

Research Update:

Danish Public Sector Funding Agency KommuneKredit Affirmed At 'AAA'; Outlook Stable

April 28, 2026

Overview

- The Danish central bank, on behalf of the central government, now directly funds KommuneKredit at rates corresponding to the government's own funding costs.
- Amendments to the Act on KommuneKredit, which underpin the revised funding model, are yet to be voted on in parliament but we understand this should be a formality given the lack of political opposition to it and because the funding model has been running smoothly since March 2025.
- As a result, we now view the likelihood of extraordinary support to the agency from Denmark as almost certain.
- We therefore affirmed our 'AAA' long-term and 'A-1+' short-term issuer credit ratings on KommuneKredit. The outlook is stable.

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Rating Action

On April 28, 2026, S&P Global Ratings affirmed its 'AAA' long-term and 'A-1+' short-term issuer credit ratings on Danish public-sector funding agency KommuneKredit. The outlook is stable.

We also affirmed our 'AAA' issue rating on KommuneKredit's senior unsecured debt and withdrew the underlying program and commercial paper program ratings on the agency at the issuer's request.

Outlook

The stable outlook reflects that on Denmark. Our ratings on KommuneKredit mirror those on the sovereign, provided we continue to assess the likelihood of extraordinary support as almost certain.

Downside scenario

We could lower the ratings if KommuneKredit's role for or link to the central government weakened. A downgrade or negative outlook revision could also result from a similar rating action on the sovereign.

Rationale

We think there is an almost certain likelihood that the Danish government would provide timely and sufficient extraordinary support to KommuneKredit in the event of financial distress. We base our view on the new funding model, under which Danmarks Nationalbank, on behalf of the Danish government, must provide funding to KommuneKredit. The changes to the funding model that in practice were implemented in March 2025 will be formally incorporated in the Act on KommuneKredit. There will be a vote in parliament on the changes, which are already in effect, but we understand there should be no obstacles given the lack of political opposition. The new funding model will make KommuneKredit even more competitive since the funding will be based on sovereign rates that are lower than the agency's former funding rates. A parliamentary vote could take place around June 2026, but there could be delays as Denmark is still forming a new government after the elections on March 24.

Our opinion of an almost certain likelihood of government support reflects our assessment of KommuneKredit's:

- Critical public policy role for the government, based on our view that its main purpose is to provide a key public service by offering low-cost and readily available funding to Danish local and regional governments (LRGs). KommuneKredit is a not-for-profit organization whose lending plays an important role in the development, growth, and welfare of Danish society; and
- Integral link with the government. The support mechanisms are laid out in the Act on KommuneKredit, which after the amendments will specify that all required funding for KommuneKredit must be provided by the central government. Therefore, we now essentially see the agency as an extension of the central government, although ownership remains in the hands of the member municipalities and regions.

Following our decision to assess the likelihood of extraordinary support to the Danish government as almost certain, we no longer derive a stand-alone credit profile (SACP) on KommuneKredit. According to our criteria for government-related entities, an SACP is not required if the following three conditions are met:

- The likelihood of timely extraordinary government support is, in our view, almost certain;
- We do not think the likelihood of government support is subject to transition risk; and
- The entity, in our view, is a nonseverable arm of the government or executes strategic government policies.

In our view, the agency meets all these conditions. While KommuneKredit remains an entity separated from the central government, it executes a strategic government policy by being the by far most important financier of Danish LRGs. It also executes a very important task on behalf of the Danish government. Moreover, we understand there is broad political support for the agency's role in Danish society as well as the new funding model. Therefore, KommuneKredit is not subject to transition risk, in our view.

The agency continues benefiting from the joint and several liability mechanism outlined in the KommuneKredit Act. Its members, all Danish LRGs, are responsible for its obligations through this statutory liability, which we assess both predictable and enforceable by law. The joint and

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several liability dictates that members will have to inject capital into the agency if its capital ratio, calculated as equity to total liabilities, falls below 1%. This mechanism has never been triggered over KommuneKredit's 126-year history, and the agency has never reported any losses on its loans or leases.

Key Statistics

KommuneKredit--Selected Indicators

(Mil. DKK)	--Year ended Dec. 31--				
	2025	2024	2023	2022	2021
Total assets	251,468	252,498	242,612	237,052	249,077
Common equity Tier 1 capital	10,099	10,188	10,180	9,766	8,775
Equity Tier 1 ratio (%)	63	59	65	62	63
Equity/total liabilities (%)	4.2	4.2	4.4	4.3	3.7
Portfolio of securities	40,860	43,618	43,639	46,591	48,387
Liquid assets/debt (%)	18	19	20	22	21
Loans and leases	199,627	194,110	187,139	174,974	194,948
Growth in loans (%)	2.8	3.7	7.0	(10.2)	1.3
Net interest income	641	730	467	339	383
Noninterest expense	206	194	193	224	140
Profit for the year	(44)	8	414	991	378
Gross nonperforming assets/gross loans (%)	0	0	0	0	0

DKK--Danish krone.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), Feb. 24, 2026
- [Research Update: Denmark 'AAA/A-1+' Ratings Affirmed; Outlook Stable](#), Feb. 6, 2026

Ratings List

Ratings List

Ratings Affirmed

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Ratings List

KommuneKredit

Issuer Credit Rating	AAA/Stable/A-1+
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Senior Unsecured	AAA
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Ratings Withdrawn

	To	From
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KommuneKredit

Commercial Paper	NR	A-1+
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