



Annual Report 2024

KommuneKredit
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Denmark
CVR No. 22 12 86 12



Providing equal opportunities for local sustainable growth

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

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

That is why we can offer municipalities and regions instant and uncomplicated access to financing of projects large or small and at the lowest possible cost. With equal opportunities and terms for all – across the entire country.

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

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

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



Mission

KommuneKredit provides financing at the lowest possible cost.



Vision

We want to be the preferred financing choice for municipalities and regions when they invest in the future.



Legal basis and applicable framework

KommuneKredit was established by Act No. 35 of 19 March 1898 as most recently amended by Act No. 405 of 25 April 2023 on the Credit Institution for Local and Regional Authorities in Denmark (*lov om Kreditforeningen af kommuner og regioner i Danmark*). The Act lays down the framework for KommuneKredit as a special-purpose credit institution. KommuneKredit's statutory purpose is to provide loans and finance leases to municipalities, regions and other entities undertaking public tasks when the loan is guaranteed by a local or regional authority. KommuneKredit is subject to some of the same requirements and supervisory frameworks that apply to private credit institutions. However, the supervisory frameworks are adapted to our special activities and the limited risks that we assume. The responsibility for the financial supervision of KommuneKredit is entrusted to the Danish Financial Supervisory Authority (*Finanstilsynet*). In addition, the Minister for Industry, Business and Financial Affairs has appointed an auditor to oversee that KommuneKredit's lending is in keeping with the rules applicable to the borrowing of municipalities and regions and the delimitation of KommuneKredit's customer group as set out in the Act.

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Green Bond Impact Report

Each year, KommuneKredit prepares an annual report on the environmental impact of our green loans.

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

Corporate Governance Report

KommuneKredit has published a report on corporate governance.

> [Read the Corporate Governance Report on our website](#)

Follow us



Case – LOAN

The Borgring Viking Castle

In 2014, archaeologists discovered the remains of a Viking castle near Køge on the island of Zealand. Here, a plank dating back to the year 966 was instrumental in determining that Borgring had belonged to Danish King Harald Bluetooth.

Supported by financing from KommuneKredit and funding from foundations, an 1,800 m² museum has now been built to supplement the main attraction, the castle. The building has been created with due respect for the landscape and the castle where visitors are allowed to step in the footprints of Harald Bluetooth.

Borgring is the fifth ring fortress discovered in Denmark and was included in the UNESCO World Heritage List in 2023.

> [More information about Borgring is available on our website](#)



Skyum Efterskole
New sports and
teaching facilities for
the continuation school

01

About KommuneKredit

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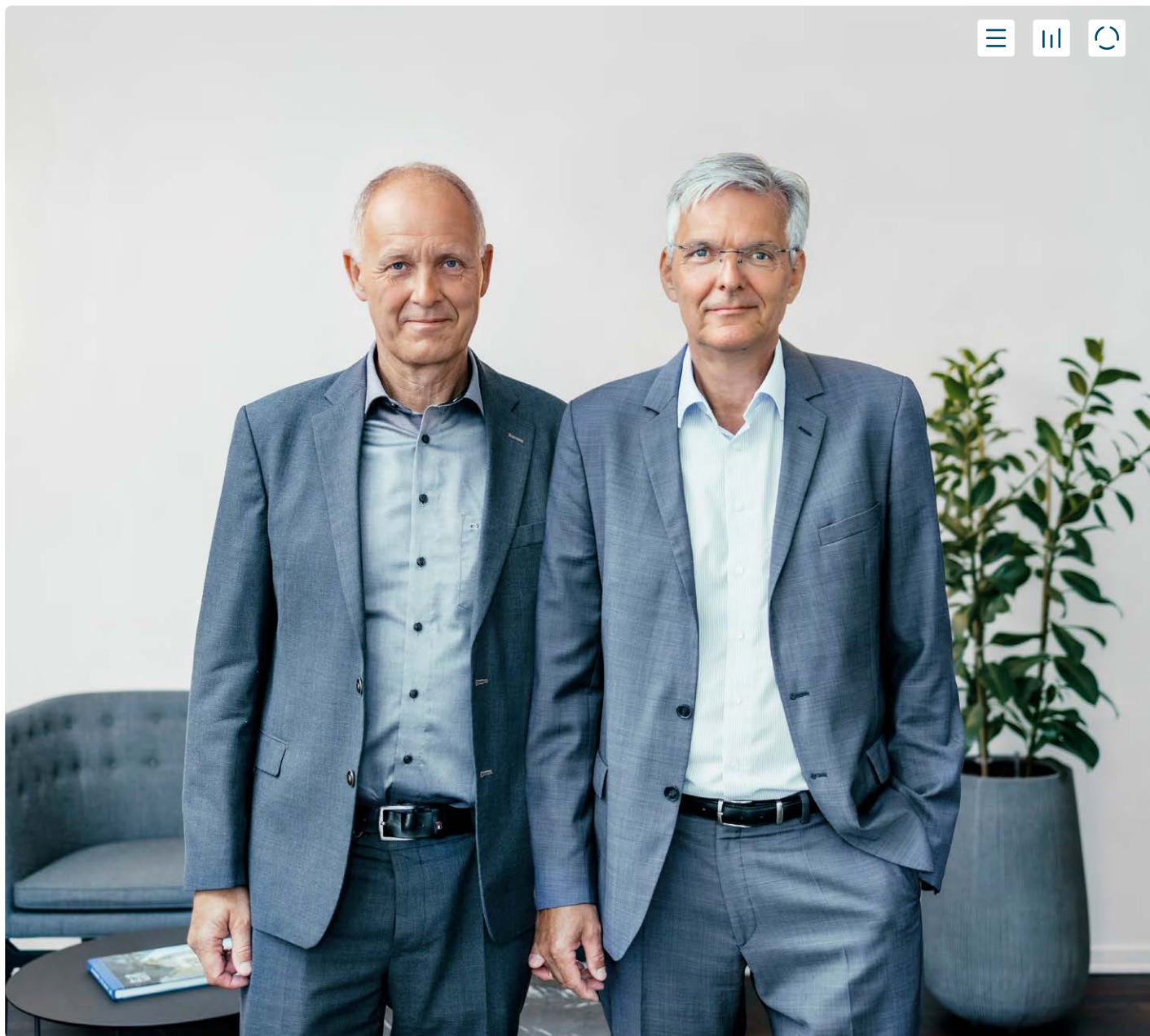


Letter from Management

KommuneKredit is a special-purpose credit institution. Our purpose is to provide financing at the lowest possible cost to municipalities and regions as well as to local companies and institutions undertaking municipal tasks. We have done so for more than 125 years and in that way, we support local growth and the green transition in Denmark.

KommuneKredit was established by law. We are organised as an association, and all municipalities and regions in Denmark are members. We fund our loans and leases by issuing bonds for which our members have joint and several liability. This means that our bonds are very secure and can be sold at low yields compared to market rates. To this should be added that we do not have to make a profit, nor do we pay dividends. Our success is measured by the low lending rates and lease payments we offer our customers when they need financing of their investments – wheth-

Chairman
Martin Damm
(left) and
CEO
Jens Lundager
(right)



er large or small and irrespective of where in Denmark the project is carried out. Put differently, we help ensure better local value for public money.

The Danish Ministry of the Interior and Health has laid down rules for the local and regional authorities' borrowing and provision of guarantees. Moreover, the specific investment for which a loan is taken out with us must be a municipal or regional project and, finally, KommuneKredit's lending must comply with the EU rules on state subsidies.

When a local council makes a democratic decision to raise a loan or provide a guarantee for a loan – and it is within the framework of our lending activities – we provide the financing. We do not take a position on the business case of a financed project. It is the task of the individual local authority, which on that basis must ensure that repayment is feasible. This is how the distribution of responsibilities has always been, and it has proven very sustainable. Only on very rare occasions has the economy of a project financed by loans guaranteed by a local authority failed, and as a result of the guarantee the municipality has had to assume the debt. In such cases, being the guarantor, the local authority will under-

take the role as creditor on our behalf until the debt is assumed.

New Chairman of the Board of Directors

On 13 March 2024, Martin Damm, Mayor of the Municipality of Kalundborg and Chairman of KL – Local Government Denmark (*Kommunernes Landsforening*), was appointed Chairman of the Board of Directors of KommuneKredit.

Results in line with expectations

KommuneKredit's activities developed in line with expectations in 2024. Our net interest income is unaffected by market developments as we pass on our financing costs with the addition of a small margin to our customers. Net interest income for the year was DKK 730 million, up on DKK 650 million expected in the interim report. The increase was primarily driven by a higher income from securities. Expenses totalled DKK 194 million, which is slightly below expectations. Profit before tax and value adjustments came to DKK 523 million, or slightly more than expected in the interim report, reflecting the higher net interest income.

Assets and liabilities except leasing activities are measured at fair value, and we have recorded major positive value adjustments

in the past few years, the greater part of which will be offset by negative value adjustments in later periods, as was the case in 2024 when we recorded negative value adjustments of DKK 510 million. As a result, comprehensive income came to a positive amount of DKK 8 million for 2024.

Growing lending and leasing activity

In nominal terms, total loans and leases amounted to DKK 200 billion in 2024. These years, an excessive proportion of our lending and construction credit facilities is targeted at the expansion of the district heating system across the nation. In terms of leasing activities, the majority of our lease agreements involve cars whereas property leases account for a greater monetary value.

In respect of financing, we launched a strategy in the spring of 2024 involving an annual issue of bonds in Danish kroner with a term to maturity of up to five years. The purpose is to increase the liquidity of our bond issues in Danish kroner. The first issue amounted to DKK 5 billion with a term to maturity of three years.

ESG activities

KommuneKredit's loans and leases finance projects within district heating, wastewater management, water supply, energy efficiency

improvements, climate adaptation, incident management services, healthcare, cultural offerings, etc. These activities reflect the democratic decisions on investments in social, climate and sustainability projects taken by local and regional authorities in Denmark.

We are not bound by the EU rules on sustainability reporting, but where relevant we publish data on ourselves and our portfolios to meet the investors' demand for ESG data.

In the section on ESG goals and activities, we provide detailed insight into how we work with ESG at KommuneKredit, our ambitions and activities and the results achieved in the past year.

Access to financing of local investments

The framework conditions for local investments and, hence, the access to financing from KommuneKredit are continuously developed.

Investment in future municipal climate solutions is currently a focal point. To widen the access to loans and leases from KommuneKredit in future, the rules governing the handling of tasks laid down in various special acts must be reflected in the rules governing



Kirkebjerg childcare centre
Construction of institution

Examples of loans and leases provided in 2024

- Skyum Efterskole (boarding school for lower secondary students): A DKK 30 million construction credit facility for two new buildings for teaching and sports purposes. The Municipality of Thisted has provided a guarantee.
- Hirtshals Port: A DKK 9 million loan for renovation of the existing port office and administration building.
- Frederikshavn recycling centre: A DKK 38.5 million construction credit facility for an upgrade of eight recycling centres. The Municipality of Frederikshavn has provided a guarantee.
- Kirkebjerg childcare centre in Brøndby: A DKK 57.24 million lease agreement for the construction of an institution.
- Municipality of Holstebro: A DKK 3.2 million lease agreement for the establishment of 50 EV charging stations and a DKK 17.2 million lease agreement for 94 new electric cars for the municipality's home care sector.
- Midttrafik (provider of public transportation in central Jutland): A DKK 263 million lease agreement for 56 new Solaris electric buses. The electric buses will replace the existing diesel-powered local buses in Aarhus.

> [More information about our projects is available on our website](#)

the local and regional authorities' possibilities of raising loans and providing guarantees.

Strategic efforts

The purpose of Strategy 2025 is to future-proof KommuneKredit as a well-managed, accessible and sustainable credit business with public ownership. In 2024, we completed our new website and the implementation of a new case management system. We have continued the phase-in of a new lending system where new functions are put into production as they are developed. Meanwhile, we are developing a new customer portal giving the customers improved self-service opportunities and access to online signing of documents, just as we have continued enhancing our IT security.

In 2025, we will start implementing an upgrade of our leasing system and we will develop a new customer portal for our leasing customers. In addition, we will start automating payments to ease the administrative burden for our customers as well as internally at KommuneKredit.

New strategy

In 2024, we embarked on the process of developing a new strategy for KommuneKredit, Strategy 2029, which we expect to launch in

the first half of 2025. The new strategy takes its starting point in KommuneKredit's contribution to society and the value that we create for the community. Our mission is to provide financing at the lowest possible cost, and our vision is to be the preferred financing choice for local and regional authorities when they invest in the future.

We have defined three strategic focus areas to which we will pay special attention in the years ahead. Firstly, we will focus on creating value for our customers. We will to a greater extent put ourselves in our customers' place, understand their value chains as regards loans and leases and develop the products, services and digital solutions that create the greatest value for them.

That is also the case when it comes to supporting our customers' sustainability ambitions. Secondly, we will maintain a solid and stable business to underpin our strong position in the financial markets. We will ensure transparent communication about all KommuneKredit's financing and about our responsible management of the business. Thirdly, we will take measures internally to create a culture that even more so than today is characterised by an ambitious and effective approach to new initiatives. Put

differently, we will find the courage to venture into new territory in the development of KommuneKredit.

Anniversary year

In 2024, we celebrated KommuneKredit's 125th anniversary. What we mainly celebrated was the strong solidarity among municipalities and regions – the very foundation of KommuneKredit. The solidarity ensures that together we can create financial leeway and provide financing at the lowest possible cost to municipalities and regions for a wide range of projects. On the occasion of the anniversary, we published an anniversary book (in Danish) which can be downloaded from our website.

The wider community and the municipal sector in Denmark look very different now than 125 years ago. This same is true about our organisation and the team behind KommuneKredit. Today, 106 employees have chosen to work at KommuneKredit. They are the core of our business, and that is why we are pleased that our 2024 annual employee engagement survey once again demonstrated that our workplace is among the best when it comes to commitment and job satisfaction – in the sector as well as across the nation. That is a testament to our solid position, also in respect of the employees, and a key prerequi-

site for the continued effort to future-proof KommuneKredit.

New framework and opportunities

Having been located at our current address at Kultorvet for 50 years, we have decided to put our buildings up for sale, and we look forward to moving to new premises within the next few years. The relocation will mark a new and exciting phase for KommuneKredit and demonstrate that we continue to develop, both as a business and as a workplace.

Since our foundation, we have developed significantly, both as regards the projects that we can finance and the way in which we meet our customers, investors and partners.

It is difficult to predict the future, but one thing is certain: We will maintain our focus on ensuring that KommuneKredit continues to be an attractive workplace and a well-run business that creates financial stability and supports the green transition when local and regional authorities seek to build a sustainable future through their investments.

Martin Damm
Chairman of the Board
of Directors

Jens Lundager
Chief Executive
Officer

Key figures and financial ratios for KommuneKredit

Million	2024	2024	2023	2022	2021	2020
	EUR	DKK	DKK	DKK	DKK	DKK
Key figures						
Net interest and fee income	96	717	457	353	378	441
Value adjustment of financial instruments	-68	-510	276	1,144	249	-33
Staff costs and administrative expenses	-26	-194	-193	-224	-140	-130
Impairment of loans and receivables, etc.	0	0	0	0	0	0
Profit for the year	1	8	414	991	378	218
Loans and leases	26,027	194,110	187,139	174,974	194,948	192,457
Equity	1,366	10,188	10,180	9,766	8,775	8,397
Assets	33,855	252,498	242,612	237,052	249,077	233,872
Debt securities issued	30,996	231,169	218,173	207,899	233,892	212,728
Portfolio of securities	5,848	43,618	43,639	46,591	48,387	33,568
Investments in property, plant and equipment	0	2	3	0	0	0
Activities during the year						
Loans and leases, net additions in nominal value (net lending)	834	6,219	5,874	4,766	8,675	5,057
Loans and leases, gross additions in nominal value	4,614	34,413	29,027	28,057	36,958	43,507
Debt securities issued, gross additions in nominal value	5,820	43,407	41,543	52,692	65,112	43,163

Additional key figures and financial ratios have been added following the adoption of the new Act on KommuneKredit and a subsequent dialogue with the Danish Financial Supervisory Authority. The comparative figures have been restated to reflect these changes.

Key figures and financial ratios have been calculated in accordance with the accounting provisions applicable to KommuneKredit. Exchange rate at 31 December 2024: EUR 100 = DKK 745.8109. The format is unchanged from last year.

Million	2024	2024	2023	2022	2021	2020
	EUR	DKK	DKK	DKK	DKK	DKK
Financial ratios						
Base capital relative to minimum capital requirement	7.2	7.2	8.1	7.7	7.8	9.0
Solvency ratio	58	58	65	62	62	72
Equity Tier 1 ratio	59	59	65	62	63	73
Return on equity before tax, %	0.1	0.1	5.4	13.7	5.7	3.4
Return on equity after tax, %	0.1	0.1	4.2	10.7	4.4	2.6
Income/cost ratio, %	1.1	1.1	3.8	6.7	4.5	3.1
The total risk exposure amount (REA)	2,332	17,391	15,637	15,653	13,859	11,496
Common Equity Tier 1 (CET1) capital	1,366	10,188	10,180	9,766	8,775	8,397
Capital base	1,350	10,066	10,107	9,684	8,660	8,277
Interest rate risk	7	55	104	197	268	230
Currency position	75	556	1,013	2,413	932	2,194
Loans to deposits, %	84.0	84.0	85.8	84.2	83.3	90.5
Loans to equity, %	19.1	19.1	18.4	17.9	22.2	22.9
Impairment rate for the year	0	0	0	0	0	0
Return on assets (profit for the year/total assets), %	0.0	0.0	0.2	0.4	0.2	0.2
Equity ratio after tax, %	4.0	4.0	4.2	4.1	3.5	3.6
Expenses/assets, %	0.08	0.08	0.08	0.09	0.06	0.06
Net interest income/assets, %	0.29	0.29	0.19	0.15	0.15	0.19
Number of full-time employees	106	106	101	97	88	82

	2024	2023	2022	2021	2020
Selected ESG figures					
CO ₂ e total (scope 1, 2, 3) (t)	73	64	56	36	44
Share of renewable energy, %	92	93	93	89	82
Gender composition, management level (women), %	31.3	26.7	26.7	33.3	40.0
Employee turnover, %	6.1	10.0	9.8	10.4	5.2
Pay gap, CEO and employees	3.7	3.6	3.7	3.7	3.6

* The method used to determine gender composition, management level (women), %, has been changed from comprising only management levels 1 and 2 to also comprising management level 3.

Facts about the past year



High international credit rating

Moody's
P-1/Aaa

Standard & Poor's
A-1+/AAA



Equity ratio

4.0 %

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



Solvency ratio

58 %

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



Increase in green loan portfolio

We have almost reached our goal that green loans are to account for at least 25% of our loans in 2025. Our green loan portfolio has increased from 22 per cent in 2023 to 24.7 per cent in 2024.



Consistently strong ESG ratings

Our strong ESG ratings from ISS ESG, Sustainalytics and MSCI are maintained.

Our MSCI rating was improved from A to AA in 2024.



Working with ESG data

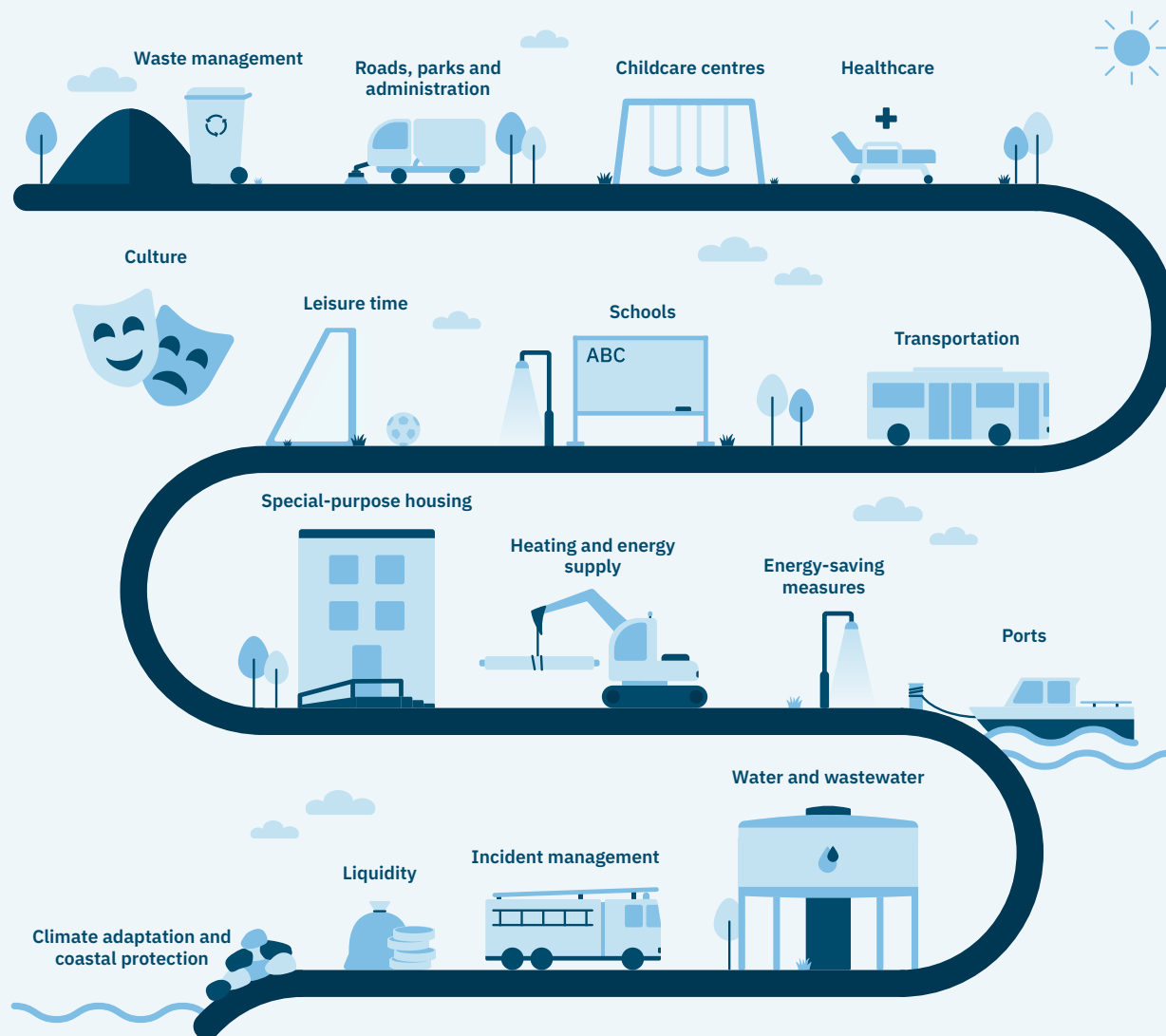
The first stage of a strategic ESG data project was completed in 2024, and we embarked on the second stage which involves system support.

Loans and leases for a variety of purposes

Our loans and leases help finance a variety of local projects and activities in Denmark, including investments in green and/or social projects. Investments are carried out on the basis of democratic decisions made by local and regional authorities – at equal terms regardless of the size of the project or where in Denmark it is carried out.

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

- > More information about what we can finance is available on our website
- > More information about the composition of our lending is available on our website



Joint and several liability – an absolute strength

We issue bonds on behalf of our members who count all municipalities and regions in Denmark. Our members are jointly and severally liable for our liabilities and combined with our very secure business model, this provides us with the highest possible credit rating – in line with that assigned to the Danish State. Our bonds are very secure and can be traded at low yields compared to market yields. This is of benefit to all citizens, to local democracy and to the Denmark of the future.



Joint and several liability

Today, all municipalities and regions in Denmark are members of KommuneKredit. They are jointly and severally liable for our liabilities.



Secure link

We are the secure link between global finance and local borrowers. We provide access to low-cost financing for the development of the Danish welfare system.



Financing of loans

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

KommuneKredit contributes to the cohesion of Danish society

By providing financing at the lowest possible cost, KommuneKredit helps support developments across Denmark. At equal terms for all. This also applies when our members are to meet the ambitions for the green transition of local communities and the climate goals adopted by the Danish Parliament, Folketinget.

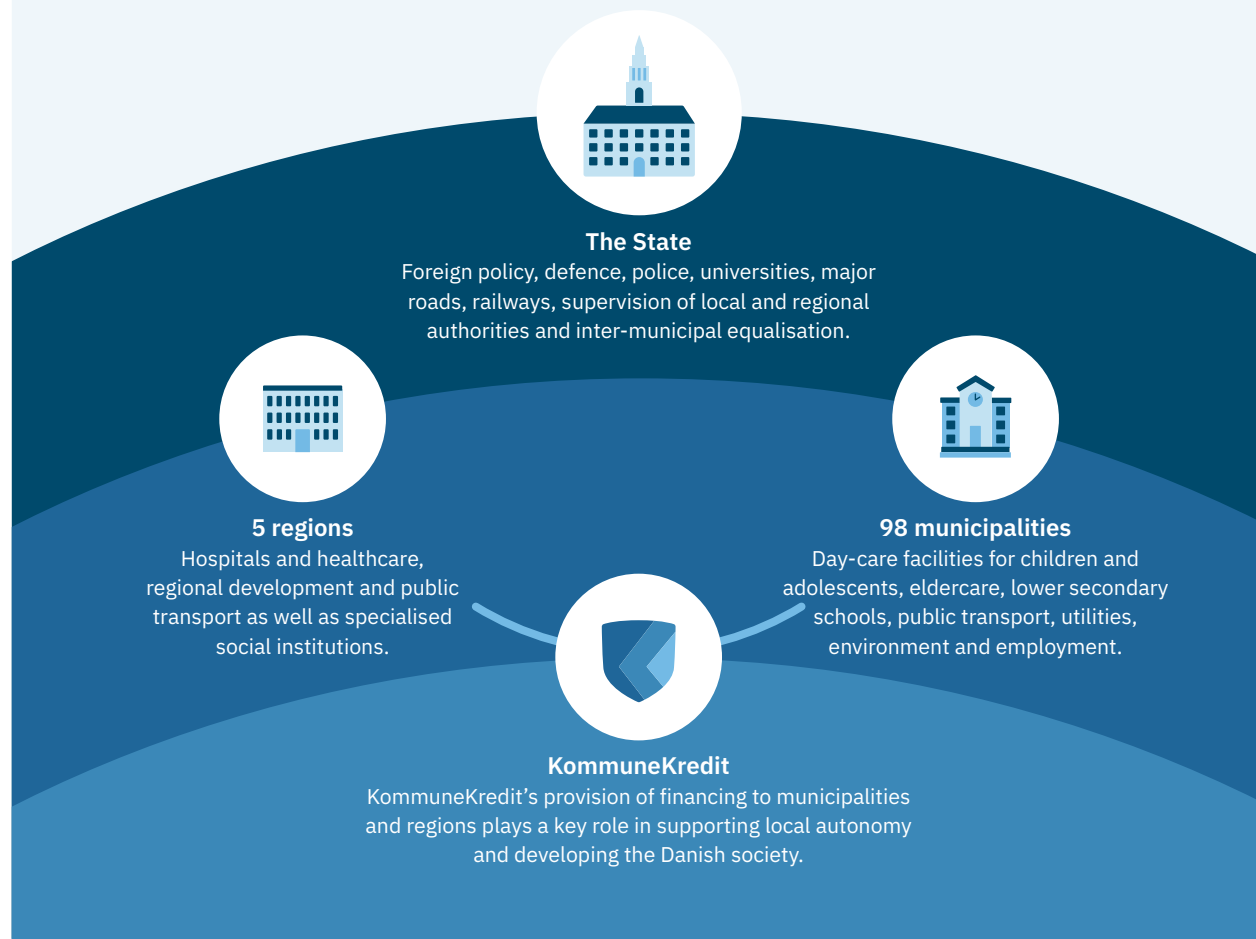
We provide loans and finance leases to Danish municipalities and regions and to municipal partnerships and companies undertaking tasks for municipalities and regions. Our members – all 98 municipalities and 5 regions – are jointly and severally liable for all of KommuneKredit's liabilities.

We have close ties to the local government sector in Denmark. And our financing is essential to local autonomy and the cohesion of society.



Municipalities and regions are key to the Danish welfare system

Municipalities and regions are defined by law, and their right of autonomy is laid down in the Danish Constitution (*grundloven*) and other legislation. KommuneKredit is governed by Act No. 405 of 25 April 2023 on the Credit Institution for Local and Regional Authorities in Denmark.



Strong credit standing

KommuneKredit has been assigned the highest possible rating by the international rating agencies Moody's Investor Service (Aaa) and Standard & Poor's (AAA), a credit rating that is in line with that assigned to the Danish State.

The rating agencies base their assessments on the following factors:

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

In this connection, it is important to note that municipalities and regions cannot be declared bankrupt. This is a basic principle under Danish administrative law and has been upheld in a High Court ruling, referring to the fact that the supervisory authority, i.e. the State, must ensure that municipalities and regions are able to meet their financial obligations.

KommuneKredit also holds a strong position when it comes to ESG ratings: ISS ESG has assigned us a C rating which places us in the

Prime category for our industry; MSCI has assigned us the second-highest rating, AA; and Sustainalytics has awarded us a score of 15.8, placing us in their 'low risk' category. Read more on page 83.

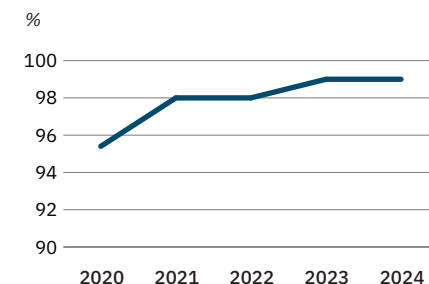
The State bears the risk of economic volatility

The overall economy of municipalities is not affected by economic recession as the

State bears the risk associated with economic trends. Put differently, the municipalities are compensated by the State for excess expenditure related to transfer payments and reduced tax revenue caused by a potential economic downturn.

> [Read more about the principles of the economy of municipalities and regions and their the access to raise loans](#)

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



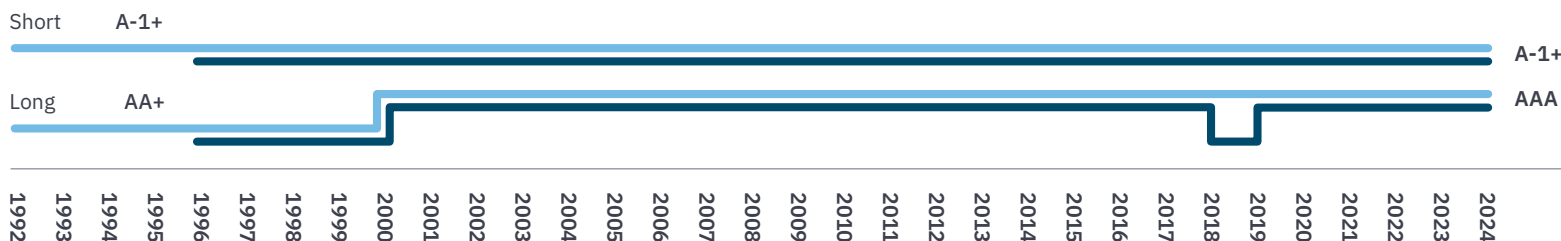
Historical credit ratings, Denmark and KommuneKredit

— The Danish State — KommuneKredit

Moody's



Standard & Poor's



02

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Business model with low risk and high supply reliability

Our financial position is largely unaffected by financial market volatility as we pass on our financing costs with the addition of a small margin to our customers.

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

At KommuneKredit, we distinguish between financial and non-financial risks. Our total risk exposure amount (REA) has been calculated at DKK 17.4 billion. The solvency ratio calculated according to the rules for credit institutions was 58 per cent.

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

Our financial position is largely unaffected by financial market volatility as we pass on our financing costs to our customers through the lending rate.

Financial risks

The Danish local and regional authorities are jointly and severally liable for KommuneKredit's liabilities. This means that the risks we assume will ultimately also be the risks of local and regional authorities' risks. We have a low risk tolerance which is limited to the financial risks that are absolutely necessary in order to achieve our mission.

Market risk

Using derivatives, KommuneKredit converts all financing into the currency and interest rate profile that matches our lending and total liquidity resources. We hedge interest rate and currency risks to maintain our market risk at a low level. This helps reduce the risk of loss resulting from any changes in market prices.

Losses

+125 years

without losses on loans and leases

Risk weight

0 %

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

Total risk exposure amount (REA)

DKK 17.4 billion

Calculated in accordance with the solvency requirements for credit institutions

Local and regional authorities

98 municipalities and 5 regions

are jointly and severally liable for KommuneKredit's liabilities

Credit risk

KommuneKredit is exposed to credit risks in respect of investment counterparties and financial counterparties.

The credit risk on investment counterparties arises from investing total liquidity resources in bonds, while the credit risk on financial counterparties arises from the agreements concluded on the use of derivatives.

The credit risk on 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 on 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 municipalities and regions or loans to local companies and institutions which have obtained a guarantee from local or regional authorities. We can also provide loans to Greenlandic municipalities which will be guaranteed by the Danish State. We have not yet provided such loans.

Danish municipalities and regions are subject to regulation and supervision by the Ministry of the Interior and Health. Combined with the fact that municipalities and regions cannot be declared bankrupt, our lending and leasing activities are therefore characterised by the highest level of security. During our more than 125 years in business, we have never suffered a loss on our lending or leasing activities.

Total risk exposure amount (REA)

KommuneKredit's total risk exposure amount has been calculated at DKK 17.4 billion. We have calculated the risk exposure amount in accordance with the solvency rules for credit institutions and apply it in our calculation of the solvency ratio. The risk exposure derives from the following areas:

**Loans**

The risk exposure on lending carries a weight of 0, reflecting that all risk exposure relates to either Danish municipalities or regions.

**Portfolio of securities**

KommuneKredit's risk exposure amount on its portfolio of securities totalled DKK 3.6 billion at year-end 2024. The portfolio of DKK 44 billion derives from bonds in the total liquidity resources. The bonds are highly liquid bonds with a very high credit quality.

**Derivative financial instruments**

KommuneKredit's risk exposure on derivatives concluded with financial counterparties totalled DKK 12.4 billion at the end of 2024. We use derivatives to hedge market risks arising as a result of our role as the link between the capital markets and the customers.

The risk exposure derives from a total principal of DKK 507 billion with financial counterparties. All our derivatives transactions are concluded with financial counterparties that are subject to bilateral collateral agreements with daily exchange of collateral and only with counterparties that are assigned at least an A- rating by the international rating agencies.

**Other risk exposure**

Other risk exposure totals DKK 1.4 billion and mainly consists of operational risk totalling DKK 0.8 billion and currency risk totalling DKK 0.6 billion.

In addition to monitoring and managing our financial risks, we focus especially on a number of non-financial risks relating to business operations and developments. In 2024, we paid particular attention to IT risks and the implementation of the EU Digital Operational Resilience Act.

Jonas Toft Månsson
Chief Business Development & Risk Officer

Liquidity risk

KommuneKredit sources financing denominated in different currencies, while we provide loans in Danish kroner to municipalities and regions. Our task is to ensure that the financing matches the lending profile requested by the customers.

The Board of Directors has decided that KommuneKredit must have total liquidity resources to cover a long period of extreme financial market stress. KommuneKredit's total liquidity resources consist of highly liquid bonds with a very high credit quality (HQLA).

We have therefore prepared a liquidity resource contingency plan which we can activate in case of liquidity pressure.

In pursuance of the Act on KommuneKredit, KommuneKredit must, on an equal footing with private credit institutions, comply with the requirements of a Liquidity Coverage Ratio and a Net Stable Funding Ratio of 100 per cent. The Board of

Directors has introduced stricter requirements in our internal guidelines to reflect KommuneKredit's low risk tolerance. The low liquidity risk ensures that we can at all times meet our financial obligations.

Price risk on own funding spreads

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

The remainder of the price risk arises primarily for two reasons. The first is that the term to maturity of our financing does not precisely match that of our loans. The other is that we have total liquidity resources.

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

Our ambition is to keep the risk of our own funding spreads at a low level, but the risk is part of our business model and cannot be avoided. Eventually, our funding spreads are determined by the capital markets and depend on investor demand for our bonds. Demand is driven by a variety of factors, including our credit rating and ESG rating which are supported by our business model and the quality of our ESG data, among others.

Price risk on lending margins

We maintain relatively constant lending margins but adjust them if our earnings requirement changes. One reason for doing so is to ensure adequate capital in the long term to be able to accommodate changed lending growth or changed costs for our total liquidity resources, administration, etc.

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

Non-financial risks

In addition to monitoring and managing our financial risks, we focus especially on a number of risks relating to business op-

Non-financial risks



Cyber attacks



IT breakdown



Critical business processes



Internal fraud

What is the risk?	All businesses face a risk of cyber attacks. This places demands on employee training in and knowledge of how to protect the business against cyber attacks.	External factors such as power failure, water damage, lightning strikes, etc., create a risk that IT systems and hardware, such as servers or IT systems, will fail, break down or become inaccessible.	Critical and key business processes, including allocation of responsibilities and IT support, which are not adequately documented, may increase the risk of system failure, dependence on specific individuals and financial loss.	Inadequate systems, allocation of responsibilities or processes may result in fraud against KommuneKredit or our customers for personal financial gain.
What might be the consequence?	Inability to access our IT platform, challenges maintaining critical and key business functions or making functionality available to our customers or to protect customer and employee data.	IT systems are essential to KommuneKredit's business. Without access to our IT infrastructure we would struggle to run our business. We have business continuity plans in place to ensure that critical and key business functions can be maintained in the event of a major IT breakdown.	Incorrect handling of our many different tasks would cause a risk of financial loss.	In addition to financial losses, internal fraud may result in reputational damage, which may ultimately affect our ability to run a business.
What measures have we taken?	We regularly update and test technical security measures. Further, we conduct awareness campaigns and offer training to all employees in how to prevent cyber attacks. We have business continuity plans in place to ensure that critical and key business functions can be maintained in the event of significant cyber attacks.	We have carried out these initiatives in accordance with best practice.	To the fullest extent possible, we support processes using IT systems and business procedures. Working as a 'second line of defence', an in-house operational risk function monitors that operational risk is adequately managed.	All processes involving valuables (money and securities) have embedded IT controls, peer checks and segregation of functions. Each year, we complete a management inspection, including an assessment of the adequacy of checks and controls. The Board of Directors regularly discusses the risk of fraud.

erations and developments. These risks may cause KommuneKredit a material financial loss, extended use of resources or reputational damage.

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

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

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

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

Our business procedures comprise 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 automatic controls.

KommuneKredit is highly dependent on a well-functioning IT infrastructure. We place particular focus on this area via an incident management plan and an IT security policy that sets guidelines for access control, assignment of roles and rights, system crashes and errors, etc. We have focused our attention on implementing the EU's Digital Operational Resilience Act which took effect on 17 January 2025. This will contribute to underpinning our handling of IT risks.



Assessment of ESG risks

KommuneKredit is a special-purpose credit institution governed by its own special act and is exempt from the EU regulations applying to credit institutions pursuant to the Capital Requirements Directive (CRD) and the Capital Requirement Regulation (CRR), including supervisory requirements for the management and reporting of environmental, social and governance risk ('ESG risks').

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have concluded that our customers' climate-related risks do not result in any financial risk for KommuneKredit and our investors. This reflects the absence of credit risk as our exposure to loans and leases relates to municipalities and regions. Put differently, KommuneKredit is not exposed to financial risks caused by the impact of environmental, social and governance factors on our borrowers.



Case – LEASE

New healthcare centre in Odder

The new VitaPark healthcare centre in the Municipality of Odder combines municipal and private healthcare services under one roof. Due to flexible financing and strengthened collaboration, citizens now have access to more swift and coherent healthcare services within reach.

The new healthcare centre is designed to accommodate the need for integrated healthcare services in the vicinity of the citizens' homes. KommuneKredit has provided a property lease worth DKK 55.9 million, and the healthcare centre is now an integral part of the everyday life of both citizens and healthcare professionals. With the new physical framework and the strengthened collaboration, citizens can now obtain the right treatment more swiftly and efficiently when needed.

> More information about the healthcare centre in VitaPark is available on our website

Profit for the year close to zero and continued lending growth

In 2024, KommuneKredit's net lending came to more than DKK 6 billion. As expected, the past few years' high positive value adjustments are offset by negative value adjustments, resulting in a small profit.

Earnings and base capital

Net interest income amounted to DKK 730 million in 2024, representing an increase of DKK 263 million compared to 2023 and also exceeding the expectation of net interest income of DKK 650 million. The higher net interest income mainly reflects higher income on our portfolio of securities.

Administrative expenses came to DKK 194 million. This is in line with the guidance of DKK 200 million in the interim report as a changed VAT deduction percentage had a DKK 6 million positive impact on expenses.

Profit before value adjustments and tax came to DKK 523 million, up by DKK 259 million on 2023. The increase was attributable mainly to growth in net interest income.

Value adjustments for the year were a negative DKK 510 million, which primarily reflected previous years' positive value adjustments being offset by negative value adjustments

in 2024. Further, lower interest rates at the end of the year resulted in lower value adjustments of lending and of the portfolio of securities than of debt securities issued. Under normal circumstances, KommuneKredit's low risk tolerance provides a high degree of maturity symmetry between assets and liabilities which together with the relatively constant lending margin may, in a normal year, lead to value adjustment fluctuations of +/- DKK 500 million compared to previously announced expectations.

Since 2015, KommuneKredit has conducted a case on reimbursement of withholding tax of DKK 37 million concerning investments in Swiss government bonds pursuant to the double-taxation treaty between Denmark and Switzerland. In October 2024, the Federal Supreme Court of Switzerland ruled in favour of one of our two claims, while the determination of the second claim has been remitted to the Swiss tax authorities. Accordingly, the matter is not finally decided.

“Value adjustments for the year were negative DKK 510 million, which primarily reflected previous years' positive value adjustments being offset by negative value adjustments, as expected.

Morten Søtofte
Chief Business Support & Finance Officer

Tax on profit for the year amounted to DKK 5 million in 2024, against DKK 126 million in 2023.

Against that background, comprehensive income for the year amounted to DKK 8 million compared with DKK 414 million in 2023. Comprehensive income for the year is transferred in its entirety to equity, which now totals DKK 10,188 million, equal to an equity ratio of 4.0 per cent. Equity consists of Common



Equity Tier 1 (CET1) capital and must, according to the Board of Directors' target, make up at least 3 per cent of total assets.

The total risk exposure amount (REA) came to DKK 17.4 billion at year-end 2024, up from DKK 15.6 billion at year-end 2023. The increase primarily reflects higher exposure from the credit risk on financial counterparties of DKK 1.9 billion. In addition, a shift in other underlying elements was seen with an increase in operational risk as a result of higher net interest income being offset by a similar decline in currency risk.

With the increase in REA and a minor decline in base capital, the solvency ratio dropped to 58 per cent in 2024 from 65 per cent in 2023.

Lending and leasing

Net lending, i.e. new lending, including leases, less repayments and redemptions, amounted to DKK 6.2 billion and hence is in line with the DKK 6.5 billion guided for in the interim report.

The increase in lending was primarily driven by loans to district heating companies which are in the process of establishing or expanding district heating areas. To this should be added other investments related to the green transition, such as investments in water supply and wastewater management. In 2024, green loans accounted for 24.7 per cent of our relevant lending*.

Our target is for green loans to account for 25 per cent of our relevant lending in 2025.

[Read more about our green loan portfolio in our Green Bond Impact Report, which is available on our website](#)

Financing and investments

Total investments, i.e. amounts due from credit institutions and the portfolio of securities, were up by DKK 2.1 billion to DKK 46.0 billion at year-end 2024.

Accumulated financing, i.e. amounts due to credit institutions and debt securities issued, rose by DKK 13.0 billion. The increase was mainly due to a nominal increase in financing, but also in part to previous years' decline in value adjustments of financing being offset by an expected increase in 2024.

The by far greater part of outstanding financing is still denominated in EUR, USD and DKK. Total assets were up by DKK 9.9 billion to DKK 252.5 billion in 2024.

* The calculation of green loans relative to relevant loans is based on loans excluding construction credits, leases and bond loans.

Outlook for 2025

We expect the positive value adjustments of previous years to continue to be offset by negative value adjustments in 2025.

Developments in KommuneKredit’s lending depend on the legislative framework for access to lending and the provision of guarantees and on the customers’ needs for taking out loans. Net lending is expected to total DKK 0.5 billion in 2025. While new loans and leases are expected to be in line with 2024, we expect a higher-than-usual runoff of existing loans. We expect the proportion of green loans to continue to rise in line with previous years. Our target is for green loans to account for at least 25 per cent of our relevant lending in 2025.

Depending on developments in lending in 2025, we expect the need for financing with a term to maturity of more than one year to be roughly DKK 37 billion (about EUR 5 billion). We continue to be committed to being an attractive investment for our investors, among other things through the ongoing issuance of green bonds. Focus in 2025 will centre on ensuring transparent communication about our financing and by accommodating investors’ need for ESG data.

KommuneKredit keeps its lending margins fairly constant and has a low risk tolerance. Consequently, we do not expect net interest income to be materially affected by any changes in market conditions. Irrespective of the financial market sentiment, steady and stable investments will be in demand. The continuing demand will enable us to maintain low financing costs, which we translate into low lending rates for our customers. Lending margins are expected to remain unchanged in 2025, and we therefore forecast relatively unchanged net interest income for the year of just under DKK 750 million.

about DKK 350 million in 2025. Accordingly, we may generate a pre-tax loss in 2025. Under normal circumstances, annual value adjustments may lead to value adjustment fluctuations of +/- DKK 500 million.

We expect to maintain our equity ratio at not less than 3 per cent of total assets, which is consistent with our target.

Outlook for 2025

	Results in 2024	Outlook for 2025
Net lending, DKKm	6,219	500
Net interest income, DKKm	730	750
Staff costs and administrative expenses, DKKm	194	215
Profit before value adjustments and tax, DKKm	523	535
Equity ratio, %	4.0	4.1

Administrative expenses are expected to be around DKK 215 million. In addition to the general wage and price developments, expenses for increased IT security and use of data are expected to rise by DKK 5 million. Further, the VAT deduction percentage is likely to be lower in 2025. Viewed over the terms to maturity of lending and financing, recent years’ positive value adjustments will be offset by negative value adjustments over the coming years. All else equal, we expect value adjustments of a negative amount of

Forward-looking statements

The expectations expressed 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 this annual report.

Case – GREEN LOAN

Energy efficiency improvements in the Municipality of Halsnæs

In the Municipality of Halsnæs, efforts are targeted at ensuring that the municipal buildings are prepared for the future through energy efficiency improvements – a situation faced by many municipalities. 65 per cent of municipal buildings in Denmark were built before the year 1980 and many of those buildings do not meet today's energy efficiency requirements.

Leaky windows, run-down buildings and rising energy bills are well-known problems that go hand in hand with stricter legal requirements and construction budgets that are strained by the national ceiling on construction expenditure. However, energy efficiency improvements have long been a political priority in the Municipality of Halsnæs, and a range of ambitious projects have been facilitated through financing from KommuneKredit.

➤ [More information about energy efficiency improvements in the Municipality of Halsnæs is available on our website](#)



Responsible and efficient corporate governance

KommuneKredit aims to achieve responsible and efficient corporate governance.

Legal basis

KommuneKredit was established by Act No. 35 of 19 March 1898 as most recently amended by Act No. 405 of 25 April 2023 on the Credit Institution for Local and Regional Authorities in Denmark, also referred to as the Act on KommuneKredit.

The responsibility for the financial supervision of KommuneKredit is entrusted to the Danish Financial Supervisory Authority as laid down in the Act on KommuneKredit according to which KommuneKredit is subject to some of the same requirements and supervisory frameworks that apply to private credit institutions. However, the framework applicable to KommuneKredit has been adjusted to our special-purpose business model and the limited risks we assume.

Among other things, we are comprised by the EU rules on the so-called LCR and NSFR requirements, which serve to manage and mitigate both short-term and long-term liquidity risks. Furthermore, we are comprised by the rules on management and control of banks, etc. (governance rules determined by the Danish Financial Supervisory Authority).

› [The Act on KommuneKredit and our Articles of Association are available on our website](#)

Management structure

The Board of Directors is in charge of the overall management of KommuneKredit, and, in keeping with the Articles of Association, must ensure reasonable organisation of the activities of the association. The Board of Directors determines KommuneKredit's risk tolerance and risk policy as well as capital and liquidity targets.

Once a year, the Board of Directors determines what matters are to be included in the Board of Directors' responsibilities.

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

The Management Board is in charge of the day-to-day management of KommuneKredit in accordance with the Act on KommuneKredit and KommuneKredit's Articles of Association, the policies and guidelines laid down by the Board of Directors and any other directions given by the Board of Directors as well as other applicable legislation.

Day-to-day management of KommuneKredit



Board of Directors

The Board of Directors is composed of ten members. Six members are elected by the local authorities, two by the regional authorities and two are elected by the Board of Directors and are independent members with skills in accounting, auditing, finance or risk management. Board members are elected for terms of four years, and the term of office runs from 1 June of the year after the most recent election to the local and regional councils. The election term for one of the two independent Board members is staggered by two years relative to the other Board members.

The Board of Directors holds at least four ordinary board meetings a year, and its duties follow an annual calendar covering all significant business areas. In 2024, the Board of Directors met in March, June, September and November.

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

Audit Committee

The Audit Committee is composed of three members of the Board of Directors, of whom two are the independent Board members.

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

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

The Audit Committee held four meetings in 2024. The Audit Committee meets at least once a year with the external 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 loans, lease agreements, financing, the use of financial instruments and investments require Management Board consensus. In case of disagreement on such matters, the Board of Directors will make the final decision.

The Management Board informs the Board of Directors about all significant changes in KommuneKredit's affairs and the Management Board's position on all important events of consequence for KommuneKredit.

The Management Board provides the Board of Directors with accounting, financial and risk-related information that highlights KommuneKredit's development to allow the Board of

Directors to perform its management duties as well as control and supervisory tasks.

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

Employees

The Management Board delegates decision-making authority to the chief officers of our six departments, to the heads of team within the respective departments and to the individual employees. In 2024, KommuneKredit had an average of 106 full-time employees.

KommuneKredit has entered into a collective agreement with Finance Denmark (*Finans Danmark Arbejdsgiver*) and the Danish Financial Services Union (*Finansforbundet*).

KommuneKredit attaches importance to supporting a culture in which employees, regardless of gender, ethnicity and age, have equal opportunity to make a career. The Management Board has adopted guidelines for diversity and the underrepresented gender.

> [The guidelines for diversity and the underrepresented gender are available on our website](#)

Supervision

KommuneKredit is supervised by the Danish Financial Supervisory Authority.

Annual cycle of business for the Board of Directors 2024/2025

Board meeting Q2 2024

(after conclusion of Audit Committee meeting)

Focus: Strategy

- Cost follow-up
- Management Board report on developments in KommuneKredit's activities and the transformation programme
- Compliance reporting
- Distribution of responsibilities between the Board of Directors and the Management Board
- Annual cycle of business and rules of procedure
- Report on KommuneKredit's lending and leasing strategy
- Report on KommuneKredit's financing and investment strategy
- Report on operational risks, IT security and IT risk management

Annual board seminar

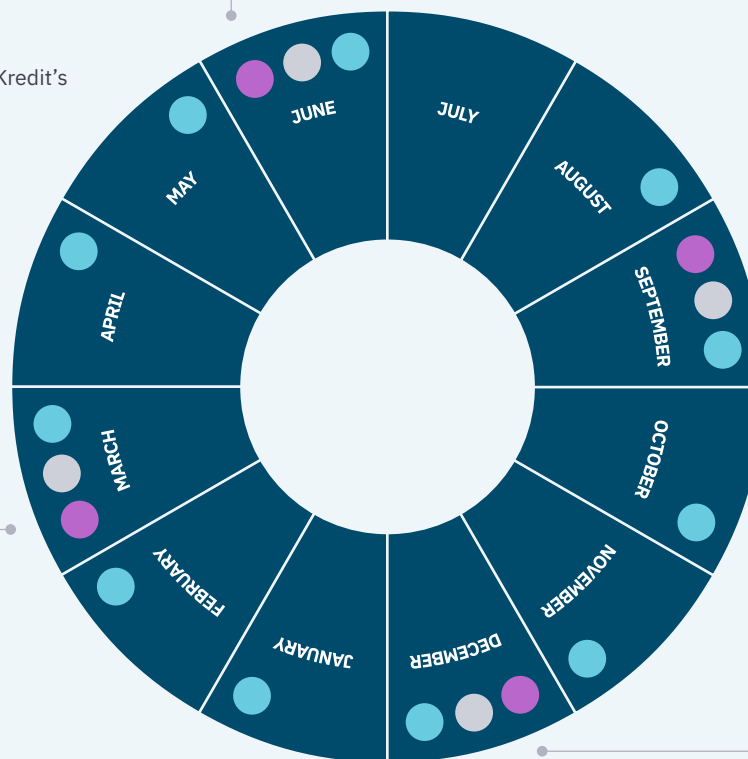
- Strategy

Board meeting Q1 2025

(after conclusion of Audit Committee meeting)

Focus: Annual report

- Annual report, including ESG at KommuneKredit and long-form audit report
- Budget follow-up
- Long-term budget
- Management Board report on developments in KommuneKredit's activities and the transformation programme



Board meeting Q3 2024

(after conclusion of Audit Committee meeting)

Focus: Interim report

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

Board meeting Q4 2024

(after conclusion of Audit Committee meeting)

Focus: Risk management

- Long-form audit report in respect of the interim audit
- Cost follow-up
- Management Board report on developments in KommuneKredit's activities and the transformation programme
- Budget: Approval of cost budget
- Risk management policy and IT security policy
- Other policies
- Report on operational risks, IT security and IT risk management
- Synopsis for annual report, including ESG at KommuneKredit
- Approval of new strategy

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

Gender composition
at 31 December 2024 (legal gender)

● Men
● Women

Board of Directors



Other Management



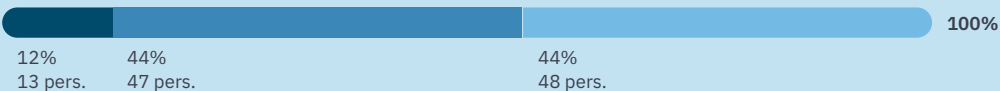
Other employees



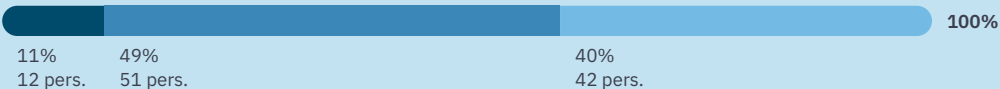
Age composition of employees
at 31 December 2024

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

2024



2023



In addition, the Minister for Industry, Business and Financial Affairs has appointed an auditor to oversee that KommuneKredit’s lending is in keeping with the rules applicable to the borrowing of municipalities and regions and the delimitation of KommuneKredit’s customer group as set out in the Act.

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

Corporate governance recommendations

KommuneKredit is not directly encompassed by a corporate governance code, but we do, where relevant and within the provisions of the Act on KommuneKredit, apply the Danish Recommendations on Corporate Governance published by the Danish Committee on Corporate Governance (*Komitéen for god Selskabsledelse*).

> [The Danish Recommendations on Corporate Governance are available on the Committee on Corporate Governance’s website](#)

Based on the recommendations, we have published a corporate governance report.

> [Our corporate governance report is available on our website](#)

Read more about KommuneKredit’s work with ESG data on page 84.

Bestyrelsen



Martin Damm

Chairman

Mayor Municipality of Kalundborg

Year of birth: 1963

Joined the Board of Directors:
13 March 2024

Directorships

Chairman: KL – Local Government
Denmark

Board member: Kommunernes Løn-
ningsnævn; Vestsjællands Brandvæsen;
Kalundborgegnens Erhvervsråd



Thomas Lykke Pedersen

Deputy Chairman

Mayor Municipality of Fredensborg

Year of birth: 1962

Joined the Board of Directors: 1 June 2018

Directorships

Chairman: Dansk Fjernvarmes Handelssel-
skab A.m.b.A; Nordsjællands Brandvæsen;
Espergærde Gymnasium og HF

Board member: Fredensborg Forsyning
A/S; Norfors I/S



Birgit Aagaard-Svendsen

Chairman of the Audit Committee

Member of the Board of Directors

Year of birth: 1956

Joined the Board of Directors: 1 June 2020

Directorships

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



Michael Fenger

Member of the Board of Directors

Mayor Municipality of Gentofte

Year of birth: 1962

Joined the Board of Directors: 1 June 2022

Directorships

Chairman: I/S Vestforbrænding
Board member: Novafos A/S



Mikael Klitgaard

Member of the Board of Directors

Mayor Municipality of Brønderslev

Year of birth: 1954

Joined the Board of Directors: 1 June 2014

Directorships

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



Susanne Kure

Member of the Board of Directors

Member of the Board of Directors

Year of birth: 1965

Joined the Board of Directors: 1 June 2022

Directorships

Board member: Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale; Pensionskassen for Farmakonomer; PKA+ Pension Forsikrings-selskab A/S; Genan Holding A/S; PreSeed Ventures A/S; PSV Hafnium Management ApS; UCPH Ventures A/S



Erik Lauritzen

Member of the Board of Directors

Mayor Municipality of Sønderborg

Year of birth: 1960

Joined the Board of Directors: 1 June 2018

Directorships

Chairman: Valgbestyrelsen; Sct. Jørgens Hospital; Lokalvarme Sønderborg
Deputy Chairman: Project Zero Fonden; Sønderborg Lufthavn; Sydtrafik
Board member: EUC Syd; Turistdestination Sønderjylland; Region Sønderjylland-Schleswig; AlsFyn Forbindelsen



Tormod Olsen

Member of the Board of Directors

Regional Council Member

Capital Region of Denmark

Year of birth: 1983

Joined the Board of Directors: 1 June 2022

Directorships

Board member: Danske Regioner; Gate 21



Carsten Scheibye

Member of the Board of Directors

Regional Council Member

Capital Region of Denmark

Year of birth: 1963

Joined the Board of Directors: 1 April 2023

Directorships

Chairman: De lette Kollektivboliger i Hasle og Klemensker S/I; Precure Aps



Peter Sørensen

Member of the Board of Directors

Mayor Municipality of Horsens

Year of birth: 1966

Joined the Board of Directors: 1 June 2022

Directorships

Chairman: Sport Event Denmark
Board member: Business Horsens; Kystlandet; Business Region Aarhus; Sydøstjyllands Brandvæsen; Sundheds-samarbejdsudvalget, Region Midtjylland; Fjernvarme Horsens

Management Board

Jens Lundager

Chief Executive Officer

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 under the aegis of the Danish Business Authority

Henrik Andersen

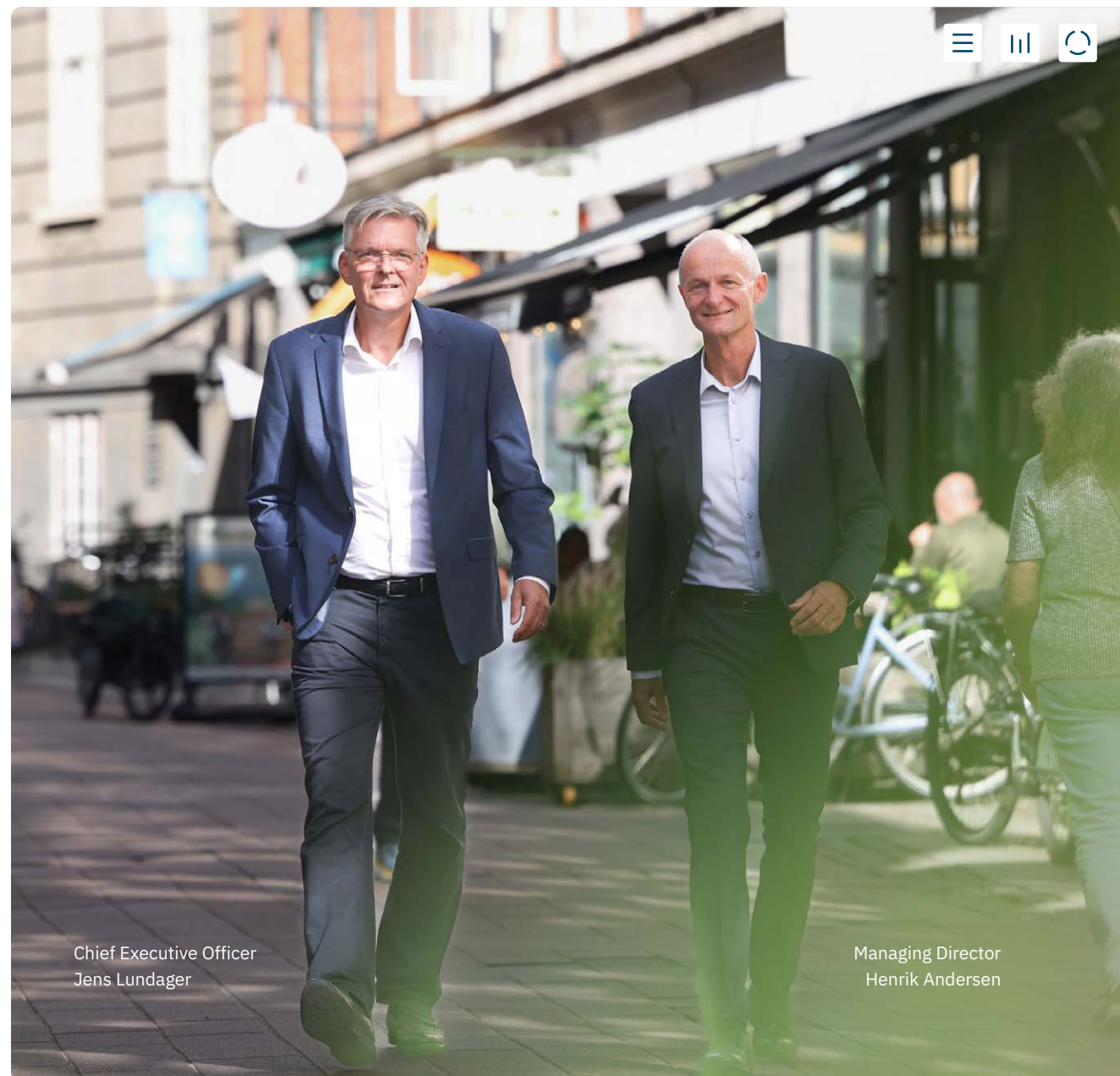
Managing Director

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 Office, Head of Department, Nykredit Realkredit A/S




Chief Executive Officer
Jens Lundager

Managing Director
Henrik Andersen

03

Financial statement

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Frederikshavn
Recycling Centre
Upgrade of eight
recycling centres

Comprehensive income

DKKm	Note	2024	2023
Interest income	1.1	6,316	5,464
Interest expense	1.2	-5,586	-4,997
Net interest income		730	467
Other operating income		4	4
Other operating expenses		-17	-14
Administrative expenses	2.1, 2.2	-194	-193
Profit before value adjustments		523	264
Value adjustments of financial instruments	1.3, 1.4	-510	276
Profit before tax		13	540
Tax on profit for the year	3.1	-5	-126
Profit for the year		8	414
Other comprehensive income			
Actuarial gains and losses		0	0
Tax on actuarial gains and losses	3.1	0	0
Comprehensive income for the year		8	414
Allocated as follows:			
Transferred to equity		8	414
Total		8	414

Balance sheet

DKKm	Note	2024	2023
Assets			
Due from credit institutions	1.4	2,350	273
Loans	1.4, 1.5	183,467	176,433
Leases	1.6	10,644	10,706
Portfolio of securities	1.4, 1.7	43,618	43,639
Derivatives	1.4	12,232	11,428
Other assets		114	133
Current tax assets	3.2	73	0
Total assets		252,498	242,612
Liabilities and equity			
Due to credit institutions	1.4	6	1
Debt securities issued	1.4, 1.8	231,169	218,173
Derivatives	1.4	9,991	12,949
Other liabilities		572	707
Current tax liabilities	3.2	0	32
Deferred tax liabilities	3.3	572	570
Total liabilities		242,310	232,432
Equity		10,188	10,180
Total liabilities and equity		252,498	242,612

Equity

DKKm	Note	2024	2023
Equity			
Equity at 1 January		10,180	9,766
Transferred to equity			
Profit for the year		8	414
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		8	414
Equity at 31 December		10,188	10,180

Comprehensive income for the year is transferred to equity in accordance with KommuneKredit's Articles of Association.

Equity increased to DKK 10,188 million at 31 December 2024 against DKK 10,180 million at 31 December 2023. At year-end 2024, equity accounted for 4.0 per cent of assets, which is a small decline compared to year-end 2023. Equity consists of Common Equity Tier 1 (CET1) capital.

According to the Act on KommuneKredit, equity must account for at least 1 per cent of liabilities, corresponding to DKK 2,423 million. According to the target of the Board of Directors, equity must account for at least 3 per cent of assets as this is considered a suitable capital base to underpin the activities of the association.

Equity at 1 January and 31 December 2024 contains a net revaluation reserve of DKK 2 million.

Cash flows

DKKm	Note	2024	2023
Profit before tax		13	540
Depreciation, amortisation and impairment		1	1
Income tax paid		-107	-95
Total		-93	446
Net interest income reversed		-729	-467
Financial income received		6,316	5,464
Financial expenses paid		-5,586	-4,997
Change in lending		-6,972	-12,165
Change in portfolio of securities		21	2,952
Change in debt securities issued		12,996	10,273
Change in derivative financial liabilities		-2,958	-5,273
Change in derivative financial assets		-804	3,534
Change in other assets		19	19
Change in other liabilities		-136	113
Cash flows from operating activities		2,074	-101
Sale of other assets		0	0
Purchase of other assets		-2	-3
Cash flows from investing activities		-2	-3
Cash flows from financing activities		-	-
Change in cash and cash equivalents		2,072	-104
Cash and cash equivalents at 1 January		272	376
Cash and cash equivalents at 31 December		2,344	272
Specified as follows:			
Deposits with credit institutions		2,350	273
Short-term payables to credit institutions		-6	-1
Cash and cash equivalents at 31 December		2,344	272

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General information

Note 1.0 Accounting policies

General information

The financial statements of KommuneKredit for 2024 have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

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

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

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

The EU Commission Delegated Regulation (EU) 2019/815 on the single electronic reporting format (the 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 2024-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 2024 or later which are considered to have an impact on the financial reporting for 2024.

Change in presentation

With the adoption of the new Act on KommuneKredit and a subsequent dialogue with the Danish Financial Supervisory Authority, additional key figures and financial ratios have been added, see Key figures and financial ratios on pages 10 and 65.

This has not affected the recognition or measurement in the financial statements.

Significant accounting estimates, assumptions and judgments

In the preparation of the financial statements, management makes a number of accounting estimates and judgments. The estimates and judgments are made in accordance with the accounting policies based on assumptions that management deems 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. As there is no active market for these securities, significant accounting estimates are used in the valuation.

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

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

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

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

Relative to the annual report for 2023, no changes were made to the accounting estimates applied.

Currency translation

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

General information

Note 1.0 Accounting policies (continued)

Recognition and measurement

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

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

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

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

Offsetting

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

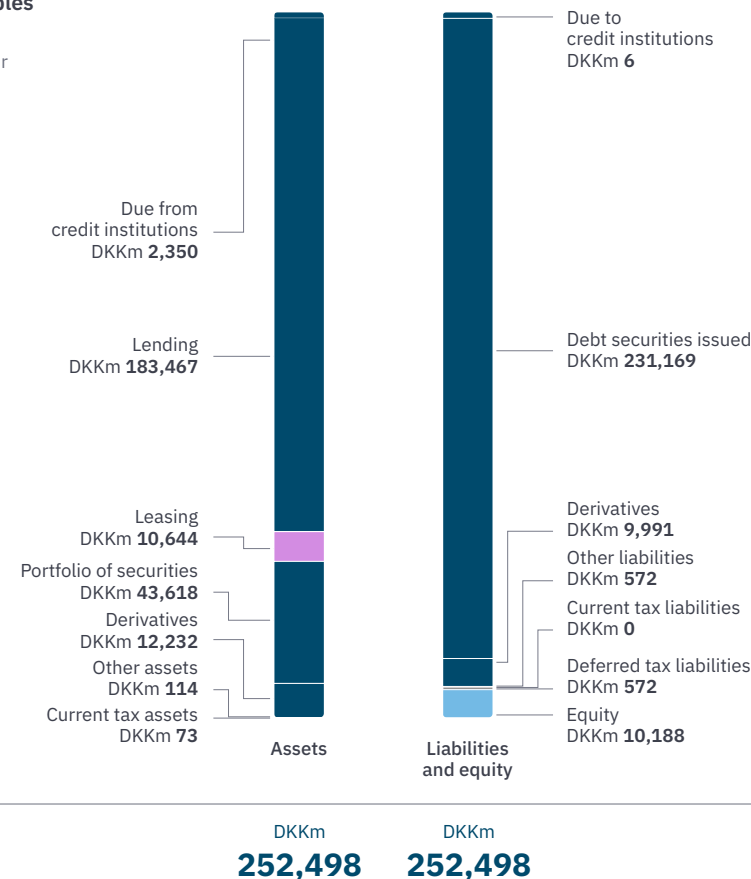
Determination of the value of financial instruments using the fair value option

KommuneKredit has decided to use the fair value option under IFRS 9 'Financial Instruments' to provide the reader with 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, the portfolio of securities, debt securities issued and derivatives in respect of risk and matching hedges. This implies that lending, securities and derivatives are meas-

Valuation principles

- Fair value and fair value option
- Cost
- Other



General information

Note 1.0 Accounting policies (continued)

ured at fair value with value adjustment through profit or loss.

Overall, 96 per cent 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 disclosure to the Management Board and the Board of Directors is 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 market data are given in note 1.4 on 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 schemes with the majority of our employees. Liabilities relating to defined contribution schemes are recognised in profit or loss 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 future developments in salary, interest, inflation, mortality rates, etc. The net present value is only calculated for the 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 Financial Supervisory Authority instructs institutions to use in connection with the 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 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	2024	2023
Interest income		
Net financials at amortised cost		
Leases	369	284
Net financials at fair value		
Fixed-term loans	3,890	3,283
Bond loans	510	727
Portfolio of securities	1,547	1,170
Total interest income	6,316	5,464
Interest expense		
Net financials at fair value		
Bond deposits	491	705
Other loans and derivatives	5,095	4,292
Total interest expense	5,586	4,997

Note 1.3 Value adjustments of financial instruments

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

DKKm	2024	2023
Value adjustments of financial instruments		
Portfolio of securities	33	77
Loans	757	5,843
Impairment of leasing	2	1
Debt securities issued	-2,247	-8,462
Derivatives	945	2,817
Total value adjustments of financial instruments	-510	276

Fair value adjustments, etc.

Note 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) quoted 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 the zero coupon yield curves as well as yield curve and option models.

A) KommuneKredit uses quoted prices for similar issues adjusted for liquidity, credit risk and conversion rights on the part of debt securities issued and loans 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 of the debt securities issued by KommuneKredit are passed on directly to the bond loan to the customer with the addition of 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 quoted price cannot be used, and quoted prices of similar issues adjusted for liquidity, credit risk and conversion rights are used instead. Mortgage or government bonds with similar characteristics are examples of such similar issues. As the credit risk on loans to customers corresponds to the debt securities issued, the price of the debt securities issued is also used for the bond loan. Price changes will thus not have any impact on profit or loss.

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 which are stated at fair value and which are not part of the bond circuit.

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

A small part of KommuneKredit's debt securities issued and derivatives is classified as fair value level 3. This level is used for structured notes issued 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, equities and commodities and the correlation between them. The structured notes issued

Fair value adjustments, etc

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

are micro-hedged by derivatives, and changes in the non-observable input will therefore not have any significant impact on profit or loss as changes in issuance will have the 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 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 costs and lending prices.

No transfers between the fair value hierarchy levels were made in 2024.

Fair value adjustments, etc.

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

DKKm	Level 1	Level 2	Level 3	Total
2024				
Assets				
Due from credit institutions	2,350	0	0	2,350
Loans	0	183,467	0	183,467
Portfolio of securities	41,482	2,136	0	43,618
Derivatives	0	11,981	251	12,232
Total assets	43,832	197,584	251	241,667
Liabilities				
Due to credit institutions	6	0	0	6
Debt securities issued	0	228,147	3,022	231,169
Derivatives	0	9,605	386	9,991
Total liabilities	6	237,752	3,408	241,166

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

Fair value adjustments, etc.

Note 1.4.2 Specification of level 3 fair value

DKKm	Balance at 1 January	Additions	Disposals	Recognised in profit for the year	31 Dec.
2024					
Assets					
Due from credit institutions	0	0	0	0	0
Loans	0	0	0	0	0
Portfolio of securities	0	0	0	0	0
Derivatives	261	0	0	-10	251
Total assets	261	0	0	-10	251
Liabilities					
Due to credit institutions	0	0	0	0	0
Debt securities issued	3,349	0	-283	-44	3,022
Derivatives	245	0	-25	166	386
Total liabilities	3,594	0	-308	122	3,408

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

Fair value adjustments, etc.

Note 1.4.3 Development in credit spreads

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

DKKm	2023	Develop- ment	2024
Statement of comprehensive income			
Value adjustments of financial instruments	-43	12	-31
Total effect on statement of comprehensive income	-43	12	-31
Statement of financial position			
Assets	-36	12	-24
Liabilities	7	0	7
Total effect on statement of financial position	-43	12	-31

Note 1.4.4 Offsetting

KommuneKredit settles foreign exchange transactions and derivatives on a net basis when a master netting agreement (ISDA Master Agreement) includes an agreement on Cross-Transaction Payment Netting. The net settlement entails that the accounting values for derivatives contain offsetting in the balance sheet. Total offsetting amounted to DKK 7,246 million at 31 December 2024 against DKK 7,917 million at 31 December 2023.

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 recorded as 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 loans, leases or debt securities issued. Accordingly, these financial instruments are not included in the table below. Carrying amounts appear from the balance sheet.

Derivatives presented in the balance sheet

DKKm	Values offset		Values not offset			
	Gross carry- ing amount	Set-off	Carrying amount	Financial instruments	Collateral	Net value
2024						
Asset	19,478	-7,246	12,232	-2,874	-8,442	916
Liabilities	17,237	-7,246	9,991	-2,874	-6,906	211
Net	2,241	0	2,241	0	-1,536	705
2023						
Assets	19,345	-7,917	11,428	-2,672	-7,658	1,098
Liabilities	20,866	-7,917	12,949	-2,672	-9,798	479
Net	-1,521	0	-1,521	0	2,140	619

Fair value adjustments, etc.

Note 1.4.5 Specification of collateral

DKKm		Collateral posted		Collateral received	
Type of bond	Rating	Market value	Market value after haircut	Market value	Market value after haircut
2024					
Danish government bonds	AAA	847	813	1,574	1,471
Danish mortgage bonds	AAA	0	0	313	298
German government bonds	AAA	1,097	1,025	2,371	2,256
Dutch government bonds	AAA	0	0	19	19
Finnish government bonds	AA+	96	92	1,094	1,061
French government bonds	AA-	5,104	4,921	2,809	2,672
British government bonds	AA-	152	136	725	676
Total		7,296	6,987	8,905	8,453
Of which non-nettable collateral		0	-81	0	-11
Total nettable collateral		7,296	6,906	8,905	8,442

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

Reference is made to note 1.10.3 for a detailed description of terms and conditions, etc.

Fair value adjustments, etc.

Note 1.5 Loans and leases

Loans are measured at fair value through profit or loss. Leases are measured at amortised cost, but are presented here for the sake of completeness. Value adjustments for the year are included under Disposals.

DKK m	No. of loans	2024	2023
Loans			
Balance of 1 January	20,805	187,139	174,974
Additions	3,103	34,413	29,027
Disposals	3,591	27,441	16,862
Total lending	20,317	194,111	187,139
Bond loans	2,191	24,678	25,163
Fixed-term loans	6,626	158,789	151,270
Leases	11,500	10,644	10,706
Total lending	20,317	194,111	187,139

DKK m	2024	2023
Bond loans	24,678	25,162
Fair value adjustments	326	732
Bond loans in nominal values	25,004	25,894
Fixed-term loans	158,789	151,271
Fair value adjustments	9,498	9,843
Fixed-term loans in nominal values	168,287	161,114
Leases	10,644	10,706
Impairment	3	5
Leasing in nominal values	10,647	10,711

Fair value adjustments, etc.

Note 1.6 Unearned financial income relating to leases

Leases are 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 payments discounted at the interest rate implicit in the lease. On subsequent recognition, leases are 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 leases' under Interest income.

DKKm	2024	2023
Net investments in finance leases, by lease term		
Up to 1 year	1,528	1,546
From 1 to 5 years inclusive	3,960	4,066
Over 5 years	5,159	5,099
Total net leasing	10,647	10,711
Gross investments in finance leases, by lease term		
Up to 1 year	1,789	1,844
From 1 to 5 years inclusive	4,751	4,966
Over 5 years	6,289	6,384
Total gross leasing	12,829	13,194
Unearned financial income	2,182	2,483

Note 1.7 Portfolio of securities

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

DKKm	2024	2023
Portfolio of securities		
Government/public authorities	12,501	12,221
Multilateral counterparties	0	0
Mortgage debt	31,117	31,418
Mortgage credit institutions	0	0
Total portfolio of securities	43,618	43,639
Of which portfolio of securities used as collateral	3,805	8,172
Portfolio of unencumbered securities	39,813	35,467

Fair value adjustments, etc.

Note 1.8 Debt securities issued

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

DKKm	Balance at 1 January	Additions	Disposals & value adj.	31 Dec.	Value ad- justment	Fair value 31 Dec.
2024						
NASDAQ Copenhagen	42,804	5,656	-8,906	39,554	-2,397	37,157
ECP	0	6,410	-6,051	359	-1	358
Private placements	18,002	4,646	-421	22,227	-435	21,792
Uridashi	6	0	-1	5	-3	2
Benchmark	168,109	26,468	-17,578	176,999	-8,594	168,405
Kangaroo	3,618	227	-104	3,741	-286	3,455
Total debt securities issued	232,539	43,407	-33,061	242,885	-11,716	231,169

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

Financial risk management

General information

Our function as a financial link between the capital markets and the local government sector 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 achieve KommuneKredit's mission. KommuneKredit has established a Finance and Risk Committee, which meets regularly to discuss relevant risk exposures like market risk and credit risk.

KommuneKredit distinguishes between the following types of financial risks:

- Market risk is the risk that changes in market factors 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 for the ability of a counterparty to meet its obligations in general.
- Liquidity risk is the risk that at any given time KommuneKredit does not have and cannot source adequate liquid funds to meet obligations and cover loan and lease 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 of interest rates, currencies or similar factors will affect the value of a financial instrument.
- Other price risk is the risk that changes in market factors other than those attributable to interest rate, currency and volatility fluctuations will affect the value of a financial instrument. This includes exposures to, e.g., inflation indices and 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 rarely necessary to accept such risk to achieve 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 our currency position.

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

Measurement

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

At the end of 2024, KommuneKredit's largest currency exposure was DKK 522 million in EUR.

Financial risk management

Note 1.9.1 Currency risk (continued)

DKKm		Assets	Liabilities	Deriva- tives	Currency position
2024					
Australian dollar	AUD	0	4,262	4,259	-3
Swiss franc	CHF	78	10,073	9,976	-19
Euro	EUR	8,860	102,762	94,424	522
Pound sterling	GBP	0	13,508	13,502	-6
Japanese yen	JPY	0	756	759	3
Mexican peso	MXN	0	1,142	1,150	8
Norwegian kroner	NOK	0	8,774	8,780	6
Swedish kronor	SEK	0	4,417	4,405	-12
US dollar	USD	3	47,835	47,846	14
Other currencies*		0	342	345	3

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

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

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

Financial risk management

Note 1.9.2 Interest rate risk

Policies and procedures

KommuneKredit’s risk tolerance in respect of interest rate risks is limited, but it is deemed necessary to accept certain interest rate risks to achieve 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 fixed-rate lending, funding and investments 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 per cent of equity, corresponding to DKK 408 million. The interest rate risk is calculated using a 1 percentage point parallel shift in the yield curve.

DKKm	2024	2023
Total interest rate risk	55	104
Equity used for limit	10,188	10,180
Interest rate risk limit of 4.0% of equity	408	407
Utilisation of the limit as a percentage	13	26

Note 1.9.3 Volatility risk

Policies and procedures

KommuneKredit’s risk tolerance in respect of currency risk is very limited, as it is rarely necessary to accept such risk to achieve KommuneKredit’s mission.

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

According to the Board of Directors’ guidelines, the interest rate volatility risk must not exceed 0.2 per cent of equity, corresponding to approximately DKK 20 million. The interest rate volatility risk is calculated based on a 1 percentage point shift in the interest rate volatility. At the end of 2024, the interest rate volatility risk was very limited.

Note 1.9.4 Other price risk

Policies and procedures

KommuneKredit is exposed to risk associated with changes to our own funding spreads. By maintaining relatively constant lending margins, we pass on changes to our own funding spreads to lending prices. As the funding is larger and has longer terms to maturity 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 part of KommuneKredit’s business model and will therefore be necessary in order to achieve KommuneKredit’s mission, but efforts are made to keep it low.

KommuneKredit is exposed to changes in our lending margin. The lending margin is set with a view to achieving an appropriate profit to ensure adequate equity. Since KommuneKredit measures all loans at fair value, a reduction of the lending margin would, all else equal, lead to a positive fair value adjustment through more lenient discounting of payments from existing loans. Similarly, an increase of the lending margin would, all else equal, lead to a negative fair value adjustment. The lending margin is driven by factors such as income from 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 our own funding spreads and the lending margin is very low.

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

Financial risk management

Note 1.10 Credit risk

Policies and procedures

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

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

Due to the special credit quality of our customers, KommuneKredit assesses that the credit risk associated with loans, leases and derivatives with customers is very limited. However, in accordance with IFRS 9, credit risk on leases must be calculated as they are recognised at cost. The credit risk on leases has been calculated at DKK 3 million.

KommuneKredit has a Grants Committee whose duties include approving loans of more than DKK 300 million or loans that otherwise deviate 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 lease.

Credit risk on loans, leases and derivatives with customers

DKKm	Carrying amount	Credit risk
2024		
Danish municipalities and regions	98,941	3
Institutions guaranteed by Danish municipalities and regions	94,984	0
Total	193,925	3
2023		
Danish municipalities and regions	101,110	4
Institutions guaranteed by Danish municipalities and regions	86,014	1
Total	187,124	5

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 at least the following requirements:

- 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 agencies' credit rating of the counterparty. As a result, financial instruments may only be entered into with the following types of counterparties:
 - Central governments, local and regional authorities 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 domiciled 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 domiciled in a Zone A country does not extend to multilateral development banks and international organisations as these are often not domiciled in a specific country.

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

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

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

KommuneKredit sets limits for the concentration of credit risks based on large exposures in the EU Regulation on Prudential Requirements for Credit Institutions and Investment Firms. According to the Regulation, exposures to a single counterparty or a group of connected counterparties, net of fully and completely secured exposures, must not exceed 25 per cent of the base capital, which for KommuneKredit's purposes substantially corresponds to equity. The Management Board has also defined limits for the maximum portfolio of securities issued by a specific issuer.

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

Note 1.10.1 Credit risk measurement

Measurement

Credit risks can be broken down into two main components. The first component is the credit risk associated with amounts due from credit institutions and the credit risk associated with securities, collectively referred to as investment credit risk. This derives from investments made using means from the total

liquidity resources. The second component is the credit risk associated with derivatives and related collateral, collectively referred to as 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 the requirement for collateral agreements when trading in derivatives.

Exposures associated with credit risk increased by DKK 1.8 billion from DKK 44.9 billion in 2023 to DKK 46.7 billion in 2024, solely reflecting an increase in the exposure to investments.

The credit quality of investments remains very high with 95 per cent 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 bonds issued by other highly rated institutions. A small proportion of the investments is placed with unrated counterparties which have been designated SIFIs in Denmark.

The exposure on derivatives after collateral has increased marginally. The exposure before collateral decreased by DKK 0.6 billion, while in absolute terms the value of collateral after haircut increased by DKK 0.8 billion. At the end of 2024, 92 per cent of the fair value of the derivatives portfolio was covered by collateral received.

The credit rating is based on Standard & Poor's and/or Fitch Ratings. If the counterparty is rated by two rating agencies, the lowest rating is applied. When investing in securities, the rating of the security 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-à-vis KommuneKredit, the value of 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 received, see note 1.4.5.

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

Financial risk management

Note 1.10.1 Credit risk measurement (continued)

DKKm Investment credit risk				Credit risk on derivatives					Total
Rating	Due from credit institutions	Securities	Total	Derivatives		Correction for neg. FV per counterparty	Collateral after haircut	Total	Net
				Positive	Negative				
2024									
AAA	0	36,210	36,210	0	0	0	0	0	36,210
AA+	0	744	744	0	0	0	0	0	744
AA	0	0	0	6,281	-5,623	39	-666	31	31
AA-	1	6,664	6,665	56	-121	80	0	15	6,680
A+	533	0	533	10,809	-9,996	5,832	-5,997	648	1,181
A	15	0	15	2,246	-1,199	819	-1,779	87	102
A-	0	0	0	3	-246	243	0	0	0
NR	1,801	0	1,801	0	0	0	0	0	1,801
I alt	2,350	43,618	45,968	19,395	-17,185	7,013	-8,442	781	46,749
2023									
AAA	0	31,418	31,418	0	0	0	0	0	31,418
AA+	0	0	0	0	0	0	0	0	0
AA	0	0	0	7,455	-6,390	3	-1,014	54	54
AA-	1	12,221	12,222	175	-1,143	970	0	2	12,224
A+	9	0	9	9,356	-11,064	7,292	-4,797	787	796
A	15	0	15	2,268	-1,823	1,542	-1,847	140	155
A-	0	0	0	15	-356	341	0	0	0
NR	248	0	248	0	0	0	0	0	248
I alt	273	43,639	43,912	19,269	-20,776	10,148	-7,658	983	44,895

Financial risk management

Note 1.10.2 Credit quality

KommuneKredit has never incurred losses on loans or leases.

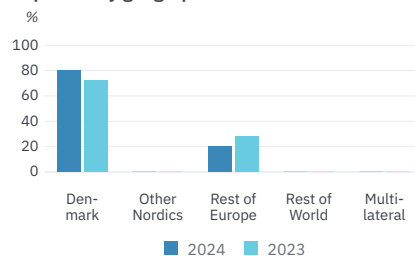
77 per cent of the total exposure relates to counterparties with the highest rating of AAA, 16 per cent to counterparties with ratings between AA+ and AA- and 7 per cent to counterparties with lower credit ratings. The credit quality of KommuneKredit's counterparties is thus very high.

The breakdown of exposures from year-end 2023 to year-end 2024 was largely unchanged. In 2024, there was still a need for a certain volume of European government bonds as they meet the need for collateral.

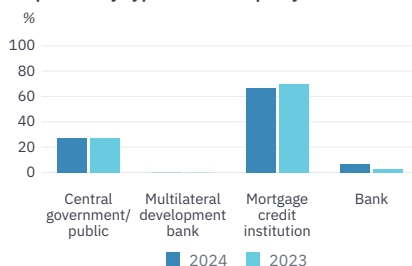
Exposure by credit rating



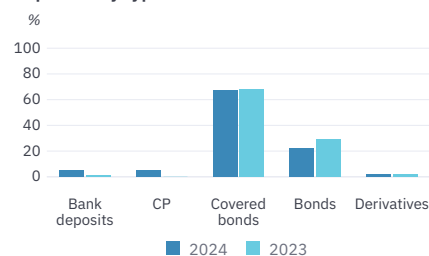
Exposure by geographical area



Exposure by type of counterparty



Exposure by type of instrument



Note 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 the instrument, the rating and the 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.

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, 96 per cent of the collateral received at year-end 2024 was thus Danish, British, Finnish, French, Dutch or German government bonds. The remaining 4 per cent was Danish mortgage bonds with the highest credit quality. Thus, all collateral received consists of high-quality liquid bonds.

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

Financial risk management

Note 1.11 Liquidity risk

Policies and procedures

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

According to the liquidity guidelines, the total holding of high-quality, unrestricted liquid assets (HQLA) must exceed the accumulated liquidity outflows in a 30-day stress scenario. This is achieved by keeping the Liquidity Coverage Ratio (LCR) constantly above 120 per cent. Furthermore, the stable funding in the medium term and the long term, 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 per cent. The LCR and the NSFR are based on the Liquidity Coverage Ratio and the Net Stable Funding Ratio of the Capital Requirement Regulation. At year-end 2024, the LCR was 277 per cent, and the NSFR was 161 per cent.

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

The Board of Directors has determined a minimum 180-day requirement for the survival horizon in a going concern stress scenario. At year-end 2024, the survival horizon was 393 days. The stress scenario is based on the assumptions that there is no access to the funding markets, that KommuneKredit continues to disburse new loans and that the markets develop unfavourably for KommuneKredit in relation to investments and collateral for derivatives. In the scenario, loans subject to renegotiation, for which the binding liquidity commitment is shorter than the term to maturity of the loan, are considered irredeemable.

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 values, excl. interest, according to the 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.

DKKkM	0-3 months	3-12 months	1-5 years	Over 5 years	Total
2024					
Financial assets					
Due from credit institutions	2,349	0	0	0	2,349
Portfolio of securities	7,957	26,999	8,380	0	43,336
Loans	25,593	24,658	58,402	84,638	193,291
Leases	270	1,258	3,960	5,159	10,647
Total recognised financial assets	36,169	52,915	70,742	89,797	249,623
Financial liabilities					
Due to credit institutions	6	0	0	0	6
Debt securities issued	8,992	26,608	104,884	102,401	242,885
Derivatives	-148	-1,197	-397	-1,554	-3,296
Total recognised financial liabilities	8,850	25,411	104,487	100,847	239,595
Off-balance sheet items					
Loan commitments given	4,452	8,662	17,704	1,629	32,447

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

Staff costs and administrative expenses

Note 2.1 Staff costs and administrative expenses

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

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

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

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

- Intangible assets (software, etc.), 1-5 years
- Operating equipment, including IT equipment, 2-5 years
- Cars, 3 years

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

DKKm	2024	2023
Staff costs and administrative expenses		
Salaries and pension contributions, etc	110	101
Other staff costs	17	18
Consultancy fees	30	36
IT licences	27	27
Charges	3	3
Property management	6	6
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	1	1
Other administrative expenses	0	1
Total administrative expenses	194	193
Average number of employees	106	101

DKK '000	2024	2023
Fees to auditors as per the Articles of Association:		
Statutory audit of financial statements	572	540
Other assurance engagements	259	259
Other services	0	0
Total fee	831	799

Staff costs and administrative expenses

Note 2.2 Remuneration of the Board of Directors and Management Board

DKK '000	Fee	Contractual remuneration	Pension	Total
2024				
Management Board	0	5,495	273	5,768
Board of Directors	1,140	0	0	1,140
Total	1,140	5,495	273	6,908
2023				
Management Board	0	5,168	262	5,430
Board of Directors	1,080	0	0	1,080
Total	1,080	5,168	262	6,510

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 overview 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 per cent.

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

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	2024	2023
Current tax	1	78
Deferred tax charge for the year	3	49
Prior-year adjustments	1	-1
Total tax on profit for the year	5	126
Tax on profit for the year is explained as follows:		
Estimated tax on pre-tax profit for the year	3	119
Non-deductible expenses	1	8
Prior-year adjustments to current tax	0	-1
Adjustment of deferred tax relating to prior years	1	0
Total tax for the year	5	126
Effective tax rate	39	23
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 recognised concerns a pending case in Switzerland regarding retained withholding tax on matured bond investments.

DKKm	2024	2023
Balance at 1 January	0	37
Current tax	-1	0
Prior-year adjustments	-1	0
Income tax for the year paid	75	0
Adjustment for the year	0	-37
Total current tax assets	73	0
Balance at 1 January	-32	-49
Current tax	0	-78
Income taxes for the year paid	32	95
Total current tax liabilities	0	-32

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 crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the statement of comprehensive income.

DKKm	2024	2023
Balance at 1 January	570	521
Prior-year adjustments	-1	0
Deferred tax charge for the year	3	49
Total deferred tax liabilities	572	570
Deferred tax liabilities broken down as follows:		
Property, plant and equipment and intangible assets	6	6
Lease assets	574	574
Pension obligations	-8	-10
Total deferred tax liabilities	572	570

Other notes

Note 4.1 Contingent assets and liabilities

KommuneKredit has a contingent liability for the 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 36 million at 31 December 2024. In addition, there are excess reserves of DKK 25 million to cover future changes of the schemes. Adjustments to the calculated value in use 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. Executive 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 our balance sheet, as a result of which IFRS 9 only affects the measurement of leases.

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

It has been decided by court order that Danish municipalities cannot enter into 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', the liquidity of 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 of the Danish State is used as a proxy to determine the current value.

The CDS price of 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 leases includes an expected credit loss. This means that, already when a lease agreement is established, an impairment charge at an amount equal to the expected credit losses resulting from default events within 12 months is recognised. The impairment charge 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 charge 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 increases in credit risk.

Stage 2

If the credit risk has increased significantly, the agreement is transferred to stage 2 and an impairment equal to the expected credit loss over the lifetime of the agreement 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 per cent and an increase in 12-month PD of 0.5 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 impaired part of the agreement is recognised on the basis of the impaired 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 to 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 provided to municipalities and regions, and therefore all leases are classified as stage 1. There were no shifts between the stages during the reporting period.

Impairment at 31 December 2024 is shown in the table below, and all leases were in stage 1 at 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 2024	0.0% - 0.5%	10,711	5	10,706
Movement	-	-64	-2	-62
31 December 2024	0.0% - 0.5%	10,647	3	10,644

The 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.

The LGD expresses the proportion expected to be lost given default on the part of the customer.

The change from 1 January to 31 December 2024 was due to a general decrease in the market on credit risk.

Other notes

Note 6 Key figures

Million	2024	2024	2023	2022	2021	2020
	EUR	DKK	DKK	DKK	DKK	DKK
Key figures						
Net interest and fee income	96	717	457	353	378	441
Value adjustment of financial instruments	-68	-510	276	1,144	249	-33
Staff costs and administrative expenses	-26	-194	-193	-224	-140	-130
Impairment of loans and receivables, etc.	0	0	0	0	0	0
Profit for the year	1	8	414	991	378	218
Loans and leases	26,027	194,110	187,139	174,974	194,948	192,457
Equity	1,366	10,188	10,180	9,766	8,775	8,397
Assets	33,855	252,498	242,612	237,052	249,077	233,872
Debt securities issued	30,996	231,169	218,173	207,899	233,892	212,728
Portfolio of securities	5,848	43,618	43,639	46,591	48,387	33,568
Investments in property, plant and equipment	0	2	3	0	0	0
Activities during the year						
Loans and leases, net additions in nominal value (net lending)	834	6,219	5,874	4,766	8,675	5,057
Loans and leases, gross additions in nominal value	4,614	34,413	29,027	28,057	36,958	43,507
Debt securities issued, gross additions in nominal value	5,820	43,407	41,543	52,692	65,112	43,163

Additional key figures and financial ratios have been added following the adoption of the new Act on KommuneKredit and a subsequent dialogue with the Danish Financial Supervisory Authority. The comparative figures have been restated to reflect these changes.

Key figures and financial ratios have been calculated in accordance with the accounting provisions applicable to KommuneKredit. Exchange rate at 31.12.2024, 100 EUR = 745.8109 - The format is unchanged from last year.

Million	2024	2024	2023	2022	2021	2020
	EUR	DKK	DKK	DKK	DKK	DKK
Financial ratios						
Base capital relative to minimum capital requirement	7.2	7.2	8.1	7.7	7.8	9.0
Solvency ratio	58	58	65	62	62	72
Equity Tier 1 ratio	59	59	65	62	63	73
Return on equity before tax, %	0.1	0.1	5.4	13.7	5.7	3.4
Return on equity after tax, %	0.1	0.1	4.2	10.7	4.4	2.6
Income/cost ratio	1.1	1.1	3.8	6.7	4.5	3.1
Total risk exposure amount (REA)	2,332	17,391	15,637	15,653	13,859	11,496
Common Equity Tier 1 (CET1)	1,366	10,188	10,180	9,766	8,775	8,397
Capital base	1,350	10,066	10,107	9,684	8,660	8,277
Interest rate risk	7	55	104	197	268	230
Currency position	75	556	1,013	2,413	932	2,194
Loans-to-deposit ratio, %	84.0	84.0	85.8	84.2	83.3	90.5
Loans-to-equity ratio, %	19.1	19.1	18.4	17.9	22.2	22.9
Impairment rate for the year	0	0	0	0	0	0
Return on capital employed (profit for the year/ total assets), %	0.0	0.0	0.2	0.4	0.2	0.2
Equity ratio after tax, %	4.0	4.0	4.2	4.1	3.5	3.6
Expenses/assets, pct.	0.08	0.08	0.08	0.09	0.06	0.06
Net interest income/assets, pct.	0.29	0.29	0.19	0.15	0.15	0.19
Number of full-time employees	106	106	101	97	88	82

04

Statements and reports

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Midttrafik
56 electric buses

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Management Board have today considered and adopted the annual report of KommuneKredit for the financial year 1 January – 31 December 2024.

In our opinion, the annual report with the file name > [Årsrapport 2024-ESEF](#) has in all material respects been prepared in accordance with the ESEF Regulation.

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

It is our opinion that the financial statements give a true and fair view of the financial position of KommuneKredit at 31 December 2024 and of the comprehensive income of KommuneKredit's operations and cash flows for the financial year 1 January – 31 December 2024.

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

Copenhagen, 13 March 2025

Management Board

Jens Lundager
Chief Executive Officer,
Managing Director

Henrik Andersen
Managing Director

/Morten Søtofte
CFO

Board of Directors

Martin Damm
Chairman

Thomas Lykke Pedersen
Vice Chairman

Birgit Aagaard-Svendsen

Michael Fenger

Mikael Klitgaard

Susanne Kure

Erik Lauritzen

Tormod Olsen

Carsten Scheibye

Peter Sørensen

Independent auditor's report

To the Board of Directors of Kommunekredit

Opinion

We have audited the financial statements of KommuneKredit for the financial year 1 January to 31 December 2024, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the Association's financial position at 31 December 2024 and of its financial performance and cash flows for the financial year 1 January to 31 December

2024 in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

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

Basis for opinion

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

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

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

We were appointed auditors of KommuneKredit for the first time on 26 August 2016 for the financial year 2017. We have been reappointed annually by decision of the Board of Directors for a total contiguous engagement period of nine years up to and including the financial year 2024.

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 2024. 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 12,232 million of the assets at 31 December 2024 (2023: DKK 11,428 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 9,991 million of the liabilities at 31 December 2024 (2023: DKK 12,949 million).

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

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

How the matter was addressed in our audit

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

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

Furthermore, our audit procedures included:

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

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

Statement on the management commentary

Management is responsible for the Management’s review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

resentations, or the override of internal control.

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

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

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

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

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

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

Report on compliance with the ESEF regulation

As part of our audit of the financial statements of KommuneKredit, we have performed procedures to express an opinion on whether the annual report for the financial year 1 January to 31 December 2024, with the file name > [Årsrapport 2024-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 2024, with the file name > [Årsrapport 2024-ESEF](#), has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 13 March 2025

DELOITTE

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Henrik Wellejus

State-Authorised Public Accountant
Identification number: mne24807

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 2024, prepared by Management. In addition, I have read the Management's review.

During my review, I did not identify any non-compliance with the framework for KommuneKredit's lending operations, which I supervise.

Copenhagen, 13 March 2025

Per Hansen

Municipality of Holstebro
Electric cars and
charging stations

05

ESG – report continued

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ESG at KommuneKredit

KommuneKredit has an ambition of integrating environmental, social and governance (ESG) considerations into our business to maintain and extend our focus on social responsibility, which has always been a natural part of our business.

At KommuneKredit we strive to be transparent in our work with our own ESG impact and the impact of our loans on the world around us. Similarly, we strive to promote good corporate governance with clear guidelines for decision processes and risk management and to act in the interests of our members while at the same time taking our employees, customers and society into consideration. Transparency in financial statements and communications are key to us as are ethical conduct and compliance with the legislation. By promoting good corporate governance, we wish to contribute to long-term value creation for our members as well as for the wider community. Read more about corporate governance on page 27.

Although KommuneKredit is not governed by the rules set out in the Corporate Sustaina-

bility Reporting Directive (CSRD) on sustainability reporting, we strive to publish ESG data to the extent relevant to ensure transparency and to meet investor demands.

> [More information about our special status is available on our website](#)

Sustainability ambitions of members

Danish local and regional authorities have strong ambitions as regards the sustainable transition of Danish local communities. All Danish local and regional authorities have prepared [climate action plans](#) to comply with the climate goals of the Paris Agreement, and their efforts are decisive for meeting the national climate goals.

The supply sector, which accounts for a large share of our loan portfolio, also has strong

ambitions for the environment and climate. The [water sector](#) and the [district heating sector](#) share ambitions of becoming climate neutral by 2030 and therefore also play a key role in meeting the national climate goals.

Supporting local sustainability ambitions

KommuneKredit seeks to reflect the local sustainability ambitions through our financing. Practically all our loans and lease agreements have a green and/or social purpose, such as climate adaptation and coastal protection, public transport, energy efficiency improvements of public buildings or establishment of senior housing, local sports centres, schools and district heating.

> An overview of the distribution of our lending is available on our website

Distribution of lending by industry

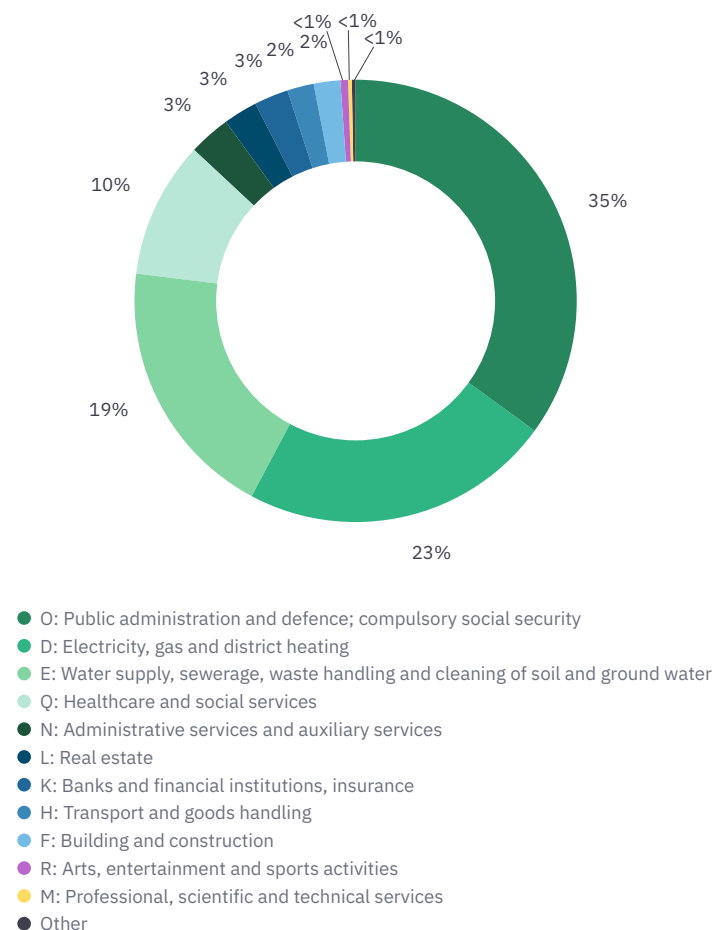
Whereas other financial institutions have lists of exclusion, i.e. lists stating what businesses, sectors or activities that they do not wish to finance, it is governed by law that KommuneKredit may exclusively finance public sector tasks. Moreover, all the projects that we finance must comply with Danish rules, including on protection of labour rights and human rights, environmental standards, anti-corruption and tax legislation. For that

reason, our investors can be certain that we do not provide loans or leases to activities involving weapons, tobacco or alcohol. Moreover, all the projects that we finance must comply with Danish rules, including on protection of labour rights and human rights, environmental standards, anti-corruption and tax legislation.

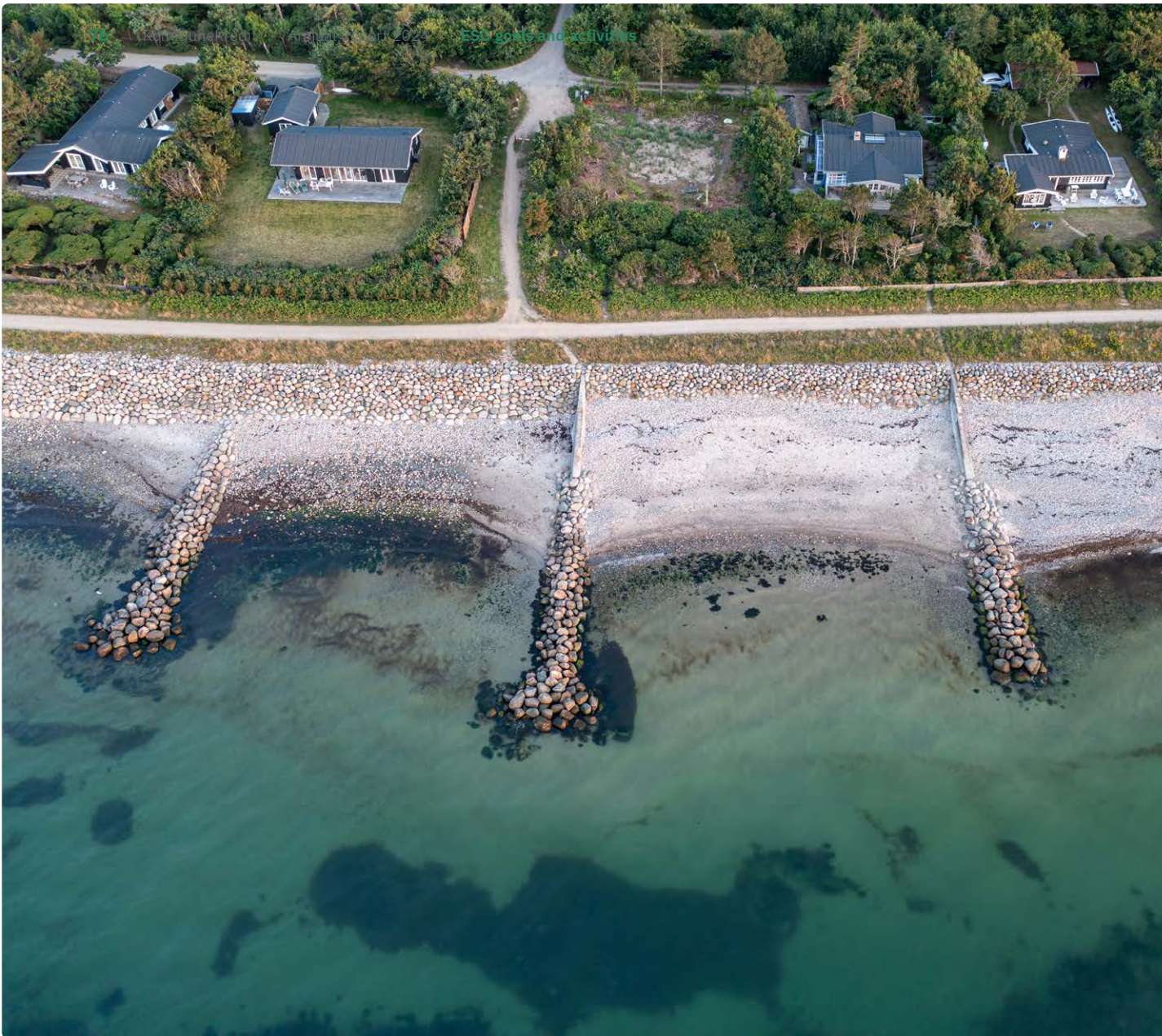
As regards our investment portfolio, KommuneKredit may only invest in liquid bonds issued by governments, states, regional authorities, multilateral development banks and financial institutions with a credit rating of at least AA-. Our investments must be confined to countries in the Zone A risk category defined by the OECD.

In the following pages, we describe our ESG efforts, our ambitions and our activities and results for the year under review.

Distribution of lending by industry based on lending portfolio at end-2024*



* Investments financed through KommuneKredit must serve a public purpose. Accordingly, not all activities under each industry code justify financing through KommuneKredit.



ESG goals and activities

We have defined five environmental (E) goals, two social (S) goals and two governance (G) goals. In the following pages, we provide an update on our efforts to achieve the ESG goals.

Climate and environmental responsibility



Reduced climate footprint from own operations

At the end of 2024, we had reduced our overall climate footprint from own operations by 45 per cent relative to our CO₂e emissions by 2018. Our target is a 55 per cent reduction by 2030.

Relative to our climate compensation goal, we entered into an agreement on afforestation in 2024. Under the agreement, 256 trees will be planted in 2025 to reduce atmospheric CO₂ by an amount equal to our own carbon footprint in 2023. At the same time, afforestation contributes to establishing greater biodiversity.

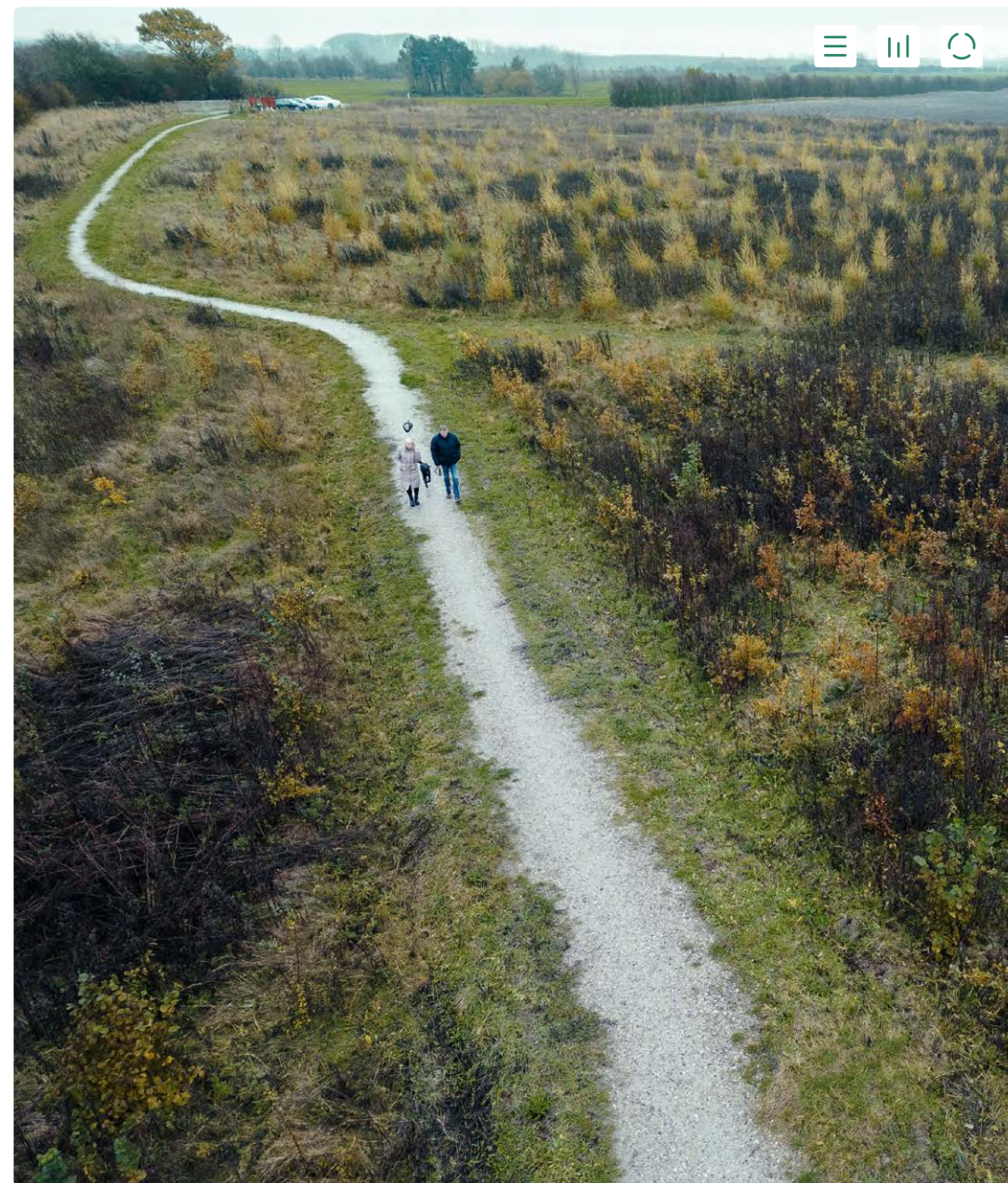
Green loans

At the end of 2024, green loans accounted for 24.7 per cent of our total lending, and we have therefore achieved our goal of a minimum of 25 per cent green loans by 2025.

In the coming strategy period, we will update the framework for our green financing. We expect to launch an updated Green Bond Framework in Q2 2025 as the third-party assessment of our framework will expire. The update will contain minor adjustments and clarification of our current approach. Like our Green Bond Framework 2022, the Green Bond Framework 2025 will likely follow the market-based guidelines and principles for green bonds specified by ICMA.

Our goal of adding the first green lease agreements to the green loan portfolio was not met.

> [Read more about our green loan portfolio in our Green Bond Impact Report, which is available on our website](#)



Mapping of financed emissions

In 2024, we continued our work to map the climate footprint of our loan, lease and investment portfolio (financed emissions). This work will continue in 2025 and is expected to be completed by end-2025. Where possible, we still lean on existing standards, including the Partnership for Carbon Accounting Financials (PCAF) and Finance Denmark's tools for measuring CO₂e footprint. We have also developed our own method for mapping the part of the portfolio for which no recognised standard exists. To underpin both the transparency and the validity, we plan to publish the method and to obtain an assessment of it from an independent third party before we publish the results.

To strengthen the ESG data for our own operations and portfolios, we launched a strategic ESG data project in 2023. The purpose of the project was to determine our future ESG data structure, including uncovering which ESG indicators we should preferably retrieve in future. The first part of the project was concluded in mid-2024, and we have subsequently focused on system support of our retrieval and storage of ESG data. These efforts will likely continue in 2025.

E goals

- Reduce carbon emissions from own operations by 55 per cent by 2030 relative to 2018
- Compensate the remaining carbon emissions from own operations
- Lift the share of green loans to at least 25 per cent in 2025
- Map the carbon footprint from the association's loan and investment portfolio
- Assess the possibility of setting reduction targets for the carbon footprint of our loan and investment portfolio

2024 activities and results

- Climate footprint from own operations reduced by 45 per cent relative to 2018
- Internal CO₂e budget in operation
- Agreement on afforestation concluded (equal to emissions from own operations)
- Green loan ratio increased to 24.7 per cent
- Additionally EUR 500 million issued in an existing green bond
- Method for mapping the climate footprint of our portfolios developed

Outlook for 2025

- Update Green Bond Framework
- Carry out at least one issue of green bonds
- Complete mapping of the climate footprint of our portfolios
- Continue the work with the strategic ESG data project
- Assess the possibility of setting reduction targets for the carbon footprint of our loan and investment portfolio



SDG linkage

We support SDG 12 and SDG 13 by optimising our consumption of natural resources and reducing our climate impact as well as ensuring employee awareness of our sustainability efforts.

> Read more about the SDGs that are supported by our green financing in our Green Bond Impact Report, which is available on our website





Social responsibility



In 2024, we met our goal of maintaining previous years' high level of employee satisfaction. The overall results of our employee engagement survey remain at the high end of our industry, ranking us as one of the best workplaces in Denmark. We will endeavour to maintain that position. At end-2024, we had 108 employees.

In 2024, we implemented guidelines for diversity and the underrepresented gender, and the management team was briefed about how we, as a business, implement the guidelines in various hiring situations. The proportion of women in our management team (N2, N3) has increased from 31 per cent to 36 per cent. An overview of the gender composition at the various management levels is shown on page 85.

An Insights Discovery profile was made for all employees in 2024. The profile is a personalised development tool that helps people

understand themselves and others. Based on our new knowledge of how diversity affects thoughts and conduct, we can strengthen collaboration and efficiency for the benefit of employee satisfaction across KommuneKredit.

As part of our effort to create an inclusive corporate culture, our goal was to investigate whether any differences exist as regards our employees' conditions and opportunities in order to uncover any unintended biases. The survey was not carried out, but we expect it to be carried out in 2025.

KommuneKredit has entered into a collective agreement with the Financial Services Union in Denmark. Accordingly, our employees have the same conditions as employees in the finance industry when it comes to holidays and salary adjustments, etc. As part of the collective agreement all our employees have access to apply for subsidies for education and

skills development. The number of recorded training hours per employee increased from 10,6 hours to 14,5 hours compared to 2023, see page 85.

In the past year, stress and manager roles continued to be focus areas. In the summer of 2024, we conducted a seminar for managers about various forms of stress, and we embarked on an update of our internal guidelines on stress. We expect to complete this work in 2025 and to inform our employees about the updated guidelines and the various forms of stress.

KommuneKredit's social goals focus on internal factors. In 2024, we also improved the descriptions of the social objectives that we finance across the nation, see page 75.

S goals

- Promote an inclusive corporate culture
- Maintain high level of employee satisfaction

2024 activities and results

- Overall score of 83 in employee satisfaction and 86 in loyalty in the employee engagement survey (response rate of 97 per cent), placing us again at the very top of our industry and in the Danish labour market
- Guidelines prepared for diversity and targets defined for the underrepresented gender
- Trial period with volunteer work during working hours, 'Hjælp med hjertet' (help with all of your heart), completed and put on stream
- Option of flexibility and work from home maintained
- Health promotion initiatives, including offer of influenza vaccination and health check, maintained
- As part of the collective agreement with the Financial Services Union all our employees have access to apply for subsidies for education and skills development
- Staff day with focus on diversity of staff profile carried out.
- Intern hired
- Two trainees hired

Outlook for 2025

- Continue the efforts to promote an inclusive corporate culture
- Maintain high level of employee satisfaction
- Conduct survey of differences as regards our employees' conditions and opportunities to uncover any unintended biases



SDG linkage

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





Governance

Responsible and efficient corporate governance is a general priority at KommuneKredit, see page 27 and our [Corporate Governance Report](#), which is available on our website.

One of our ESG goals for 2024 in respect of responsible corporate governance was to increase transparency in relation to the world around us. We have done so by publishing policies, information and data on our website, including an updated version of our policy for measures to prevent money laundering, a clarified version of the rules on receiving and giving gifts set out in KommuneKredit's Code of Conduct and a new policy on the freedom of association at KommuneKredit.

One of our key efforts in increasing the transparency at KommuneKredit was to map our loan portfolio in accordance with industries. Our goal was to make especially our social responsibility and social profile more visible. You can see the results [on our website](#).

In 2024, we maintained focus on continued ESG training to strengthen our ability to integrate ESG considerations across our business activities. Employees from different functions and at different organisational levels have participated in supplementary training related to ESG. For example, two employees have completed training in ESG in board work to promote the integration of ESG at board level, and supplementary training has been conducted concerning reporting and communication.

As part of our ESG goal of increasing the visibility of our ESG profile, KommuneKredit participated in a line of panel discussions in the course of 2024. We attended the Climate People's Meeting again in 2024, and this time round we participated in two panel discussions. One focused on 'Climate-adjusted buildings – now and in the future' and the



topic debated was how to obtain finance for climate adaptation and building improvements. The other focused on what it will take to lift the energy label of municipal buildings in Denmark. At the 10th European Conference on Sustainable Cities and Towns we introduced the special Danish KommuneKredit model, and at a thematic day on the Taxonomy Regulation arranged by the Danish Water and Wastewater Association (*Dansk Vand- og Spildevandsforening*) (DANVA) and the Danish District Heating Association (*Dansk Fjernvarme*) we presented the borrowing opportunities offered by KommuneKredit. We also participated in a panel discussion on the future of sustainable finance at CBS Green Business Forum 2024.

At end-2022, KommuneKredit set up an ESG Committee to strengthen our internal ESG governance and embed ESG in our core business. The Committee met five times in 2024 to support strong ESG governance at KommuneKredit.

G goals

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

2024 activities and results

- Publication of policies and update of business procedures
- Mapping of lending
- ESG library on website
- Communication about the special regulatory status of the association
- Presentations and participation in panel discussions at various network meetings and conferences
- Continued ESG training
- Employee training in cyber security
- Board evaluation

Outlook for 2025

- Maintain focus on continued ESG training and embed the ESG agenda across the association
- Increase visibility in own communication channels and through participation in events



SDG linkage

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



ESG ratings



MSCI

In 2024, KommuneKredit was assigned an AA rating which is the highest rating assigned by MSCI.¹



ISS ESG

The latest rating from ISS ESG is a C rating from 2022 when we continued to qualify for the Prime category.



Sustainalytics

In 2024, KommuneKredit received a score of 15.8 from Sustainalytics which means that we are placed in their 'low risk' category.²

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

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ESG key figures

Climate and environmental data (E)

	2024	2023	2022	2021	2020	Comment
CO ₂ e Scope 1 (t)	0	0	0	0	0	KommuneKredit has no direct GHG emissions from owned sources.
CO ₂ e Scope 2 (t)	7	8	7	11	13	The GHG emissions from our supplied district heating declined in 2024 and is now on par with 2022. All electricity is from certified wind power.
CO ₂ e Scope 3 (t)*	66	55	49	26	31	KommuneKredits scope 3 emissions rose considerably due to increased travelling activity and canteen emissions.
CO ₂ e total (t)*	73	64	56	36	44	Total emissions rose by 9 tonnes CO ₂ e due to the increase in scope 3 emissions. Emissions have been reduced by 45 per cent relative to 2018.
Energy consumption (MWh)*	385	385	390	393	449	The energy consumption has remained stable compared with previous years.
Renewable energy share (%)	92	93	93	89	82	The renewable energy share has declined by 1 per cent as district heating accounts for a larger share of total energy consumption.
Water consumption (m³)*	1,871	1,046	1,001	786	834	Our water consumption has increased markedly, most likely due to the renovation of our headquarters.

* The calculation method has been updated based on improved annual consumption data from the utility. The comparative figures have been restated.

Social data (S)

	2024	2023	2022	2021	2020	Comment
Full-time equivalent (FTE)	106	101	97	88	82	As part of the IT security efforts at KommuneKredit, we recorded another increase in the number of full-time employees in 2024.
Gender diversity (women) %	35.7	37.2	34.4	39.2	41.1	Gender diversity at KommuneKredit declined slightly in 2024 compared with 2023. This is a focus area for KommuneKredit and our target is a distribution of 40/60 women/men.
Gender diversity, Management (N1, N2, N3) %	31	27	27	33	40	Gender diversity at management level has been fairly stable over the past few years. Compared with 2023, we saw a slight increase in gender diversity at management level 3 (team managers) in 2024. Gender diversity at management level is a focus area for us and we have a target of 40/60 women/men for N2 and N3.
Gender diversity, Management (N1, N2) %	25	25	22	22	22	
Gender diversity, Management (N2, N3) %	36	31	31	38	46	
Gender diversity, Management (N2) %	33	33	29	29	29	
Gender diversity, Management (N3) %	38	29	33	50	67	
Gender pay ratio (avg.)	13.6	15.9	13.6	18.1	17.4	The gender pay ratio has been fairly stable in the past few years and is now on a par with 2022.
Employee turnover ratio (%)	6.1	10.0	9.8	10.4	5.2	Employee turnover declined in 2024 compared with 2023. We focus on retaining skilled employees.
Employee training hours per FTE	14.5	10.6	13.1	7.3	14.5	As part of the collective agreement with the Financial Services Union all our employees have access to apply for subsidies for education and skills development. The number of training hours recorded per employee has increased compared with 2023.
Absence due to illness (days/FTE)	3.2	5.8	3.5	3.0	3.7	There has been a decline in absence due to illness which is now at the same level as in 2021.
Employee engagement (score)	83	84	81	80	80	The employee engagement survey among our employees remains at a high level which is in line with our target.

Governance data (G)

	2024	2023	2022	2021	2020	Comment
Attendance rate at board meetings (%)	80	87.5	82.5	80	82.1	The Board of Directors held four meetings in 2024 and the attendance rate is at the same level as previous years.
Attendance rate at audit committee meetings (%)	92	100	100	91.7	81.8	The Audit Committee held four meetings in 2024 - the attendance rate was 92 per cent.
Pay gap, CEO and employees	3.7	3.6	3.7	3.7	3.6	The pay gap between CEO and employees is stable but slightly increasing.
Gender diversity, Board of Directors (%)	20	20	20	20	20	The Board of Directors consists of ten members. Six members are elected by the municipalities, two by the regions and two are elected by the Board of Directors and are independent. The two independent members are women.
Penalties regarding corruption per employee	0	0	0	0	0	KommuneKredit's policies and processes mitigate the risk of corruption and ensure that employees do not receive a personal benefit from professional relations.

Definitions and formulas (ESG)

ESG indicator	Definition	Formula
CO ₂ e Scope 1 (t)	We have no direct GHG emissions from owned or controlled sources.	N/A
CO ₂ e Scope 2 (t)	Indirect GHG emissions caused by the undertaking's consumed energy.	Electricity Consumption * EF factor + District Heating * EF
CO ₂ e Scope 3 (t)	GHG emissions that occur in our upstream and downstream value chain beyond Scope 2, including GHG Protocol Scope 3 Categories 1 (canteen), 3 (fuel and energy-related activities), 6 (national and international air and rail travel) and 13 (leased assets in own office buildings).	Food type * emission factor + Energy consumption (MWh) * value chain emission factor + Travel type, class and number of kilometres travelled * emission factor + Total energy consumption (MWh) in downstream leased office buildings * emission factor
CO ₂ e total (t)	Sum of GHG emissions in Scopes 1, 2 and 3.	Σ Scopes 1, 2 and 3
Energy consumption (MWh)	Total energy consumption in MWh related to own operations.	Σ Electricity and district heat consumption
Renewable energy share (%)	Share of total energy consumption deriving from renewable energy sources.	(Renewable Energy usage / Total Energy usage) * 100
Water consumption (m³)	Consumption of water related to own operations.	Σ Water consumption
Full-time equivalent (FTE)	A measurement used to figure out the number of full-time hours worked by all employees in a business. We consider 37 hours to be a full-time week.	Σ Full-time employees + (Individual part-time employee work hours / Full-time hours)
Gender diversity (women) (%)	Employee breakdown by gender.	(Full-time equivalent (Women) / Full-time equivalent (Women + Men)) * 100
Gender diversity, Management (N1, N2, N3) %	Gender diversity in per cent for management levels 1 (N1), 2 (N2) and 3 (N3).	(Women in management / (women in management + men in management)) * 100
Gender diversity, Management (N1, N2) %	Gender diversity in per cent for management levels 1 (N1) and 2 (N2).	
Gender diversity, Management (N2, N3) %	Gender diversity in per cent for management levels 2 (N2) and 3 (N3).	
Gender diversity, Management (N2) %	Gender diversity in per cent for management level 2 (N2).	
Gender diversity, Management (N3) %	Gender diversity in per cent for management level 3 (N3).	

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

Hirtshals Port
Renovation of port office
and administration
building

06

Additional information

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Definitions

Base capital: Common Equity Tier 1 (CET1) capital less various deductions such as prudent valuation, current losses and intangible assets.

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

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 with the addition of a margin determined by KommuneKredit.

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

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

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 changes 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.

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

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

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

Haircut: Deductions in the market value 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.

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

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

Net 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 terms to maturity.

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.

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.

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

Definitions of key figures and financial ratios

Net interest and fee income

Net interest income and other operating income and other operating expenses.

Base capital relative to minimum capital requirement

The ratio of base capital to minimum capital requirement; KommuneKredit is not subject to any minimum capital requirement but calculates it as 8% of total risk exposure.

Solvency ratio

Base capital relative to total risk exposure.

Equity Tier 1 ratio

Base capital relative to total risk exposure.

Return on equity before tax

Profit or loss for the period before tax as per cent of average equity. Average equity is calculated as a simple average of equity at 1 January and equity at 31 December.

Return on equity after tax

Profit or loss for the period after tax as per cent of average equity. Average equity is calculated as a simple average of equity at 1 January and equity at 31 December.

Income/cost ratio (DKK)

Income including value adjustments of securities as per cent of costs including loan impairment. The ratio contains all the income statement items before tax.

Total risk exposure amount (REA)

The value of total assets when calculating the solvency ratio, allowing for the risk weight of the exposure.

Common Equity Tier 1 (CET1) capital

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

Capital base

Common Equity Tier 1 (CET1) capital less various deductions (including prudent valuation adjustment, current losses and intangible assets).

Interest rate risk

Effect on fair value adjustments of a 1 percentage point increase in interest rates overall.

Currency position

Currency position represents the sum of all short-term currency positions and the sum of all long-term currency positions whichever is larger.

Loans to deposits

Loans and leases plus impairment as per cent of deposits.

Loans to equity

Loans and leases at end of period to equity at end of period.

Loans and leases, net additions in nominal value (net lending)

Increase in net loans and leases for the year, from beginning of period to end of period.

Impairment rate for the year

Impairment of/provisions for loans and leases for the period as per cent of loans and leases.

Return on capital employed (profit for the year/total assets), %

Profit or loss for the year as per cent of total assets.

Equity ratio after tax, %

Equity as per cent of total assets.

Expenses/assets, %

Expenses for the period to assets at end of period.

Net interest income/assets, %

Net interest and fee income for the period to assets at end of period.

Photos/visualisations

Front page + page 4: LOOP Architects
Page 5: P+P Arkitekter
Pages 8 + 16: JJW Arkitekter
Page 22: Friis & Moltke Architects
Page 26: Unsplash
Page 34: Frederikshavn Recykling Centre
Page 66: Aarbus
Page 73: Municipality of Holstebro
Page 89: Hirtshals Port

Thanks to Museum Sydøstdanmark, Municipality of Odder and Municipality of Holstebro for participating in the cases.

Disclaimer

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



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