Registration Document

Kommunalbanken AS

Important notice

This Registration Document has been prepared according to Regulation (EU) 2017/1129, and is valid for a period of up to 12 months following its approval by the Norwegian FSA. This Registration Document was approved by the Norwegian FSA on 13.05.2024. The prospectus for issuance of new bonds or other securities may for a period of up to 12 months from the date of the approval consist of this Registration Document, the Securities Note (as defined below) and if applicable a summary to each issue and subject to a separate approval (together a "Prospectus").

A prospective investor should consider carefully the factors set forth in chapter 1 Risk factors, and elsewhere in the Prospectus, and should consult his or her own expert advisers as to the suitability of an investment in bonds, including any legal requirements, exchange control regulations and tax consequences within the country of residence and domicile for the acquisition, holding and disposal of bonds relevant to such prospective investor.

The manager and/or affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Registration Document and may perform or seek to perform financial advisory or banking services related to such instruments. The managers corporate finance department may act as manager or co-manager for this Company in private and/or public placement and/or resale not publicly available or commonly known. Copies of this Registration Document are not being mailed or otherwise distributed or sent in or into or made available in the United States. Persons receiving this document (including custodians, nominees and trustees) must not distribute or send such documents or any related documents in or into the United States.

Other than in compliance with applicable United States securities laws, no solicitations are being made or will be made, directly or indirectly, in the United States. Securities will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The distribution of the Registration Document may be limited by law also in other jurisdictions, for example in Canada, Japan, Australia and in the United Kingdom. Verification and approval of the Registration Document by the Norwegian FSA implies that the Registration Document may be used in any EEA country. No other measures have been taken to obtain authorization to distribute the Registration Document in any jurisdiction where such action is required, and any information contained herein or in any other sales document relating to bonds does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

The content of the Prospectus does not constitute legal, financial or tax advice and potential investors should seek legal, financial and/or tax advice.

Unless otherwise stated, the Prospectus is subject to Norwegian law. In the event of any dispute regarding the Prospectus, Norwegian law will apply.

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1. Risk factors

Investing in bonds involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out in the Registration Document before making an investment decision.

A prospective investor should carefully consider all the risks related to the Company and should consult his or her own expert advisors as to the suitability of an investment in bonds issued by the Company. An investment in bonds entails significant risks and is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Against this background, an investor should thus make a careful assessment of the Company, its creditworthiness and its prospects before deciding to invest, including its current and future tax position.

Risks relating to economic conditions globally and in Norway and the Norwegian municipal sector

The Company's performance is significantly influenced by the economic conditions, both globally, and in Norway and the Norwegian municipal sector, which are affected by the general economic conditions in Norway and, to a lesser extent, general global economic conditions.

Risks relating to economic conditions globally

Geopolitical tensions caused by the ongoing war in Ukraine and conflict in the Middle East, following the disturbances in the banking system in the first half of 2023, concerns about the property market and economic outlook of China, as well as lingering pandemic-related disruptions of supply chains, manufacturing bottlenecks and general supply and demand conditions, have contributed to elevated volatility in the global fixed income markets, and whilst inflation has started to decline, inflation remains well above central bank targets in major advanced economies and Norway, and the policy rates of the central banks in Norway and other major advanced economies have been rising through 2023 in an effort to bring inflation down to the targets.

Whilst there are expectations that central bank policy rates may have peaked, there is uncertainty about future developments of inflation rates and economic development that might result in tighter monetary policies for longer than expected. There is a risk that such measures or communication about such measures might cause further volatility in financial markets or result in further negative effects to the real economy, which might have material adverse impacts on the Company’s performance.

The ongoing conflict between Russia and Ukraine could lead to further disruption, instability and volatility in global markets and industries. The U.S. government and governments in other jurisdictions have imposed severe economic sanctions and export controls against Russia and Russian interests, and have removed Russia from the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the electronic banking network that connects banks globally. Many Western companies have also announced the cessation of their Russian businesses and/or their unwillingness to retain interests in Russian assets or to continue dealings with Russian or related counterparties, even where such action is not required by current sanctions regimes. The scope and scale of such economic sanctions and voluntary actions by companies remain subject to rapid and unpredictable change, and may have considerable negative impacts on global macroeconomic conditions and on European economies and counterparties.

Moreover, existing concerns about market volatility, rising commodity prices, disruptions to supply chains, high rates of inflation and the risk of regional or global recessions or "stagflation" (i.e., recession or reduced rates of economic growth coupled with high rates of inflation) have been exacerbated by Russia's invasion of Ukraine and the Hamas terror attack on Israel in October 2023, and the subsequent escalation of the Israel-Hamas conflict and other Middle East tensions. The latter have raised concerns about increased instability in the region and armed groups that sympathise with Hamas have launched attacks against shipping in the Red Sea causing further dispruptions in the global supply chain. Any of the above factors may have a material adverse effect on the Norwegian economy, the Company's customers and the Company's business, financial condition and results of operations.

At present, it is impossible to determine how long the current conflicts between Russia and Ukraine, and Israel and Hamas may last, or how severe their effects may become. If these conflicts are prolonged, escalate or expand (including if additional countries become involved), or if additional economic sanctions or other measures are imposed, or if volatility in commodity prices or disruptions to supply chains worsen, regional and global macroeconomic conditions and financial markets could be impacted more severely, which in turn could have a more severe effect on the Norwegian economy, the Company's customers and the Company's business, financial condition and results of operations.

Market conditions may impact the Company's ability to raise debt in a similar manner, and at a similar cost, to the funding raised in the past. The Company's business and results of operations are affected by conditions in the financial markets and economic conditions, both globally and in particular in Norway. Challenging market conditions may result in greater volatility but also in reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. Changes in financial markets, including changes in interest rates, exchange rates and the value of other investments, may also affect the financial performance of the Company.

Risks relating to economic conditions in Norway and in the Norwegian municipal sector

The Company's lending business depends on the level of borrowing and other services required by its customers in the Norwegian municipal sector. As the Company's lending business is limited to the Norwegian municipal sector, its performance is less affected by general business cycles than other parts of the economy, but is subject to factors that influence the income and investment requirements of the municipal sector, including investment cycles of the municipal sector, budgetary constraints, expected levels of and proceeds from taxation and state transfer payments to the municipal sector, and the state of the economy. Higher interest rates may also affect the economy of the Norwegian municipal sector negatively.

Both income and investment requirements in the Norwegian municipal sector are decided or significantly influenced by the central government of Norway, which considers the overall economic and financial conditions of the Norwegian public sector. Factors with a particular significance for the performance of the Norwegian economy in general may also affect the policies and decisions of the central government of Norway pertaining to the income and investment requirements of the Norwegian municipal sector (for example, fluctuations in the prices of oil and gas are factors that significantly affect the Norwegian economy in general). The COVID-19 pandemic, geopolitical events and political events, including trade policy disagreements, for example, between the United States and China, may have a negative impact on the global financial markets. Any or all of the conditions described above could have an adverse effect on the Company's business, financial condition and results of operations.

Credit and counterparty risk

Credit risks associated with lending

The Company is a credit institution that lends to Norwegian municipalities and other actors in the Norwegian municipal sector, and the Company had appr. NOK 350 bn in outstanding loans to appr. 967 lending customers as of 31 December 2023. A lending customer may be unable to honour its commitments in the future. There is no guarantee that the Company's policy in monitoring credit risk will be effective and a lending customer's default, non-compliance or delayed payment may adversely affect the Company's business, results of operations and/or financial condition.

Counterparty credit risk and settlement risk

The Company routinely executes transactions with counterparties in the financial services industry for hedging and liquidity purposes, including brokers and dealers, commercial banks, investment banks and other institutional and corporate counterparties. Many of these transactions expose the Company to the risk that the Company's counterparty defaults on its obligations to the Company. The Company has strategies in place to manage these risks.

As a consequence of its transactions in financial instruments, including foreign exchange rate and derivative contracts, the Company is also exposed to settlement risk and transfer risk. Settlement risk is the risk of losing the principal on a financial contract due to default by the counterparty after the Company has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security has been finally confirmed. Transfer risk is the risk attributable to the transfer of money from a country other than the country where a borrower is domiciled, which is affected by the changes in the economic conditions and political situation in the countries concerned.

There is no assurance that the Company's risk management strategies will at all times be fully effective or that they will fully mitigate or offset all risks, and a counterparty's default, non-compliance or delayed payment may adversely affect the Company's business, results of operations and/or financial condition.

Liquidity risk

The Company's lending activity is funded by borrowings in the capital markets. In order to meet its obligations, the Company has a liquidity management framework and has a policy of maintaining liquidity reserves sufficient to meet at least 10 months financing needs, including expected growth in the lending activities. Foreign exchange and interest rate risk associated with lending and funding activities and liquidity management is routinely hedged through derivative transactions with various counterparties. Market-related factors (such as spread, interest rate, credit spread and currency risk) may affect the Company's liquidity management, and there is a risk that the Company may be unable to meet its obligations on the agreed date of settlement. A downturn in the market could result in the Company's net cash position being insufficient to meet its obligations on the agreed date. A downturn in the market could also result in higher costs for borrowing required to meet the Company's short-term requirements or result in a loss if the Company's liquidity reserves cannot be sold at a reasonable price.

Interest rate risk

Interest rate risk occurs in connection with the Company's lending and funding activities and interest bearing assets and liabilities, and arises from market-related factors (such as reference rates and credit spreads) and the differing interest rate periods for the Company's assets and liabilities and the fact that different assets and liabilities may be affected by the market related factors to a different extent and that incoming and outgoing payments are due at different times.

There is no guarantee that the Company will be able to match interest rate periods and sensitivities to market-related factors for its funding and lending activities (for example, entering into derivative contracts, and purchase and sale of securities issued by governments and financial institutions) to manage interest rate risk on assets and liabilities. This, in turn, may result in the Company incurring losses that may adversely affect the Company's business, results of operations and/or financial condition.

Credit rating downgrades and other credit rating actions could have an adverse impact on the Company's operations and financial condition

Credit ratings are important to the Company's business for a number of reasons, including because they may affect the Company's continued access to the capital markets and the cost of accessing such markets. The Company has credit ratings from S&P and Moody's (see "*Ratings*"). Each of the credit rating agencies reviews its credit ratings and credit rating methodologies on a recurring basis, and may decide to downgrade the Company at any time.

In June 2023, S&P affirmed the AAA long-term credit rating of the Company and its 'stable' outlook and, in May 2023, Moody's affirmed its Aaa long-term credit rating and 'stable' outlook.

Notwithstanding S&P's view, which is shared by Moody's, that the Company is a 'government-related entity', and hence is 'extremely likely' to receive government support, investors should note that the Company is not a government entity and its debt (including the Instruments) are not direct or indirect obligations of the Kingdom of Norway or guaranteed in any way by the Kingdom of Norway. Any credit rating action taken by S&P or Moody's with respect to the Kingdom of Norway would be expected to impact the Company's credit ratings, and any adverse credit rating action could adversely affect the Company. In the event of a downgrade or negative outlook with respect to the Company, or if the Company is placed on credit watch, the Company's cost of issuing debt instruments might increase, having an adverse effect on net profit and potentially impacting the Company's competitive position with its clients in the public sector and its financial condition.

Risks relating to ownership by the Norwegian State

As at the date of this Prospectus, the Company is a limited liability company owned entirely by the Norwegian State represented by the Ministry of Local Government and Regional Development and is subject to the Limited Liability Companies Act.

As the Company's sole shareholder, the Norwegian State has the sole power to decide matters submitted for approval at the general meeting of the Company, such as approval of the annual financial statements, declarations of dividends, issuance of new share capital and other amendments to the Company's articles of association and the election and removal of members of the Company's Board of Directors, and consequently has the sole power to determine the nature and scope of the Company's business and any changes thereto. The Norwegian State, as the sole shareholder in a limited liability company, according to the Limited Liability Companies Act, also has certain powers that only apply to companies where the Norwegian state has a 100 per cent. ownership share, including the power to decide at the general meeting on a dividend distribution that would exceed the level proposed in the dividend proposal submitted to the general meeting by the Board of Directors.

The Norwegian State does not guarantee any of the Company's obligations, and fulfilment of obligations is therefore solely dependent on the creditworthiness of the Company. The Company is subject to the capital requirements directive as implemented in Norwegian legislation, including distribution limits, and the general requirement under the Financial Undertakings Act of 10 April 2015, No. 17, as amended or replaced (the "Financial Undertakings Act"), that dividends may not be set at a level not considered prudent, and that a decision to distribute dividends may be denied by the Norwegian FSA if not considered sufficiently prudent. Since the Company was established as a limited liability company in 1999 under the Limited Liability Companies Act, dividend distributions have been in line with the dividends proposed by the Board of the Directors. The level of dividend distributions and other decisions made by the sole shareholder may affect the Company's business and financial position.

Regulatory developments

The Company operates in a highly regulated industry. The Company's business operations and results are affected by new and existing legislation, as amended, ordinances and other laws adopted by various standard-setting bodies in Norway and the European Union, and, to a certain extent, the standard-setting bodies and governmental authorities in foreign states. Financial services laws, regulations and policies currently governing the Company may change at any time in ways which can have an adverse effect on the Company's business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives thereof. Amendments to rules and regulations, including amended accounting standards and amended capital requirements, may adversely affect the

Company's operations, its financial results and the pricing of its bonds. As a relatively small organisation, the Company is burdened financially and operationally by the pressure of increasing regulation and the heightened duty to provide reports to its regulators. In the event that the Company cannot fulfil its obligations pursuant to the applicable rules and regulations, there is a risk of incurring sanctions imposed by supervisory authorities and courts of law, which may adversely affect the Company's operations.

A comprehensive package of reforms to further strengthen the resilience of EU banks, amending many of the existing provisions set forth in the EU Bank Recovery and Resolution Directive (Directive 2014/59/EU, "**BRRD**"), Capital Requirements Directive (Directive (EU) No. 2013/36, "**CRD IV**") and the EU Capital Requirements Regulation (Regulation (EU) No. 575/201, "**CRR**"), entered into force on 27 June 2019 (with certain provisions applying from that date and other provisions gradually being phased in and/or being subject to national implementation). It consists of Regulation (EU) No. 2019/876, Directive (EU) No. 2019/878, Directive (EU) No. 2019/879 and Regulation (EU) No. 2019/877 (the "**EU Banking Reform Legislation**"). The EU Banking Reform Legislation covers multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, the minimum requirements for own funds and eligible liabilities ("**MREL**") framework and the integration of the Financial Stability Board's proposed minimum total loss-absorbing capacity into EU legislation.

A further banking legislation package was adopted by the European Commission on 27 October 2021 (the "**2021 Banking Legislation Package**"). The package finalises the implementation of the Basel III agreement in the EU, amending many provisions set forth in the BRRD, CRR and CRD, including provisions on supervisory powers, sanctions, third-country branches, ESG risks, the standardised approach for credit risk, credit value adjustment risk, market risk and operational risk. In December 2023, the preparatory bodies of the Council and Parliament endorsed the 2021 Banking Legislation Package. The Directorate-General for Financial Stability, Financial Services and Capital Markets Union, the EU Commission department responsible for EU policy on financial services, has communicated that the current draft texts are expected to be adopted by the European Parliament by the second trimester of 2024, without any changes in substance from their current form. It is expected that the final legislation to be adopted in the EU will enter into force in the EU from 2025. It is further expected that the legislation will be implemented into the EEA Agreement and enter into force in Norway around the time of entry into force in the EU. While the 2021 Banking Legislation Package is not yet adopted and there is uncertainty regarding the full impact of such legislation on the Company, some of the requirements may entail new burdens financially and operationally and may have an adverse effect on the Company's business.

The Company is designated as a systemically important institution in Norway by the Ministry of Finance. The Norwegian FSA has expressed that the Company will be treated similar to other systemically important institutions, and further that the largest institutions are expected to be subject to an MREL requirement corresponding to a loss absorption amount in line with applicable capital requirements and a recapitalisation amount to meet the capital requirements after recapitalisation, subject to any individual adjustments that may apply based on institution-specific considerations. Implementation of an MREL requirement for the Company is pending a decision by the Norwegian FSA, and no information has been given on when a decision may be expected. It is difficult to predict the effect MREL may have on the Company until the new MREL requirements have been fully implemented. There is a risk that the MREL requirements within the framework for MREL applicable to the Company could require the Company to issue additional MREL-eligible liabilities in order to meet the new requirements within the required timeframes.

Risks related to bribery, money laundering activities and sanctions violations, and compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort

The Company is subject to rules and regulations regarding anti-bribery, anti-money laundering, anti-terrorist financing and economic sanctions. In general, the risk that banks will be subjected to or used for money laundering has increased worldwide. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant burden on the Company and pose significant technical problems. There can be no assurance that the Company will at all times meet regulatory expectations in the implementation of its anti-money laundering policies and procedures and otherwise comply with relevant law and regulation.

Any violation of anti-money laundering or anti-terrorism financing rules, or even the suggestion of violations, may have severe legal and reputational consequences for the Company and could, as a result, have a material adverse effect on the Company's financial condition and results of operations.

Information Technology (IT) risks

Risks relating to information technology systems and outsourcing

The Company is increasingly dependent on information technology systems which may fail, may not be adequate to the tasks at hand or may no longer be available.

Financial institutions and their activities are increasingly dependent on highly sophisticated information and communication technology ("**ICT**") systems. ICT systems are vulnerable to a number of problems, such as software or hardware malfunctions, interruptions in network availability, cyber-attacks, human error and physical damage to vital ICT data centres, including services from public cloud providers. Major incidents of instability or unavailability could have an adverse effect on the Company's business.

ICT systems need regular upgrades and replacements to meet the needs of changes in the business, regulatory requirements and the increased needs of building resilience against cyber threats. The Company may not be able to implement upgrades in a timely manner, and upgrades may fail to perform as planned. In addition to costs that may be incurred as a result of any failure of its ICT systems or related technical issues, as well as the general cost of upgrading its ICT systems, the Company could face fines from regulators if its ICT systems fail to enable it to comply with applicable regulations, including data protection regulations and regulations on outsourcing of ICT services.

The Company maintains back-up systems for its operations. However, there are certain worst-case scenarios, for example in the event of a major catastrophe resulting in the failure of its information systems, where the Company could lose significant portions of data with regard to its operations.

The Company is reliant on its outsourcing contracts for the maintenance and operation of its ICT systems. Should these companies become unwilling or unable to fulfil their obligations under the relevant outsourcing contracts, the Company could find the effective functioning of its ICT systems compromised. In particular, the Company and its customers may be affected by connectivity problems, which relate to third-party suppliers and public cloud providers, and which might lead to service interruptions and adverse media coverage. A major disruption to the Company's ICT systems, whether under the scenarios outlined above or under other scenarios, could have a material adverse effect on the normal operation of the Company's business and thus on its financial condition and results of operations.

Risks relating to cybercrime

Similar to other financial institutions, the Company's activities are under increasing threats from cyber criminals, mainly related to financial crime. The crisis in Ukraine or geopolitical tensions more generally may also contribute to a heightened risk of cyber security-related incidents. Cyber risks are foremost related to the Company's core business applications and interfaces to other financial institutions servicing the Company by exploiting potential vulnerabilities in technological security barriers and human behaviour (social engineering). The Company makes continuous improvements to address threats from cyber criminals, including thorough due diligence of major providers; however, there can be no assurance that these investments and improvements will be successful in part or in full, or without significant additional expenditures. The Company may experience security incidents or unexpected disruptions to its systems and services, which in turn may result in liabilities or losses to the Company and have an adverse effect on the Company's business, operations and reputation.

Risks related to climate change

The physical and transition risks of climate change are becoming ever more apparent, and have the potential to pose a significant threat to the global and Norwegian economy without a coordinated and timely response from governments and other stakeholders.

Climate change, and the response to the emerging threats from local government actors, businesses and institutions, are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Both transition risk and physical risk can have significant financial consequences, which can affect financial institutions, for example through loan defaults, investment losses and higher insurance settlements. In the short to medium term, the Company's exposure to direct effects of climate change will be limited, but climate change may affect the Company's business through potential consequences for the general economic conditions in Norway and the financial position of the Norwegian local government sector, which may affect the sector's demand for the Company's services and potentially also the credit standing of some local governments.

Governments and regulators are also introducing increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Company and result in regulatory fines or other action if the Company is unable to implement adequate reforms sufficiently quickly. How the Company assesses and responds to these developments and challenges could increase the Company's costs of business, and a failure to identify and adapt the Company's business to meet new rules or evolving expectations, or any perception that the Company is under-performing relative to its peers or failing to meet the objectives under its sustainability strategy, could result in reputational damage and/or risk of legal claims.

The Company could fail to attract or retain senior management or other key employees

The Company's performance is, to a large extent, dependent on the talents and efforts of highly skilled individuals, and the continued ability of the Company to compete effectively and implement its strategy depends on its ability to attract new employees and retain and motivate existing employees. The Company experiences competition from within the financial services industry, including from other financial institutions, as well as from businesses outside the financial services industry for key employees as intense. The Company has strategies in place to manage risks relating to employee turnover, including additional internal resource coverage for important areas and key processes, maintaining availability of external specialists that may be hired at need as well as other measures. Any loss of the services of key employees or the inability to attract and retain highly skilled personnel in the future could have an adverse effect on the Company's business.

2. Persons responsible

PARTY RESPONSIBLE FOR THE INFORMATION
The Party responsible for the information given in this Registration Document is:

Kommunalbanken AS
Haakon VIIs gate 5b
0161 Oslo
Norway

DECLARATION BY RESPONSIBLE PARTY
Kommunalbanken AS confirms that, to the best of its knowledge, the information contained in the Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

13.05.2024

Kommunalbanken AS

COMPETENT AUTHORITY APPROVAL
This Registration Document has been approved by the Financial Supervisory Authority of Norway (the "Norwegian FSA") (Finanstilsynet), as competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

3. Definitions

bn	-	Billion
bps	-	Basis points
The Company / KBN	-	Kommunalbanken AS, a company existing under the laws of Norway with registration number 981 203 267 and LEI-code I7ETN0QQO2AHZZGHJ389
EUR		The official currency of the eurozone, the Euro.
mn		Million
NOK	-	The official currency of Norway, the Norwegian krone.
Prospectus	-	The Registration Document together with the Securities Note and, if applicable, the Summary.
Registration Document	-	This registration document dated 13.05.2024.
Securities Note	-	A document to be prepared for each new issue of bonds under the Prospectus.
Summary	-	If applicable, a document to be prepared for new issues of bonds under the Prospectus.
USD	-	The official currency of United States of America, the United States dollar.

4. Statutory auditors

Deloitte AS (member of The Norwegian Institute of Public Accountants), Dronning Eufemias gate 14, P.O. Box 221 Sentrum, 0103 Oslo, Norway, have audited the financial statements of the Company without qualification for the financial year ended 31 December 2023.

Ernst & Young AS (member of The Norwegian Institute of Public Accountants), Dronning Eufemias gate 6, P.O. Box 1156 Sentrum, 0107 Oslo, Norway, have audited the financial statements of the Company without qualification for the financial years ended 31 December 2022 and 31 December 2021.

5. Information about the Company

The Company was established by an Act of Parliament dated 12 February 1926 as a government administrative body and was reorganised as a limited liability company pursuant to an Act of Parliament dated 16 July 1999 under the name Kommunalbanken AS with effect from 1 November 1999. The Company is a state-owned local government funding agency serving the public policy function of providing low cost funding to Norwegian municipalities and promoting competition in the market for municipal loans, thereby facilitating the efficient provision of public sector services in Norway.

The Company is domiciled in Oslo, Norway as a limited liability company under the Norwegian Private Limited Liability Companies Act (Lov om aksjeselskap) and operates under such law. The Company's organisation number is 981 203 267 and it operates only out of its registered office at Haakon VIIs gate 5b, 0161 Oslo, Norway with telephone number +47 21 50 20 00. The Company's website is www.kbn.com[1]. The LEI code for the Company is I7ETN0QQO2AHZZGHJ389.

The Company is licensed to conduct its financing activities as a credit undertaking (kredittforetak) under a licence granted pursuant to the previous Financial Institutions Act of 10 June 1988, which has been replaced by the Financial Undertakings Act. The Company is supervised by the Financial Supervisory Authority of Norway (Finanstilsynet).

The Company uses the name Kommunalbanken Norway (KBN) in its marketing and investor relations activities.

The Company currently has AAA/Aaa credit ratings from S&P and Moody's, respectively. S&P and Moody’s assigns long-term credit ratings on a scale comprising several categories ranging from AAA/Aaa, reflecting the highest credit quality, to D/C, reflecting the lowest.

The full rating report from S&P and Moody’s can be found here:
https://www.kbn.com/globalassets/ratings-reports/kbn-sp-research-update-june-23.pdf
https://www.kbn.com/globalassets/ratings-reports/kbn-moodys-credit-opinion-may-23.pdf

Financial Year
The Company's financial year runs from 1 January to 31 December.

Ownership
The Company is owned entirely by the Norwegian State represented by the Ministry of Local Government and regional development. The Company does not have any subsidiaries.

[1] *Disclaimer - the information and documents on the website does not form part of this Registration Document except to the extent information or documents (or parts of documents) is specifically incorporated by reference into the Registration Document*

6. Business overview

The Company's principal objective is to provide loans on competitive terms to counties, municipalities and inter-municipal companies for a variety of investment projects. Loans are also granted for private health institutions, co-operative water works and other entities that perform local government services, provided that loans are used to finance projects that can be designated as primary municipal investments and that each such loan benefits from a municipal guarantee. The Company is also financing road construction based on guarantees from counties. All municipal guarantees are approved by the County Governors and guarantees from counties are approved by the Ministry of Local Government and Regional Development.

The largest share of both approved and disbursed loans in 2023 were for projects in the health and social sector, in primary education and for renewal of water and wastewater infrastructure.

The Company offers a range of products to the municipal sector. The largest segment of the loan portfolio is granted with floating interest rates based on Norwegian Interbank Offered Rates (NIBOR) with various interest rate reset dates. Loans are also granted on a fixed rate basis with varying fixed rate periods set to meet each individual customer's needs and market views.

The majority of municipalities borrow through a single loan for annual investments. The lending products are continuously developed to provide the municipal sector with the flexibility it requires as well as to meet the needs of municipalities of all sizes.

The Company has not suffered a loan loss since it began operations in 1926 which reflects not only its conservative lending policies but also the nature of municipal finance in Norway. Municipalities are closely supervised by the central government, may not budget for an operating deficit and must cover any actual deficit over the following three budgets. Under the Local Government Act, municipalities may not become bankrupt but must instead follow specified procedures for suspension of payments and distress supervision. Such procedures have never had to be used. Despite the strict supervision of the municipal sector, the Norwegian authorities have assigned a 20 per cent. risk weighting to the Norwegian local government sector reflecting their prudent attitude towards risk compared to other European countries with zero per cent. local government risk weighting.

There has been no material adverse change in the ordinary course of business or in the prospects or condition of the Company since 31 December 2023, being the date of its last published audited financial statements. No material contracts are entered into which are not in the ordinary course of the Company's business and there have been no recent events particular to the Company which are to a material extent relevant to the evaluation of the Company's solvency.

Funding Activities

The Company finances its lending activities primarily by accessing the international capital markets. The objective of the Company's funding operations is to meet growing borrowing demand with a well-diversified funding strategy that ensures that it has a broad investor base and low refinancing risk. The Company is committed to preserving long-term investor relationships through regular issuance of benchmark transactions, a visible presence in institutional niche markets, regular issuances in selected retail markets and by being a flexible company of lightly structured instruments.

The majority of the Company’s funding is issued under a programme for the issuance of debt. Bond issues take the form of public offerings or private placements. Public offerings are made to institutional investors in a number of currencies and countries. All funding transactions must comply with the Company's conservative financial policies including minimal currency and interest rate risk exposure.

The Company has an active marketing and investor relations strategy which involves regular presentations to intermediaries and investors worldwide as well as participation in investor conferences and panels.

Risk Management

The Company practices a conservative policy for management of financial risks. All risk management policies are reviewed and approved by the Company's Board of Directors, which monitors compliance with approved limits. The Company also aims to be well within the limits set by the Financial Supervisory Authority of Norway.

The Company attempts to minimise foreign exchange and interest rate risks through hedging operations, including by routinely hedging proceeds from funding operations against currency and interest rate exposure. Financial derivatives are used solely for this purpose.

The Board of Directors has established a conservative liquidity policy target whereby a high liquidity reserve is kept to cover a targeted 12 month and minimum 10 months of future net cash requirements.

Strict risk management principles are in place for the investment of the Company's portfolio of liquid assets, with investments being made in government securities, securities issued by highly rated entities and bank deposits forming the core of the portfolio of liquid assets.

Conservative counterparty risk management policies are in place and positions are monitored against limits on a mark-to-market basis. All counterparties must post collateral with the Company, either directly or through a clearing house, with zero thresholds for counterparties with ratings below certain thresholds. The Company currently marks to market and exchanges collateral for the majority of positions on a daily basis, and also uses over-collateralization and independent amounts for some counterparts. The Company only enters into new derivative contracts with counterparties with a credit approval based on a minimum acceptable credit rating. Counterparty risk is further limited by only entering into derivative transactions with counterparties with which the Company has a master netting agreement for the relevant type of transactions and by requiring appropriate credit support arrangements to be in place, including daily exchange of cash or securities collateral in accordance with the requirements of Regulation (EU) No. 648/2012 (EMIR) as amended and supplemented and as implemented in Norwegian legislation. Counterparty risk is also further limited by the clearing obligation for certain classes of derivatives and the requirements relating to variation and, to the extent applicable, initial margin.

To minimise settlement risk, the Company's operating procedures include close supervision of settlement transactions, and settlement is executed on a delivery vs payment basis where possible based on accepted market practices for settlement operations in the relevant markets.

Information Technology

The Company's business benefits from the use of modern information technology ("**IT**") systems.

Organisational Structure

The Company is organised into seven departments: Lending, Capital Markets, Risk, Compliance, Accounting & Financial Reporting, Technology & Operations and Staff.

As of 31 December 2023, the Company had a total of 88 employees.

Management and Corporate Governance

<u>Board of Directors</u>

According to the Private Limited Liability Companies Act, the Financial Undertakings Act and Article 8 of the Articles of Association of the Company, the Company shall have a Board of Directors consisting of between five and nine members. The Board of Directors is responsible for the management and oversight of the Company's business activities, and shall according to the Articles of Association of the Company:

- Ensure that the Company’s business operations/activities are soundly organised.
- Draw up strategies and plans, budgets and guidelines for the Company's business operations/activities and check that they are followed.
- Keep itself informed of the Company’s financial position and ensure that its operations, accounts and fund management are subject to adequate control.
- Make decisions and grant authority for new loans raised.
- Grant special powers and authorisation to sign on behalf of the company per procurationem.
- Present the annual accounts and directors' report to the Annual General Meeting.
- Make recommendations to the Annual General Meeting with respect to alterations to the Articles of Association.
- Appoint the Managing Director.
- Fix the Managing Director's salary.
- Prepare guidelines and remuneration report in accordance with § 26 of the Articles of Association.
- Supervise the day-to-day management of the Company and its overall operations

President and CEO

The President and Chief Executive Officer is responsible for the Company’s day-to-day management in accordance with instructions laid down by the Board of Directors.

The Chief Executive Officer may not be a member of the Board of Directors, and minimum two thirds of the members of the Board of Directors may not be employed with the Company or any of its subsidiaries.

Supervisory Board

As set out in the Company's Articles of Association, the Company has a Supervisory Board consisting of 12 members and five deputy members. The members of the Supervisory Board are elected for two-year terms by the Annual General Meeting, except for one member and deputy member that are elected by the employees of the Company. The composition the Supervisory Board shall as far as possible ensure that the various districts and interest groups affected by the Company's business are fairly represented.

The Supervisory Board shall endeavour to ensure that the Company's objectives are being promoted in accordance with the law, regulations, the Articles of Association, and the resolutions of the Company’s Annual General Meeting and the Supervisory Board by:
1. Providing a statement to the Annual General Meeting in respect of the Board of Directors' proposals for the income statement and balance sheet and the Board of Director's proposals for the application of profit or covering of loss for the year.
2. Scrutinising the Board of Directors' report and the auditor's report.
3. Giving an opinion on matters concerning the Company which are brought before the Supervisory Board by the Board of Directors or that the Supervisory Board considers necessary to address, with a particular focus on corporate governance.

Corporate bodies and key functions

According to the Financial Undertakings Act, the Company has appointed an internal auditor and a statutory auditor, as well as established an Audit Committee and a Risk Committee in the Board of Directors. The Company has also formed a Remuneration Committee in the Board of Directors. Please see below for a further presentation of these bodies and functions.

Supervisory Board

The role of the Supervisory Board is to ensure that the Company's business activities are being conducted in accordance with applicable law, regulations, the Articles of Association and the resolutions of the Company's Annual General Meeting and the Supervisory Board. As far as is known to the Company, no potential conflicts of interest exist between any duties to the Company of the persons on the Supervisory Board and their private interests or other duties.

The current composition of the Supervisory Board and the principal other occupations of the members are as follows:

Ida Stuberg, Chair
Mayor, Inderøy municipality

Hege Mørk, Vice Chair
CEO, Gol municipality

Rigmor Brøste
Assistant Governor, Møre og Romsdal county

Bjørn Ropstad
Former Deputy Mayor, Agder County

Ane Mari Braut Nese
County leader, Conservative party, Rogaland County

Leif Harald Walle
Former CEO, Stor-Elvdal municipality

Tron Bamrud
CEO, Innlandet county

Tore Isaksen
CEO, Ringerike municipality

Gunn Marit Helgesen
President of the Board, The Norwegian Association of Local and Regional Authorities (KS)

Aase Refsnes
Mayor, Steigen municipality

Leidulf Gloppestad
Mayor, Gloppen municipality

Terje Fronth-Pedersen
Employee representative, Senior Relationship Manager, KBN

Alternates to the supervisory board:

Toril Eeg
CEO, Vestfold county

Tommy Stensvik
CEO, Vågan municipality

Nina Bordi Øvergaard
CEO, Sør-Varanger municipality

Bente Rudrud Herdlevær
CEO, Nesbyen municipality

Terje Dalby
Employee representative, Senior Relationship Manager, KBN

The business address of each of the above-mentioned members of the Supervisory Board is Haakon VIIs gate 5b, 0161 Oslo, Norway.

Board of Directors

The Board of Directors (except for employee representatives) is elected by the Annual General Meeting in accordance with the Financial Undertakings Act, the Private Limited Liability Companies Act and the Articles of Association of the Company. The Annual General Meeting shall also elect the chairman and vice-chairman of the Board of Directors. The employees of the Company are entitled to elect one third and minimum two of the members of the Board of Directors. The Board of Directors is responsible for, *inter alia*, the appointment of the President and CEO.

The board must under generally applicable regulations for state owned companies have a balanced gender representation.

The current composition of the Board of Directors, together with their principal other occupations, is as follows:

Brit Kristin Rugland, Chair
Bachelor of Business Administration, Master of Management. Chair, Figgjo AS. Member of the Board, Norfund. Member of Council on Ethics for the Norwegian Government Pension Fund Global.

Rune Midtgaard, Vice Chair
MBA and Authorised Financial Analyst (AFA). CFO, Scanza AS.

Petter Steen Jr.
Teacher. Consultant/advisor to Sveio Municipality. Chair, Haugaland Kraft AS.

Ida Espolin Johnson
Lawyer, partner at Advokatfirmaet Haavind AS.

Eyvind Aven
MBA and two year extension program in Finance. Senior Risk Advisor within Group Risk function in Equinor. Deputy member of Equinor Asset Management AS board and chair of its Risk Committee. Chair, Diakonisenteret Stavanger.

Toril Hovdenak
MSc Economics and Business Administration. CEO Møre og Romsdal county municipality.

Ida Texmo Prytz
MSc Economics and Business Administration. CEO Hålogaland Kraft Nett AS. Member of the Board, Distriktsenergi. Member of the Board, SKS Handel. Deputy Member of the Board, NHO Arktis. Deputy Member of the Board, Energi Norge.

Anne Jenny Dvergsdal
Employee representative, Senior Relationship Manager, KBN.

Nils Gunnar Baumann
Employee representative, Senior Portfolio Manager, KBN.

The business address of each of the above-mentioned members of the Board of Directors is Haakon VIIs gate 5b, 0161 Oslo, Norway.

Audit Committee

Effective from 22 April 2010, the Board of Directors has appointed an audit committee. The Audit Committee consists of Rune Midtgaard (Chair), Toril Hovdenak, Ida Texmo Prytz and Anne Jenny Dvergsdal. The Audit Committee is a preparatory and advisory committee for the Board of Directors, with its members elected by and among the members of the Board. The primary tasks of the audit committee are to follow up the financial and sustainability reporting process, monitor the systems for internal control and risk management, maintain regular contact with the appointed auditor of the company and review and monitor the independence of the auditor. The Audit Committee is also required to monitor matters that the Financial Supervision Authority of Norway has drawn attention to in its routine supervision of Company or in letters to the Board of Directors, and which are relevant to financial and sustainability-related reporting. The audit committee is also responsible for carrying out preparatory work for the company’s election of its external auditor.

Remuneration Committee

Effective from 22 April 2010, the Board of Directors has appointed a Remuneration Committee. The Remuneration Committee consists of Brit Kristin Rugland (Chair), Petter Steen Jr. and Nils Gunnar Baumann. The remuneration committee is a preparatory and advisory committee for the Board of Directors in matters concerning remuneration, including the Company’s arrangements for variable salary, guidelines for the benefits received by senior executives, and evaluates the remuneration of the CEO. The Remuneration Committee also considers the salary report and guidelines for the remuneration of senior executives, which is submitted to the Supervisory Board.

Risk Committee

Effective from 27 August 2014, the Board of Directors has appointed a Risk Committee. The Risk Committee consists of Eyvind Aven (Chair), Brit Kristin Rugland and Ida Espolin Johnson. The Risk Committee is a preparatory and advisory committee for the Board of Directors in matters concerning the monitoring and management of the overall risk of the company. The Risk Committee carries out preparatory work to facilitate the Board of Directors’ consideration of risk, the Company's risk appetite, ICAAP, ILAAP and the recovery plan, and in connection with this it assesses the outcomes of scenarios and stress tests as well as assessing whether the pricing proposed for any new products and services is sound from the perspective of the Company’s risk appetite. The Risk Committee also reviews internal audit’s annual plan and reports that relate to the risk management area, as well as risk reports produced for the Board of Directors, and conducts preparatory work to facilitate the Board of Director’s monitoring of whether its risk management guidelines are being followed.

The President and CEO

The President and CEO of the Company is Ms. Jannicke Trumpy Granquist, who has been in office since March 2020.

Internal Auditor

The Internal Auditor of the Company since 2022 is KPMG AS.

Potential conflict of interest

As far as is known to the Company, no potential conflicts of interests between any duties to the Company of the persons referred to in this section and their private interests or other duties.

7. Major shareholders

Kommunalbanken AS's share capital is NOK 3,894,625,000 divided into 3,894,625 shares of NOK 1,000 each.

The Norwegian State owns 100% of KBN, and KBN follows the Norwegian Code of Practice for corporate governance (2021-10-14-The-Norwegian-Code-of-Practice-for-Corporate-Governance.pdf (nues.no)) within the framework of its state ownership. For risk connected with the ownership structure the Company please refer to the risk factor *Risks relating to ownership by the Norwegian State* above.

The Norwegian State represented by the Ministry Local Government and Regional Development exercises its ownership through the Annual General Meeting and appoints members of the Board of Directors and the Supervisory Board as set out in KBN's Articles of Association.

8. Financial information

The following documents, which have been or are published simultaneously with this Prospectus and which are available on the Issuer's website, at https://www.kbn.com/en/about-us/company-information, contain the following information that shall be deemed to be incorporated by reference in, and to form part of, this Prospectus:

(1) Audited financial statements of the Issuer in respect of the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards and as endorsed by the European Union ("IFRS") (as set out on the following pages of the 2023 Annual Report of the Issuer)	
Available at: https://www.kbn.com/globalassets/dokumenter/finansielle-rapporter/arsrapport/kbn-annual-report-2023.pdf	
1. Income Statement	p. 92
2. Statement of Comprehensive Income	p. 92
3. Statement of Financial Position	p. 93
4. Statement of Changes in Equity	p. 94
5. Statement of Cash Flows	p. 95
6. Accounting Policies	p. 96-100
7. Notes to the Financial Statements	p. 101-139
8. Auditor's Report	p. 140-144
(2) Audited financial statements of the Issuer in respect of the year ended 31 December 2022 prepared in accordance with IFRS (as set out on the following pages of the 2022 Annual Report of the Issuer)	
Available at: https://www.kbn.com/globalassets/dokumenter/finansielle-rapporter/arsrapport/annual-report_2022.pdf	
1. Income Statement	p. 94
2. Statement of Comprehensive Income	p. 94
3. Statement of Financial Position	p. 95
4. Statement of Changes in Equity	p. 96
5. Statement of Cash Flows	p. 97
6. Accounting Policies	p. 98-99
7. Notes to the Financial Statements	p. 100-136
8. Auditor's Report	p. 138-141

OTHER STATEMENTS

Financial statements
There are no significant changes in the financial position of the Company which may have occurred since the end of the last financial period for which either audited financial information or interim financial information have been published.

Trend information
There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements or any significant change in the financial performance of the Company since the end of the last financial period for which financial information has been published to the date of the Registration Document.

Legal and arbitration proceedings
There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company are aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the Company financial position or profitability.

9. Documents on display

For the term of the Registration Document the following documents can be inspected at the Company's website: https://www.kbn.com/en/customer/[2]

- the articles of association of the Company in force at any time; and
- all reports, letters, and other documents, valuations and statements prepared by any expert at the Company's request any part of which may be included or referred to in the Registration Document.

[2] *Disclaimer - the information and documents on the website does not form part of this Registration Document except to the extent information or documents (or parts of documents) is specifically incorporated by reference into the Registration Document*