

# Annual Report 2025

The logo for KBN, consisting of the letters 'KBN' in a bold, blue, sans-serif font, is centered within a white, tilted rectangular box. The box is positioned in the upper left quadrant of the page, partially overlapping the scenic background image.

**KBN**

Kommunalbanken AS

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## Foreword

### Strength Through Cooperation

We stand at a historic crossroads. Four years after Russia's full-scale invasion of Ukraine, and with a rules based international order creaking at the seams, a new global reality is taking shape. For Europe, Norway, and our municipalities, the consequences are clear: we must strengthen European and Nordic cooperation, uphold our values, and work together to build a safer, greener, and more resilient society, across the country.

By the time the 2025 annual report is published, Ukrainians will have marked the four-year anniversary of the full scale invasion, and twelve years since Russia began its military aggression. The "special operation," which was intended to culminate in Ukraine's surrender to the Kremlin within weeks, has resulted in immense and tragic losses, for the invaded nation, but particularly heavy losses for the invader. Putin misjudged the resilience and courage of the Ukrainian people. They fight heroically for their freedom every day, supported economically, politically, and militarily particularly by Europe. Ukraine's success is vital for Europe's security, which is threatened by Russia but also challenged by an increasingly unpredictable Western ally. Russian propaganda and American statements portraying Europe as weak and divided have proven false. The recent escalation outside Europe, with new acts of war by Israel and the United States against Iran, marks the next stage in an unfolding development. Steady leadership and collective wisdom in Europe are essential.

Since the inauguration of Trump II last year, the United States has withdrawn from a number of international agreements on climate, health, trade, and energy, in addition to implementing several other political measures promised during the campaign. This has triggered European rearmament, closer intra European cooperation, initiatives to strengthen self sufficiency in key sectors, and the formation of new trade agreements. Mid sized countries like Canada have fundamentally shifted their strategic orientation, entering over the past year into comprehensive strategic partnerships with the EU and signing trade agreements across Asia, Oceania, and South America. The EU is taking similar steps. In January, in what has already become a widely cited speech in Davos, Prime Minister Mark Carney said: *"We knew that the narrative of the rules based international order was partly false — that the strongest exempted themselves when convenient, that trade rules were enforced asymmetrically. (...) The powerful have their power. But we also have something: the ability to stop pretending, to acknowledge reality, to build national resilience, and to act together."* This awakening is evident not only among mid sized and smaller countries in Europe, but also within parts of the business community, civil society organizations, and municipalities. There is truth to the saying that every setback brings opportunity, we are waking up from a slumber we did not realize we were in.

Confidence is returning to Europe. The European economy is marginally larger than that of the United States and many times larger than Russia's. A trade war would harm American companies just as much as European ones, and it appears that the courts are largely restraining the U.S. administration. The economy is performing well across much of Europe, despite the need for restructuring and higher productivity. In The Economist's ranking of last year's top performing economies, seven of the top ten were EU member states. Europe is an attractive trading partner globally and has recently concluded major trade agreements with, among others, India and key countries in Latin America. The significant scale up of European defense efforts

will strengthen both capabilities and deterrence, even as NATO experiences a higher degree of internal strain than before. Europe is assuming greater responsibility for its own security within NATO, and Canada has become an increasingly important ally.

Norway is one of the largest contributors to Ukraine on a per capita basis, backed by a broad majority in Parliament. Even with the world's largest state-owned fund behind us, the direct and indirect costs associated with Russia's war of aggression mean that other areas cannot be prioritized as highly. The municipal sector experienced another financially challenging year in 2025, marked by rising operating costs and interest rate cuts that took longer than expected to materialize. At the same time, the preliminary financial figures from last year show a significant improvement in financial performance, driven by a strong ability to adapt and real growth in revenues compared to 2024. The sector has significant long-term needs for adaptation and restructuring, aligned with the realities of limited labor access and a growing elderly population. KBN contributes analytical insight into economic developments, supporting the sector in maintaining and achieving financial sustainability and healthy local communities. Debt growth in 2025 was lower than expected and significantly below the previous year. This can partly be explained by postponed borrowing in anticipation of lower interest rates. At the start of the year, Norges Bank signaled possible rate cuts contingent on declining inflation. However, inflation remained relatively high, with annual inflation for 2025 at 3.2 percent and core inflation at 3.1 percent. The policy rate was reduced twice during the year, fewer and later cuts than anticipated. Looking ahead, investment needs in the sector will remain substantial, particularly in education, health and care services, and water and wastewater infrastructure.

In 2025, KBN's total financing grew by NOK 9 billion, or 2.4 percent. The market share based on total customer financing excluding the Norwegian State Housing Bank<sup>1</sup> was 49.7 percent, down from 50.2 percent at the end of 2024. The reduction was due to strong competition for new loans and refinancings, with a shift from long term amortizing loans to shorter- and medium term capital market loans, driven by very low credit spreads. The bank's core earnings amounted to NOK 1,381 million in 2025, compared with NOK 1,276 million in 2024. Net interest income totaled NOK 2,466 million, up from NOK 2,253 million in 2024. The main driver of the increase was NOK 189 million in interest compensation linked to the outcome of a tax appeal. On 18 December 2025, the Tax Appeals Board ruled in favor of KBN in a case concerning financial instruments for the tax years 2014–2021. The decision results in a reduced taxable income for those years. Consequently, KBN will receive a refund of NOK 1 billion in previously paid taxes, along with corresponding interest compensation.

2025 was the third-warmest year globally since 1850, and the 1.5 degree target may already be breached within this decade, earlier than expected. For mainland Norway, climate change will manifest as more frequent and intense cloudbursts, more flooding, increased landslides, less snow, and more frequent drought. This demands greater knowledge and increased investment in climate adaptation by municipalities. KBN contributes knowledge and facilitates sustainable transition. Our total portfolio of green loans for climate and environmentally sound investments increased by NOK 10 billion in 2025 across 41 different projects. Forty-six percent of municipalities and county authorities now have at least one green loan from KBN, totaling NOK 79 billion, 21 percent of the total loan portfolio. The environmental impacts of these loans are reported annually in KBN's environmental impact report.

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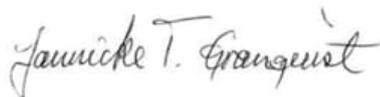
<sup>1</sup> KBN's market share is based on sector code 6500, calculated as KBN's total financing divided by total loans to the same sector, using SSB's K2 reporting as a foundation and supplemented with data from Stamdata on foreign ownership in the capital market. Loans from the Norwegian State Housing Bank (Husbanken) are excluded from the calculation, as KBN does not compete for these loans



Jannicke Trumpy Granquist, CEO

The year we leave behind may have seen the most extensive international shifts since the Cold War. 2026 has begun with American and partly Israeli attacks on two of the world's largest oil producing nations. Geopolitical tensions, shifting trade relationships, and uncertainty around supply chains have created a more unpredictable economic climate. We cannot yet fully grasp the consequences of the turmoil in the rules based international order; we are in a period of transition, and the future equilibrium remains unclear. Developments suggest that several major powers are increasingly asserting themselves, toward both small and large states. As Carney notes, we must acknowledge reality, strengthen resilience, and deepen our cooperation within Europe and with other liberal democracies, and not least hold fast to our values.

KBN remains steadfast in its mission. We are approaching 100 years as the most important lender to the municipal sector. We will continue to provide stable, efficient, and long-term financing across the entire country, financing that enables transition and fosters healthy local communities – even as the world around us changes rapidly.



**Jannicke Trumpy Granquist**

ADMINISTRERENDE DIREKTØR

## About KBN

With total assets over NOK 500 billion, Kommunalbanken AS (KBN) is one of the largest financial institutions in Norway. KBN provides loans to municipalities, county authorities and companies with municipal guarantee that carry out local government tasks. Our ambition is to contribute to the development of sustainable communities.

KBN is 100% owned by the Norwegian state. KBN was first established in 1927 and is today the largest lender to the local government sector.

**Our total financing\* to the sector is in excess of**  
**NOK 384 bn.**

**99.7%**

**of Norwegian municipalities are KBN customers**

**49.7%\*\***

**of municipal debt is financed through KBN**

\* Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

\*\*Loans from Husbanken have been excluded from the calculation, as KBN does not compete for these loans.

### **Building sustainable communities**

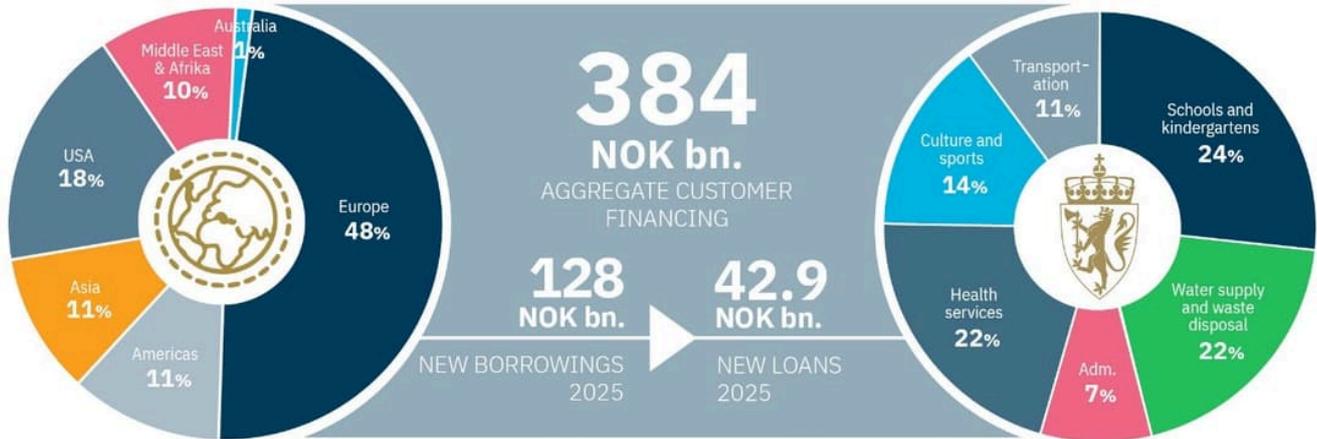
KBN has a strong market position and seeks to use this to promote communities that are sustainable, both economically, socially and environmentally. We are committed to ensuring municipalities make future oriented choices when investing, and we offer a slightly lower interest rate on loans for projects that are ambitious from a climate perspective. We also use some of our resources to improve knowledge of climate change and risk, and interest rates, as well as economy and debt management for municipalities' elected representatives and administrative teams.

### **One of the largest Norwegian borrowers**

KBN finances its lending to the local government sector by borrowing money directly in the capital markets. KBN is today one of the largest Norwegian borrowers in the international capital markets, with a yearly borrowing program of around NOK 100 billion. KBN's green bonds finance the transition to a low-carbon, climate resilient future in Norwegian local societies. KBN has more than ten years' history as an issuer of green bonds.

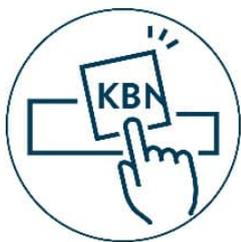
### AAA-rating

KBN has a conservative risk profile and is one of the few AAA-rated financial institutions in the world. KBN has never suffered any losses on its lending. As a state-owned company with a public mandate, strong capital base, robust operations and low risk appetite, KBN holds the highest possible credit rating from both Standard and Poor’s and Moody’s.



*\*Investment expenditures local/regional sector per service area, average last 10 years. Source: SSB, KBN*

## KBN Strategy, 2026-2028



### The customer's first choice

*Our main aim is for our customers to want to use KBN for long-term financing of investment in welfare.*



### Strong market participant

*Through a strong position in the capital markets, nationally and internationally, KBN will ensure Norwegian municipalities have access to attractive financing.*



### Leader in green finance

*KBN will be among the leading financial institutions for green financing solutions and insight that contribute to the transition to a sustainable economy and value creation.*



Expertise and technology driven

*The way we work will promote learning, knowledge sharing and the efficient use of technology.*

Read more about KBN's strategy on [the website](#).

## Strategic goals for the strategy-period 2026 - 2028

 <p><b>Customers first choice</b></p> <ul style="list-style-type: none"> <li>Market share lending ex. Husbanken at 50 %</li> <li>Customer satisfaction<sup>1</sup> over 8,5</li> </ul>	 <p><b>Strong market participant</b></p> <ul style="list-style-type: none"> <li>Return on equity at 6,5 %</li> <li>Dividend of 55 % of core earnings<sup>2</sup></li> <li>Cost / income (core earnings) under 20 %</li> <li>Rating of AAA/Aaa</li> </ul>	 <p><b>Leader in green finance</b></p> <ul style="list-style-type: none"> <li>NOK 100 bn. in green lending within 2027</li> <li>Share of green loans in lending portfolio at 25 %</li> <li>Own CO<sub>2</sub> emission<sup>3</sup> at 80 TCO<sub>2</sub>e</li> <li>50 % of municipalities / counties have green loans</li> </ul>	 <p><b>Competence- and technology-driven</b></p> <ul style="list-style-type: none"> <li>KBN shall annually arrange 3 skills development activities<sup>4</sup></li> <li>Key metrics ready when we get to work</li> <li>As many as possible of KBNs IT solutions shall be cloud-based solutions</li> <li>Gender balance over 40 %</li> <li>Sick leave<sup>5</sup> under 2,5 %</li> <li>Results from employee survey:             <ul style="list-style-type: none"> <li>Engagement over 4,4</li> <li>Implementation capacity over 4,1</li> </ul> </li> </ul>
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<sup>1</sup>Results from annual customer satisfaction survey (scale 1-10)

<sup>2</sup>preconditioned solvency in line with board-appointed goals.

<sup>3</sup>Own emissions include scope 1, scope 2, and indirect emissions in scope 3 related to waste and travel.

<sup>4</sup>Which has broad reach across the organization  
<sup>5</sup>Calculated as the proportion of sick leave (self-reported and long-term) among permanent employees out of total permanent employees.

# KBN in Numbers

## Financial key figures

(Amounts in NOK 1 000 000)	2025	2024	2023	2022	2021
<b>Results</b>					
Net interest income	2 466	2 253	2 105	1 866	1 585
Core earnings <sup>1</sup>	1 381	1 276	1 211	1 081	908
Profit after tax	1 894	1 474	1 432	(60)	1 208
Cost/income ratio (percent) <sup>2</sup>	18.4 %	17.1 %	15.6 %	15.8 %	16.4 %
Return on equity after tax <sup>3</sup>	9.5%	7.4%	7.9%	(0.8%)	7.1%
Return on equity after tax (core earnings) <sup>4</sup>	7.6%	7.2%	7.3%	6.6%	5.6%
Return on assets after tax <sup>5</sup>	0.4%	0.3%	0.3%	0.0%	0.3%
<b>Loans to customers</b>					
New disbursements	42 907	46 692	53 429	39 261	48 547
Aggregate loans to customers <sup>6</sup>	374 007	369 859	354 052	328 401	323 018
Aggregate customer financing <sup>7</sup>	384 400	375 356	354 052	328 401	323 018
12 month lending growth in percent <sup>8</sup>	1.1 %	4.5 %	7.8 %	1.7 %	1.5 %
12 month aggregate financing growth in percent <sup>9</sup>	2.4 %	6.0 %	7.8 %	1.7 %	1.5 %
Green loans to customers <sup>10</sup>	75 733	65 969	52 763	41 421	32 876
Share of green loans in lending portfolio	21.0 %	18.5 %	15.4 %	13.3 %	10.9 %
Share of municipalities with green loans <sup>11</sup>	46%	44%	40%	38%	36%
<b>Liquidity portfolio<sup>6</sup></b>	<b>119 235</b>	<b>139 954</b>	<b>114 610</b>	<b>109 959</b>	<b>110 837</b>
<b>Debt securities issued</b>					
New long-term debt securities issued	128 049	91 909	76 935	86 994	96 550
Green debt securities issued <sup>6</sup>	51 120	52 787	37 943	33 280	26 002
Aggregate debt securities issued <sup>6</sup>	482 652	481 504	438 407	429 206	395 385
<b>Total assets</b>	<b>533 239</b>	<b>567 644</b>	<b>522 203</b>	<b>492 450</b>	<b>473 064</b>
<b>Equity</b>					
Equity	22 954	22 075	21 684	18 903	19 081
Common equity Tier 1 capital adequacy ratio	19.0%	18.1%	17.4%	19.0%	18.8%
Leverage ratio	4.2%	3.9%	4.0%	3.9%	3.9%
<b>Liquidity coverage ratio (LCR)<sup>12</sup></b>					
Total	228%	236%	266%	261%	175%
NOK	109%	97%	87%	95%	71%
EUR	298%	261%	251%	441%	140%
USD	212%	334%	171%	242%	137%
<b>Other key figures</b>					
Market share excl. Husbanken <sup>13</sup>	48.2%	49.4%	51.1%	49.7%	51.4%
Market share overall financing of customers excl. Husbanken <sup>14</sup>	49.7%	50.2%	51.1%	49.7%	51.4%
Percentage of women employed in KBN	34.0%	33.0%	36.0%	43.0%	46.0%
Emissions in tons CO <sub>2</sub> equivalents <sup>15</sup>	52.0	82.5	111.5	79.7	40.3

## Footnotes

<sup>1</sup> Profit after tax adjusted for net unrealised gain/(loss) on financial instruments (in accordance with note 3) adjusted for estimated tax at 25% tax rate, and adjusted for portion allocated to owners of additional Tier 1 capital. This result measure is included to give relevant information about the company's underlying operations.

<sup>2</sup> Operating expenses as a percentage of sum Net interest income and Total other operating income adjusted for Net unrealised gain/(loss) on financial instruments (in accordance with note 2).

<sup>3</sup> Share of the Profit for the year allocated to shareholders as a percentage of average equity (annualized). Average equity is calculated based on monthly equity, not including Profit for the year, less dividends from the time the dividends are paid out, as well as addition or reduction of the company's share capital during the year.

<sup>4</sup> Core earnings as a percentage of average equity (annualized).

<sup>5</sup> Share of Profit for the year allocated to shareholders as a percentage of average assets (annualized). Average assets are calculated based on monthly assets.

<sup>6</sup> Principal amounts.

<sup>7</sup> Principal amounts. Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

<sup>8</sup> 12-month lending growth based on aggregate loans to customers (principal amounts).

<sup>9</sup> 12-month growth based on aggregate customer financing (principal amount).

<sup>10</sup> Aggregate green loans to customers financed by green bonds. In addition, the bank has a smaller portfolio of green loans to customers that were given before or that does not qualify after the criteria in Green bond framework published in 2016. These loans are no longer financed with green bonds. Total aggregate green loans to customers are NOK 78.6 billion.

<sup>11</sup> Percentage of municipalities in KBN's lending portfolio with green loans, based on total aggregate green loans to customers.

<sup>12</sup> Liquidity coverage ratio (LCR) is a measure for the regulatory liquidity reserve. LCR is defined as liquid assets as a percentage of net payments in a given stress period of 30 days.

<sup>13</sup> KBN's market share based on total loans to customers of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.

<sup>14</sup> KBN's market share based on total customer financing of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.

<sup>15</sup> *KBN's climate accounting is based on the Greenhouse Gas Protocol Corporate Standard. Own emissions consist of calculations within scope 1 and scope 2 in this climate statement, as well as indirect emissions in scope 3 from waste management and travel activities.*

*See also the overview and description of alternative performance measures published on [kbn.com](https://kbn.com)*

## Corporate Governance

### The Board of Directors of KBN

The Board of Directors of KBN is the company's highest governing body and is responsible, through the CEO, for ensuring that the company's activities are soundly organised. The Board of Directors has three committees: the Risk Management Committee, the Audit Committee and the Remuneration Committee.



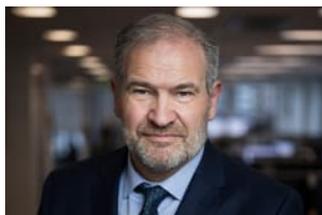


**BRIT KRISTIN RUGLAND**

*Chair since 2018, board member since 2016*

Bachelor of Business Administration, Master of Management. Executive Chair of the Board at Endury Eiendom AS and Managing Director of Rugland Finans AS. Chair of the Remuneration Committee and member of the Risk Committee at Kommunalbanken AS. Chair of the Board at Figgjo AS. Board member of Norfund. Former member of The central bank of Norway's Executive Board.

Participated in 8 board meetings in 2025.



**EYVIND AVEN**

*Board member since 2019*

MBA and two year extension program in Finance at Norwegian School of Economics NHH. Sr. Risk Advisor within Group Risk function in Equinor. Chair, KBN Risk Committee. Member of Equinor Insurance AS board and chair of its Risk Committee. Deputy member of Equinor Asset management ASA board and chair of its Risk Committee.

Participated in 8 board meetings in 2025.



**NILS GUNNAR BAUMANN**

*Employee representative since 2023*

Master of Science in Economics and Business Administration. Senior Portfolio Manager, KBN. Member, KBN Remuneration Committee. Personal alternate is Harald Jacobsen.

Participated in 8 board meetings in 2025.



**KRISTINE FAUSA AASBERG**

*Employee representative since 2024*

Master of Science in Finance. Portfolio Manager, KBN. Member, KBN Audit Committee. Personal alternate is Anne Jenny Dvergsdal.

Participated in 8 board meetings in 2025.



**TORIL HOVDENAK**

*Board member since 2020*

MSc Economics and Business Administration. CEO Møre og Romsdal county. Member, KBN Audit Committee.

Participated in 8 board meetings in 2025.



**IDA ESPOLIN JOHNSON**

*Board member since 2018*

Lawyer, partner in law firm Haavind AS. Member, KBN Risk Committee.

Participated in 8 board meetings in 2024.



**IDA TEXMO PRYTZ**

*Board member  
since 2022*

MSc Economics and Business Administration. CEO, Hardfør Utvikling AS. Chair, KBN Audit Committee.

Participated in 8 board meetings in 2025.



**PÅL ROKKE**

*Board member  
since June 2025*

Master of Science / Diplom-Kaufmann, University of Mannheim, and AFA Accredited Financial Analyst, Norwegian School of Economics NHH.

Associate partner, Geelmuyden Kiese and External Advisor, Bain & Co. Member, KBN Risk Committee.

Participated in 5 board meetings in 2025.



**STIAN RØQUIST**

*Board member  
since June 2025*

Master of Science in Economics and Business Administration and former Head of Finance, Asker Municipality. Member, KBN Audit Committee.

Participated in 5 board meetings in 2025.

### The management team

The management team at KBN forms the CEO’s collegiate group for the day-to-day management of KBN. All material decisions are taken following discussion by the management team.





**JANNICKE TRUMPY GRANQUIST**

*CEO, employed since 2014*

Granquist previously held the position as CFO at KBN and was hired as the new President & CEO in 2020. She came to KBN from the position as head of valuation and accounting at NBIM (the Norwegian oil fund), Previously worked in banking and finance in EY and Simcorp. Has an MSc in accounting and finance from the London School of Economics and Political Science.



**ILSE BACHE**

*Chief Technology & Operations Officer, employed since 2014*

Previously CTO and Head of Risk & Performance at NBIM (The Norwegian Oil Fund), Administrations Director at the department of Monetary Policy at the Central Bank of Norway. Bache holds an MBA from the Norwegian Business School (BI) and studies in selective courses (Executive Education) from Harvard Business School.



**SIGBJØRN BIRKELAND**

*Deputy CEO and Chief Capital Markets Officer, employed since 2017*

Birkeland heads both Treasury and Funding & IR. Previously, he held the position as Finance Director with the insurer Storebrand. He has also worked as a researcher at the Norwegian School of Economics (NHH). Birkeland also received his Ph.D. in Economics.



**LARS STRØM PRESTVIK**

*Chief Lending Officer, employed since 2014*

Previously Senior Relationship Manager in Nordea, responsible for public sector customers. Prestvik has held the position as head of treasury in several Corporates. He holds a Master's degree from Norwegian School of Management and has leadership development from Harvard Business School.



**ANDREAS LIEN SANDBERG**

*Chief Legal and Compliance Officer, employed since 2025*

Employed since 2025, Sandberg joined KBN from his role as Head of Nordea Finance Legal, having held various positions at Nordea since 2018. Prior to that, he worked as a lawyer at Advokatfirmaet Selmer and served as a deputy judge at Hedmarken District Court. Sandberg holds a Master in Law degree from the University of Bergen.



**TOR OLE STEINSLAND**

*Chief of Staff, employed since 2012*

Previously worked as partner and advisor in PR agency Kreab Gavin Anderson. Steinsland has been employed as a financial journalist in various print and broadcast media. Steinsland has a finance degree from Norwegian School of Economics (NHH).



**ANDREA SØFTING**

*CFO, employed since 2021*



**KJERSTI ULSET**

*Chief Risk Officer, employed since 2021*

Søvting is former CFO of SpareBank 1 Ringerike Hadeland. Previously worked in audit and consulting at Deloitte. Andrea Søvting holds a MSc in Audit and Accounting (state-authorized auditor) and an MBA in Management Controls, both from Norwegian School of Economics (NHH).

Ulset joined KBN from a position as Head of Clearing Risk in Nasdaq Clearing. Prior to KBN she worked as a manager and analyst within market analysis and modelling of commodity markets. Ulset holds a Master of Science in applied mathematics from Norwegian University of Science and Technology (NTNU).

## Business model and operating model

KBN is organised as a limited liability company that is 100% owned by the Norwegian state. The Ministry of Local Government and Regional Development manages the state's ownership of KBN. KBN has no subsidiaries.

Regarding the objective and company-specific purpose of the state's ownership of KBN, the Norwegian government's white paper "A greener and more active state ownership" (Report to Storting No. 6 (2022-2023)) states that:

*"The state is the owner of Kommunalbanken in order to offer stable, long-term and efficient financing of the local government sector. The state's aim as owner is to achieve the highest possible return over time subject to the limits of sustainability".*

The state has set out six general rationales for state ownership. For KBN, the following rationale applies:

"Facilitating sustainable restructuring and increased value creation"

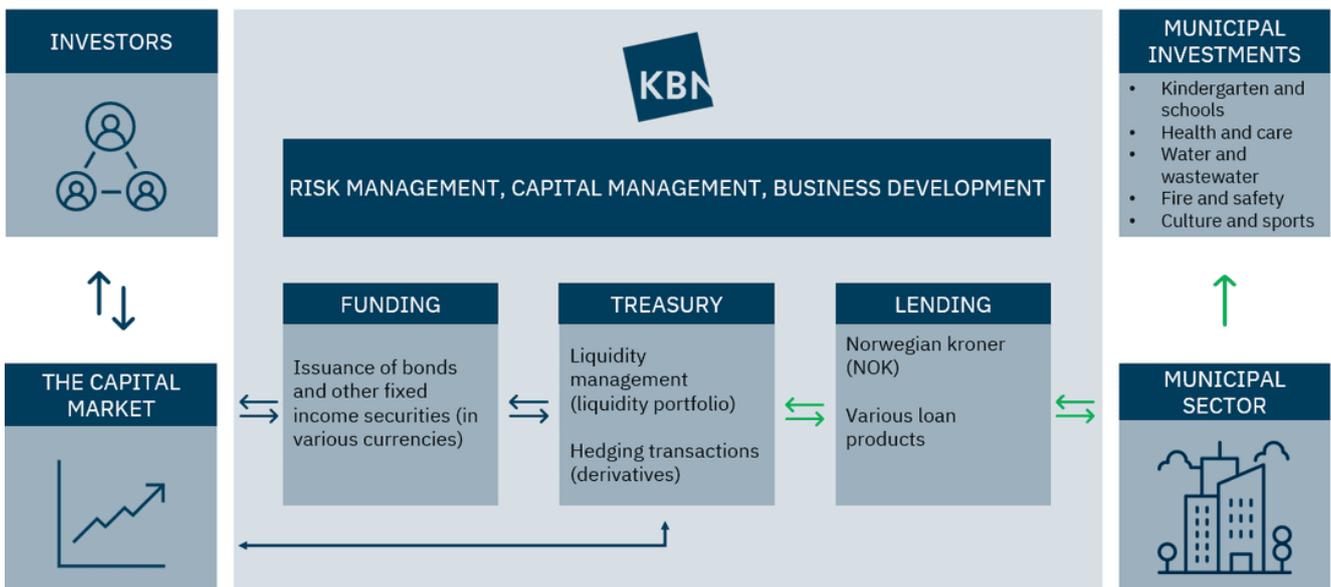
Through its ownership, the state helps counter barriers and market weaknesses that hinder sustainable transition and value creation in the Norwegian economy by ensuring that the local-government sector throughout the country receives specially adapted financing.

KBN’s Articles of Association state that its objective is “to provide loans to municipalities, county authorities, intermunicipal companies and other companies that carry out local government tasks against either a municipal guarantee, a government guarantee, or other satisfactory security. The Company can also undertake other tasks appropriate to the Company’s business.”

KBN finances its lending activities by raising debt funding from capital markets around the world. Its business model and strategy are based on KBN operating with a low level of risk while also having the ability to provide loans regardless of economic conditions. KBN is committed to helping to ensure that the local government sector’s high creditworthiness is reflected in the lowest possible borrowing costs for the sector. KBN will operate with a target of having a credit rating that is in line with the rating of Norway (AAA). In order for it to be able to fulfil its role, KBN has a target of having a strong market position.

The Board of Directors sets the company’s target for return on equity and administration works to achieve this target without infringing the restrictions on its activities laid down in its Articles of Association. In order to achieve this, KBN works systematically on optimising the structure of its balance sheet and on increasing the efficiency of its use of capital. KBN’s operating model/business model is illustrated below.

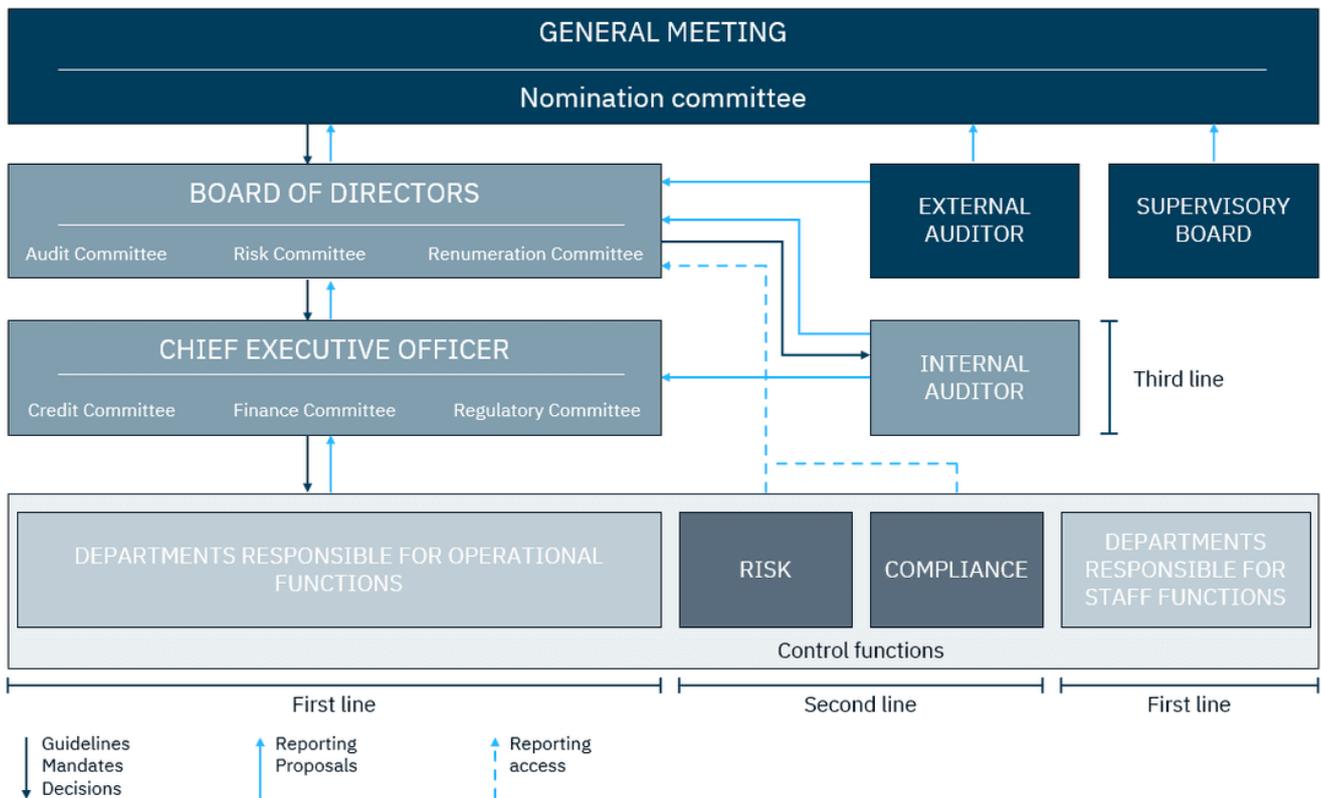
**Figure: KBNs operating model**



### Organisational structure and governing bodies

KBN’s organisational structure is intended to ensure it adapts effectively to changes in customers’ expectations, to contribute to robust decision-making, and to be characterised by the existence of clear responsibilities within the framework of its owner’s expectations and regulatory requirements.

**Figure: Governing bodies in KBN**



**The General Meeting** (the Norwegian state acting through the Ministry of Local Government and Regional Development) elects the Board of Directors as well as the members and deputy members of the Nomination Committee and Supervisory Board and the company’s auditor. The General Meeting approves the annual accounts and annual report, including the allocation of profit and coverage of losses, and the payment of dividends. The General Meeting also sets the remuneration of the members of the Board of Directors, the company’s auditor and the members of the Supervisory Board. The General Meeting considers the guidelines for the remuneration of senior executives and the salary report.

**The Supervisory Board’s** role is set out in KBN’s Articles of Association. It is tasked with ensuring that the company’s objectives are promoted in accordance with the law, its Articles of Association and the resolutions passed by the General Meeting. The Supervisory Board is also required to provide a statement to the General Meeting on the annual accounts and the allocation of profit and coverage of losses proposed by the Board of Directors, as well as to give its opinion on matters that concern the company, and in this regard it shall have a particular focus on the company’s role in society and corporate social responsibility. The Supervisory Board shall be composed of as broad a range of members as possible.

**The Board of Directors** has both managerial and supervisory responsibility for KBN and is required to ensure that its activities are soundly organised and, to the extent required, to draw up plans and budgets and overall guidelines for its activities. The Board of Directors must also keep itself informed of KBN’s financial position and ensure that its activities and asset management are subject to adequate control. The Board of Directors is required to supervise the day-to-day management of KBN and its activities in general, to monitor and manage KBN’s overall risk exposure and capital needs, and to assess whether its governance and

control arrangements are adapted to KBN's level of risk and the scope of its activities. The Board committees that advise on and prepare issues for the Board's consideration are elected by and from amongst the Board's own members.

- **The Risk Management 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 KBN's risk appetite. The 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's monitoring of whether its risk management guidelines are being followed.
- **The Audit Committee's** main focus relates to financial reporting, sustainability reporting and control. The Committee is tasked with helping the Board to ensure that there is proper control of the reporting and the reporting process, and carrying out preparatory work to facilitate the Board's monitoring. The committee assesses the effectiveness of KBN's internal control and risk management systems in relation to financial reporting and sustainability reporting, assesses the effectiveness of the company's internal audit in relation to financial reporting and sustainability reporting, and assesses and monitors the external auditor's independence, particularly the extent to which services other than auditing are provided in accordance with the regulations. The Committee is also required to monitor matters that the Financial Supervision Authority of Norway has drawn attention to in its routine supervision of KBN or in letters to the Board, and which are relevant to financial reporting and sustainability reporting. The Committee is also responsible for carrying out preparatory work for the company's election of its external auditor.
- **The Remuneration Committee** prepares all matters related to the company's remuneration scheme that are to be considered by the Board of Directors, including the company's arrangements for variable salary, guidelines for the benefits received by senior executives, and evaluates the remuneration of the CEO. The Committee also considers the salary report and guidelines for the remuneration of senior executives, which are submitted to the General Meeting.

**The Chief Executive Officer** (CEO) of KBN has the authority to take decisions on all matters relating to the operation of KBN that are not required by any act of law or official regulation or the Board of Directors' guidelines to be considered by the Board. The CEO can make decisions regarding any such matters if mandated to do so by the Board of Directors. The CEO can delegate his/her decision-making authority to KBN's department heads subject to the delegated authority arrangements and guidelines issued by the Board. The CEO is responsible for ensuring that KBN's activities are operated in accordance with the strategy, plans, budgets and risk appetite framework produced by the Board. The CEO shall ensure that there is proper internal control through effective operational and control routines. The CEO determines the responsibilities and areas of authority of the department heads in the form of job specifications and delegated authority arrangements.

**The Management Team** comprises the senior executives of KBN, and is made up of the department heads and assists the CEO of KBN with the day-to-day management of KBN.

There are committees and special fora with their own internal regulations that function as advisory bodies for the CEO, with whom the authority to make decisions lies.

- **The Credit Committee's** overall function is to carry out the mandate issued by the Board of Directors in its guidelines, including the lending framework, and to assist the CEO in managing KBN's credit risk.
- **The Finance Committee's** function is to provide advice and opinions on decisions that relate to matters of principle and to matters of material significance related to the capital markets area, including financial risk management. The Finance Committee also provides recommendations regarding new products (New Product Approval Process, NPAP).
- **The Regulatory Committee's** overall function is to provide advice to ensure that KBN identifies at an early stage regulatory matters that will affect its achievement of its objectives.

**The department heads** report to the CEO and are responsible for assisting the CEO with the day-to-day management of KBN, as well as for the organisation and day-to-day operation of their own departments. Their job specifications define their specific responsibilities and the authority delegated to their position. Their general responsibilities include executing KBN's strategies and plans in accordance with the law and official regulations and KBN's guidelines, as well as for carrying out internal control. Their special responsibilities relate to their departments' tasks. Department heads can set procedures within their area of responsibility. Department heads who are responsible for staff functions can, if mandated by the CEO, produce procedures in their specialist field that apply across KBN's departments following consideration of such procedures by the management team.

## Internal control

Internal control is organised into three lines of defence. KBN's operational and staff functions represent the first line of defence, its control functions are the second line of defence, and the internal auditor is the third line of defence. The third line of defence is intended to ensure that KBN's different levels of management each have their own control functions to assist them with their responsibility to ensure that KBN's activities are operated in a reliable, robust and efficient manner, as well as in accordance with the applicable regulations. KBN's control functions are independent of the functions and areas subject to their controls.

- **The department heads (first line)** of the operational and staff functions are responsible for governance and internal control for their own area of responsibility, including for processes and activities designed to achieve set targets, and for managing risk and compliance with external and internal regulations.
- **The Chief Risk Officer (second line)** leads the risk management function, is the CEO's control function, and is provided with instructions for his/her work by, and reports to, the CEO. The risk management function independently assesses risks to which KBN is exposed, is responsible for the aggregated risk reporting to the Board of Directors, maintains and develops KBN's risk management framework, including proposals for its risk appetite framework, and checks that risk management, including first-line models and processes, are in accordance with KBN's framework. The Chief Risk Officer has direct access to the Board of Directors if required.
- **Head of Compliance (second line)** leads the compliance function, is the CEO's control function, and is provided with instructions for his/her work by, and reports to, the CEO. The Head of Compliance ensures that KBN complies with external and internal regulations. The Head of Compliance carries out regular independent assessments of the risk of shortcomings in compliance, and produces a risk-based annual

plan for compliance activities that is approved by the CEO. The Head of Compliance carries out regular independent assessments of the risk of shortcomings in compliance and produces a risk-based annual plan for compliance activities that is approved by the CEO. The Head of Compliance is responsible for checking that KBN's guidelines meet the requirements to which they are subject pursuant to the law and official regulations, and regularly assesses whether KBN's guidelines and measures are sufficiently effective. The Head of Compliance is responsible for checking that KBN's guidelines meet the requirements to which they are subject pursuant to the law and official regulations and regularly assesses whether KBN's guidelines and measures are sufficiently effective. The Head of Compliance reports independently of the operational and staff functions for compliance risk, and provides regular compliance reports to the Board of Directors. The Head of Compliance reports independently of the operational and staff functions for compliance risk and provides regular compliance reports to the Board of Directors. The Head of Compliance is KBN's nominated compliance officer in accordance with the Anti-Money Laundering Act. The Head of Compliance has direct access to the Board of Directors if required.

- **Internal Audit (third line)** is the Board of Director's control function and is provided with instructions for its work and with audit plans by the Board. The internal auditor assists the Board and management team with exercising good corporate governance by providing independent and neutral assessments of whether KBN is organised and operated in a sound manner and in accordance with the requirements that apply to its activities. The internal audit function is outsourced to KPMG.

Risk management and internal control related to the financial reporting process follow KBN's other organisation for risk management and internal control. Controls related to the financial reporting process have been implemented.

## Governing bodies

As of 31.12.2025

### The Board of Directors

- Brit Kristin Rugland, chair
- Eyvind Aven
- Nils Gunnar Baumann, employee representative
- Kristine Fausa Aasberg, employee representative
- Toril Hovdenak
- Ida Espolin Johnson
- Ida Texmo Prytz
- Pål Rokke
- Stian Roquist

#### *Alternates to the employee representatives*

- Anne Jenny Dvergsdal
- Atle Belsnes

### Board preparatory committees

#### *Audit Committee*

- Ida Texmo Prytz, chair
- Kristine Fausa Aasberg
- Toril Hovdenak
- Stian Roquist

#### *Risk Committee*

- Eyvind Aven, chair
- Pål Rokke
- Brit Kristin Rugland

### Nomination Committee

- Cathrin Sætre, director general, Ministry of local government and regional development
- Otto Leirbukt, deputy director general, Ministry of local government and regional development
- Einar Bye, senior adviser, Ministry of local government and regional development

#### *Alternates*

- Arild Kormeseth, senior adviser, Ministry of local government and regional development

### Supervisory board

- Hege Mørk, chair, chief municipal executive, Gol municipality
- Inger-Lene Håland, vice chair, mayor, Froland municipality
- Gunn Marit Helgesen, chair of the board, The Norwegian Association of Local and Regional Authorities (KS)
- Heidi Klaveness, chief municipal executive, Strand municipality
- Lone Merethe Solheim, ass. county governor, Rogaland county
- Roar Vevelstad, chief municipal executive, Halden municipality
- Paul Johan Moltzau, mayor, Hurdal municipality
- Sara Hamre Sekkingstad, mayor, Alver municipality
- Terje Fronth-Pedersen, senior relationship manager, employee representative KBN

#### *Remuneration Committee*

- Brit Kristin Rugland, chair
- Nils Gunnar Baumann
- Ida Espolin Johnson

- Tore Isaksen, chief municipal executive, Ringerike municipality
- Tron Bamrud, chief county executive, Innlandet county
- Aase Refnes, mayor, Steigen municipality

#### **Auditor**

Deloitte AS

- Henrik Woxholt, state authorised public accountant

#### **Internal auditor**

KPMG AS

- Nicolai Cappelen, state authorised public accountant

#### *Alternates*

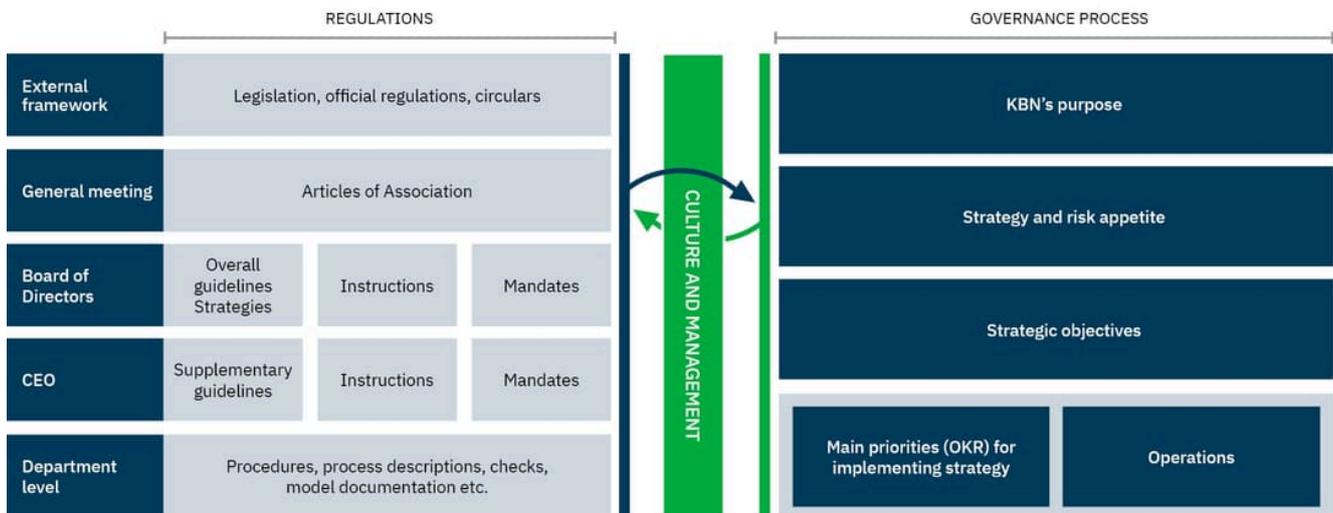
- Jørgen Holten Jørgensen, chief municipal executive, Tana municipality
- Per Ola Johansen, chief municipal executive, Åfjord municipality
- Terje Dalby, senior relationship manager, alternate for employee representative KBN
- Tommy Stensvik, chief municipal executive, Vågan municipality
- Toril Eeg, county director, Vestfold county

## Corporate governance

Corporate governance at KBN is an interaction between the processes and structures that are used to manage KBN, including its organisation, internal regulations and controls. KBN is managed through its defined overall objectives, its strategy, the assessment and determination of its risk appetite framework, and annual assessments and plans such as long-term financial forecasts, capital adequacy plans, operating plans and budgets.

The Board of Directors sets KBN's overall objectives, strategy and risk appetite framework and approves its annual plans and budgets. KBN's risk appetite framework is operationalised through the setting of limits on the types and scope of the risk to which it can be exposed. The Board of Directors sets general guidelines and risk strategies, and the CEO sets supplementary guidelines. There are also instructions, delegated authority arrangements, mandates, process descriptions, procedures etc. These governance documents guide how KBN's activities are to be organised in order for it to fulfil its owner's purpose in owning KBN.

**Figure: Corporate governance at KBN**



### The Board of Director's main priorities in 2025

- Approving KBN's 2026-2028 strategy
- Setting the main priorities (OKR) for the implementation of the strategy in the coming years
- Oversight of IT deliveries related to the implementation of a new lending system and a new data platform
- Implementation of the DORA (the Digital Operational Resilience Act) framework, including the DORA Regulation and related national legislation
- Oversight of threat-led penetration testing (TIBER)
- Oversight of KBN's work to prevent financial crime, money laundering and cyber threats
- Strategy for customer-oriented digital solutions
- Approving adjustments to KBN's risk appetite, lending credit strategy and financial risk strategy
- Approving capital and liquidity requirements, including authorisation to issue Additional Tier 1 capital
- Approving new IT strategy for 2026-2028
- Implementation of approved organisational adjustments at KBN
- Processing of ICAAP, ILAAP and SREP
- Further development of the framework for operational risk management
- Preparation of sustainability reporting in accordance with the VSME standard

The Board of Directors balances its time between three main areas of work:

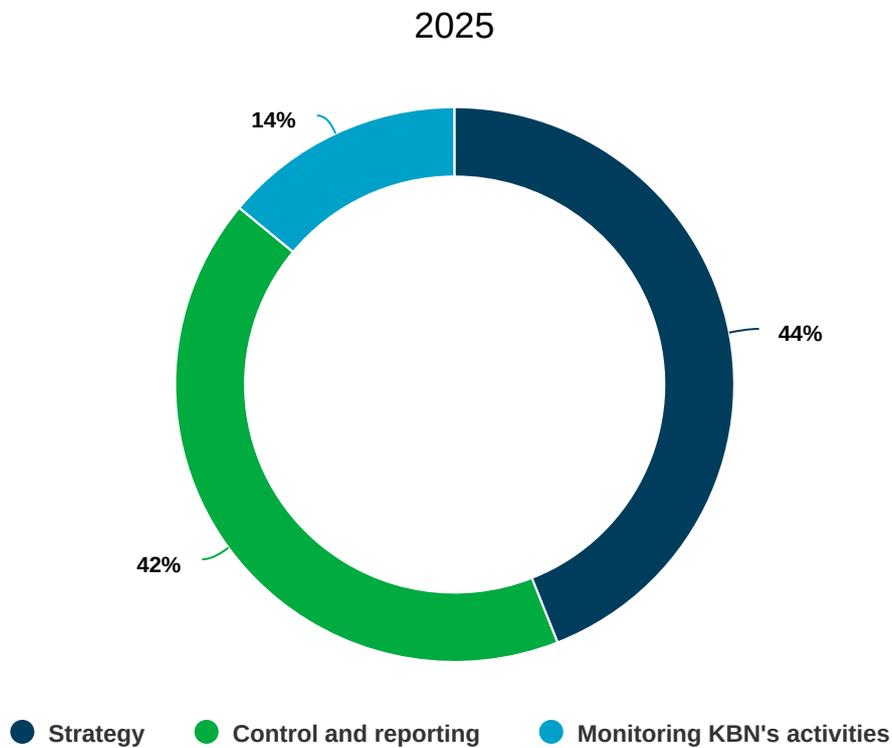
1. Strategic matters and expertise development

2. Control and supervisory tasks

3. Monitoring and receiving information on KBN's activities

In 2025, the Board of Directors spent around 44% of its time in Board meetings considering strategic matters and continuing expertise development. 42% of its time was spent on control and reporting tasks. The remaining 14% of its time was spent on monitoring and considering information on KBN's activities. The proportion of time the Board of Directors spends on strategic duties has increased over recent years, and has now stabilised well above 40%, while the time spent on considering information on KBN's activities has reduced, due in part to the greater availability of information to the Board on a continual basis through the Board portal. The amount of time the Board spends on control and reporting tasks has increased in recent years, in part due to the increasing scope of the regulatory requirements to which financial institutions are subject.

**Figure: Time allocation for the Board of Directors**



## KBN's response to its owner's expectations

The description below sets out how KBN responds to the Norwegian state's expectations of state-owned companies.

Topic	How KBN strives to fulfil the state's expectations
1. Ambitions, targets and strategies	<p>KBN is a 'category 1' company with an objective of delivering the highest possible return over time subject to the limits of sustainability.</p> <p>With the exception of 2020, KBN has achieved the target returns based on its core earnings that have been set over the last ten years.</p> <p>In 2025, the Board of Directors worked on scenario development from a long-term perspective. The purpose was to ensure that KBN's strategy is fit for the future by exploring alternative future scenarios for the markets in which KBN operates, and by assessing business-related risks and opportunities as well as the adaptations required for KBN's business model to be aligned with these future scenarios.</p> <p>The Board of Directors carries out annual reviews and approval of KBN's three-year rolling strategy, its main priorities (OKR) for its implementation of its strategy and its capital adequacy plan, as well as its risk appetite and risk limits.</p>
2. Responsible organisation	<p>KBN has carried out risk-based due diligence of its own activities and of its supplier chain pursuant to the Transparency Act. This is embedded in KBN's general guidelines for sustainability as approved by the Board of Directors. For further information, see the Transparency Act report on the <a href="#">KBN website</a>.</p>
3. Human rights and decent working conditions	<p>Work on equality and preventing discrimination is an integral part of KBN's Human Resources policy, and is followed up in all areas of KBN's activities. KBN is committed to having an inclusive culture in which all employees have the same rights and opportunities and are treated with respect. These requirements are stipulated in KBN's general guidelines for sustainability as approved by the Board of Directors.</p> <p>KBN encourages its employees to be trade union members. Information on the trade unions represented at KBN is provided as part of the training arrangements for new employees. Information on the trade unions is provided on KBN's intranet, and the employee representatives are permitted to carry out the trade union work during their working hours.</p> <p>KBN conducts due diligence assessments in accordance with the Transparency Act on enterprises' work on fundamental human rights and decent working conditions (the Norwegian Transparency Act).</p>
4. Climate	<p>KBN reports on its climate risk in accordance with the TCFD framework, and has developed indicators for its customers' climate risk exposure that are included in its credit approval model.</p> <p>KBN has set clear targets to reduce its own climate gas emissions. KBN's original 2030 emissions reduction target was achieved during 2025. In cooperation with other participants in the Norwegian capital market, KBN has worked to develop a methodology for calculating greenhouse gas emissions generated through investments made by its lending customers (municipalities), so-called financed emissions. This work will be continued in 2026.</p>
5. Natural diversity and ecosystems	<p>KBN offers green loans with discounted interest rates to finance investments in areas such as encouraging improvements in waste recovery and recycling, as well as measures to prevent pollution both on land and in water and for the restoration of natural areas.</p> <p>Since 2024, KBN has emphasised nature considerations in its lending criteria, and in 2025 updated the requirements for green loans for water and wastewater projects to meet increased climate and environmental expectations, as well as the needs of a sector undergoing change.</p>
6. Taxation and prevention of financial criminality	<p>KBN operates in Norway and complies with the tax rules as in force from time to time, and has approved a policy for its tax compliance that is published on the KBN website. KBN operates its activities with the aim of preventing financial crime. KBN is open about its objectives and the measures it adopts for its work on being a responsible organisation.</p>
7. Capital structure and dividend	<p>KBN's owner's target return and dividend expectations guide KBN's financial plans. KBN reports on its financial goals and results by publishing annual and quarterly reports. The Board of Directors produces annual capital adequacy plans (ICAAP report to the Financial Supervisory Authority of Norway), financial budgets, corporate OKRs and operating budgets in line with its long-term objectives and strategies.</p>

8. Organisational structure and corporate culture	<p>KBN's organisational decision-making structure is designed to facilitate the achievement of KBN's objectives and risk management policy, and complies with the Norwegian Code of Practice for Corporate Governance and the legislation and regulations that apply to financial institutions.</p> <p>Corporate culture and organisational development play central roles in KBN's strategy. A key theme for KBN's corporate culture is continuous renewal of expertise through training and sharing expertise in order to create value for its customers and for KBN's own activities.</p> <p>Measures to digitalise and improve the efficiency of work processes play a central role in KBN's strategy and strategic objectives. Specific targets have been introduced for employee involvement and achievement, which are monitored through regular employee surveys.</p>
9. Employees and diversity	<p>The general objectives for diversity and equality are embedded in KBN's guidelines for sustainability, integrated into KBN's human resources policy, and followed up across all parts of the organisation. KBN works actively, purposefully and systematically on sustainability, including equality, diversity, inclusion and non-discrimination.</p> <p>The work on equality covers all grounds of discrimination and applies across all human resources areas, including recruitment, pay and working conditions, career and development opportunities, facilitation, and the ability to combine work and family life. KBN reports on this work in its gender equality statement.</p> <p>Efforts to promote equality and prevent discrimination are integrated into KBN's human resources policy and followed up across all parts of the organisation. KBN aims to foster an inclusive culture in which all employees have equal rights and opportunities and are treated with respect. By facilitating the exchange of views and different perspectives, KBN seeks to arrive at the best solutions collectively.</p> <p>A dedicated budget is allocated to each employee for skills development. In addition, two larger training programmes were conducted in 2025 within municipal finance and data governance.</p> <p>KBN has established a student experience program which offers students in relevant disciplines the opportunity to work 40% of a full-time position at KBN for up to 2 years. Many of the students that have participated in this program have subsequently become full-time permanent employees at KBN.</p>
10. Salaries and other remuneration	<p>KBN's remuneration policy for senior executives is anchored in the company's value proposition and its personnel policy, and is in line with the state's guidelines for the remuneration of senior executives.</p> <p>The annual salary report is submitted to the Annual General Meeting and is published on KBN's website.</p> <p>KBN's guidelines stipulate that overall remuneration should be competitive but that KBN should not be market-leading.</p> <p>Fixed salary is the main element of remuneration. KBN also has a variable salary arrangement. This arrangement can award additional salary payments of up to 1.5 times one month's salary for all employees, based on quantitative criteria determined by the Board of Directors. Variable salary is conditional on KBN being in a position to pay a dividend to its owner.</p>
11. Risk management	<p>KBN's Board has issued risk management and internal control guidelines, and has set KBN's risk appetite framework. Important guidelines and limits for KBN's risk appetite are reviewed periodically at Board meetings.</p>
12. Corporate governance	<p>KBN complies with the recommendations of the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board except where it is subject to other requirements pursuant to the special provisions for government owned limited liability companies contained in the Norwegian Limited Liability Companies Act. See section <a href="#">The Norwegian Code of Practice for Corporate Governance</a> for further information.</p> <p>The Board of Directors observes practices for high-quality board work adapted to the company's activities.</p>
13. Transparency and reporting	<p>KBN has an objective of being one of the leading financial institutions in the areas of green finance solutions and insight that contribute to sustainable transition and value creation. KBN is in regular dialogue with its stakeholders and follows leading-edge practice for sustainability work and sustainability reporting. KBN complies with the TCFD framework and Eco-Lighthouse.</p> <p>On 26 February 2025, the European Commission announced proposals for simplifications to the CSRD (the "omnibus" package). The proposed simplifications mean that KBN is not subject to reporting obligations under the CSRD. KBN has chosen to report in accordance with the VSME framework from the 2025 reporting year.</p> <p>KBN is transparent about and reports on material matters related to its operations. KBN reports accordingly on <a href="http://www.kbn.com">www.kbn.com</a> and through its published Pillar 3, quarterly and annual reports</p>

## The Norwegian Code of Practice for Corporate Governance

The Norwegian Corporate Governance Board (NCGB) published a new edition of the Norwegian Code of Practice for Corporate Governance in 2025. The change that is particularly relevant for KBN is the recommendation that companies should create value for shareholders in a sustainable manner (Section 2).

The overview below details KBN's compliance with the recommendations of the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). KBN's deviations from the Code of Practice are the consequence of the special provisions for government-owned limited liability companies contained in the Norwegian Limited Liability Companies Act.

### 1. Implementation and reporting on corporate governance

*Some deviation from the Code of Practice.*

KBN complies with the Code of Practice's recommendations to the extent permitted by the legislation that applies to government-owned limited liability companies and the regulations that result from authorisation to operate as a credit institution. The areas in which KBN deviates from the Code of Practice's recommendations primarily relate to the fact that some provisions are not suited to KBN due to its state ownership.

See also section [Business model and operating model](#) and [KBN about us](#).

### 2. Business

*No deviation from the Code of Practice.*

KBN's objective is set out in its Articles of Association and is to provide loans to the local government sector. KBN's Articles of Association are publicly available. The Board of Directors considers and approves each year KBN's three-year rolling strategy, its main priorities (OKR) for its implementation of its strategy and its capital adequacy plan, as well as its risk appetite and risk limits. The Board has adopted guidelines on ethical conduct, anti-money laundering and corruption, a document that defines KBN's expectations of its suppliers, and guidelines on sustainability, which include guidelines for diversity and equality.

KBN's Guidelines for Sustainability are intended to ensure that KBN creates value in a manner that takes into account financial, social and environmental sustainability and that we have clear ambitions for work on diversity and equality.

See also section [Sustainability](#) and [KBN about us](#), and also [KBN Sustainability](#).

### 3. Equity and dividends

*Some deviation from the Code of Practice.*

The Board of Directors assesses KBN's capital adequacy situation on a continual basis in the light of the purpose behind the state's ownership and the company's objectives, strategy and risk profile, as well as in

relation to the requirements and expectations of the Financial Supervisory Authority of Norway and other supervisory authorities. KBN seeks to meet its owner's target for it to achieve the highest possible return over time subject to the limits on its activities contained in its Articles of Association. Since 2023, the state has had a long-term expectation for KBN to pay around 55% of its core earnings after tax in dividend, subject to maintaining a satisfactory capital adequacy. The long-term expectation for KBN's dividend applies to a period of 4-5 years.

Consent from the Norwegian Parliament must be obtained for changes to be made to the state's ownership interest in KBN (purchases and sales of shares) and for decisions regarding capital injections that involve the state paying out funds.

#### **4. Equal treatment of shareholders**

*No deviation from the Code of Practice.*

The Norwegian state owns 100% of KBN, and KBN follows the Code of Practice within the framework of its state ownership.

#### **5. Shares and negotiability**

*Deviation from the Code of Practice.*

Under KBN's Articles of Association, the state's shares can be assigned to municipalities, county authorities, intermunicipal companies and municipal pension funds. Any such assignment shall be carried out in accordance with the company's aim of maintaining the highest possible creditworthiness.

#### **6. General meetings**

*Some deviation from the Code of Practice.*

KBN has only one shareholder. The Norwegian state, acting through the Ministry of Local Government and Regional Development, calls General Meetings, to which the Chair of the Board of Directors, the CEO, the company's auditor, and the Office of the Auditor General are invited.

#### **7. Nomination Committee**

*Some deviation from the Code of Practice.*

KBN's Articles of Association require it to have a Nomination Committee and the Committee consists of up to three members and one deputy member, all of whom are elected by the General Meeting for a term of office of two years. All members and the deputy member are independent of the Board of Directors and senior executives.

No fees are paid to members of the Nomination Committee.

## 8. Board of directors: composition and independence

*No deviation from the Code of Practice.*

The composition of the Board of Directors is broadly-based in order to ensure that the Board can operate independently of any vested interests and that the Board has the necessary experience and expertise to understand KBN's activities. The suitability of individual members of the Board is assessed at the time the individual is first elected to the Board, and there is a requirement for routine confirmation of suitability thereafter. The Board's collective suitability is assessed at least annually in accordance with the regulatory requirements for financial institutions.

The General Meeting elects the Board's members as well as the chair.

The term of office for board members is two years.

## 9. The work of the Board of Directors

*No deviation from the Code of Practice.*

The Board of Directors has issued instructions for its own work and for the CEO. The Board has three committees: the Audit Committee, the Risk Management Committee and the Remuneration Committee.

The Board elects at least three members to its committees each year from among its members, and it appoints the chairs of these committees.

The Board evaluates its performance and expertise annually and shares its evaluation with the Ministry of Local Government and Regional Development in its dialogue meetings.

## 10. Risk management and internal control

*No deviation from the Code of Practice.*

The Board of Directors ensures that KBN has sound internal control and systems for risk management that are appropriate in relation to the nature of KBN's activities, and this includes ensuring that internal control and risk management are in line with the regulatory requirements for financial institutions and the specific requirements set for KBN by the authorities. The Board regularly reviews KBN's most important areas of exposure to risk, ensures its risk management is developed continuously, and sets KBN's risk appetite for different types of risk.

See also KBN's [Pillar 3 Report](#).

## 11. Remuneration of the Board of Directors

*No deviation from the Code of Practice.*

The remuneration of the Board of Directors reflects its responsibilities, expertise, time commitment and KBN's complexity. The remuneration of the Board is not linked to KBN's performance and share options are not granted to Board members.

## 12. Salaries and other remuneration of executive personnel

*No deviation from the Code of Practice.*

The Board of Directors prepares guidelines for the salaries of KBN's senior executives that are submitted to the General Meeting of KBN. KBN has a variable salary scheme of which all employees are members. The maximum amount any employee can receive under the scheme in any year is 1.5 times the employee's monthly salary. The amount awarded is based on quantitative criteria defined by the Board.

KBN does not have any exchange-listed equity instruments and does not operate option schemes for its employees. The Board's statement on the remuneration of senior executives is submitted to the General Meeting.

The salary report for executive personnel in 2025 will be submitted to the Annual General Meeting in 2026. The report will be published following consideration by the Annual General Meeting.

## 13. Information and communications

*No deviation from the Code of Practice.*

The Board of Directors has produced guidelines for the company's external reporting, as well as guidelines for information management and market conduct. KBN is committed to giving market participants accurate, clear, relevant and up-to-date information. In its activities in the markets for financial instruments, KBN is committed to operating in a manner that does not represent market manipulation.

The Board has decided which individuals shall act as spokespersons on behalf of KBN. KBN has a disaster recovery plan that also includes a separate plan for crisis communication.

Information about KBN is published in Norwegian and English.

## 14. Take-overs

*Deviation from the Code of Practice.*

Consent from the Norwegian parliament must be obtained in the event of changes to the state's ownership interest in KBN (purchases and sales of shares).

## 15. Auditor

*No deviation from the Code of Practice.*

The company's auditor is appointed by the General Meeting. The auditor issues an audit report in connection with KBN's annual accounts. The auditor attends the meetings of the Audit Committee, as well as those Board meetings at which KBN's annual and quarterly reports are considered.

The Audit Committee assesses the auditor's independence annually.

The auditor's fees are set by the General Meeting.



## Sustainability Statement 2025

### General information

#### Basis for preparation

KBN has chosen to prepare its sustainability report based on the principles of the European Financial Reporting Advisory Group's (EFRAG's) Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME), Option B: Basic Module and Comprehensive Module. In addition to the data points in the VSME, KBN has also chosen to include information on material topics from its double materiality analysis that are not covered through the VSME. This VSME report generally follows the same chapter structure as the European Sustainability Reporting Standards (ESRS) but will not meet the ESRS requirements.

Kommunalbanken AS is a limited liability company with no subsidiaries and is not part of a group. This report covers the company's value chain, including its upstream and downstream value chains, and KBN's own activities. For the double materiality analysis process, KBN's downstream value chain was defined as one step away from the customer, meaning that the investment projects of KBN's customers are included in KBN's assessment. Underlying suppliers to customers' investment projects (construction projects) are not included.

#### Information about KBN:

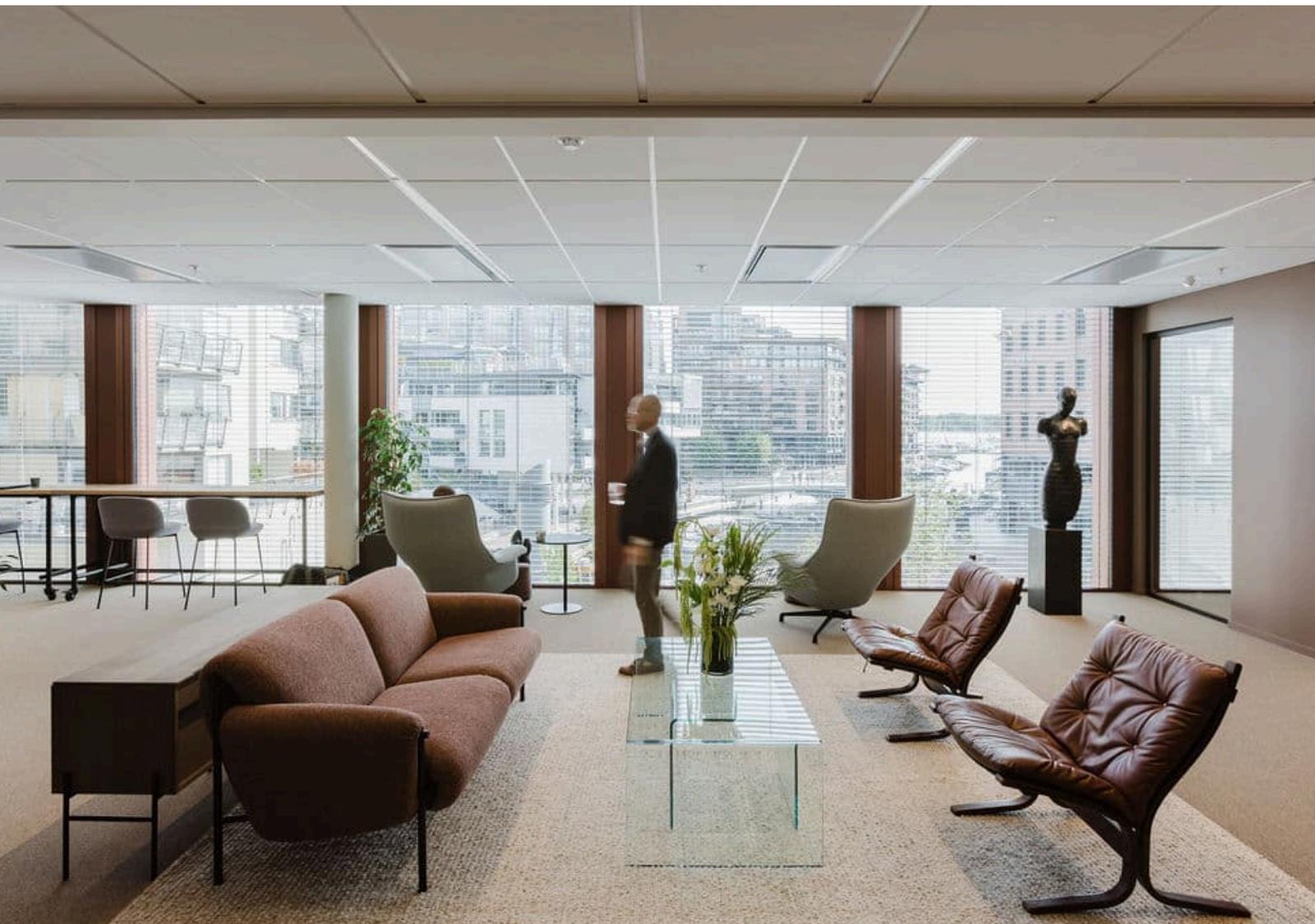
- Undertaking's legal form: Limited liability company
- NACE sector classification code: 64.190 Banks and credit institutions
- Size of the balance sheet: NOK 533,239 million
- Net interest NOK 2,466 million<sup>2</sup>
- Number of employees: 90
- Location of primary operations: Filipstad brygge 1, 0252 Oslo, Norway (Coordinates: 59° 54'36.72363)
- Geolocation of sites owned, leased or managed: KBN has only one business address. It runs all its activities from its headquarters.

KBN works systematically to reduce its environmental impact and has achieved Eco-Lighthouse certification from the Eco-Lighthouse Foundation.

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<sup>2</sup> Net interest is KBNs turnover as KBN does not have turnover as an income statement line.

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## Strategy, business model and value chain

With total assets of over NOK 500 billion, KBN is one of the largest financial institutions in Norway. KBN is owned by the Norwegian state to provide stable, long-term and efficient financing to Norwegian municipalities, county authorities and companies that perform local government tasks. The state also owns KBN to help facilitate the sustainable transition and greater value creation. KBN provides a broad range of lending products to the local government sector, including both green and normal loans.

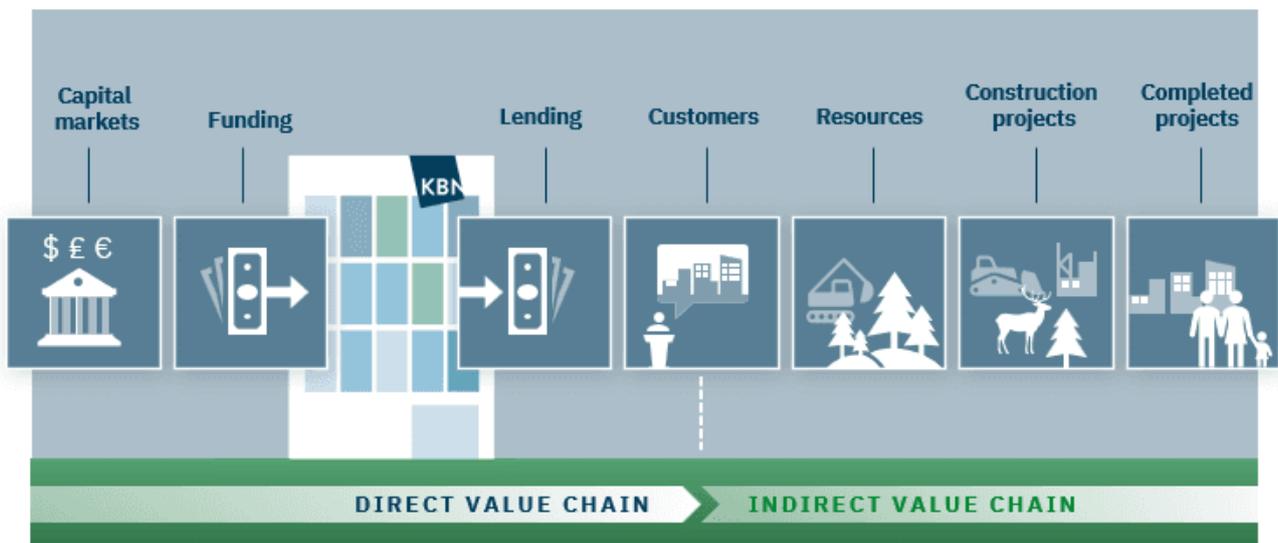
KBN's value creation is intended to balance financial, social, and environmental factors such that it achieves the highest possible return over time subject to the limits of sustainability. KBN has been designated a systematically important financial institution on the basis of an annual assessment carried out by the Financial Supervisory Authority of Norway adopted by the Norwegian Ministry of Finance, that is founded on KBN's total assets as a share of mainland Norway's GDP and its lending to the Norwegian public sector as a share of total lending to the sector in Norway. KBN finances its activities by ensuring it has efficient access to the world's capital markets. Maintaining a credit rating equivalent to the Norwegian state's (AAA) rating is essential to KBN's business model.

KBN’s sustainability-related objectives are integrated into its strategy and are monitored on a continual basis in the same way as its other objectives.

### Value chain

KBN is a financial institution with approximately 50% market share in loans and financing for the local government sector. Its direct upstream value chain consists of obtaining funding in order to be able to provide loans to customers for their investment projects downstream. Downstream KBN also has an indirect value chain through its financing of customers’ investment projects. This process spans from the moment customers make their investment decisions and execute them, to the completion of projects, such as the construction of a building in a local community.

**Figure: KBN’s value chain**



### Interests and views of stakeholders

Stakeholders are defined as all parties that are affected by or have an interest in KBN’s sustainability reporting or sustainability work. KBN has two groups of external stakeholders: affected stakeholders and users of its sustainability reports. All KBN’s stakeholders are or can be both an affected stakeholder and a user of KBN’s sustainability reports, with the exception of nature, which is a silent party that is only an affected stakeholder. KBN’s stakeholders are listed below:

- Customers: KBN’s customers are municipalities, county authorities and companies with a municipal or county authority guarantee
- Investors in bonds issued by KBN
- Financial suppliers and IT suppliers
- Own workforce

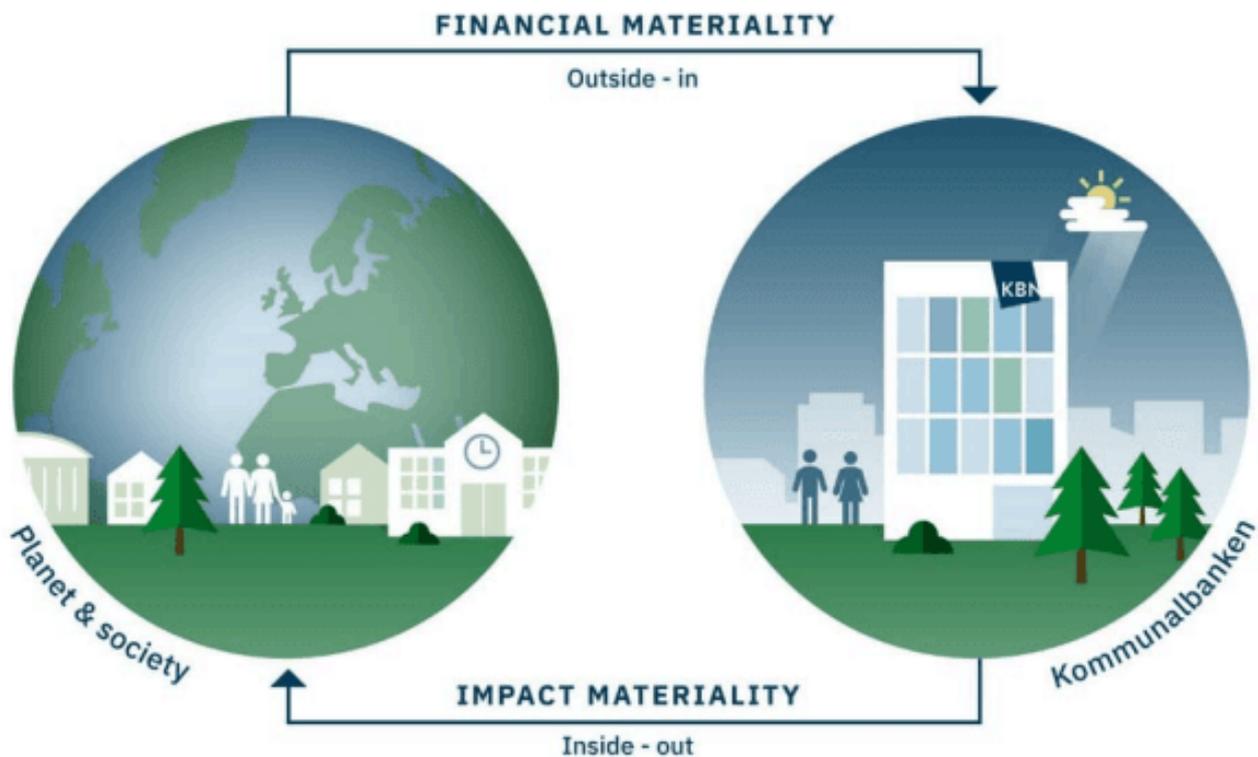
- Nature and wildlife
- Society
- KBN's owner (the Norwegian state acting through the Ministry of Local Government and Regional Development)

KBN's business model and strategy seek to balance different stakeholders' expectations. Through dialogue with stakeholders, KBN maps out how its different strategic objectives will impact its stakeholders' experience and expectations.

### Double materiality analysis

KBN regularly carries out a double materiality analysis to identify material sustainability topics. KBN's double materiality analysis is carried out in accordance with the requirements in ESRS 1. In the analysis, KBN's positive and negative impacts on society are identified (impact materiality), as well as the financial risks and opportunities for KBN (financial materiality).

**Figure: Illustration – double materiality**



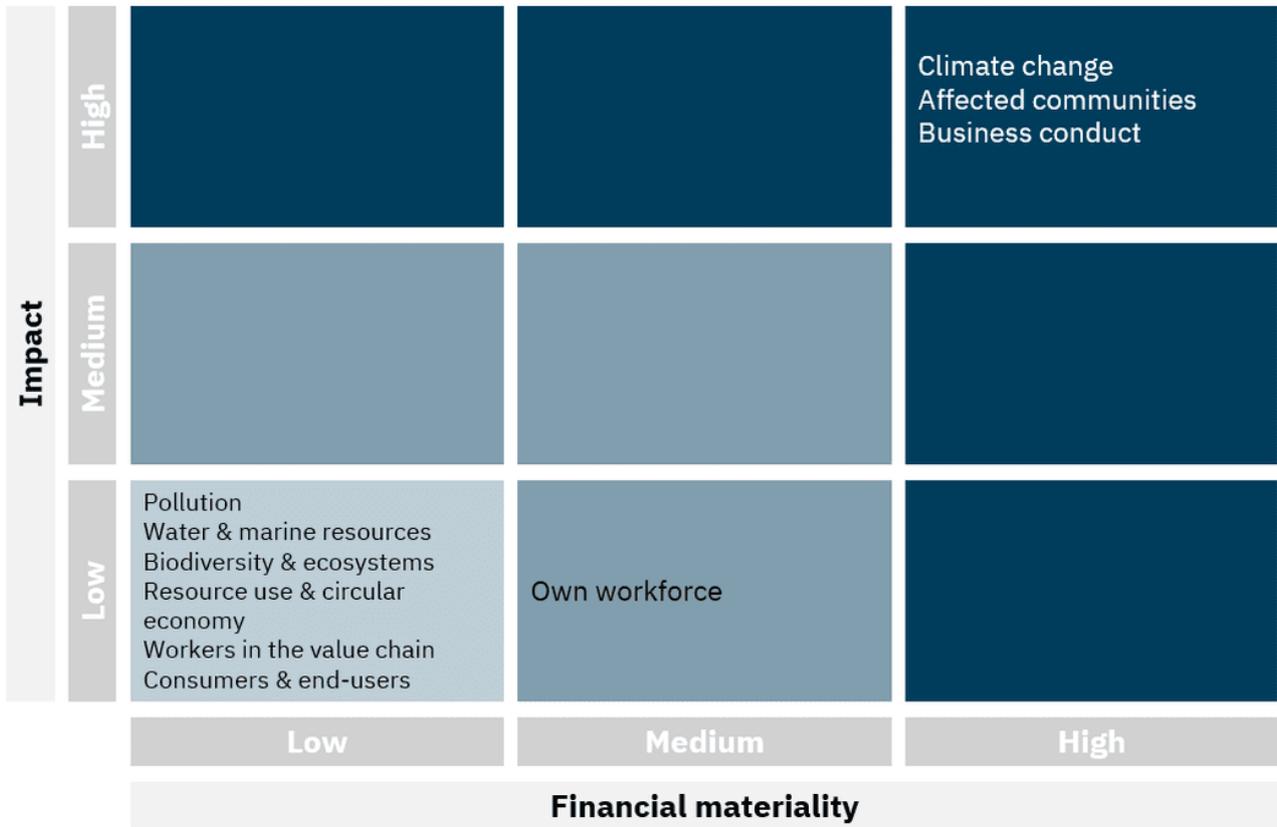
### Material impacts, risks and opportunities

The table below provides an overview of the material sustainability topics at KBN that were identified in the double materiality analysis in 2024. There were no circumstances that required changes to the materiality topics from 2024 to 2025.

Sustainability topic	Materiality	Value chain	Time horizon	Overall considerations that underlie the conclusion about materiality
Climate change	Financial Impact	Upstream	Short	<p><b>Climate Change Adaptation</b></p> <p><b>Positive impact</b> thanks to financing of customers' climate change adaptation measures.</p> <p>The <b>risk</b> that climate change may impact KBN's customers and over time impact their financial room for manoeuvre, including their ability to take on new loans. Over the long term, this may impact KBN's lending activity and portfolio composition.</p> <p>The <b>opportunity</b> that KBN's customers' climate change adaptation measures may increase demand for green loans.</p> <p><b>Climate change mitigation</b></p> <p><b>Negative impact</b> through greenhouse gas emissions (scopes 1, 2 and 3).</p> <p>The <b>risk</b> that high levels of greenhouse gas emissions in KBN's lending portfolio may impact KBN's funding costs/access to capital, and that loss of value for assets in the local government sector may impact KBN's customers' financial room for manoeuvre and investment capacity.</p> <p>The <b>opportunity</b> that climate change may increase demand for green and normal loans. Also, the possibility of an increase in the level of demand for green investment assets from investors with ESG mandates may be an opportunity for KBN to attract greater demand and improve the terms for green bond issues compared with other financing</p>
		Own operations	Medium	
		Downstream	Long	
Own workforce	Financial	Own operations	Short Medium Long	<p><b>Diversity and equality</b></p> <p>The <b>risk</b> that insufficient training and development of KBN's own employees leads to operational incidents and inefficiency and reduces workplace attractiveness.</p>
Affected communities	Financial Impact	Own operations	Short	<p><b>Economic, social and cultural matters</b></p> <p>An <b>indirect positive impact</b> on land use and socioeconomic matters in the local government sector through KBN's financing of investment in the sector. This means higher quality welfare and infrastructure that may stimulate financial activity, social interaction and the necessary transition to a sustainable economy. In addition, KBN may disseminate knowledge on financial risk management, the debt markets and responsible debt management, and thus contribute to greater financial resilience.</p> <p>The <b>risk</b> that any deterioration in the local government sector's financial situation may over time change its financial capacity, including the ability to take out new loans, and over the long term this will impact KBN's lending activity.</p>
		Downstream	Medium	
			Long	
Business conduct	Financial Impact	Own operations	Short	<p><b>Corporate culture, corruption and bribery, protection of whistleblowers, and IT and cyber security</b></p> <p>An <b>indirect negative impact</b> on corruption and bribery through KBN's financing of customers' investment projects, in addition to KBN and its employees possibly being directly exposed to corruption and bribery.</p> <p>A <b>positive impact</b> on KBN's corporate culture through KBN incentivising ethical conduct and responsible business practice.</p> <p>The <b>risk</b> of the occurrence of corruption and bribery, insufficient protection for whistleblowers and weak IT/cyber security leading to disruption to KBN's business operations, reputational damage, fines, legal costs, loss of market share and stricter regulation</p>
		Downstream	Medium	
			Long	

The matrix below summarises the results of KBN's double materiality analysis at an aggregate level. The sustainability topics located in the areas marked as high or medium for impact or financial materiality are defined as material for KBN.

Figure: Materiality matrix



Assessment of sustainability topics

Sustainability risk is continually monitored by KBN’s management and Board of Directors and is integrated into KBN’s risk categories. The process of producing and updating the double materiality analysis will be carried out regularly. The results from the analysis are, and will continue to be in the future, a strong foundation for KBN’s sustainability work.

Practices, policies and future initiatives for transitioning towards a more sustainable economy

**Sustainability issues within climate and environmental matters (E): Climate change, pollution, water and marine resources, biodiversity and ecosystems, and circular economy**

KBN has existing practices/policies/future initiatives for sustainability issues within climate matters. These consist of a framework for green lending and funding. These are available to the public on KBN’s website. The measures specified include green loans with an associated framework, and greenhouse gas emission reductions. KBN has strategic objectives for climate matters related to its volume of green lending, the proportion of KBN’s total lending portfolio that is green lending, the proportion of its total customers that have a green loan, as well as for the level of its greenhouse gas emissions. These strategic objectives are approved by the Board of Directors. See also the section on KBN’s strategic objectives (Link).

### **Sustainability issues within social matters (S): Own workforce, and workers in the value chain**

KBN has existing practices/policies/future initiatives for sustainability issues within social matters. These consist of its staff handbook, which is not available to the public. KBN has strategic objectives for social matters related to sick leave, the gender balance, competence development, and the results of its employee survey for the topics of engagement and execution. These strategic objectives are approved by the Board of Directors. See also the section on KBN's strategic objectives (Link).

### **Sustainability issues within governance (G): Good business conduct**

KBN has existing practices/policies/future initiatives for sustainability issues within governance. These relate to KBN's Code of Conduct. In addition, KBN has internal guidelines for measures to combat money laundering and terrorist financing, as well as guidelines on market conduct, whistleblowing, and sustainable investment. KBN's Code of Conduct is available to the public on its website. The general guidelines are approved by the Board, while any supplementary guidelines are approved by the CEO.

## Energy and greenhouse gas emissions

### Greenhouse gas accounts

KBN uses 2019 as the base year for its greenhouse gas accounts, and its emissions are calculated using the principles in the GHG Protocol. In 2025, KBN's greenhouse gas emissions totalled 52.0 tCO<sub>2</sub>e across scopes 1, 2 and (parts of) 3, which represents a decrease of 37% from 2024 and a decrease of 73% from 2019. For electricity, KBN uses location-based emissions. The difference between location-based and market-based is that location-based calculates emissions based on the actual energy mix in the geographical area where the electricity is produced, while market-based calculates emissions based on the electricity that is actually bought and sold in the market. This can include electricity from both renewable and non-renewable sources.

KBN's reported scope 3 emissions totalled 51.3 tCO<sub>2</sub>e in 2025, which is a decrease of 23% from 2024. KBN carries out an annual screening of material scope 3 categories, and the scope 3 emissions currently included in its greenhouse gas accounts are waste and business travel. KBN has worked on developing a method for calculating its remaining scope 3 emissions, i.e. category 15 – financed emissions. KBN has an ongoing collaboration with Nordic Trustee, KLP and the Norwegian Association of Local and Regional Authorities (KS) relating to a calculation model for financed emissions. A first version of the model was introduced in spring 2025, but there is still work to be done to further develop the method and model in collaboration with the organisation that gathers the data from the municipalities. KBN has therefore not included figures for its financed emissions in its 2025 sustainability report.

KBN's 2025 greenhouse gas emissions are divided between the scopes as follows:

- **Scope 1:** 0 tCO<sub>2</sub>e
- **Scope 2:** 0.7 tCO<sub>2</sub>e
- **Scope 3:** 51.3 tCO<sub>2</sub>e

Emissions intensity is a measure of the relationship between total greenhouse gas emissions and financial activity/value creation. KBN's results for its emissions and emissions intensity (by full-time equivalent employee and revenue) for 2025, 2024 and the base year of 2019 are summarised in the table below:

	2025	2024	2019
tCO2e/full-time position	0.56	0.93	2.35
tCO2e/NOK million of revenue	0.02	0.04	0.10

	2025	2024	2019	Change from 2024 to 2025	Change from 2019 to 2025
<b>Scope 1</b>					
Fuel	0	0	2.8	0%	-100%
<b>Total scope 1</b>	<b>0</b>	<b>0</b>	<b>2.8</b>	<b>0%</b>	<b>-100%</b>
<b>Scope 2</b>					
Electricity - location-based	0.7	3.5	39.3	-80%	-98%
Electricity - market-based	29.9	139.2	0	-79%	N/A
District heating and district cooling	0	12.3	18.5	-100%	-100%
<b>Total scope 2 - market-based</b>	<b>29.9</b>	<b>151.5</b>	<b>0</b>	<b>-80%</b>	<b>0%</b>
<b>Total scope 2 - location-based</b>	<b>0.7</b>	<b>15.8</b>	<b>57.8</b>	<b>-96%</b>	<b>N/A</b>
Scope 1 + 2	0.7	15.8	60.6	-96%	-99%
<b>Scope 3</b>					
Category 5: Waste	0.2	0.3	0.3	-33%	-35%
Category 6: Business travel	51.1	66.5	130.9	-23%	-61%
<b>Total scope 3</b>	<b>51.3</b>	<b>66.8</b>	<b>131.3</b>	<b>-23%</b>	<b>-61%</b>
<b>Total emissions - Location-based</b>	<b>52.0</b>	<b>82.5</b>	<b>191.8</b>	<b>-37%</b>	<b>-73%</b>
<b>Total emissions - Market-based</b>	<b>81.2</b>	<b>218.3</b>	<b>0</b>	<b>-63%</b>	<b>N/A</b>

KBN has a target of cutting its own CO2 emissions (direct) by at least 55% by 2030 relative to 2019. Its own CO2 emissions totalled 52.0 tCO2e in 2025, which is a decrease of 73% from 2019. KBN has therefore already achieved its reduction target, five years ahead of schedule.

## Climate risk

KBN uses the Task Force on Climate-related Financial Disclosures (TCFD) framework to assess and report on its climate risk. KBN updates its analysis regularly and can be found on [KBN's website](#).

## Measures to limit scope 1 and 2 emissions

KBN is a financial institution with office operations carried out at a single location. Its scope 1 and scope 2 emissions will therefore be limited. KBN's offices are located in a newly renovated building. An important factor when KBN chose its premises was the landlord's documentation of the optimisation of energy consumption in the building. To reduce energy consumption, the building's heating is adjusted throughout the day and over the course of the week. During periods when the level of office activity is expected to be low, the temperature is set lower. The target temperature during normal working hours is 23-23.5 °C. KBN will continue to follow up with the landlord to reduce energy consumption to the greatest extent possible. KBN's move to its new office with lower energy consumption in 2024 is a significant reason for the decrease in its measured and reported emissions.

## Measures to limit scope 3 emissions

### Sustainable lending products

KBN offers green loans at a discounted interest rate compared to its standard loans, aiming to encourage the local government sector to invest in climate-friendly and environmentally sustainable projects. At the end of 2025, green lending represented 21% of KBN's lending portfolio. Green loans are granted to projects that help reduce greenhouse gas emissions, improve energy efficiency, reduce climate impacts, and contribute to climate change adaptation. A discount of 10 basis points is given for long-term instalment-based loans for projects that satisfy KBN's green loan criteria. For loans with no instalments offered in competition with the capital markets for projects that satisfy KBN's green loan criteria, the discount is set on a case-by-case basis. To be granted a green loan, a project must be recommended by a customer manager from the Lending Department and assessed by a climate advisor and climate controller, who generally work in Green Finance in the Lending Department. The climate advisor and climate controller review the project to check that it is in line with KBN's green loan criteria before it is either approved or rejected. Only KBN employees who have the role of climate advisor and/or climate controller in their job description are authorised to assess projects for green loans. In cases of doubt, the Chief Lending Officer is also required to consider whether the project satisfies the requirements.

### Sustainable funding products

KBN issues green bonds under its KBN Green Bond Framework, and this funding finances its green loans. When considering the issuance of new green bonds, the amount to be issued must be evaluated against KBN's outstanding green loans. As a rule, the total outstanding green bonds should not exceed KBN's combined green loans, unless the excess is related to imminent disbursements of already approved green loans.

In the event of large redemption/instalment payments that cause the volume of KBN's green loans to be lower than outstanding green bonds, KBN will consider making investments in green bonds issued by other parties within the applicable framework for liquidity investments.

### Sustainable investments

KBN has Guidelines for Sustainable Investment to ensure that its liquidity portfolio investments are in line with the objective of contributing to the sustainable development of society and long-term value creation. Integrating climate and environmental considerations, social issues, and governance factors (ESG) into its investment decisions and investing in counterparties/issuers that make sustainable choices is considered to generate a higher risk-adjusted return over the long term and to be in the best interests of society and the environment.

As part of its Guidelines for Sustainable Investment, KBN has developed a method for assessing counterparties/issuers. Counterparties are assessed on three dimensions whenever sufficient data exists: exclusion criteria, a norms-based research score, and an ESG rating.

## Impact report

KBN publishes a separate impact report in addition to its Annual Report. The impact report gives investors and other stakeholders detailed information about the projects which are financed by KBN's green bonds through the green loans it makes. At the end of 2025, KBN's outstanding green loans totalled NOK 75.7 billion across 570 local government projects, 40 of which were new projects in 2025.

## Energy

KBN's total energy consumption in MWh in 2025 was 55.8 MWh. This energy consumption related to electricity (as reflected in KBN's electricity bills).

## Pollution of air, water and soil, biodiversity, water, and resource usage, circular economy and waste management

The pollution of air, water and soil, biodiversity, water, and resource usage, circular economy and waste management were not assessed to be material topics in the double materiality analysis.

KBN is not aware of any pollution of air, water or soil through its direct value chain.

KBN leases a single office and does not own or manage any other sites. Its office is 2,130 square metres. The area or areas around its office are not considered to be a biodiversity sensitive area.

KBN's only water withdrawal is in connection with its office.

KBN seeks to contribute to a circular economy by striving to minimise its waste, to facilitate recycling and to increase the level of reuse and repairs. For the reporting year, KBN generated 6.5 tonnes of waste. There is no figure for the amount of hazardous waste generated, but this is deemed to be very low as a result of the office-based nature of KBN's waste-generation activities. There is also no figure for the amount of waste diverted to recycling or reuse.



## Own workforce

KBN is a competence-based business, and as such its employees are its most important resource. KBN seeks to work in a way that promotes learning, knowledge sharing and the efficient use of technology. It is important to KBN that its employees find the workplace to be safe and inclusive, and that they are given the opportunity to further develop their competence, so that they can carry out their tasks successfully now and in the future.

One of the most important tasks for KBN employees is developing their competence, both for use at KBN and for themselves. Competence development is therefore a strategic and important focus area for KBN, and KBN works on a long-term basis to strengthen the competence of its employees in relevant specialist areas.

## Working conditions

KBN seeks to offer high-quality and safe working conditions that are also in line with all relevant legislation and regulations. KBN's 2025 equality statement in accordance with the Norwegian Equality and Antidiscrimination Act is published on its website.

KBN offers its employees competitive terms and conditions of employment, and all employees are part of the company's welfare and insurance schemes. All employees also have the right to join a trade union and are given information on the option at the start of their employment at KBN.

The CEO has the overall responsibility for ensuring that KBN's working environment is satisfactory and is responsible together with the Labour Inspection Authority and Working Environment Committee for continually mapping the working environment in terms of risk factors, health hazards and welfare, in addition to implementing any measures required. Employees, because of their duty to cooperate as well as in accordance with the Code of Conduct, help to ensure that KBN has a high-quality and safe working environment.

KBN's employees must have a workload that is reasonable, and the HR function and department managers carry out monitoring throughout the year to ensure that no employee has an excessive workload. In addition, the trend in the sick leave rate is also monitored, and employees' experience of their work-life balance is also surveyed using the annual employee survey.

KBN does not accept discrimination or harassing behaviour, or physical, psychological, or sexual violence, as is set out in its Code of Conduct. Such behaviours are prevented by means of general working environment measures, and the employee handbook describes the procedures for whistleblowing at KBN. Employees can make a whistleblowing report using various channels, internally at KBN to their employer or a health and safety representative, employee trade union representative or the employer's law firm, as well as to KBN's external whistleblowing channel (PwC) or publicly by means of a public supervisory authority or other public authority. An electronic whistleblowing channel is available to all KBN's employees on the intranet and, as mentioned, there is also an external whistleblowing channel provided by an external organisation. Information on KBN's channels and procedures for whistleblowing is provided as part of the annual training provided on KBN's Code of Conduct.

KBN's Code of Conduct (which covers matters related to human rights) for its own workforce addresses working conditions, discrimination, and the prevention of accidents. The Code of Conduct does not contain dedicated sections on child labour, forced labour, or human trafficking due to the nature of KBN's activities and the associated low risk of such issues occurring. There were no confirmed incidents within the company's own workforce related to child labour, forced labour, human trafficking, discrimination, or other similar matters during the reporting year, and these are considered low-risk issues for KBN's type of business activity.

## Equal treatment and equal opportunities for all

KBN works to have a high level of inclusion and diversity. It seeks to create a working environment in which everyone is seen, respected and valued for who they are, and it works to create diversity among its employees. In the hiring processes and employment conditions, KBN addresses grounds for discrimination such as gender, pregnancy, leave due to childbirth or adoption, care giving duties, ethnicity, religion, beliefs, disability, sexual orientation, gender identity, gender expression, and combinations of these grounds. At KBN all employees receive equal pay for equal work.

KBN employs a targeted approach in its recruitment processes in order to attract a diverse range of applicants. It is challenging to attract female applicants for particular positions in specialist areas in finance, risk management and IT.

## Characteristics of the undertaking's employees

The tables below summarise the characteristics/indicators of KBN's employees.

Indicators	
Number of permanent employees <sup>3</sup>	90
Number of temporary employees <sup>4</sup>	8
Number of women <sup>5</sup>	32
Number of men <sup>6</sup>	63
Country of employment contract	Norway
Employee turnover rate	4.5%
Work-related accidents	0
Fatalities as a result of work-related ill health	0
Pay equal to or above applicable minimum wage for the country in which it reports	Higher
Percentage of employees covered by collective bargaining agreements	100%
Average annual number of training hours per female employee	16
Average annual number of training hours per male employee	16
Female-to-male ratio at management level	50%
Self-employed external personnel who are working exclusively for the undertaking	0
Temporary workers provided by undertakings primarily engaged in 'employment activities'	3
Confirmed incidents in its own workforce related to child labour, forced labour, human trafficking, discrimination or other:	0

The table below summarises the average salaries for women and men, and the proportional difference between men and women. The figures in the table include fixed salary, variable salary paid during the reporting period, remuneration for overtime and taxable benefits.

<sup>3</sup> Does not include students and other temporary employees

<sup>4</sup> Includes students and other temporary employees

<sup>5</sup> Includes students

<sup>6</sup> Includes students

	Women	Men	Overall	Women's compensation as a percentage of men's
Average annual employee compensation	1,194,819	1,293,092	1,260,335	92%
CEO	4,317,401	N/A	4,317,401	N/A
Management team excl. CEO	2,332,754	2,355,806	2,345,927	99%
Middle managers/subject specialists	N/A	1,486,292	N/A	N/A
Senior advisors/ senior operational staff	1,215,056	1,342,221	1,308,311	91%
Advisors/operational employees/administrative staff	925,338	959,625	945,536	96%
Students	N/A	N/A	N/A	100%

In the category Middle Managers/subject Specialists, there are three female employees, and for privacy reasons, women’s average salaries and salaries as a percentage of men’s salaries are not disclosed.

The pay differences in the categories Senior Advisors/senior operational staff and Advisors/operational employees/administrative staff can largely be explained by the composition of the groups. There is an overrepresentation of men with long experience in more specialized professional roles, which raises their average salary. At the same time, several experienced women have left KBN in recent years and have, to some extent, been replaced by younger women. This has contributed to a higher proportion of women in the early stages of their careers within these job categories, with lower salaries than their older male colleagues.

### Affected communities

Being the customer’s first choice for financing and debt management is an important pillar in KBN’s strategy. KBN’s main aim is for its customers to want to use KBN for long-term financing of investment in welfare.

KBN finances municipalities’ and county authorities’ investment in infrastructure and welfare. This investment spending is intended to stimulate economic activity, as well as social interaction and development. KBN’s position as the largest lender to the Norwegian local government sector means KBN is uniquely positioned to share knowledge and expertise that can strengthen its customers’ financial resilience and help them to adapt to changing local needs and the climate transition. KBN also has a strategic ambition of being a responsible lender that helps its customers to take high-quality and future-oriented decisions that maintain their financial sustainability.

**Our aggregate financing\* to the local government sector is**  
**NOK 384 bn.**

**99.7%**

**of Norway’s municipalities are customers of KBN**

**49.7%**

**of all local-government sector borrowing \*\* is financed by KBN**

\* Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

\*\* Loans from the Norwegian State Housing Bank have been excluded from this calculation as KBN does not compete for these loans.

## Lending practice and assessment of creditworthiness

KBN's credit strategy for its lending activities, along with its guidelines for lending and its credit assessment principles for borrowers, provide the framework for its monitoring of customers. This framework determines what needs to be assessed when entering into and continuing customer relationships, as well as when granting new loans. In this context, it is to be noted that all Norway's municipalities and county authorities are existing customers of KBN, with 1-2 at any one time not having a loan from KBN but nonetheless a continuing customer relationship. The guidelines and principles are important governance documents for how KBN is to exercise its role. The risk of a negative impact resulting from KBN providing incorrect or incomplete information is decreased by means of clear guidelines for how and what type of advice customer managers can give customers.

## Economic sustainability

Economic sustainability is about ensuring that economic growth and development can be maintained to ensure the security of people and society over time. It also means taking responsibility for stable, long-term, and ethically responsible economic growth so that economic growth today is not at the expense of future growth and generations, while also being able to deliver sufficient services to residents. In a local government context, it means ensuring that budgets are adhered to, having contingency funds, and ensuring that the level of borrowing is manageable over time.

KBN seeks to contribute to the long-term financial sustainability of its customers. Based on KBN's approach to responsible lending and its credit model, KBN supports its customers to take high-quality and future-oriented decisions that address financial sustainability and the health of local communities. KBN can achieve this by closely monitoring its customers and more specifically by emphasising financial sustainability in its discussions with customers, by being clear and transparent about its assessment of the credit worthiness of its customers, and by setting a clear expectation for economic growth in order for it to continue to be able to provide loans. This will also mean that in some instances loans will not be offered when KBN considers, based on its credit model, that the customer is not in a position to service further new borrowing. Going forward, these will be important tasks for KBN's lending department in order for it to support long-term and sustainable debt management by its customers.

## Customer-oriented dialogue

All loans from KBN are linked to the financing of investments that are either approved directly by a municipal or county council or indirectly through approved loan guarantees. The administrations at KBN's customers (hereinafter 'customers') will be legitimate representatives of their local communities. KBN's financing is therefore directly subject to the decisions and priorities of elected bodies.

KBN's customer managers, its customer centre and its Chief Lending Officer are in continual dialogue with customers, but the most frequent contact takes place when a new loan relationship is being initiated and completed. KBN organizes annual customer seminars and surveys, as well as regular customer webinars.

KBN has a separate channel for complaints from customers, and an external whistleblowing channel is available via KBN's website. Feedback from dialogue with customers, worse-than-expected results from customer surveys and any whistleblowing reports are followed up immediately. The Chief Lending Officer is operationally responsible for monitoring and engaging with affected communities (customers), but guidelines are set by the management team and Board of Directors.

### Dialogue about KBN's credit assessment process

As part of the lending process, KBN assesses the creditworthiness of its customers at least once a year. KBN's credit model provides a good picture of individual municipalities' and county authorities' financial position. The model is intended to facilitate any enhanced financial monitoring of KBN's customers as and when is required. There are three categories of key figures in the model, which are:

1. Financial key figures (80% of the total weighting)
2. Demographic and socioeconomic key figures (11% of the total weighting)
3. ESG (9% of the total weighting)

The financial key figures provide an assessment of each customer's current financial situation, and this, in combination with the demographic and socioeconomic key figures, provides an indication of future developments.

A low score on KBN's credit model will result in a requirement for any loan request by the customer concerned to be considered by the Credit Committee and, potentially, approved by the CEO. For customers with the lowest credit score (red), new loans need to be approved by the Board of Directors. This ensures that, although KBN has minimal real exposure to credit risk (risk of confirmed losses), its lending activities align with those of other banks and regulations. The insight provided by the credit model also means that KBN can exercise its role as a responsible lender that contributes to municipalities' responsible management of their borrowings. KBN's credit model and credit assessments are made available to customers in the customer portal and are included in KBN's dialogue with customers such that KBN shares its knowledge, and discussions are adapted to the financial situation of each customer. If it is considered desirable, KBN can also contribute to discussions with the customer's elected representatives, either on its municipal council or its executive committee.

### Business conduct

KBN has a conservative risk profile and is one of the few AAA-rated financial institutions in the world. Good business conduct is important in order for KBN to maintain a strong position in the market and to have access to low-cost and stable financing, hedging and liquidity management.

## Code of Conduct and corporate culture

KBN's Board of Directors sets general guidelines, and the CEO sets supplementary guidelines. The guidelines are reviewed annually.

KBN's Code of Conduct is approved by the Board of Directors and is a guide to the behaviour that is expected of KBN's employees. All KBN's employees are required to be familiar with it. The Chief Compliance Officer is the document manager and is responsible for monitoring the Code of Conduct. In addition to the Code of Conduct, KBN has special guidelines (central conduct rules) in special areas that are relevant to business conduct. Annual training in key conduct rules, including the Code of Conduct, is provided for all employees under the supervision of the compliance department, and all employees must confirm each year that they have read and are familiar with the rules.

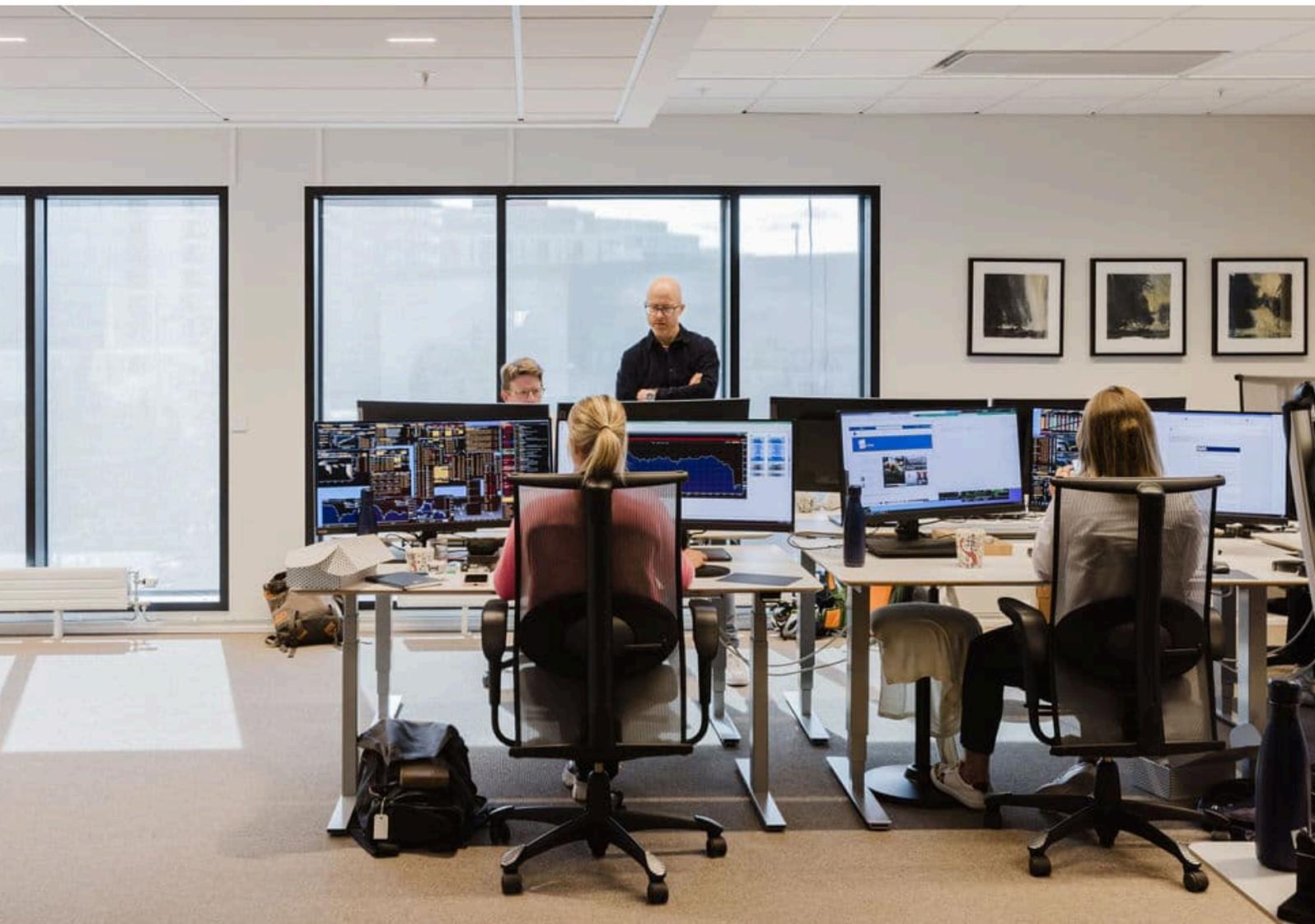
KBN's conduct rules emphasise the importance of respect, a high level of integrity and transparency. In accordance with the Code of Conduct, employees have a responsibility to act in accordance with KBN's values. In addition to the Code of Conduct, KBN has a wide range of other guidelines that provide instructions and are intended to promote a healthy corporate culture. These include KBN's guidelines on sustainability, on measures to combat money laundering and terrorist financing, on IT and data management, as well as those on risk management and internal control, the assessment of conflicts of interest, data privacy, security management, market conduct, supplier management and information management.

## Corruption and bribery

It is important for KBN to build an organisational culture and organisational structure that reduce the risk of corruption and bribery. KBN's procedures for addressing corruption and bribery are first and foremost covered by the Code of Conduct. There are also separate guidelines for measures to combat money laundering and terrorist financing.

KBN's governance structure is also intended to reduce the risk of corruption and bribery. It is particularly in those departments which exercise a high level of discretion regarding market participants that there is an inherent risk of corruption and bribery in KBN's own operations. Controls intended to reduce this risk to an acceptable level have been implemented in the various departments.

There were no convictions or fines for corruption or bribery during the reporting year.



## Anti-money laundering

KBN is an obliged entity under the Norwegian Anti-Money Laundering Act and is therefore required to implement measures to combat money laundering and terrorist financing and to report suspicious matters to the authorities.

Customer due diligence measures are applied when establishing customer relationships and on a continual basis during a customer relationship. KBN's general and supplementary guidelines on measures to combat money laundering and terrorist financing describe how and when customer due diligence measures shall be applied and describe KBN's governance structure in the anti-money laundering area.

KBN's Chief Technology and Operations Officer is part of the first line of defence and is the head of anti-money laundering at KBN in accordance with Norway's anti-money laundering rules, while KBN's Chief Compliance Officer is the compliance officer in accordance with the rules. KBN's Chief Lending Officer is also part of the first line of defence and is responsible for obtaining and verifying information on customers, while the head of anti-money laundering is responsible for monitoring sanctions on a continual basis, monitoring

for negative media reports and monitoring transactions. KBN's Chief Risk Officer is a control function as part of the second line of defence and is responsible for assessing and reporting the level of risk in the area. The Board receives quarterly status reports on KBN's efforts to combat money laundering and terrorist financing. These reports include the number of customers in each risk category and the number of matters reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). Reporting on risk exposure and compliance is provided through the routine reports provided to the Board of Directors.

The lending department and business operations section in the technology and operations department are the units that are involved in the customer due diligence measures, and that are the closest to transactions with customers. All these sections' and departments' employees receive anti-money laundering training each quarter and take an annual test on which they are required to score 80% in order to pass. The training is foundational, but it is also adapted so that the employees are in a position to apply due diligence measures in accordance with the Norwegian Anti-Money Laundering Act, and to make sound judgments and observations when carrying out their normal work tasks with respect to the risk of money laundering and terrorist financing.

KBN's Board of Directors and management team receive annual training on anti-money laundering and terrorist financing.

The duty to inform the Head of Anti-Money Laundering of suspicious matters applies to members of the Board of Directors, KBN's employees and hired-in personnel. When suspicious matters are reported, it is the Head of Anti-Money Laundering who determines the group of people who will be involved in the investigations.

## Protection of whistleblowers

It is important for KBN to have procedures that attend to the rights of whistleblowers, and for KBN's employees to be informed about the processes for managing whistleblowing reports. Whistleblowing and KBN's whistleblowing procedure are part of the annual training provided for all KBN's employees on conduct rules. The guidelines are subject to regular assessment and revision.

The guidelines for whistleblowing describe the roles and responsibilities involved, provide definitions for whistleblowing, and set out what constitutes a censurable matter and how employees can make a whistleblowing report, both internally and externally. KBN's Chief Compliance Officer manages KBN's whistleblowing channels and will normally be the person who processes whistleblowing reports that are received internally, but he/she also ensures that KBN has an external whistleblowing channel. There were no whistleblowing reports at KBN in 2025.

## IT and cyber security

The Board of Directors has approved a separate IT strategy in the technology area. The IT strategy sets the direction for how KBN will use information technology to support its strategic objectives and ambitions. The IT strategy, together with KBN's guidelines, provides the framework for ongoing decisions in the IT area.

IT and cyber security are important for KBN to protect sensitive data, prevent financial losses, and maintain trust in the market. In addition, IT and cyber security are also important for compliance with legislation, to ensure continuing operations, and to avoid causing losses or disruption for customers and counterparties because of weak security procedures at KBN. The Board of Directors has determined that KBN's risk appetite for operational risk, including IT and cyber risk is low.

KBN's general guidelines for security management, risk management and internal control, and IT and data management set limits and requirements for KBN's governance of IT and cyber security. The Chief Technology and Operations Officer are responsible for the security governance framework and carries out a risk and vulnerability analysis each year for the IT and cyber area, and this determines which actions and measures are implemented and carried out to ensure KBN operates within the established risk appetite for the IT area. Security measures in IT and cyber security are intended to ensure the confidentiality, integrity and availability of the information and systems, both physical and digital, that are used by KBN.

All of KBN's critical business processes and support functions depend on IT systems and services, and it is therefore important that all employees have basic knowledge of good security procedures and put them into practice. KBN provides annual training in IT and cyber security as part of an obligatory review of the Code of Conduct for all employees. IT and cyber security training is also provided in the form of phishing tests, participation in Norway's National Security Month and digital security quizzes.

KBN uses CIS Controls as the technical standard for implementing security measures. Threats are monitored and technical vulnerabilities are closed on a continual basis. Security tests are carried out at different levels, including different penetration tests.

## Revenue from certain sectors and exclusion from EU reference benchmarks

KBN has no activities or related revenues from the following sectors: controversial weapons, cultivation and production of tobacco, fossil fuels or chemicals production. KBN is not excluded from any of the EU reference benchmarks that are aligned with the Paris Agreement.

## Board gender diversity

The Norwegian Limited Liability Companies Act requires at least 40% representation of each gender on the boards of large and medium-sized companies. KBN's Board of Directors consists of nine members, five of whom are women. 56% of its members are thus women, and 44% are men.

## The Board of Directors' Report 2025

### KBN's activities in 2025

Kommunalbanken AS (hereinafter KBN) is 100% owned by the Norwegian state, with the Ministry of Local Government and Regional Development acting as KBN's owner, and its business address is in Oslo, Norway. KBN's role is to provide stable, long-term and efficient debt financing for the local government sector. KBN's aggregate customer financing<sup>7</sup> grew by NOK 9 billion in 2025. Lending represented NOK 4 billion of this amount, while local government sector bonds in its liquidity portfolio represented NOK 5 billion. The loans KBN granted financed investment in projects such as schools, health and care facilities, and water and wastewater systems. At the end of 2025, KBN's market share based on its aggregate customer financing and after adjusting for loans from the Norwegian State Housing Bank was 49.7%<sup>8</sup>, compared to 50.2% at the end of 2024.

KBN seeks to help facilitate the transition to a sustainable economy and greater value creation in the local government sector. It provides green lending products to finance investment in projects with a climate ambition. KBN's green lending grew by NOK 10 billion in 2025, as compared to an increase of NOK 13 billion in 2024. Green lending represented 21.0% of KBN's total lending at the end of 2025. Long-term financing for the development of local welfare services, growth in lending for projects with a climate ambition, efficient operations and a high level of customer satisfaction demonstrate that KBN is fulfilling its role in society successfully.

KBN's core earnings<sup>9</sup> were NOK 1,381 million in 2025, as compared to NOK 1,276 million in 2024. Net interest income was NOK 2,466 million in 2025, as compared to NOK 2,253 million in 2024. The main reason for the increase was that KBN received NOK 189 million in interest compensation in connection with the outcome of a successful tax appeal. On 18 December 2025 the Norwegian Tax Appeals Committee found in KBN's favour in respect of a tax appeal relating to financial instruments for the fiscal years 2014-2021. The ruling involves in overall terms a decrease in KBN's taxable income for the years in question. As a result of this, KBN has received a refund of tax it previously paid totalling NOK 1 billion together with interest compensation. After adjusting for this interest compensation, KBN's net interest income was NOK 24 million higher in 2025 than in 2024.

In 2025 KBN's result for the period was a profit of NOK 1,894 million as compared to a profit of NOK 1,474 million in 2024. KBN's annualised return on equity in 2025 was 9.5%, compared to 7.4% in 2024. Based on its core earnings, KBN's annualised return on equity in 2025 was 7.6%, compared to 7.2% in 2024. KBN's Board of Directors has set a strategic target for its return on equity of a minimum of 7%. KBN's return on equity is expected to a large extent to correlate with the level of interest rates in the market.

<sup>7</sup> Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

<sup>8</sup> KBN's market share based on total loans to customers of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from the Norwegian State Housing Bank is not included as KBN does not compete for these loans.

<sup>9</sup> Profit after tax adjusted for net unrealised gain/(loss) on financial instruments (in accordance with note 3) adjusted for estimated tax at 25% tax rate, and adjusted for portion allocated to owners of additional Tier 1 capital. This result measure is included to give relevant information about the company's underlying operations.

## Strategy, objectives and strategic activities

The white paper on state ownership, “The State’s direct ownership of companies - Greener and more active state ownership” (Report to Storting No. 6 (2022-2023)) places significant importance on sustainable value creation, and on the state being an active and responsible owner with a long-term perspective.

The white paper stipulates that “The state is the owner of Kommunalbanken in order to offer stable, long-term and efficient financing of the local government sector” and that “The state’s aim as owner is to achieve the highest possible return over time subject to the limits of sustainability”. The White paper also states that the state’s rationale for owning KBN is to facilitate the transition to a sustainable economy and greater value creation across Norway. The Board of Directors’ target for return on equity and the owner’s dividend expectations, as well as the need for KBN to be able to provide loans regardless of market conditions, guide KBN’s financial plans.

The Board of Directors of KBN updates KBN’s strategy every year. In order for KBN to achieve its objectives, the Board of Directors has set the following strategic pillars for the 2026-2028 strategy period:

- **THE CUSTOMER’S FIRST CHOICE:** Our main aim is for our customers to want to use KBN for long-term financing of investment in welfare.
- **STRONG MARKET PARTICIPANT:** Through a strong position in the capital markets, nationally and internationally, KBN will ensure Norwegian municipalities and county authorities have access to attractive financing.
- **A LEADER IN GREEN FINANCE:** KBN will be among the leading financial institutions on green financing solutions and insight that contribute to the transition to a sustainable economy and value creation.
- **EXPERTISE AND TECHNOLOGY DRIVEN:** The way we work will promote learning, knowledge sharing and the efficient use of technology.

The Board of Directors, working on the basis of KBN’s strategy, approves the strategic objectives prioritised for the strategy period, as well as the ambitions and key results for KBN’s strategic development work that are to be prioritised during the first year of the period. KBN uses OKRs (Objectives and Key Results) as the goal management tool for its organisation.

Work on establishing new lending processes and a new lending system were again among the main activities carried out in 2025, and the project was completed in June. Completion of this project was important in order to modernise and ensure greater efficiency in the lending process. Extensive work was again carried out in 2025 to further develop the quality of KBN’s data warehouse and its use as a source for KBN’s reports and analysis. Work was also carried out to adapt to the new guidelines on interest rate risk in the banking book (IRRBB)<sup>10</sup>.

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<sup>10</sup> Interest rate risk in the banking book.

## Statement of the annual accounts

The Board of Directors confirms, in accordance with Section 4-5 of the Norwegian Accounting Act, that KBN's ability to continue as a going concern remains unchanged, and that the financial statements for 2025 have been prepared on a going concern basis. The Board of Directors considers that the financial statements and accompanying notes for the year ending 31 December 2025 provide an adequate description of KBN's financial position at year-end. The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Result for the year

The result for the year was a profit of NOK 1,894 million, as compared to a profit of NOK 1,474 million in 2024.

**Table: Net Income Results**

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
Net interest income	2 466	2 253
Fees and commission expenses	117	125
Net gain/(loss) on financial instruments	501	157
Increased/(reduced) provision for expected credit loss	4	(9)
Operating expenses	437	383
Income tax	515	437
<b>Profit for the year</b>	<b>1 894</b>	<b>1 474</b>

Net interest income totalled NOK 2,466 million in 2025, as compared to NOK 2,253 million in 2024. In 2025 KBN's net interest income was positively affected by the interest compensation KBN received in connection with its tax appeal. After adjusting for this, KBN's net interest income was NOK 24 million higher in 2025 than in 2024. KBN's lending margins were relatively stable throughout 2025. The net interest income from KBN's liquidity management portfolio generated a modest contribution to KBN's earnings in 2025, in line with expectations. Fees and commission expenses totalled NOK 117 million in 2025, compared to NOK 125 million in 2024. KBN's contribution to the Resolution Fund run by the Norwegian Banks' Guarantee Fund was the largest single cost item in this category, amounting to NOK 75 million in 2025 as compared to NOK 79 million in 2024.

KBN's net gain on financial instruments amounted to NOK 501 million in 2025, compared to a net gain of NOK 157 million in 2024. KBN's net gains/(losses) on financial instruments comprise the sum of the realised and unrealised gains and losses recognised by KBN. There was a net realised gain from market transactions of NOK 32 million in 2025, as compared to a net realised gain of NOK 110 million in 2024. There was a net unrealised gain on financial instruments in 2025 of NOK 469 million as compared to a net gain of NOK 47 million in 2024, which explains the increase in KBN's net gain on financial instruments relative to 2024.

There was a net unrealised gain on fixed rate lending recognised at fair value and associated hedging contracts amounting to NOK 324 million in 2025, as compared to a net unrealised gain of NOK 259 million in 2024. Credit spreads for Norwegian municipalities and county authorities decreased by approximately 0.19

percentage points over the course of 2025. At the end of 2025, 28% of KBN's portfolio of fixed lending was carried at fair value with changes in its value recognised in the income statement, as compared to 45% at the end of 2024. KBN introduced hedge accounting for all new fixed rate loans with effect from 1 January 2022. The introduction of hedge accounting for fixed rate lending is, over time, reducing the portfolio of fixed rate loans measured at fair value and is accordingly reducing the extent of unrealised gains or losses in the accounts.

There was a net unrealised gain on KBN's borrowings, not considered changes in own credit risk, of NOK 7 million in 2025, as compared to a net unrealised loss of NOK 190 million in 2024. A net gain of NOK 170 million was recognised for KBN's liquidity investments in 2025, as compared to a net gain of NOK 89 million in 2024. Of which the net unrealised gain was NOK 138 million in 2025, as compared to an unrealised loss of NOK 21 million in 2024.

### Table: Total comprehensive income

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
Profit for the period	1 894	1 474
Change in fair value of liabilities due to changes in own credit risk	(224)	(305)
Actuarial gain/(loss) on pension liability	19	11
Tax	51	73
<b>Total comprehensive income for the period</b>	<b>1 740</b>	<b>1 254</b>

Total comprehensive income amounted to NOK 1,740 million in 2025, as compared to NOK 1,254 million in 2024. Unrealised loss of NOK 224 million in fair value of liabilities due to changes in own credit risk, was attributable to a change in credit spreads in relation to bond debt issued. The equivalent figure for 2024 was an unrealised loss of NOK 305 million.

KBN's financial instruments are normally held to maturity and the effects of gains and losses on KBN's profits reverse either when fluctuations in the market reverse or as instruments approach maturity.

Operating expenses totalled NOK 437 million in 2025, as compared to NOK 383 million in 2024. The increase was in line with the plans adopted by KBN and was due to a higher level of activity in relation to developing and improving KBN's operations. As a result of the financial results, variable salary payments equivalent to 1.35 times employees' monthly salaries were accrued in 2025, while variable salary payments equivalent to 0.82 times employees' monthly salaries were accrued in 2024.

Total assets at 31 December 2025 amounted to NOK 533 billion, compared to NOK 568 billion at the end of 2024. The decrease was largely due to a decrease in the value of balance sheet items in NOK terms, primarily due to the weakening of the US dollar in 2025.

## Capital adequacy – key figures

KBN's capital adequacy at the end of 2025 was again in excess of the requirements set by the authorities.

**Table: Capital adequacy**

As of 31 Desember 2025	Volume in NOK billion	Capital adequacy	Requirements
Common equity Tier 1 capital adequacy ratio	18,8	19.0 %	14.3 %
Tier 1 capital adequacy ratio	22,3	22.5 %	16.0 %
Total capital ratio	23,1	23.3 %	18.3 %

KBN received the Financial Supervisory Authority of Norway's (Finanstilsynet's) decision regarding its Pillar 2 requirement (SREP) on 3 December 2025. The Financial Supervisory Authority of Norway determined that with effect from 31 December 2025 KBN will have a Pillar 2 requirement consisting of 1.1% of the basis for calculation under Pillar 1. KBN's Pillar 2 requirement has thus decreased by 0.6 percentage points from the last decision. The Pillar 2 requirement is intended to address risks that the undertaking is exposed to and that are not, or are only partially, covered by the general capital requirements in Pillar 1. The requirement must be satisfied with at least 56.25% common equity Tier 1 capital and at least 75% Tier 1 capital.

KBN's leverage ratio at the end of 2025 was 4.2%, as compared to the minimum requirement of 3.0%.

Capital adequacy figures are sensitive to large fluctuations in exchange rates, particularly the US dollar / Norwegian krone rate, because these impact the size of KBN's balance sheet through the conversion into NOK. In addition, changes in the value of KBN's outstanding currency hedging contracts cause fluctuations in cash collateral, which affects KBN's capital adequacy key figures. KBN has internal buffers to ensure its capital adequacy does not fall below the regulatory requirements as a result of exchange rate fluctuations.

## Lending

In 2025 the local government lending market was, as in previous years, dominated by KBN, KLP, and issuers borrowing directly from the capital market. KBN is the biggest provider of loans overall, and is specifically the biggest provider of long-term, instalment-based loans. 2025 was again characterized by strong competition amongst the lenders active in the local government market.

KBN's aggregate customer financing<sup>11</sup> increased by NOK 9 billion in 2025, equivalent to 2.4%. The rate of growth in normal local government sector borrowing was 6.3% in 2025 compared to 8.5% in 2024. Municipalities again increased their borrowing from the Norwegian State Housing Bank in 2025, and these loans are used to make loans to residents under the municipal start-up loans scheme. After correcting for growth in loans from the Norwegian State Housing Bank, the increase in borrowing in 2025 was 5.7% as compared to 8.0% in 2024, which was a somewhat lower rate than was expected for the year.

KBN saw a weak level of demand in 2025 for long-term loans with instalment payments, primarily due to the attractive terms available to municipalities when raising their own financing in the capital markets. As in

<sup>11</sup> Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which is included as a part of KBN's financing of customers.

previous years the main areas of investment for which loan financing was used were schools, health and care, and water and wastewater. Demand for long-term loans from KBN was to a greater extent than in previous years from small to medium-sized customers, with Norway's largest municipalities and county authorities making greater use of market loans. However, in overall terms, the largest growth in KBN's lending in 2025 was again to the largest municipalities and county authorities.

At 31 December 2025, KBN's market share, based on its aggregate customer financing and after adjusting for loans from the Norwegian State Housing Bank, was 49.7%<sup>12</sup>, a decrease from 50.2% at the close of 2024. The decrease was partially due to the high level of competition for new loans and customers refinancing long-term instalment loans with loans with short to medium-term maturities from the capital markets. KBN's objective is to maintain a stable share of the market for lending to municipalities and county authorities over time. At the end of 2025, KBN had loans outstanding to 356 of Norway's 357 municipalities, all its county authorities, and Longyearbyen Community Council. In addition, a range of municipal and intermunicipal companies and companies with a municipal or county-authority guarantee are loan customers of KBN.

KBN's total portfolio of green lending for investment in climate and environmentally friendly projects increased in 2025 by NOK 10 billion, distributed across 41 projects. At the end of 2025, 163 municipalities, 8 county authorities and a total of 69 other customers had green loans from KBN, and outstanding green lending totalled NOK 79 billion. The environmental impact of these loans is reported annually in KBN's separate Impact Report. KBN's Criteria Document for green lending is updated annually in pace with developments in environmental standards.

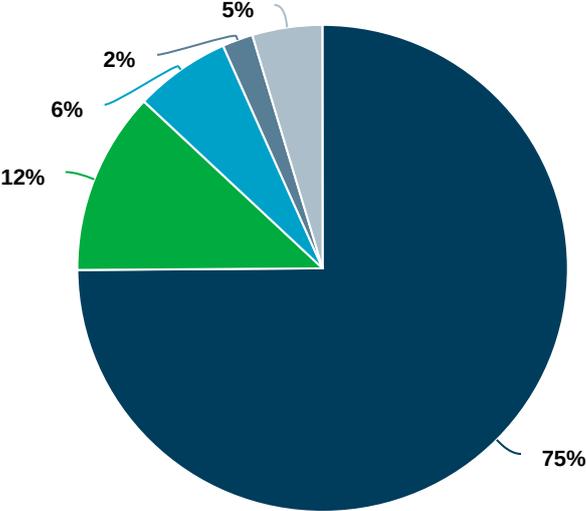
89% of KBN's lending is directly to municipalities (including municipal companies) and county authorities, as shown by the breakdown provided in the figure below. A further 6% of KBN's lending is to intermunicipal companies, and the remaining 5% of the lending portfolio is made up of loans to borrowers with a variety of organisational types, all of which are guaranteed by municipalities or county authorities, with toll-financed road projects accounting for just over half of this category.

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<sup>12</sup> KBN's market share based on total loans to customers of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from the Norwegian State Housing Bank is not included as KBN does not compete for these loans.

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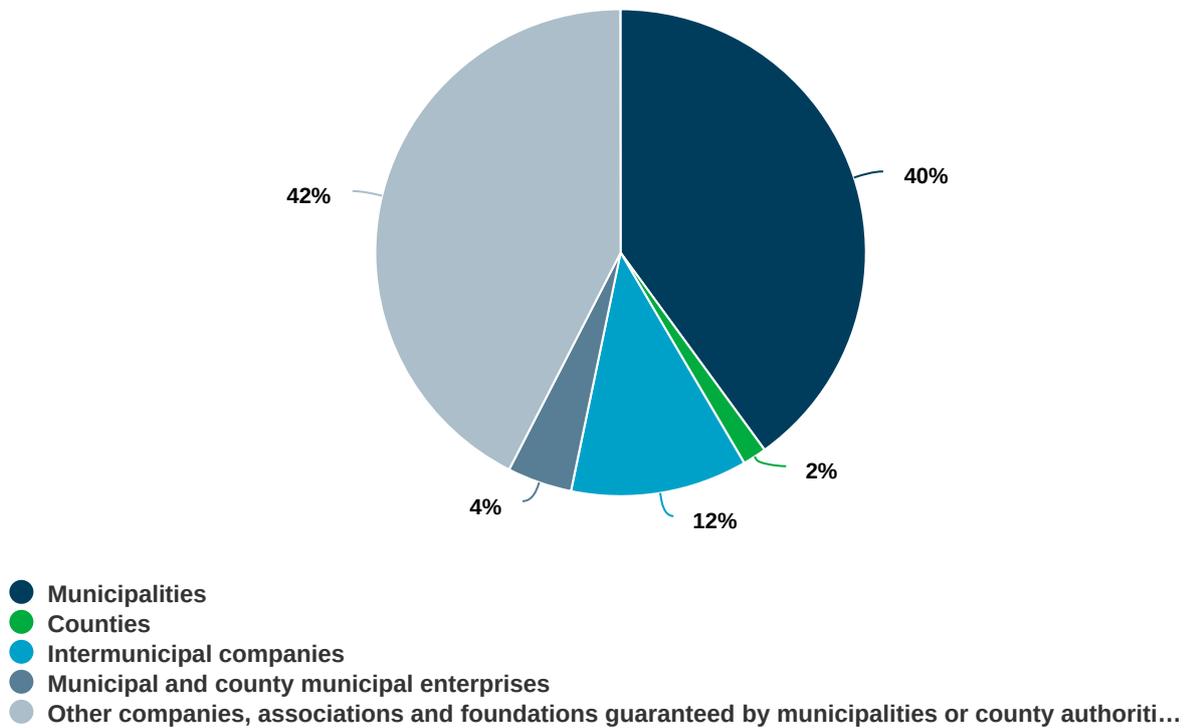
Figure: Share of KBN's outstanding lending in NOK by customer category



- Municipalities
- Counties
- Intermunicipal companies
- Municipal and county municipal enterprises
- Other companies, associations and foundations guaranteed by municipalities or county authorities

A total of 892 customers have outstanding loans from KBN. Figure below shows that 46% of KBN's customers are municipalities, county authorities or municipal companies, 12% are intermunicipal companies, and 42% are customers with a municipal or county authority guarantee.

**Figure: Share of the number of customers by customer category**



KBN did not experience any default or payment problems with customers in 2025.

## Funding

KBN's AAA/Aaa credit ratings ensure it has stable access to funding on favourable terms, which benefits the local government sector. KBN pursues a diversified funding strategy that ensures it has a broad investor base and low refinancing risk. New long-term borrowings amounted to NOK 128 billion in 2025, as compared to NOK 92 billion in 2024. KBN enjoyed good access to funding from the capital markets throughout 2025.

Europe, the USA and Asia are KBN's most important markets for funding. KBN issued bonds in 9 currencies in 2025, as compared to 8 currencies in 2024. KBN achieved good currency diversification for its funding over the course of 2025, and the proportion of new borrowing that was denominated in US dollars decreased to around 52%. In 2025 KBN issued four USD benchmark bonds totalling USD 4.9 billion. KBN attracted a high level of interest from investors, and all its benchmark bonds were significantly oversubscribed. In addition, KBN experienced good interest from investors in euros, British pounds and Australian dollars.

KBN is one of the most active Norwegian issuers of green bonds and is one of the leading participants in the development of green finance in the Nordic region. KBN's green bonds finance its loans to customers for their green projects. KBN's Green Bond Framework was updated in 2024, and develops further the earlier 2021 framework which it replaces. The updated framework has been subjected to an independent third-party assessment by S&P Global Ratings/CICERO, and received an overall rating of 'Medium Green'. KBN issued 10 green bonds in 2025 with a total nominal value equivalent to USD 1.2 billion.

KBN's total outstanding bonds and other borrowings at the end of 2025<sup>13</sup> were approximately in line with the end of 2024 at NOK 483 billion as compared to NOK 482 billion at the end of 2024.

## Liquidity management

KBN's policy is to operate with cash and cash equivalents that match its capital requirements, including growth in lending to the local government sector, for the subsequent 12 months at all times. KBN's liquidity portfolio is held primarily in securities issued by states, multinational institutions and regions. KBN also invests in covered bonds. KBN's liquidity portfolio is managed according to an investment strategy that is low risk in terms of both credit risk and market risk. A large proportion of KBN's liquidity portfolio investments are denominated in foreign currencies, meaning that fluctuations in the NOK exchange rate lead to fluctuations in KBN's liquidity reserves when translated into NOK terms. The value of the liquidity portfolio at the end of 2025 was NOK 119 billion<sup>9</sup>, as compared to NOK 140 billion at the end of 2024. At the end of 2025, KBN's overall Liquidity Coverage Ratio (LCR) and its LCR for NOK were 228% and 109% respectively. LCR is a measure of liquid assets relative to net payments in a situation of stress in the bond and capital markets for a period of 30 days ahead.

## Corporate governance

The corporate governance of KBN is based inter alia on the Norwegian Financial Institutions Act, the Limited Liability Companies Act, the Accounting Act, the Norwegian Government's white paper on state ownership, and the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB). For more information, see the section on corporate governance.

## The Board of Directors' statement on the remuneration of senior executives

The Board of Directors produces guidelines on the remuneration of senior executives. These guidelines are approved by the Board, and are submitted to the Annual General Meeting for approval whenever there has been a change to the guidelines, and in any case at least every fourth year. The remuneration report that details the salaries and other remuneration received by executive personnel is submitted to the Annual General Meeting for an advisory vote. The report is published on the KBN website at the same time as the Annual Report.

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<sup>13</sup> Principal amounts.

## Risk management and internal control

KBN's Board of Directors issues guidelines on risk management and internal control. The Board determines KBN's risk appetite framework and ensures that this is within KBN's risk capacity. The threshold levels for KBN's risk appetite framework and the need for any adjustments are assessed annually. The Board considers the CEO's assessment of internal control on a yearly basis.

The purpose of risk management is to ensure that KBN's management of its assets and liabilities is in accordance with the Board's guidelines for risk management and internal control and its defined risk appetite framework. Risk assessments are carried out in relation to material risks for all KBN's business areas at least annually. Stress tests and scenario analysis are used to assess the vulnerability of KBN's key risk areas. The results of these stress tests are evaluated and considered when determining KBN's risk appetite and as part of the capital adequacy plan, recovery planning, and the commercial strategy design process.

The Board is regularly informed of KBN's activities, financial position and earnings situation. The Board routinely considers management's assessment of risk exposure.

Risk management at KBN is established in a structure based on three lines of defence that ensures systematic identification, assessment, monitoring and reporting of risk in all parts of KBN's activities. The first line of defence carries out operational tasks and is responsible for managing and checking that KBN's activities are carried out within the approved limits and in accordance with external regulations and internal governance documents. The second line of defence carries out independent risk and compliance assessments, assesses and validates risk models and produces independent risk and compliance reports. KBN's second line of defence comprises its risk management and compliance functions. KBN's third line of defence is provided by the internal auditor (KPMG) and represents the Board's independent control function.

KBN has arranged directors' and officers' liability insurance, the lead insurer for which is RiskPoint. The insurance covers the members of the Board of Directors and the CEO in respect of their potential liability to KBN and third parties.

### Capital risk

KBN has a limited risk appetite with regard to capital risk. KBN's regulatory capital risk is the result of KBN's commercial direction and the composition of its balance sheet, as well as external matters that affect its capital adequacy requirements. KBN's financial capital risk is made up of the aggregated risk to which its equity is exposed (risk of loss associated with market risk, credit risk, liquidity risk and operational risk).

KBN has in place a structured process to calculate its capital requirements including the necessary capital buffers to ensure that it maintains a sufficient level of capital in relation to its risk profile.

### Credit risk

KBN has a limited risk appetite with regard to its overall exposure to credit risk.

KBN lends exclusively to customers connected to the local government sector, and this means it has a very limited risk of incurring financial losses from its lending activities. This is in part because of the Norwegian Local Government Act, which stipulates that municipalities cannot be declared insolvent. In the event that any municipality runs into financial difficulties or comes under pressure financially, it will be monitored by the state by means of the Register for State Review and Approval of Financial Obligations (ROBEK) system. These factors in practice protect KBN from any losses in relation to accumulated debt and accrued interest.

KBN manages its liquidity through investments in securities with a low credit risk, and it has a limited appetite for credit risk in relation to its liquidity counterparties.

KBN uses financial derivatives to manage the interest rate risk and exchange rate risk associated with its lending and funding activities and its liquidity portfolio investments. The counterparty risk associated with entering into derivative contracts is reduced by the use of central counterparties or other counterparties with a high credit rating, and by exchanging cash collateral on a daily basis.

### Liquidity risk

KBN has a very limited risk appetite with regard to liquidity risk. Liquidity risk is managed by means of KBN's internal liquidity management framework. KBN's policy is to ensure that it is in a position at all times to meet its liabilities when they fall due without incurring any significant extra costs.

### Market risk, including interest rate risk and foreign exchange risk

KBN has a limited risk appetite with regard to market risk, and financial derivatives are used to hedge all significant exposure to interest rate risk and foreign exchange risk. The remaining source of market risk for KBN is principally basis risk and credit spread risk. Basis risk is the risk of a change in basis spreads between two currencies that affects the value of hedging contracts. Credit spread risk is the risk of changes in the credit spreads on assets.

### Operational risk

KBN has a limited risk appetite with regard to operational risk. A uniform and systematic approach to identifying risk is used for managing operational risk, and regular risk assessments are carried out for all material functions, which are supported by key indicators. This work forms the basis for decisions regarding how KBN's resources for risk-reduction activities should be prioritised. Operational risk is subject to continual monitoring and reporting. Compliance risk, cyber risk, IT risk, process risk, personnel risk and other operational risk, and the risk of money laundering and terrorist financing, represent sub-types of operational risk that are subject to special reporting. KBN has a very limited risk appetite with regard to compliance risk and a limited risk appetite for the other categories of operational risk.

## Environmental, social and governance risk (ESG)

### *Social and governance risk*

KBN acts to reduce its exposure to risk related to social and governance issues in its own activities through sound governance and corporate management, sound risk management and internal control, good working conditions that facilitate diversity and equality, and ethical business conduct.

KBN strives through its follow-up of its customers to create good awareness of the importance of sound routines and procedures for internal control, including avoidance of conflicts of interest, ethical conduct, arrangements for whistle blowing and assessment of the risk of financial criminality, as well as asking questions about each customer's approach to setting requirements for its suppliers and following up their compliance in respect of procurement and the conduct of building and construction projects.

### *Environmental*

KBN is exposed to direct climate-related risk through its own activities to a limited extent, but is indirectly exposed through the local government sector's exposure to climate-related risk. As mentioned above, the Norwegian Local Government Act states at Section 29-1 that municipalities and county authorities cannot be declared insolvent, and consequently the potential risk of lending losses as a consequence of KBN's indirect exposure to climate-related risk is very limited. KBN's direct and indirect exposure to climate related risk is discussed in more detail in the section on sustainability reporting and in the Task Force on Climate-related Financial Disclosures (TCFD) report, which is published on the KBN website at the same time as its Annual Report.

KBN has only a limited direct exposure to nature-related risk through its own activities, but is indirectly exposed through its lending to the local government sector. The local government sector takes up loans from KBN to finance its investment in buildings, water and wastewater facilities, roads and other infrastructure that can impact nature. Such investments also use raw materials that can have an impact on nature. Norwegian municipalities and county authorities cannot be declared insolvent, and consequently the potential risk of lending losses as a consequence of KBN's indirect exposure to nature-related risk is very limited.

### *Environmental, social and governance risk in the liquidity portfolio*

KBN has an established strategy for its liquidity portfolio that also takes into account risk related to environmental, social and governance issues, and it has guidelines and systems for regular screening of the liquidity portfolio.

## **Corporate communication and public relations**

The Board of Directors regards engagement by KBN in continuous dialogue with its major stakeholders as an important means of ensuring that there is a good understanding of its business model and the framework in which it operates. High-quality, open communication is important for maintaining the trust of KBN's owner,

customers, investors and employees, as well as the trust of rating agencies, regulatory authorities and wider society.

KBN's external communication activities are intended inter alia to help highlight issues that affect its customers. Inflation and changes in interest rates, green finance and the local government sector's long-term sustainability in a broad sense were central topics in KBN's external communication activities in 2025. KBN organised a range of customer seminars and webinars on these topics, among others. The importance of a sustainable approach to debt management by the local government sector was emphasised in the communication activities KBN conducted directly with its customers, including its finance seminars, its digital portfolio management tool (KBN Finans) and its newsletters.

## Ethics

KBN expects all its employees and managers to act in line with KBN's Code of Conduct. All employees are required to confirm on an annual basis that they have paid proper attention to KBN's rules and guidelines on ethical conduct, including the Code of Conduct.

## Corporate social responsibility

On 26 February 2025, the European Commission announced a proposal to simplify the Corporate Sustainability Reporting Directive (CSRD). The proposed simplifications would mean that KBN would no longer be required to report in accordance with CSRD.

KBN's sustainability report sets out KBN's sustainability work. For 2025, KBN has produced a sustainability report based on the Voluntary Sustainability Reporting Standard for SMEs (VSME). In addition to the data points contained in VSME, KBN has chosen to include further information on topics that it considers to be material on the basis of its double materiality analysis. This analysis was produced in 2024 in accordance with the double materiality requirements in CSRD.

KBN's reporting in accordance with the Norwegian Transparency Act is provided in the Report on due diligence, which is published on KBN's website.

## Organisation and employees

As a competence-based business, KBN needs to recruit, develop and retain skilled employees across a range of specialist areas in order to fulfil its objectives. KBN needs to adapt continuously to the changes that are being driven by factors such as technology, regulatory requirements and changing customer behaviours, in addition to the requirements and expectations of our owner, other stakeholders and KBN's employees themselves.

KBN seeks to be an attractive place to work by taking good care of its employees and creating a good working environment, in addition to facilitating their competence development. In addition to following relevant legislation intended to ensure employee rights, KBN works actively to ensure well-being, to

maintain and further develop a culture of continuous learning and knowledge sharing, and to increase diversity.

KBN seeks to ensure that employees have high-quality and safe working conditions that are in line with all relevant legislation and regulations. KBN's equality statement is published on the KBN website.

The sickness rate was 2.5% in 2025 and 2.1% in 2024. KBN's target is for the sickness rate to be below 2.5% over time. There were no work-related accidents in 2025 or 2024.

## Allocation of surplus

The Board of Directors of KBN proposes the following allocation of the surplus for the 2025 accounting year: NOK 760 million to be paid in dividend to the owner, NOK 161 million to be paid in interest to Additional Tier 1 capital holders, and NOK 973 million to be transferred to other equity. Dividends are decided by the Annual General Meeting. The proposed dividend is equivalent to 40% of KBN's profit for the year and 55% of its core earnings. The state has a long-term expectation for KBN to pay around 55% of its core earnings after tax in dividend, subject to maintaining a satisfactory capital adequacy. Proposed dividends are included in KBN's equity until such time as the dividend is approved by the Annual General Meeting, but are deducted for the purpose of calculations of capital adequacy.

## Future prospects

2025 was characterized by extensive international changes that impacted both global and national frameworks. Geopolitical tensions, shifting trade relations and uncertainty surrounding supply chains created a more unpredictable economic climate. Many countries experienced weaker growth due to trade barriers and higher costs, and this also affected Norway through pressure on prices and greater market volatility.

The global economy grew less strongly than expected, primarily due to heightened trade measures and geopolitical uncertainty. The IMF downgraded its forecast for global growth to 2.8%, reflecting weaker growth in a number of major economies. Higher costs and less willingness to invest impacted a number of markets.

Despite signs of tensions easing in a number of conflict areas, many countries strengthened their preparedness structures. In Norway this resulted in plans for the country to build up and attach greater priority to its defence industry, as well as to a higher level of demand for specialised workers. Over time, this may affect the availability of labour in the local government sector.

At the start of 2025, Norges Bank was of the view that it might be able to reduce the key policy rate if inflation fell. Inflation, however, remained relatively high throughout the year, with the annual rate standing at 3.2% and core inflation at 3.1%. The labour market remained strong, with high employment and stable wage growth. The key policy rate was cut twice in 2025, from 4.5% to 4.0%. Norges Bank's rate decisions will depend on developments in key economic indicators, but the persistently high inflation reduces the likelihood of further rate cuts.

2025 was again a challenging year financially for the local government sector, and was characterised by increasing operating costs. Growth in tax income and transfers from the state helped the sector improve its room for manoeuvre relative to 2024. The interest rate cuts made by Norges Bank came later in the year than expected, and for most municipalities and county authorities had only a limited impact on their financing costs. The situation highlighted the need for long-term adjustments and restructuring in order to adapt to a future marked by restricted access to labour and a growing number of people over the age of 80. Access to qualified labour is already a significant challenge for many municipalities. Going forward, this will increasingly become a guiding factor in investment decisions and in determining how welfare services are to be provided to the population.

In connection with the 2026 national budget, the Norwegian Parliament adopted the following resolution: "The Norwegian Parliament asks that the government assess whether loans to local authorities should have the same risk weighting as loans to the central government in the capital requirements framework. In this context, the government is also asked to consider whether KBN's risk weighting should be changed and whether KBN should be given the status of 'promotional bank'." Clarification of this matter will be of significance to KBN.

The United States and Israel attacked Iran on 28 February 2026. Beyond its humanitarian toll, the war has led to higher energy prices and increased volatility in financial markets. It remains uncertain how long the conflict will last and what consequences it may have for the international economy.

KBN has good access to liquidity and will continue to provide its customers with attractive financing for local government sector projects across Norway.

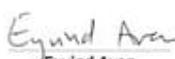
The Board of Directors thanks KBN's employees for a job well done.

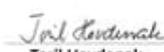
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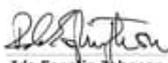
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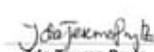
The Board of Directors and Chief Executive Officer of Kommunalbanken AS

  
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CHAIR

  
Eyvind Aven  
BOARD MEMBER

  
Toril Hovdenak  
BOARD MEMBER

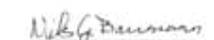
  
Ida Espolin Johnson  
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EMPLOYEE REPRESENTATIVE

  
Jannicke Trumpy Granquist  
ADMINISTRERENDE DIREKTØR

## Financial statement 2025

### Income statement

#### INCOME STATEMENT

<i>(Amounts in NOK 1 000 000)</i>	Note	2025	2024
Interest income from assets measured at amortised cost		19 983	19 557
Interest income from assets measured at fair value		5 754	7 375
Total interest income		25 737	26 931
Interest expense		23 271	24 678
<b>Net interest income</b>	<b>1</b>	<b>2 466</b>	<b>2 253</b>
Fees and commission expenses	<b>2</b>	117	125
Net gain/(loss) on financial instruments	<b>3</b>	501	157
Increased/(reduced) provision for expected credit loss	<b>14</b>	4	(9)
<b>Total other operating income</b>		<b>380</b>	<b>41</b>
Salaries and administrative expenses	<b>4,5</b>	247	221
Depreciation of fixed and intangible assets		54	48
Other operating expenses	<b>7</b>	136	115
<b>Total operating expenses</b>		<b>437</b>	<b>383</b>
<b>Profit before tax</b>		<b>2 409</b>	<b>1 911</b>
Income tax	<b>6</b>	515	437
<b>Profit for the year</b>		<b>1 894</b>	<b>1 474</b>
Portion allocated to shareholder		1 733	1 312
Portion allocated to owners of additional Tier 1 capital		161	162

#### STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1 000 000)</i>	Note	2025	2024
Profit for the year		1 894	1 474
<b>Other comprehensive income</b>			
<i>Items which will not be reclassified to profit or loss</i>			
Change in fair value of liabilities due to changes in own credit risk	<b>18</b>	(224)	(305)
Actuarial gain/(loss) on pension liability		19	11
Tax		51	73
<b>Total other comprehensive income</b>		<b>(154)</b>	<b>(220)</b>
<b>Total comprehensive income for the year</b>		<b>1 740</b>	<b>1 254</b>
Portion allocated to shareholder		1 579	1 091
Portion allocated to owners of additional Tier 1 capital		161	162

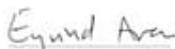
## Statement of financial position

(Amounts in NOK 1 000 000)	Note	2025	2024
<b>Assets</b>			
Deposits with credit institutions	<u>8,10,12,20</u>	22 862	37 787
Loans to customers	<u>8,9,10,13</u>	373 655	367 495
Commercial paper and bonds	<u>8,9,10,11,15</u>	120 109	139 971
<i>xxHereof commercial paper and bonds lent</i>	<u>15</u>	6 766	7 688
Financial derivatives	<u>8,9,10,11,19,20</u>	14 380	20 133
Deferred tax asset	<u>6</u>	771	1 954
Other assets	<u>16</u>	1 462	303
<b>Total assets</b>		<b>533 239</b>	<b>567 644</b>
<b>Liabilities and equity</b>			
Due to credit institutions	<u>8,10,17,20</u>	4 554	17 539
Commercial paper issued	<u>8,10,18</u>	5 793	26 713
Debt securities issued	<u>8,9,10,11,18</u>	482 499	472 917
Financial derivatives	<u>8,9,10,11,19,20</u>	16 197	27 443
Other liabilities	<u>16</u>	175	177
Pension commitments	<u>5</u>	(8)	11
Subordinated loan capital	<u>8,9,10,11</u>	787	769
<b>Total liabilities</b>		<b>510 285</b>	<b>545 569</b>
Share capital	<u>22</u>	3 895	3 895
Additional Tier 1 capital	<u>23</u>	3 484	3 484
Other equity		15 575	14 696
<b>Total equity</b>		<b>22 954</b>	<b>22 075</b>
<b>Total liabilities and equity</b>		<b>533 239</b>	<b>567 644</b>

Oslo, 12 March 2026

The Board of Directors and Chief Executive Officer of Kommunalbanken AS

  
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CHAIR

  
Eyvind Aven  
BOARD MEMBER

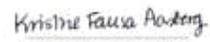
  
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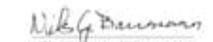
  
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## Statement of changes in equity

2025	Note	Share capital	Additional Tier 1 capital	Financial liabilities, changes in own credit risk	Other equity	Total equity
<b>Equity as of 31 December 2024</b>		<b>3 895</b>	<b>3 484</b>	<b>(170)</b>	<b>14 865</b>	<b>22 075</b>
Profit for the year		0	0	0	1 894	1 894
Other comprehensive income after tax - financial liabilities, changes in own credit risk		0	0	(168)	0	(168)
Other comprehensive income after tax - actuarial gain/loss		0	0	0	14	14
Interest paid on additional Tier 1 capital	<u>23</u>	0	0	0	(158)	(158)
Call of Tier 1 capital		0	(1 196)	0	(4)	(1 200)
Issuance of additional Tier 1 capital		0	1 196	0	0	1 196
Dividends for 2024		0	0	0	(700)	(700)
<b>Equity as of 31 December 2025</b>	<u>22</u>	<b>3 895</b>	<b>3 484</b>	<b>(338)</b>	<b>15 913</b>	<b>22 954</b>

2024	Note	Share capital	Additional Tier 1 capital	Financial liabilities, changes in own credit risk	Other equity	Total equity
<b>Equity as of 31 December 2023</b>		<b>3 895</b>	<b>3 484</b>	<b>59</b>	<b>14 245</b>	<b>21 683</b>
Profit for the year		0	0	0	1 474	1 474
Other comprehensive income after tax - financial liabilities, changes in own credit risk		0	0	(229)	0	(229)
Other comprehensive income after tax - actuarial gain/loss		0	0	0	8	8
Interest paid on additional Tier 1 capital	<u>23</u>	0	0	0	(162)	(162)
Dividends for 2023		0	0	0	0	0
<b>Equity as of 31 December 2024</b>	<u>22</u>	<b>3 895</b>	<b>3 484</b>	<b>(170)</b>	<b>14 865</b>	<b>22 075</b>

## Statement of cash flows

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
<b>Cash flows from operating activities</b>		
Interest received	25 913	26 751
Interest paid	(22 905)	(23 392)
Fees and commissions paid	(113)	(122)
Cash payments for operations	(383)	(336)
Paid taxes	0	0
Net disbursement of loans to customers	(4 143)	(15 805)
Net (payment)/disbursement short-term investments	1 680	10 686
Net payment/(disbursement) from purchase/sale of securities	15 157	(18 131)
Net (payment)/disbursement other assets	54	0
Net payment/(disbursement) other liabilities	(17)	(8)
Net (payment)/disbursement financial derivatives	(31 526)	32 142
<b>Net cash flows from operating activities</b>	<b>(16 283)</b>	<b>11 784</b>
<b>Cash flows from investing activities</b>		
Disbursement from sale of fixed assets	(40)	(45)
<b>Net cash flows from investing activities</b>	<b>(40)</b>	<b>(45)</b>
<b>Cash flows from financing activities</b>		
Payments on issued commercial paper	84 610	132 316
Repayment of commercial paper issued	(104 386)	(148 789)
Lease payments	(9)	(10)
Payments on issued debt securities	128 049	91 909
Repayment of debt securities issued	(91 065)	(86 499)
Proceeds from issuance of additional Tier 1 capital	1 196	0
Repayment of Tier 1 capital	(1 200)	0
Interest Paid on additional Tier 1 capital	(158)	(162)
Dividends paid	(700)	(700)
<b>Net cash flows from financing activities</b>	<b>16 337</b>	<b>(11 935)</b>
<b>Net cash flows</b>	<b>14</b>	<b>(196)</b>
Adjustment of exchange rate changes	(4)	83
<b>Net cash flows after effects of exchange rate changes</b>	<b>10</b>	<b>(113)</b>
Cash and cash equivalents at 1 January	243	356
Net changes of cash and cash equivalents	10	(113)
<b>Cash and cash equivalents at 31 December</b>	<b>253</b>	<b>243</b>
Whereof deposits with credit institutions without agreed time to maturity	253	243

## Notes to the financial statements

### Accounting policies

#### Reporting entity

KBN is a Norwegian limited company providing loans to counties, municipalities, intermunicipal companies and other companies with municipal guarantee that carry out tasks at a municipal level. KBN's registered office is located in Filipstad Brygge 1, Oslo. KBN is wholly owned by the Norwegian state through the Ministry of Local Government and Districts.

#### Basis of preparation

The financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU. The accounting is based on the historical cost principle, except for financial assets and liabilities measured at fair value.

#### Functional currency and presentation currency

The company's functional and presentation currency is Norwegian Kroner (NOK). Balance sheet items in foreign currency are translated into Norwegian Kroner using the exchange rate on the balance sheet date. Income statement items in foreign currency are translated into Norwegian Kroner using the exchange rate at the transaction date. Effects from the translation of the principal amount of non-derivative interest-bearing instruments in foreign currency and on accrued interest and fees, are presented net in the income statement. Corresponding changes in fair value from currency derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure are presented net along with translation differences from the hedged item.

#### Significant estimates and accounting judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and revenues and expenses. Estimates and judgments are based on historical experience and expectations about future developments. The key estimates and assessments in the financial statements include:

##### *Measurement at Fair Value*

The fair value of financial instruments not traded in an active market or lacking readily available quoted prices on the balance sheet date is determined using valuation models. When inputs into valuation models cannot be directly derived from observable market data, management makes assessments and uses assumptions related to credit risk and liquidity risk in financial instruments. Although judgmental assessments and assumptions are largely based on actual market conditions on the balance sheet date,

they may introduce uncertainty into the recognised amounts. Management exercises particular judgment in valuing instruments measured at fair value in Level 3 of the fair value hierarchy, as detailed in note 9.

## **Financial instruments**

### **RECOGNITION AND DERECOGNITION**

Recognition of financial assets and derivatives occurs when the entity becomes a party to the contractual provisions of the instrument, i.e., at the contract inception. Recognition of financial liabilities occurs at the settlement date. The recognised amount for financial assets and liabilities not classified at fair value through profit or loss also includes transaction costs directly attributable to the acquisition. When the requirements for hedge accounting with fair value hedging are met, KBN will recognise the cumulative fair value change of the financial liability (the hedged item) from the inception of the contract.

Financial assets and derivatives are derecognised when the contractual rights to cash flows expire or are transferred, and substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the obligation specified in the contract is fulfilled, cancelled, or expires. In the case of repurchasing issued bonds, the financial liability is derecognised at the settlement date.

### **CLASSIFICATION AND MEASUREMENT**

Classification of financial instruments takes place at initial recognition and determines the subsequent measurement of the carrying amount. Classification of financial instruments is determined by the characteristics of the financial instrument and by the business model for the management of financial assets. Detailed principles of classification and measurement are presented in note 8 together with tabular statements of the instruments.

### **FAIR VALUE OF FINANCIAL INSTRUMENTS**

All assets and liabilities, which are not measured at amortised cost, are measured at fair value with changes in fair value recognised in the income statement or in statement of comprehensive income. Fair value is the market-based price that would have been obtained selling an asset or paying to transfer a liability in a well-arranged transaction between market participants at the time of measurement. Fair value is the achieved price under the current market conditions, regardless of whether the price is directly observable or estimated using a valuation method.

Financial instruments are categorised into the fair value hierarchy, where the level of classification (levels 1, 2 or 3) is based on the observability of the input that is significant to the fair value measurement. See note 9 for accounting principles on fair value measurement.

### **PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES**

General master netting agreements for financial derivatives do not meet the conditions for offsetting, and all financial derivatives are presented gross in the balance sheet. Cash received or provided as collateral for

derivative exposure, which grant the right of offset in the event of bankruptcy also do not meet the conditions for offsetting under IAS 32 and is presented gross in the balance sheet as liabilities to or receivables from credit institutions. Combined repurchase and resale agreements where the terms of the GMRA agreement (Global Master Repurchase Agreement) trigger an offsetting obligation under IAS 32 are presented net in the balance sheet. See note 20 for details on financial assets and financial liabilities subject to offsetting.

All financial derivatives are measured at fair value through profit or loss and are classified as assets when the value is positive and as liabilities when the value is negative.

For issued liabilities that are designated as measured at Fair Value Option (FVO), the part of changes in fair value that is attributable to changes in KBN's own credit risk will be recognised in other comprehensive income in the statement of comprehensive income. The remaining part of the value changes is recognised in the income statement.

#### EXPECTED CREDIT LOSS

Provision for expected credit loss is recognised for all financial assets that are measured at amortised cost. Expected credit loss is based on the instrument's/loan's exposure at default, probability of default and loss at default, all estimated at the reporting date. Expected credit loss for instruments where credit risk has not increased significantly since initial recognition, is calculated based on the probability of default within the next 12 months. For instruments where credit risk has increased significantly since initial recognition, the expected credit loss is calculated based on a probability of default during the full lifetime of the asset. See note 14 Expected credit loss for accounting principles on measuring expected credit loss.

#### Hedge accounting

The bank uses interest rate and cross currency swaps to financially hedge interest rate and currency risk in assets and liabilities. KBN applies IFRS 9 for hedge accounting. When a hedge relationship fulfils the criteria for hedge accounting and is designated as such, it is accounted for as a fair value hedge. The hedged items are classified as measured at amortised cost. The accounting principles for hedge accounting are described in detail in note 11 together with the financial information.

#### Principles of revenue recognition and cost allocation

Interest income for assets and liabilities measured at amortised cost, is recognised in the income statement using the effective interest method. For items measured at fair value, including interest rate derivatives, interest is recognised as it accrues, either as income or expense. Changes in the value of derivatives resulting from accrued or incurred interest are presented as interest income/cost, as the derivatives are used in economic hedging. Interest income/costs from financial derivatives included in hedge accounting are presented together with corresponding interest income/costs from the hedged item.

Unrealised gains and losses on financial instruments at fair value and value changes attributable to the hedged risk on hedged items under hedge accounting, are recognised in the income statement as net gain/(loss) on financial instruments.

Fees and commission expenses are recognised as expenses in the period when the service is provided.

### **Fixed assets**

Fixed assets are measured at acquisition cost with the deduction of accumulated depreciation and write-downs. Depreciation is calculated by using a linear method over the estimated useful life, where the disposal value of the assets is assumed to be zero.

### **Intangible assets**

Intangible assets are measured at acquisition cost and consist of IT systems. Acquisition cost is depreciated over its useful life. If the annual impairment test indicates that assets are impaired, the value of the assets is written down, and the difference between the carrying amount and the recoverable amount is recognised in profit or loss.

### **Pensions**

The bank's pension scheme is a defined contribution pension scheme. This means that the bank is paying a fixed percentage deposit as savings to each employee's pension account, depending on the size of the employee's salary. Employees who were 55 or older at the time of transition to the defined contribution pension scheme on 1 January 2018, remain in the former defined benefit pension scheme. The defined contribution pension scheme is expensed on an ongoing basis.

### **Leases**

Leases are being accounted for according to IFRS 16 Leases. Depreciation for leased assets ("right-to-use-assets") are recognised in the income statement, at the same time as interest costs on the lease obligation. Repayment of the lease obligation's principal and interest portion, are classified as financing activities in the cash flow statement.

### **Taxes**

Taxes are recognised in the income statement as they accrue. The income tax is based on profit before tax, other comprehensive income before tax, and on interest expense on additional Tier 1 capital that is recognised in the Statement of changes in equity. Temporary and permanent differences are adjusted for in the year's tax base when current taxes are calculated. Deferred tax liabilities and deferred tax assets are calculated on the basis of temporary differences between the accounting and tax values at year end. The nominal tax rate is used for calculation. Tax-increasing and tax-reducing differences within the same period are offset. Income tax consists of current taxes (tax on the taxable profit or loss for the year), changes in net deferred tax and adjustment to taxes payable for previous years.

The company is subject to financial tax. The tax rate is 25%.

## Equity

The Company's equity consists of share capital, additional Tier 1 capital that fulfils the requirements of equity, and other retained earnings. Dividends are classified as equity until approved by the Annual General Meeting. The additional Tier 1 capital is measured at cost and paid interest is subtracted from other equity.

## Segment information

The company has only one operating segment. There is thus no segment information beyond the note information provided on lending to customers and the business as a whole, including information on the geographical distribution of lending, commercial paper and bonds and income from various categories of financial instruments.

## Statement of cash flows

The cash flow statement is prepared using the direct method and presents cash flows by category. Cash flows from derivatives are classified as either interest received or interest paid, while cash flows from the exchange of principal on derivatives are reported on the line net (increase)/decrease in financial derivatives. Some derivatives involve periodic settlements of currency on the nominal amount, and these inflows or outflows are also recorded on the net (payment)/disbursement financial derivatives line. Cash flows from realised and unrealised foreign exchange gains/losses are reported on adjustment of exchange rate changes. Cash and cash equivalents include cash on hand, receivables, and payables with credit institutions with no notice period.

## Implementation of new accounting standards as well as amended standards and interpretations

KBN has not implemented new standards in 2025. There has been no significant change in accounting principles throughout the year.

From 1 January 2027, IFRS 18 *Presentation and Disclosure in Financial Statements* will replace IAS 1 *Presentation of Financial Statements*. This will affect the presentation and disclosures in notes in the income statement by introducing new defined categories: operating, investing and financing, to financing. This will ensure a more consistent structure. Information on Management-Defined Performance Measures (MPMs) will be required to be included in the financial statements and is different from Alternative Performance Measures (APMs). The assessment of the implications of IFRS 18 and the related implementation work has been started.

## Note 1 Net interest income

(Amounts in NOK 1 000 000)

(Amounts in NOK 1 000 000)	2025	2024
Deposits with credit institutions	654	673
Other money market deposits	1	0
Loans to customers	15 773	15 027
Financial derivatives, hedge accounting loans to customers	741	636
Commercial paper and bonds	2 832	3 243
Financial derivatives, hedge accounting commercial paper and bonds	(18)	(22)
<i>Interest income from assets measured at amortised cost</i>	<b>19 983</b>	<b>19 557</b>
Loans to customers	1 029	1 408
Commercial paper and bonds	2 528	2 043
Financial derivatives	2 008	3 924
Other interest income	189	0
<i>Interest income from assets measured at fair value</i>	<b>5 754</b>	<b>7 375</b>
<b>Total interest income</b>	<b>25 737</b>	<b>26 931</b>
Due to credit institutions	186	132
Commercial paper issued	278	589
Debt securities issued	10 412	8 328
Financial derivatives, hedge accounting debt securities issued	4 117	8 753
<i>Interest expenses from debt measured at amortised cost</i>	<b>14 994</b>	<b>17 801</b>
Debt securities issued	4 222	4 448
Financial derivatives	4 031	2 405
Subordinated loan capital	24	24
<i>Interest expenses from debt measured at fair value</i>	<b>8 278</b>	<b>6 877</b>
<b>Total interest expenses</b>	<b>23 271</b>	<b>24 678</b>
<b>Net interest income</b>	<b>2 466</b>	<b>2 253</b>

Other interest income of NOK 189 million relates to interest compensation received from the favourable decision in the tax appeal case. See Note 6 for further information. The interest compensation represents interest (the time value of money) and does not fall within the scope of IAS 12. The interest compensation is presented under the line item 'Other interest income' in the income statement and in Note 1.

## Note 2 Fees and commission expenses

(Amounts in NOK 1 000 000)	2025	2024
Expenses of banking services	23	23
Contribution to resolution fund	75	79
Other transaction costs	20	22
<b>Total fees and commission expenses</b>	<b>117</b>	<b>125</b>

### Note 3 Net gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

Net gain/(loss) on financial instruments	2025	2024
Loans to customers <sup>1</sup>	1 740	(972)
Commercial paper and bonds <sup>2</sup>	632	481
Financial derivatives	5 568	3 866
Debt securities issued	(7 421)	(3 218)
Subordinated loan capital	(18)	2
<b>Net gain/(loss) on financial instruments</b>	<b>501</b>	<b>157</b>
Whereof net unrealised gain/(loss) on financial instruments	469	47
Whereof net realised gain/(loss) on market transactions	32	110

<sup>1</sup>Change in fair value attributed to credit spread change amounted to NOK 307 million in gain in 2025, and NOK 147 million in accumulated gain.

<sup>2</sup>Change in fair value attributed to credit spread change amounted to NOK 139 million in gain in 2025, and NOK 87 million in accumulated losses.

Specification of net gain/(loss) on financial instruments including hedging instruments	2025	2024
Loans to customers, including hedging instruments	324	259
Commercial paper and bonds, including hedging instrument	170	89
Debt securities issued and subordinated loan capital, including hedging instruments	7	(190)
<b>Net gain/(loss) on financial instruments</b>	<b>501</b>	<b>157</b>

Specification of net gain/(loss) on financial instruments in fair value hedges	2025	2024
Loan to customers	322	(1 441)
Financial derivatives, in hedge accounting loans to customers	(275)	1 453
Commercial paper and bonds	12	(18)
Financial derivatives, in hedge accounting commercial paper and bonds	(12)	18
Debt securities issued	(5 780)	(2 958)
Financial derivatives, in hedge accounting debt securities issued	5 777	2 878
<b>Net gain/(loss) on financial instruments in fair value hedge</b>	<b>44</b>	<b>(68)</b>

Changes in fair value of liabilities due to changes in own credit risk are not included in the line net gain/(loss) on financial instruments in the table above. Such fair value changes are recognised in other comprehensive income in the statement of comprehensive income and amounted to NOK 224 million in loss throughout the year, and NOK 451 million in accumulated loss. The change in fair value arising from debt securities issued presented in the above table, is due to changes in parameters other than own credit risk.

Changes in fair value are the result of changes in market parameters - mainly prices on bonds, interest rates, credit spreads, basis swap spreads and FX rates, and are reflected in carrying amounts in the statement of financial position and in the income statement. As KBN has limited currency and interest rate risk, the changes in relevant parameters will mostly be symmetric on the asset and liabilities sides of the statement of financial position and will therefore only to a small extent cause net effects in the income statement. Changes in credit spreads for investments in the liquidity portfolio, fixed interest-rate loans to customers measured at fair value and issued debt securities, as well as changes in basis swap spreads, may on the other hand lead to significant effect in the income statement and in the statement of comprehensive income.

KBN hedges currency risk. The bank's guidelines require hedging of all currency risk associated with positions in foreign currency. However, short-term net positions may arise related to income statement and

balance sheet items in USD and EUR. KBN's framework for currency risk in these currencies is set at 1.6% of regulatory capital. This means that net income effects from short-term exchange rate fluctuations are limited. Effects from the currency conversion of principal amounts and from interest and fees on non-derivative interest-bearing instruments are presented net in the income statement. This applies to commercial paper and bonds, as well as debt securities issued and commercial paper issued. Corresponding changes in fair value from FX derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure, are presented net along with exchange differences from the hedged item. In the tables above, only the effects of exchange rate changes on fair value changes and changes in hedging value are presented.

## Note 4 Salary and administrative expenses

(Amounts in NOK 1 000 000)	2025	2024
Salaries	133	117
Payroll tax	28	27
Pension costs	20	14
Other personnel benefits	3	4
Administrative expenses	63	58
<b>Total salaries and administrative expenses</b>	<b>247</b>	<b>221</b>
<i>Average number of full-time positions</i>	<i>92.4</i>	<i>88.3</i>

Remuneration to senior executives	2025	2024
Salaries, fixed and variable, and other benefits	20.2	19.7
Pension cost	1.8	1.7
<b>Total remuneration to senior executives</b>	<b>22.0</b>	<b>21.4</b>
Remuneration to Board of Directors and Supervisory Board	2.9	2.8

For further information about remuneration to senior executives see the remuneration report for 2025 published at KBNs website.

Fees to the statutory auditor	2025	2024
Statutory audit fees	1.7	2.7
Other attestation services	0.2	0.0
Other services	0.3	1.6
<b>Total fees excl. VAT</b>	<b>2.2</b>	<b>4.6</b>

## Note 5 Pensions

(Amounts in NOK 1 000)

The company is obliged to have an occupational pension scheme in accordance with the Mandatory Occupational Pensions Act. The company has a pension scheme that meets the requirements of this Act.

KBN have a defined contribution pension scheme at Storebrand Livsforsikring AS. The contribution pension scheme has contribution rates of 7% for salaries 0-7.1 times the National Insurance basic amount (G) and 18% for salaries between 7.1 G and 12 G. The scheme includes the option for the Advanced Pension Plan (AFP) in the private sector associated with the common scheme. Associated insurance coverages are part of

the scheme and include disability pension with child supplement without individual policy accumulation, child pension, and group life insurance/death benefits. The contribution scheme applies to all employees, except those who were 55 years or older as of 1 January 2018, and employees who were partially disabled or incapacitated with the right to sick pay at the time of the establishment of the contribution pension schemes. These individuals are covered by the previous scheme with KLP, which, with 30 years of accrual, grants the right to age-adjusted retirement pension at 66% of the pensionable salary at the time of retirement. The scheme also includes disability and survivor pensions as well as agreed-upon early retirement. The assets in the pension scheme are placed in a collective portfolio and cannot be specified in terms of asset classes. KBN had an operational pension scheme for salaries exceeding 12G that was closed in 2011.

Pension costs and pension liabilities for the defined benefit scheme include payroll tax and are assessed at the present value of future pension obligations accrued as of the balance sheet date. Pension obligations are calculated based on linear accrual, considering assumptions about discount rates, future salary adjustments, pensions, and benefits from the National Insurance, as well as assumptions about mortality and voluntary turnover. The period's pension cost consists of the sum of the period's accrual, interest cost on the calculated liability, and administrative costs. Changes in prior periods' pension accruals (plan amendments) are recognised in the period's results when the pension plan changes. The period's net pension cost is recognised under salary and administrative expenses. Changes in pension liabilities and assets in defined benefit schemes due to changes and variations in calculation assumptions (changes in financial and actuarial assumptions) are presented in the statement of comprehensive income as other comprehensive income. For the defined contribution scheme, payroll tax is presented as such in Note 4 Salary and administrative expenses and are therefore not included in the pension costs below.

Economic estimates used in calculation of pension costs and defined benefit obligation	31.12.2025	31.12.2024
Discount rate	4.00%	3.30%
Estimated wage growth	4.00%	3.50%
Estimated growth in Base amount	3.75%	3.25%
Expected growth in benefit levels	2.75%	2.80%

KBN has used preferential bonds (OMF) in the Norwegian market as a basis for determining the discount rate for 2025 and 2024. Actuarial assumptions are based on commonly used assumptions regarding demographic factors.

Pension costs	Funded plan		Unfunded plan	
	2025	2024	2025	2024
<i>Defined benefit pension scheme</i>				
Net periodic pension cost	775	1 103	0	0
Net interest expense	(491)	79	828	649
Service cost	93	97	0	0
Payroll tax	53	180	117	91
Plan amendment	4 076	0	0	0
<b>Total pension cost defined benefit scheme</b>	<b>4 506</b>	<b>1 460</b>	<b>945</b>	<b>740</b>
<i>Defined contribution pension scheme</i>				
Pension cost for the year	14 058	11 531	0	0
<b>Total pension costs (both benefit and contribution scheme)</b>	<b>18 564</b>	<b>12 991</b>	<b>945</b>	<b>740</b>
Actuarial gain/(loss) recognised in other comprehensive income	(19 106)	(10 962)	80	(18)
<b>Net pension costs</b>	<b>(542)</b>	<b>2 029</b>	<b>1 025</b>	<b>723</b>

Pension liabilities	Funded plan		Unfunded plan	
	2025	2024	2025	2024
Gross accrued pension liabilities	125 874	142 290	21 967	21 404
Pension funds	(154 926)	(154 089)	0	0
Payroll tax	(4 096)	(1 664)	3 097	3 018
<b>Net pension liabilities</b>	<b>(33 149)</b>	<b>(13 462)</b>	<b>25 065</b>	<b>24 422</b>

Changes in pension liabilities	Funded plan		Unfunded plan	
	2025	2024	2025	2024
Net pension liabilities as of 1 January	(13 462)	705	24 422	24 069
Net pension costs	(14 600)	(9 502)	1 025	723
Contribution to the pension scheme, incl. payroll tax	(5 087)	(4 665)	(383)	(369)
<b>Net pension liabilities as of 31 December</b>	<b>(33 149)</b>	<b>(13 462)</b>	<b>25 065</b>	<b>24 422</b>

Changes in the fair value of pension funds	Funded plan		Unfunded plan	
	2025	2024	2025	2024
Fair value of pension funds as of 1 January	154 947	142 004	0	0
Net interest income	5 975	4 337	0	0
Actuarial gain/(loss) on pension funds	(7 377)	6 310	0	0
Service cost	(93)	(97)	0	0
Contribution to the pension scheme	4 458	4 088	335	324
Benefits paid	(2 984)	(2 553)	(335)	(324)
<b>Fair value of pension funds as of 31 December</b>	<b>154 926</b>	<b>154 089</b>	<b>0</b>	<b>0</b>

## Note 6 Tax

(Amounts in NOK 1 000 000)

	2025	2024
Payable taxes on profit for the period	288	0
Change in deferred tax	1 183	364
Increased/(reduced) payable tax for previous years	(1 008)	0
Items recognised in other comprehensive Income	51	73
<b>Total income tax</b>	<b>515</b>	<b>437</b>

Reconciliation of effective income tax rate	2025	2024
Profit before tax	2 409	1 911
Calculated tax expense	602	478
Tax on additional Tier 1 Capital	(40)	(41)
Effects of changes in tax rate and tax returns for previous years	0	0
Permanent differences	(47)	0
<b>Tax expense</b>	<b>515</b>	<b>437</b>
Effective income tax rate	21%	24%

Deferred tax liability/(asset)	2025	2024
Deferred tax liability/(asset) as at 1 January	(1 954)	(2 318)
Change in deferred tax on items recognised in income statement	1 234	437
Changes in deferred tax on items recognised in other comprehensive income	(51)	(73)
Change in deferred tax as a result of changes in timing of taxable income for previous years	0	0
<b>Deferred tax liability/(asset) as at 31 December (25%)</b>	<b>(771)</b>	<b>(1 954)</b>

Temporary differences	2025	2024
Fixed assets	(5)	(5)
Leases	(2)	(1)
Pension commitments	8	(11)
Other differences	(21)	(18)
Provisions	(2)	(3)
Debt instruments	(1 663)	9 580
Financial derivatives	(1 400)	(7 219)
Losses carried forward for tax purposes	0	(10 139)
<b>Total temporary differences</b>	<b>(3 085)</b>	<b>(7 816)</b>
<b>Deferred tax liability/(asset)</b>	<b>(771)</b>	<b>(1 954)</b>

In December 2025, the Tax Appeals Committee issued a favourable decision to KBN in a tax appeal concerning the tax treatment and timing of recognition of financial instruments. KBN had previously received decisions to amend tax assessments for the income years 2014–2021. These amendments related to the timing and tax treatment of financial instruments, and parts of the decisions were appealed.

The favourable decision means that income previously considered taxable will instead be classified as debt for tax purposes, resulting in an overall reduction in taxable income for prior years. As a consequence, KBN has received a refund of NOK 1 billion in previously overpaid taxes, together with interest compensation of NOK 189 million. The interest compensation is classified as other interest income. See Note 1 for a specification of interest income.

The deferred tax asset on the balance sheet has been reduced by NOK 1 billion in 2025, as the tax treatment now aligns with KBNs accounting treatment for the relevant financial instruments. Historically, the KBNs financial statements have been aligned with the tax authorities' decisions and positions.

## Note 7 Lease agreements

(Amounts in NOK 1 000 000)

KBN has one lease agreement that is covered by IFRS 16 Leases. The agreement applies to the lease of office space in Filipstad Brygge 1. The right-of-use-asset is presented in the statement of financial position as other assets, while the lease obligation is presented as other liabilities. See Note 16 for further information.

Lease liability	2025	2024
Current (under 1 year)	9	9
Non-current (over 1 year)	83	93
Amortisation	11	8
Total interest expense recognised	3	4
Undiscounted future lease payments	2025	2024
1 year	13	13
2 years	13	13
3 years	13	13
4 years	13	13
5 years	13	13
> 5 years	46	58

## Note 8 Classification of financial instruments

### Accounting policies for classification and measurement

Classification of financial instruments are carried out at initial recognition and determines the subsequent measurement of the carrying amount. Classification of financial instruments is determined by the characteristics of the financial instrument and by the business model for the management of financial assets.

#### *Financial assets measured at amortised cost*

KBN's business model for loans to customers and commercial paper and bonds is to "hold to collect contractual cash flows". When the assets' cash flows only consist of principal and interest payments, and instruments with mainly offsetting value changes are not present, the assets are measured at amortised cost. New loans to customers and commercial paper and bonds are subject to an assessment of whether the cash flows of the asset are only repayment, principal or interest payments. If this is not the case, the asset shall be classified as measured at fair value. KBN's PT and NIBOR loans are measured at amortised cost. Commercial paper and bonds without related financial derivatives are also measured at amortised cost, as well as deposits from credit institutions (cash deposits, money market deposits and cash collateral pledged) and other money market deposits, not hedged with a derivative contract. Other money market deposits are deposits to non-financial institutions. Measurement of amortised cost is performed using the effective interest rate method.

Hedge accounting may apply to assets classified as measured at amortised cost. When fair value hedge accounting is applied, the value change that is attributable to the hedged risk is recognised as part of the carrying amount with the hedged item, and in the income statement as net gain/(loss) on financial instruments.

#### *Financial assets designated at fair value through profit or loss (FVO)*

If the risk in selected commercial paper and bonds, loans to customers with fixed interest rate and money-market deposits (both to financial and non-financial institutions) is hedged with a derivative contract, these financial assets are designated at fair value through profit or loss at initial recognition, in to achieve similar treatment as related derivative contracts which are measured at fair value. This leads to a reduction in measurement inconsistency between commercial paper, bonds and loans to customers on one hand, and financial derivatives on the other hand. Hedge accounting for fixed-rate loans to customers has been applied since 2022.

#### *Financial liabilities measured at amortised cost*

Debt securities issued in the form of benchmark loans and certain loans from institutional investors - issued in public capital markets, are classified as financial liabilities measured at amortised cost and are measured at amortised cost using the effective interest rate method. The same applies to floating-rate bonds issued in U.S. dollars or Euros, due to credit institutions (received cash collateral or loans in the money market), as

well as commercial papers issued. A portion of these financial liabilities is designated as hedged items and is subject to fair value hedge accounting rules. The hedged risk is limited to interest rate risk for liabilities in USD, EUR, and NOK. Changes in value attributable to the hedged risk in the bond are recognised under debt securities issued, and accounted for in the income statement under net gain/(loss) on financial instruments.

#### *Financial liabilities designated at fair value through profit or loss (FVO)*

Debt securities issued that are not measured to amortised cost, are designated as at fair value through profit or loss at initial recognition. This to achieve similar treatment as related derivative contracts, which are measured at fair value. This leads to a reduction in measurement inconsistency between debt securities issued on one hand and financial derivatives on the other hand. For debt securities issued that are measured at fair value, the part of changes in fair value of liabilities that is attributable to changes in KBN's own credit risk is recognised in other comprehensive income in the statement of comprehensive income. The remaining part of the change in fair value is recognised in the income statement. Note 9 provides additional information about financial assets at fair value through profit or loss (FVO).

#### *Financial derivatives*

Financial derivatives are classified as at fair value through profit and loss, with the exception of contracts designated as hedging instruments in fair value hedges. All financial derivatives are measured at fair value through profit or loss and are presented as assets when the value is positive, and as liabilities when the value is negative.

The accumulated principal of the debt as of December 31, 2025, including commercial paper issued, debt securities issued and subordinated loan capital, amounts to NOK 494 billion against a book value of NOK 489 billion.

*(Amounts in NOK 1 000 000)*

2025	Total	At fair value			At amortised cost	
		Fair value option	Mandatorily at fair value	Fair value hedge	Designated at hedge accounting	Hold to collect
Deposits with credit institutions	22 862	0	0	0	0	22 862
Loans to customers	373 655	39 325	0	0	101 579	232 750
Commercial paper and bonds	120 109	68 796	0	0	2 540	48 774
Financial derivatives	14 380	0	11 152	3 227	0	0
<b>Total financial assets</b>	<b>531 006</b>	<b>108 121</b>	<b>11 152</b>	<b>3 227</b>	<b>104 119</b>	<b>304 386</b>
Due to credit institutions	4 554	0	0	0	0	4 554
Commercial paper issued	5 793	0	0	0	0	5 793
Debt securities issued	482 499	161 203	0	0	260 931	60 366
Financial derivatives	16 197	0	9 996	6 201	0	0
Subordinated loan capital	787	787	0	0	0	0
<b>Total financial liabilities</b>	<b>509 831</b>	<b>161 990</b>	<b>9 996</b>	<b>6 201</b>	<b>260 931</b>	<b>70 713</b>

2024	Total	At fair value			At amortised cost	
		Fair value option	Mandatorily at fair value	Fair value hedge	Designated at hedge accounting	Hold to collect
Deposits with credit institutions	37 787	0	0	0	0	37 787
Loans to customers	367 495	58 136	0	0	71 923	237 436
Commercial paper and bonds	139 971	76 002	0	0	2 152	61 818
Financial derivatives	20 133	0	18 070	2 063	0	0
<b>Total financial assets</b>	<b>565 386</b>	<b>134 138</b>	<b>18 070</b>	<b>2 063</b>	<b>74 075</b>	<b>337 041</b>
Due to credit institutions	17 539	0	0	0	0	17 539
Commercial paper issued	26 713	0	0	0	0	26 713
Debt securities issued	472 917	160 426	0	0	280 955	31 536
Financial derivatives	27 443	0	16 543	10 900	0	0
Subordinated loan capital	769	769	0	0	0	0
<b>Total financial liabilities</b>	<b>545 381</b>	<b>161 195</b>	<b>16 543</b>	<b>10 900</b>	<b>280 955</b>	<b>75 788</b>

## Note 9 Financial instruments measured at fair value

(Amounts in NOK 1 000 000)

### Accounting principles for measuring financial instruments at fair value

Financial instruments are categorised into the fair value hierarchy, where the level of categorisation (Levels 1, 2 or 3) is based on the following.

#### Level 1

For securities traded in an active market with frequent market observations, quoted prices on the reporting date are used in the measurement of fair value. The bank uses quoted prices provided by international vendors, and they are classified as level 1-inputs when they represent actual market transactions for the instrument.

#### Level 2

For financial instruments without available quoted prices in an active market, KBN will either use quoted prices of similar instruments in active markets, where possible, or valuation techniques where significant inputs are based on observable market data. level 2-inputs might include:

- observable interest rate yield curves, basis swap spreads, FX-rates, equity indices, commodity indices and volatilities
- quoted prices and credit spreads at the reporting date for similar instruments issued by the same issuer but with a different tenor, so that an adjustment for maturity is necessary
- quoted prices and credit spreads at the reporting date for similar instruments issued by the same issuer but denominated in a different currency, so that an adjustment for basis swap spread is necessary
- actual market transactions in identical instruments before or after the reporting date, so that an adjustment for events between the date of transaction and the reporting date is necessary

- more liquid instruments issued by the same issuer with identical maturity, but an adjustment for liquidity risk is necessary
- prices on potential new issues in similar instruments from the same issuer

### *Level 3*

Level 3 is relevant for financial instruments that are not traded in an active market and fair value is determined using valuation techniques where significant input is based on unobservable data.

The same type of input might be used to determine the fair value of commercial paper and bonds classified as level 2 and level 3, however, the significance of adjustments of market data and to what extent the adjustment is done based on observable data, determines the categorisation. Other inputs used in determination of fair value might include:

- indicative prices and estimates for similar instruments provided by other market participants
- market indices, both bond and credit default swap indices, for similar instruments
- non-binding price quotes from different sources
- historical or implied volatilities

### *Fair value disclosures*

For financial instruments categorised in the fair value hierarchy at multiple periods, a reconciliation of movements between the levels is done at the end of each reporting period. The valuation technique used to determine fair value of financial instruments categorised in level 2 or level 3, is determined based on the instruments' features. Fair value of financial instruments without embedded option-elements is determined using the discounted cash flows method, where discount rates are derived from the relevant observable money market interest rates with the addition of a credit surcharge. When such factors cannot be reliably observed at a reporting date, management may make assumptions and use estimates when determining the fair value. Fair value of financial instruments with embedded option-elements is determined using both discounting and option pricing models with observable market data and estimates as inputs. The most significant unobservable input used in the valuation in level 3, comprises the credit premium for financial instruments that are not traded in an active market.

2025	Level 1	Level 2	Level 3	Total
Loans to customers	0	39 325	0	39 325
Commercial paper and bonds	64 932	2 857	1 007	68 796
Financial derivatives	0	13 930	450	14 380
<b>Total financial assets measured at fair value</b>	<b>64 932</b>	<b>56 113</b>	<b>1 457</b>	<b>122 501</b>
Debt securities issued	15 921	124 892	20 389	161 203
Financial derivatives	0	12 690	3 507	16 197
Subordinated loan capital	0	0	787	787
<b>Total financial liabilities measured at fair value</b>	<b>15 921</b>	<b>137 582</b>	<b>24 683</b>	<b>178 187</b>
2024	Level 1	Level 2	Level 3	Total
Loans to customers	0	58 136	0	58 136
Commercial paper and bonds	68 733	1 062	6 207	76 002
Financial derivatives	0	19 989	144	20 133
<b>Total financial assets measured at fair value</b>	<b>68 733</b>	<b>79 186</b>	<b>6 351</b>	<b>154 271</b>
Debt securities issued	11 046	131 815	17 565	160 426
Financial derivatives	0	23 248	4 196	27 443
Subordinated loan capital	0	0	769	769
<b>Total financial liabilities measured at fair value</b>	<b>11 046</b>	<b>155 063</b>	<b>22 529</b>	<b>188 638</b>

## Information about fair value

Assets and liabilities measured at fair value are in the above tables categorised in the three levels as described in the accounting principles above.

All changes in fair value of financial instruments adjust the carrying amounts of assets and liabilities and are recognised in either the income statement as net unrealised gain/(loss) on financial instruments or in the statement of comprehensive income as change in fair value of liabilities due to changes in own credit risk under other comprehensive income.

KBN has established policies and guidelines for valuation that describe principles for fair value measurement of financial instruments. The main principles are that fair value should be measured at the value the asset may be sold for or the liability repurchased/transferred for, and that observable data shall be used to the extent possible in the valuation. Quality assurance should be undertaken against alternative sources. The guidelines also set out the frequency of valuation for different instrument types, and procedures for control of fair value.

### *Loans to customers*

#### Level 2

Level 2 includes fixed rate loans to customers granted before 1 January 2022. Fixed rate loans to customers are granted on individual level and are not traded in an active market. Hence, observable market prices are not available after initial recognition. Fair value of such loans is estimated based on discounting future cash flows using discount rates derived from observable money market rates and observable credit spreads for Norwegian municipalities at the reporting date. Fixed rate loans with an amortisation schedule are valued adding a discretionary spread to cover liquidity premium, but this does not constitute a significant part of the input data in the valuation.

### *Commercial paper and bonds*

#### Level 1

Determination of fair value based on quoted prices in an active market with many buyers and sellers gives a fair value estimate with the lowest degree of valuation uncertainty (level 1). Level 1 inputs for commercial paper and bonds include quoted prices provided by international vendors, which represent actual transactions in an active market. Such third-party prices are also partially used within level 2, but where the price is not considered to reflect sufficient liquidity to allocate the position to level 1.

#### Level 2 and 3

The fair value of commercial paper and bonds where quoted prices are not sufficiently available on the reporting date, is determined using the discounted cash flow method where discount rates are derived from observable money market interest rate yield curves (parts of level 2 and level 3). Discount rates are adjusted for the issuers credit and liquidity risk to as large a degree as possible, based on observable market data. When applying credit/liquidity adjustments to discount rates, the assets are grouped based on the issuer's credit rating, currency, time to maturity, underlying exposure and geographic location. All investments are allocated to their respective levels on each reporting date. Unobservable credit spreads are used to some extent when there is little or no market activity for the security in concern, or equivalent securities. When these are material for the valuation, the security is allocated to level 3, which reflects significant valuation uncertainty.

### *Debt securities issued.*

The bond debt is divided into three main groups based on the type of borrowing product and the corresponding loan documentation used. The three groups are loans in public niche markets, private placement loans, and retail loans. The first two groups are public (listed) syndicated loans in various currencies, where the issuance size constitutes the primary difference between the two groups.

#### Level 1

For quoted loans in public niche markets, quoted prices exist in an active market and these are considered to belong to level 1 with limited valuation uncertainty.

#### Level 2

For other loans in public niche markets, there are partially listed prices, but the activity and liquidity are somewhat low, so they are considered to belong to level 2, with some valuation uncertainty. A discounted cash flow model is used in the valuation, where inputs include market interest rates, listed prices, and prices of comparable instruments adjusted for differences in maturity, size, and currency. Prices of new issuances are also used as an important indicator in the valuation, and the bank obtains non-binding price quotations from brokers.

### Level 3

The second group comprised of private placement loans where the loan terms are specially adapted for a single investor. The final main group is retail loans, i.e. loans sold to non-professional investors. Bonds in these two groups are not listed and normally not traded in the secondary market and are, to a large extent, structured products with option elements that are linked to stock prices, equity indices, FX rates or commodity prices. Quoted prices are hence not available for the security, and unobservable inputs are used to a significant degree in the valuation. These loans are therefore allocated to level 3 in the fair value hierarchy, and thus are characterised by significant valuation uncertainty. The choice of valuation techniques and inputs depends on the structure and terms of each loan. For all bonds in these groups, fair value is determined by using the discounted cash flow method. Inputs are current interest rate yield curves and credit spreads that are estimated from price indications to brokers at the Company's information channels. Credit spreads are for these groups regarded as an unobservable input, and hence an estimate. For structured bonds with option elements, option pricing models are used in addition to determine expected cashflows. These models use interest rates, FX-rates, stock prices, equity indices and implicit or historical volatilities as inputs.

### *Financial derivatives*

All financial derivatives are unlisted over-the-counter-contractscountercontracts used in economic hedges of interest rate and currency risk, and other market risks for debt securities. Derivatives are used for all portfolios, including securing interest for fixed-rate loans. For basis swaps (USD-NOK, USD-EUR and EUR-NOK), FRAs and interest rate swaps and cross currency swaps without option elements, fair value is determined by using the discounted cash flow method. Discount rates are derived from observable basis swap spreads and swap interest rates. Hence, these contracts are allocated to Level 2, with considerable market activity for new contracts and relevant market parameters. Cross-currency swaps and interest rate swaps which are economic hedges of debt securities issued with option elements, are valued using discounted cash flow method and option pricing. These are classified as Level 3 due to significant use of unobservable inputs.

KBN analyses the fair value and the value changes at the end of the reporting period, including the basis for the development in fair values.

### Reconciliation of changes in level 3

<i>(Amounts in NOK 1 000 000)</i>	Commercial paper and bonds	Debt securities issued	Subordinated loan capital	Financial derivatives
<b>Carrying amount at 31 December 2024</b>	<b>6 207</b>	<b>17 565</b>	<b>769</b>	<b>(4 051)</b>
Purchase	458	0	0	(21)
Sale	(1 242)	0	0	0
Issue	0	5 501	0	0
Settlement	(1 380)	(2 172)	0	(66)
Transfer into Level 3	1 393	0	0	0
Transfer out of Level 3	(4 295)	0	0	0
Net unrealised gain/(loss) recognised in the period	(133)	(504)	19	1 081
<b>Carrying amount at 31 December 2025</b>	<b>1 007</b>	<b>20 389</b>	<b>787</b>	<b>(3 057)</b>
<i>(Amounts in NOK 1 000 000)</i>	Commercial paper and bonds	Debt securities issued	Subordinated loan capital	Financial derivatives
<b>Carrying amount at 31 December 2023</b>	<b>10 760</b>	<b>24 911</b>	<b>770</b>	<b>(2 264)</b>
Purchase	2 476	0	0	6
Sale	(1 244)	0	0	0
Issue	0	2 047	0	0
Settlement	(5 160)	(10 673)	0	149
Transfer into Level 3	1 083	0	0	0
Transfer out of Level 3	(1 919)	0	0	0
Net unrealised gain/(loss) recognised in the period	212	1 280	(2)	(1 943)
<b>Carrying amount at 31 December 2024</b>	<b>6 207</b>	<b>17 565</b>	<b>769</b>	<b>(4 051)</b>

Transfers to and from level 3 primarily result from changes in the availability of observable inputs to valuation methods during the period, as well as new issuances classified within level 3. In 2025, net debt of NOK 2.0 bn. were transferred from level 1 to level 2, and net assets of NOK 0.3 bn. was transferred from level 1 to level 2, and net assets of NOK 0.3 bn. was transferred from level 2 to level 1.

Effects from the currency conversion of principal amounts from non-derivative interest-bearing instruments in foreign currency and from interest and fees, are presented net in the income statement. Corresponding changes in fair value from currency derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure, are presented net along with FX differences from the hedged item.

Net unrealised fair value changes for loans to customers, commercial paper issued, debt securities issued as well as subordinated loans are included in the income statement in net gain/(loss) on financial instruments, with the exception of unrealised fair value changes to debt securities issued due to a change in own credit risk. Unrealised fair value changes to debt securities issued due to a change in own credit risk are included in the statement of comprehensive income as other comprehensive income.

### Description of significant unobservable data used in valuation, within level 3

In cases where there is very little or no market activity for the relevant instrument, the valuation relies significantly on estimates as input in the model. The most significant estimate includes a spread to the relevant yield curve. For debt securities issued, the spread includes liquidity risk, own credit risk, and market risk in the relevant currency market. For commercial paper and bonds valued using a model, the spread includes liquidity risk, issuer credit risk, and market risk in the relevant currency market. Other unobservable inputs include volatilities within option pricing models, where relevant. Beyond this, the parameters used in

valuing instruments with option elements are primarily observable. Bonds with option elements are hedged one-to-one with financial derivatives where the option element is offsetting, thus eliminating exposure from the option element.

The total credit spread and thus the yield curves are sensitive to changes in underlying components. Changes in credit spread, liquidity risk, or market risk in the relevant currency market will therefore affect the fair value of the instrument. See the sensitivity analysis in the following table for the impact of a 10 basis points increase in the discount rate.

### Sensitivity analysis level 3

(Amounts in NOK 1 000 000)	2025		2024	
	Carrying amount	Impact of changes in key assumptions	Carrying amount	Impact of changes in key assumptions
Commercial paper and bonds	1 007	(2)	6 207	(14)
Financial derivatives	(3 057)	(14)	(4 051)	(7)
Debt securities issued	(20 389)	7	(17 565)	7
Subordinated loan capital	(787)	2	(769)	2
<b>Total</b>		<b>(7)</b>		<b>(11)</b>

*Sensitivity of level 3 are measured by changes in fair value due to a 10 basis points increase in the discount rate.*

For debt securities issued as well as subordinated loan capital, changes attributed to an increased credit spread will result in recognising the unrealised gain in other comprehensive income in the statement of comprehensive income. Changes attributable to increased money market interest rate will result in the unrealised gain being recognised in the income statement.

### Level 3 unrealised gain/(loss) in the period

(Amounts in NOK 1 000 000)	2025		2024	
	Carrying amount	Unrealised gain/(loss)	Carrying amount	Unrealised gain/(loss)
Commercial paper and bonds	1 007	79	6 207	40
Financial derivatives	(3 057)	402	(4 051)	(1 589)
Debt securities issued	(20 389)	(522)	(17 565)	1 455
Subordinated loan capital	(787)	(18)	(769)	2
<b>Total</b>		<b>(59)</b>		<b>(92)</b>

Amounts in the column unrealised fair value changes in the table above are included in net gain/(loss) on financial instruments in the income statement, and in other comprehensive income in the statement of comprehensive income.

## Note 10 Financial instruments measured at amortised cost

(Amounts in NOK 1 000 000)

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits with credit institutions	22 862	22 862	37 787	37 786
Loans to customers	334 330	334 227	309 359	309 647
Commercial paper and bonds	51 313	51 423	63 969	64 012
<b>Total financial assets measured at amortised cost</b>	<b>408 505</b>	<b>408 512</b>	<b>411 116</b>	<b>411 446</b>
Due to credit institutions	4 554	4 554	17 539	17 539
Commercial paper issued	5 793	5 793	26 713	26 712
Debt securities issued	321 297	322 019	312 491	312 489
<b>Total financial liabilities measured at amortised cost</b>	<b>331 644</b>	<b>332 366</b>	<b>356 743</b>	<b>356 739</b>

Information about the level within the fair value hierarchy, for financial instruments measured at amortised cost, where fair value is disclosed.

2025	Level 1	Level 2	Level 3	Total
Loans to customers	0	334 227	0	334 227
Commercial paper and bonds	35 246	12 793	3 383	51 423
<b>Total fair value of financial assets</b>	<b>35 246</b>	<b>347 021</b>	<b>3 383</b>	<b>385 650</b>
Debt securities issued	259 110	62 909	0	322 019
<b>Total fair value of financial liabilities</b>	<b>259 110</b>	<b>62 909</b>	<b>0</b>	<b>322 019</b>

2024	Level 1	Level 2	Level 3	Total
Loans to customers	0	309 647	0	309 647
Commercial paper and bonds	43 640	18 846	1 527	64 012
<b>Total fair value of financial assets</b>	<b>43 640</b>	<b>328 493</b>	<b>1 527</b>	<b>373 660</b>
Debt securities issued	278 784	33 705	0	312 489
<b>Total fair value of financial liabilities</b>	<b>278 784</b>	<b>33 705</b>	<b>0</b>	<b>312 489</b>

### Information about fair value for assets and liabilities recognised at amortised cost

#### *Loans to customers.*

Loans to customers at level 2 includes pt loans, NIBOR-loans and fixed rate loans. These loans are not traded in an active market. Valuation is hence based on discounting future cash flows using discount rates derived from observable money market rates and observable credit spreads for Norwegian municipalities. Fixed rate loans with an amortisation schedule, the same principals as for fixed rate loans at fair value are applied. See note 9 for information on fair value measurements.

#### *Commercial paper and bonds*

Commercial paper and bonds without related financial derivatives are measured at amortised cost. Fair value valuation and grouping in levels 1, 2 and 3 follow similar principles as for commercial paper and bonds measured at fair value, see note 9 for information on fair value measurement.

*Debt securities issued.*

Debt securities issued in the form of benchmark loans and certain loans from institutional investors in niche markets issued in public capital markets, are classified as financial liabilities measured at amortised cost. The same applies to bond debt with a floating interest rate issued in USD or Euros. The valuation at fair value and the grouping in levels 1, 2 and 3 follow similar principles as for debt securities issued that is measured at fair value, see note 9 for information on fair value measurement.

## Note 11 Hedge accounting

(Amounts in NOK 1 000 000)

### Accounting principles for hedge accounting

KBN uses fair value hedge accounting for selected economic hedges of interest rate risk according to IFRS 9 of debt securities issued, commercial paper and bonds and loans to customers. Fair value hedging is applied when the economic hedging meets the requirements for the use of fair value hedge accounting. The hedge relationship is documented at designation, including the goals and strategy for the risk management of the hedge relationship. The documentation includes identification of the hedge relationship, description of hedged risk (interest rate risk) and a prospective effectiveness test. Hedge effectiveness is measured on an on-going basis. Any ineffective part of the hedge is recognised in the income statement. Hedging instruments are measured at fair value through profit or loss, and carrying amounts are adjusted accordingly. The value change of the hedged items that is attributable to the hedged risk (interest rate risk), is recognised as part of the carrying amount of the item and in the income statement as net gain/(loss) on financial instruments.

Ineffectiveness occurs due to changes in market rates in the floating leg of the hedging instrument, the use of different interest rate curves for discounting the hedging instrument and where the hedge is not 1:1.

Carrying amount of financial instruments in fair value hedges	2025	2024
<b>Hedged item:</b>		
Commercial paper and bonds	2 540	2 151
Debt securities issued	260 931	280 955
Loans to customers	101 579	71 923
<b>Hedging instruments:</b>		
Financial derivatives, in fair value hedge of commercial paper and bonds	(29)	0
Financial derivatives, in fair value hedge of debt securities issued	(2 856)	(9 556)
Financial derivatives, in fair value hedge of loans to customers	(88)	718
<b>Total</b>	<b>362 077</b>	<b>346 191</b>

Nominal values of hedged items in fair value hedges	2025	2024
Commercial paper and bonds	1 718	2 142
Debt securities issued	261 537	288 715
Loans to customers	93 820	69 036
<b>Total</b>	<b>357 075</b>	<b>359 893</b>

Recognised value changes on financial instruments in fair value hedges	2025	2024
<b>Hedged item:</b>		
Commercial paper and bonds	12	(18)
Debt securities issued	(5 780)	(2 958)
Loans to customers	322	(1 441)
<b>Hedging instruments:</b>		
Financial derivatives, in fair value hedge of commercial paper and bonds	(12)	18
Financial derivatives, in fair value hedge of debt securities issued	5 777	2 878
Financial derivatives, in fair value hedge of loans to customers	(275)	1 453
<b>Total</b>	<b>44</b>	<b>(68)</b>

Recognised value changes are a result of changes in underlying risk factors, hence the hedged risk (secured inefficiency).

### Maturity profile of financial instruments in fair value hedge.

Maturity profile of financial instruments in fair value hedge 2025	0-1 years	1-3 years	3-5 years	> 5 years	Total
Carrying amount of commercial paper and bonds, measured at amortised cost	807	1 739	0	0	2 546
Fair value adjustment	(1)	(5)	0	0	(6)
<b>Total carrying amount of debt securities issues</b>	<b>806</b>	<b>1 734</b>	<b>0</b>	<b>0</b>	<b>2 540</b>
Nominal value of financial derivatives, in fair value hedge of commercial paper and bonds	(796)	(1 698)	0	0	(2 494)
Carrying amount of debt securities issued, measured at amortised cost	(44 735)	(93 378)	(102 507)	(23 298)	(263 918)
Fair value adjustment	337	(239)	2 332	557	2 987
<b>Total carrying amount of debt securities issues</b>	<b>(44 398)</b>	<b>(93 617)</b>	<b>(100 176)</b>	<b>(22 741)</b>	<b>(260 931)</b>
Nominal value of financial derivatives, in fair value hedge of debt securities issued	44 625	92 521	102 145	23 022	262 313
Carrying amount of loans to customers, measured at amortised cost	19 276	31 845	26 696	24 900	102 716
Fair value adjustment	(73)	(261)	(161)	(643)	(1 137)
<b>Total carrying amount of loans to customers</b>	<b>19 203</b>	<b>31 584</b>	<b>26 535</b>	<b>24 257</b>	<b>101 579</b>
Nominal value of financial derivatives, in fair value hedge of loans to customers	5 032	26 399	31 514	28 763	91 708

Maturity profile of financial instruments in fair value hedge 2024	0-1 years	1-3 years	3-5 years	> 5 years	Total
Carrying amount of commercial paper and bonds, measured at amortised cost	266	1 902	0	0	2 169
Fair value adjustment	0	(18)	0	0	(18)
<b>Total carrying amount of debt securities issues</b>	<b>266</b>	<b>1 885</b>	<b>0</b>	<b>0</b>	<b>2 151</b>
Nominal value of financial derivatives, in fair value hedge of commercial paper and bonds	(0)	(1 877)	0	0	(2 142)
Carrying amount of debt securities issued, measured at amortised cost	(65 587)	(113 258)	(86 285)	(24 592)	(289 722)
Fair value adjustment	726	2 689	2 272	3 080	8 767
<b>Total carrying amount of debt securities issues</b>	<b>(64 861)</b>	<b>(110 569)</b>	<b>(84 013)</b>	<b>(21 512)</b>	<b>(280 955)</b>
Nominal value of financial derivatives, in fair value hedge of debt securities issued	65 306	112 700	86 092	24 617	288 715
Carrying amount of loans to customers, measured at amortised cost	6 632	25 069	22 926	18 584	73 210
Fair value adjustment	166	(441)	(390)	(623)	(1 287)
<b>Total carrying amount of loans to customers</b>	<b>6 798</b>	<b>24 628</b>	<b>22 536</b>	<b>17 961</b>	<b>71 923</b>
Nominal value of financial derivatives, in fair value hedge of loans to customers	1 305	15 436	22 477	27 444	66 662

## Note 12 Deposits with credit institutions

(Amounts in NOK 1 000 000)	2025	2024
Deposits with credit institutions without agreed time to maturity	253	243
Deposits with credit institutions with agreed time to maturity	14 622	19 934
Cash collateral pledged	7 986	17 610
<b>Total deposits with credit institutions</b>	<b>22 862</b>	<b>37 787</b>

## Note 13 Loans to customers

(Amounts in NOK 1 000 000)	2025	2024
Principal amount	374 007	369 859
Accrued interest	3 625	3 342
Fair value adjustment	(2 813)	(4 231)
Value adjustment in fair value hedges	(1 137)	(1 459)
Expected credit loss	(37)	(32)
<b>Total loans to customers</b>	<b>373 646</b>	<b>367 480</b>
Other loans	10	15
<b>Total loans</b>	<b>373 656</b>	<b>367 495</b>

Geographic distribution of principal amount	2025	2024
Agder	19 377	19 964
Akershus	52 151	48 323
Buskerud	23 857	25 312
Finnmark	11 229	10 707
Innlandet	27 822	27 574
Møre og Romsdal	21 532	22 457
Nordland	28 368	27 247
Oslo	25 692	23 368
Rogaland	23 181	24 702
Telemark	11 660	11 677
Troms	13 609	13 942
Trøndelag	42 592	40 798
Vestfold	12 236	12 007
Vestland	40 947	42 573
Østfold	19 118	18 639
Svalbard	636	568
<b>Loans to customers, principal amount</b>	<b>374 007</b>	<b>369 859</b>

## Note 14 Expected credit loss

### Accounting policies on measuring of expected credit loss

At each reporting date, an allocation to stages 1, 2 or 3 is performed for all loans to customers and commercial paper and bonds that are measured at amortised cost.

All assets are allocated to stage 1 at initial recognition. On subsequent reporting dates, stage 1 allocation means that there has been no significant increase in credit risk since initial recognition for that particular asset. An allocation to stage 2 on a subsequent reporting date represents a significant increase in credit risk since initial recognition, while stage 3 implies that the asset is credit impaired. Stage 1 requires the

calculation of a 12-month expected credit loss that is recognised in the income statement and statement of financial position. Assets allocated to stages 2 and 3 require the calculation of a lifetime expected credit loss, recognised in the income statement and statement of financial position. The assets are allocated back to lower stages if the credit risk is since reduced. Actual credit losses have never taken place during KBN's history.

The recognition of interest income for assets allocated to stages 1 and 2 is based on the assets principal amount, while the recognition of interest income for assets allocated to stage 3 is based on the assets amortised cost, meaning after deduction of the provision for the expected credit loss. Expected credit loss is calculated per loan/instrument, based on exposure at default, probability of default and loss given default, all estimated at the reporting date.

KBN uses three different scenarios in its model for the calculation of expected credit loss. Furthermore, the normalised values for probability of default are adjusted for market cycles in line with current market conditions at reporting times. The periods change in total expected credit loss is recognised in the Income statement as increased/(reduced) provision for expected credit loss. Within stage 1 a 12-month probability of default and lifetime losses based on default within the next 12 months are used, while stages 2 and 3 use lifetime probability of default and losses resulting from this.

Major changes in the issuers rating or a significant move under KBN's internal credit rating assessment are used as indicators of significant increase in credit risk since initial recognition. These will lead to an allocation of the asset to stage 2. For loans to customers such deterioration has taken place if a payment stop is decided under the Municipality Act. An assessment as credit impaired or allocation to stage 3 for loans to customers are triggered by events that result in actual credit losses, or payment delays of at least 90 days over a certain threshold amount. For bonds and certificates, allocations to level 3 are triggered by events such as payment delays, bankruptcy petitions, or restructuring due to financial difficulties.

The below table shows expected credit loss as part of the carrying amount of loans to customers and commercial paper and bonds at the end of the period. All exposures are assessed to be in stage 1, both as of 31 December 2025, and 31 December 2024.

(Amounts in NOK 1 000 000)	31 December 2025		31 December 2024	
	Carrying amount	Expected credit loss	Carrying amount	Expected credit loss
Loans to customers	334 330	37	309 359	32
Commercial paper and bonds	51 313	2	63 969	3
<b>Total</b>	<b>385 643</b>	<b>39</b>	<b>373 329</b>	<b>35</b>

The below table shows a specification of the period's change in expected credit loss that is recognised in the income statement.

(Amounts in NOK 1 000 000)	31 December 2025	31 December 2024
Loans to customers	5.1	(8.9)
Commercial paper and bonds	(1.5)	0.4
<b>Increased/(reduced) provision for expected credit loss</b>	<b>3.6</b>	<b>(8.6)</b>

## Note 15 Commercial paper and bonds

(Amounts in NOK 1 000 000)

Commercial paper and bonds by type of issuer	2025	2024
Domestic		
Issued by public bodies <sup>1</sup>	14 359	15 039
Hereof bonds issued by Norwegian municipalities	10 491	5 533
Issued by other borrowers	28 034	27 074
Foreign		
Issued by public bodies <sup>1</sup>	50 965	68 185
Issued by other borrowers	26 751	29 673
<b>Total commercial paper and bonds</b>	<b>120 109</b>	<b>139 971</b>
Hereof		
Commercial paper and bonds lent	6 766	7 688
Commercial paper and bonds pledged as collateral	5 170	4 318

<sup>1</sup>Issued by or guaranteed by sovereigns, central banks, regional authorities and multilateral development banks

Commercial paper and bonds by time to maturity	2025	2024
Under 1 year	33 699	31 632
1-5 years	83 841	106 376
> 5 years	2 569	1 962
<b>Total commercial paper and bonds</b>	<b>120 109</b>	<b>139 971</b>
Average duration (years)*	2.5	2.3

\* The duration shown in the table applies to the holdings of certificates and bonds, i.e., excluding deposits in the money market. Such deposits are presented on the balance sheet line deposits with credit institutions. Including such deposits, the duration for liquid holdings is 2.5 years as of 31 December, 2025.

## Note 16 Other assets and other liabilities

### Other assets

(Amounts in NOK 1 000 000)	2025	2024
Intangible assets	126	153
Leases	90	101
Fixed assets	12	15
Other assets	1 234	34
<b>Total other assets</b>	<b>1 462</b>	<b>303</b>

Intangible assets comprise of investments in business applications, website, customer online banking and datawarehouse. All are amortised linearly over their expected lifetimes.

## Other liabilities

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
Accounts payable	14	17
Public fees	9	10
Leases	93	102
Other short term liabilities	26	23
Accrued expenses and received, not yet accrued interest	34	26
<b>Total other liabilities</b>	<b>175</b>	<b>177</b>

## Note 17 Due to credit institutions

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
Cash collateral received	4 502	17 477
Repurchase agreements	52	62
<b>Total due to credit institutions</b>	<b>4 554</b>	<b>17 539</b>

## Note 18 Debt securities issued and commercial paper issued

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
<b>Debt securities issued (nominal amounts) as at 1 January</b>	<b>481 504</b>	<b>438 407</b>
New issuance	128 049	91 909
Redemptions*	(91 065)	(86 499)
Amortisation (incl. fees)**	685	433
Effects of exchange rate changes	(36 521)	37 253
<b>Debt securities issued (nominal amounts) as at 31 December</b>	<b>482 652</b>	<b>481 504</b>
Accrued interest	8 085	7 296
Fair value adjustment	(8 238)	(15 883)
<i>Of which value adjustment that is due to change in own credit risk</i>	<i>451</i>	<i>227</i>
<i>Of which value adjustment that is due to other reasons, fair value</i>	<i>(5 702)</i>	<i>(7 343)</i>
<i>Of which value adjustment that is due to other reasons, hedge accounting</i>	<i>(2 987)</i>	<i>(8 767)</i>
<b>Total Debt securities issued</b>	<b>482 499</b>	<b>472 917</b>

<i>(Amounts in NOK 1 000 000)</i>	2025	2024
Commercial paper issued (nominal amounts) as at 1 January	26 713	41 318
New issuance	84 610	132 316
Redemptions	(104 386)	(148 789)
Amortisation	278	589
Effects of exchange rate changes	(1 422)	1 280
<b>Commercial paper issued (nominal amounts) as at 31 December</b>	<b>5 793</b>	<b>26 713</b>

\* There have been no buybacks in 2025. \*\*Amortisation is shown in its own line in the table above but is included in redemptions in the table below.

Changes in value due to a change in own credit risk are recognised in other comprehensive income in the statement of comprehensive income, while changes in value due to changes in short term interest are recognised in the income statement as net gain/(loss) on financial instruments.

**Reconciliation of changes in liabilities that are part of financing activities.**

<i>(Amounts in NOK 1 000 000)</i>	Commercial paper issued	Debt securities issued	Subordinated loan capital
<b>Carrying amount 31 December 2024</b>	<b>26 713</b>	<b>472 917</b>	<b>769</b>
<i>Cash flows</i>			
Payments from issuance	84 610	128 049	0
Redemptions	(104 386)	(91 065)	0
<i>Changes that are not related to cash flows</i>			
Changes due to accrued interest and amortisation	278	1 474	0
Changes in fair value	0	7 645	18
Effects of exchange rate changes on nominal amount incl. fees	(1 422)	(36 521)	0
<b>Carrying amount 31 December 2025</b>	<b>5 793</b>	<b>482 499</b>	<b>787</b>

<i>(Amounts in NOK 1 000 000)</i>	Commercial paper issued	Debt securities issued	Subordinated loan capital
<b>Carrying amount 31 December 2023</b>	<b>41 318</b>	<b>0</b>	<b>770</b>
<i>Cash flows</i>			
Payments from issuance	132 316	91 909	0
Redemptions	(148 789)	(86 499)	0
<i>Changes that are not related to cash flows</i>			
Changes due to accrued interest and amortisation	589	2 138	0
Changes in fair value	0	3 523	(2)
Effects of exchange rate changes on nominal amount incl. fees	1 280	37 253	0
<b>Carrying amount 31 December 2024</b>	<b>26 713</b>	<b>472 917</b>	<b>769</b>

**Note 19 Financial derivatives**

KBN uses financial derivatives to economically hedge exposures to interest rate and currency risk arising in the Company's business activities, and to economically hedge exposure to option elements in issued bonds. In addition to its ordinary function as a hedging instrument, a subset of currency-related derivatives has a built-in financing element with ongoing predefined payments during the term and repayment at maturity. KBN enters derivative contracts with counterparties with an average credit rating of A+ and all derivative exposure is subject to risk limits approved by the Board. The bank's assets and liabilities denominated in foreign currency are financially secured with interest rate and currency derivatives based on reference rates in NOK, USD, and EUR. Net assets or liabilities in reference rates in USD or EUR are converted to reference rates in NOK using a combination of basis swaps and currency forwards. Derivatives that are both interest rate and currency related are presented as currency related in the table below.

Interest rate risk arising from interest rate fixation on loans to customers is hedged using interest rate swaps.

See note 20 and note 24 for information on ISDA agreements, collateral transfers and clearing, that reduce counterparty risk. Counterparty risk is measured and monitored on an ongoing basis.

(Amounts in NOK 1 000 000)	2025			2024		
	Nominal amounts	Positive fair values	Negative fair values	Nominal amounts	Positive fair values	Negative fair values
<b>Mandatorily at fair value:</b>						
Interest rate related derivatives	213 146	5 213	5 403	327 265	7 613	6 685
Currency related derivatives	555 986	5 940	4 594	575 352	10 457	9 858
<i>Of which principal amounts on transactions with financing element</i>	<i>2 748</i>	<i>338</i>	<i>87</i>	<i>2 696</i>	<i>110</i>	<i>274</i>
	<b>769 131</b>	<b>11 152</b>	<b>9 996</b>	<b>902 617</b>	<b>18 070</b>	<b>16 543</b>
<b>Fair value hedges:</b>						
Interest rate related derivatives	356 516	3 227	6 201	357 519	2 063	10 900
	<b>356 516</b>	<b>3 227</b>	<b>6 201</b>	<b>357 519</b>	<b>2 063</b>	<b>10 900</b>
<b>Total financial derivatives</b>	<b>1 125 647</b>	<b>14 380</b>	<b>16 197</b>	<b>1 260 136</b>	<b>20 133</b>	<b>27 443</b>

All financial derivatives are measured at fair value through profit and loss. Most contracts are categorised as mandatorily at fair value according to IFRS 9. The remaining contracts are designated as hedging instruments in fair value hedges. Standard netting agreements (ISDA) do not fulfil the requirements for offsetting in the statement of financial position, even though they imply the right to offset in case of default. Financial derivatives are hence presented on a gross basis in the statement of financial position, such that contracts with a positive fair value are presented as assets and contracts with a negative fair value are presented as liabilities.

## Note 20 Collateral and offsetting

### Offsetting and collateral

KBN has entered into ISDA agreements with all derivatives counterparties. This implies that all exposures vs the counterparty may be offset in the event of default. The ISDA agreements contain agreements regarding the exchange of collateral in the form of Credit Support Annex (CSA) related to financial derivatives exposures. Financial derivatives entered under the ISDA/CSA framework are presented gross in the balance sheet.

KBN also use repurchase agreements, reverse repurchase agreements, and combined repurchase and reverse repurchase agreements (collateral swaps) for liquidity management. A combined repurchase and reverse repurchase agreement aims to exchange the underlying collateral. When entering into such transactions, KBN assesses whether the terms of the GMRA agreement trigger an obligation to offset in the balance sheet.

(Amounts in NOK 1 000 000)	Instrument	2025			2024		
		Gross fair value	Amounts that are offset in the statement of financial position	Carrying amount	Gross fair value	Amounts that are offset in the statement of financial position	Carrying amount
<b>Assets</b>	<b>Instrument</b>						
Financial derivatives	Financial derivatives	14 380	0	14 380	20 133	0	20 133
Deposits with credit institutions	Repurchase agreement	19 260	6 790	12 470	18 132	7 732	10 400
<b>Liabilities</b>	<b>Instrument</b>						
Financial derivatives	Financial derivatives	16 197	0	16 197	27 443	0	27 443
Due to credit institutions	Repurchase agreement	6 842	6 790	52	7 793	7 732	62

KBN provides securities as collateral in derivative transactions and repurchase agreements. Such assets do not meet the criteria for derecognition and are presented in the balance sheet under commercial paper and bonds. See note 15 for more information on securities that are not derecognised.

Cash collateral received and cash collateral pledged is presented in the statement of financial position as deposits with credit institutions or due to credit institutions. Cash collateral received is included in KBN's cash management and is placed either in commercial paper and bonds or in short term money market instruments.

(Amounts in NOK 1 000 000)	2025	2024
Cash collateral received	4 502	17 477
Cash collateral pledged	(7 986)	(17 610)
<b>Net received cash collateral</b>	<b>(3 484)</b>	<b>(134)</b>

## Note 21 Subordinated loan capital

(Amounts in NOK 1 000 000)	Currency	Principal amount in currency	Redemption right	Coupon	Principal amount in NOK		Carrying amount	
					2025	2024	2023	2022
Ordinary subordinated loan capital	NOK	800 mill	2028	3.02%	800	800	787	769
<b>Total Subordinated loan capital</b>					<b>800</b>	<b>800</b>	<b>787</b>	<b>769</b>

## Note 22 Share capital

	2025		2024	
	Number of shares	Share in %	Number of shares	Share in %
<b>The Kingdom of Norway</b>	3 894 625	100	3 894 625	100

At the end of 2025, KBN's share capital amounted to NOK 3 894 625 000, divided into 3 894 625 shares with a nominal value of NOK 1 000 each.

The Board of Directors proposes that for 2025, NOK 760 million be paid out as dividends to the owner, NOK 161 million be paid as interest to Additional Tier 1 capital holders, and NOK 973 million be transferred to other equity.

## Note 23 Additional Tier 1 capital

(Amounts in NOK 1 000 000)	Currency	Principal amount in currency	Redemption right	Coupon	Principal amount in NOK		Carrying amount	
					2025	2024	2023	2022
Additional Tier 1 capital	NOK	1 200	2025	3 mnd NIBOR+1,25%	0	1 200	0	1 196
Additional Tier 1 capital	NOK	1200	2027	3,26%	1 200	1 200	1 195	1 195
Additional Tier 1 capital	NOK	1200	2028	4,22%	1 200	1 200	1 093	1 093
Additional Tier 1 capital	NOK	1200	2030	3 mnd NIBOR+1,05%	1 200	0	1 196	0
<b>Total additional Tier 1 capital</b>					<b>3 600</b>	<b>3 600</b>	<b>3 484</b>	<b>3 484</b>

KBN issued additional Tier 1 capital in June 2025, June 2023 and June 2017. The bonds forms part of KBN's Tier 1 capital, see Note 29. The bonds are perpetual with redemption rights by the issuer. Based on KBN having a one-sided right to not pay interest and notional amount to the investors, the bond does not qualify as a liability under IAS 32 and is therefore classified as equity in the Statement of Financial Position. The interest expenses are not presented as interest expense in the income statement, but rather as a reduction of other equity. The expenses are recognised when paid, see the Statement of changes in equity. In 2025 interest in the amount of NOK 121 million (after tax) has been paid (NOK 122 million in 2024). In addition, NOK 39 million (after tax) had accrued at year end 2025 (NOK 39 million in 2024). In addition, NOK 39 million (after tax) have accrued at year end 2025 (NOK 39 million in 2024).

## Note 24 Risk management

### Risk management

KBN's state ownership, customer group and sector political role imply that KBN maintains a low to very low risk profile. The Board has determined KBN's overall risk appetite, which is divided into the following categories: market risk, liquidity risk, credit risk, capital risk and operational risk with associated risk appetite. Risk appetite has also been established for key subcategories of operational risk, such as compliance risk, cyber risk, and the risk of being used for money laundering and contributing to terrorist financing. Risk appetite is operationalised through defined limits for types and extent of risk exposure.

Risk management and internal control are integrated into the banks strategy and business processes, and are adapted to the nature, scope and complexity of the risk exposure. The CEO is responsible for the implementation of risk management and internal control, and follows up and assesses changes in the banks risk exposure.

Robust internal control is carried out as an integrated part of the business processes of the bank. Risk management is established in a structure based on three lines of defence that ensures systematic identification, assessment, monitoring and reporting of the risk in all parts of KBN's activities. The first line of defence carries out operational tasks and is responsible for managing and controlling that all the activities are carried out within the established limits, and in accordance with external and internal regulations. The second line of defence conducts independent risk- and compliance assessments, controls and validates models and develops and prepares KBN's risk and compliance reporting. The second line of defence

consists of the risk management and compliance functions. Internal audit (KPMG) constitutes KBN's third line of defence and is the Board's independent control body.

### **Risk types**

The risk management and risk exposure in KBN are subject to strict internal guidelines to ensure the banks credit rating and access to the most attractive money markets. KBNs appetite for credit and liquidity risk are low and very low. Interest rate and currency risk is hedged on transaction level for all currencies except for NOK, USD and EUR. Interest rate risk for these currencies is hedged with interest rate swaps, such that the bank is only exposed to changes in three-month interest rates or shorter money market rates.

The following risk factors are identified as the most important for KBN:

#### *Capital management*

##### *Credit risk and counterparty risk*

- Loss on loans granted to customers
- Counterparty default – derivative transactions
- Issuer default – liquidity portfolio

##### *Market risk*

- Basis risk
- Interest rate risk
- Credit spread risk
- Currency risk

##### *Liquidity risk*

ESG risk (including climate risk) is not a separate risk area but is managed within the individual areas.

### **Capital management**

KBN is subject to the Financial Undertakings Act and its capital requirements. In addition, KBN have a strategy and process of assessing necessary capital level, considering all substantial risks the bank is exposed to. The Board of Directors discusses the capital level and assesses all the risks annually to ensure the Company's capital level based on the actual and expected future risk exposure.

In the process of capital assessment, KBN estimates the capital level necessary to cover the total risk exposure. This is done by estimating the capital requirement per risk area. The following risks are assessed separately: credit risk, market risk, liquidity risk and operational risk.

The Board pays special attention to the risk of changes in regulatory framework.

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KBN's Common equity Tier 1 capital adequacy ratio is 19,0 per cent as of 31 December 2025, and KBN is compliant with all regulatory minimum requirements and buffer requirements for all capital measures (common equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio).

### **Credit risk**

KBN's assets consist of loans to municipalities and similar, and a liquidity portfolio of commercial paper and bonds issued by or guaranteed by sovereigns, regional authorities, multilateral development banks, covered bonds and financial institutions with high credit rating.

Credit risk arising from loans to customers is limited to payment deferrals as the payment obligation cannot be waived. The Local Government Act states that municipalities and county authorities cannot be declared bankrupt. In the Local Government Act, provisions have also been made on the procedures to be followed if payment deferral must be implemented. KBN does, however, perform credit assessment of all lending customers, based on a model for economic analysis of municipalities and county authorities. The model considers the municipalities' financial situation with both qualitative and quantitative key indicators for economic development and prospects of the customer.

KBN also grants loans to companies that perform tasks for municipalities and county authorities. The prerequisite for such loans is that the municipalities, or county authorities, provide guarantees that have been politically adopted and approved by the state through the chief county executive or the Ministry of Local Government and Regional Development.

Financial counterparties in the liquidity portfolio are subject to regular credit assessment and are allocated a credit limit. Credit limits are determined through an internal assessment of the counterparty's rating, the banks risk capital, the type of financial instrument and its maturity.

For investments in commercial paper and bonds, as well as for financial derivatives, the minimum rating requirement is A3/A- from Moody's and Standard and Poor's.

KBN enters into derivative transactions in order to control interest rate and currency risk. Counterparties in derivative transactions are financial institutions or central counterparties. In addition to strict rating requirements (A3/A- without clearing, Baa2/BBB with clearing), the risk inherent in derivative transactions is mitigated through the use of ISDA agreements (offsetting). Such agreements have been made with all derivative counterparties.

KBN uses clearing services at two central counterparties (London Clearing House – LCH and Eurex Exchange – EUREX) for financial derivatives related to interest rate risk. As a central counterparties, LCH and EUREX are subject to capital and risk management, and are considered to have lower counterparty risk than ordinary financial institutions. As a central counterparties, LCH and EUREX are subject to capital and risk management and are considered to have lower counterparty risk than ordinary financial institutions.

KBN does not have a direct membership at LCH and EUREX and uses clearing brokers that act on behalf of KBN towards LCH and EUREX. KBN has chosen to segregate its derivative positions and funds (collateral) in

relation to any possible default of the clearing broker. Thus, the bank's exposure is directly against LCH and EUREX. KBN achieves a high degree of protection through such a solution.

Credit risk related to the liquidity portfolio is low. The average rating of the portfolio is AA+ (based on the lowest of S&P and Moody's) as of 31 December 2025, and 37 per cent of the portfolio is invested in securities with a risk weight of zero per cent. Average time to maturity of the portfolio was 1.7 years as of 31 December 2025. The risk in the portfolio is managed at issuer level and is limited due to the portfolio's short duration.

### Market risk

Market risk consists mainly of interest rate, basis spread, credit spread and currency risk. KBN's risk appetite and risk policy allows a limited degree of exposure to changes in interest rates, basis spreads and credit spreads, while it allows a minimal degree of exposure of currency for operational reasons. Interest rate and currency risk are managed through matching of assets and liabilities at all times. Economic hedges with derivative instruments are used actively to reduce market risk.

### Liquidity risk

Liquidity risk is managed by matching maturity profiles and interest rate reset periods for assets and liabilities. The policy requires that the liquidity portfolio must at any time cover a minimum of 12 months' obligations, without access to new borrowing. Liquidity risk in KBN is primarily a function of the need for collateral exchange with the bank's derivative counterparties. The size and liquidity characteristics of the liquidity portfolio are at all times adapted to KBN's liquidity risk through the bank's liquidity framework. The liquidity portfolio is invested in liquid securities of very high credit quality and with low ESG-risk.

## Note 25 Credit risk

KBN has credit exposures against the municipal sector in Norway, as well as against sovereigns, local authorities, multilateral development banks, financial institutions, entities and issuers of covered bonds within the OECD. For the Norwegian municipal sector, the maximum maturity is determined by the Municipality Act and the credit framework is governed by regulations on large exposures. Credit exposures to financial institutions shall have a rating of A- or above.

KBN has no actual loan losses in 2025. Neither are there any evidence of actual default or payment problems with customers that would give reason to expect actual loan losses in 2026. KBN does not issue financial guarantees.

The table below includes exposures that are recognised as deposits with credit institutions, loans to customers and commercial paper and bonds. Exposures on the line regional authorities includes loans to companies guaranteed by municipalities and regional authorities.

*Amounts in the table below represent actual credit exposure.*

(Amounts in NOK 1 000 000)	2025								
	< 1 year				> 1 year				Total
Time to maturity	A-1	A-2	A-3	Not ratet	A	AA	AAA	Not ratet	
Sovereigns and central banks	3 948	0	0	0	0	6 798	10 034	0	20 780
Multilateral development banks	2 325	0	0	0	0	468	11 222	0	14 016
Regional authorities <sup>1</sup>	9 441	0	0	27 216	2 482	1 912	26 785	336 348	404 184
Financial institutions	23 509	35	0	0	0	0	0	0	23 544
Corporates	1 404	0	0	0	545	0	0	0	1 949
Covered Bonds	11 392	0	0	0	0	453	40 309	0	52 154
<b>Total</b>	<b>52 020</b>	<b>35</b>	<b>0</b>	<b>27 216</b>	<b>3 027</b>	<b>9 631</b>	<b>88 350</b>	<b>336 348</b>	<b>516 626</b>

<sup>1</sup>Including loans to the municipality, regional authority and intermunicipal companies amounting to NOK 373.7 bn. Undisbursed loan commitments amount to NOK 5 bn as at 31 December 2025.

## Credit exposure by country

(Amounts in NOK 1 000 000)	2025								
	< 1 year				> 1 year				Total
Risk class	A-1	A-2	A-3	Not ratet	A	AA	AAA	Not ratet	
Australia	0	0	0	0	0	0	1 395	0	1 395
Belgium	502	0	0	0	0	0	0	0	502
Canada	924	0	0	0	381	0	3 431	0	4 735
Denmark	2 171	0	0	0	0	0	215	0	2 386
Finland	5 065	0	0	0	0	1 395	1 896	0	8 355
France	16 121	0	0	0	2 101	453	2 898	0	21 573
Ireland	40	0	0	0	0	0	0	0	40
Japan	2 894	35	0	0	0	0	0	0	2 929
Luxembourg	0	0	0	0	0	0	0	0	0
Netherlands	745	0	0	0	0	0	0	0	745
Norway	8 711	0	0	27 216	38	0	48 898	336 348	421 211
Supranational	2 442	0	0	0	0	468	11 222	0	14 133
Spain	0	0	0	0	0	0	0	0	0
United Kingdom	1 707	0	0	0	0	0	1 946	0	3 653
Switzerland	0	0	0	0	0	0	0	0	0
Sweden	814	0	0	0	0	517	3 664	0	4 996
Germany	5 159	0	0	0	0	0	12 783	0	17 942
USA	4 175	0	0	0	507	6 798	0	0	11 480
Austria	552	0	0	0	0	0	0	0	552
<b>Total</b>	<b>52 020</b>	<b>35</b>	<b>0</b>	<b>27 216</b>	<b>3 027</b>	<b>9 631</b>	<b>88 350</b>	<b>336 348</b>	<b>516 626</b>

Amounts in the table represent actual credit exposure.

(Amounts in NOK 1 000 000)	2024								
	< 1 year				> 1 year				Total
Risk class	A-1	A-2	A-3	Not ratet	A	AA	AAA	Not ratet	
Sovereigns and central banks	7 191	0	0	0	3 248	6 652	7 125	0	24 216
Multilateral development banks	1 424	0	0	0	0	1 132	12 985	0	15 541
Regional authorities <sup>1</sup>	9 562	0	0	38 133	0	17 422	21 680	324 214	411 010
Financial institutions	37 152	896	0	0	264	399	0	0	38 710
Corporates	1 351	0	0	0	1 786	0	0	0	3 137
Covered Bonds	4 692	0	0	0	0	450	47 497	0	52 638
<b>Total</b>	<b>61 371</b>	<b>896</b>	<b>0</b>	<b>38 133</b>	<b>5 298</b>	<b>26 055</b>	<b>89 287</b>	<b>324 214</b>	<b>545 253</b>

<sup>1</sup>Including loans to the municipality, regional authority and intermunicipal companies amounting to NOK 367.5 bn. Undisbursed loan commitments amount to NOK 6 bn as at 31 December 2024.

## Credit exposure by country

(Amounts in NOK 1 000 000)	2024								
	< 1 year				> 1 year				Total
Time to maturity	A-1	A-2	A-3	Not rated	A	AA	AAA	Not rated	
Australia	1 569	0	0	0	0	0	0	0	1 569
Belgium	824	0	0	0	0	0	0	0	824
Canada	7 829	0	0	0	0	619	1 472	0	9 920
Denmark	1 436	0	0	0	0	0	5 381	0	6 816
Finland	9 170	0	0	468	0	3 856	3 261	0	16 756
France	9 663	0	0	0	264	10 307	3 124	0	23 358
Ireland	1 006	0	0	0	0	0	0	0	1 006
Japan	2 380	299	0	0	3 248	0	0	0	5 927
Luxembourg	4	0	0	0	0	0	0	0	4
Netherlands	0	0	0	0	0	0	737	0	737
Norway	8 188	0	0	37 665	38	0	41 313	324 214	411 418
Supranational	1 424	0	0	0	0	1 245	12 985	0	15 654
Spain	0	0	0	0	0	0	0	0	0
United Kingdom	294	547	0	0	0	0	2 589	0	3 430
Switzerland	0	0	0	0	0	0	0	0	0
Sweden	3 289	0	0	0	0	2 905	4 351	0	10 546
Germany	3 768	50	0	0	0	947	14 075	0	18 840
USA	10 402	0	0	0	1 748	5 639	0	0	17 789
Austria	122	0	0	0	0	535	0	0	658
<b>Total</b>	<b>61 371</b>	<b>896</b>	<b>0</b>	<b>38 133</b>	<b>5 298</b>	<b>26 055</b>	<b>89 287</b>	<b>324 214</b>	<b>545 253</b>

## Note 26 Interest rate risk

### Interest rate sensitivity

The interest rate sensitivity information illustrates how the value of the bank's assets and liabilities, income statement and equity would be affected by a change in the respective market rate. KBN calculates interest rate sensitivity for the economic value of equity (EVE) and the net interest income (NII) on a 12-month horizon for changes in interest rates, basis spreads and credit spreads. EVE gives an estimate of the change in market value of all the bank's balance sheet items regardless of the measurement method in the financial statements, while NII gives an estimate of changes in net interest income for the period's result. Tables below show amounts before tax, for effects on equity, a tax of 25 per cent must be deducted.

EVE is a cash flow calculation that deducts the present value of all known and expected cash flows stemming from debt positions from the present value of all known and expected cash flows stemming from assets. EVE sensitivity indicates how a basis point change in the yield curve will affect the total capital. NII is a cash flow calculation that deducts interest costs of all known and expected cash flows on debt from the interest income of all known and expected cash flows on assets. NII sensitivity indicates how a basis point change in the yield curve will affect the net interest income in the Income Statement. EVE sensitivity and NII sensitivity are internationally recognised standards for estimating interest rate risk. The bank uses both models to manage its assets and liabilities. The interest rate sensitivities are calculated before tax according to the items agreed rate fixing, distributed per currency type at a one per cent parallel shift in market interest rate.

**Table 1: Interest rate sensitivity on the market value of balance sheet items (EVE)**

The table below illustrates the sensitivity in market value for all balance sheet items, based on a parallel shift in the yield curve (market rate/swap rate) of 100 basis points (upward).

<i>(Amounts in NOK 1 000 000)</i>						
<b>2025</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Net total</b>	<b>Gross total</b>
AUD	0	0	(8)	(25)	<b>(33)</b>	<b>33</b>
EUR	19	(29)	0	(34)	<b>(45)</b>	<b>45</b>
JPY	0	0	(0)	(0)	<b>(0)</b>	<b>0</b>
NOK	101	(4)	(15)	13	<b>95</b>	<b>95</b>
USD	(5)	15	1	2	<b>13</b>	<b>13</b>
Other	2	(0)	(17)	(11)	<b>(26)</b>	<b>26</b>
<b>Total</b>	<b>117</b>	<b>(18)</b>	<b>(39)</b>	<b>(55)</b>	<b>5</b>	<b>211</b>
<b>2024</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Net total</b>	<b>Gross total</b>
AUD	0	(0)	(8)	(38)	<b>(45)</b>	<b>45</b>
EUR	(0)	(1)	(14)	(9)	<b>(24)</b>	<b>24</b>
JPY	0	0	0	0	<b>0</b>	<b>0</b>
NOK	(23)	(14)	(29)	59	<b>(8)</b>	<b>8</b>
USD	1	9	(13)	(1)	<b>(5)</b>	<b>5</b>
Other	0	(1)	(16)	(8)	<b>(25)</b>	<b>25</b>
<b>Total</b>	<b>(23)</b>	<b>(7)</b>	<b>(80)</b>	<b>4</b>	<b>(107)</b>	<b>107</b>

**Table 2: Interest rate sensitivity for unrealised fair value changes in the income statement and the statement of comprehensive income (EVE)**

The table below shows the effect on the income statement in the form of unrealised fair value changes at a parallel shift of 100 basis points, as in table 1. Not all balance sheet items included in EVE have an accounting measurement method that impacts profit and loss, this only applies to assets and liabilities measured at fair value and assets and liabilities included in hedge accounting. The effect in the income statement of balance sheet items measured at fair value is NOK 269 million, while the effect in the income statement of balance sheet items measured at hedge accounting is NOK -264 million. Net effect of these is NOK 5 million.

<i>(Amounts in NOK 1 000 000)</i>					
2025	0-3 months	3 months - 1 year	1-5 years	>5 years	Net Total
AUD	0	0	(8)	(25)	(33)
EUR	16	(29)	0	(34)	(47)
JPY	0	0	(0)	(0)	(0)
NOK	433	(13)	(54)	12	378
USD	0	7	(12)	2	(3)
Other	2	(0)	(17)	(11)	(26)
<b>Total</b>	<b>451</b>	<b>(36)</b>	<b>(91)</b>	<b>(56)</b>	<b>269</b>
2024	0-3 months	3 months - 1 year	1-5 years	>5 years	Net Total
AUD	0	(0)	(8)	(38)	(45)
EUR	(6)	(1)	(14)	(9)	(30)
JPY	0	0	0	0	0
NOK	317	(11)	(98)	58	267
USD	(4)	10	(19)	(1)	(15)
Other	0	(1)	(16)	(8)	(25)
<b>Total</b>	<b>308</b>	<b>(3)</b>	<b>(156)</b>	<b>2</b>	<b>152</b>

**Table 3: Basis-spread sensitivity (EVE)**

The table below shows sensitivity in market value for derivatives in form of a parallel shift of the basis curve by one basis point (up). The items included in the table have an effect on profit and loss.

<i>(Amounts in NOK 1 000 000)</i>						
2025	0-3 months	3 months - 1 year	1-5 years	>5 years	Net total	Gross total
AUD	(0)	(1)	(6)	(6)	(12)	12
EUR	(1)	0	0	(2)	(2)	2
JPY	0	0	0	0	0	0
NOK	3	9	22	4	39	39
Rest	(0)	(2)	(14)	(3)	(19)	19
<b>Net exposure</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>(6)</b>	<b>6</b>	<b>72</b>
2024	0-3 months	3 months - 1 year	1-5 years	>5 years	Net total	Gross total
AUD	0	(1)	(6)	(8)	(15)	15
EUR	-1	0	(0)	(2)	(3)	3
JPY	(0)	0	0	0	1	1
NOK	4	11	15	1	31	31
Rest	0	(3)	(12)	(2)	(17)	17
<b>Net exposure</b>	<b>3</b>	<b>7</b>	<b>(2)</b>	<b>(11)</b>	<b>(3)</b>	<b>66</b>

**Table 4: Credit-spread sensitivity (EVE)**

The table below shows sensitivity in market value of balance sheet items (assets measured at fair value) by a parallel shift of the credit spread curve by one basis point (up). The items included in the table influence profit and loss.

<i>(Amounts in NOK 1 000 000)</i>					
<b>2025</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Net total</b>
Loans to customers	0	(2)	(27)	(14)	<b>(43)</b>
Commercial paper and bonds	0	(2)	(11)	(1)	<b>(14)</b>
<b>Net exposure</b>	<b>0</b>	<b>(4)</b>	<b>(38)</b>	<b>(15)</b>	<b>(57)</b>
<b>2024</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Net total</b>
Loans to customers	0	(2)	(23)	(20)	<b>(45)</b>
Commercial paper and bonds	0	(3)	(12)	(1)	<b>(15)</b>
<b>Net exposure</b>	<b>0</b>	<b>(4)</b>	<b>(35)</b>	<b>(21)</b>	<b>(60)</b>

**Table 5: Interest rate sensitivity for net interest income (NII)**

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 100 basis points parallel shift of the yield curve (up).

<i>(Amounts in NOK 1 000 000)</i>			
<b>2025</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net total</b>
EUR	(10)	(7)	<b>(17)</b>
NOK	513	(234)	<b>278</b>
USD	(13)	2	<b>(11)</b>
Other	0	0	<b>0</b>
<b>Total</b>	<b>489</b>	<b>(239)</b>	<b>250</b>
<b>2024</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net total</b>
EUR	(4)	(0)	<b>(4)</b>
NOK	165	(32)	<b>132</b>
USD	50	0	<b>50</b>
Øvrige	0	0	<b>0</b>
<b>Total</b>	<b>211</b>	<b>(32)</b>	<b>179</b>

**Table 6: Sensitivity for change in basis spread for net interest income (NII)**

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 1 basis point parallel shift of the basis curve (up).

<i>(Amounts in NOK 1 000 000)</i>			
<b>2025</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net total</b>
EUR	3	0	3
NOK	(17)	(4)	(21)
Other	1	0	1
<b>Total</b>	<b>(13)</b>	<b>(3)</b>	<b>(17)</b>
<b>2024</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net total</b>
EUR	5	0	5
NOK	(17)	(5)	(21)
Other	0	1	1
<b>Total</b>	<b>(12)</b>	<b>(4)</b>	<b>(15)</b>

**Table 7: Sensitivity for change in credit spread for net interest income (NII)**

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 1 basis point parallel shift of the credit spread curve (up).

<i>(Amounts in NOK 1 000 000)</i>			
<b>2025</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net Total</b>
Loans to customers	17	0	17
Investments	2	1	3
Liabilities	(5)	(2)	(7)
<b>Total</b>	<b>14</b>	<b>(1)</b>	<b>13</b>
<b>2024</b>	<b>0-3 months</b>	<b>3 months - 1 year</b>	<b>Net Total</b>
Loans to customers	17	1	18
Investments	4	0	5
Liabilities	(6)	(2)	(8)
<b>Total</b>	<b>16</b>	<b>(1)</b>	<b>14</b>

Investments include income risk from both commercial paper and bonds and deposits with credit institutions.

**Note 27 Currency risk**

*(Amounts in NOK 1 000 000)*

Currency risk is defined as the risk of loss due to changes in market values based on fluctuations in FX rates. Currency risk arises due to KBN's borrowing being mainly in foreign currency, while lending is in NOK. The banks guidelines require hedging of all currency risk related to assets and liabilities in foreign currency. However, short term net positions related to income statement items in USD and EUR, may occur. Currency risk is hedged at both transaction level and portfolio level. The limit for currency risk is set to net currency position that cannot exceed 1.6% of subordinated capital.

2025	Gross position	Sensitivity						
	USD	10% change in FX rate	EUR	10% change in FX rate	Other FX	10% change in FX rate	Total in FX	10% change in FX rate
(Amounts in NOK 1 000 000)								
Deposits with credit institutions	2 874	287	5 163	516	5	1	8 043	804
Commercial paper and bonds	33 178	3 318	25 012	2 501	10 496	1 050	68 687	6 869
Commercial paper issued	(2 015)	(202)	(3 778)	(378)	0	0	(5 793)	(579)
Debt securities issued	(257 275)	(25 727)	(93 299)	(9 330)	(131 253)	(13 125)	(481 827)	(48 183)
Financial derivatives	223 208	22 321	66 873	6 687	120 756	12 076	410 837	41 084
<b>Net position</b>	<b>(30)</b>	<b>(3)</b>	<b>(28)</b>	<b>(3)</b>	<b>4</b>	<b>0</b>	<b>(54)</b>	<b>(5)</b>

2024	Gross position	Sensitivity						
	USD	10% change in FX rate	EUR	10% change in FX rate	Other FX	10% change in FX rate	Total in FX	10% change in FX rate
(Amounts in NOK 1 000 000)								
Deposits with credit institutions	5 626	563	8 287	829	5	0	13 918	1 392
Commercial paper and bonds	43 222	4 322	21 128	2 113	16 401	1 640	80 751	8 075
Commercial paper issued	(8 381)	(838)	(18 332)	(1 833)	0	0	(26 713)	(2 671)
Debt securities issued	(272 972)	(27 297)	(74 484)	(7 448)	(135 771)	(13 577)	(483 227)	(48 323)
Financial derivatives	232 438	23 244	63 366	6 337	119 369	11 937	415 173	41 517
<b>Net position</b>	<b>(68)</b>	<b>(7)</b>	<b>(35)</b>	<b>(3)</b>	<b>4</b>	<b>0</b>	<b>(98)</b>	<b>(10)</b>

The table above shows an effect in the income statement of a 10 percent change in FX rates relative to NOK. The effect in the income statement is before tax, for effects on equity, a tax of 25 per cent must be deducted. The amount is calculated based on all positions in foreign currency as of 31 December 2025, and 2024. The sensitivity analysis assumes zero correlation between FX rates and other market risk factors.

## Note 28 Liquidity risk

(Amounts in NOK 1 000 000)

Liquidity risk is defined as the risk of KBN not being able to meet its commitments or finance lending demand without significant extra costs being incurred in the form of reduction in value of assets that need to be sold, or in the form of more expensive funding. Liquidity risk is monitored and managed through the bank's liquidity policy set by the Board of Directors.

The policy requires that the liquidity portfolio should generally cover 12 months' net redemptions, and at any time a minimum of 10 months' net redemptions. This implies that the bank has to be in the position to cover all its liabilities/payables, including normal lending activities, during at least 10 months without new borrowing.

KBN has a portfolio of highly liquid securities. These holdings shall be transferrable to cash without significant losses for KBN under severely stressed market conditions, either through direct sales or through the use of repurchase agreements in a recognised repurchase market.

The liquidity portfolio shall have low credit and market risk and is mainly invested in notes and bonds issued by sovereigns, local authorities, multilateral development banks and highly rated financial institutions.

## 2025

Exposure by time to maturity	Total	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Without maturity
Deposits with credit institutions	22 862	22 862	0	0	0	0	0
Other money market deposits	0	0	0	0	0	0	0
Loans to customers	637 959	3 802	1 162	33 323	232 584	367 088	0
Commercial paper and bonds	127 226	2 131	8 458	25 880	90 758	0	0
<b>Total assets</b>	<b>788 047</b>	<b>28 795</b>	<b>9 620</b>	<b>59 202</b>	<b>323 342</b>	<b>367 088</b>	<b>0</b>
Due to credit institutions	4 554	4 554	0	0	0	0	0
Commercial paper issued	5 216	3 202	2 014	0	0	0	0
Debt securities issued	513 493	1 643	28 823	64 142	367 476	51 409	0
Other liabilities	167	32	43	20	43	38	(8)
Subordinated loan capital	872	0	0	24	848	0	0
Additional Tier 1 capital	4 098	0	15	136	3 946	0	0
<b>Total liabilities</b>	<b>528 400</b>	<b>9 430</b>	<b>30 895</b>	<b>64 322</b>	<b>372 314</b>	<b>51 447</b>	<b>(8)</b>
<b>Financial derivatives</b>	<b>(7 682)</b>	<b>(696)</b>	<b>(314)</b>	<b>(314)</b>	<b>(894)</b>	<b>(5 463)</b>	<b>0</b>
<b>Net liquidity exposure</b>	<b>251 964</b>	<b>18 668</b>	<b>(21 590)</b>	<b>(5 434)</b>	<b>(49 866)</b>	<b>310 178</b>	<b>8</b>

The table shows the sum of net maturities in that period, including interest payments. Interest payments in the table are calculated based on the current interest rate as of year-end. For instruments with a call structure, maturity at first call is used as an assumption. Additional Tier 1 capital is included in the table although it is not classified as liability in the Statement of financial position, because it is included in the bank's liquidity management. Financial derivatives are net cash flows (principal and interest) per time period.

## 2024

Exposure by time to maturity	Total	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Without maturity
Deposits with credit institutions	37 790	37 790	0	0	0	0	0
Other money market deposits	0	0	0	0	0	0	0
Loans to customers	654 218	6 195	6 577	32 646	219 509	389 291	0
Commercial paper and bonds	148 874	2 980	14 377	18 357	107 501	5 658	0
<b>Total assets</b>	<b>840 882</b>	<b>46 965</b>	<b>20 954</b>	<b>51 003</b>	<b>327 011</b>	<b>394 949</b>	<b>0</b>
Due to credit institutions	17 539	17 539	0	0	0	0	0
Commercial paper issued	26 748	24 410	2 338	0	0	0	0
Debt securities issued	529 247	1 380	42 692	63 263	376 779	45 134	0
Other liabilities	188	38	31	19	45	44	11
Subordinated loan capital	897	0	0	24	872	0	0
Additional Tier 1 capital	2 755	0	18	107	2 630	0	0
<b>Total liabilities</b>	<b>577 374</b>	<b>43 366</b>	<b>45 078</b>	<b>63 413</b>	<b>380 326</b>	<b>45 178</b>	<b>11</b>
<b>Financial derivatives</b>	<b>(12 489)</b>	<b>(271)</b>	<b>2 277</b>	<b>(2 875)</b>	<b>(5 074)</b>	<b>(6 546)</b>	<b>0</b>
<b>Net liquidity exposure</b>	<b>251 019</b>	<b>3 328</b>	<b>(21 847)</b>	<b>(15 285)</b>	<b>(58 390)</b>	<b>343 225</b>	<b>(11)</b>

## Note 29 Capital adequacy and capital management

(Amounts in NOK 1 000 000)

KBN's capital consists of share capital, retained earnings, additional Tier 1 capital and subordinated loan capital. A satisfactory level of capital is seen as necessary for maintaining the AAA-rating and to ensure efficient market competition. The Board assesses the capital level on an ongoing basis and approves KBN's principles for capital management. The bank is subject to the capital adequacy regulations and must at all times ensure a capital level that is justifiable in relation to the risk profile and market conditions. The goal for capital management is operationalised through common Tier 1 capital adequacy, Tier 1 capital adequacy and total capital adequacy.

KBN's capital status is assessed against risk in a 12-month perspective and using long-term stress tests. As at 31 December 2025 KBN's requirement, including buffers and pillar 2 requirements, is set at 14.3 percent for common equity Tier 1 capital, 16.0 percent for Tier 1 capital and 18.3 percent for total capital. KBN's pillar 2 requirement is 1.1 percent. The minimum requirement for leverage ratio is set at 3 percent. KBN's capital adequacy exceeds government-determined and board-determined capital requirements as of 31 December 2025.

The capital adequacy is affected by deduction items in common equity Tier 1 capital, primarily related to deferred tax assets, see note 6 Tax for further information.

Capital adequacy	2025			2024		
	Carrying amount	Risk-weighted assets	Minimum capital requirements and capital adequacy	Carrying amount	Risk-weighted assets	Minimum capital requirements and capital adequacy
<b>Credit risk</b>						
Sovereigns and central banks	20 780	0	0	24 216	0	0
Regional governments and local authorities	395 216	77 928	6 234	398 680	76 647	6 132
<i>Of which are Norwegian municipalities</i>	387 142	77 928	6 234	382 537	76 647	6 132
Corporates	1 950	975	78	3 140	1 570	126
Public sector entities	8 998	0	0	12 295	0	0
Multilateral development banks	14 021	0	0	15 553	0	0
Financial institutions	19 232	4 308	345	19 679	4 004	320
<i>Of which counterparty exposure on derivatives</i>	14 425	2 936	235	8 836	1 814	145
Claims secured by residential property	21	21	2	21	21	2
Covered bonds	52 226	5 980	478	52 654	5 524	442
Other assets	2 093	2 031	162	1 894	4 561	365
<b>Total credit risk</b>	<b>514 538</b>	<b>91 243</b>	<b>7 299</b>	<b>528 132</b>	<b>92 327</b>	<b>7 386</b>
<b>Market risk</b>		<b>3 427</b>	<b>274</b>	<b>144</b>	<b>1 798</b>	<b>144</b>
<b>Operational risk - Basic Indicator Approach<sup>1</sup></b>		<b>4 203</b>	<b>336</b>		<b>3 100</b>	<b>248</b>
<b>Minimum capital requirements</b>		<b>98 873</b>	<b>7 910</b>		<b>97 226</b>	<b>7 778</b>
<b>Total capital ratio</b>			<b>23.3%</b>			<b>22.5%</b>
<b>Tier 1 capital adequacy ratio</b>			<b>22.5%</b>			<b>21.7%</b>
<b>Common equity Tier 1 capital adequacy ratio</b>			<b>19.0%</b>			<b>18.1%</b>
<b>Leverage ratio</b>			<b>4.2%</b>			<b>3.9%</b>

<sup>1</sup>KBN uses basic indicator approach to calculate operational risk, where average of net income last three years are basis for the calculation. Net income include Net unrealised gain/(loss) on financial instruments.

Supplementary capital cannot exceed 100 per cent of Tier 1 capital. KBN's total capital satisfies the capital adequacy requirements. KBN's total primary capital comprises the following elements:

<i>(Amounts in NOK 1 000 000)</i>	<b>2025</b>	<b>2024</b>
Equity	22 954	22 075
Additional Tier 1 capital included in equity	(3 484)	(3 484)
<b>Equity included in common equity Tier 1 capital</b>	<b>19 469</b>	<b>18 590</b>
Deductions:		
Deferred tax asset that exceeds 10 % of common equity Tier 1 capital	0	(176)
Intangible assets	(126)	(153)
Dividends payable	(760)	(700)
Prudent valuation adjustments (AVA)	(131)	(127)
Adjustments unrealised loss (gains) due to changes in own credit risk	338	170
<b>Total common equity Tier 1 capital</b>	<b>18 791</b>	<b>17 604</b>
Other approved Tier 1 capital	3 484	3 484
<b>Total Tier 1 capital</b>	<b>22 275</b>	<b>21 088</b>
<i>Supplementary capital</i>		
Subordinated loan capital	800	800
<b>Total supplementary capital</b>	<b>800</b>	<b>800</b>
<b>Total primary capital</b>	<b>23 075</b>	<b>21 888</b>

Primary capital has been calculated under Capital Requirements Regulation (CRR). Unrealised gain/(loss) on liabilities that is due to changes in own credit risk is related to debt securities issued.

On 1 April 2025, the amended capital adequacy framework (CRR3) was implemented in Norway. The amendments represent a substantial revision of the previous framework (CRR2). For KBN, the impact of the changes is limited, although there are some effects on the risk-weighted exposure amount.

## Board statement

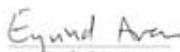
The Board of Directors confirms, in accordance with Section 5-5 of the Norwegian Securities Trading Act, that the annual accounts for the company for 2025 to the best of its knowledge have been prepared in accordance with IFRS, and that the information in the accounts provides a true and fair view of the company's assets, liabilities, financial position and earnings for the company as a whole.

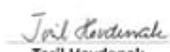
The Board of Directors confirms that, to the best of its knowledge, the annual report provides a true and fair view of important events during the accounting period and their influence on the annual accounts, and of the most important risks and uncertainties facing the company in the next accounting period.

Oslo, 12 March 2026

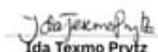
The Board of Kommunalbanken AS

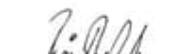
  
Brit Kristin Sæbø Rugland  
CHAIR

  
Eyvind Aven  
BOARD MEMBER

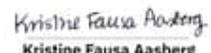
  
Toril Hovdenak  
BOARD MEMBER

  
Ida Espolin Johnson  
BOARD MEMBER

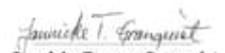
  
Ida Texmo Prytz  
BOARD MEMBER

  
Pål Rokke  
BOARD MEMBER

  
Stian Roquist  
BOARD MEMBER

  
Kristine Fausa Aasberg  
EMPLOYEE REPRESENTATIVE

  
Nils Gunnar Baumann  
EMPLOYEE REPRESENTATIVE

  
Jannicke Trumpy Granquist  
ADMINISTRERENDE DIREKTØR

## Statements related to the annual financial statement

## Independent auditor's report



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To the General Meeting of Kommunalbanken AS

### INDEPENDENT AUDITOR'S REPORT

#### **Report on the Audit of the Financial Statements**

##### *Opinion*

We have audited the financial statements of Kommunalbanken AS (the Company), which comprise the balance sheet as at 31 December 2025, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Kommunalbanken AS for 3 years from the election by the general meeting of the shareholders on 1 June 2022 for the accounting year 2023.

##### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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*IT systems and controls relevant for financial reporting of commercial paper and bonds, financial derivatives, commercial papers issued and debt securities issued ("funding")*

Description of the Key Audit Matter	How the matter was addressed in the audit
<p>Processes and control activities in the commercial papers and bonds, financial derivatives and funding management related to amongst others calculation of interest, amortization of premium and discount, valuation, and foreign currency translation are largely automated.</p> <p>Results and deviations from the automated management processes are analysed and followed up.</p> <p>Kommunalbanken's IT systems are mainly standard systems adapted to Kommunalbanken's needs. The IT solutions are operated in cooperation with various third parties.</p> <p>The IT systems used in the investment management are central for accounting and reporting. Effective internal controls in the automated investment management processes as well as in handling deviations are of high importance to form the basis for ensuring accurate, complete and reliable financial reporting and this is therefore a key audit matter.</p>	<p>Kommunalbanken has established overall governance models and control activities for evaluation of the commercial papers and bonds, financial derivatives and funding management.</p> <p>We assessed those elements of the overall governance models that are relevant to financial reporting.</p> <p>We assessed and tested the design of selected control activities related to IT operations, change management and access management. For a sample of these control activities we tested if they operated effectively in the reporting period.</p> <p>We used our own IT specialists to understand the overall governance model for IT systems and in the assessment and testing of the control activities.</p> <p>We assessed whether selected valuation and calculation methods for calculation of interest, amortization of premium and discount, valuation, and foreign currency translation, were in accordance with IFRS.</p> <p>We assessed and tested the design of selected automated control activities for the IT systems related to calculation of interest, amortization of premium and discount, valuation, and foreign currency translation. For a sample of these control activities we tested if they operated effectively in the reporting period.</p> <p>We assessed and tested the design of selected manual control activities for the areas listed above related to analysis of the results from the calculations.</p> <p>We performed selected tests of details and analytical procedures for a sample of profit and loss and balance sheet items calculated by the automated calculation methods related to commercial papers and bonds, financial derivatives and funding. The procedures covered both commercial papers and bonds and funding measured at amortized cost and commercial papers and bonds, financial derivatives and funding measured at fair value categorized in both level 1, 2 and 3 in the fair value hierarchy.</p>



#### *Other Information*

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our statement on the Board of Directors' report applies correspondingly to the statement on Corporate Governance.

#### *Responsibilities of Management 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



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- 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 Company'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, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors 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 the Audit Committee 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 the Board of Directors, 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 Other Legal and Regulatory Requirements**

##### *Report on Compliance with Requirement on European Single Electronic Format (ESEF)*

###### *Opinion*

As part of the audit of the financial statements of Kommunalbanken AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "KBN Annual Report 2025 (XHTML)", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

###### *Management's Responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

###### *Auditor's Responsibilities*

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with



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ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 12 March 2026  
Deloitte AS

**Henrik Woxholt**  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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