by external sustainability consultants and anchored at management level.

Climate change represents an economic risk to both the Danish and the global economy. As Danish society gradually transitions into a low-emission society, local authorities will be affected by climate change, such as storms and floods, and by reforms in connection with financing, infrastructure, etc.

Our customers' climate-related risks do not result in any financial risk for KommuneKredit 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 assumed by KommuneKredit are our members' risks.

Market developments resulted in large value adjustments

Rising interest rates in the market resulted in higher income from investments, which enabled KommuneKredit to keep its lending margin towards customers low.

Earnings and capital base

Net interest income amounted to DKK 339 million, which was in line with the 2022 outlook of about DKK 350 million in spite of a tumultuous year in the international financial markets with strongly rising market rates. The rising interest rates in 2022 resulted in higher income from investments, which enabled KommuneKredit to keep the lending margin low. Net interest income was thus slightly lower in 2022 compared with DKK 383 million in 2021.

Administrative expenses were DKK 224 million, which was an increase of DKK 84 million compared with the year before and somewhat higher than the guidance for DKK 200 million in the interim report. Since 2014, KommuneKredit has been a party to a case concerning the payment of additional payroll

tax, as mentioned in note 4.1 on 'contingent liabilities'. A decision has now been made in the case, and a provision of DKK 35 million for the payment of additional payroll tax has been made. Additionally, costs for IT-consultants have been especially higher than in previous years and higher than predicted. This is due to positive progress in the strategic projects set to deliver on KommuneKredit's Strategy 2025.

Profit before value adjustments and tax totalled DKK 129 million. This was DKK 109 million lower than in 2021. The decline was due to a combination of slightly lower net interest income and an increase in administrative expenses. The value adjustment for the year was DKK 1,144 million. The positive value adjustment was driven primarily by market developments, which affected our

value adjustments, because we measure both assets and liabilities at market value. The positive value adjustment will partly be offset by negative value adjustments in coming years, resulting in a reduced profit.

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 this may lead to annual value adjustment fluctuations of +/- DKK 650 million. However, due to the financial market turbulence 2022 was not a normal year, and the fair value adjustment was therefore high.

Tax on profit for the year amounted to DKK 282 billion in 2022, against DKK 109 billion in 2021.



» Due to the financial market turbulence 2022 was not a normal year.

Morten Søjtofte
Director, CFO

Comprehensive income for the year amounted to DKK 991 million against DKK 378 million in 2021. The increase was driven primarily by the higher value adjustment in 2022. Comprehensive income for the year is transferred in its entirety to equity, which now totals DKK 9,766 million, equal to an equity ratio of 4.1 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) rose to DKK 15.7 billion at year-end 2022 from DKK 13.9 billion at the end of 2021. The increase was primarily attributable to a higher currency exposure driven by several investments in EUR and a higher funding spread for

KommuneKredit. The result is a capital ratio, which, calculated in accordance with the solvency rules for credit institutions, stands at 62 pct., against 63 pct. in 2021.

Lending and leasing

Net lending, which is new loans including leases less repayment instalments and redemptions, amounted to DKK 4.8 billion, which is consistent with the net lending expectations of around DKK 4.5 billion. The increase in net lending was mainly due to an increase in loans for municipal investments in district heating, water and wastewater. Given the rise in interest rates in 2022, the market value of lending decreased by DKK 24.9 billion.

Funding and investments

Total investments – due from credit institutions and the portfolio of securities – fell by DKK 1.9 billion to DKK 47.0 billion at year-end 2022.

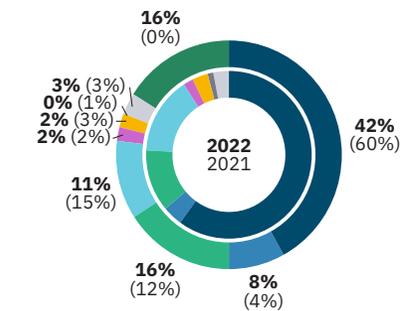
Accumulated funding – due to credit institutions and debt securities issued – fell by DKK 26.0 billion. The decrease was first and foremost driven by the falling market values resulting from higher interest rates.

Outlook provided for 2022

	Annual report 2021*	Interim report 2022*	Result in 2022
Net lending, DKKm	4,500	4,500	4,766
Net interest income, DKKm	350	350	339
Administrative expenses, DKKm	165	200	224
Profit before value adjustments and tax, DKKm	185	150	129
Equity ratio, pct.	3.7	3.7	4.1

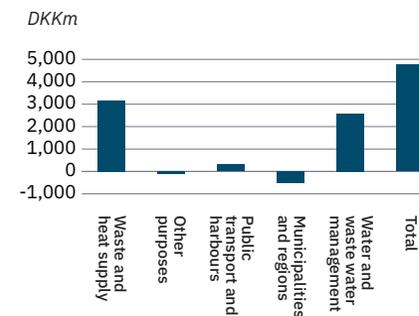
* Outlook provided for result in 2022

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



KommuneKredit expects stable lending activity in 2023

At KommuneKredit, we expect our ability to raise funding will remain unaffected by any turbulence in the financial markets in 2023. Furthermore, we expect lending activities at a normal level in 2023 and a result for the year that will not be impacted by the situation in Ukraine.

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. As the need for investment among customers will likely remain unchanged in 2023, KommuneKredit expects an unchanged level of lending activity in 2023, equal to lending of around DKK 4.5 billion. Of this amount, we expect the share of sustainable loans to rise, and it is our own goal for sustainable loans to account for at least 25 pct. of total lending by 2025.

Depending on developments in lending, the need for funding with a term to maturity of more than one year is expected to be roughly DKK 37 billion (about EUR 5 billion) in 2023. Our ambition is still to consolidate our presence in the market for sustainable investments, and we expect to issue another green bond in 2023.

KommuneKredit is keeping its lending margins relatively constant and has a low risk tolerance. Consequently, we do not expect



net interest income to be affected by any changes in market conditions. Irrespective of sentiment in the financial markets, steady and stable investments will be in demand. KommuneKredit will therefore retain access to low funding costs, which we convert into low lending rates for our customers.

As lending margins are expected to stay unchanged in 2023, KommuneKredit expects net interest income for the year to the tune of DKK 400 million.

Administrative expenses are expected to be around DKK 190 million, but the amount is very much subject to the timing of the part of

the expenses that relate to KommuneKredit's strategic projects. Assuming that the positive value adjustment in 2022 will be partly offset by negative value adjustments in 2023, we expect a value adjustment around DKK -100 million and thus a pre-tax profit before value adjustment of around DKK 110 million.

However, under normal circumstances, the annual value adjustment will fluctuate by +/- DKK 650 million relative to the expected value adjustment, so that with the low pre-tax profit before value adjustments we may incur a pre-tax loss in 2023.

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, lending margins will be adjusted in order to re-establish an equity ratio of at least 3 pct.

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.

Outlook for 2023

	Profit for 2022	Outlook for 2023
Net lending, DKKm	4,766	4,500
Net interest income, DKKm	339	400
Administrative expenses, DKKm	224	190
Profit before value adjustments and tax, DKKm	129	210
Equity ratio, pct.	4.1	4.1

Responsible and efficient corporate governance

KommuneKredit is an association. We have defined corporate governance as responsible and efficient management that benefits members and investors alike.

Legal basis

Current framework

KommuneKredit was established by way of Act no. 35 dated 19 March 1898, as replaced by Act no. 383 dated 3 May 2006 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. The Act and KommuneKredit's articles of association are available on our [website](#).

Upcoming revision of legal basis

On 8 February, the Danish Ministry of Industry, Business and Financial Affairs tabled a proposal for a revised Act on KommuneKredit.

When a new government was formed in 2019, responsibility for KommuneKredit was trans-

ferred from the then Danish Ministry of Economic Affairs and the Interior to the Danish Ministry of Industry, Business and Financial Affairs. At the same time, it was resolved that the Danish FSA will carry out the financial supervision of KommuneKredit. The purpose of the bill is to anchor the supervisory responsibility for KommuneKredit with the Danish FSA.

This means KommuneKredit will be governed by some of the requirements and supervisory limits that apply to private credit institutions. However, the framework will be aligned to our special business and the limited risks we assume. Among other things, we will be 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. In addition, we

will also be covered by the specific rules on governance and management of financial enterprises arising out of the Danish Financial Business Act. These are rules to which KommuneKredit has already to a large extent aligned its business.

Furthermore, the bill included an expansion of KommuneKredit's business area so that municipalities and certain municipal entities in Greenland and the Faroe Islands will now have access to raising loans with KommuneKredit against a full guarantee by the Danish State.

According to the bill, the effective date is 1 July 2023.

Day-to-day management of KommuneKredit

Management Board

Jens Lundager, Chief Executive Officer and Managing Director
Henrik Andersen, Managing Director

Lending & Leasing

Christian Jeppesen
Director, Head of Department

Treasury & Sustainability

Jette Moldrup
Chief Treasury & Sustainability Officer

IT

Jesper Nørmark Hede
Director, Head of Department, CIO

Risk & Balance

Jonas Toft Månsson
Director, Head of Department, CRO

Legal

Helene Vinten
General Counsel, Head of Department

Finance

Morten Søtofte
Director, Head of Department, CFO

Business Development & Strategy

Søren Steen Mortensen
Director, Head of Department

Annual cycle of business for the Board of Directors

Board meeting Q2 2022

(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 report on KommuneKredit's IT security

Annual board seminar

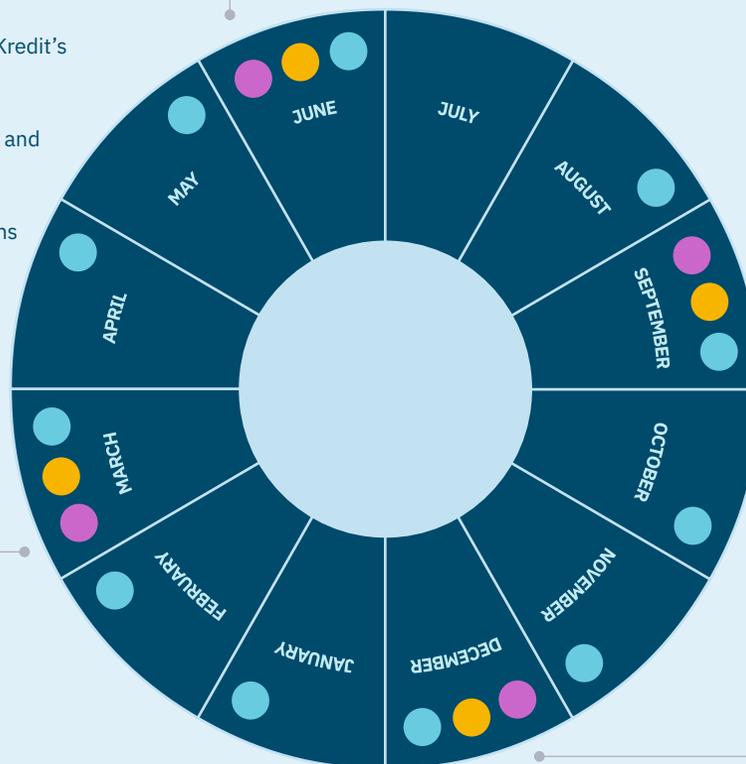
- Follow up on Strategy 2025

Board meeting Q1 2023

(after completion of audit committee meeting)

Focus: Annual and sustainability reporting

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



Board meeting Q3 2022

(after completion of audit committee meeting)

Focus: Interim report

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

Board meeting Q4 2022

(after completion of audit committee meeting)

Focus: Risk management

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

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

Management structure

The Board of Directors has defined the distribution of responsibilities between the Management Board and the Board of Directors in KommuneKredit’s principal activity areas in a policy.

The Board of Directors is in charge of the overall and strategic management of KommuneKredit’s business and affairs and must ensure a sound organisation. The Board of Directors determines 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 performance of its responsibilities.

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.

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.

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 42-43).

Board members are elected for a term of four years. Relative to the election terms applicable to regional and municipal councils, the election terms applicable to the Board of Directors are staggered by five months. The election period for the Board of Directors therefore starts on 1 June of the year after the most recent election to regional and municipal councils. However, the election term for one of the two independent board members is staggered relative to the other board members by two years.

On the basis of the outcome of the election to regional and municipal councils in November 2021, Local Government Denmark (KL) and Danish Regions (Danske Regioner) elected

eight members to the Board of Directors. In addition, the Board of Directors appointed a new independent board member. The new Board of Directors took office on 1 June 2022.

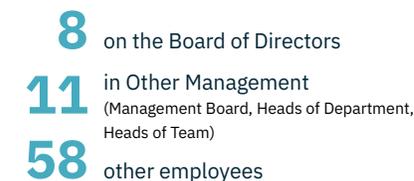
The Board of Directors holds at least four ordinary board meetings a year, and its duties follow an annual calendar covering every significant business area. In 2022, the Board of Directors met in March, June, September and December. A quorum exists when at least half of the members of the Board of Directors are present and participate in a vote. Resolutions are passed by a simple majority of votes. 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 independent board members are natural 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.

Gender composition, end of period

Men



Women



Total



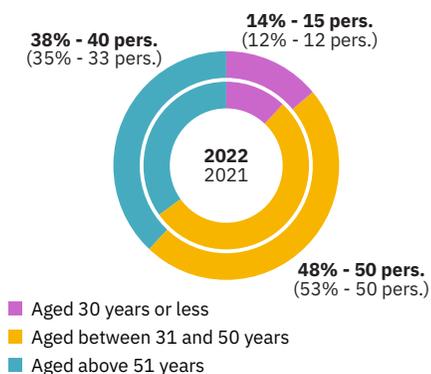
Age composition

Average age for employees, year-end

44 years for men

48 years for women

Age distribution for employees, year-end



KommuneKredit's ESG figures (environmental, social and governance data) are available in our [Sustainability Report](#)

The Board of Directors has adopted the terms of reference for the Audit Committee, which is available on our [website](#).

Four meetings were held in the Audit Committee in 2022.

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's business. The Management Board provides the Board of Directors with accounting, financial and risk-related information to update the Board on Kom-

muneKredit's development and allowing the Board to attend 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.

Risk management and compliance

The Board of Directors has resolved that KommuneKredit must have an internal control environment, which to a relevant degree is in accordance with the provisions of the Executive Order on Management and Control of Banks etc. This means KommuneKredit has strengthened its function for monitoring financial and operational risk and its compliance function. The functions act independently and are intended to contribute to creating the framework for governance and risk management at KommuneKredit that complies with norms and standards for a well-run financial company.

ESG committee

As part of the strategic work to integrate sustainability in all parts of our business, KommuneKredit in 2022 set up an internal ESG committee to strengthen our governance structure in relation to ESG and ensure that we comply with the sustainability require-

ments in the "Recommendations on Corporate Governance", where relevant.

Heads of department and employees

The Management Board focuses on delegation of decision-making authority to the seven heads of department, to the heads of team within the respective departments and to the individual employees.

In 2022, KommuneKredit had an average of 97 full-time employees. We focus on developing our employees' professional and personal qualifications so they meet external demands. We also give high priority to knowledge sharing and overlapping of work functions to maintain stability in operations.

Supervision

Pursuant to the Act on KommuneKredit, KommuneKredit is supervised by the Ministry of Industry, Business and Financial Affairs. The Ministry has delegated the task of conducting the ongoing supervision to the Danish FSA. Furthermore, the minister for Industry, Business and Financial Affairs has appointed an auditor, who is to oversee, among other things, 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. Thorkil Juul, former head of the National Social Appeal Board, was appointed as auditor during the period from 1 January 2018 to 31 December 2022. At 1 January 2023, the minister has appointed Per Hansen, chief adviser on legal affairs, as auditor.

Remuneration

The Board of Directors has defined KommuneKredit's remuneration policy. The employees are not covered by collective agreement. We offer a bonus plan, covering all employees with the exception of the Management Board. The Board of Directors distributes the combined bonus sum to departments based on each department's payroll and an assessment of efforts and performance during the year.

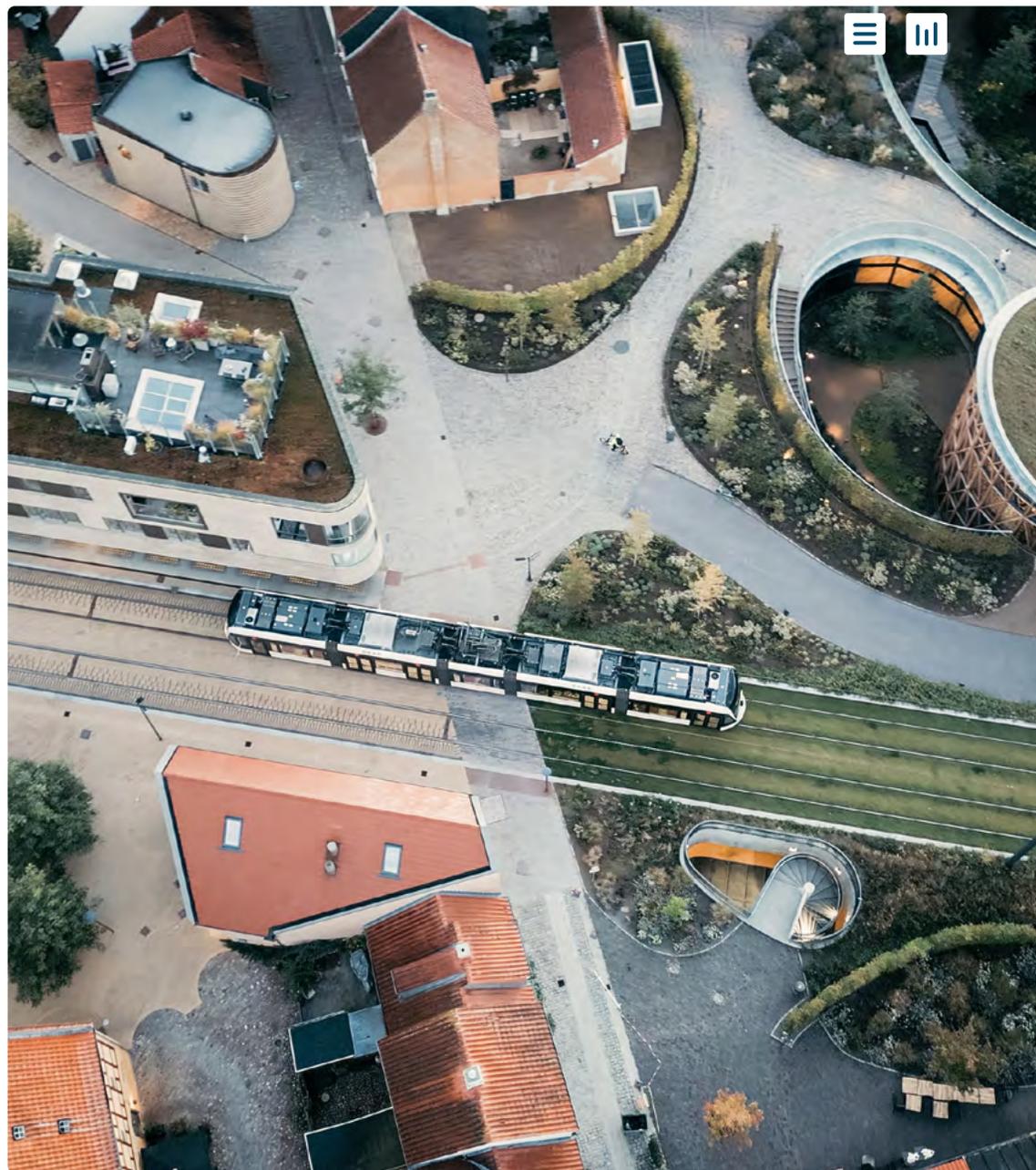
Employee composition

KommuneKredit insists on promoting a culture in which employees, regardless of gender, ethnicity and age, have equal opportunity to create a career.

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. The recommendations are available on the Committee's [website](#).

On the basis of the recommendations, we have published a report on corporate governance. The report is available on our [website](#).





CASE

Expanding the district heating system

Switching to district heating is good for the green transition, and distribution company TVIS has been piping district heating to its four owner municipalities for 40 years. Conversion from natural gas and new housing are driving demand.

Construction work is well under way at TVIS, the district heating distributor owned jointly by the municipalities of Middelfart, Fredericia, Vejle and Kolding. The network has been expanded to include connections to Vamdrup, Jelling and Bredsten-Balle, pipelines have been relocated along two road bridges in Vejle in the wake of the electrification of the railway, and more green improvements are planned for the coming years.

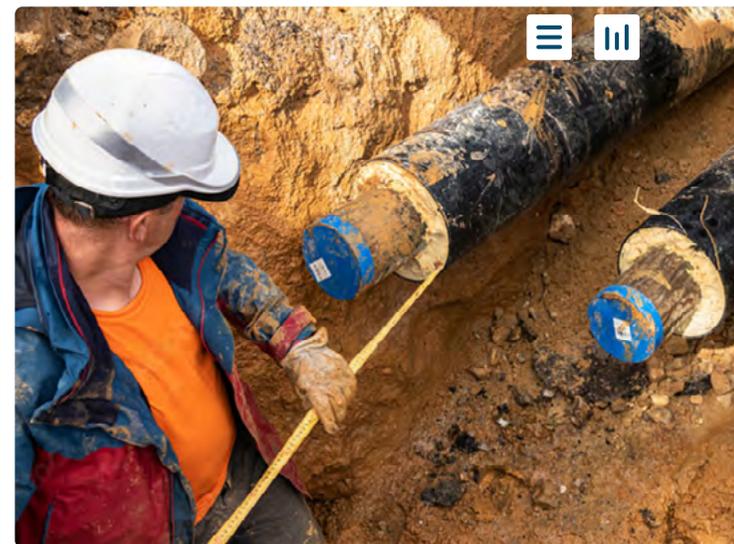
This enlargement of the network is estimated to save the inhabitants of Vamdrup, Jelling and Bredsten-Balle more than DKK

153 million over the next 20 years. Households in the areas previously served by TVIS will save around DKK 70 million in the same period, as the changes mean more efficient use of existing heat. The network expansion will also cut carbon emissions by 9,400 tonnes a year. Even now, TVIS is at the dark green end of the Danish Energy Agency's renewables rankings with carbon emissions of 10.74 kg/GJ, less than a third of those for an air-source heat pump.

The project has been financed with a green loan from KommuneKredit in the district heating category.

» *“Our district heating is based on waste heat, sustainable woodchip and waste incineration. This means that TVIS offers a stable, environmentally friendly and future-proof heating solution that makes a big contribution to achieving municipal carbon reduction targets.”*

Jørgen Nielsen
CEO, TVIS



Facts

Borrower:	TVIS
Partners:	Municipalities of Fredericia, Middelfart, Vejle and Kolding
Loan purpose:	Capital expenditure in connection with expansion of district heating, etc.
Loan amount:	DKK 228 million
Construction period:	2021-2022
About TVIS:	TVIS is an association of local authorities.

Want to learn more?

Contact Christian Jeppesen, Director, Head of Lending and Leasing, chj@kommunekredit.dk

Board of Directors



Henrik Hvidesten,
Chairman

Mayor
Municipality of Ringsted
Year of birth: 1978
Joined the Board of Directors: 1 June 2022

Directorships:
Midt- og Sydsjællands Brand og Redning (chairman)
FGU Midt- og Østsjælland (chairman)
FGU Danmark (chairman)
Fælles museumsmagasiner i Kulturregion Midt- og Vestsjælland (chairman)
IFFD (Idræts- og Fritidsfaciliteter i Danmark) (chairman)



Thomas Lykke Pedersen,
Vice Chairman

Mayor
Municipality of Fredensborg
Year of birth: 1962
Joined the Board of Directors: 1 June 2018

Directorships:
Dansk Fjernvarmes Handelsselskab A.M.B.A (chairman)
Center for Boligsocial udvikling (chairman)
Nordsjællands Brandvæsen (chairman)
Espergærde Gymnasium og HF (chairman)
Fredensborg Forsyning A/S
Norfors I/S
Gate 21



Birgit Aagaard-Svendsen,
Chairman of the Audit Committee

Year of birth: 1956
Joined the Board of Directors: 1 June 2020

Directorships:
Copenhagen Malmö Port AB
Aker Solutions AS
Stiftelsen Det Norske Veritas and related companies
Prosafe SE
Grama Design Aps
Otto Mønsted A/S
West of England Ship Owners Mutual Insurance ass.



Michael Fenger

Mayor
Municipality of Gentofte
Year of birth: 1962
Joined the Board of Directors: 1 June 2022

Directorships:
I/S Vestforbrænding (vice chairman)
Novafos A/S



Martin Geertsen

Regional Council Member
Capital Region
Year of birth: 1970
Joined the Board of Directors: 1 June 2018

Directorships:
Danish Regions
Hovedstadens Letbane

**Mikael Klitgaard**

Mayor
Municipality of Brønderslev
 Year of birth: 1954
 Joined the Board of Directors: 1 June 2014

Directorships:
 Nordjyllands Trafikselskab
 KKR Nordjylland
 Danish Assessment Appeal Board
 Destination Nord
 Brønderslev Erhverv
 BRN (Business Region North Denmark)
 Holtegaard Køreforening

Other committees:
 Board of Representatives, Aalborg Lufthavn
 Board of Representatives, Nordjyllands Trafikselskab

**Susanne Kure**

Year of birth: 1965
 Joined the Board of Directors: 1 June 2022

Directorships:
 Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale
 Socialrådgivernes, Socialpædagogernes og Kontorpersonalets Ejendomsaktieselskab
 Pensionskassen for Farmakonomer
 Farmakonomernes Ejendomsaktieselskab
 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**

Mayor
Municipality of Sønderborg
 Year of birth: 1960
 Joined the Board of Directors: 1 June 2018

Directorships:
 Project Zero Fonden (vice chairman)
 EUC Syd
 Sct. Jørgens Hospital (chairman)
 Sønderborg Lufthavn (vice chairman)
 Sydtrafik (vice chairman)
 Turistdestination Sønderjylland

Other committees:
 Board of Representatives of Sønderborg Vækstråd (chairman)
 Board of Representatives of University of Southern Denmark
 Board of Representatives of Sydtrafik

**Tormod Olsen**

Regional Council Member
Capital Region
 Year of birth: 1983
 Joined the Board of Directors: 1 June 2022

Directorships:
 Danish Regions
 Gate 21

**Peter Sørensen**

Mayor
Municipality of Horsens
 Year of birth: 1966
 Joined the Board of Directors: 1 June 2022

Directorships:
 Sport Event Denmark (chairman)

Management Board



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

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



Financial statements

- 46 Comprehensive income
- 46 Balance sheet
- 47 Equity
- 47 Cash flows
- 48 List of notes to the financial statements
- 49 Notes

A portrait of a middle-aged man with short, light-colored hair and blue eyes, wearing a light blue button-down shirt. He is smiling slightly and looking directly at the camera. The background is blurred, showing other people in an office setting.

03

Comprehensive income

DKKkm	Note	2022	2021
Interest income	1.1	1,948	1,462
Interest expense	1.2	-1,609	-1,079
Net interest income		339	383
Other operating income		27	8
Other operating expenses		-13	-13
Administrative expenses	2.1-2.2	-224	-140
Profit before value adjustments		129	238
Value adjustments of financial instruments	1,3,1.4	1,144	249
Profit before tax		1,273	487
Tax on profit for the year	3.1	-282	-109
Profit for the year		991	378
Other comprehensive income			
Actuarial gains and losses		0	0
Tax on actuarial gains and losses	3.1	0	0
Comprehensive income for the year		991	378
Allocated as follows:			
Transferred to equity		991	378
Total		991	378

Balance sheet

DKKkm	Note	2022	2021
Assets			
Due from credit institutions	1.4	377	501
Loans	1.4, 1.5	165,652	187,045
Leases	1.6	9,322	7,903
Portfolio of securities	1.4, 1.7	46,591	48,387
Derivatives	1.4	14,962	5,079
Other assets		111	126
Current tax assets	3.2	37	36
Total assets		237,052	249,077
Liabilities and equity			
Due to credit institutions	1.4	1	0
Debt securities issued	1.4, 1.8	207,899	233,892
Derivatives	1.4	18,221	5,307
Other liabilities		595	568
Current tax liabilities	3.2	49	75
Deferred tax liabilities	3.3	521	460
Total liabilities		227,286	240,302
Equity		9,766	8,775
Total liabilities and equity		237,052	249,077

Equity

DKKm	Note	2022	2021
Equity			
Equity at 1 January		8,775	8,397
Transferred to equity			
Profit for the year		991	378
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		991	378
Equity at 31 December		9,766	8,775

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

Equity increased to DKK 9,766 million at year-end 2022 from DKK 8,775 million at the end of 2021. At year-end 2022, equity amounted to 4.1 pct. of total assets, representing an increase relative to year-end 2021. 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 2,273 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 2022 includes the DKK 2 million net revaluation reserve.

Cash flows

DKKm	Note	2022	2021
Profit before tax		1,273	487
Depreciation and amortisation		1	1
Other adjustments		-1	-
Income tax paid		-247	-71
Total		1,026	417
Net interest income reversed		-339	-383
Financial income received		1,948	1,462
Financial expenses paid		-1,609	-1,079
Change in lending		19,974	-2,491
Change in portfolio of securities		1,796	-14,819
Change in debt securities issued		-25,992	21,114
Change in derivative financial liabilities		12,914	-6,415
Change in derivative financial assets		-9,883	2,591
Change in other assets		14	-7
Change in other liabilities		27	89
Cash flows from operating activities		-124	479
Sale of other assets		0	-
Purchase of other assets		-1	-
Cash flows from investing activities		-1	-
Cash flows from financing activities		-	-
Change in cash and cash equivalents		-125	479
Cash and cash equivalents at 1 January		501	22
Cash and cash equivalents at 31 December		376	501
Specified as follows:			
Deposits with credit institutions		377	501
Short-term payables to credit institutions		-1	-
Cash and cash equivalents at 31 December		376	501

List of notes to the financial statements

General					
1.0	Accounting policies	49			
Net interest income					
1.1	Interest income	52			
1.2	Interest expenses	52			
Fair value adjustments, etc.					
1.3	Value adjustments of financial instruments	52			
1.4.1	Specification of fair value of financial instruments	53			
1.4.2	Specification of level 3 fair value	56			
1.4.3	Change in credit spreads	57			
1.4.4	Offsetting	57			
1.4.5	Specification of collateral	58			
1.5	Lending	59			
1.6	Unearned financial income relating to leasing	60			
1.7	Portfolio of securities	60			
1.8	Debt securities issued	61			
Financial risk management					
1.9	Market risk	62			
1.9.1	Currency risk	62			
1.9.2	Interest rate risk	64			
1.9.3	Volatility risk	64			
1.9.4	Other price risk	64			
1.10	Credit risk	65			
1.10.1	Credit risk exposure	66			
1.10.2	Credit quality	68			
1.10.3	Collateral received	68			
1.11	Liquidity risk	69			
1.11.1	Distribution of maturity according to term to maturity	70			
1.11.2	Liquidity resources	71			
Administrative expenses					
2.1	Administrative expenses	72			
2.2	Remuneration of the Board of Directors and Management Board	73			
Tax					
3.1	Tax on profit for the year	73			
3.2	Current tax assets/liabilities	74			
3.3	Deferred tax liabilities	74			
Other notes					
4.1	Contingent assets and liabilities	75			
4.2	Related parties	75			
4.3	Events after the balance sheet date	75			
5	IFRS 9 impairment	75			
6	Key figures and financial ratios	77			

General

Note 1.0 Accounting policies

General

The financial statements of KommuneKredit for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 2022-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 2022 or later which are considered to have an effect on the financial reporting for 2022.

Change in presentation

Relative to last year, minor reclassifications have been made in note 2.2. This has not affected recognition or measurement in the financial statements.

Significant accounting estimates 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 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.

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 2021, no changes were made to the accounting estimates made.

Currency translation

The presentation currency used in the financial statements is Danish kroner (DKK). Items denominated in foreign currencies are translated at closing rates on 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

General

Note 1.0 Accounting policies (continued)

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.

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

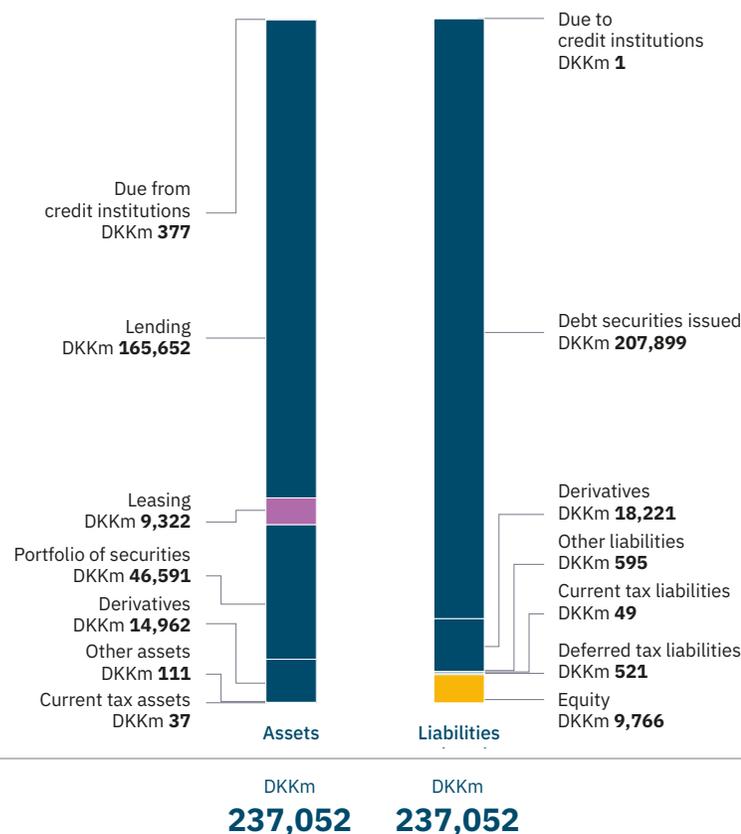
Using the fair value option also helps ensure consistent accounting treatment of amounts due from credit institutions, lending, portfolio of securities, debt securities issued and derivatives in respect of risk and matching hedges. This means that lending, securities and derivatives are measured at fair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

Valuation principles

- Fair value and fair value option
- Cost
- Other



General

Note 1.0 Accounting policies (continued)

closures 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 calculated 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	2022	2021
Interest income		
Net financials at amortised cost		
Leases	49	36
Net financials at fair value		
Fixed-term loans	1,508	1,218
Bond loans	425	326
Portfolio of securities	-34	-118
Total interest income	1,948	1,462
Interest expense		
Net financials at fair value		
Bond deposits	404	310
Other loans and derivatives	1,205	769
Total interest expense	1,609	1,079

Note 1.3 Value adjustments of financial instruments

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

DKKm	2022	2021
Value adjustments of financial instruments		
Portfolio of securities	-229	-34
Lending	-24,894	-5,921
Impairment of leases	-4	0
Debt securities issued	29,499	6,535
Derivatives	-3,228	-331
Total value adjustments of financial instruments	1,144	249

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 their correlation. 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 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.

The ongoing “Interest Rate Benchmark Reform” serves to replace the “London Interbank Offered Rate” (LIBOR) with alternative risk-free rates. KommuneKredit will be affected by this change in two ways.

Fair value adjustments, etc.

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

First, future LIBOR interest payments on ongoing contracts must be replaced by interest payments based on the new alternative risk-free interest rates and, next, the discounting of cash flows in fair value levels 2 and 3 must be based on new alternative risk-free swap 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.

KommuneKredit continues to apply LIBOR rates on LIBOR interest payments that continue to exist after 31 December 2022 and will also continue to use the old, but still existing, corresponding LIBOR swap rates for the discounting of cash flows in the currencies affected. As the bulk of the remaining affected cash flows are hedged, the remaining shift away from LIBOR interest rates and LIBOR swap rates is not expected to have any significant impact on either fair values or profits.

No transfers between the fair value hierarchy levels were made in 2022.

Fair value adjustments, etc.

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

DKKkm	Level 1	Level 2	Level 3	Total
2022				
Assets				
Due from credit institutions	377	0	0	377
Lending	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

DKKkm	Level 1	Level 2	Level 3	Total
2021				
Assets				
Due from credit institutions	501	0	0	501
Lending	0	187,045	0	187,045
Portfolio of securities	48,387	0	0	48,387
Derivatives	0	4,443	636	5,079
Total assets	48,888	191,488	636	241,012
Liabilities				
Due to credit institutions	0	0	0	0
Debt securities issued	0	228,165	5,727	233,892
Derivatives	0	5,057	250	5,307
Total liabilities	0	233,222	5,977	239,199

Fair value adjustments, etc.

1.4.2 Specification of level 3 fair value

DKKm	1 Jan.	Additions	Disposals	Recognised in profit for the year	31 Dec.
2022					
Assets					
Due from credit institutions	0	0	0	0	0
Lending	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

DKKm	1 Jan.	Additions	Disposals	Recognised in profit for the year	31 Dec.
2021					
Assets					
Due from credit institutions	0	0	0	0	0
Lending	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	816	0	-1	-179	636
Total assets	816	0	-1	-179	636
Liabilities					
Due to credit institutions	0	0	0	0	0
Debt securities issued	6,360	0	-538	-95	5,727
Derivatives	397	0	-220	73	250
Total liabilities	6,757	0	-758	-22	5,977

Fair value adjustments, etc.

Note 1.4.3 Change 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.

DKK m	2021	Develop- ment	2022
Statement of comprehensive income			
Value adjustments of financial instruments	-27	-19	-46
Total effect on statement of comprehensive income	-27	-19	-46
Statement of financial position			
Assets	-27	-11	-38
Liabilities	0	8	8
Total effect on statement of financial position	-27	-19	-46

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 9,258 million at 31 December 2022, against DKK 6,473 million at 31 December 2021.

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

DKK m	Values offset			Values not offset		
	Gross carrying amount	Set-off	Carrying amount	Financial instruments	Collateral	Net value
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
2021						
Assets	11,552	-6,473	5,079	-941	-3,075	1,063
Liabilities	11,780	-6,473	5,307	-941	-2,049	2,317
Net	-228	0	-228	0	-1,026	-1,254

Fair value adjustments, etc.

1.4.5 Specification of collateral

DKK m	Type of bond	Collateral posted		Collateral received		
		Credit rating	Market value	Market value after haircut	Market value	Market value after haircut
2022						
	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
	Total		15,837	15,088	13,242	12,647
	Of which non-nettable collateral		0	-12	0	-107
	Total nettable collateral		15,837	15,076	13,242	12,540

DKK m	Type of bond	Credit rating	Collateral posted		Collateral received	
			Market value	Market value after haircut	Market value	Market value after haircut
2021						
	Danish government bonds	AAA	0	0	44	42
	Danish mortgage bonds	AAA	0	0	332	325
	Danish mortgage bonds	AA+	0	0	0	0
	German government bonds	AAA	101	98	209	198
	British government bonds	AA	738	674	1,250	1,140
	French government bonds	AA	1,609	1,542	1,537	1,424
	Total		2,448	2,314	3,372	3,129
	Of which non-nettable collateral		0	-265	0	-54
	Total nettable collateral		2,448	2,049	3,372	3,075

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. Leasing is measured at amortised cost, but is presented here for the sake of completeness. Value adjustment for the year are included under "Disposals".

DKKm	No. of loans	2022	2021
Lending			
1 January	19,459	194,948	192,457
Additions	3,784	28,057	36,958
Disposals	3,068	48,031	34,467
Total lending	20,175	174,974	194,948
Bond loans	2,195	24,981	29,460
Fixed-term loans	5,887	140,671	157,585
Leasing	12,093	9,322	7,903
Total lending	20,175	174,974	194,948

DKKm	2022	2021
Bond loans	24,981	29,460
Fair value adjustments	1,684	-1,591
Bond loans in nominal values	26,665	27,869
Fixed-term loans	140,671	157,585
Fair value adjustments	15,181	-6,280
Fixed-term loans in nominal values	155,852	151,305
Leasing	9,322	7,903
Impairment	6	2
Leasing in nominal values	9,328	7,905

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	2022	2021
Net investments in finance leases, by lease term		
Up to 1 year	1,325	1,193
From 1 to 5 years	3,603	3,142
Over 5 years	4,400	3,570
Total leasing	9,328	7,905
Gross investments in finance leases, by lease term		
Up to 1 year	1,449	1,223
From 1 to 5 years	3,987	3,247
Over 5 years	4,863	3,793
Total gross leasing	10,299	8,263
Unearned financial income	971	358

Note 1.7 Portfolio of securities

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

DKKkM	2022	2021
Portfolio of securities		
Government/public authorities	13,435	7,018
Multilateral counterparties	369	1,057
Mortgage debt	32,787	40,312
Mortgage credit institutions	0	0
Total portfolio of securities	46,591	48,387
Of this portfolio of securities used as collateral	9,717	470
Portfolio of unencumbered securities	36,874	47,917

Fair value adjustments, etc.

Note 1.8 Debt securities issued

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

DKKm	1 Jan.	Additions	Disposals & value adj.	31 Dec.	Value adjust- ment	Fair value 31 Dec.
2022						
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
Total debt securities issued	227,400	52,692	-49,201	230,891	-22,992	207,899

DKKm	1 Jan.	Additions	Disposals & value adj.	31 Dec.	Value adjust- ment	Fair value 31 Dec.
2021						
Nasdaq Copenhagen	49,058	4,985	-4,694	49,349	2,769	52,118
ECP	2,303	15,569	-17,708	164	0	164
Private Placements	21,541	588	-118	22,011	2,260	24,271
Uridashi	2,504	0	-828	1,676	-404	1,272
Benchmark	120,695	43,392	-14,283	149,804	1,647	151,451
Kangaroo	3,737	578	81	4,396	220	4,616
Total debt securities issued	199,839	65,112	-37,550	227,400	6,492	233,892

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 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, share indices, commodity prices 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. commodity indices, equity 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 DKK 1,000 million, and the net position for all other currencies combined must not exceed DKK 100 million.

Measurement

The currency position is presented separately for receivables and liabilities as well as derivatives where the position is calculated using values based on the same discount curve. The distribution shows how the derivatives are used to hedge the resulting currency position from receivables and liabilities.

At the end of 2022, KommuneKredit's currency position was DKK -389 million in EUR, while all other currency exposures were very close to zero.

Financial risk management

Note 1.9.1 Currency risk (continued)

DKKkm		Assets	Liabilities	Deriva- tives	Currency position
2022					
Australian dollar	AUD	0	6,147	6,147	0
Brazilian real	BRL	0	0	0	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
Total		11,753	167,769	155,627	-389

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

DKKkm		Assets	Liabilities	Deriva- tives	Currency position
2021					
Australian dollar	AUD	0	8,148	8,148	0
Brazilian real	BRL	0	75	75	0
Swiss franc	CHF	140	8,127	7,988	0
Euro	EUR	4,303	106,398	101,728	-367
Pound sterling	GBP	0	12,930	12,930	0
Japanese yen	JPY	0	1,314	1,314	0
Mexican peso	MXN	0	873	873	0
Norwegian kroner	NOK	0	8,071	8,071	0
Swedish kronor	SEK	0	4,032	4,032	0
US dollar	USD	781	31,374	30,597	4
Other currencies*		0	376	376	0
Total		5,224	181,718	176,132	-363

* Other currencies comprise CAD, HKD, 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 4.5 pct. of equity, corresponding to DKK 439 million. The interest rate risk is calculated using a 1 percentage point parallel shift in the yield curve.

DKKm	2022	2021
Total interest rate risk	197	268
Equity used for limit	9,766	8,775
Interest rate risk limit of 4.5% of equity	439	395
Utilisation of the limit, pct.	45	68

Note 1.9.3 Volatility risk

Policies and procedures

KommuneKredit's risk tolerance in respect of volatility risk is very low, as it is not necessary to accept volatility 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.

Note 1.9.3 Volatility risk (continued)

According to the Board of Directors' guidelines, the interest rate volatility risk must not exceed 0.2 pct. of equity, corresponding to 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 2022, there was only 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 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 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 "Financial Investments", credit risk on leases must be calculated and recognised at cost. The credit risk on leases has been calculated at DKK 6 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
2022		
Danish municipalities and regions	98,354	5
Institutions guaranteed by Danish municipalities and regions	76,500	1
Total	174,854	6
2021		
Danish municipalities and regions	109,955	2
Institutions guaranteed by Danish municipalities and regions	85,537	0
Total	195,492	2

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 Aa3/AA- from Moody's Investors Services or 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. Finally, agreements with lower-rated, systemically important Danish banks are permitted.

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 exposure

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 1.8 billion from DKK 49.4 billion in 2021 to DKK 47.6 billion in 2022. 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 and multilateral development banks.

The exposure on derivatives after collateral has increased marginally. The exposure before collateral increased by DKK 9.6 billion, while the collateral after haircut increased by DKK 9.5 billion. At the end of 2022, 95 pct. of the fair value of the derivatives portfolio was covered by collateral received.

The rating is based on Moody's Investors Service, Standard & Poor's and/or Fitch Ratings. If the counterparty is rated by two rating agencies, the lowest rating will be applied. If the counterparty is rated by three credit rating agencies, the middle rating of the three credit ratings is used. 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 negative (neg.) fair value (FV) per counterparty".

Financial risk management

Note 1.10.1 Credit risk exposure (continued)

DKK m	Investment credit risk			Credit risk on derivatives					Total
	Due from credit institutions	Securities	Total	Derivatives		Correction for neg. FV per counterparty	Collateral after haircut	Total	Net
				Positive	Negative				
2022									
AAA	0	35,804	35,804	0	0	0	0	0	35,804
AA+	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
AA-	4	0	4	1,040	-8,323	7,860	-283	294	298
A+	372	0	372	8,029	-4,038	2,388	-6,233	146	518
A	1	0	1	2,033	-2,183	2,137	-1,958	29	30
A-	0	0	0	788	-891	735	-575	57	57
BBB+	0	0	0	0	0	0	0	0	0
Total	377	46,591	46,968	24,152	-27,292	16,330	-12,540	650	47,618
2021									
AAA	0	44,324	44,324	0	0	0	0	0	44,324
AA+	0	0	0	0	0	0	0	0	0
AA	0	4,063	4,063	5,052	-5,092	1,545	-1,465	40	4,103
AA-	6	0	6	1,553	-1,242	581	-612	280	286
A+	495	0	495	2,831	-4,371	1,834	-181	113	608
A	0	0	0	321	-668	405	-58	0	0
A-	0	0	0	1,232	-385	0	-759	88	88
BBB+	0	0	0	0	0	0	0	0	0
Total	501	48,387	48,888	10,989	-11,758	4,365	-3,075	521	49,409

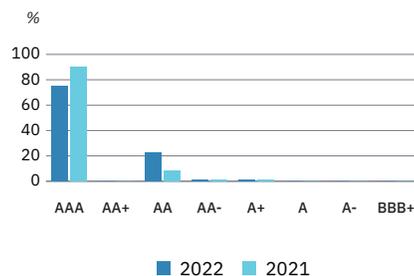
Financial risk management

Note 1.10.2 Credit quality

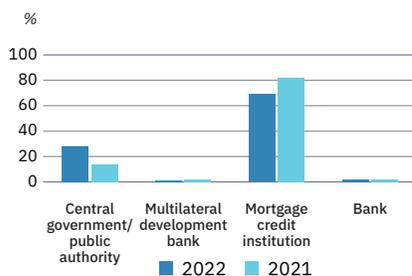
KommuneKredit has never incurred losses on loans or leases.

75 pct. of the total exposure relates to counterparties with the highest rating, 24 pct. has a rating between AA+ and AA-, and 1 pct. has a lower credit rating. The credit quality of KommuneKredit's counterparties is thus very high.

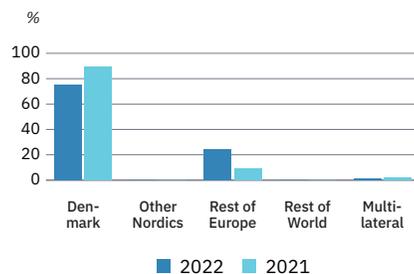
Exposure by credit rating



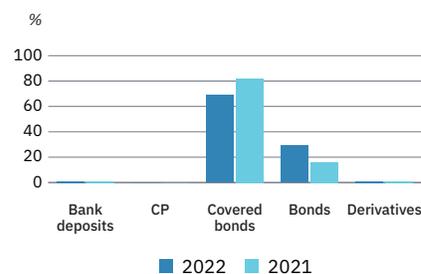
Exposure by type of counterparty



Exposure by geographical area



Exposure by type of instrument



The breakdown of exposures from year-end 2021 to year-end 2022 changed in the way that part of the investments in Danish mortgage bonds was replaced by investments in European government bonds. European government bonds can to a greater extent cover a growing need for collateral driven by increased market movements during the period.

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.

5,433 transfers of collateral totalling DKK 98 billion in nominal value were made in 2022. This high level of activity is a reflection 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 2022 was thus Danish, British, 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 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 110 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 keeping the 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 2022, LCR was 352 pct., and NSFR was 162 pct.

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

To ensure that the bonds in the liquidity resources are liquid, it is required that most of the bonds are HQLA bonds and categorised as eligible collateral with either Danmarks Nationalbank or the ECB. At year-end 2022, 100 pct. of all bonds were classified as HQLA, and 100 pct. were categorised as eligible collateral with either Danmarks Nationalbank or the ECB.

The Board of Directors has determined a minimum 180 day requirement for the survival horizon in a going concern stress scenario. At year-end 2022, the survival horizon was 349 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	4-12 months	1-5 years	Over 5 years	Total
2022					
Financial assets					
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
Total recognised financial assets	38,545	53,865	58,600	87,679	238,689
Funding commitments received	-	-	-	-	-
Total financial assets	38,545	53,865	58,600	87,679	238,689
Financial liabilities					
Due to credit institutions	1	0	0	0	1
Debt securities issued	10,086	23,187	94,100	103,518	230,891
Derivatives, net	414	-442	-1,254	-1,003	-2,285
Total recognised financial liabilities	10,501	22,745	92,846	102,515	228,607
Loan commitments given	3,001	4,265	7,848	347	15,461
Total financial liabilities	13,502	27,010	100,694	102,862	244,068

DKKm	0-3 months	4-12 months	1-5 years	Over 5 years	Total
2021					
Financial assets					
Due from credit institutions	501	0	0	0	501
Portfolio of securities	9,253	31,654	7,212	0	48,119
Loans	29,880	17,500	47,345	84,959	179,684
Leases	173	1,020	3,142	3,570	7,905
Total recognised financial assets	39,807	50,174	57,699	88,529	236,209
Funding commitments received	-	-	-	-	-
Total financial assets	39,807	50,174	57,699	88,529	236,209
Financial liabilities					
Due to credit institutions	0	0	0	0	0
Debt securities issued	5,730	30,937	90,502	100,231	227,400
Derivatives, net	131	-411	-726	-936	-1,941
Total recognised financial liabilities	5,862	30,526	89,776	99,295	225,459
Loan commitments given	2,271	5,150	2,148	76	9,645
Total financial liabilities	8,133	35,676	91,924	99,371	235,104

Financial risk management

Note 1.11.2 Liquidity resources

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 43.6 billion at the end of 2022, and KommuneKredit had liquidity resources of DKK 36.2 billion. The utilisation of the limit fluctuated in 2022, and the highest level of liquidity resources at the end of a month was 23 pct.

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

DKK m	2022	2021
Liquidity resources		
Due to credit institutions, debt securities issued and derivatives		
Due to credit institutions	1	0
Debt securities issued	207,899	233,892
Derivatives, liabilities	18,221	5,307
Derivatives, assets	-14,962	-5,079
Total due to credit institutions, debt securities issued and derivatives	211,159	234,120
Loans and leases		
Loans	165,652	187,045
Leases	9,322	7,903
Total loans and leases	174,974	194,948
Liquidity resources	36,185	39,172
Liquidity resources cannot exceed 25 pct. of total lending at the end of the preceding quarter.		
Liquidity resources	36,185	39,172
Total lending at the end of the preceding quarter	174,586	193,841
Liquidity resources, pct.	21	20

Administrative expenses

Note 2.1 Administrative expenses

Administrative expenses comprise staff costs and other administrative expenses, adjustment of pension obligations and amortisation and depreciation 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.), 3 years
- Operating equipment, including IT equipment, 3-5 years
- Cars, 3-4 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.

DKKkm	2022	2021
Administrative expenses		
Salaries and pension contributions, etc.	93	84
Other staff costs	19	6
Consultancy fees	35	17
IT licences	24	21
Charges	4	3
Property management	5	4
Amortisation and depreciation of intangible assets and property, plant and equipment	1	1
Other administrative expenses	8	4
Provision for payroll tax	35	0
Total administrative expenses	224	140
Average number of employees	97	88

Developments in costs were driven by a provision for adjustment of payroll tax regarding previous years, an increase in the annual payroll tax, as well as a rise in IT-consultancy due to good progress in the strategic projects.

DKK'000	2022	2021
Fees to auditors as per the articles of association:		
Statutory audit of financial statements	509	456
Other assurance engagements	234	34
Other services	136	148
Total fee	879	638

Fees for other services comprise various statements and comfort letter for the annual update of the issuance programme, etc.

Administrative expenses

2.2 Remuneration of the Board of Directors and Management Board

DKK'000	Contractual			Total
	Fee	remuneration	Pension	
2022				
Management Board	-	4,985	256	5,241
Board of Directors	1,061	-	-	1,061
Total	1,061	4,985	256	6,302
2021				
Management Board	-	4,895	433	5,328
Board of Directors	1,038	-	-	1,038
Total	1,038	4,895	433	6,366

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. On this basis, the average tax rate is calculated at 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	2022	2021
Current tax	221	123
Deferred tax charge for the year	62	-13
Prior-year adjustments	-1	-1
Total tax on profit for the year	282	109
Tax on profit for the year is explained as follows:		
Estimated tax on the pre-tax profit for the year	280	107
Non-taxable income	0	0
Non-deductible expenses	3	3
Prior-year adjustments to current tax	0	-1
Adjustment of deferred tax relating to prior years	-1	0
Total tax for the year	282	109
Effective tax rate	22	22
Tax on other comprehensive income:		
Tax on actuarial adjustment	0	0
Tax on other comprehensive income, total	0	0

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	2022	2021
Balance at 1 January	36	35
Current tax	0	0
Value adjustment for the year	1	1
Income taxes paid for the year	0	0
Total current tax assets	37	36
Balance at 1 January	-75	-23
Prior-year adjustments	0	0
Current tax	-221	-123
Income taxes paid for the year	247	71
Total current tax liabilities	-49	-75

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	2022	2021
Balance at 1 January	460	473
Prior-year adjustments	-1	0
Deferred tax charge for the year	62	-13
Total deferred tax liabilities	521	460
Deferred tax liabilities break down as follows:		
Property, plant and equipment and intangible assets	5	5
Lease assets	526	468
Pension obligations	-10	-13
Total deferred tax liabilities	521	460

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 2022. In addition, there are excess reserves of DKK 25 million to cover future changes to 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 "Financial Investments" 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 strict 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 (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 2022 is shown in the table below, and all leases 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 2022	0.0% - 0.5%	7,905	2	7,903
Movement	-	1,423	4	1,419
31 December 2022	0.0% - 0.5%	9,328	6	9,322

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 2022 was due to a changed business volume and a general increase in the market on credit risk.

Other notes

Note 6 Key figures

Million	2022	2022	2021	2020	2019	2018
	EUR	DKK	DKK	DKK	DKK	DKK
Key figures						
Net interest income	46	339	383	440	496	441
Other operating income	4	27	8	15	13	11
Other operating expenses	-2	-13	-13	-14	-13	-12
Administrative expenses	-30	-224	-140	-130	-126	-127
Profit before value adjustments	17	129	238	311	369	314
Value adjustment of financial instruments	154	1,144	249	-33	227	227
Tax on profit for the year	-38	-282	-109	-60	-148	-119
Comprehensive income for the year	133	991	378	218	441	405
Loans and leases	23,529	174,974	194,948	192,457	184,965	177,454
Portfolio of securities	6,265	46,591	48,387	33,568	44,982	42,944
Assets	31,877	237,052	249,077	233,872	236,935	226,609
Debt securities issued	27,957	207,899	233,892	212,728	218,932	208,218
Equity	1,313	9,766	8,775	8,397	8,179	7,736
Activities during the year						
Loans and leases, net additions in nominal value (net lending)	641	4,766	8,675	5,057	2,427	3,554
Loans and leases, gross additions in nominal value	3,773	28,057	36,958	43,507	36,745	38,261
Debt securities issued, gross additions in nominal value	7,086	52,692	65,112	43,163	49,699	60,055

Million	2022	2022	2021	2020	2019	2018
	EUR	DKK	DKK	DKK	DKK	DKK
Capital structure						
Total Risk Exposure Amount (REA)*	2,105	15,653	13,859	11,496	11,911	13,843
Common Equity Tier 1 (CET1) capital	1,313	9,766	8,775	8,397	8,179	7,736
Capital base	1,302	9,684	8,660	8,277	7,997	7,520
Capital ratio, pct.*	62	62	63	72	67	54
Equity ratio, pct.	4.1	4.1	3.5	3.6	3.5	3.4
Selected financial ratios						
Losses on loans and leases	0	0	0	0	0	0
Expenses/assets, pct.	0.09	0.09	0.06	0.06	0.05	0.06
Net interest income/assets, pct.	0.14	0.14	0.15	0.19	0.21	0.19
Liquidity resources, pct.	21	21	20	13	19	19
Number of full-time employees	97	97	88	82	76	70

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

Exchange rate at 31 December 2022: EUR 100 = DKK 743.6475.

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



Statements and reports

- 79 Statement by the Board of Directors and the Management Board
- 80 Independent auditor's report
- 84 Report by the ministry-appointed auditor

04

Statement by the Board of Directors and the Management Board

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 2022.

In our opinion, the annual report with the file name [Årsrapport 2022-ESEF](#) has in all material respects been prepared in accordance with the ESEF Regulation.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 2022 and of the comprehensive income of KommuneKredit's operations and cash flows for the financial year 1 January – 31 December 2022.

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, 9 March 2023

Management Board

Jens Lundager
Chief Executive Officer,
Managing Director

Henrik Andersen
Managing Director

/Morten Sætøfte
CFO

Board of Directors

Henrik Hvidesten
Chairman

Thomas Lykke Pedersen
Vice Chairman

Birgit Aagaard-Svendsen

Michael Fenger

Martin Geertsen

Mikael Klitgaard

Susanne Kure

Erik Lauritzen

Tormod Olsen

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 2022, 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 International Financial Reporting 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 2022 and of its financial performance and cash flows for

the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting 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 the 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 KommuneKredit in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional

Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 six years up to and including the financial year 2022.

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 2022. 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 14,962 million of the assets at 31 December 2022 (2021: DKK 5,079 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 18,211 million of the liabilities at 31 December 2022 (2021: DKK 5,307 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.

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.

How the matter was addressed in our audit

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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review 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's review provides the information required under the Danish disclosure requirements for issuers of listed bonds.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the Danish disclosure requirements for issuers of listed bonds. We did not identify any material misstatement of the Management's review.

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 International Financial Reporting Standards as adopted by the EU, and for such internal control that 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 Association'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 Association 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, misrepresentations, 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 inad-

equated, 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 2022, with the file name [Årsrapport 2022-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 2022, with the file name [Årsrapport 2022-ESEF](#), has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 9 March 2023

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 2022, prepared by Management. In addition, I have read the Management's review.

During my review, I did not identify any non-compliance with the Danish act governing KommuneKredit or KommuneKredit's articles of association. The audit procedures performed by Deloitte did not give rise to any comments on my part.

Copenhagen, 9 March 2023

Thorkil Juul



Additional information

86 Definitions and formulas

A photograph of two women in an office setting, smiling and looking towards the left. The woman on the left has long dark hair and is wearing a white patterned blouse. The woman on the right has short grey hair and is wearing a light blue striped shirt. The background is blurred, showing office furniture and other people.

05

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.

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.

Co₂e total (scope 1, 2, 3)(t): Direct and indirect emissions of CO₂ from purchased energy (such as electricity and district heating).

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

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

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.

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

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

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.

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.

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.

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.

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

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.

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

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.

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

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

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.

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.

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.

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

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.

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



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

Photos KommuneKredit, Svendborg Vand & Affald, Tejn Vandværk.

Design and production Noted

Thanks to Tejn Vandværk, Svendborg Affald and TVIS for participating in cases.

Contact

Jens Lundager, Chief Executive Officer, Managing Director

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

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