

A woman with her back to the camera, wearing a floral dress, sits on a swing. The swing is suspended by two ropes over a vast, calm blue lake. In the background, there are large, rugged mountains with patches of snow and some mist. The sky is overcast and grey.

**KBN**

The Norwegian Agency  
for Local Governments

April 2024

# THE NORWEGIAN AGENCY

FOR LOCAL GOVERNMENTS

The logo for KBN, consisting of the letters 'KBN' in a bold, white, sans-serif font, set against a dark blue, trapezoidal background.

The Norwegian Agency  
for Local Governments

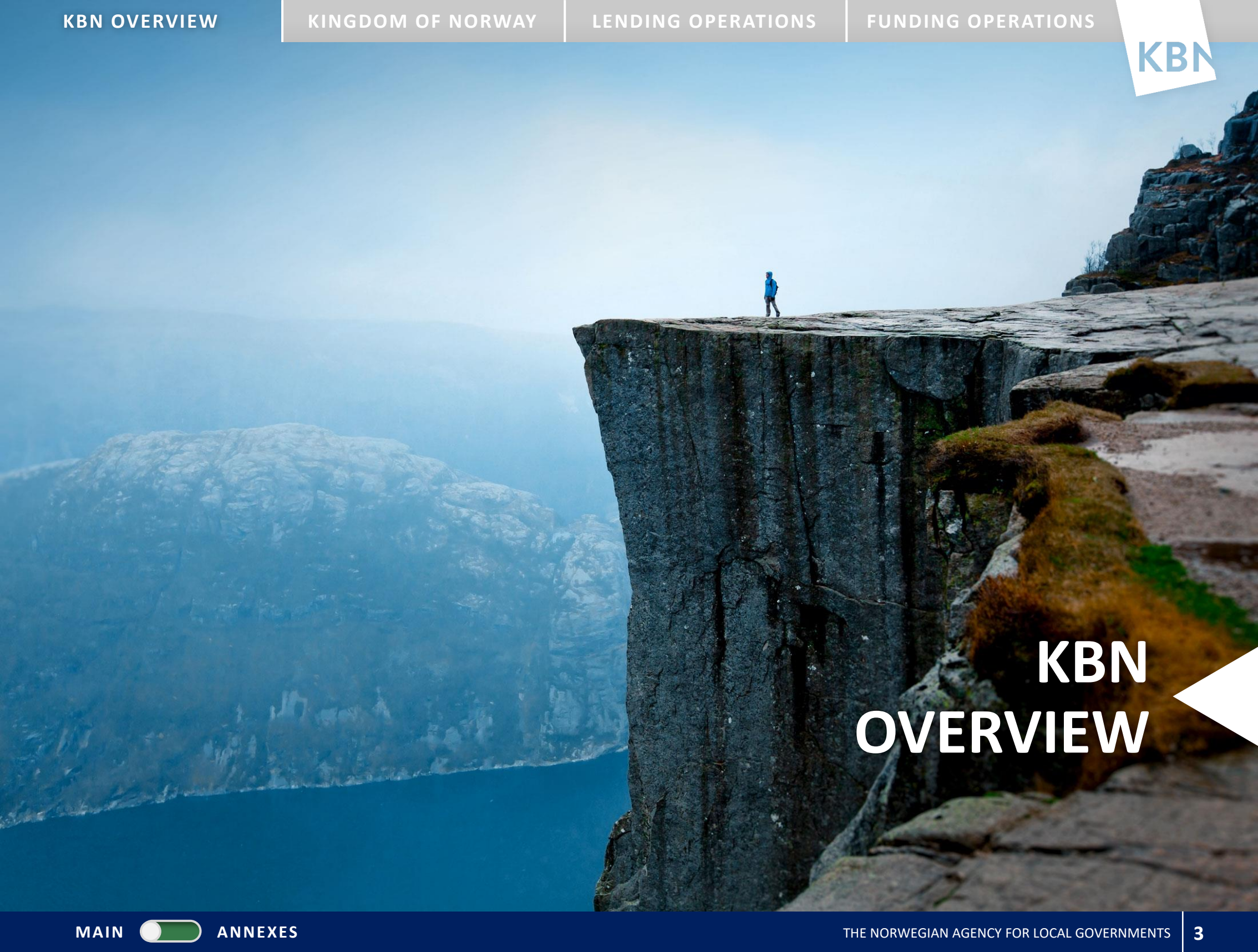
# CONTENT

## MAIN

- ▶ KBN OVERVIEW
- ▶ KINGDOM OF NORWAY
- ▶ LENDING OPERATIONS
- ▶ FUNDING OPERATIONS

## ANNEXES

- ▶ KBN GREEN BONDS
- ▶ KBN FINANCIALS AND OPERATIONS



# KBN OVERVIEW

## Fundamentals

- Norwegian State Agency created by Act of Parliament in 1926/1999, having a public policy mandate from the central government to provide low cost finance to the Norwegian local government sector.
- 100% owned by the Kingdom of Norway (Aaa/AAA) and managed in accordance with the Central Government Maintenance Statement.
- KBN's sole purpose is to grant stable, long term and efficient funding to Norwegian local government sector in line with KBN's public policy mandate.
- Excellent asset quality, KBN's focused, specialized monoline lending model has never suffered a loan loss.
- KBN's mandate for sustainable financing of the local government sector is viewed as an important contribution for the Norwegian government to reach its climate goals.
- KBN is guided by prudent financial and risk management policies. Funding transactions are hedged and KBN maintains liquidity in excess of policy requirements.
- KBN is the closest proxy to Norwegian sovereign risk available in international currencies.
- Owing to full state ownership, the central public policy mission, a strong capital base, solid financial and operating performance and prudent financial and risk management policies, KBN is assigned Triple-A ratings by Standard & Poor's and Moody's.
- Staffed by 80 employees, KBN maintains headquarters in Oslo.



**AAA/Aaa  
(stable/stable)**



**100% Central  
Government  
owned**



**Central Government  
Maintenance  
Statement**



**100% of local  
governments as  
clients. No loan  
losses ever.**



**Closest proxy to  
Norwegian sovereign  
risk**

# Norwegian State Ownership



- The Central government through The Ministry of Local Government and Regional Development appoints both governing bodies; Board of Directors and Supervisory Board.
- KBN's ownership is limited to the public sector
- According to Constitutional requirements in Norway, material changes to KBN's business model would need the consent of the Parliament
- KBN is supervised by the Norwegian FSA ("Finanstilsynet"), the national financial regulator.



**KINGDOM OF NORWAY 100%**

**BOARD OF  
DIRECTORS (9)**

**SUPERVISORY  
BOARD (12)**



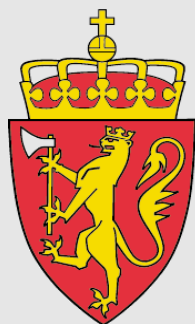
The Norwegian Agency  
for Local Governments

## Central government maintenance statement

*“... The Ministry considers it extremely unlikely that Kommunalbanken will experience financial difficulties.”*

*“However, should that extremely unlikely situation arise, the Central Government would urgently review the need for assistance in order to find a timely solution”*

*“...the Central Government has the duty of ensuring that the financial affairs of Kommunalbanken are managed in a way that secures the Agency’s ability to pursue its operations and that it is in a position to meet its financial obligations in a timely manner”*



Statement from Director General of the Ministry of Local Government and Regional Development  
March 1. 2006, reaffirmed 2009, 2011, 2017

# AAA Rating In Line With Sovereign

CREDIT	RATINGS			RATING AGENCY	THEIR COMMENTS
	LONG	SHORT	OUTLOOK		
	AAA	A1+	Stable	STANDARD & POOR'S	<ul style="list-style-type: none"> <li>Norway has extremely strong fiscal and external net asset position, which together with high wealth levels, strong institutions, and an effective monetary policy regime support the rating.</li> <li>The stable outlook reflects S&amp;P Global Ratings' view that Norway has ample financial buffer and headroom to withstand a temporary economic chock, without a significant impact on its credit metrics.</li> </ul> <p>(Sep. 2022)</p>
	Aaa	P-1	Stable	MOODY'S	<ul style="list-style-type: none"> <li>Substantial fiscal buffer and track record of fiscal surpluses.</li> <li>Very high and evenly distributed wealth that supports economic resilience.</li> <li>A sound macro policy framework, a very strong social safety net and a stable, consensus oriented political system</li> </ul> <p>(Nov. 2022)</p>
	AAA	A1+	Stable	STANDARD & POOR'S	<ul style="list-style-type: none"> <li>Very important role and integral link with Norway's central government.</li> <li>Very strong capitalization and liquidity position provide substantial financial buffers.</li> <li>Extremely high likelihood of receiving timely and sufficient extraordinary support from owner in the unlikely event of financial distress.</li> </ul> <p>(JUNE 2023)</p>
	Aaa	P-1	Stable	MOODY'S	<ul style="list-style-type: none"> <li>KBN benefits from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as very low susceptibility to adverse events.</li> <li>We consider the Norwegian RLG sector financially strong because of the supportive and closely supervised system that underpins the sector</li> <li>KBN has not recorded a loss from lending during more than 90 years of operations.</li> </ul> <p>(May. 2023)</p>

Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, hold or sell particular securities. Credit ratings do not comment on the suitability of an investment for any particular investor. There is no assurance that any rating will remain in effect for any given period of time or that such rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.



# Norwegian Regional Government



Norway's Counties and Municipalities form an integral part of the national economy.

Governmental responsibilities are divided between the Central government, Counties and Municipalities. A large part of welfare and infrastructure provisions in Norway are assigned to the Local governments.

The majority of KBN lending is made to municipalities (88%) and then counties (12%).

**KBN's mandate extended to implement greater environmental and social awareness via Green Lending**

- Green loans offered with reduced interest rates to projects with clear climate- and environmental ambitions
- KBN a regular issuer of green bonds to fund investments key in the Norwegian local government sector's transition to the low-carbon economy.

*We want KBN to continue to be a driving force in the development of the market for green financing and to increase the proportion of its lending that is for green projects.*



**MONICA MÆLAND**  
Minister of Local Government and Modernization (2018-2020)





# Sustainability

- The local government sector is regarded as vital to achieve Norway’s goals under the Paris Climate Agreement, which targets a reduction in greenhouse gas emissions of at least 55% by 2030, compared to 1990 levels.
  - As a government agency, KBN recognizes its critical role in contributing to the sustainable development of Norwegian society and long-term value creation.

## Collaborating to fulfill our social function



**Cicero**  
KBN and CICERO have created a climate risk tool for the local government sector.



**Zero**  
KBN works with the Zero Emission Resource Foundation (ZERO) on local government climate issues.



**Norwegian Climate Foundation**  
KBN works with the Norwegian Climate Foundation on communicating knowledge on local government climate risk.



## Sustainable Development Goals

- KBN has identified seven of the UN’s SDGs which are impacted by our operations and where KBN is in the best position to make a contribution.
- KBN also maps our green lending portfolio to identify links between our financing of green lending and the SDGs.



## ESG Ratings



Rating: (Scale from CCC to AAA)  
**AA**  
**(Leader)**



Risk level: (Scale from 0 to 100)  
**11.0**  
**(Low)**



Rating: (Scale from D- to A+)  
**C+**  
**(Prime)**



# Conservative Risk Management

KBN's follows conservative and prudent risk management policies for all financial transactions.



The first priority for KBN's risk management professionals is to secure access to market funding on competitive terms.

## ✓ CURRENCY AND INTEREST RATE RISK HEDGED

- Proceeds from funding operations are hedged for currency and interest rate exposure and swapped into 3-month floating rate EURs, NOKs or USDs.

## ✓ MINIMAL LENDING CREDIT RISK

- Loans are only granted to local and regional governments as well as inter-municipal companies and other public sector enterprises which are municipally guaranteed.
- Strict government oversight of local and regional government financial management, via the ROBEK list and Local Government Act §55, negate potential loan losses.
- KBN has suffered no loan losses in over 90 years.

## ✓ STRICTLY MANAGED OFF-BALANCE CREDIT RISK

- KBN proactively manages risk via derivative strategies, negotiated under ISDA contracts with more than 30 financial institutions.
- Counterpart risk is minimized via two-way Credit Support Annexes (CSAs), cash collateral posting required with zero thresholds for counterpart ratings below AA-/Aa3.
- KBN currently marks and exchanges collateral for the majority of positions on a daily basis, and also uses over collateralization and independent amounts for some counterparts.

## ✓ CONSERVATIVE LIQUIDITY PORTFOLIO

- Liquidity managed conservatively and in excess of policy or regulatory requirements.
- Portfolio of highly rated liquid assets covering 1 year net debt service.

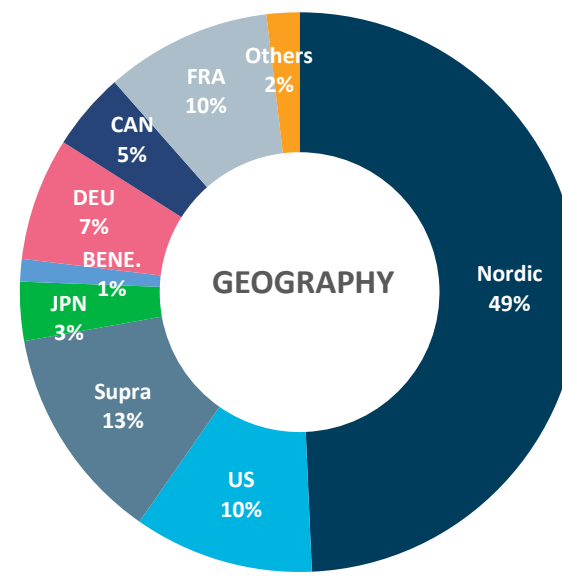
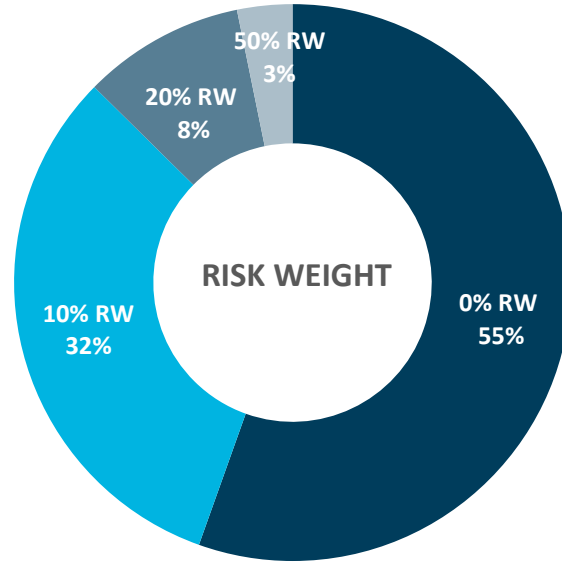
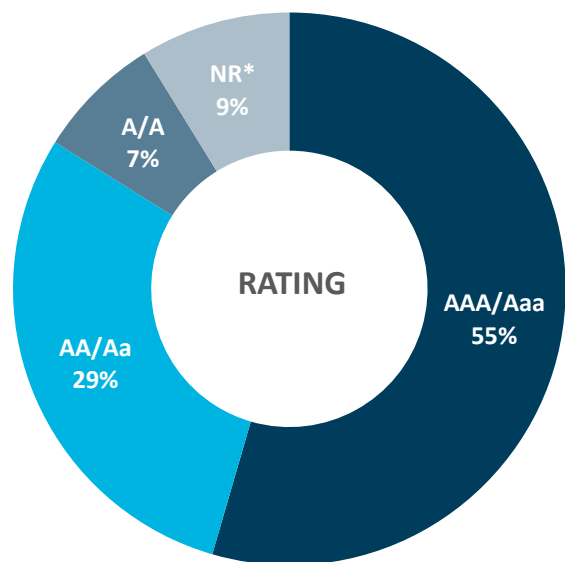
# Large and High Quality Liquidity Buffer

Managed under a conservative policy framework to ensure liquidity is available to cover a minimum of 12 months of debt servicing under various stress-tested models. Size approximately USD 11-13 bn and managed internally across EUR, NOK and USD.

- The average portfolio maturity typically ranges between 1.5–2.0 years.
- The majority of liquidity is invested in 0% risk-weighted assets. Eligible securities include; sovereigns, provincial states, government agencies and supranationals. Investments in covered bonds, financial institutions and limited number of corporates are permissible, subject to rating restrictions.
- KBN also complies with LCR regulatory considerations and maintains cash liquidity to cover 30 days worth of debt redemptions.
- As an extra buffer, additional buckets of liquidity are maintained in a VHL portfolio limited to either USD, NOK or EUR and invested in US Treasuries, Norwegian, German or French government papers and selected Covered Bonds.

## PORTFOLIO BREAKDOWN

2.3 yr average maturity on liquidity portfolio (Apr 2024)

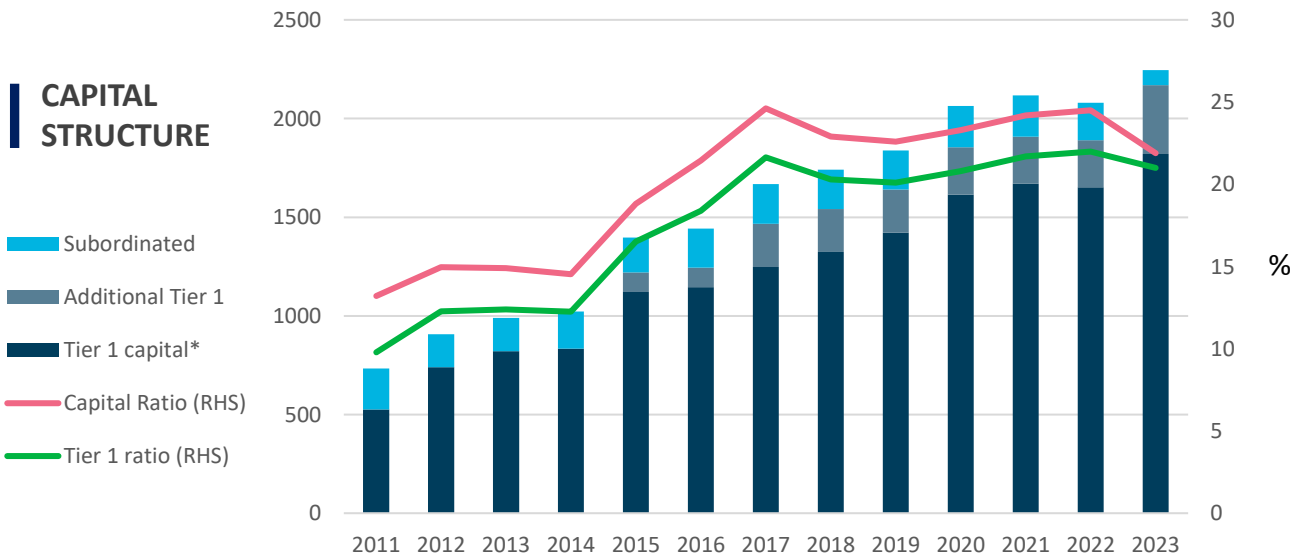


\*Nordic and Dutch sub-sovereigns.

# Robust Financial Strength

- Strong operating results and capital injections in 2008, 2012, 2015 and 2020 have substantially strengthened the capital base in recent years.
- As a part of the Norwegian government’s initial Covid-19 response initiatives, KBN received a NOK 750 mn capital injection in April 2020 to ensure funding available for LG’s
- Tier 1 capital has risen from 7.5 % in 2008 to 21.0% 2023.
- Dividend can be paid to the Kingdom as owner, if the government ascertains that KBNs capital situation is satisfactory.
- KBN maintains significant capital buffers above the regulatory requirements.
- KBN has been designated a systemically important financial institution in Norway and is thus subject to stricter regulatory oversight and is required to hold additional capital as a result. Given that KBN has never experienced a loan loss and there has been no change to KBN’s risk profile, the agency is today very strongly capitalized.

## CAPITAL STRUCTURE



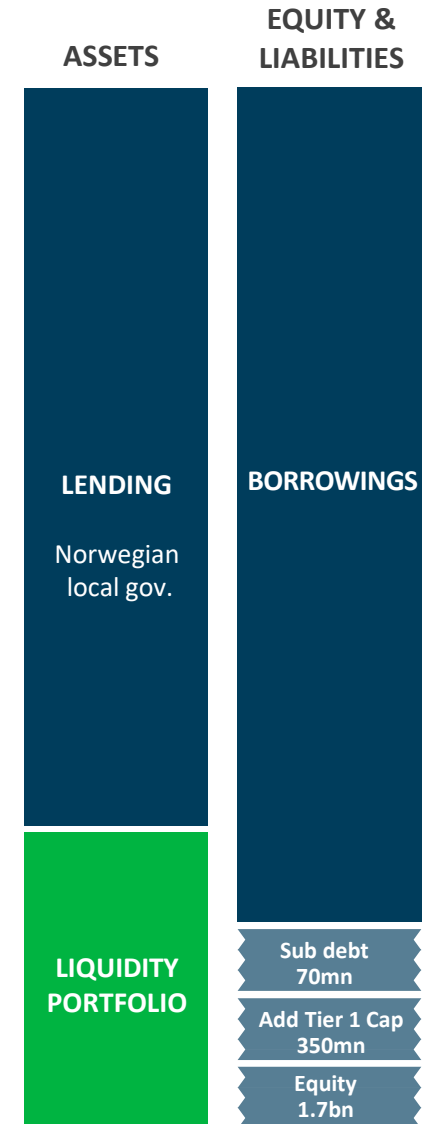
\* Paid-in capital and retained earnings USD/NOK 10

## SOLID BALANCE SHEET

KBN’s balance sheet of USD 53 bn eq. is supported by a broad, diversified portfolio of loans to the country’s local authority sector, which cannot go bankrupt by order of Norway’s Local Government Act §55 (1992).

KBN maintains a short-term liquidity portfolio to cover at least 12 months of future debt service and potential loan disbursements.

There is no separate investment portfolio.



## Sound Financial Performance

- The history of solid operational income and growth reflects well on KBN's conservative lending mandate and solid margins. KBN maintains financial performance targets to balance its state instrumentality role with ensuring it remains a financially viable institution.
- KBN's total Liquidity Coverage Ratio is well within policy guidelines and the leverage ratio is above the prescribed regulatory minimum level of 3%.
- KBN also operates with a low cost ratio of approximately 0.06% of total assets
- Unrealized gains and losses on the Income Statement primarily reflect volatility in mark-to-market derivatives used for hedging under IFRS accounting, linked in part to exchange rate developments.

### FINANCIAL RESULTS






(All figures USD bn eq\*)

	2019	2020	2021	2022	2023
<b>Total Assets</b>	46.1	49.8	47.3	49.2	52.2
<b>Loan Portfolio</b>	31.0	31.8	32.3	32.8	35.4
<b>Leverage Ratio</b>	3.6	3.7	3.7	3.9	4.0
<b>Operating expenses/ total assets</b>	0.055%	0.051%	0.054%	0.055%	0.060%

\* USD/NOK 10.0



## International Peer Group

	 <b>KBN</b> The Norwegian Agency for Local Governments	 <b>rentenbank</b>	 <b>ENG</b> BANK	 <b>European Investment Bank</b>	 <b>kfw</b>
DEBT RATING (S&P / MOODY'S)	AAA/Aaa (stable/stable)	AAA/Aaa (stable/stable)	AAA/Aaa (stable/stable)	AAA/Aaa (stable/stable)	AAA/Aaa (stable/stable)
OWNERSHIP	100% Norwegian central government	Direct federal institution under public law	50% Dutch central government, 50% local government	Co-owned by 27 EU Member States	80% Federal Republic of Germany, 20% German federal states
GUARANTEE / SUPPORT MECHANISM	Government owned agency with Maintenance statement	Explicit and direct guarantee from the Federal Republic of Germany	Implicit Government Support	Supranational	Explicit and direct guarantee from the Federal Republic of Germany
PURPOSE	Public sector lending against guarantee, limited to Norway	Government agency for agriculture and rural areas	Dutch public and semi-public sector lending	Regional (EU) and international (ex-EU) development	German Federal development bank, not limited to Germany
BORROWING PROGRAM 2024	USD 9-10bn	EUR 12-14bn*	EUR 16bn	EUR 60bn	EUR 90-95bn

\*Maturity &gt; 2 years.

Source: Respective issuers' websites.



# KINGDOM OF NORWAY

# Overview



POPULATION:

# 5,500,000



COUNTRY SIZE:

# 323 809 km<sup>2</sup>



FOREST SHARE OF TOTAL LAND AREA:

# 37,4%

OSLO



WOMEN'S SHARE OF GRADUATES FROM UNIVERSITIES:

# 60%



RANK IN GENDER EQUALITY IN THE WORLD ECONOMIC FORUM GLOBAL GENDER GAP REPORT:

# 2<sup>nd</sup>



MAJOR EXPORT SECTORS:

- ENERGY
- FISH
- MARINE TRANSPORT
- METALS



OSLO AWARDED EUROPEAN GREEN CAPITAL AWARD 2019

Sources:  
Statistics Norway (2020), WHR (2018), Global Gender Gap Report 2018 EGC (2019), European Green Capital Award 2019,



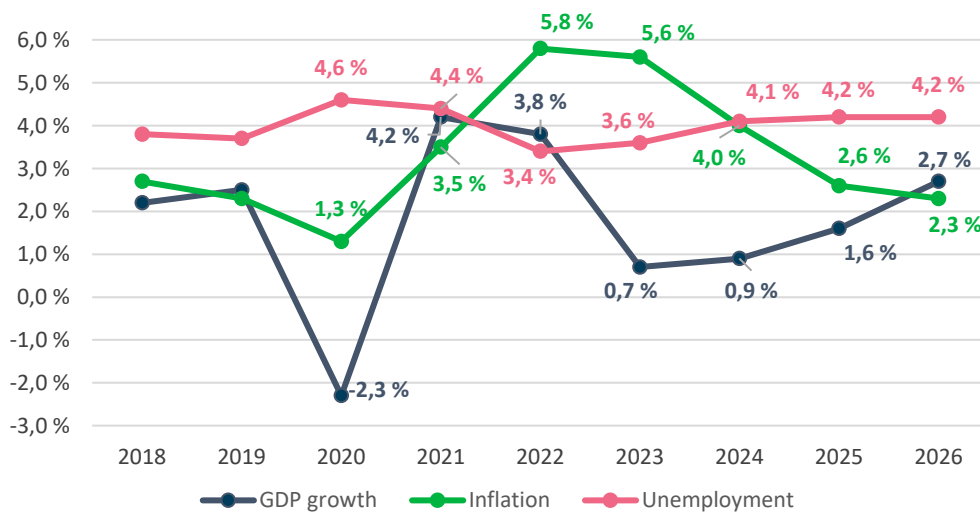
# Strong and Diversified Norwegian Economy

- Norway's economic fundamentals remain robust. At approx. USD 550 bn<sup>1</sup> eq, Norway's GDP is broadly diversified across a range of productive sectors. Norway is one of the world's wealthiest countries based on GDP per capita.
- Key economic indicators for 2024<sup>2</sup>:**

<b>13.8%</b>	<b>0.9%</b>	<b>4.0%</b>	<b>4.1%</b>
Current Account Surplus	GDP Growth	Inflation	Unemployment

- Norway's macroeconomic stability pillar ranked first in the World Economic Forum's 2019 rankings.<sup>3</sup>
- The government has managed a solid current account surplus for the past decades and estimates continued surpluses going forward.

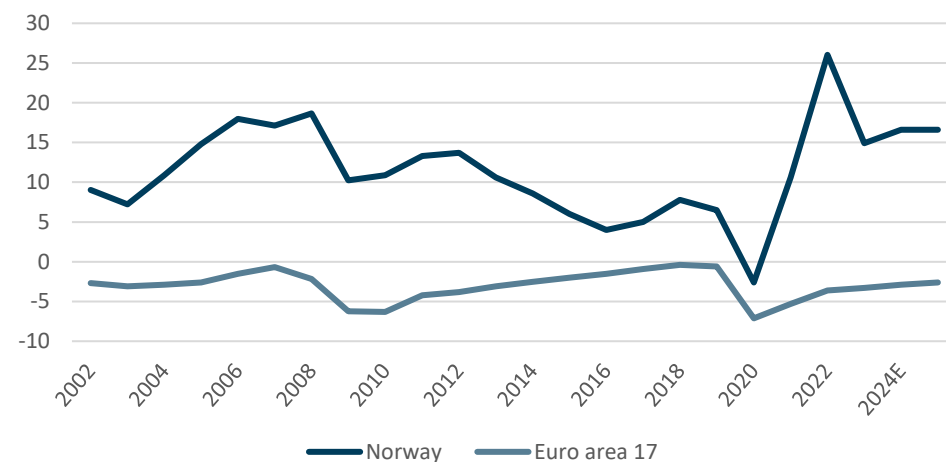
## KEY ECONOMIC INDICATORS<sup>2</sup>



<sup>1</sup> Statistics Norway :2023 (USDNOK 10)  
<sup>2</sup> Statistics Norway : Mar. 2024  
<sup>3</sup> World Economic Forum Global Competitiveness Report, 2019

## GENERAL GOVERNMENT FINANCIAL BALANCES

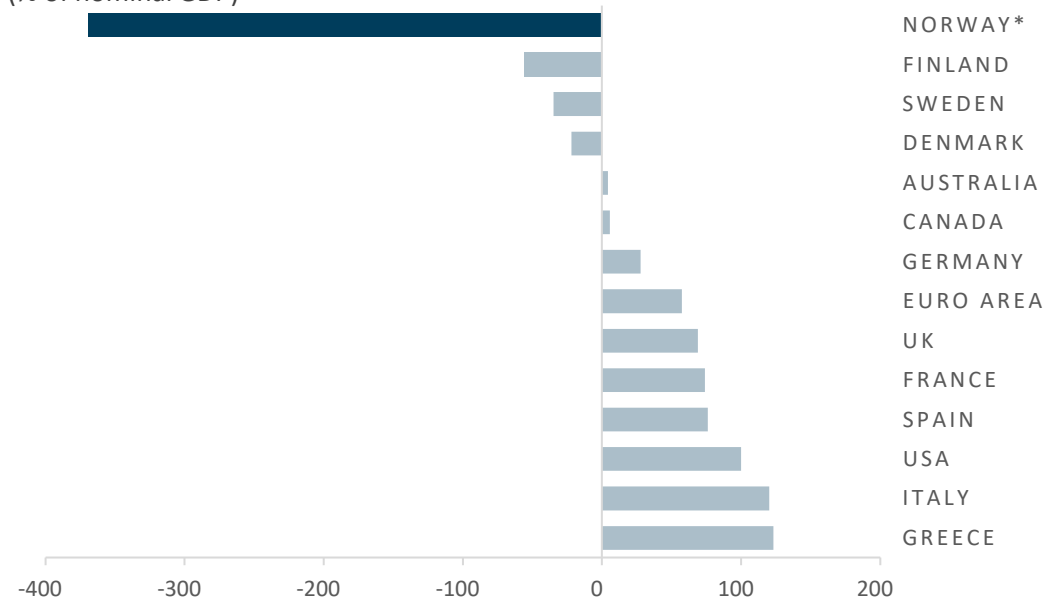
(Surplus (+) or deficit (-) as a % nominal GDP)



Source: OECD Economic Outlook No. 114 Nov 2023

## GENERAL GOVERNMENT NET FINANCIAL LIABILITIES (2023)

(% of nominal GDP)



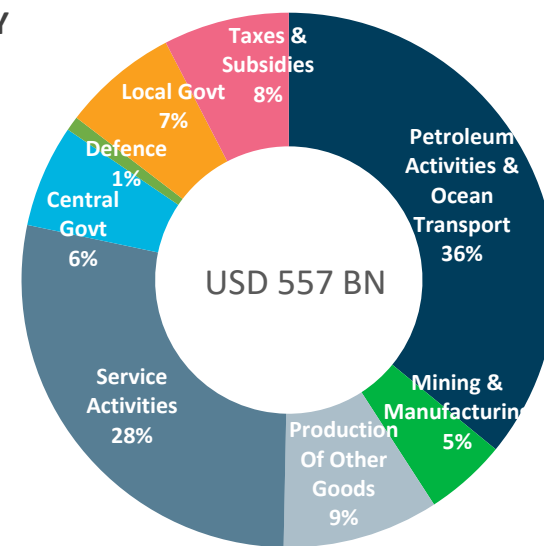
Source: OECD Economic Outlook No. 114 Nov 2023

Debt measures are not always comparable across countries due to different definitions  
 \*OECD has not published an estimate for Norway since 2020. Figure for Norway is sourced from OECD EO 109

# Strong and Diversified Norwegian Economy

- The oil and gas industry (including supporting industries) historically constituted approximately 20% of Norwegian GDP. Due to the exceptional energy market and high gas prices in 2022 this share increased. It is however expected to normalize going forward.
- The petroleum sector is the major contributor to the overall trade balance and current account surplus. Norway's industrial base however continues to diversify with growth from other major industries:
  - fishing/aquaculture, shipping, metals and mining, timber – pulp and paper, manufacturing and machinery, construction and chemical products
- Prior to the energy crisis, Norway's reliance on primary industries had decreased as Service Activities made up a larger portion of GDP. This includes Transport and Communication, Financial and Business Services, Telecommunication and Information Services and Tourism.
- Germany and the UK are Norway's largest export counterparties due to the high volume of crude oil and natural gas exports. This situation was exacerbated due to Russia's invasion of Ukraine and Norway is now the largest supplier of natural gas to Europe. One of Norway's largest trading partners in relation to goods and services import is Sweden. Imports from China have also grown in recent years, and now constitute a significant part of imported goods.
- EU countries account for almost 70 percent of Norwegian exports of goods compared to just over 55 percent of imported goods.

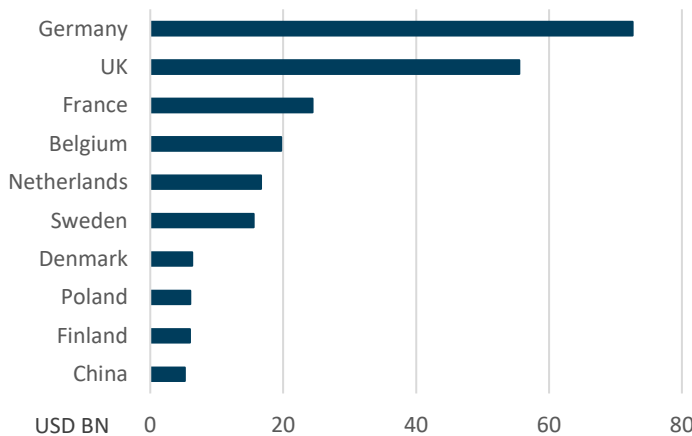
**NORWAY GDP (2022)**



Source: Statistics Norway, 2023  
USDNOK 10

## EXPORTS OF GOODS

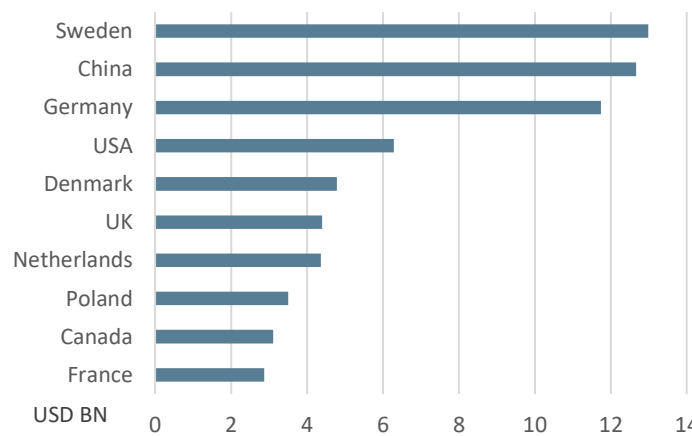
Main Trading Partners (2022)



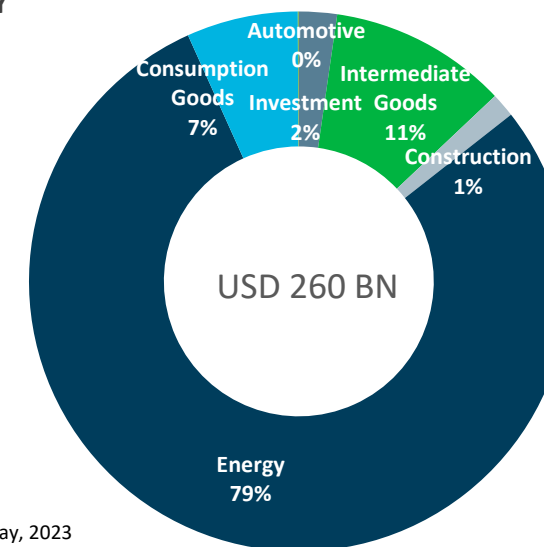
Source: Statistics Norway 2023 (USDNOK = 10)

## IMPORTS OF GOODS

Main Trading Partners (2022)



**NORWAY EXPORT (2022)**

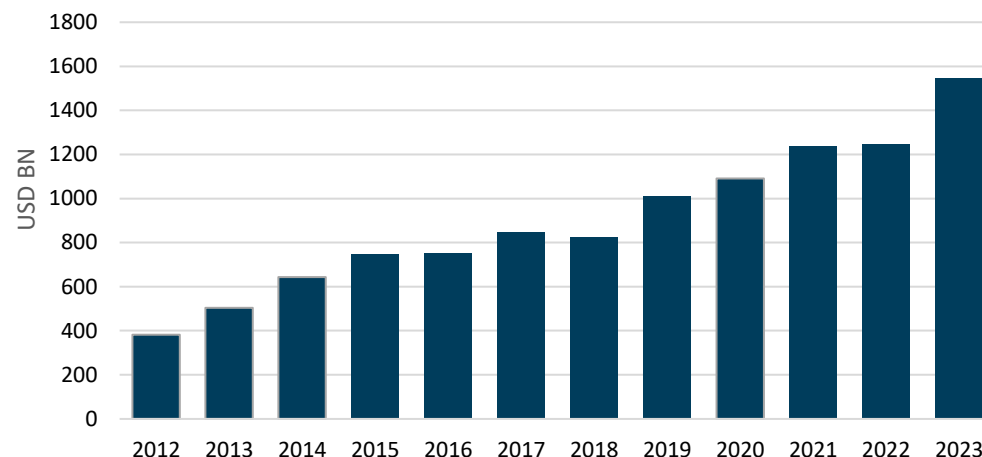


Source: Statistics Norway, 2023  
USDNOK 10

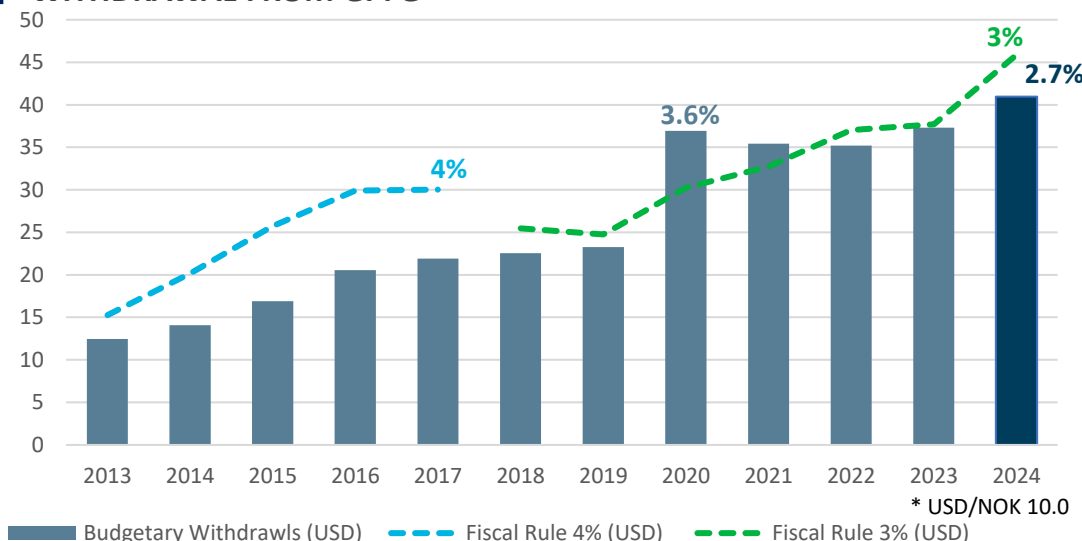
# Norway Sovereign Wealth Fund – A Long-term Contributor To The Nation’s Wealth

- Norway’s sovereign wealth fund (Government Pension Fund Global – GPFG) Q4 2023 assets of USD 1.54 trillion (NOK 15.8 tr. eq). This ranks the GPFG as the world’s largest SWF.<sup>1</sup> The size corresponds to more than 300% of Norway GDP and 800% of the national budget.
- The GPFG accumulates all petroleum related government revenue surpluses and has the ability to use a portion of the fund to finance counter-cyclical fiscal policies. Thus, the GPFG is fully integrated with the State Budget.
- The Fund’s liquidity is invested entirely in overseas markets across equity, fixed income and real estate holdings, to avoid distorting the domestic economy.
- Fiscal rule states that up to expected average real rate of return of GPFG can be used to balance budget.
- Expected average real rate of return 4% 1998 - 2017 and adjusted to 3% from 2018 onwards due to lower rate environment.
- From 1998 to 2023, the Fund’s actual average net annual real rate of return has been 3.8%.
- The history, objectives and management of the Norwegian sovereign wealth fund can be explored further [here](#).

VALUE OF GOVERNMENT PENSION FUND GLOBAL (GPFG)



EXPECTED NET REAL RETURN AND ACTUAL WITHDRAWAL FROM GPFG



<sup>1</sup> Sovereign Wealth Fund Institute, Jan 2024  
Sources : Norges Bank Investment Management / Ministry of Finance / Norwegian Government





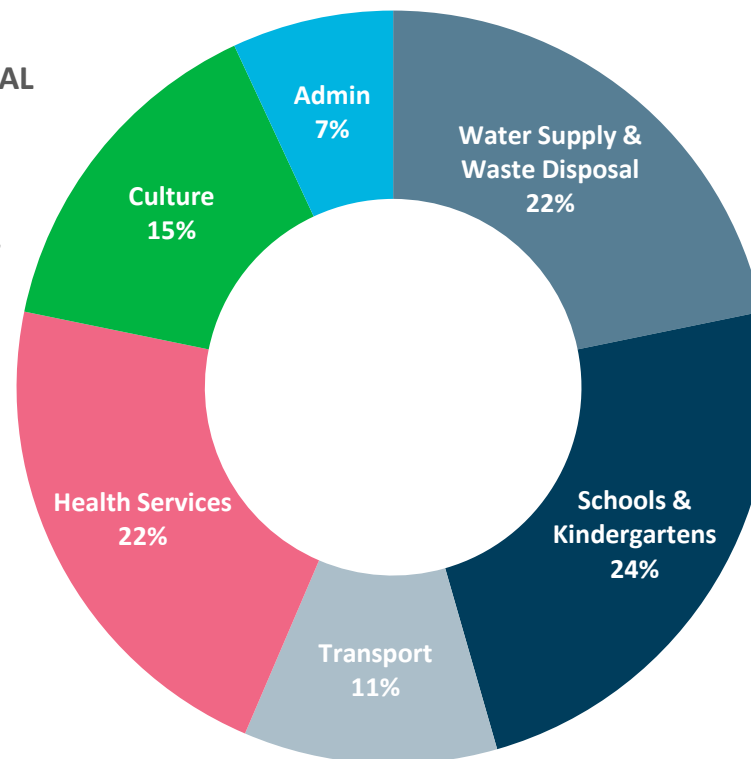
# LENDING OPERATIONS

## KBN Lending Across Norway

- KBN oversees a diversified loan portfolio of USD 35bn\*. This reflects a market share of approx. 50% of client borrowings. 100% of Norway's 15 counties and 357 municipalities are borrowing clients of KBN.
- KBN's clients all have equal access to KBN funding, at comparable levels in order to deliver welfare services on behalf of the central government.
- KBN loans are used to implement a broad range of key social projects.

### LENDING TO THE NORWEGIAN LOCAL GOVERNMENT SECTOR

INVESTMENT EXPENDITURES  
LOCAL/REGIONAL SECTOR PER SERVICE AREA,  
AVERAGE LAST 10 YEARS.



\* USD/NOK 10

Source : Statistics Norway / KBN



### BY 2023 KBN COMPLETED USD 5.2 BN IN LENDING

to climate-friendly projects across a broad range of project categories. This represents 15.4% of the total lending portfolio.

For 2023, green lending for investments in climate and environmentally friendly projects grew by a record 11bn NOK.

# The Norwegian Local Government Sector is Financially Robust

The sound financial position of the Norwegian local government sector and the strict financial framework within which it operates make the whole sector and individual entities highly creditworthy borrowers.

## Sound Revenue Foundation

- KBN benefits from an extremely solid customer base:
  - Municipal authority is seen as a delegated state authority as they are not defined a legal entity in the Norwegian Constitution.
  - They receive a large proportion of revenue from central government transfers, in order to ensure a unified service delivery throughout the country.

## Close Supervision and Control

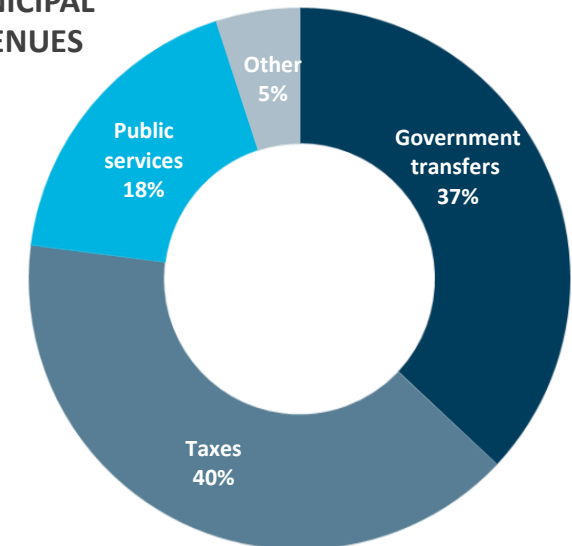
- All local government budgets are monitored and supervised by the central government. Strict limits are in place to manage financial conduct.
- Under the Local Government Act, counties and municipalities may not be subject to bankruptcy proceedings. Thus, they are subject to extensive central government oversight and regular reporting requirements.
- Counties and municipalities can not budget for an operating deficit. If facing a deficit, the local government will be placed on a list for contingent control (ROBEK List) and the central government must explicitly approve all borrowings and guarantees until the deficit is eliminated (within maximum 3 years).
- Borrowings may only finance primary investments. No commercial projects or guarantees for private-sector third parties are permitted.
- KBN has more than 90 years of operating experience and strict centralized control enhances financial discipline.
- KBN has never suffered a loan loss.

MOODY'S

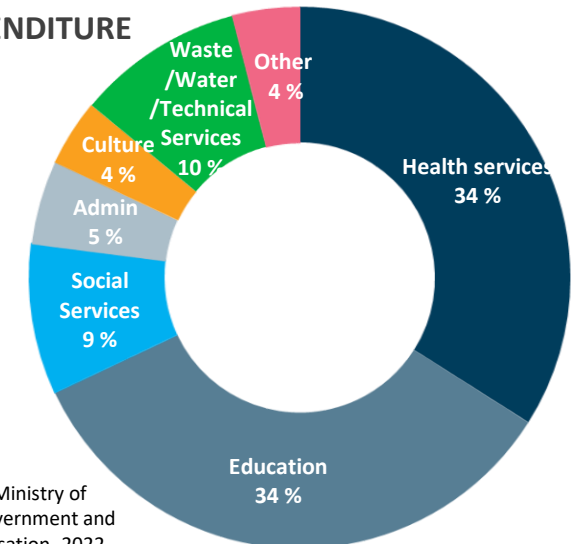
*"Norwegian local governments are among the most regulated and supervised in Europe"*

- Moody's Investors Services

## MUNICIPAL REVENUES



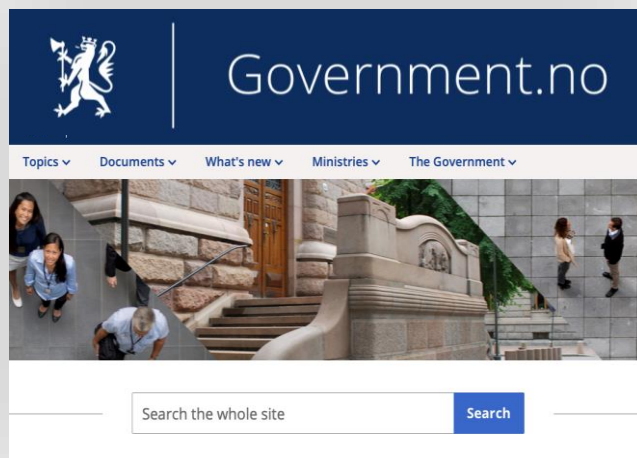
## MUNICIPAL EXPENDITURE



Source: Ministry of Local government and Modernisation, 2022

# KBN Lending – Supports the Nation’s Economic & Social Welfare

- KBN offers a range of flexible financing structures to its borrowing clients. KBN’s competitive advantage is in providing, at all times, stable funding solutions to the local government sector. This reflects KBN’s core public policy mandate as a strategic long-term partner for the country’s framework of social services.
- Loans are only extended in NOK and KBN does not differentiate between any clients on loan pricing. Local government creditworthiness is viewed equally due to the central government oversight and support, ensuring that clients are able to offer a unified standard of services across the country.
- KBN reviews local governments annual borrowing requests to ensure the underlying investment strategies are socially and commercially viable and fits within its balanced budget.
- The Credit Risk Management (CRM) department works on a continuous basis to track and analyze clients’ financial developments based on data from the government KOSTRA Registry\*. Lending decisions can thus be made quickly, due to centralized oversight of client finances and KBN’s ongoing credit review processes.
- Loans for Green projects are all analyzed individually. KBN’s Green lending model follows international best practice for transparency, use of proceeds analysis and impact reporting.



## THE ROBEK LIST

The Register for Governmental Approval of Financial Obligations (ROBEK) is a government register of municipalities and counties experiencing an operating deficit. Local governments on this list must have any new borrowing explicitly approved by the state representative Fylkesmann in order to be valid. Entities on this list have 3 years to balance their budget. This list is available publicly:

<https://www.regjeringen.no/en/topics/municipalities-and-regions/municipal-economy/register-for-governmental-approval-of-fi/id449305/>

## \* THE KOSTRA REGISTRY

Since 1997, local and regional governments have been required by law to register statistics on budget, financial activities and public services in the KOSTRA (Municipality-State-Reporting) database. This registry is managed by Statistics Norway and provides key inputs for KBN’s credit risk management models.

<https://www.ssb.no/en/offentlig-sektor/kostra>

# Project Examples

## STANDARD & POOR'S

*“Norwegian local and regional governments act as delegated arms of the central government in the provision of public services.”*

- Standard & Poor's – April 2019

### SVALBARD (2,310)

- Upgrades for powerstation
- Increased harbour capacity
- New kindergarten
- Upgrade of remote heating facilities (thermal heating plant)
- Increased capacity of recycling and refuse facilities



### FINNMARK (76,167)

- New high school
- New dental clinic
- New harbor facilities
- Upgrading energy efficiencies in county buildings



### NORDKAPP (3,239)

- Road upgrade
- New cemetery
- Upgrading harbor facilities
- New library equipment



### HORDALAND (505,246)

- Hardanger Bridge
- New suspension bridge across Eidfjorden
- Total length: 1,380 (30m longer than Golden Gate Bridge)



### BOKN (865)

- New multipurpose sports halls
- New fire truck

### KONGSVINGER (12,078)

- Kongsvinger lower secondary school
- Built in solid wood
- Financed by green lending rate from KBN



### TØNSBERG (41,239)

- Greve Biogas: “The magic factory”
- Turning food waste and manure into fuel
- Financed by green lending rate from KBN



COUNTIES (residents)

MUNICIPALITIES (residents)



# Green Lending Integral Part of Mandate

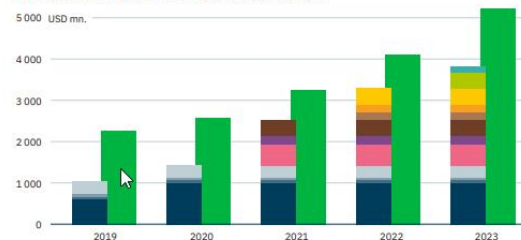
- On behalf of the government, KBN has been given a mandate to implement greater environmental and social awareness via Green Lending and thus offers up to a 10 basis point discount on green loan projects versus traditional lending to all KBN clients.
- The local government sector is regarded as vital to achieve Norway's goals under the Paris Climate Agreement, which targets a reduction in greenhouse gas emissions of at least 55% by 2030, compared to 1990 levels.
- By end of 2023, KBN had completed USD 5.2 bn in lending to climate-friendly projects representing 15.4% of the total lending portfolio. For 2023, the green loan portfolio grew by a record NOK 11bn.



## Executive summary

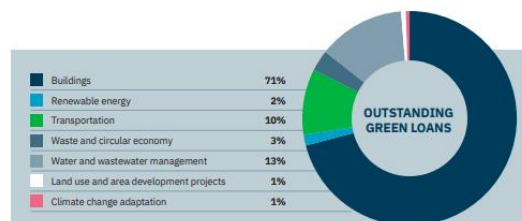
As of 31 Dec 2023

### OUTSTANDING GREEN BONDS AND GREEN LENDING



Total outstanding green bonds divided by outstanding green loans, as of 31 December 2023				73% of which
Issue date	Volume	Maturity	ISIN	
11 Feb 2015	USD 1 billion <sup>1</sup>	11 Feb 2025	US0048MBX74 / XS1188118100	19%
29 Nov 2017	NOK 750 million	29 Nov 2027	NO0010811276	1%
29 Nov 2017	NOK 600 million	29 Nov 2032	NO0010811284	1%
28 Aug 2019	SEK 3 billion	28 Aug 2026	XS2047497289	6%
21 Apr 2021	USD 500 million	21 Oct 2024	US50048MDA53 / XS2333390164	10%
08 Oct 2021	AUD 300 million	08 Oct 2024	AU3CB0283596	4%
18 Oct 2021	CAD 500 million	18 Oct 2024	US50047JA379 / XS2398386776	7%
24 Feb 2022	SEK 1,75 billion	24 Feb 2025	XS2447758025	3%
17 Nov 2022	AUD 300 million	17 Nov 2026	AU3CB0294130	4%
07 Dec 2022	CAD 500 million	07 Dec 2027	XS2564075583 / US50047JAK43	7%
05 Oct 2023	CAD 500 million	05 Oct 2026	XS2698771545 / US50047JAM09	7%
18 Oct 2023	AUD 225 million <sup>2</sup>	18 Apr 2034	AU3CB0303519	3%
				<b>Outstanding green lending</b>

<sup>1</sup> Originally USD 500 mn., USD 100 mn. top in 2019 and USD 400 mn. top in 2020  
<sup>2</sup> Originally issued in October 2023 as AUD 200 million and topped by AUD 25 million in December 2023.



### PROJECT PORTFOLIO AND ENVIRONMENTAL IMPACT<sup>1</sup>

Project portfolio	Green loan outstanding (1000 NOK)	Reduced and avoided GHG (tonnes CO <sub>2</sub> e annually)	Impact tonnes CO <sub>2</sub> e per million NOK <sup>2</sup>
Buildings	37 415 841	1 131	0.03
Renewable energy	849 408	1 212	1.43
Transportation	5 256 989	11 606	2.21
Waste and circular economy	1 656 229	84	0.05
Water and wastewater management	6 914 872	n/a	n/a
Land use and area development projects	375 355	n/a	n/a
Climate change adaptation	294 001	n/a	n/a
<b>Total</b>	<b>52 762 694</b>	<b>14 034</b>	<b>3.72</b>
<b>Renewable energy produced annually</b>		<b>107 849 MWh / 388 254 632 MJ</b>	
<b>Energy reduced/avoided annually</b>		<b>46 684 MWh / 168 062 619 MJ</b>	

<sup>1</sup> The impact reported corresponds to the share of the project financed by KBN. A grid factor of 3 kg CO<sub>2</sub>e per kWh electricity is applied throughout when converting electricity to emission reductions.  
<sup>2</sup> Tonnes CO<sub>2</sub>e reduced or avoided per million NOK of green lending.

### BASIC INFORMATION

**Current Green Bond Framework:** KBN Green Bond Framework, dated March 2021  
**Reporting frequency:** Annually, next report scheduled March 2025  
**Reporting period and scope:** Calendar year 2023. The report provides a summary of projects financed from the beginning of the green bond and green loan programmes. The project list included in this report reflects new projects added in 2023. For a complete overview of all projects within the portfolio, an extended version of the report in spreadsheet format is available at kbn.com  
**Reporting approach:** Portfolio-based and project-by-project reporting  
**Reporting framework:** Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting  
**Verification:** Internal audit of compliance of guidelines and routines related to green loans and bonds, as well as allocation. Conducted by KPMG. See page 63  
**Date of publication:** 14 March 2024





# FUNDING OPERATIONS

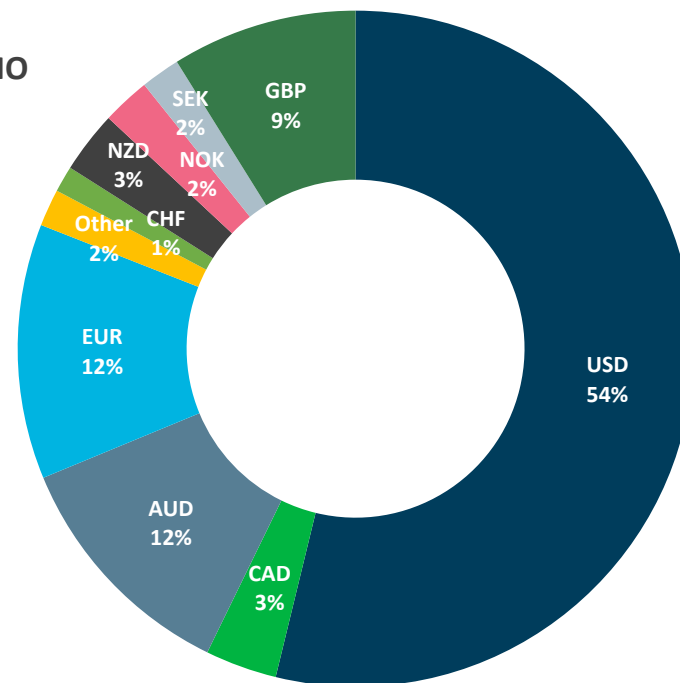
# Flexible and Diversified Investor-Driven Funding Program

- KBN’s borrowing program for 2024 will be approximately USD 9-10 billion.
- KBN has developed a solid international investor base, enabling it to access broad and well-diversified funding sources.
- KBN expect to see healthy lending growth going forward and will remain actively engaged in capital market issuance and market developments.
- KBN continuously works to gather market intelligence and expand its network of investors and products. Issuance is conducted via a range of documentation platforms, enabling access to both domestic and international investors. KBN manages domestic borrowing programs in Australia, Canada, New Zealand, Norway and Switzerland as well as an MTN Program with a 144a tranche.

## Benchmark pricing strategy

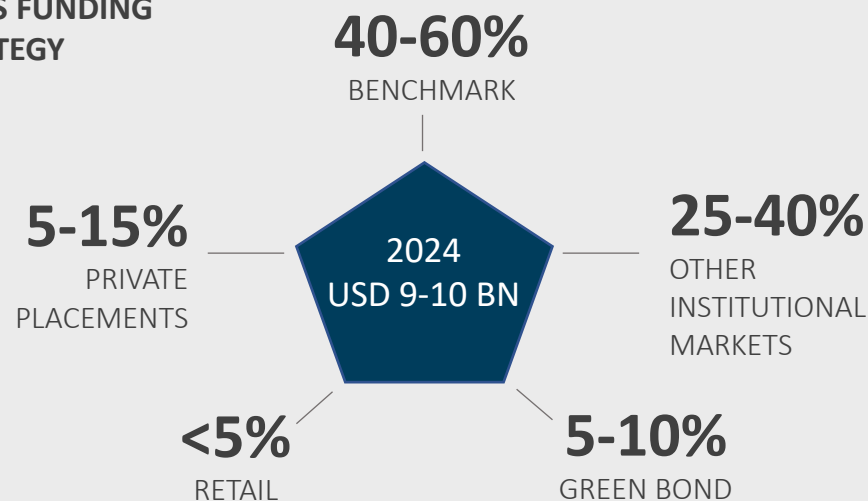
- A considerable portion of KBN’s annual borrowing program is raised by issuing liquid benchmark securities.
- KBN recognizes the value of maintaining a solid partnership with investors for these offerings, and seeks to offer attractive relative value, with excellent credit quality.
- Principles guiding benchmark pricing include:
  - Regular consultation with underwriters experienced in target markets
  - Pricing and sizing issues “to clear”
  - Performance in secondary markets

## DEBT PORTFOLIO

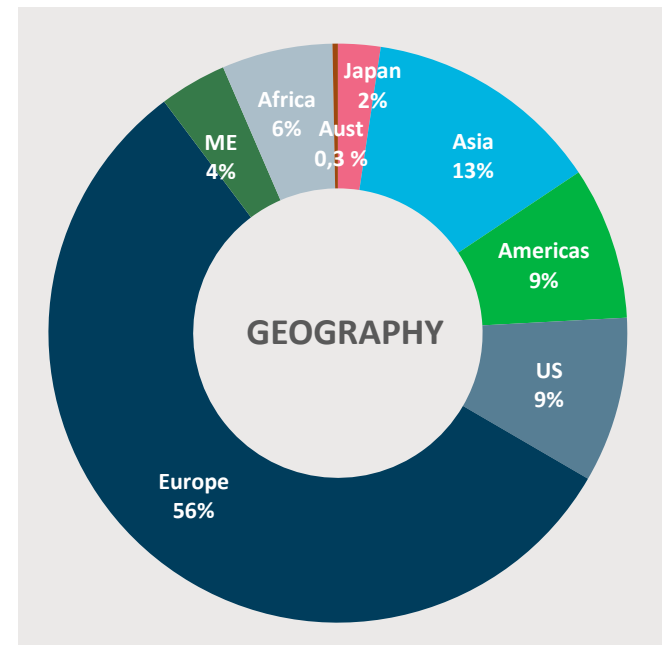
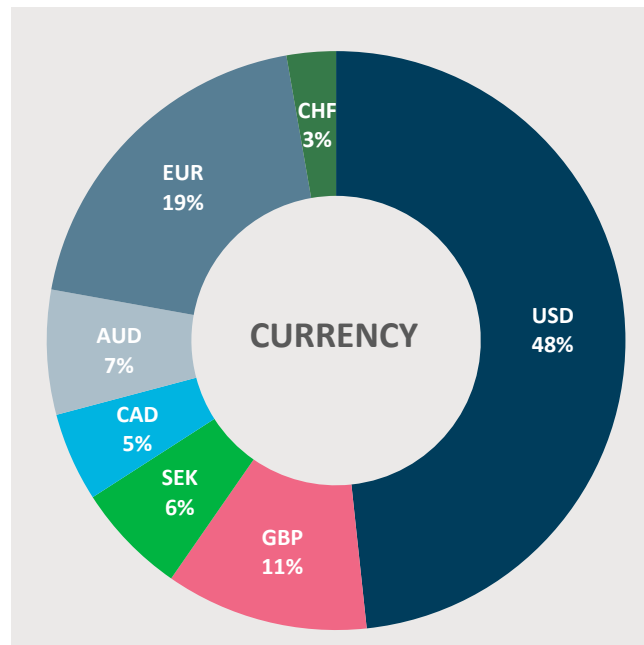
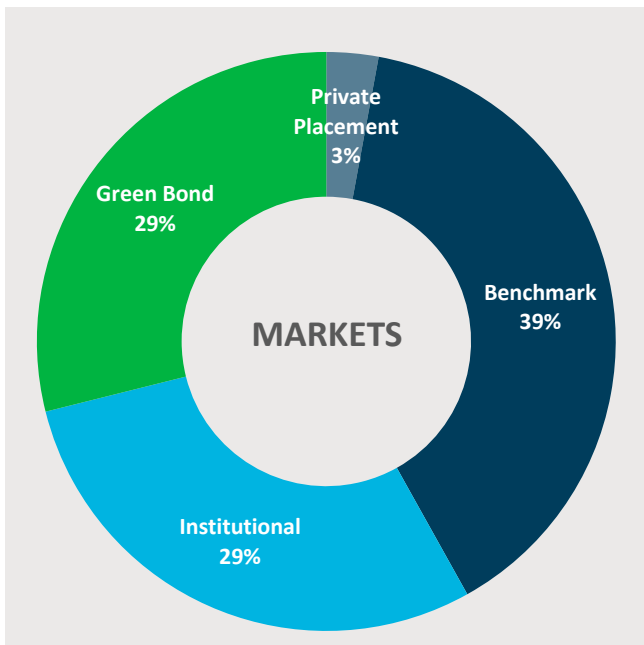
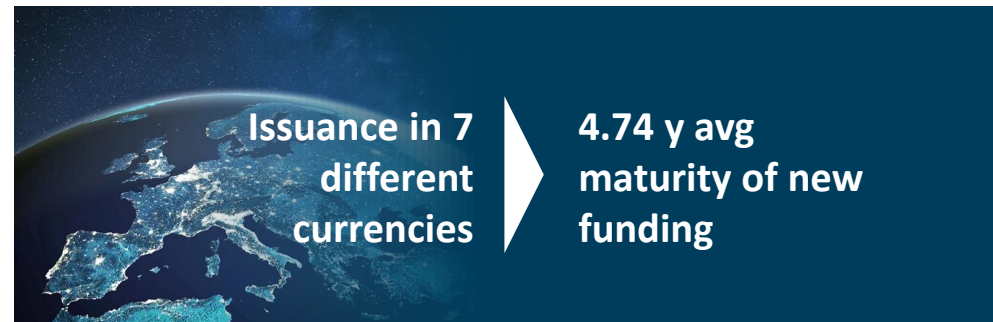
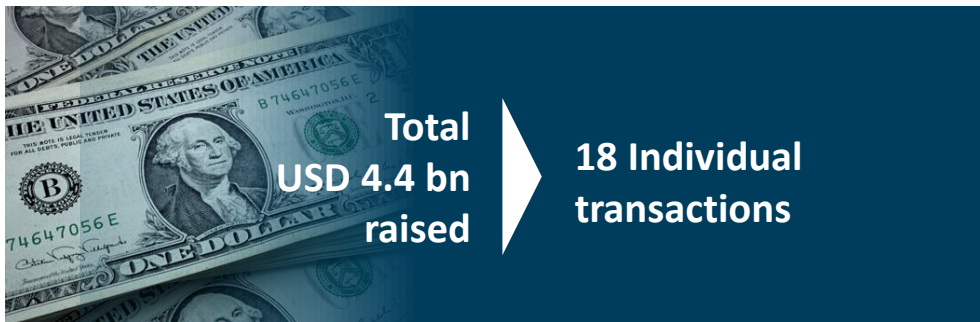


\*As of Mar 2024

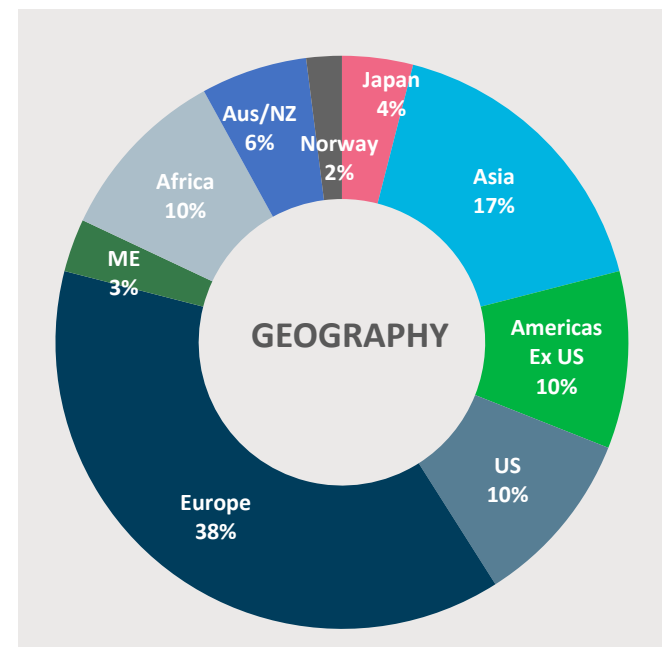
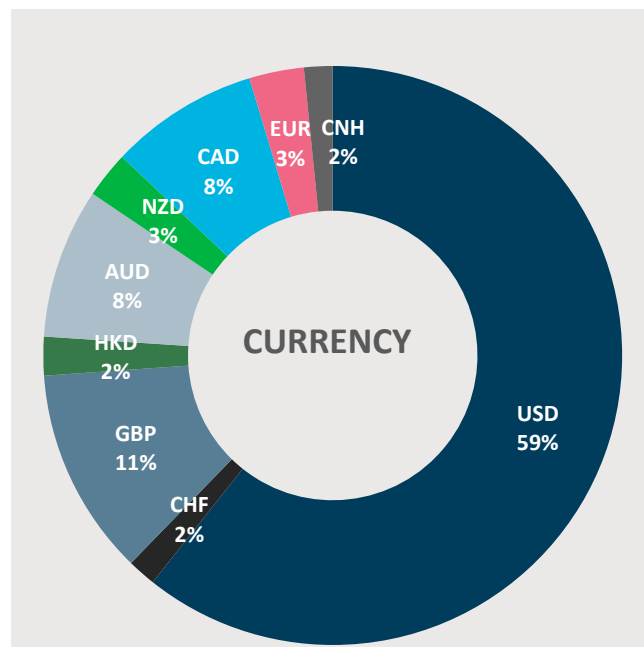
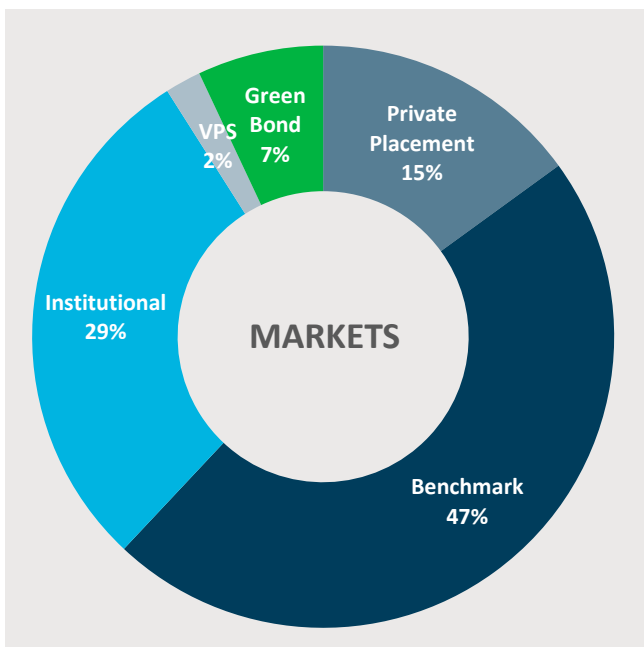
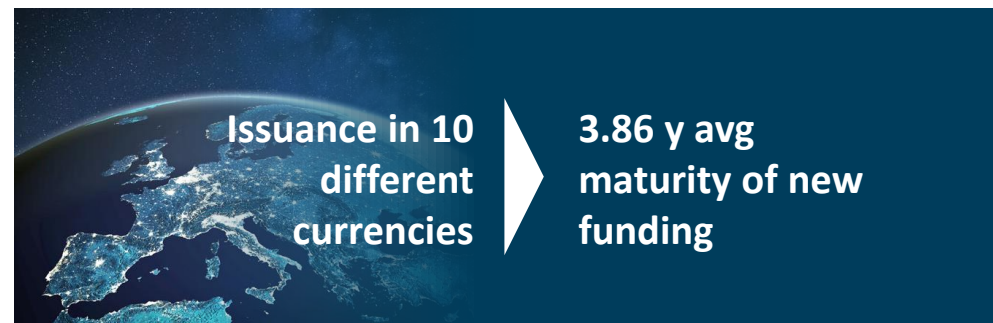
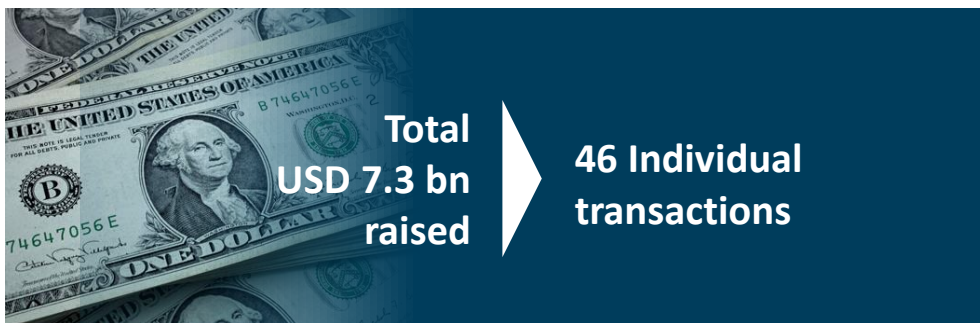
## KBN’S FUNDING STRATEGY



# KBN Funding 2024 - YTD



# KBN Funding 2023



## USD Benchmark Strategy

- KBN's strategy is to issue benchmarks regularly, to:
  - Enhance market presence
  - Access a wide institutional investor base
  - Provide liquidity and performance for investors
  - Issue products in line with market demand
  - Build strong long-term investor and bank relationships



For 2024, KBN plans to issue 3 USD benchmarks in maturities ranging from 3 to 10 years.

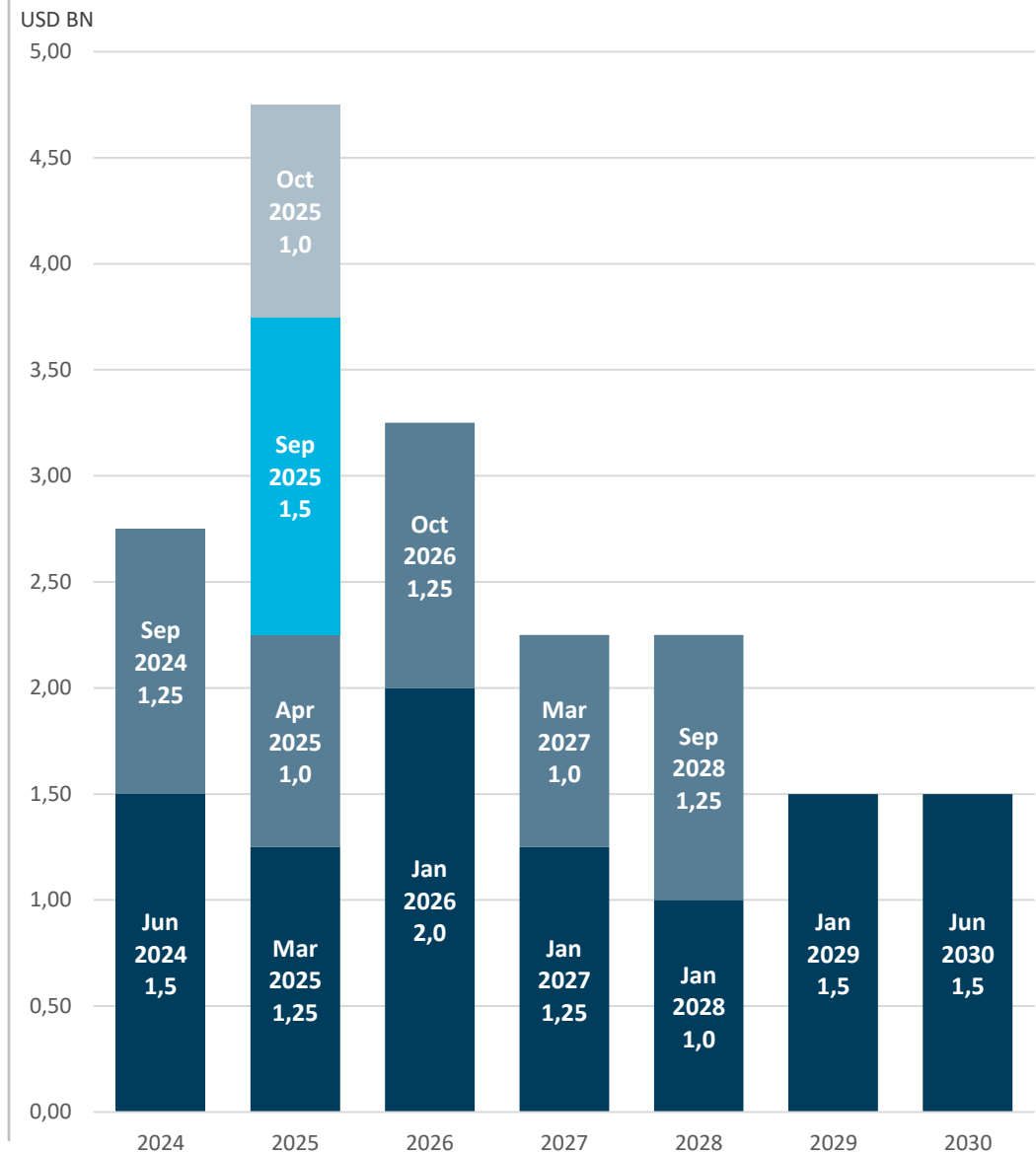


KBN currently has 14 USD benchmark transactions outstanding. The total notional amount is USD 18.25 bn.



Since 2010, KBN has issued USD benchmarks under RegS and 144a documentation, which provides additional settlement options via DTC.

### OUTSTANDING 144 A BENCHMARKS

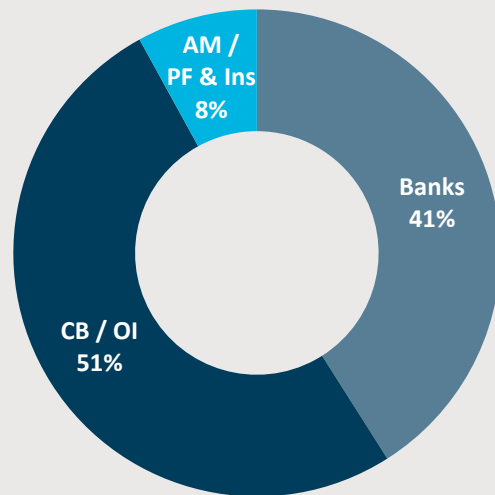


# USD Benchmark Distribution

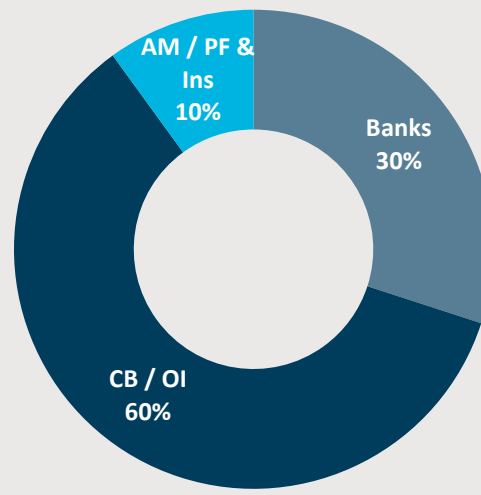
## Investor type

Distribution on last 3 USD Benchmarks

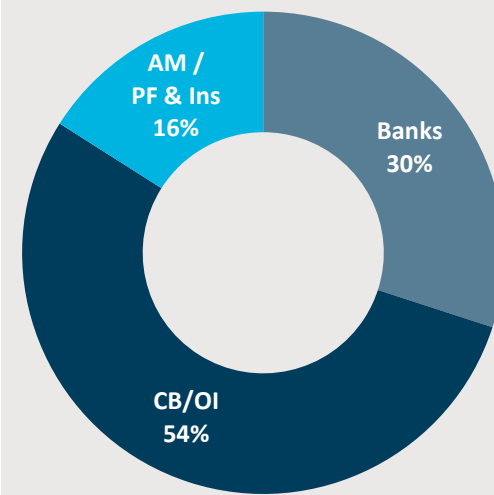
Aug 2023 @ MS SOFR +44  
USD 1.25bn 5yr Sep 2028



Oct 2023 @ MS SOFR +40  
USD 1.00bn 3yr Mar 2027

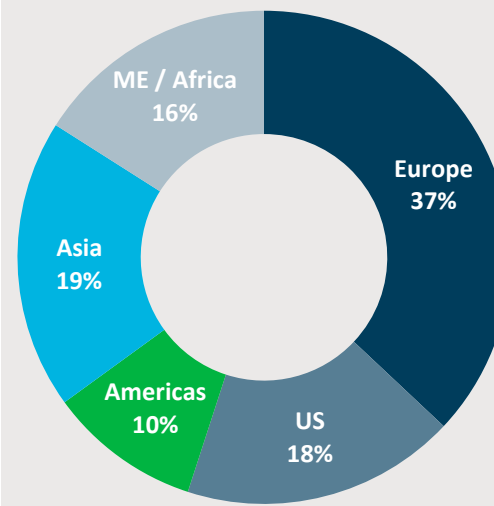
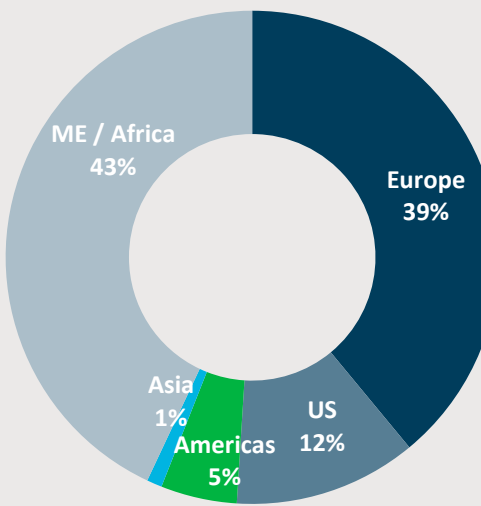
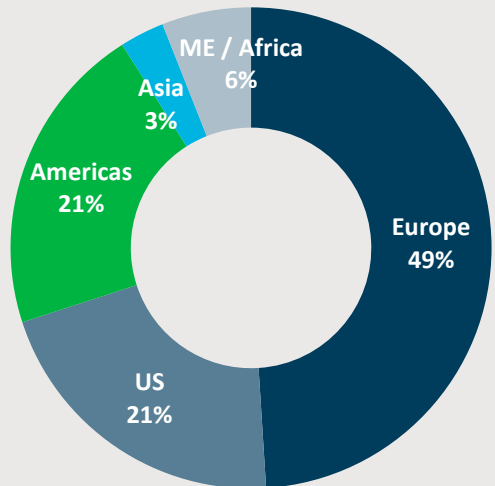


Jan 2024 @ MS SOFR +50  
USD 1.50bn 5yr Jan 2029



## Investor geography

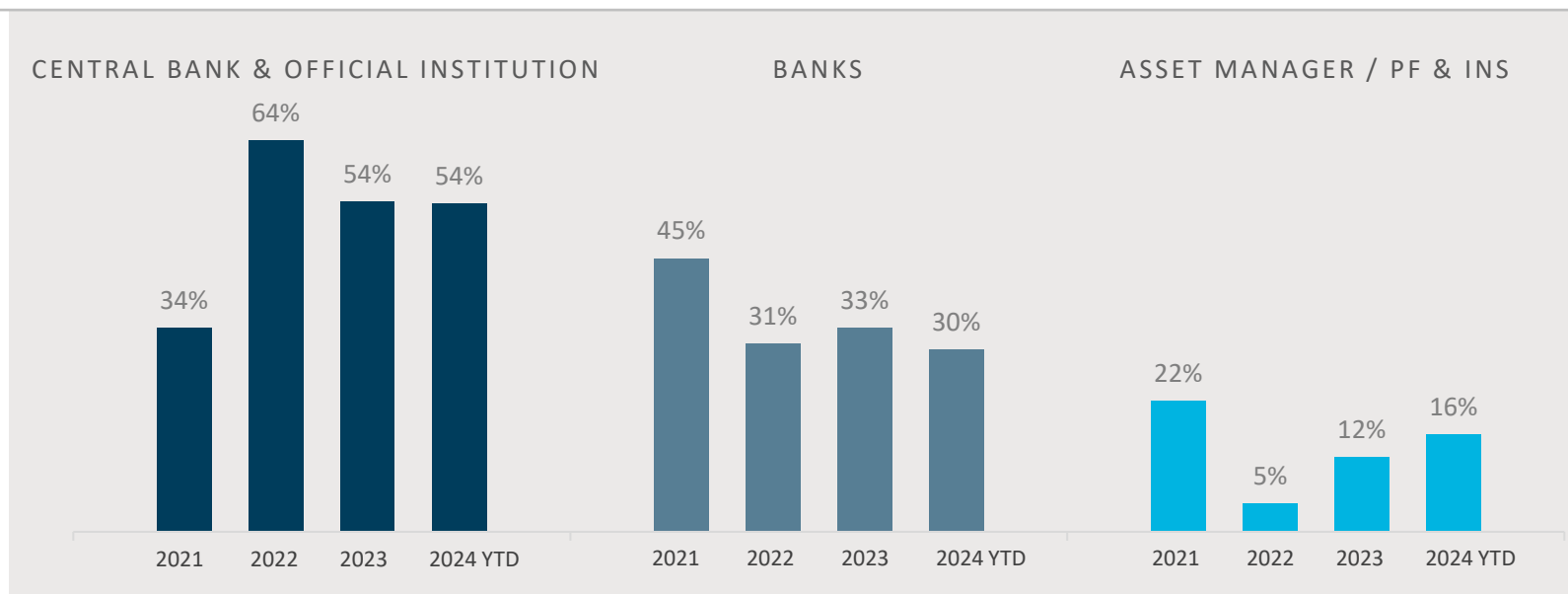
Distribution on last 3 USD Benchmarks



# USD Benchmark Distribution

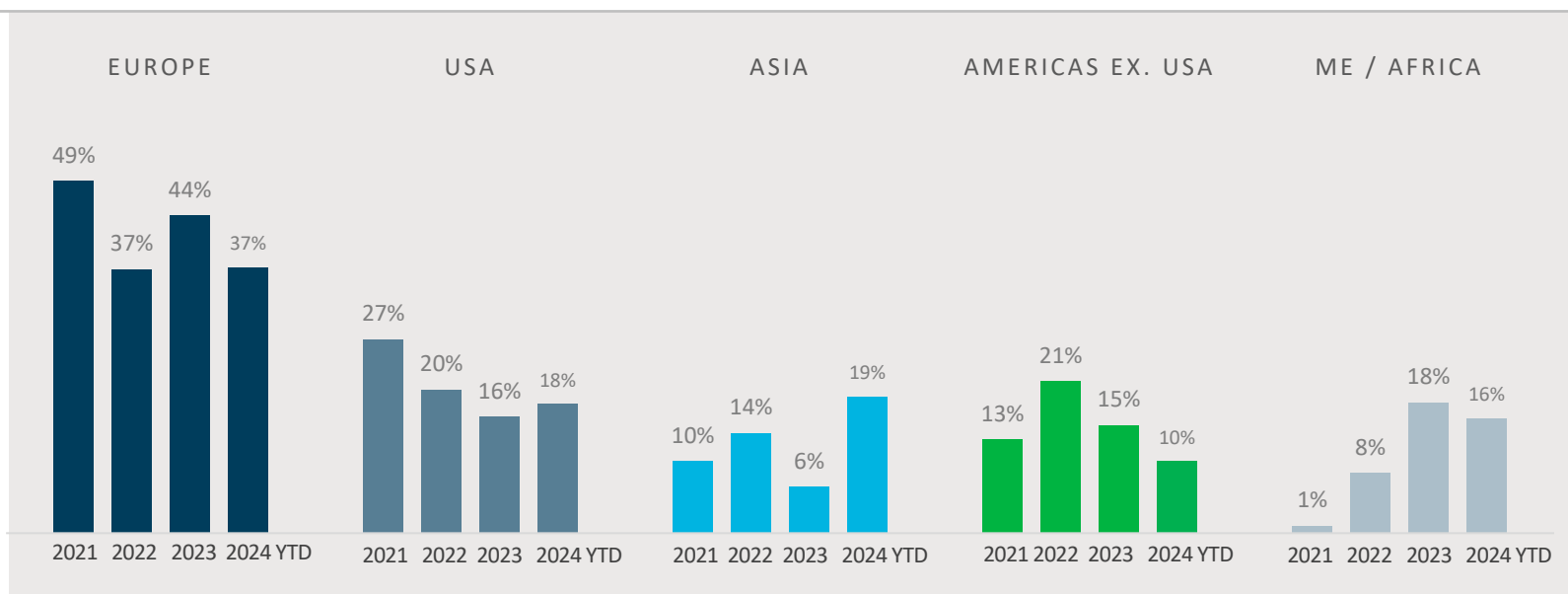
## Investor type

– Yearly averages



## Investor geography

– Yearly averages





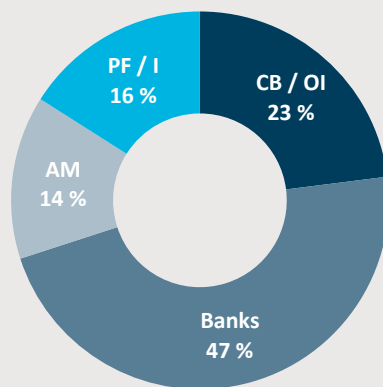
# EUR Benchmark Strategy

Diversifying The Funding Program via Investor-driven Issuance

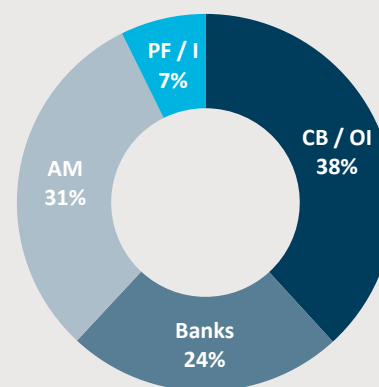
- Broaden the KBN investor base
- Expand market presence
- Raise visibility in Continental Europe
- Provide liquidity and performance for investors
- Issue in size of EUR 1 bn minimum
- Target maturities from 5 to 10 years

## Investor type

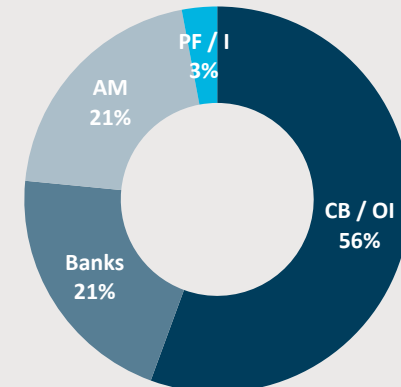
MAY 2017 @ MS+4  
EUR 1.0BN 10Y MAY 2027



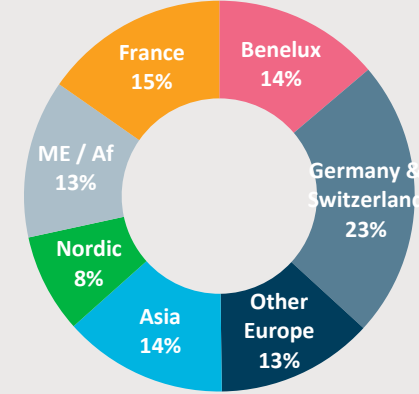
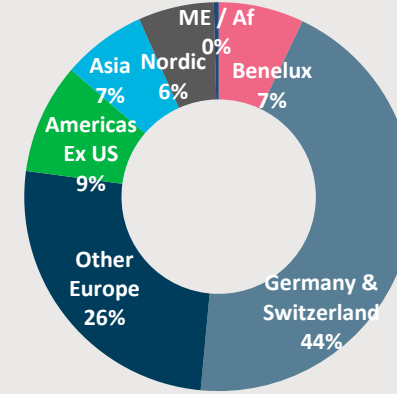
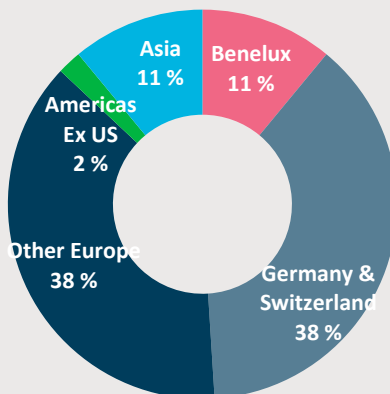
Oct 2019 @ MS +7  
EUR 1.0 BN 10Y OCT 2029



Nov 2022 @ MS+10  
EUR 1.0 BN 5Y NOV 27



## Investor geography



## Other Key Institutional Markets


KBN will continue its strategy to nurture its presence in other public markets with strategic issues in local currencies.

- Focus will be on taps and new issues
- 2y – 10y+, in all markets, pricing and market conditions allowing


### USD FRN Strategy

- KBN typically opens a new line with USD 500mn minimum notional.
- Taps are priced on the basis of investor demand.
- Lines are increased up to a maximum notional of USD 2 bn.
- In April 2021, KBN became one of the first European Agencies to issue a SOFR referenced bond, completing it's inaugural SOFR USD 500mn Oct 2023 line.
- Over time, KBN will aim to build a new, liquid curve of SOFR referenced FRNs.

	<b>AUSTRALIA</b> KANGAROO
<b>Currently outstanding:</b>	AUD 7.62 bn
<b>14 issues:</b>	2024, 2025, 2026, 2027, 2028, 2029, 2030, 2032, 2034


	<b>NORWAY</b> VPS/EMTN
<b>Currently outstanding:</b>	NOK 10.65 bn
<b>10 issues:</b>	2025, 2026, 2027, 2028, 2029, 2031, 2032, 2033, 2036, 2037


	<b>NEW ZEALAND</b> KAURI
<b>Currently outstanding:</b>	NZD 2.125 bn
<b>5 issues:</b>	2025, 2026, 2027, 2030

	<b>SWEDEN</b> EMTN
<b>Currently outstanding:</b>	SEK 7.75 bn
<b>3 issues:</b>	2025, 2026, 2027

	<b>UNITED KINGDOM</b> EMTN
<b>Currently outstanding:</b>	GBP 2.965 bn
<b>6 issues:</b>	2024, 2025, 2026, 2027

	<b>SWITZERLAND</b>
<b>Currently outstanding:</b>	CHF 610 mn
<b>4 issues:</b>	2027, 2028, 2030, 2031

	<b>USD FRNs 144/RegS</b>
<b>Currently outstanding:</b>	USD 2.45 bn
<b>2 issues:</b>	2026, 2028

	<b>CANADA</b> EMTN
<b>Currently outstanding:</b>	CAD 2.1 bn
<b>5 issues:</b>	2024, 2026, 2027, 2028, 2029



# Institutional Public Markets - AUD

## Active Issuer Since 2001

- Maintain regular market presence
- Diversify investor base
- Strategic market - target issuance 5-10% of yearly Funding Programme
- Long term commitment to building investor relationships
- Dedicated investor marketing
- Ability to issue in Fixed, FRN and Green format

## Total Annual Issuance

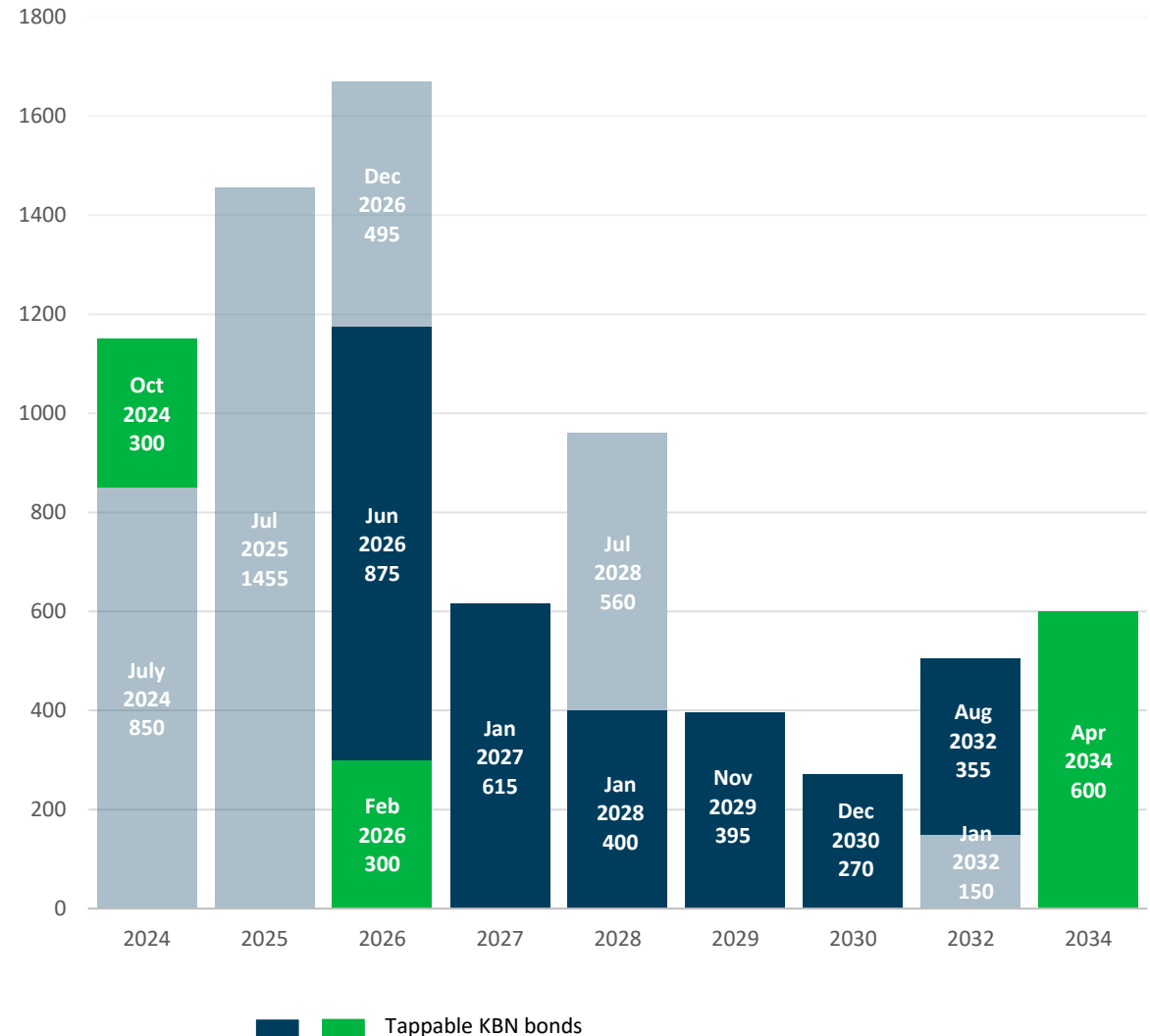
- 2021: AUD 1015 mn
- 2022: AUD 1240 mn
- 2023: AUD 910 mn
- 2024 YTD : AUD 475 mn

## 2024 Objective

- Main focus in the mid-curve. New lines and taps to build size/liquidity, pricing and market conditions allowing.
- Fill demand for longer dated tenors. (8-15y)
- Ambition of further issuance of Green Bonds in AUD.

## KBN AUD REDEMPTION PROFILE

7.62 BN OUTSTANDING



As a result of the implementation of the BRRD (directive 2014/59/EU) legislation being implemented in Norway, KBN updated its base prospectus on 22 March 2019 to comply with the legislation. KBN has been advised by external counsel that, as a result of this, it will not be possible to achieve fungibility with existing series of notes and it will therefore no longer tap existing lines. All notes issued from 22 March 2019 will be open to be increased as per market practice.





# Institutional Public Markets – GBP

## 2024 Strategy

- Continue to build market presence and investor relations
- Tap outstanding lines and/or open new lines
- Maturity focus 2-7 year
- Fixed or Floating Rate format
- Currently preparing SONIA issuance

## GBP ISSUANCE

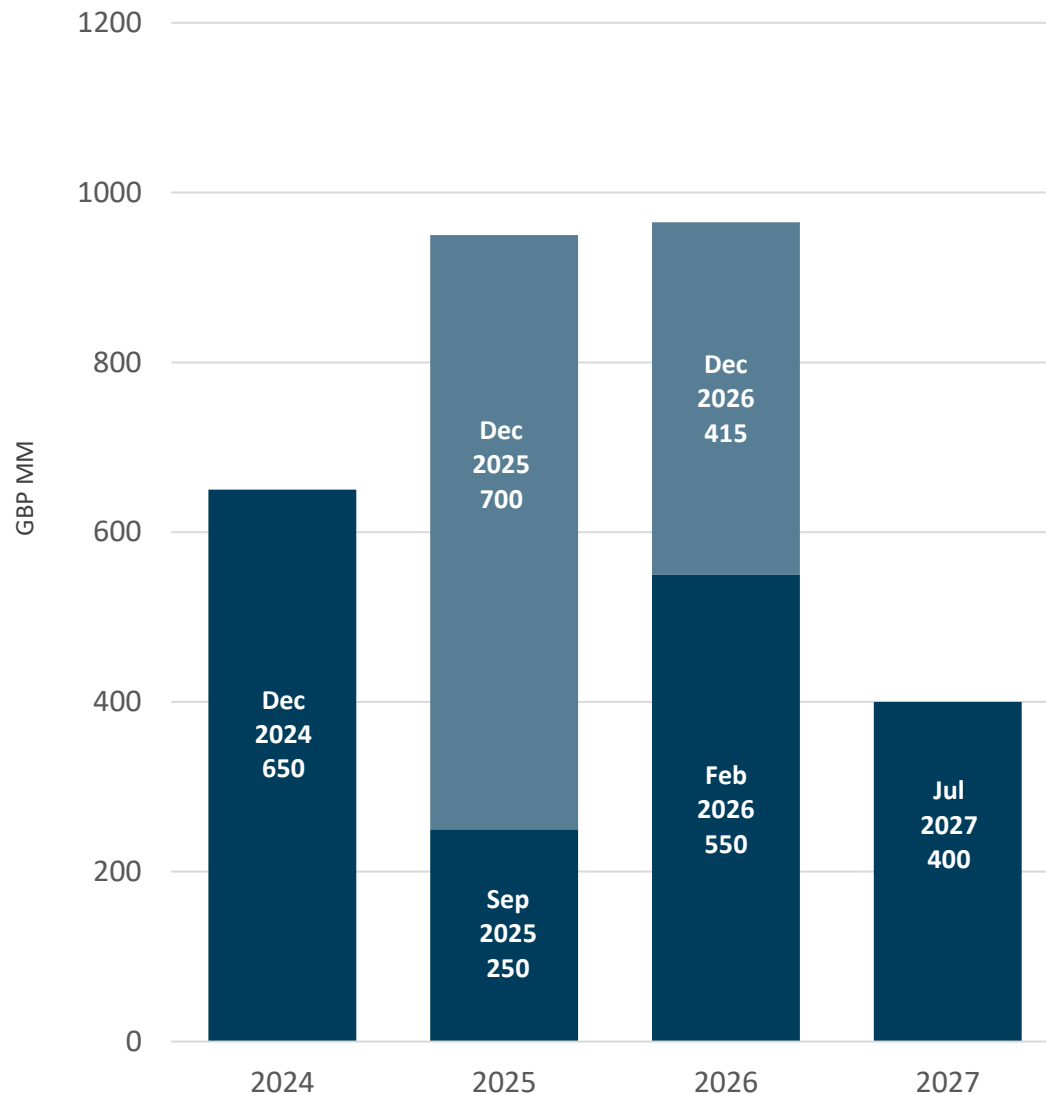
- GBP 2.965 bn outstanding
- 6 issues: 2024, 2025, 2026, 2027
- 2023 Issuance : GBP 600 mn
- 2024 Issuance YTD : GBP 400 mn



The Sterling Market is a strategic source of funding and offers diversification for KBN's funding program

## KBN GBP REDEMPTION PROFILE

2.965 BN OUTSTANDING





# Institutional Public Markets – CAD

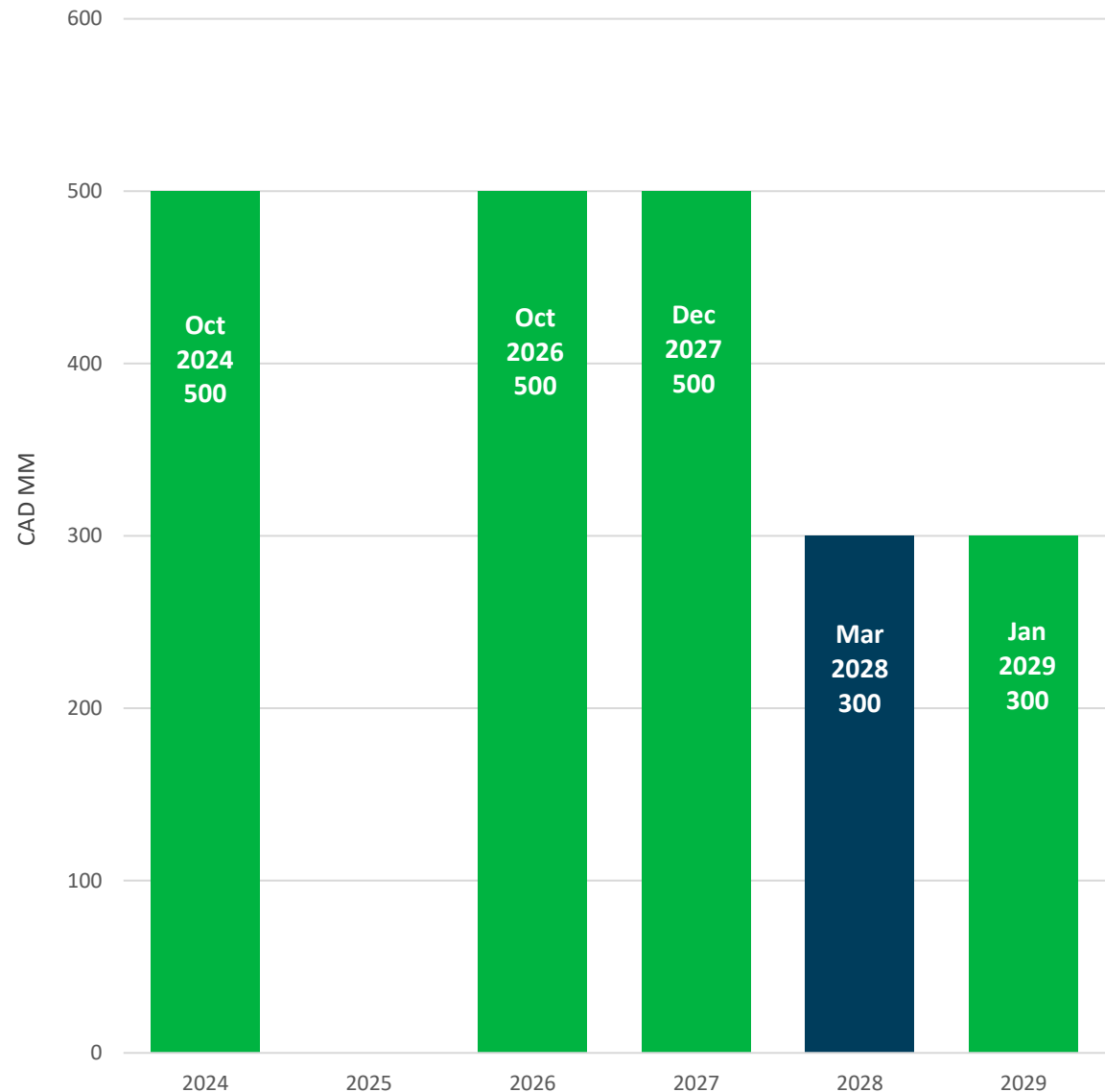
## 2024 Strategy

- Continue to build market presence and investor relations
- Diversify investor base
- Develop a liquid CAD curve
- Tap outstanding lines and/or open new lines
- Maturity focus 2-7 year
- Both Green and/or Regular Issuance

## CAD ISSUANCE

- CAD 2.1 bn outstanding
- 5 issues: 2024, 2026, 2027, 2028, 2029
- 2021-23 Issuance : 1.8 bn
- 2024 Issuance YTD : 300 mm Green

**KBN CAD REDEMPTION PROFILE**  
2.1 BN OUTSTANDING



KBN re-entered the CAD market with Green Bond issuance in 2021. KBN's goal is to continue to build market presence and the CAD Market offers great diversification for KBN's funding program



# Institutional Public Markets – NZD



## Active In The Kauri Market Since 2007

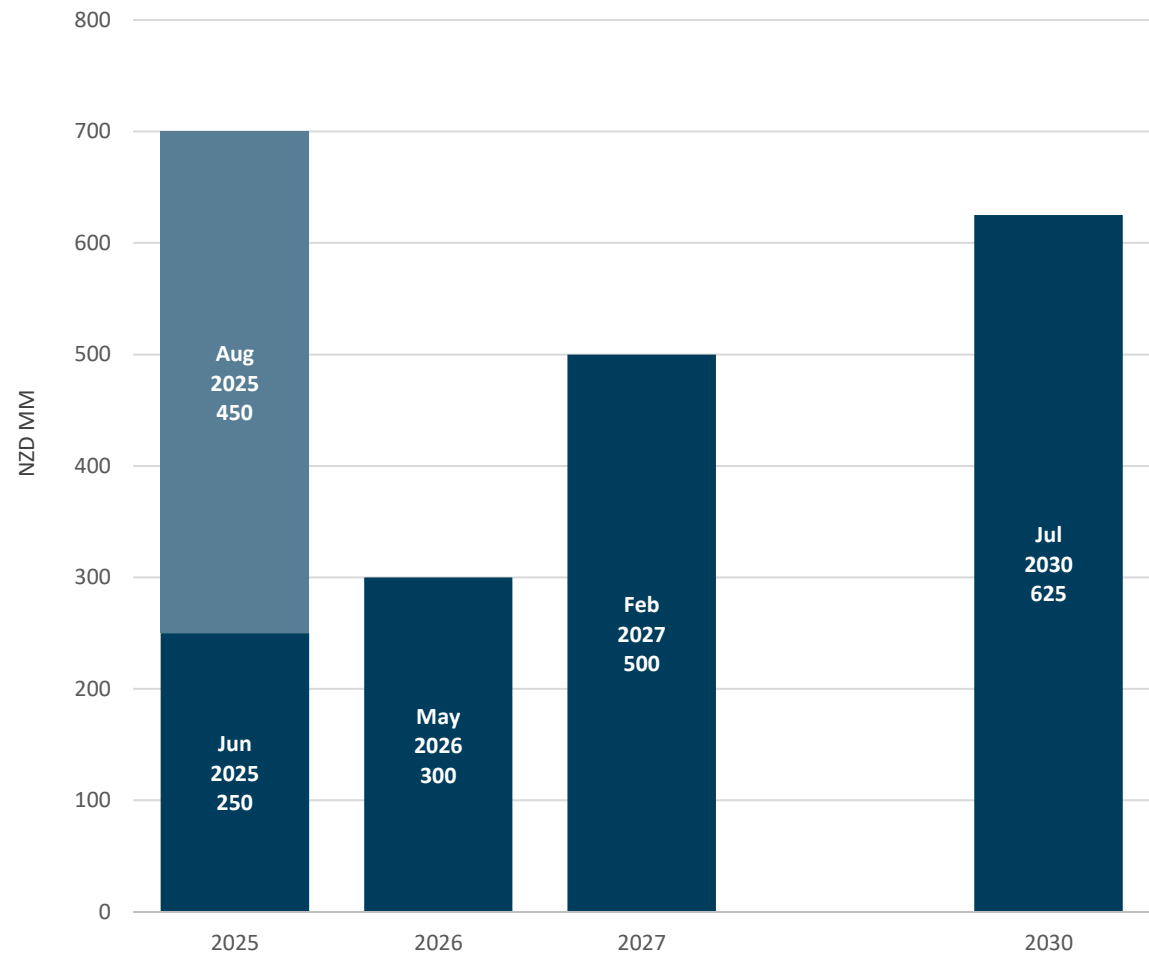
- Supply NZD investors with high quality investments based on market demand
- Long term commitment to building investor relationships
- Focus on 2-10y maturity
- Potential for Green NZD issuance
- Fixed and Floating formats

## Total Annual Issuance

- 2020: NZD 750 mm
- 2021: NZD 1125 mm
- 2022: NZD 500 mm
- 2023: NZD 300 mm

## KBN NZD REDEMPTION PROFILE

2.125 BILLION OUTSTANDING



# Private Placements

**KBN is focused on maintaining its position as an active and flexible issuer of plain vanilla and lightly structured (Callable) notes**

- KBN currently allows:
  - Size depending on capacity. Previously issued from USD 10 mn to 1 bn
  - Maturities ranging from 1-year to 30-years, with a maximum of 10-years for bullets
  - NSV/SC documentation in place
- Can issue in a broad range of currencies
- All structures are subject to internal approval and review for potential operational and reputational risk



## Commerical Paper Programme (ECP)

**In recent years, KBN has been building its use of ECP and is now focused on maintaining an active ECP portfolio with issues in both USD and EUR. Total outstandings vary based on KBN's short-term liquidity needs.**

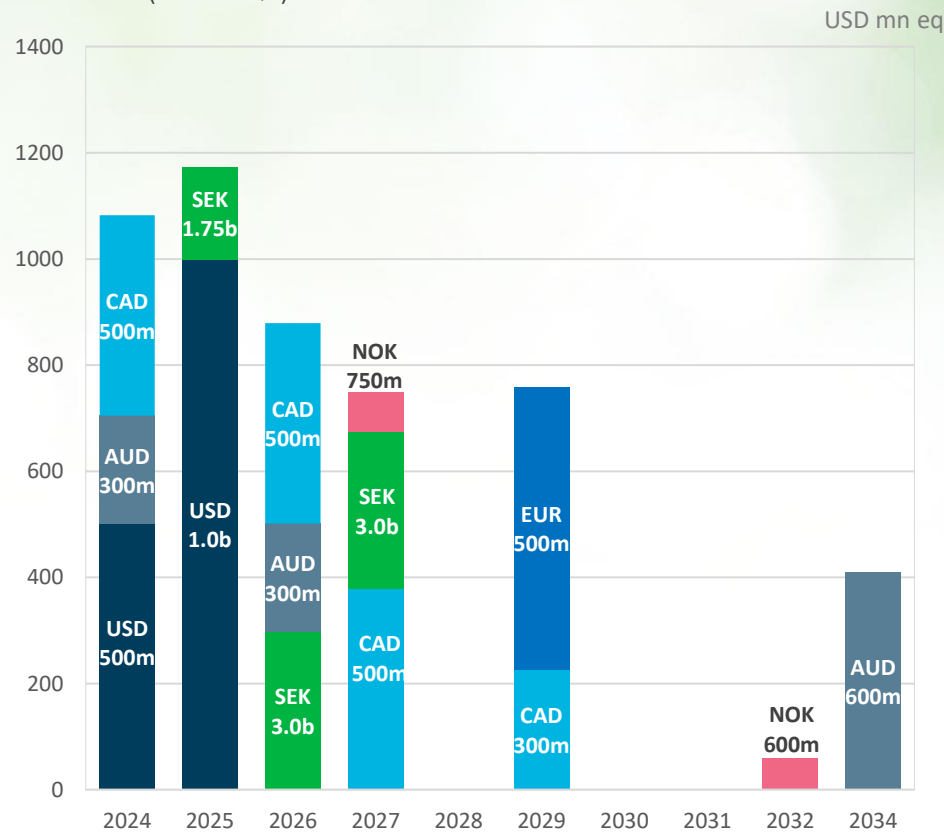
- Size : Unlimited
- Tenor : 1 to 12 months
- Currencies : EUR and USD
- Rating : P-1/A-1+
- Dealers : Barclays, CA-CIB, Citibank, ING, JP Morgan and UBS

# KBN Green Bond Issuance

- KBN was one of the first European issuers to issue a green bond in USD.
  - The past years we've experienced a strong global increase in investor demand for our issues in USD, NOK, AUD, SEK, CAD and EUR.

**STATUS** Total Outstanding: **4.95** BN. USD\*  
Apr 2024

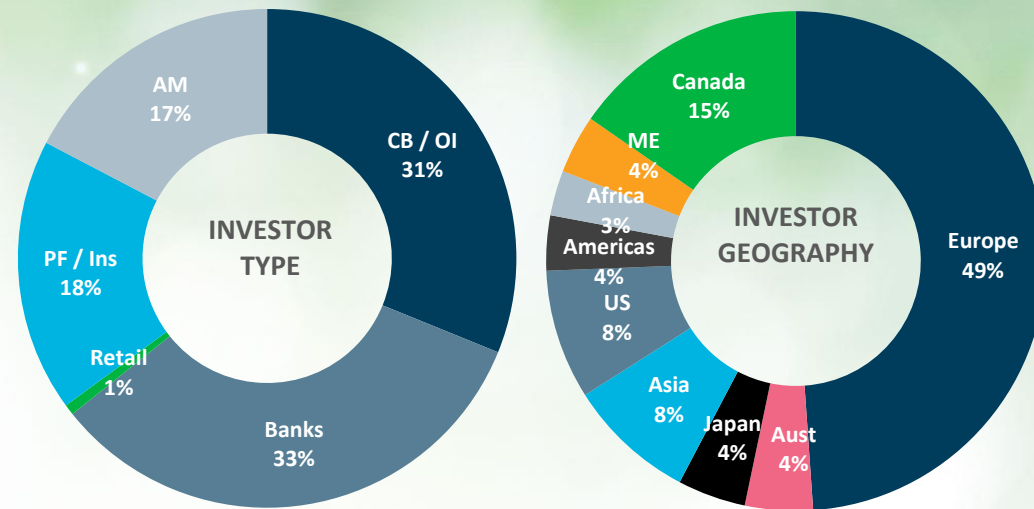
## KBN PUBLIC GREEN BOND MATURITY PROFILE (USD EQ\*)



\*AUDUSD 0.682 / SEKUSD .0969 / NOKUSD 0.1 / CADUSD 0.74 / EURUSD 1.065

## OUTSTANDING KBN PUBLIC GREEN BOND ISSUANCE\*

Investor Type and Geography



\* As of Apr 2024



# KBN - Norwegian State Agency – A Solid AAA Credit

- 1.** 100% owned by the Kingdom of Norway (AAA/Aaa) and supervised by the Norwegian FSA
- 2.** Monoline business model, financing core local government welfare investments in Norway and no cross border lending.
- 3.** Counties and municipalities – KBN's clients – under the Local Government Act may not be subject to bankruptcy proceedings.
- 4.** KBN has never suffered loan losses in over 90 years of operations
- 5.** Conservative and prudent financial and risk management policies
- 6.** Strong financial profile with liquidity well in excess of regulatory requirements
- 7.** Strong, well-capitalized balance sheet
- 8.** Norway is one of the wealthiest countries globally, and owner of the largest sovereign wealth fund (the GPF)
- 9.** KBN is the closest proxy to Norwegian sovereign risk available in the international markets
- 10.** Triple-A ratings from S&P and Moody's since first independently rated in 1999



## Contact

For annual reports, rating reports and general information, please visit our website [www.kbn.org](http://www.kbn.org) or contact:



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### ADDITIONAL INFORMATION

The Norwegian Government  
<https://www.regjeringen.no/en/id4/>

Norges Bank  
<https://www.norges-bank.no/en/>

Government Pension Fund Global (GPFG)  
<https://www.nbim.no/>

Statistics Norway  
<https://www.ssb.no/en>

KOSTRA Registry  
<https://www.ssb.no/en/offentlig-sektor/kostra>

ICMA: Green Bond Principles  
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

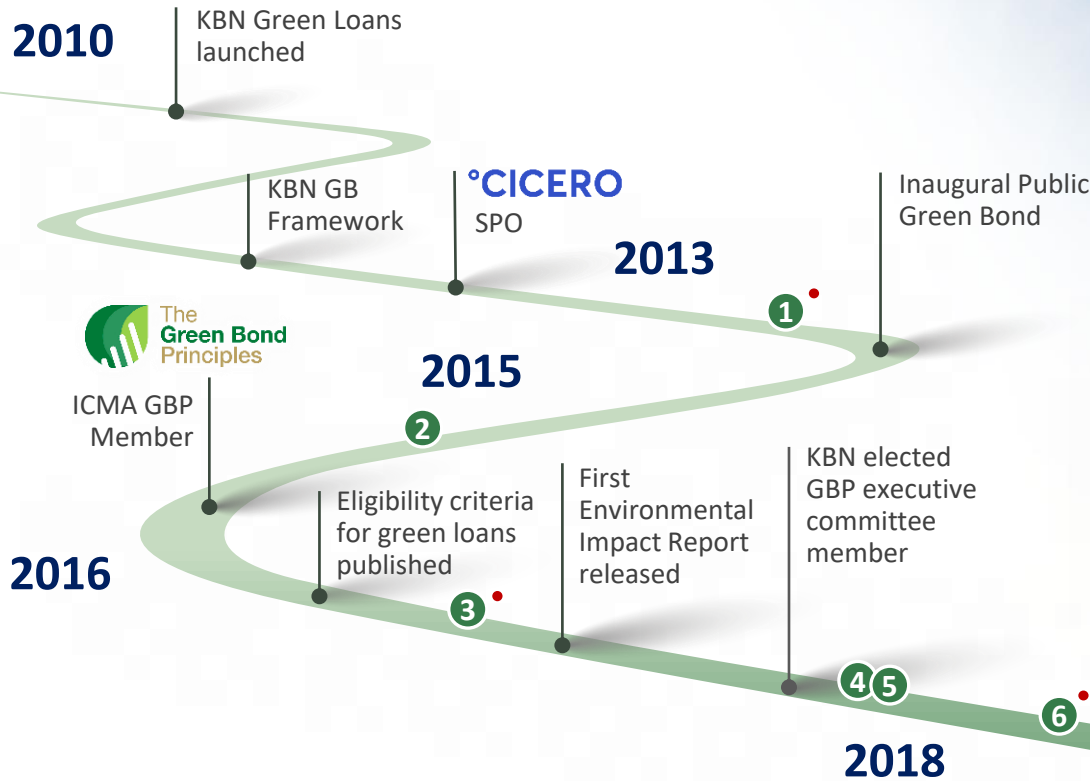
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ANNEXES  
**KBN GREEN BONDS**

# The Evolution of KBN'S Green Strategy



STATUS

**2024**

Green Lending USD 5.3 Bn\*  
458 Projects

Mar 2024

## KBN's Green Bond Issuances

	ISSUED	MATURITY	AMOUNT
1	Nov. 2013	Nov. 2016 •	USD 500 M
2	Feb. 2015	Feb. 2025	USD 1.0 Bn
3	Oct. 2016	Oct. 2020 •	USD 500 M
4	Nov. 2017	Nov. 2027	NOK 750 M
5	Nov. 2017	Nov. 2032	NOK 600 M
6	Sep. 2018	Sep. 2023 •	AUD 450 M
7	Aug. 2019	Aug. 2026	SEK 3.0 Bn

• MATURED

	ISSUED	MATURITY	AMOUNT
8	Apr. 2021	Oct. 2024	USD 500 M
9	Oct. 2021	Oct. 2024	AUD 300 M
10	Oct. 2021	Oct. 2024	CAD 500 M
11	Feb. 2022	Feb. 2025	SEK 1.75 Bn
12	Nov. 2022	Feb. 2026	AUD 300 M
13	Dec. 2022	Dec. 2027	CAD 500 M
14	Oct. 2023	Oct. 2026	CAD 500 M
15	Oct. 2023	Apr. 2034	AUD 225 M
16	Apr. 2024	Apr. 2029	EUR 500 M



Criteria for green loan eligibility updated



KBN wins "Environmental Finance's Impact Report of the Year" for the second time



New version of Green Bond Framework, Updated Criteria Document and new S&P SPO

\*USDNOK = 10.6



# KBN Green Bond Framework 2024

**KBN's April 2024 Green Bond Framework replaces our 2021 Framework. All proceeds from bonds and taps dated after the update will be allocated to projects in line with the new Framework.**



Reinforces Green Finance as a strategic priority for KBN



All new projects must be aligned with 2024 version of KBN's Green Loan eligibility criteria, guided by KBN's external Green Expert Committee



Places greater emphasis on nature and climate related risks



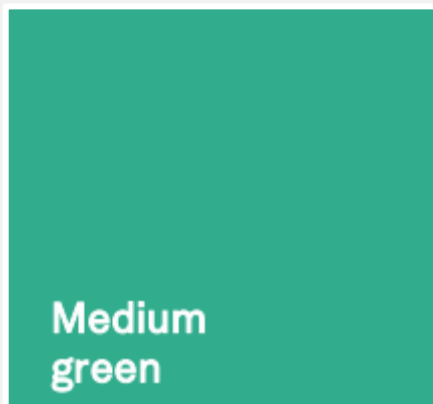
Annual third party review of asset selection process and allocation

## S&P Second Party Opinion

### Overall Shades of Green Assessment:

“Based on the project category shades of green detailed below, and considering the environmental ambitions reflected in the issuer’s green bond framework, we assess the framework as **Medium green**.”

#### S&P Global Ratings



“Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.”

S&P’s Second Opinion of KBN’S Green Project Categories	
Buildings	● Medium to Light Green
Renewable Energy	● Dark to Medium Green
Transportation	● Dark Green
Waste and Circular Economy	● Dark to Medium Green
Water and Wastewater Management	● Medium Green
Land Use and Area Development Projects	● Medium to Light Green
Climate Change Adaptation	● Dark to Medium Green

## KBN's Green Bonds finance Green Loans

All proceeds from KBN's Green Bonds are allocated to Green Loans for investments within seven categories:



### BUILDINGS

Buildings contributing to lower energy use and/or sustainable use of materials.



### WASTE AND CIRCULAR ECONOMY

Measures that help minimize waste, increase reuse, recycling and improve energy recovery



### RENEWABLE ENERGY

Facilitating the use of renewable energy sources.



### WATER AND WASTEWATER MANAGEMENT

Water and wastewater investments with a climate and environmental profile



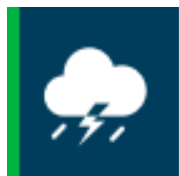
### TRANSPORTATION

Transport solutions with minimal or zero emissions



### LAND USE AND AREA DEVELOPMENT PROJECTS

Projects contributing to safe, inclusive and sustainable areas and healthy ecosystems.



### CLIMATE CHANGE ADAPTATION

Measures making local communities better equipped to withstand current and future climate change and reduce physical climate risk.

# Eligibility criteria defined in separate Criteria Document

2.1 RENEWABLE ENERGY PRODUCTION	DOCUMENTATION REQUIRED
<p><b>2.1.1 Renewable energy production</b> Applies to the following:</p> <ul style="list-style-type: none"> <li>a) Biogas plants</li> <li>b) Geothermal wells</li> <li>c) Solar panels or solar thermal collectors</li> <li>d) Locally sourced pellet or wood chip for heating systems (timber). Whole timber as fuel is not eligible.</li> <li>e) Heat pumps</li> <li>f) Other renewable energy sources</li> </ul> <p>↳ For renewable energy production in buildings - see the Buildings category.</p>	<ul style="list-style-type: none"> <li>▪ Expected annual energy production (kWh/year)</li> <li>▪ If a) Plan for monitoring and contingency of methane leakage</li> <li>▪ If d) If raw material usage: PEFC/ FSC certification</li> </ul>
2.2 ENERGY STORAGE	DOCUMENTATION REQUIRED
<p><b>2.2.1 Energy storage in connection with energy production facilities</b> Storage of locally generated energy using one of the following methods</p> <ul style="list-style-type: none"> <li>a) Electrical storage, e.g. batteries,</li> <li>b) Thermal storage</li> <li>c) Storage as green hydrogen</li> </ul> <p>↳ For the installation of renewable energy storage in buildings - see the Buildings category.</p>	<ul style="list-style-type: none"> <li>▪ Expected storage capacity (kWh)</li> <li>▪ If c) Plan for monitoring and contingency of leakage</li> </ul>
2.3 ENERGY INFRASTRUCTURE	DOCUMENTATION REQUIRED
<p><b>2.3.1 Network capacity</b> Municipalities' contribution to constructing or upgrading the network's capacity, e.g. a construction contribution.</p>	<ul style="list-style-type: none"> <li>▪ Expected increase in capacity (kWh)</li> </ul>
<p><b>2.3.2 District heating/cooling</b> A production plant or distribution network for district heating or cooling. The plant must use renewable energy sources for both base and peak loads. Use of electricity to meet peak loads is acceptable. Energy from waste incineration will not be considered eligible. Surplus heat/cold generated by other processes is considered a renewable source if the input is renewable. The use of mineral-based emergency fuels can only be approved for clearly defined emergency situations.</p> <p>↳ For the installation of charging stations for electric vehicles - see the Transportation category.</p>	<ul style="list-style-type: none"> <li>▪ Expected increase in capacity (kWh)</li> <li>▪ Expected distribution between energy sources (%)</li> </ul>
2.4 OTHER	DOCUMENTATION REQUIRED
<p>Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. We will assess projects based on the documentation provided.</p>	<ul style="list-style-type: none"> <li>▪ Project description</li> </ul>

✓ Eligible project categories are described in the **Green Bond Framework** and further defined in the **Criteria document for Green Loans**

✓ The criteria document is intended to **mirror developments in technology, official regulations and best practice**, ensuring investments financed with KBN's Green Loans are always at the forefront.

✓ The Criteria Document is assessed annually by **KBN's Green Expert Committee** consisting of external experts in fields such as clean energy and transport, sustainable buildings, and representatives from the local government sector.



[Criteria Document for Green Loans \(pdf\)](#)

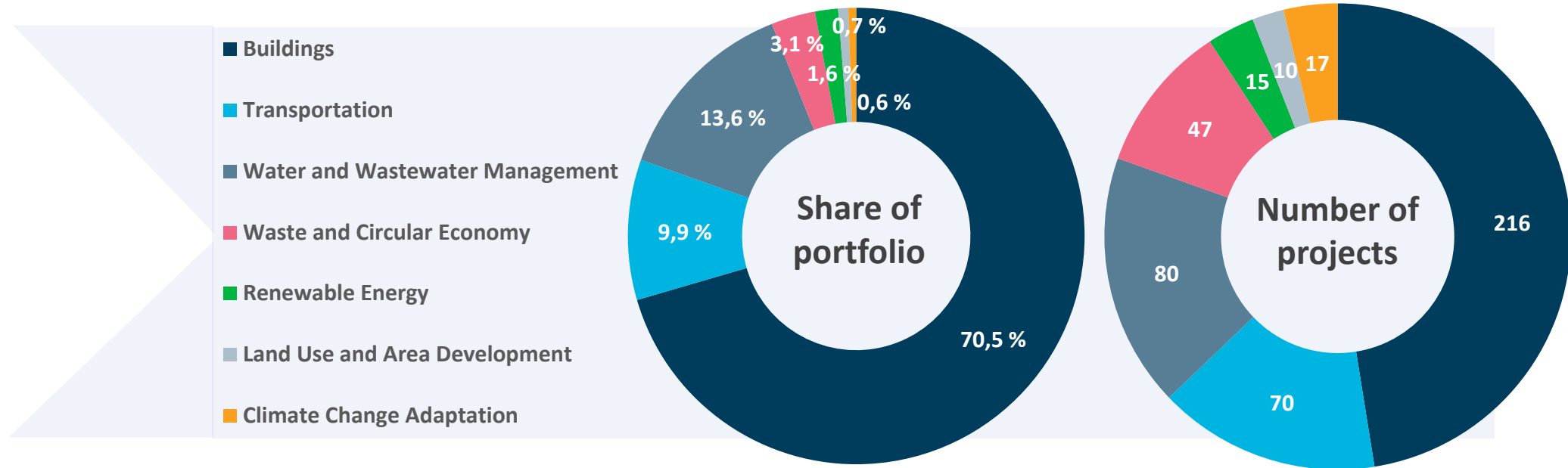
*Example of Eligibility Criteria: Renewable energy*



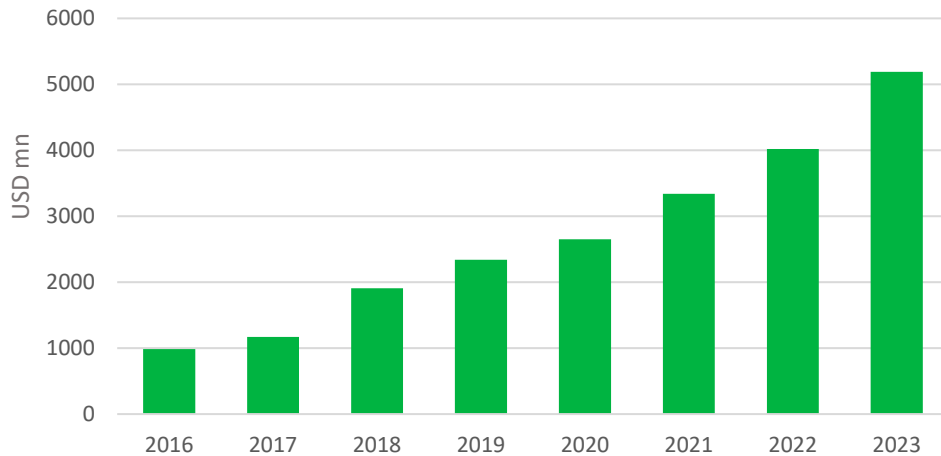
# Green Lending Portfolio

**GREEN LOANS OUTSTANDING**  
USD 5.3 BN\*

*KBN has offered reduced-rate green loans for investments that contribute to solving the climate challenges of the future since 2010.*



**KBN GREEN LOANS\***  
Accumulative Lending - 2016-2023



The demand for green loans has risen substantially the last few years, mirroring the increased interest for green bonds.

By the end of 2023, Green Lending accounted for 15.4% of KBN's total outstanding lending. KBN's goal is to reach 20% by end of 2025.

\*USDNOK = 10.6

# Contributing to a low-carbon society

KBN's discounted Green Loans finance investments that contribute to a low-carbon climate resilient future.

Green loans are not awarded to any investments in fossil fuels or other non-renewable energy sources, unless it is strictly for emergency back-up only.



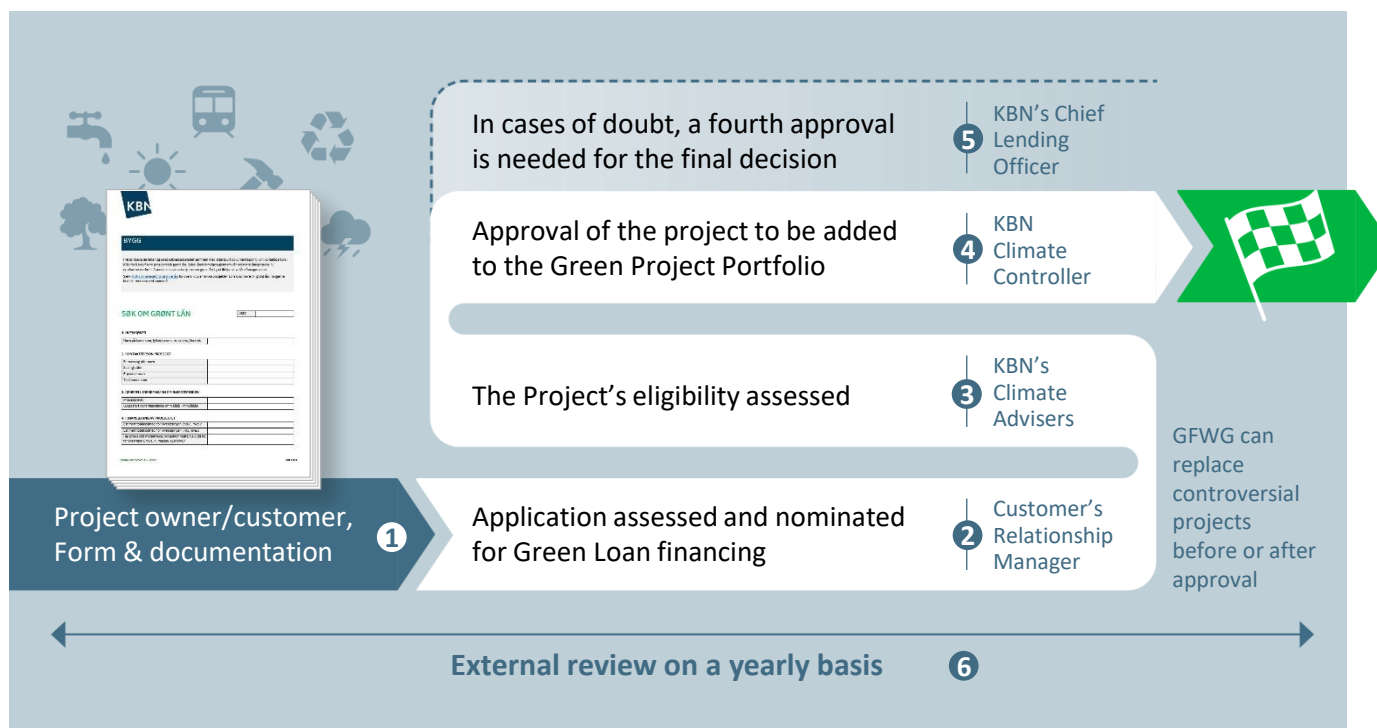
- ✓ All transportation projects shall be strictly fossil-free  
Sustainably produced bio fuels such as biogas from waste decomposition is allowed.
- ✓ All energy production shall be based on renewable sources
- ✓ For buildings, no oil-based or other fossil-based heating is allowed
- ✓ District heating systems, ships and ferries may use fossil fuel only as a back-up solution



# Selection and evaluation of eligible projects

KBN has designed and implemented a process to ensure that only projects aligned with the Criteria Document outlined above will be selected as Eligible Assets and Projects for its Green Bond issuance.

- 1 The project owner/customer proposes a potential project by submitting the Application Form for the relevant project category, supported by any required documentation as listed in the Criteria Document.
- 2 The application and any additional documentation is first assessed by the customer's Relationship Manager, who nominates projects for Green Loan financing.
- 3 The project is then assessed by one of KBN's Climate Advisers, who checks the project's eligibility against the relevant Eligibility Criteria and proposes the project's approval, alternatively rejection.
- 4 Finally, the decision is controlled by a KBN Climate Controller, who signs the final approval of the project to be added to the Green Project Portfolio.



- 5 In cases of doubt or where Eligibility Criteria are not fully covering the project in question, or when the project is assessed under an "Other" criterion, the final decision is made by KBN's Chief Lending Officer.
- 6 KBN's Internal Auditor or an appointed reputable external reviewer will perform an internal audit on a yearly basis covering the allocation of the green bond proceeds to eligible projects and on its reported impact metrics as applicable.

# KBN Impact Reporting

The central principles of our environmental impact reporting are:

- Reports include information at the project level, category level and portfolio level. Reported impact relates to the proportion of the project we financed.
- We report the expected impact of projects (ex ante) and may in the future report actual impact (ex post).
- Reporting is centred around the net benefit of each project relative either to the situation prior to the project’s completion or to a reference scenario, as appropriate. As reference scenarios we use the relevant regulatory requirements.
- We have established quantitative indicators for each project category and provide this data for each project whenever feasible.
- Additionally, we offer a qualitative description of the impact for each project. While we strive to quantify the impacts of all projects, certain projects currently yield positive environmental outcomes but lack clear

metrics or adequate reference points for comparison. Consequently, the total impact reported may underestimate the actual impact.

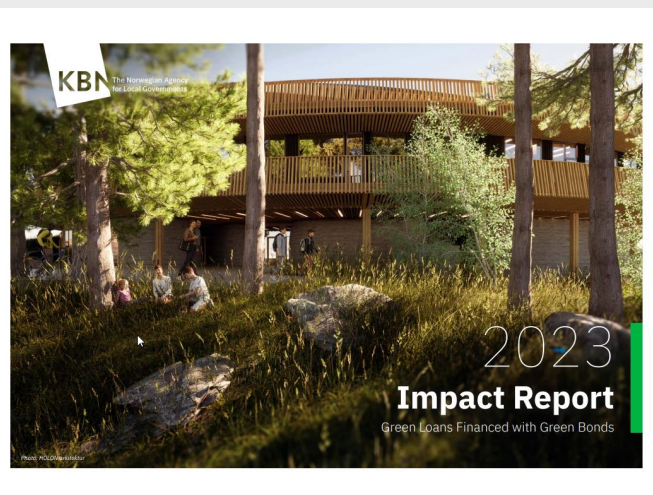
- Our reporting is limited to emissions and emissions reductions that fall under Scopes 1 and 2\*
- Electricity consumption is converted to greenhouse gas emissions using the grid factor for Norway as calculated by The Norwegian Water Resources and Energy Directorate (NVE). The factor applied is 19 grams of CO2e per kilowatt hour.
- We report which of the UN’s Sustainable Development Goals and which of the EU’s six environmental objectives the various project categories help to achieve.
- KBN also supplements its Impact Report with data on the environmental impact of its green bonds in a investor-friendly spreadsheet.

\* Defined by the Greenhouse Gas Protocol as direct emissions from projects (Scope 1) and indirect emissions from the production of electricity and/or district heating used in projects (Scope 2).

*KBN contributed to “Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting”, which KBN uses as the basis for its environmental impact reporting.*



[NPSI Position Paper on Green Bonds Impact Reporting 2024](#)

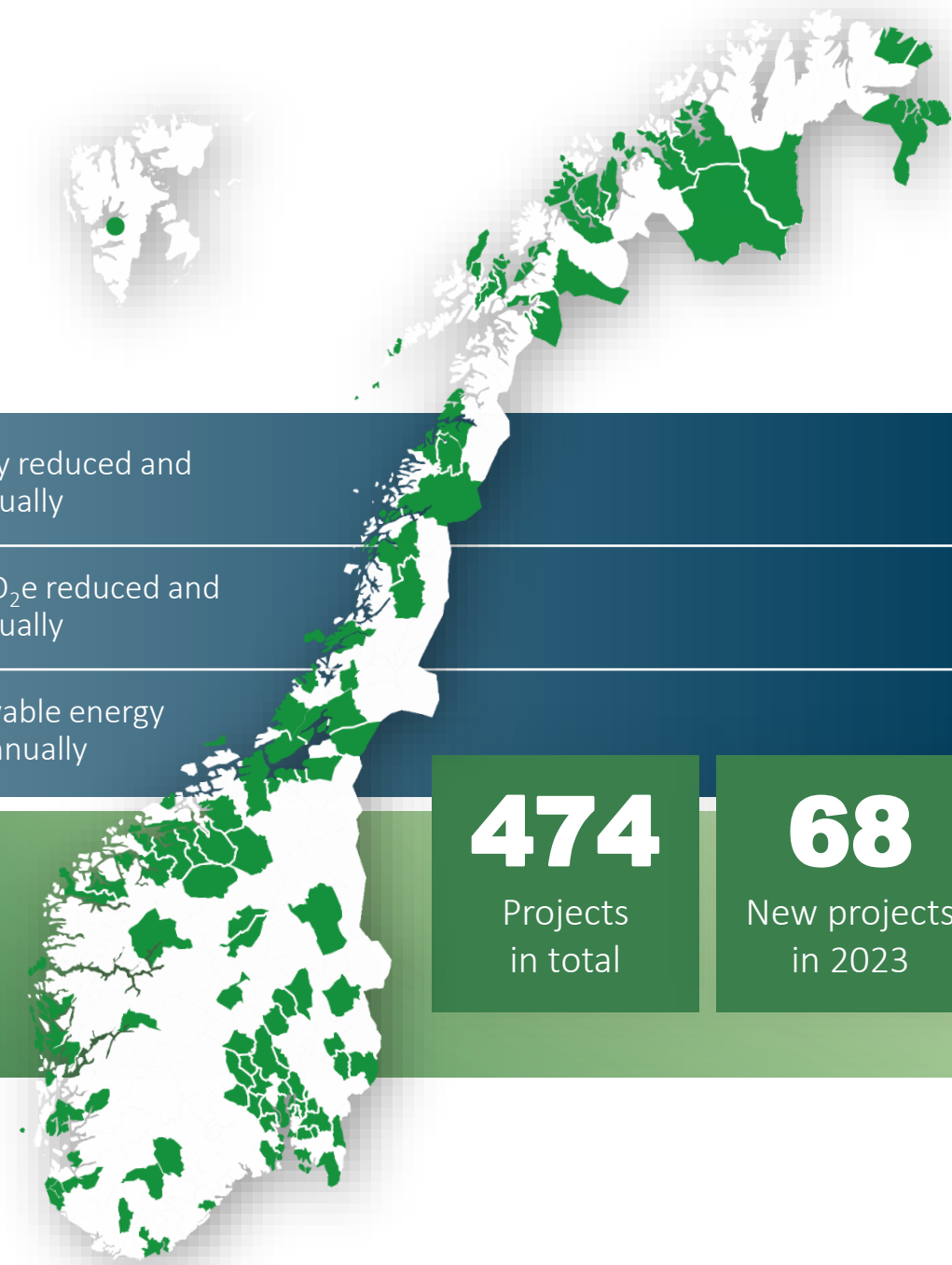


[2023 KBN Impact Report](#)

*KBN Norway’s impact reporting is conducted according to the principles and methodology presented in the Position Paper on Green Bonds Impact Reporting*

# Impact Report 2023

All the funding raised by KBN's green bond issues is used exclusively for lending to customers as green loans. This report presents the projects financed by KBN's green bonds. The map shows the geographic location of these.



**46 684** MWh energy reduced and avoided annually

**14 034** tonnes of CO<sub>2</sub>e reduced and avoided annually

**107 849** MWh renewable energy produced annually

**474**

Projects in total

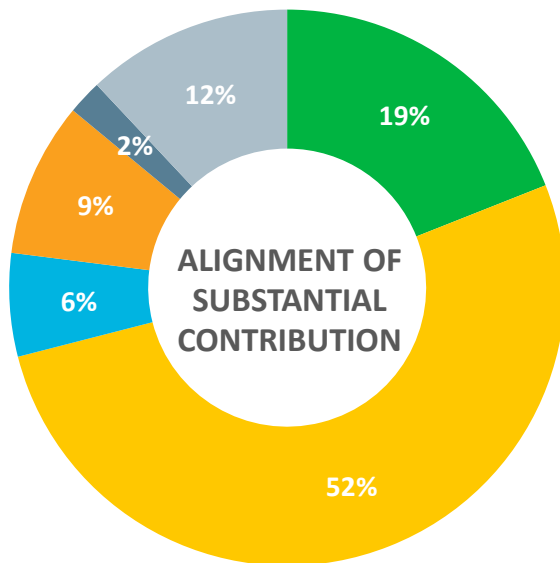
**68**

New projects in 2023



# Voluntary Taxonomy alignment assessment

KBN has for several years performed an analysis of how eligibility criteria for green loans align with the EU Taxonomy.

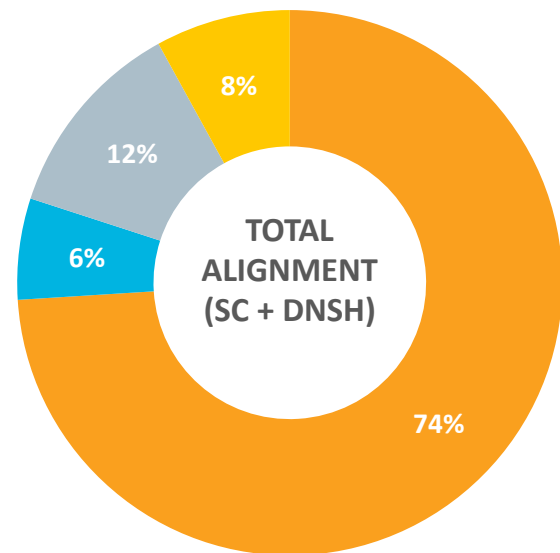


Taxonomy alignment self-assessment of the entire green project portfolio.

- ALIGNED
- PARTLY ALIGNED
- LIKELY NOT ALIGNED
- NOT ELIGIBLE
- COULD NOT BE ASSESSED
- PROJECTS ASSESSED INDIVIDUALLY



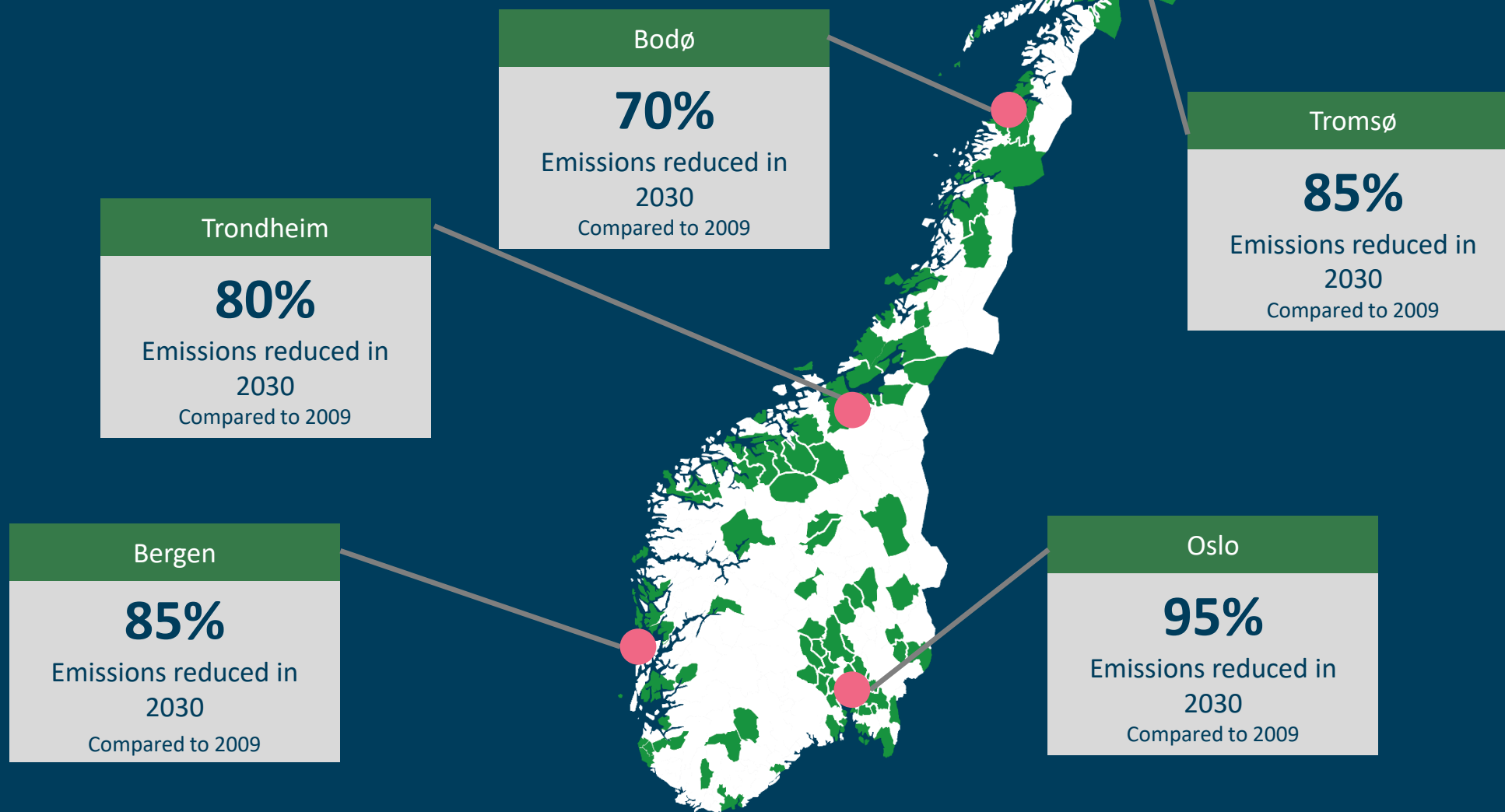
[Download full mapping \(Excel\)](#)



- 71% of KBN’s portfolio is identified as either aligned or partly aligned with the Substantial Contribution (SC) criteria of the taxonomy. Project types include measures to improve the energy efficiency of buildings, low-carbon public land and maritime transportation, installation of solar energy equipment and new low-energy buildings.
- The significant proportion of partly aligned projects is primarily attributed to criterion 1.2.1: New low-energy buildings larger than 5000 m2. We consider the criteria for energy performance to be met, a determination facilitated by a Norwegian nZEB (nearly zero-emission building) definition published by Norwegian authorities in 2023. Air-tightness is also deemed to be fulfilled, but there is insufficient information available to assess whether the criteria regarding the life cycle Global Warming Potential (GWP) are met for all projects larger than 5,000 m2.
- While we identify numerous criteria to be aligned or likely aligned with the SC criteria, there is no full alignment with both SC and Do Not Significantly Harm (DNSH) criteria. This primarily stems from the fact that extensive risk, water, and biodiversity assessments, as referred to in most DNSH criteria, are typically not conducted for smaller scale projects within the Norwegian local government sector. The absence of full alignment with SC and DNSH criteria across all project types underscores the complexity of the taxonomy and its documentation requirements, and that the market for taxonomy-compliant projects is still immature in Norway.

# The Norwegian municipalities take the lead

All the largest cities of Norway are aiming to reduce their direct climate gas emissions from 60 to 100 percent by 2030.



# Prime ESG Ratings

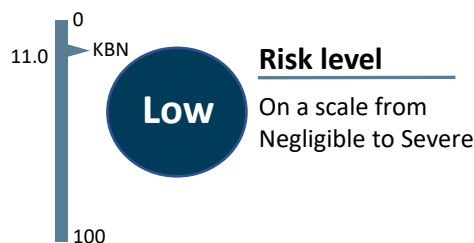
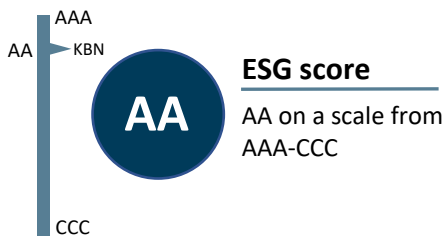
- KBN has received prime ESG ratings from the leading ESG rating agencies in the market, reflecting KBNs continuous work with both Environmental, Social and Governance related issues.
- 13% of the total lending portfolio consists of green loans, which give favorable interest rates to climate-friendly investments by the municipalities.
- KBN has a low risk of experiencing material financial impacts from ESG factors, due to low exposure to material ESG issues.
- KBN has received high transparency level from ISS ESG, reflecting the institution’s efforts to disclose relevant information related to ESG factors.
- The institution has set up a robust system for business ethics compliance.

*“Our research indicates the company continues to lead peers in most ESG parameters.”*

- MSCI

*«Kommunalbanken's ESG reporting is assessed as very strong and it has board level oversight for ESG issues”*

- Sustainalytics





# Project Examples

New recycling station utilising recycled materials and adapting to climate change.



Biodegradable field fill reduces local pollution.



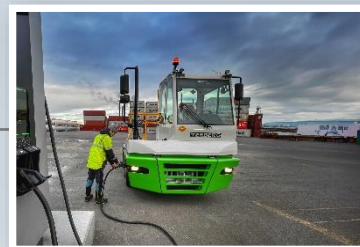
New low-energy school building with solar panels covering half of its electricity consumption.



Flood protection prevents damage from extreme weather.



Innovative hydrogen production from biogas aimed at capturing CO<sub>2</sub>.



Electric terminal tractor reduces noise and emissions from port operations.



New energy-positive wastewater treatment plant improves the water quality in the Oslo Fjord.





CASE

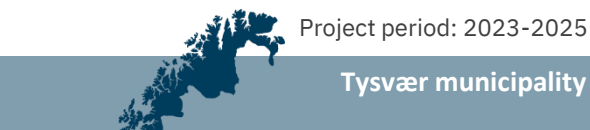


BUILDINGS

## Promoting energy efficiency and local energy production in new school building

■ ■ The new Frakkagjerd secondary school in Tysvær will consist of three floors and include special rooms such as music rooms, practice rooms, activity halls, libraries, classrooms, and group rooms. The school will be certified as BREEAM Very Good and its energy performance will correspond to nearly zero-energy buildings (nZEB) according to FutureBuilt’s definition. Energy estimates have been assessed against the requirements of the EU taxonomy.

Solar panels will be installed on the school, complemented by a battery system to maximise the utilisation of self-produced electricity.



Total cost:  
**490 000**  
(1000 NOK)

Green loan outstanding:  
**83 000**  
(1000 NOK)

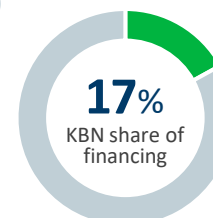


Photo: HOLON arkitektur





CASE



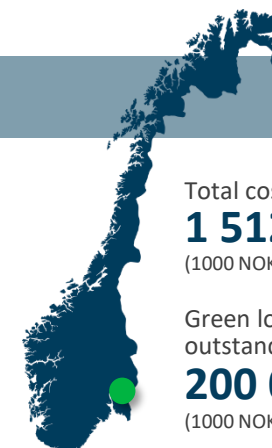
RENEWABLE ENERGY

## Innovative hydrogen production from biogas

■ ■ A new biogas plant for sewage sludge aims to produce hydrogen for fuel-quality purposes. Additionally, carbon is removed from the cycle by capturing CO<sub>2</sub>. This represents a pioneering technology under development, previously untested.

This approach to hydrogen production is relatively unfamiliar in the market, with no known instances of implementation elsewhere in the world thus far. This variant of hydrogen is identified as 'red hydrogen', meaning hydrogen production with a negative CO<sub>2</sub> footprint.

Project period: 2022-2025  
 Nedre Romerike vann- og avløpsselskap IKS



Total cost:  
**1 512 500**  
 (1000 NOK)

Green loan outstanding:  
**200 000**  
 (1000 NOK)

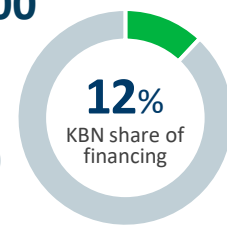


Photo: Nedre Romerike vann- og avløpsselskap IKS



CASE



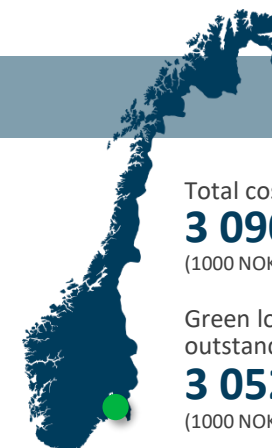
TRANSPORTATION

## Electric port transportation reduces emissions

■ Borg Havn IKS is investing in a new terminal tractor, which is a towing vehicle for transportation within the port. The terminal tractor is electric, with an annual usage time of approximately 2000 hours. This initiative will reduce both emissions and noise from port operations. Additionally, a charging point for the tractor is established.

Project period: 2023

Borg Havn IKS



Total cost:  
**3 090**  
(1000 NOK)

Green loan outstanding:  
**3 052**  
(1000 NOK)

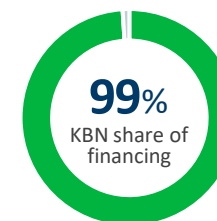


Photo: Borg Havn IKS



CASE



WASTE AND CIRCULAR ECONOMY

## New recycling station adapting to climate change

■ ■ Luster municipality is implementing climate adaptation measures at a new recycling station in two ways: by raising the terrain to protect against damage from floods or sea level rise, and by establishing a system for handling stormwater.

The new recycling station to be built in the area will utilise recycled materials in the building structure, such as used tires and windows, as well as low-carbon concrete. It will facilitate better handling and storage of waste by placing containers under a shelter, thereby preventing degradation of waste quality due to precipitation.

Project period: 2021-2023

**Luster municipality**

Total cost:	<b>4 500</b>
	(1000 NOK)
Green loan outstanding:	<b>4 483</b>
	(1000 NOK)

100%

KBN share of financing

Photo: Valdris Takst





CASE



WATER AND WASTEWATER MANAGEMENT

## New wastewater treatment plant improves the water quality in the Oslo Fjord

■ ■ Due to population growth and stricter requirements for sewage treatment, FREVAR KF is constructing a new wastewater treatment plant. The new facility will remove phosphorus and particles, and eliminate excess nitrogen from the wastewater, aiming to improve the water quality in the Oslo Fjord.

The treatment plant is planned to be energy-positive by producing more energy than it consumes. This is achieved through the installation of solar panels on the roof, heat recovery, and the production of biogas as fuel for buses in the local town, Fredrikstad.

Project period: 2023 -2026

FREVAR KF



Total cost:  
**2 015 000**  
(1000 NOK)

Green loan outstanding:  
**448 100**  
(1000 NOK)

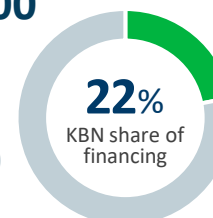


Illustration: FREVAR KF





CASE




LAND USE AND AREA DEVELOPMENT PROJECTS

## Biodegradable field fill reduces local pollution

IL Apollo in Askøy is environmentally improving and expanding its sports facility. The football field fill, consisting of fossil-based rubber granulate, is replaced by 100% biodegradable granulate mix consisting of cork and coconut fiber. This change aims to stop the local pollution of rubber granulate from the football field. Additionally, solar cells have been installed on the club house.

Trees that have been cut down have been repurposed into materials for use within the local community. All excess materials from the field expansion have been utilised to expand the facility and create a bicycle facility.



Project period: 2023-2024

**Idrettslaget Apollo**

Total cost:	<b>8 000</b>
	(1000 NOK)
Green loan outstanding:	<b>6 057</b>
	(1000 NOK)

**76%**  
KBN share of financing

Photo: Idrettslaget Apollo





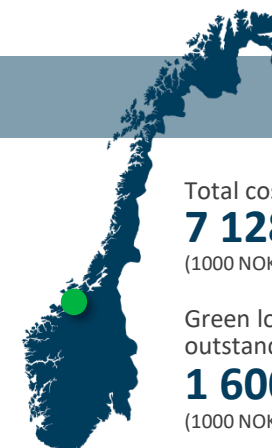
CASE



CLIMATE CHANGE ADAPTATION

## Flood protection prevents damage from extreme weather

■ ■ In the event of a 200-year flood, a residential area in Sunndal municipality would be prone to flooding. Since the flood zone mapping in the year 2000, there is now estimated to be a 40% increase in flood size due to climate change. Therefore, the municipality and NVE are now collaborating to protect the area from floods, and a 465-meter-long flood embankment will be established to prevent flooding and damage from extreme weather.

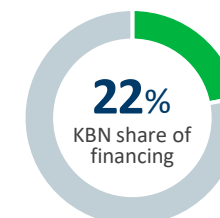


Project period: 2023-2024

Sunndal kommune

Total cost:  
**7 128**  
(1000 NOK)

Green loan outstanding:  
**1 600**  
(1000 NOK)





A woman with long blonde hair, wearing a light-colored patterned sweater, stands on a wooden balcony on the right side of the frame, looking out over a vast, scenic mountain valley. The valley is filled with green fields and forests, with a winding road and a river visible. The mountains are rugged and grey, with some snow patches. The sky is blue with light clouds.

# KBN FINANCIALS AND OPERATIONS

# Financial Highlights

## Key figures

(Amounts in NOK 1 000 000)	2023	2022
<b>RESULTS</b>		
Net interest income	2 105	1 866
Core earnings <sup>1</sup>	1 211	1 081
Profit after tax	1 432	(60)
Cost/income ratio (per cent) <sup>2</sup>	15.6 %	15.8%
Return on equity after tax <sup>3</sup>	7.9 %	(0.8%)
Return on equity after tax (core earnings) <sup>4</sup>	7.3 %	6.6%
Return on assets after tax <sup>5</sup>	0.3 %	0.0%
<b>LOANS TO CUSTOMERS</b>		
New disbursements	53 429	39 261
Aggregate loans to customers <sup>6</sup>	354 052	328 401
12 month lending growth in percent <sup>7</sup>	7.8 %	1.7%
Green loans to customers <sup>8</sup>	52 763	41 421
Share of total green loans in lending portfolio	15.4 %	13.3%
Share of municipalities with green loans <sup>9</sup>	39.9 %	38.0%
<b>LIQUIDITY PORTFOLIO<sup>6</sup></b>	<b>114 610</b>	<b>109 959</b>
<b>DEBT SECURITIES ISSUED</b>		
New long-term debt securities issued	77 727	86 995
Aggregate debt securities issued <sup>6</sup>	438 407	429 206
<b>TOTAL ASSETS</b>	<b>522 203</b>	<b>492 450</b>
<b>EQUITY</b>		
Equity	21 684	18 903
Common equity Tier 1 capital adequacy ratio	17.4 %	19.0%
Leverage ratio	4.0 %	3.9%
<b>LIQUIDITY COVERAGE RATIO (LCR)<sup>10</sup></b>		
Total	266%	261%
NOK	87%	95%
EUR	251%	441%
USD	171%	242%
AUD	1 253%	1 078%
GBP	43 868%	1 958%
<b>OTHER KEY FIGURES</b>		
Market share excl. Husbanken <sup>11</sup>	51.1 %	49.7 %
Percentage of women employed in KBN <sup>12</sup>	36%	43%
Emissions in CO <sub>2</sub> tons equivalents <sup>13</sup>	111.5	79.7

1 Profit after tax adjusted for net unrealised gain/(loss) on financial instruments (in accordance with note 2) 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.

2 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).

3 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.

4 Core earnings as a percentage of average equity (annualized).

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

6 Principal amounts.

7 12-month lending growth based on total lending (principal amounts).

8 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 54.7 billion.

9 Percentage of municipalities in KBN's lending portfolio with green loans.

10 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.

11 KBN's market share based on sector code 6500 from KBN divided by total loans to same sector based on SSBs K2-reporting. Lending from Husbanken is not included as KBN does not compete for these loans.

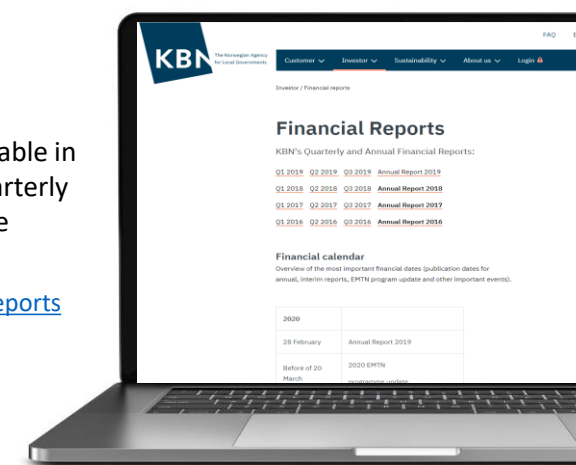
12 Measured as the proportion of women among all employees.

13 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



**Further information**  
on KBN's finances are available in the Annual Report and Quarterly Funding Updates, which are available online at:

[Financial Reports](#)



# KBN's Loan Approval Process and Principles

## Annual Budget Preparations

Clients set up an annual investment plan defining investments and funding needs. The plan is approved by the Municipal board

## Internal Review

KBN's credit committee perform an annual credit review of all counties/municipalities based on quantitative and qualitative factors across several key parameters:

- Profit margins over the past two years
- Debt burden and use of short-term debt
- Percentage of cash flow focused on debt servicing
- Available liquidity
- Presence on the ROBEK list

The credit process culminates in a traffic light ranking system ranging from green to red for all clients. KBN Board receives a report on all result.

## Loan Process

Loan application is assessed against the credit review, loan purpose and financial sustainability of the project before approval.

## The KOSTRA Registry

Since 1997, local and regional governments have been required by law to register statistics on budget, financial activities and public services in the KOSTRA (Municipality-State-Register) database. This registry is managed by Statistics Norway and provides key inputs for KBN's credit risk management models.

Central  
Government  
Control and  
Oversight  
Leads to...



...Disciplined  
and Prudent  
Financial  
Management at  
both clients  
and KBN

## The ROBEK List

The Register for Governmental Approval of Financial Obligations (ROBEK) is a government register of municipalities and counties who have not submitted a balanced budget. Entities on the list must have any new debt contracts approved by the state representative Fylkesmann in order to be valid. They earn a KBN yellow light.

## Framework for Local Government debt:

County and local government debt management are monitored by the Norwegian Ministry of Local Government and Regional Development. Financial report/accounting must be registered in the KOSTRA registry, ensuring transparency of operating activities.

Because the Norwegian legal statute Article §55 states that no county or municipality may go bankrupt, the Ministry provides technical assistance on budgeting and debt management.

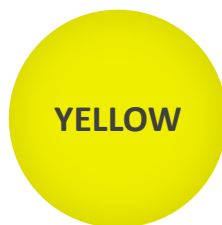
In accordance with the new municipal act in effect from 2020 all local governments will be required to implement financial target numbers for cost control and financial management to eliminate material financial risk.

## KBN's Traffic Lights for Client Loan Requests



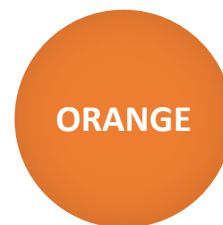
**GREEN**

Clients in strong financial health; approvals given on a timely basis.



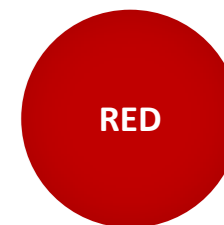
**YELLOW**

Additional due diligence is undertaken by CRM prior to approval



**ORANGE**

More detailed analysis is required to consider debt sustainability and the soundness of the client's finances and management strategies. Requires CEO approval.



**RED**

Approvals require a Board vote *and government agreement*

### KBN Improving the Sector's Debt Management

- KBN's work to improve debt management capacity - via the KBN School – is starting to show results. In 2016, the School launched a debt management system known as KBN Finans, a web-based tool that helps clients with analysis and reporting relating to their loans and interest rate fixings.
- KBN Finans helps customers evaluate their own borrowing position and exposure to financial risk. Since starting this training, the financial quality and debt sustainability of local and regional governments has improved.



**KBNskolen**

**KBN Finans**

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