

A woman with long brown hair, wearing a purple floral dress, is seen from behind, swinging on a swing set. She is barefoot and holding the ropes of the swing. The background features a vast, calm blue lake, distant green mountains with patches of snow, and a hazy sky. The overall mood is peaceful and scenic.

KBN

The Norwegian Agency
for Local Governments

January 2025

THE NORWEGIAN AGENCY

FOR LOCAL GOVERNMENTS



KBN

The Norwegian Agency
for Local Governments

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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**

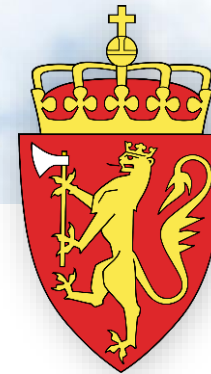


**100% of local
governments as
clients. No loan
losses ever.**



**Closest proxy to
Norwegian
sovereign risk**

Norwegian State Ownership



KINGDOM OF NORWAY 100%

**BOARD OF
DIRECTORS**
(9 representatives)

**SUPERVISORY
BOARD**
(12 representatives)

- The Central Government, through the *Ministry of Local Government and Regional Development*, appoints both governing bodies; the Board of Directors and the 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 Financial Supervisory Authority ("Finanstilsynet").



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	COMMENTS
	LONG	SHORT	OUTLOOK		
	AAA	A1+	Stable	S&P Global Ratings	<ul style="list-style-type: none"> 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. The stable outlook reflects S&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. <p>(Sep 2022)</p>
	Aaa	P-1	Stable	MOODY'S	<ul style="list-style-type: none"> Substantial fiscal buffer and track record of fiscal surpluses. Very high and evenly distributed wealth that supports economic resilience. A sound macro policy framework, a very strong social safety net and a stable, consensus oriented political system. <p>(Nov 2022)</p>
	AAA	A1+	Stable	S&P Global Ratings	<ul style="list-style-type: none"> Very important role and integral link with the Norwegian government. Very strong capitalization and liquidity position provide substantial financial buffers. Extremely high likelihood of receiving timely and sufficient extraordinary support from owner in the unlikely event of financial distress. <p>(Sep 2024)</p>
	Aaa	P-1	Stable	MOODY'S	<ul style="list-style-type: none"> 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. We consider the Norwegian RLG sector financially strong because of the supportive and closely supervised system that underpins the sector. KBN has not recorded a loss from lending during more than 90 years of operations. <p>(May 2024)</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;
 - the counties;
 - and the 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%), followed by counties (12%).



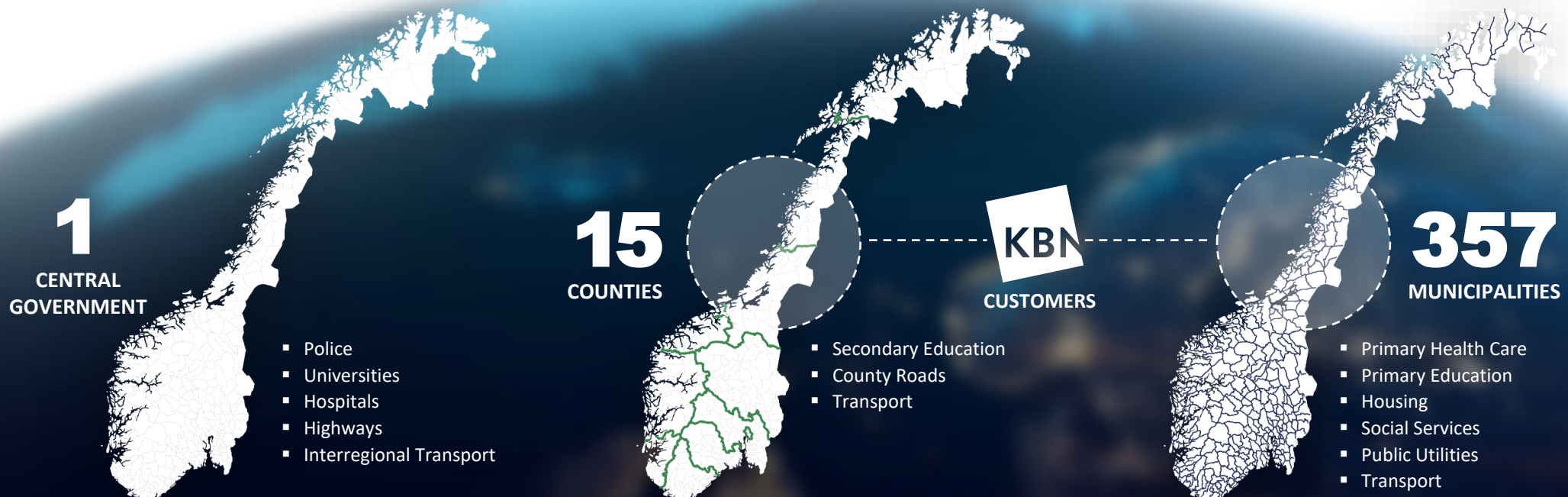
Munch Museum



Horten Secondary School



The Hardanger Bridge



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.

ESG Ratings

MSCI



Rating:
(Scale from
CCC to AAA)

AA
(Leader)

ISS ESG



Rating:
(Scale from
D- to A+)

C+
(Prime)

Collaborating to fulfill our social function

°CICERO
Center for International
Climate Research

Cicero

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

ZERO



Zero

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

**Norsk
klimastiftelse**
NORWEGIAN CLIMATE FOUNDATION

Norwegian Climate Foundation

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



“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)



**SUSTAINABLE
DEVELOPMENT GOALS**

KBN have identified seven of the Sustainable Development Goals that are impacted by KBN's operations and where KBN is positioned to make a positive contribution.



Conservative Risk Management



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

✓ CURRENCY AND INTEREST RATE RISK HEDGED	✓ MINIMAL LENDING CREDIT RISK	✓ STRICTLY MANAGED OFF-BALANCE CREDIT RISK	✓ CONSERVATIVE LIQUIDITY PORTFOLIO
<ul style="list-style-type: none"> Proceeds from funding operations are hedged for currency and interest rate exposure and swapped into 3-month floating rate EURs, NOKs or USDs. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Liquidity managed conservatively and in excess of policy or regulatory requirements. Portfolio of highly rated liquid assets covering 1 year net debt service.

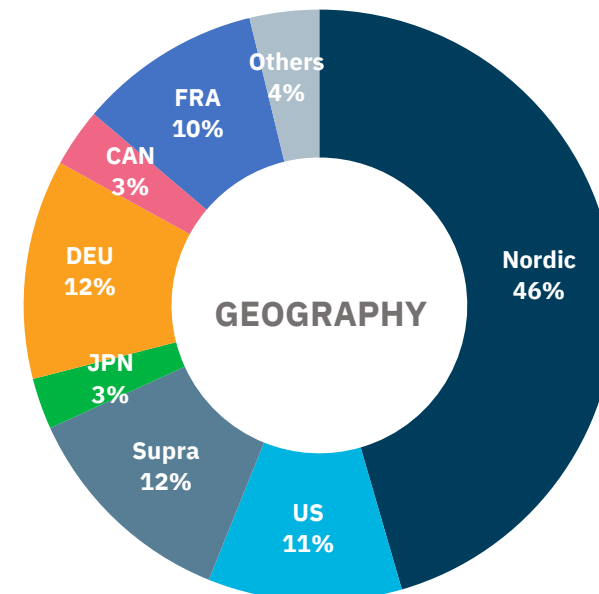
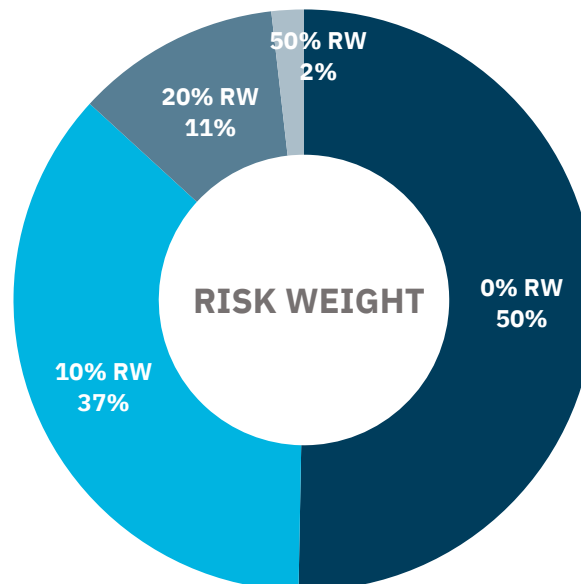
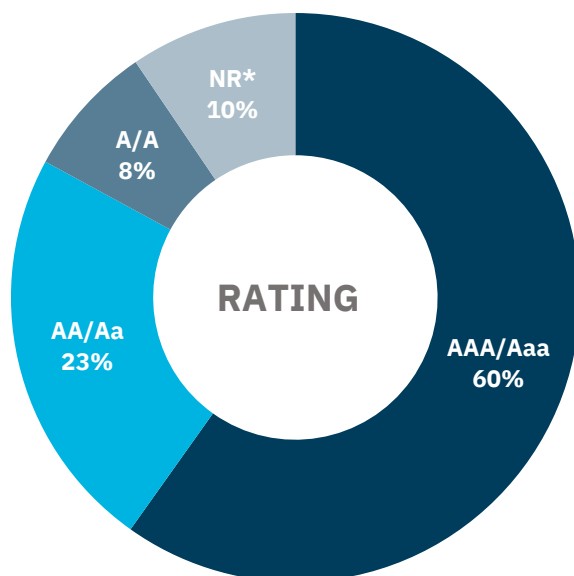
Large and High Quality Liquidity Buffer

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 1.5–2.5 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

2.1 yr average maturity on liquidity portfolio (Jan 2025)



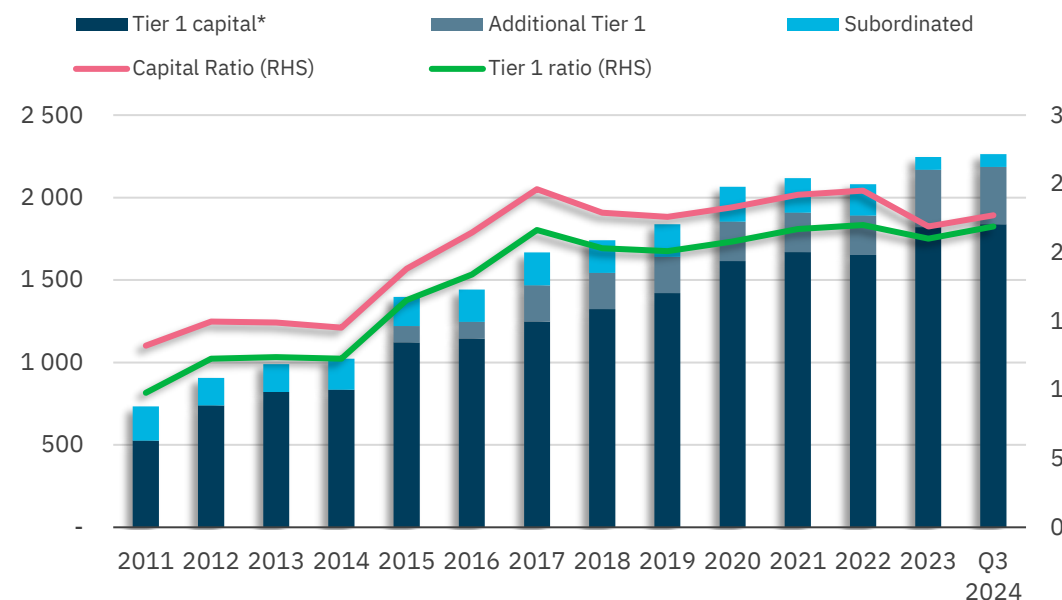
*Nordic and Dutch sub-sovereigns.

Strong Financials

- 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 21.9% Q3 2024.
- Dividend can be paid to the Kingdom as owner, if the government ascertains that KBN's 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

in USD bn (LHS) and % (RHS)



* Paid-in capital and retained earnings

SOLID BALANCE SHEET

ASSETS

LENDING PORTFOLIO

LIQUIDITY PORTFOLIO

EQUITY & LIABILITIES

SENIOR DEBT






T2 (75mn)
AT1 (350mn)
Equity (1.8bn)

FINANCIAL RESULTS

in USD bn

	2020	2021	2022	2023	Q3 2024
Total Assets	49.8	47.3	49.2	52.2	53.6
Loan Portfolio	31.8	32.3	32.8	35.4	36.5
Leverage Ratio	3.7%	3.7%	3.9%	4.0%	4.0%
OpEx / Total Assets	0.051%	0.054%	0.055%	0.060%	0.071%

International Peer Group

	 The Norwegian Agency for Local Governments	 rentenbank	 ENG BANK	 European Investment Bank	 kfw
DEBT RATING	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 2025	USD 10bn	EUR 10bn*	EUR 19bn	EUR 60bn	EUR 65-70bn

*Maturity > 2 years.
Source: Respective issuers' websites.

KINGDOM OF NORWAY

Overview



POPULATION:

5,550,000



TOTAL AREA:

323 809 km²



FORM OF GOVERNMENT:
**CONSTITUTIONAL
MONARCHY**



CURRENCY:

NORWEGIAN KRONE (NOK)



EUROPEAN STATUS:

- NOT A EU MEMBER STATE
- MEMBER OF THE EEA

OSLO

HYDROPOWER SHARE OF
ELECTRICITY GENERATION:

89%



MAJOR EXPORT SECTORS:

- ENERGY
- FISH
- MARINE TRANSPORT
- METALS

ELECTRIC VEHICLE (EV) SHARE OF
NEW CAR SALES:

82%

Sources:
Statistics Norway
Norwegian Road Federation (OFV)

Strong and Diversified Norwegian Economy

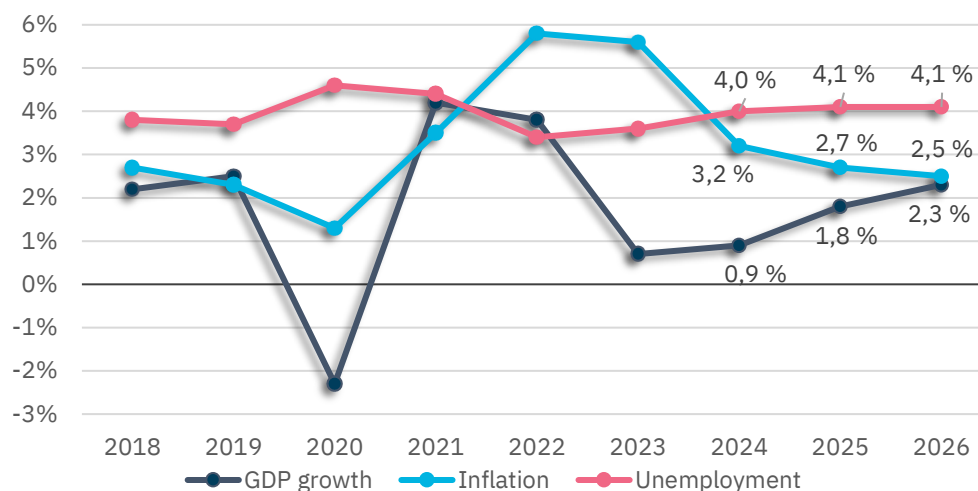
- Norway's economic fundamentals remain robust.
- At approx. USD 513 bn¹ eq, Norway's GDP is broadly diversified across a range of productive sectors. Norway is one of the world's wealthiest countries based on GDP per capita.

Key Economic Indicators for 2025²

16.7%	1.8%	2.7%	4.1%
Current Account Surplus	GDP Growth	Inflation	Unemployment

- Norway's macroeconomic stability pillar ranked first in the World Economic Forum's 2019 rankings³.
- The government has managed a solid current account surplus for the past decades and estimates continued surpluses going forward.

KEY ECONOMIC INDICATORS²



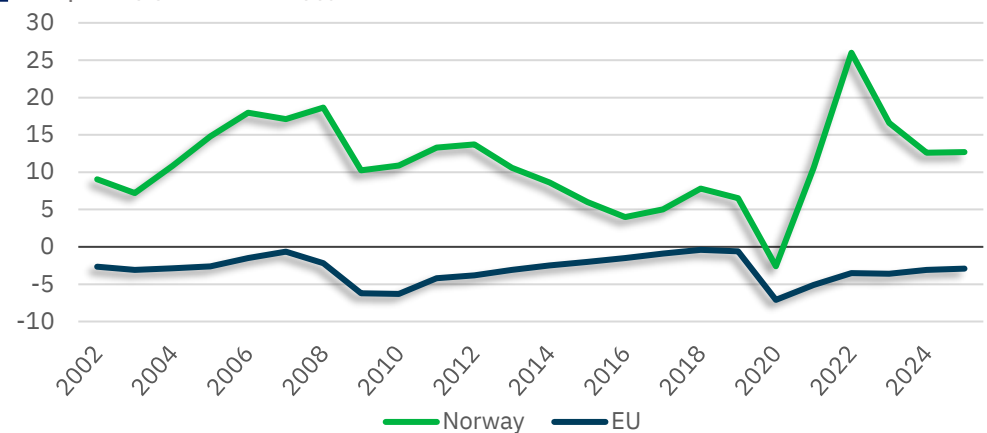
¹ Statistics Norway : 2024

² Statistics Norway : Dec. 2024

³ World Economic Forum Global Competitiveness Report, 2019

GENERAL GOVERNMENT FINANCIAL BALANCES

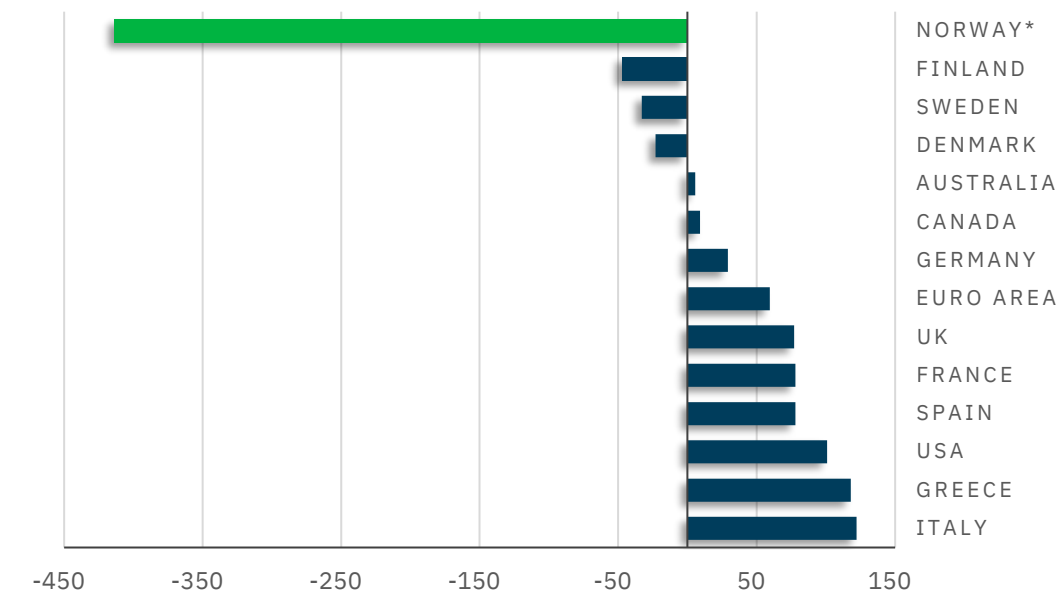
Surplus (+) or deficit (-), % nominal GDP



Source: OECD Economic Outlook 116 Dec. 2024

GENERAL GOVERNMENT NET FINANCIAL LIABILITIES

% of nominal GDP



Source: OECD Economic Outlook No. 116 Dec 2024

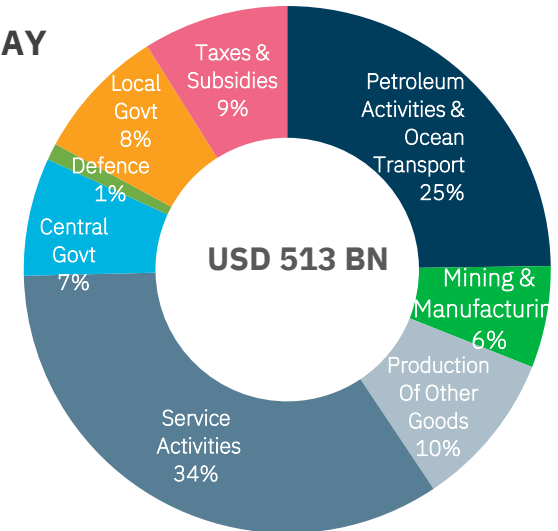
Debt measures are not always comparable across countries due to different definitions

*OECD has not published an estimate for Norway since 2020. Figure for Norway is sourced from SSB Dec 2024

Strong and Diversified Norwegian Economy

- The oil and gas industry (including supporting industries) historically constituted approximately 20% of Norwegian GDP. Higher gas prices have elevated this share, but it is 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
- Service Activities do make up the largest portion of GDP. This includes industries such as Transport and Communication, Financial and Business Services, Telecommunication and Information Services and Tourism.
- The UK and Germany are Norway's largest export counterparties due to the high volume of crude oil and natural gas exports. Post the Ukraine invasion, Norway is now the largest supplier of natural gas to Europe. Sweden is one of Norway's largest trading partners in relation to the import of goods and services, but imports from China have also grown in recent years, and now constitute a significant portion of imported goods.
- EU countries account for almost 70 percent of Norwegian exports of goods compared to just over 55 percent of imported goods.

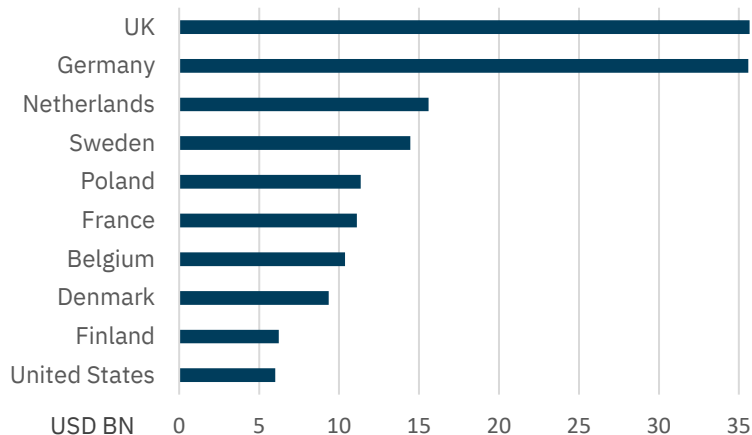
NORWAY GDP (2023)



Source: Statistics Norway, 2024

EXPORTS OF GOODS

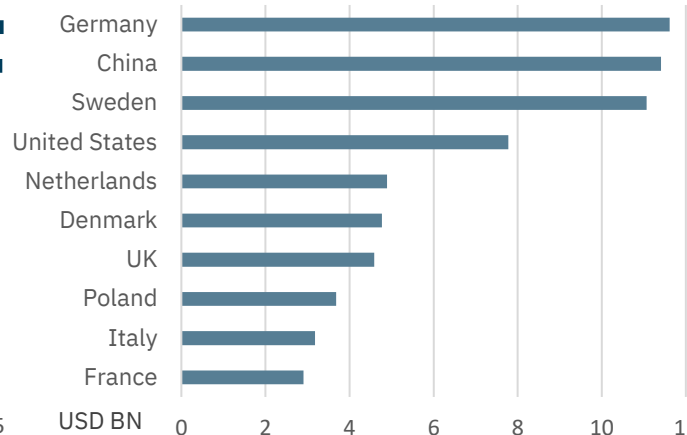
Main Trading Partners (2023)



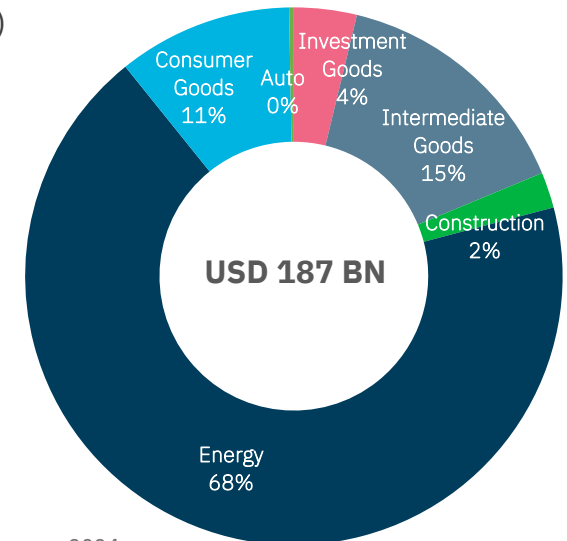
Source: Statistics Norway 2024 (USDNOK = 10)

IMPORTS OF GOODS

Main Trading Partners (2023)



NORWAY EXPORT OF GOODS (2023)



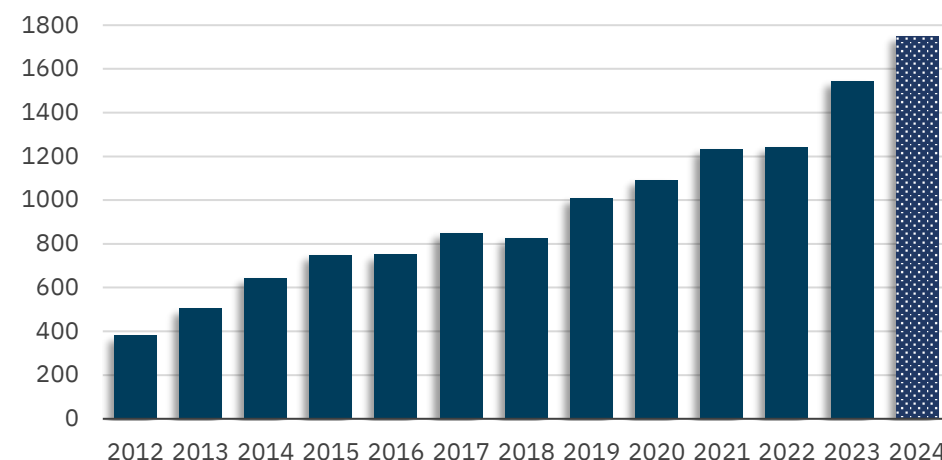
Source: Statistics Norway, 2024

Norwegian Sovereign Wealth Fund

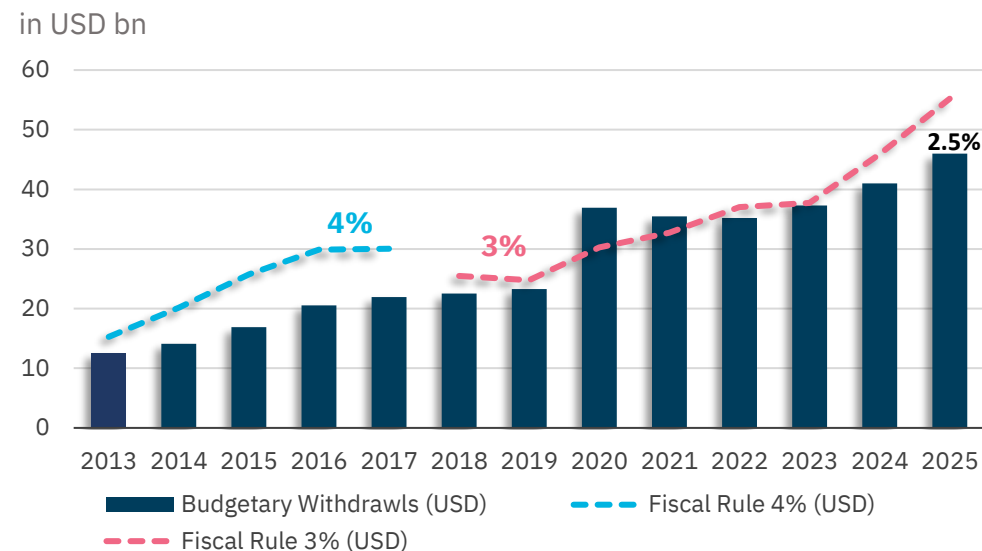
– A Long-Term Contributor to the Nation's Wealth

- Norway's sovereign wealth fund, called the Government Pension Fund Global (GPFG), by end 2024 expected assets of USD 1.75 trillion (NOK 18.4 tr. eq). This ranks the GPFG as the world's largest SWF.¹ The size corresponds to approx. 350% of Norway GDP and 900% 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 GPFG'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 Q2 2024, the Fund's actual average net annual real rate of return has been 4.0%.
- The history, objectives and management of the GPFG can be explored further [here](#).

VALUE OF GOVERNMENT PENSION FUND GLOBAL (GPFG)
in USD bn



EXPECTED NET REAL RETURN AND ACTUAL WITHDRAWAL FROM GPFG
in USD bn



¹ Sovereign Wealth Fund Institute, Jan 2024

Sources : Norges Bank Investment Management / Ministry of Finance / Norwegian Government



LENDING OPERATIONS

KBN Lending Supports the Nation's Economic & Social Welfare

Norwegian Local Governments have equal access to funding with KBN, at comparable levels, in order to deliver welfare services on behalf of the Central Government.

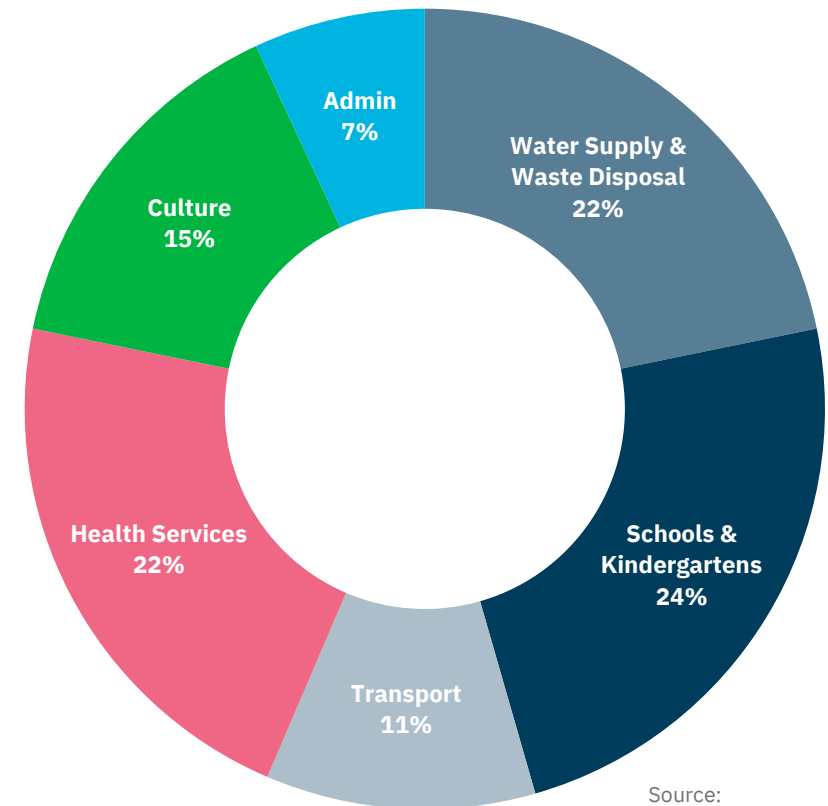
- KBN oversees a diversified loan portfolio of USD 36bn*. This reflects a market share of approx. 50% of client borrowings.
- All of Norway's 15 counties and 357 municipalities are borrowing clients of KBN.
- KBN loans are used to implement a broad range of key social projects.

KBN's mandate have been extended to implement greater environmental and social awareness via Green Lending.

- Green loans are offered at reduced interest rates to projects with clear climate- and environmental ambitions.
- By 2023, KBN had 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, with an aim of reaching 20% by end of 2025.
- For 2023, green lending for investments in climate and environmentally friendly projects grew by a record 11bn NOK.

LOCAL GOVERNMENT INVESTMENT EXPENDITURE

Average last 10 years



Source:
Statistics Norway, KBN

S&P Global
Ratings

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

- Standard & Poor's

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.
 - Municipals 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

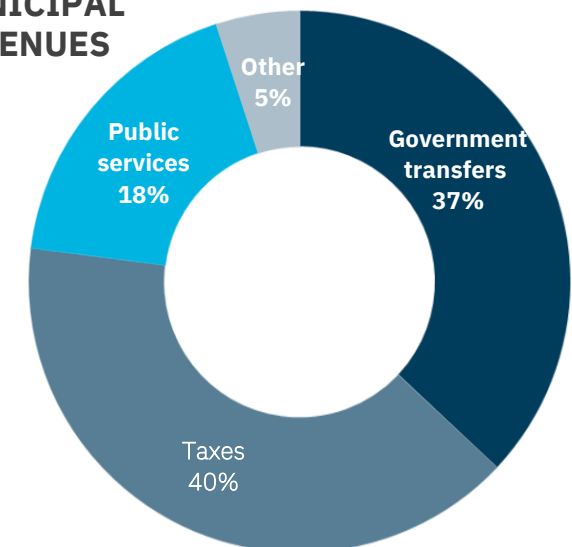
- All local government budgets are monitored and supervised by the central government. Strict limits are in place to manage financial conduct.
- Under the Local Government Act, counties and municipalities may not be subject to bankruptcy proceedings. Thus, they are subject to extensive central government 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

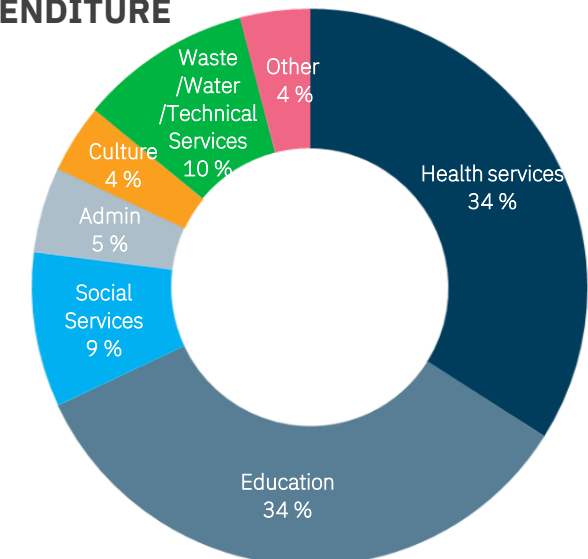
“Norwegian local governments are among the most regulated and supervised in Europe”

- Moody's

MUNICIPAL REVENUES



MUNICIPAL EXPENDITURE



Source:
Ministry of Local government and Modernisation, 2022

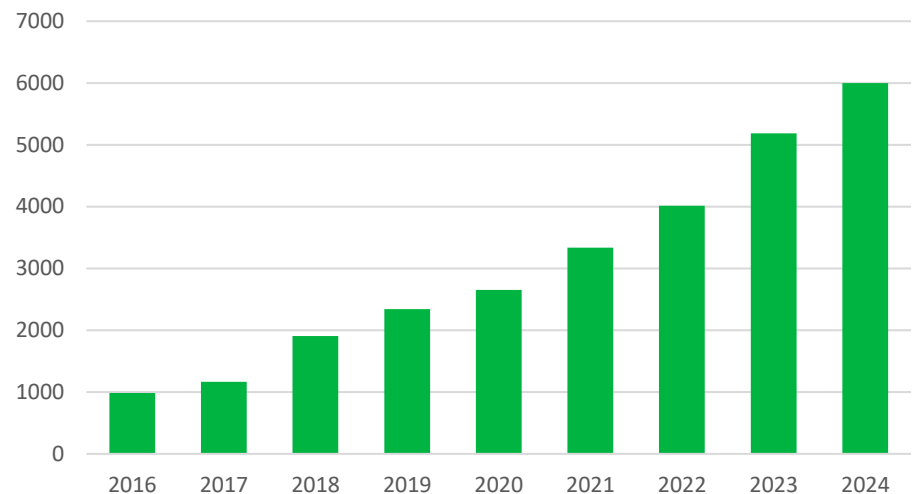
Green Lending Portfolio

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

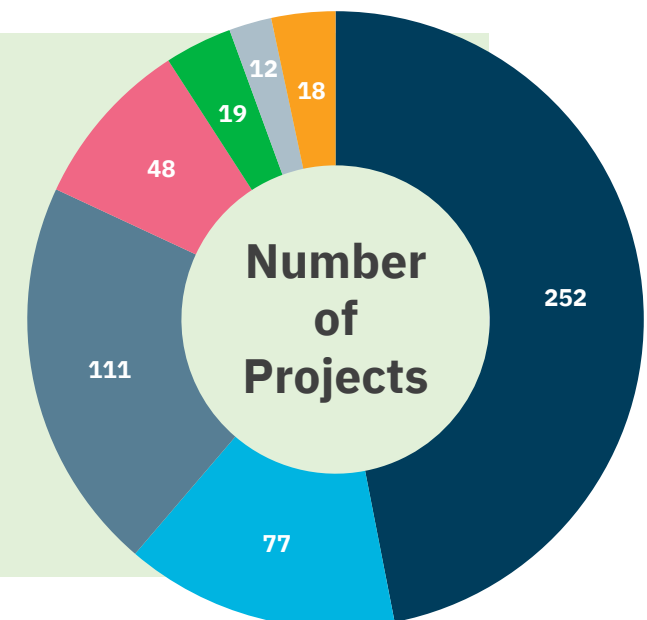
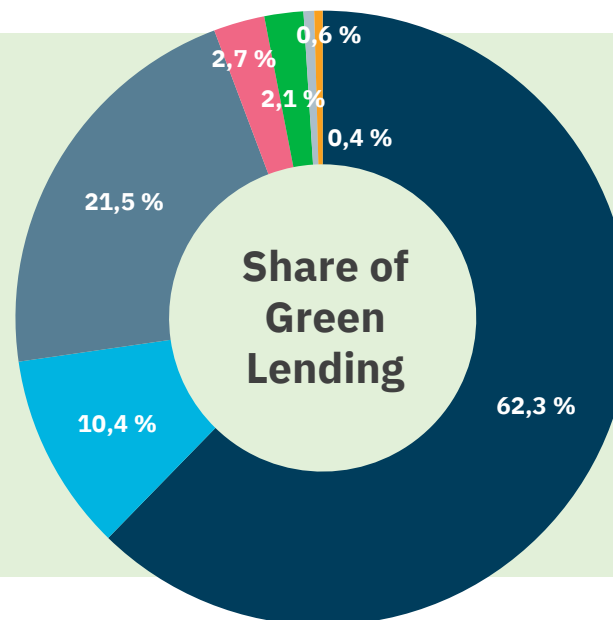
- Green loans are awarded to projects that contribute to reducing greenhouse gas emissions, improving energy efficiency, the environment or climate change adaptation.
- KBN's green lending portfolio has grown at a compounded annual growth rate of 25% over the last 8 years to above NOK 65 billion.
- As of 31 December 2024, the green lending portfolio consisted of 537 green projects across Norway, from the smallest municipality of Utsira to the capital of Oslo.
- KBN strives for transparency in reporting and its annually published Impact Report has twice won "Environmental Finance's Impact Report of the Year".

KBN GREEN LENDING PORTFOLIO

in USD mn

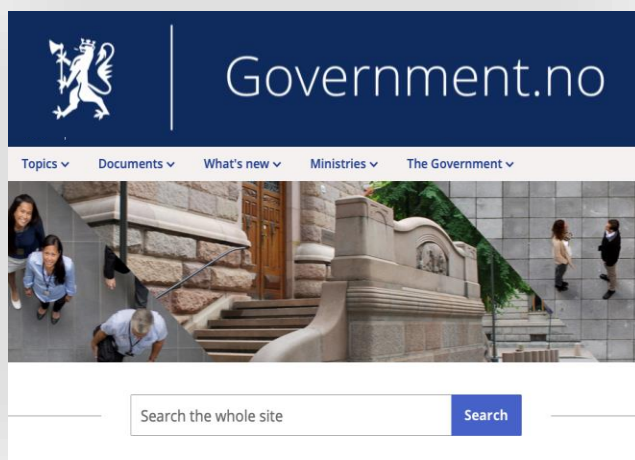


- Buildings
- Transportation
- Water and Wastewater Management
- Waste and Circular Economy
- Renewable Energy
- Land Use and Area Development
- Climate Change Adaptation



Conservative and Strictly Supervised Lending Portfolio

- 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

COUNTIES (population)

MUNICIPALITIES (population)

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
- Turning food waste and manure into fuel
- Financed by green lending rate from KBN





FUNDING OPERATIONS

Flexible and Diversified Investor-Driven Funding Program

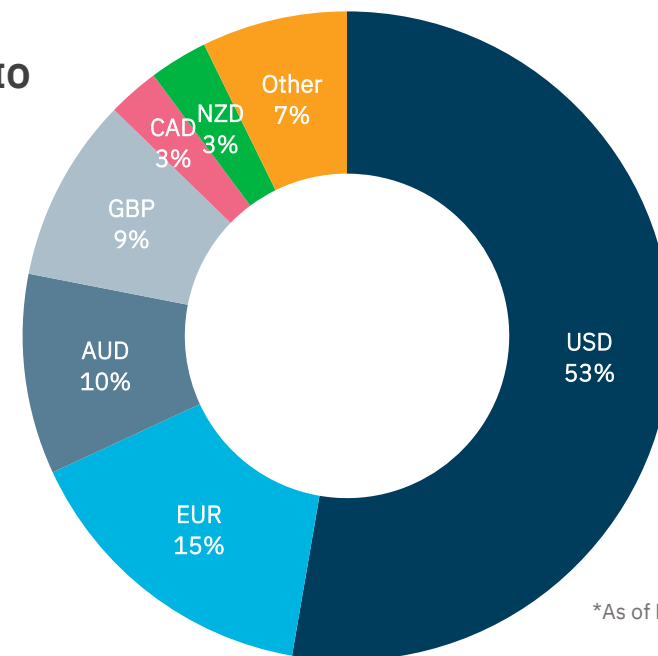
KBN's funding borrowing program for 2025 is estimated to be USD 10 billion.

- 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.

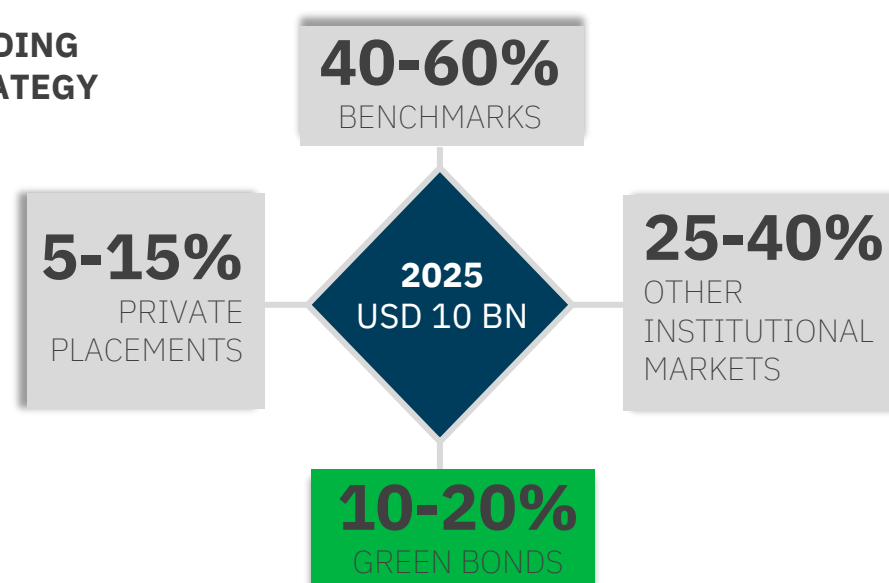
A considerable portion of KBN's annual borrowing program is raised by issuing liquid USD and EUR benchmark securities.

- 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 includes:
 - regular consultation with underwriters experienced in target markets;
 - pricing and sizing issues “to clear”; and
 - performance in secondary markets.

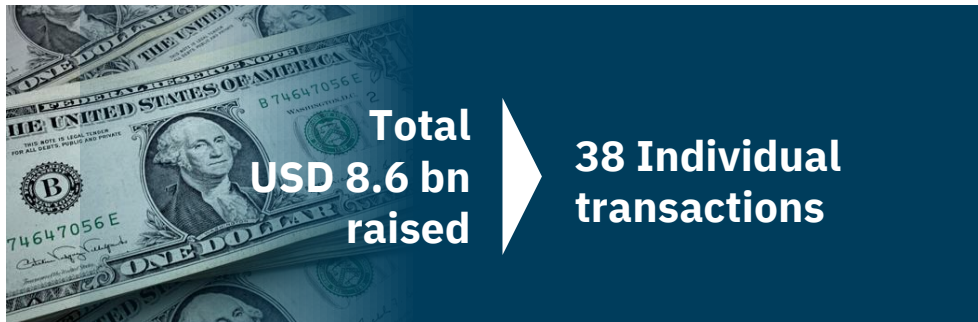
DEBT PORTFOLIO



FUNDING STRATEGY



KBN Funding 2024



USD
1.50 bn

5-year Jan 2029
Benchmark

EUR
500 mn

5-year Apr 2029
Green Bond

USD
900 mn

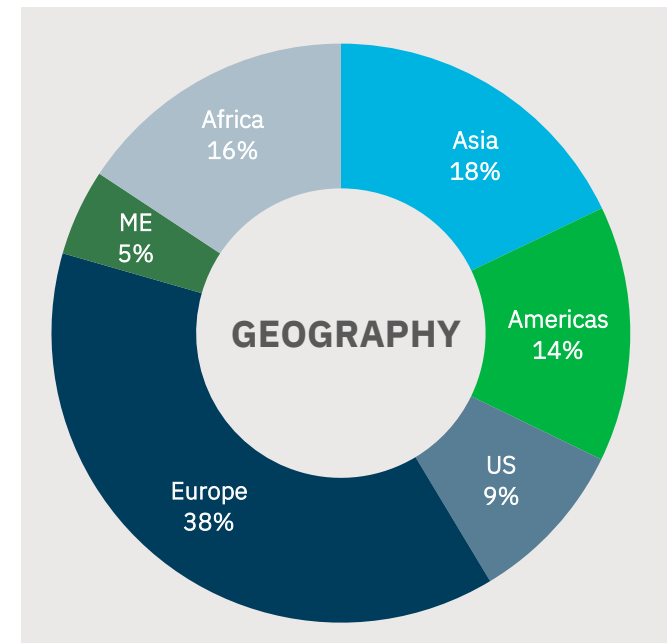
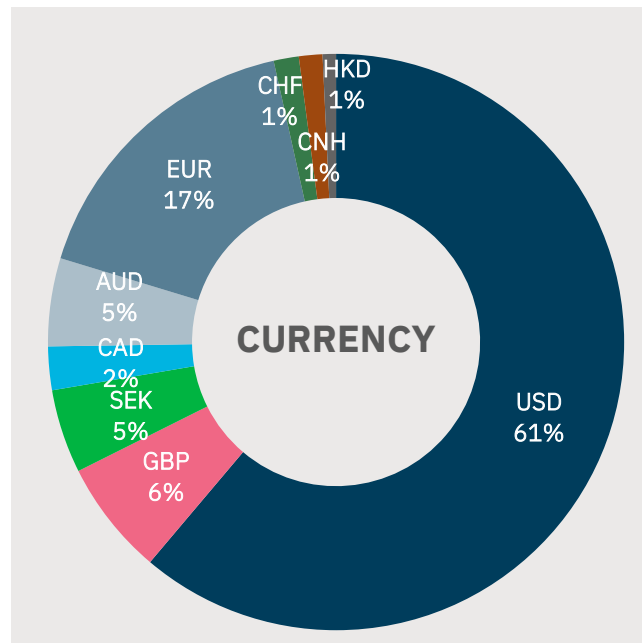
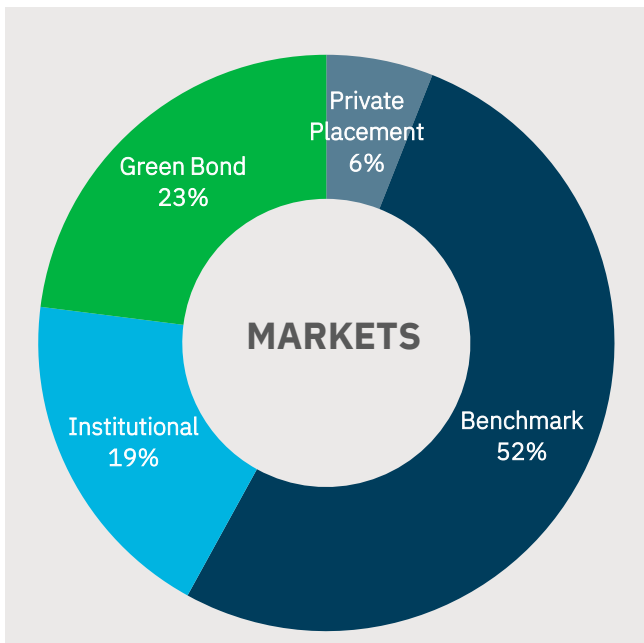
4-year Mar 28
SOFR FRN

CAD
300 mn

5-year Jan 2029
Green Bond

GBP
400 mn

3-year Jul 2027
Benchmark



USD Benchmark Strategy

- KBN's strategy is to issue benchmarks regularly in order to:
 - enhance market presence;
 - access a wide institutional investor base;
 - provide liquidity and performance for investors;
 - issue products in line with market demand; and
 - build strong long-term investor and bank relationships.



For 2025, KBN plans to issue 3 USD benchmarks in maturities ranging from 3 to 10 years.



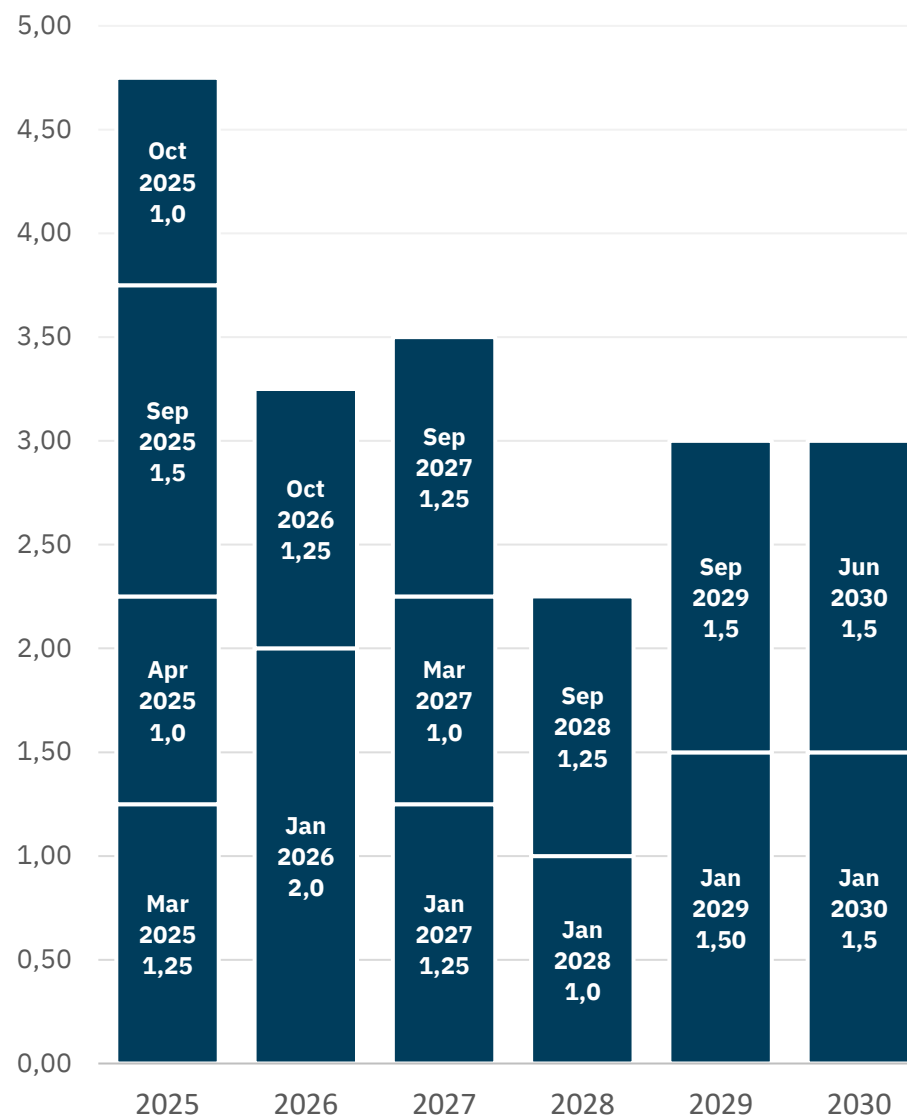
KBN currently has 15 USD benchmark transactions outstanding. The total notional amount is USD 19.75 bn.



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

OUTSTANDING 144A BENCHMARKS

in USD bn

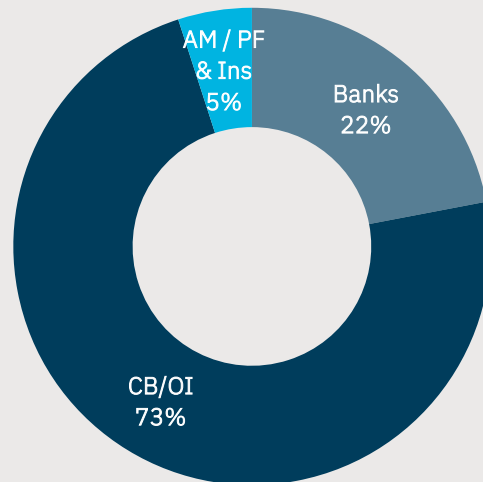


USD Benchmark Distribution

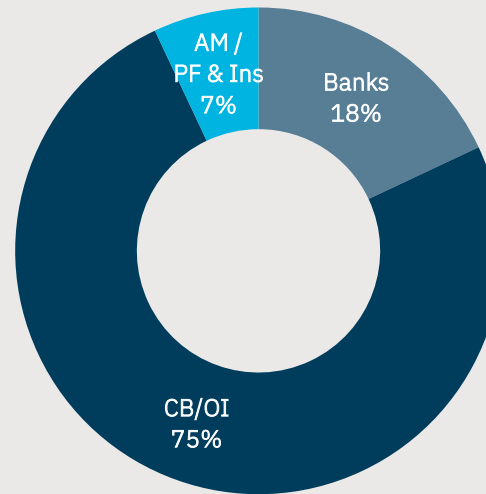
Investor type

Distribution on last three USD Benchmarks

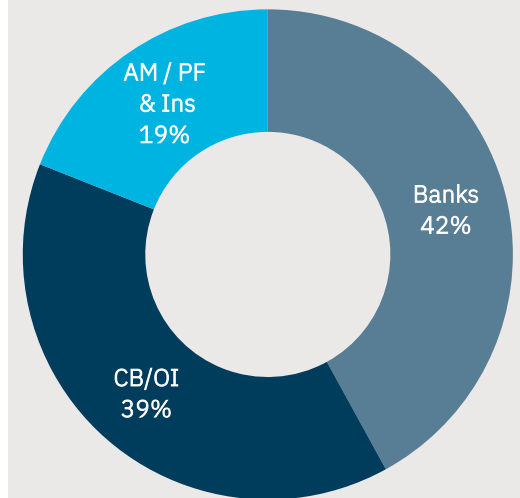
Jun 2024 @ MS +32
USD 1.25bn 3yr Sep 2027



Sep 2024 @ MS +48
USD 1.50bn 5yr Sep 2029

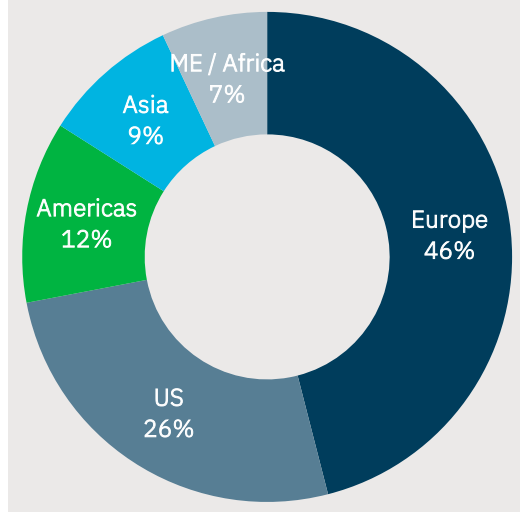
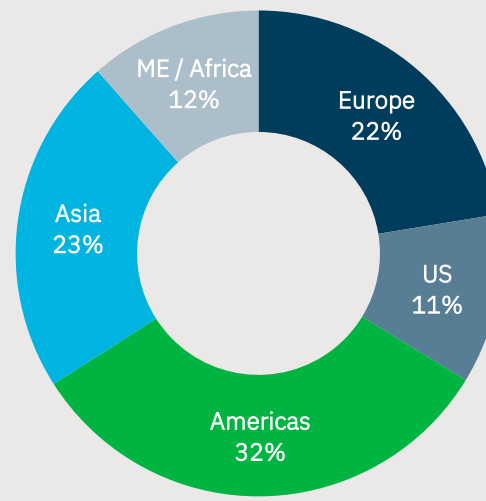
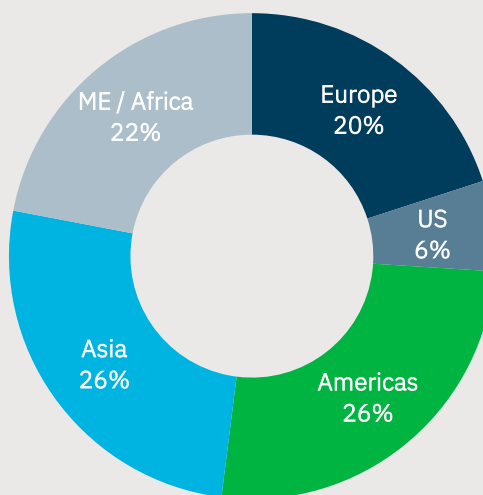


Jan 2025 @ MS +48
USD 1.50bn 5yr Jan 2030



Investor geography

Distribution on last three USD Benchmarks



USD Benchmark Distribution

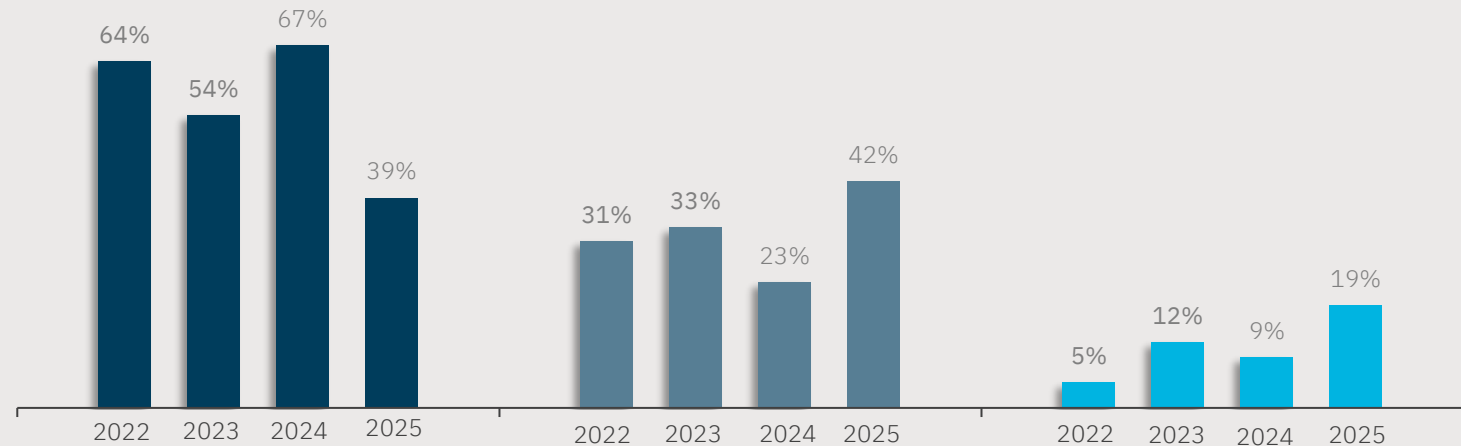
Investor type

Annual averages

CENTRAL BANK & OFFICIAL INSTITUTION

BANKS

ASSET MANAGER / PF & INS



Investor geography

Annual averages

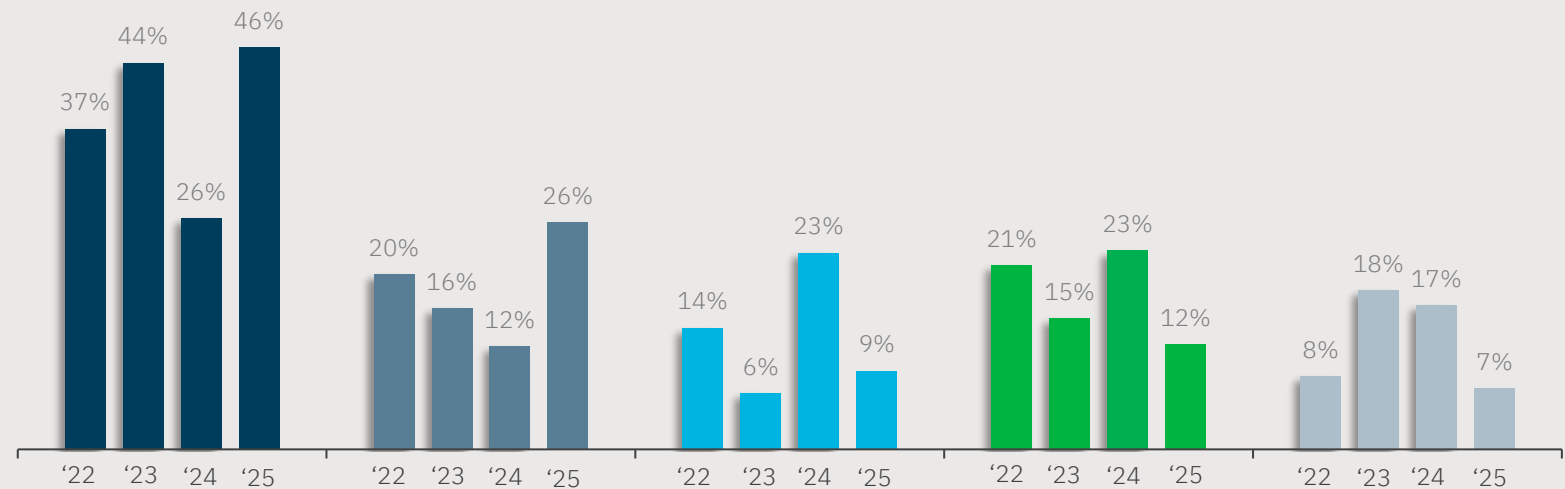
EUROPE

USA

ASIA

AMERICAS EX. USA

ME / AFRICA



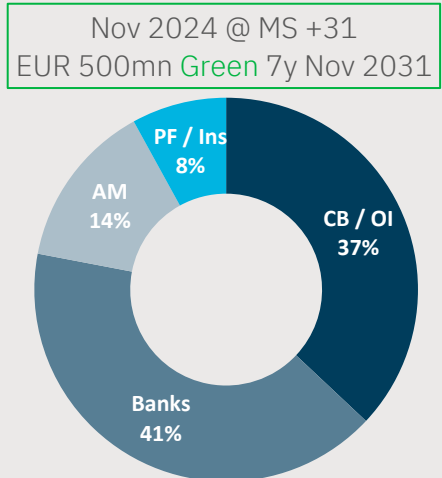
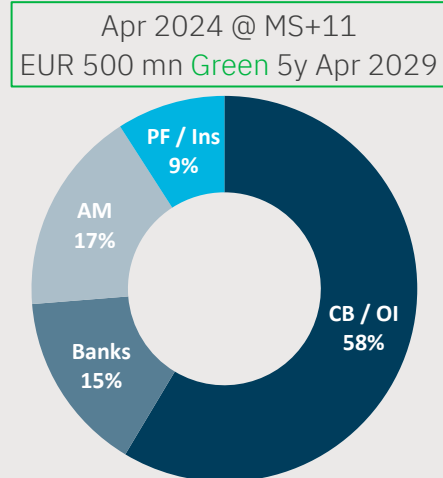
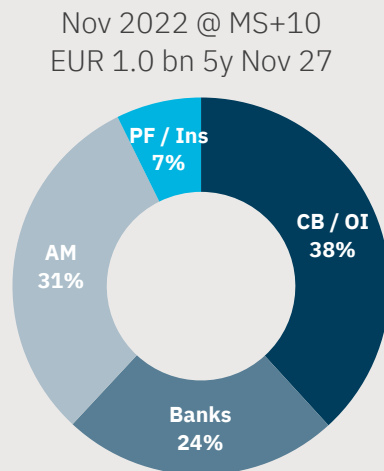
EUR Benchmark Strategy

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

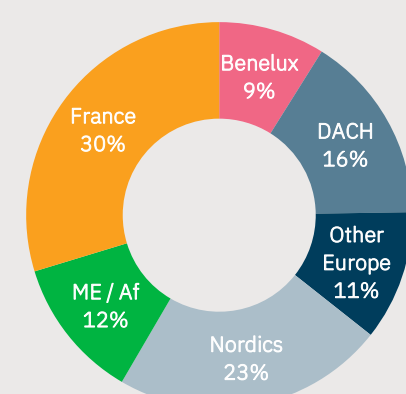
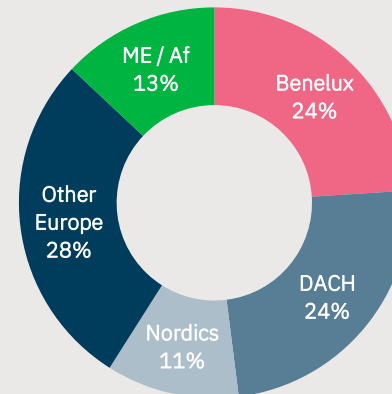
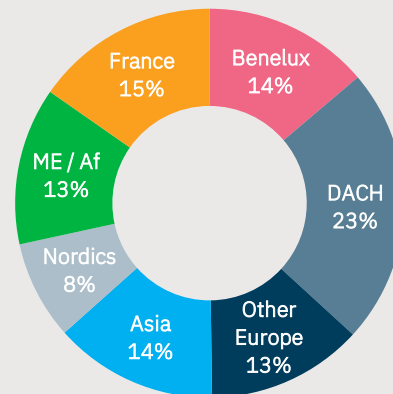
Investor type

Distribution on last three EUR Benchmarks



Investor geography

Distribution on last three EUR Benchmarks



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 its inaugural SOFR USD 500mn Oct 2023 line.
- Over time, KBN aim to build a liquid curve of SOFR referenced FRNs.



AUSTRALIA KANGAROO

Notional outstanding:	AUD 6.680 bn
Maturities outstanding:	2025, 2026, 2027, 2028, 2029, 2030, 2032, 2034



NORWAY EMTN / VPS

Notional outstanding:	NOK 10.65 bn
Maturities outstanding:	2025, 2026, 2027, 2028, 2029, 2031, 2032, 2033, 2036, 2037



NEW ZEALAND KAURI

Notional outstanding:	NZD 2.13 bn
Maturities outstanding:	2025, 2026, 2027, 2030



SWEDEN EMTN

Notional outstanding:	SEK 9.25 bn
Maturities outstanding:	2025, 2026, 2027, 2029, 2031



UNITED KINGDOM EMTN

Notional outstanding:	GBP 2,315 bn
Maturities outstanding:	2025, 2026, 2027



SWITZERLAND

Notional outstanding:	CHF 610 mn
Maturities outstanding:	2027, 2028, 2030, 2031



UNITED STATES (FRN) 144A / RegS

Notional outstanding:	USD 2.85 bn
Maturities outstanding:	2026, 2028



CANADA EMTN

Notional outstanding:	CAD 1.60 bn
Maturities outstanding:	2026, 2027, 2028



Institutional Public Markets – AUD

KBN has been an active issuer in the Kangaroo market since 2001.

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

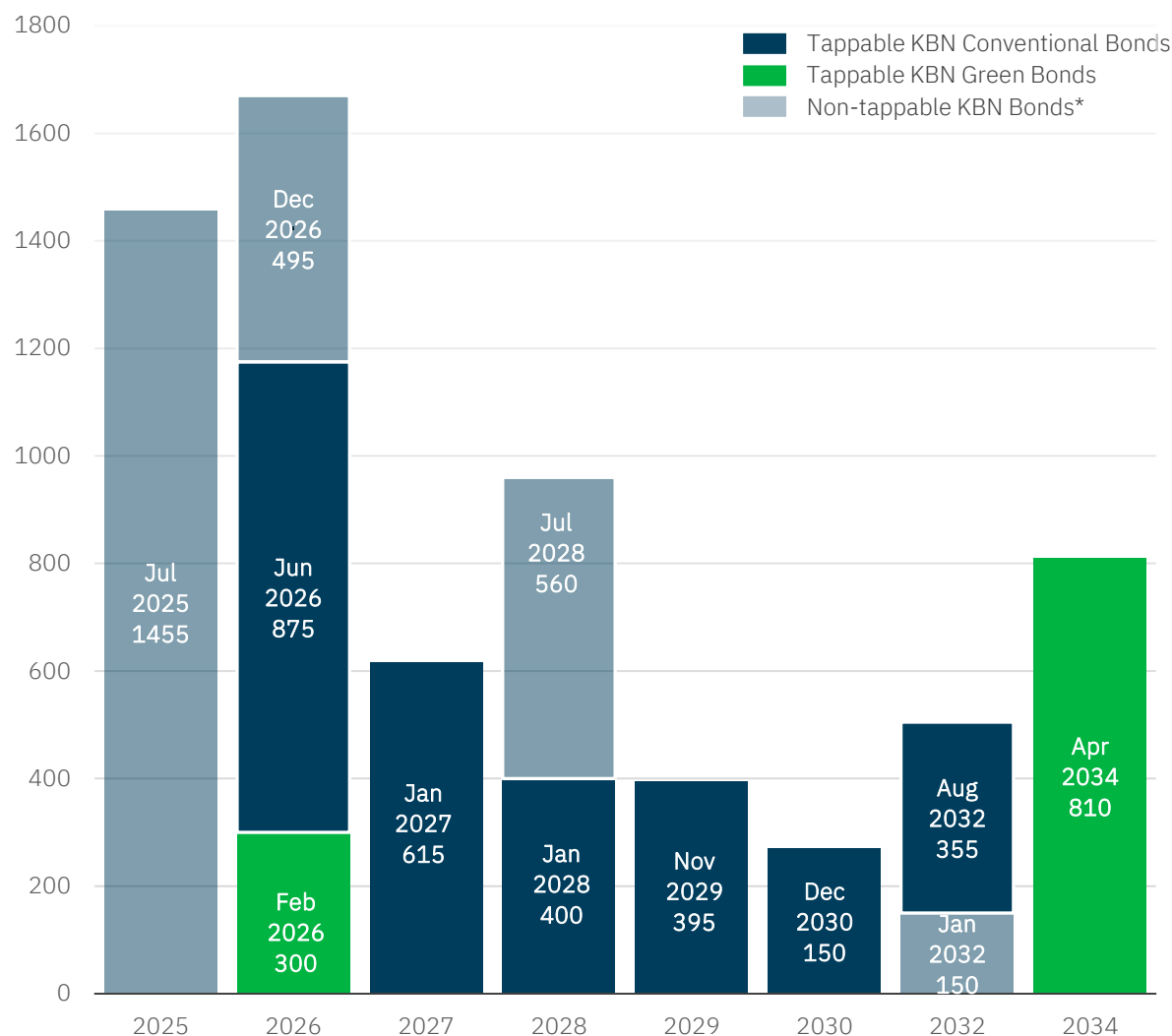
Year	Annual Issuance (A\$ mn)
2021	1,015
2022	1,240
2023	910
2024	685

Objectives for the current year in AUD:

- Primary focus will be 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

A\$6.680bn outstanding



*As a result of the implementation of the BRRD (directive 2014/59/EU) legislation 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

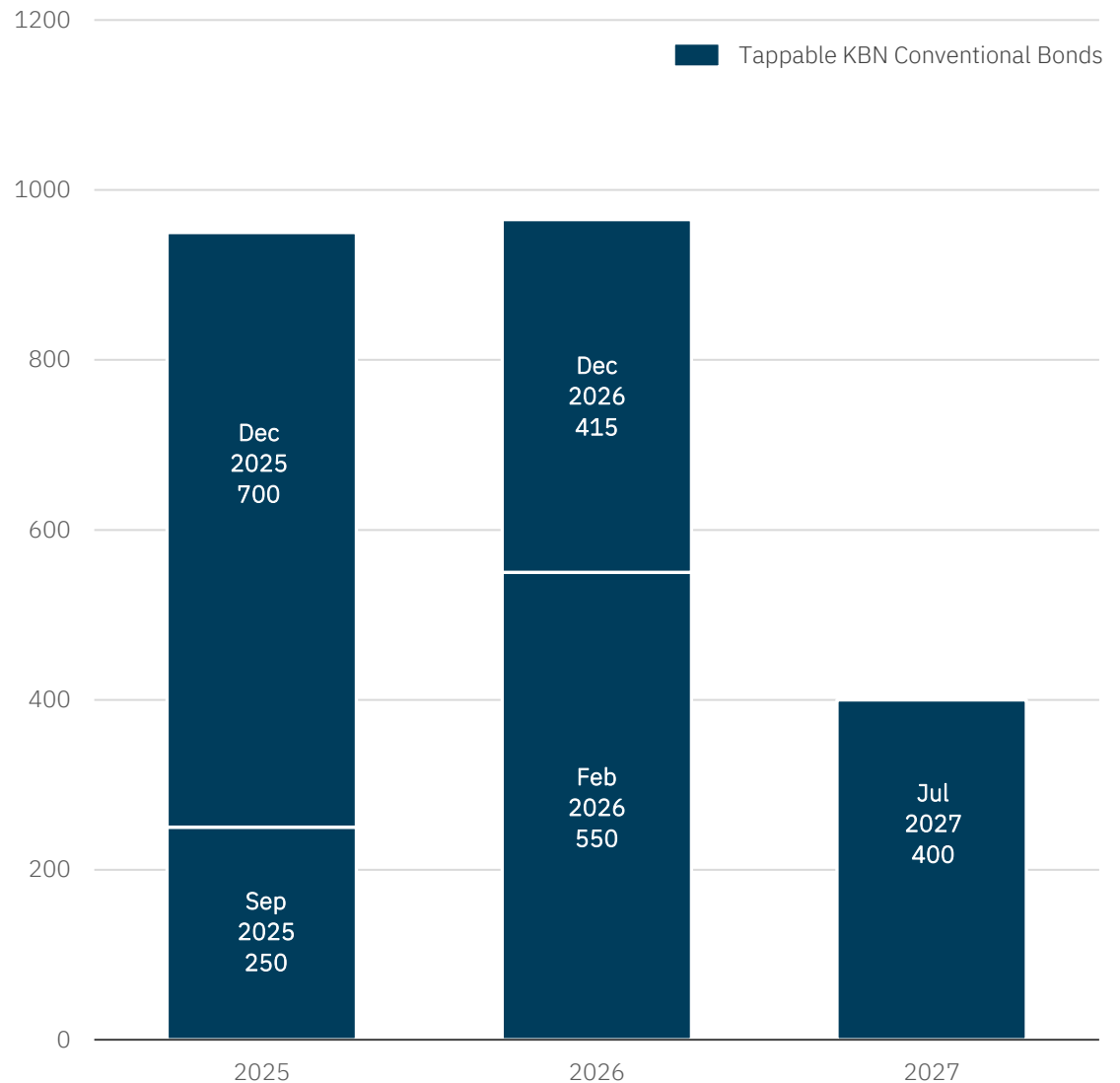
The Sterling market is a strategic source of funding and offers diversification for KBN's funding program.

- Continue to build market presence and investor relations.
- Tap outstanding lines and/or open new lines.
- Maturity focus is 2-7 year.
- Prepare for a potential SONIA issuance.

Year	Annual Issuance (£ mn)
2021	1,205
2022	565
2023	650
2024	400

KBN GBP REDEMPTION PROFILE

£2.315bn outstanding





Institutional Public Markets – NZD

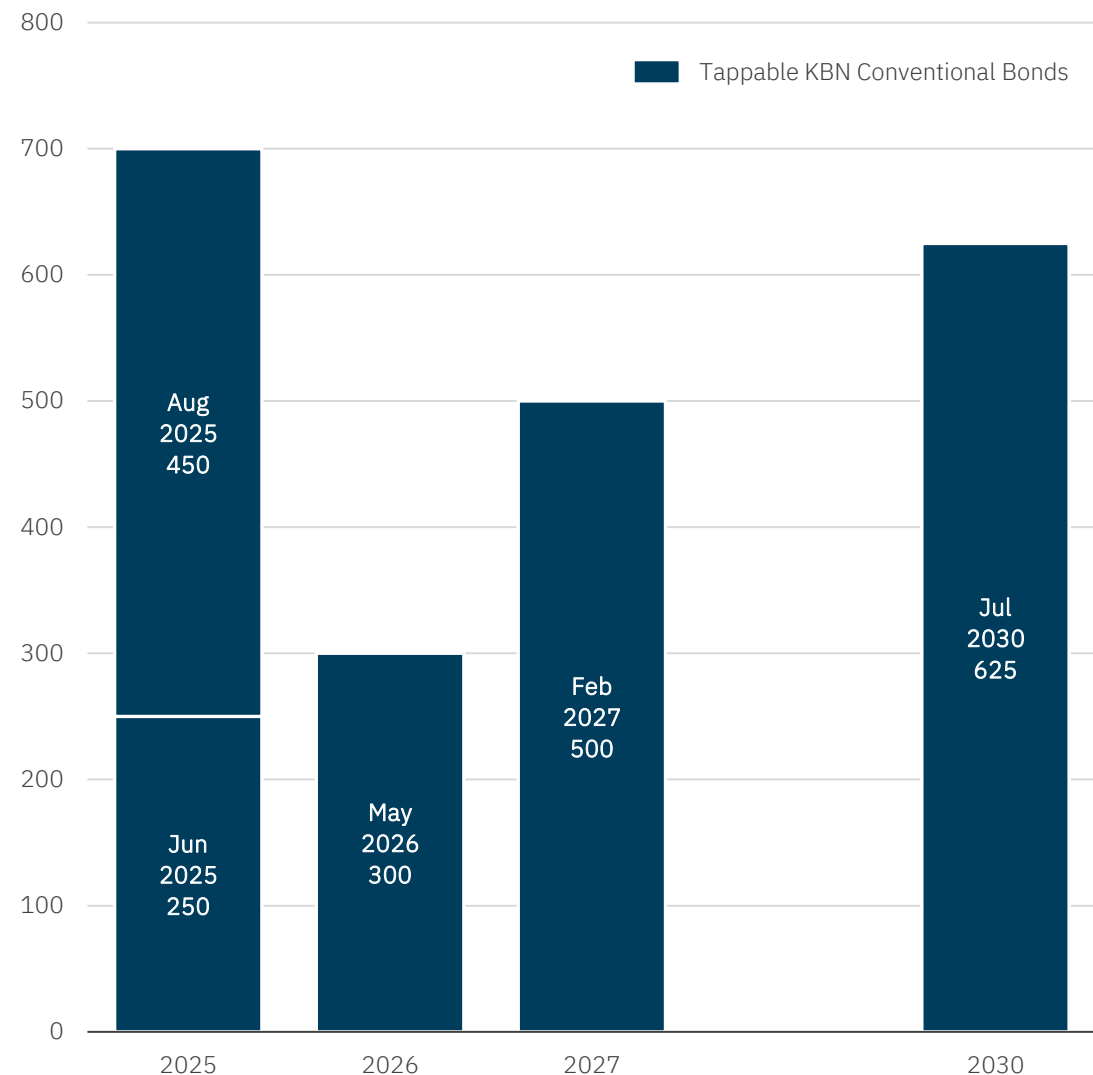
KBN has been an active in the Kauri market since 2007.

- 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.

Year	Annual Issuance (NZ\$ mn)
2020	750
2021	1,125
2022	500
2023	300

KBN NZD REDEMPTION PROFILE

NZ\$2.125bn outstanding



Institutional Public Markets – CAD



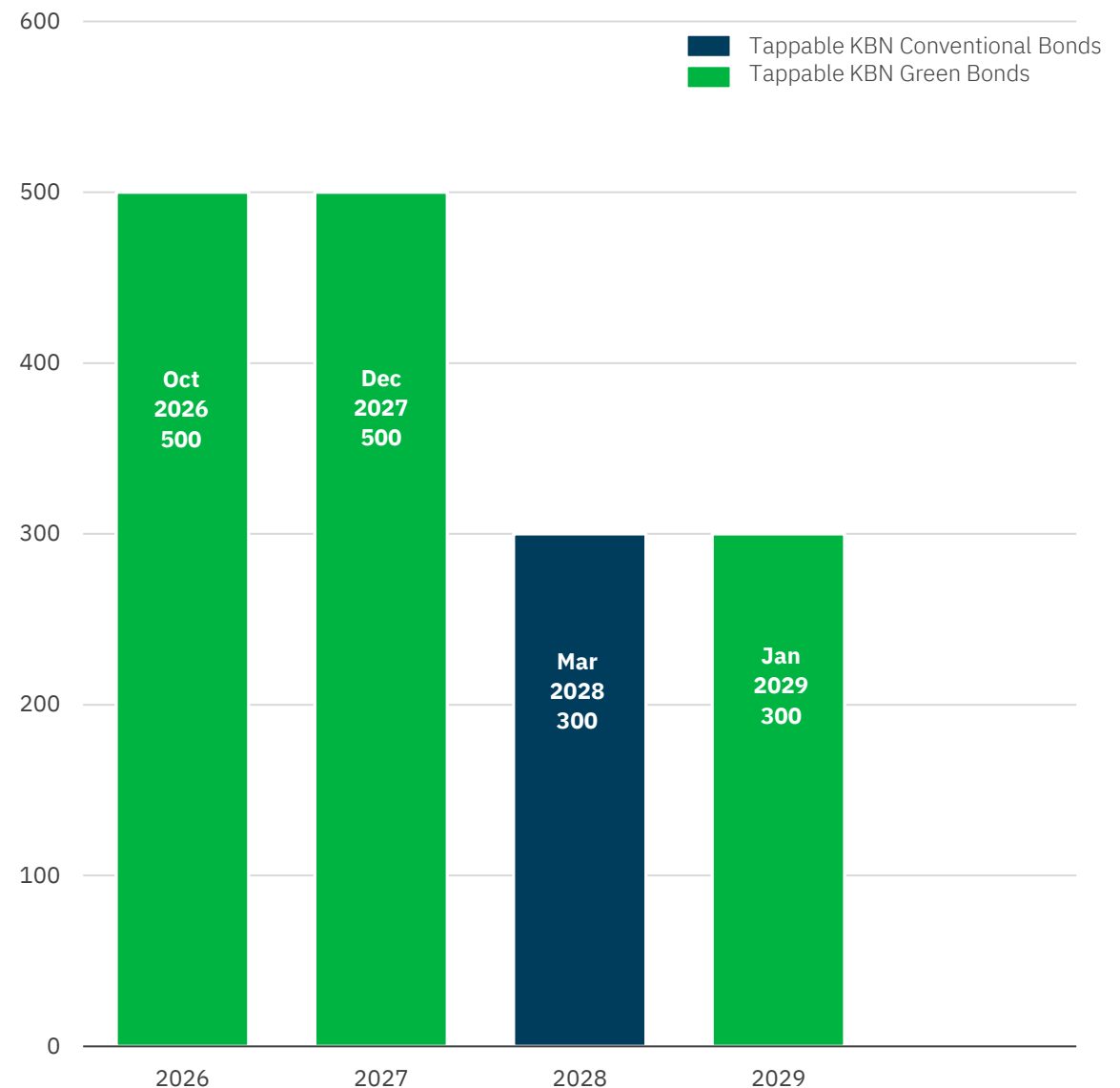
KBN re-entered the Canadian Dollar market with a Green Bond issuance in 2021.

- Continue to build market presence.
- Diversify investor base.
- Develop a liquid CAD curve.
- Tap outstanding lines and/or open new lines.
- Maturity focus is 2-7 year.
- Can issue both Green and Conventional Bonds.

Year	Annual Issuance (C\$ mn)
2021	500
2022	500
2023	800
2024	300

KBN CAD REDEMPTION PROFILE

C\$1.6bn outstanding



KBN Green Bond Issuance

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

STATUS

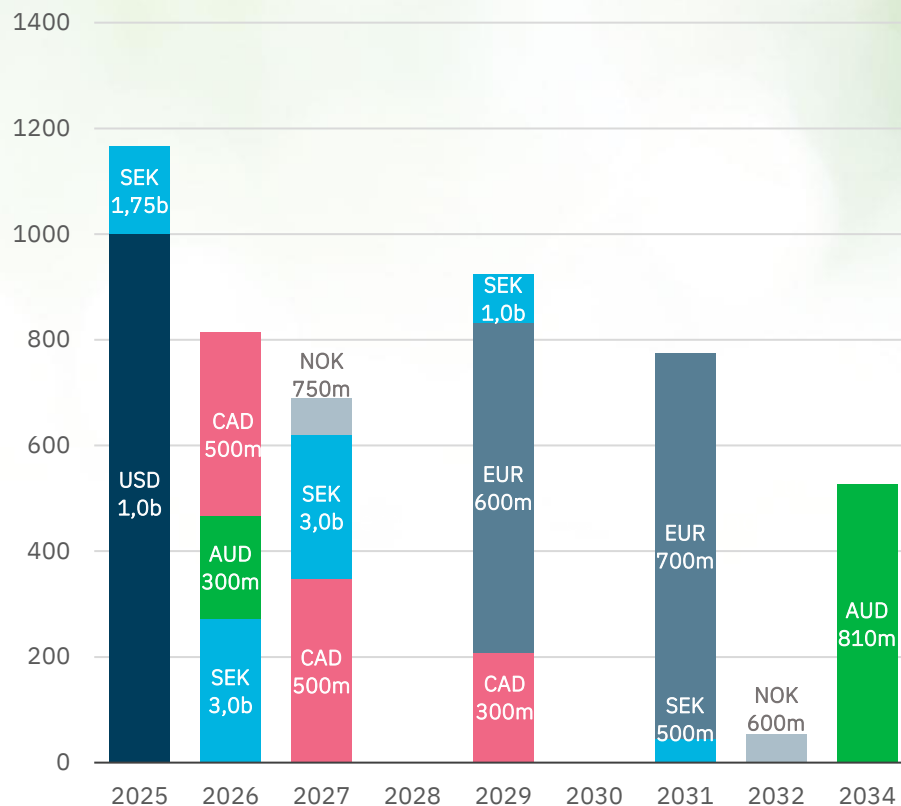
Total
Outstanding:

4.9 BN. USD

January 2025

KBN PUBLIC GREEN BOND MATURITY PROFILE

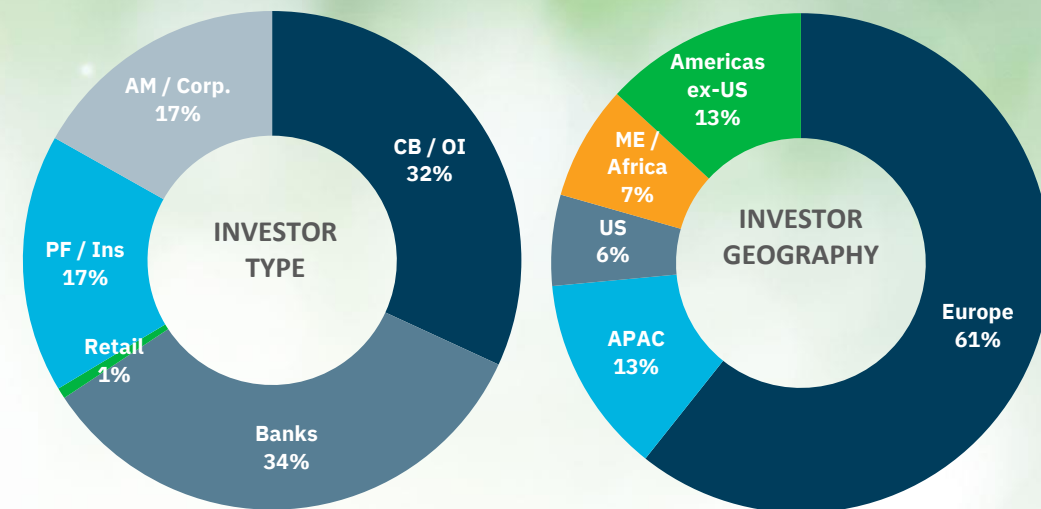
in USD mn*



*AUDUSD 0.682 / SEKUSD .0969 / NOKUSD 0.1 / CADUSD 0.74 / EURUSD 1.085

OUTSTANDING KBN PUBLIC GREEN BOND ISSUANCE

Investor Type and Geography



As of January 2025

Private Placements

KBN is focused on maintaining its position as an active and flexible issuer in Private Placement format.

- Plain Vanilla or Fixed Callable structures.
- Can issue in a range of currencies, including CNY (offshore) and HKD.
- Size will depend on capacity. Previously issued from 20mn to 1bn USD-equivalent.
- Maturities ranging from 1- to 30-years, with maximum of 10-years for Bullet trades.

Euro-Commerical Paper (ECP) Programme

KBN is an active issuer of Commercial Papers under our ECP Programme.

Outstanding amount will vary based on KBN's short-term liquidity needs.

- Programme is unlimited in size.
- Tenors between 1 and 12 months.
- Issue primarily in EUR and USD but can also issue other G10 currencies in Fixed format.
- Rated *P-1* by Moody's and *A-1+* by S&P.
- Dealers on the programme are Barclays, Credit Agricole, Citibank, ING, JP Morgan and UBS.

KBN – A Stable AAA Norwegian State Agency

- 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 GPFG)
- 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 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 (GPF)
<https://www.nbim.no/>

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

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

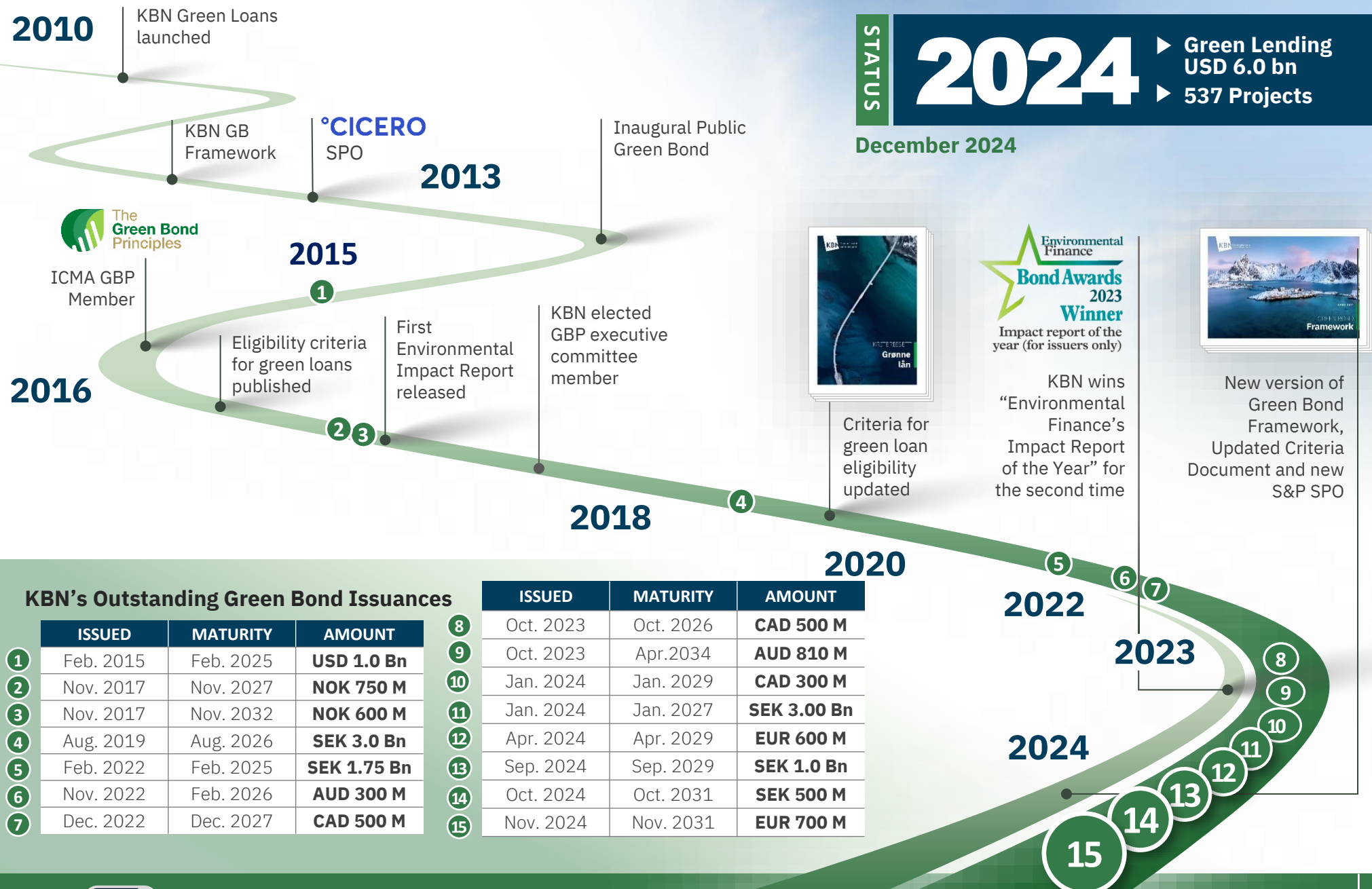
ICMA Green Bond Principles
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

NOTICE

The information and statements contained herein are general, and shall not be construed as advice on financial, legal, tax or other matters. Further, the information and statements shall not be interpreted or construed as an offer, advice or recommendation to subscribe, purchase, sell or any other form of trade in securities or other financial instruments, including financial instruments issued by Kommunalbanken. Kommunalbanken shall not be liable for any loss of profit, loss of revenue or any other direct, indirect or consequential loss arising out of any use of the information provided herein.

ANNEXES KBN GREEN BONDS

The Evolution of KBN'S Green Strategy



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

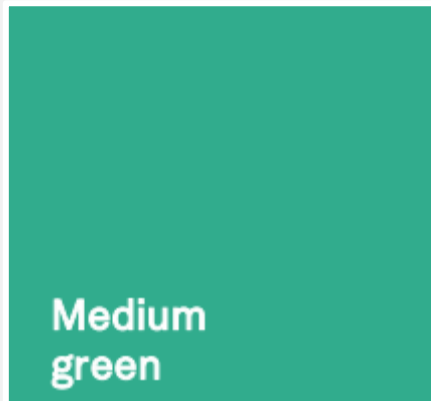


S&P Second Party Opinion

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 Party 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



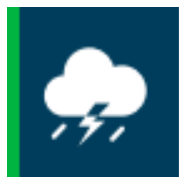
TRANSPORTATION

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 
2.1.1 Renewable energy production Applies to the following: <ul style="list-style-type: none"> a) Biogas plants b) Geothermal wells c) Solar panels or solar thermal collectors d) Locally sourced pellet or wood chip for heating systems (timber). Whole timber as fuel is not eligible. e) Heat pumps f) Other renewable energy sources <p>→ For renewable energy production in buildings - see the Buildings category.</p>	<ul style="list-style-type: none"> ▪ Expected annual energy production (kWh/year) ▪ If a) Plan for monitoring and contingency of methane leakage ▪ If d) If raw material usage: PEFC/FSC certification
2.2 ENERGY STORAGE	DOCUMENTATION REQUIRED 
2.2.1 Energy storage in connection with energy production facilities Storage of locally generated energy using one of the following methods <ul style="list-style-type: none"> a) Electrical storage, e.g. batteries, b) Thermal storage c) Storage as green hydrogen <p>→ For the installation of renewable energy storage in buildings - see the Buildings category.</p>	<ul style="list-style-type: none"> ▪ Expected storage capacity (kWh) ▪ If c) Plan for monitoring and contingency of leakage
2.3 ENERGY INFRASTRUCTURE	DOCUMENTATION REQUIRED 
2.3.1 Network capacity Municipalities' contribution to constructing or upgrading the network's capacity, e.g. a construction contribution.	<ul style="list-style-type: none"> ▪ Expected increase in capacity (kWh)
2.3.2 District heating/cooling 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.	<ul style="list-style-type: none"> ▪ Expected increase in capacity (kWh) ▪ Expected distribution between energy sources (%) <p>→ For the installation of charging stations for electric vehicles - see the Transportation category.</p>
2.4 OTHER	DOCUMENTATION REQUIRED 
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.	<ul style="list-style-type: none"> ▪ Project description



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.



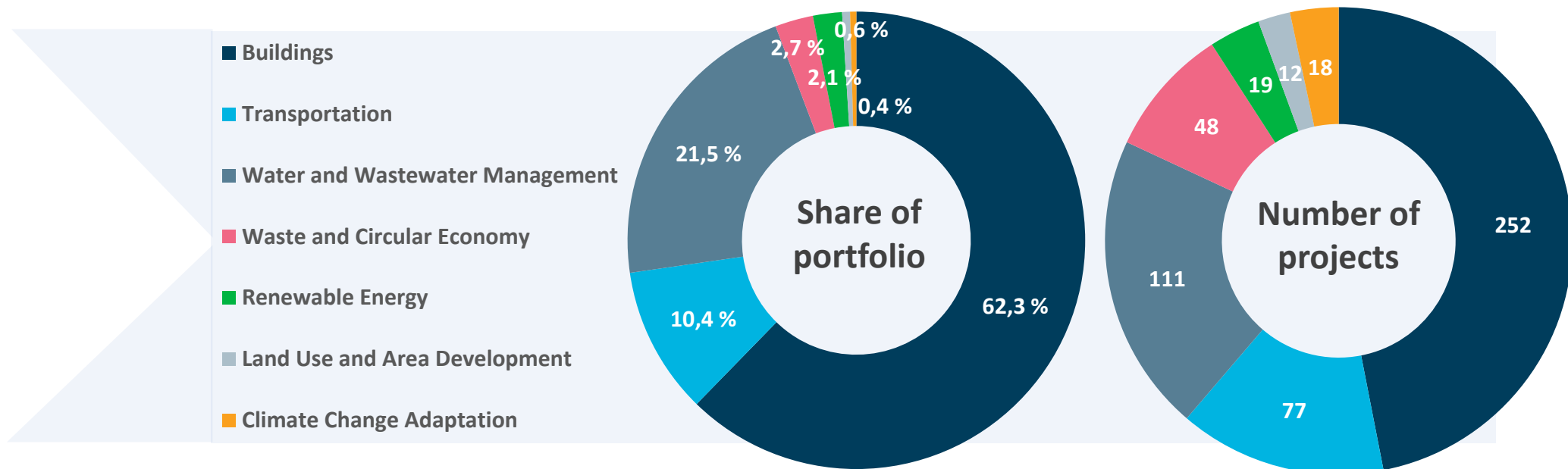
[Criteria Document for Green Loans \(pdf\)](#)



Green Lending Portfolio

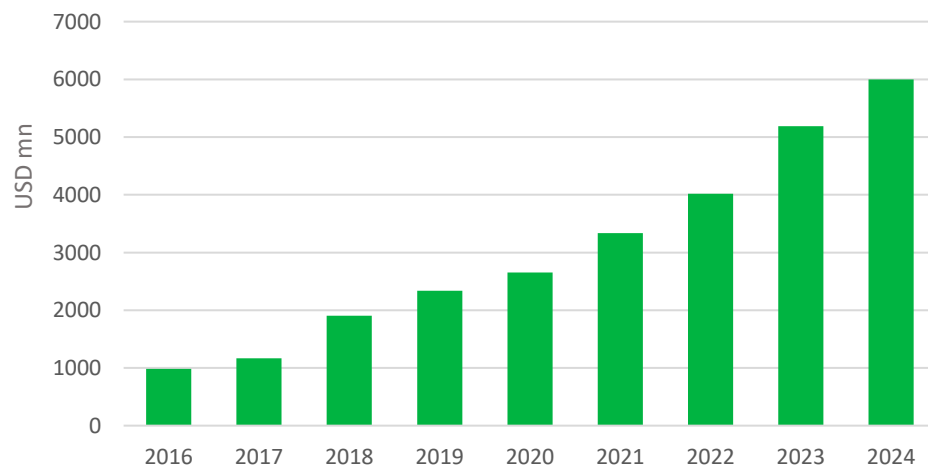
GREEN LOANS OUTSTANDING
USD 6.0 BN*

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 – 2024



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

By the end of Q3 2024, Green Lending accounted for 17.1% of KBN's total outstanding lending. KBN's goal is to reach 20% by end of 2025.

*USDNOK = 11

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.

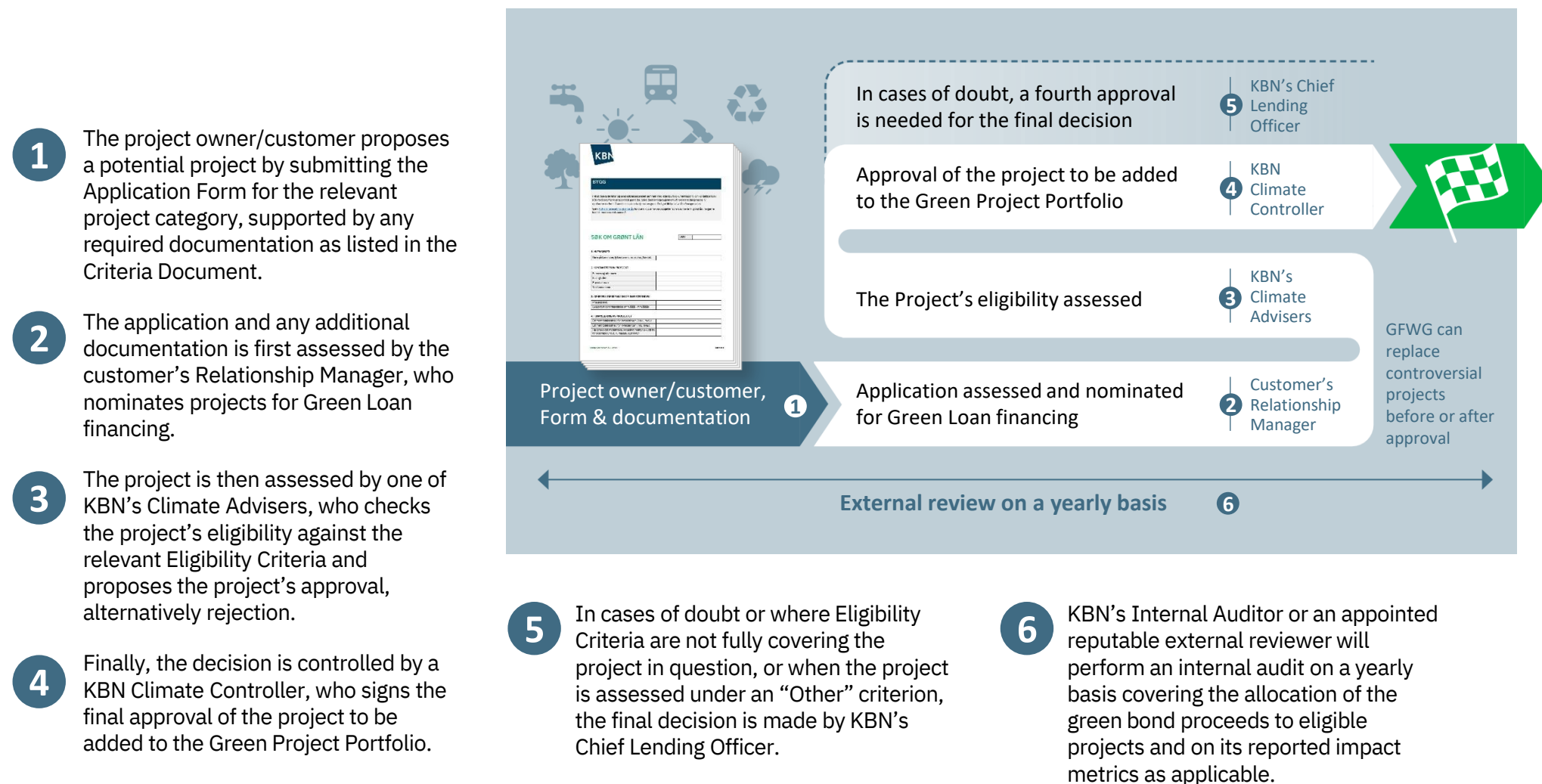


- ✓ All transportation projects shall be strictly fossil-free
Sustainably produced bio fuels such as biogas from waste decomposition is allowed.
- ✓ All energy production shall be based on renewable sources
- ✓ For buildings, no oil-based or other fossil-based heating is allowed
- ✓ District heating 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.



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.

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

* 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).

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.



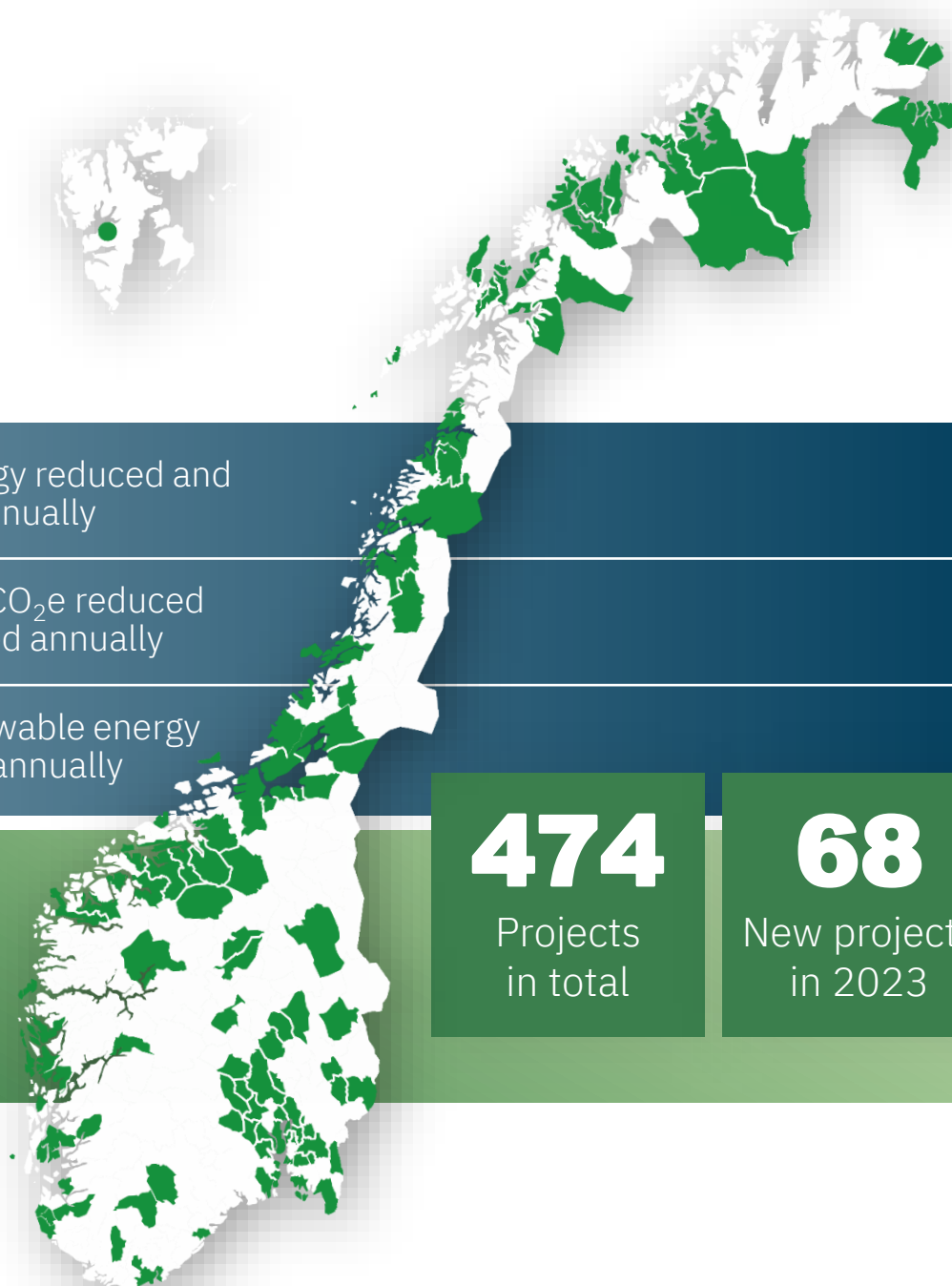
46 684 MWh energy reduced and avoided annually

14 034 tonnes of CO₂e reduced and avoided annually

107 849 MWh renewable energy produced annually

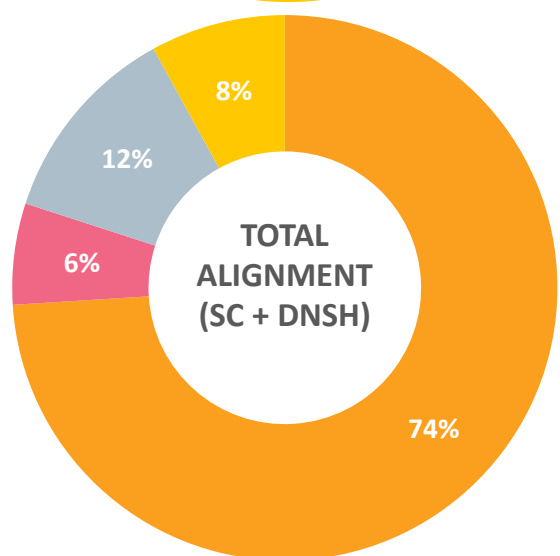
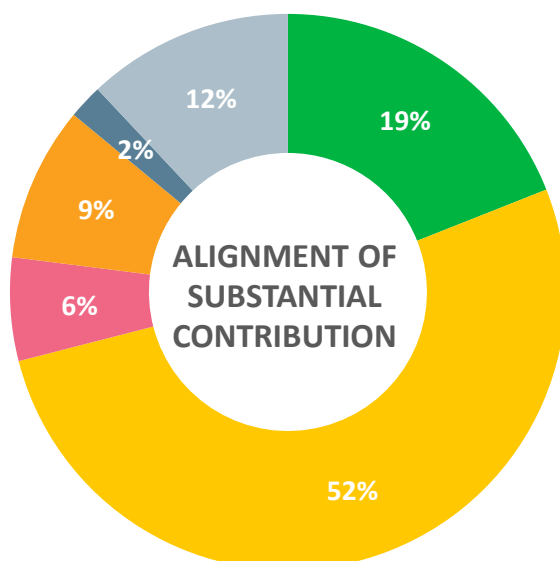
474
Projects
in total

68
New projects
in 2023



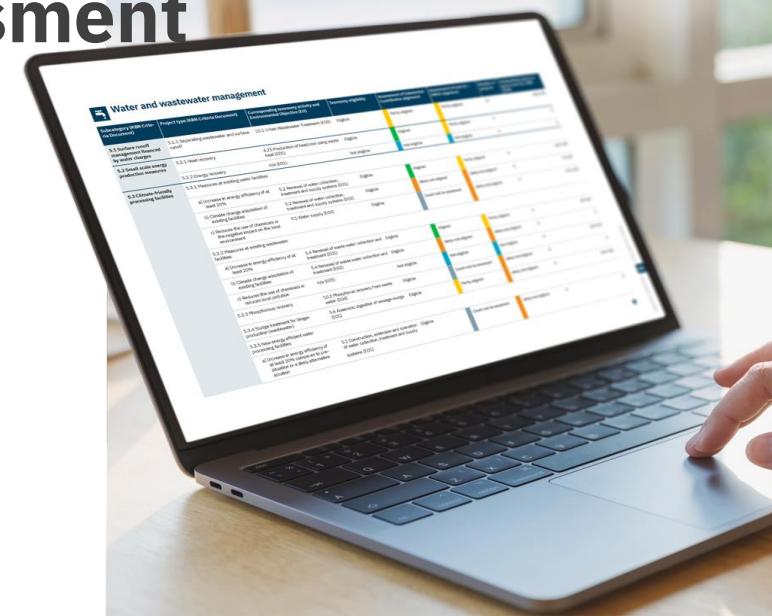
Voluntary Taxonomy Alignment Assessment

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**

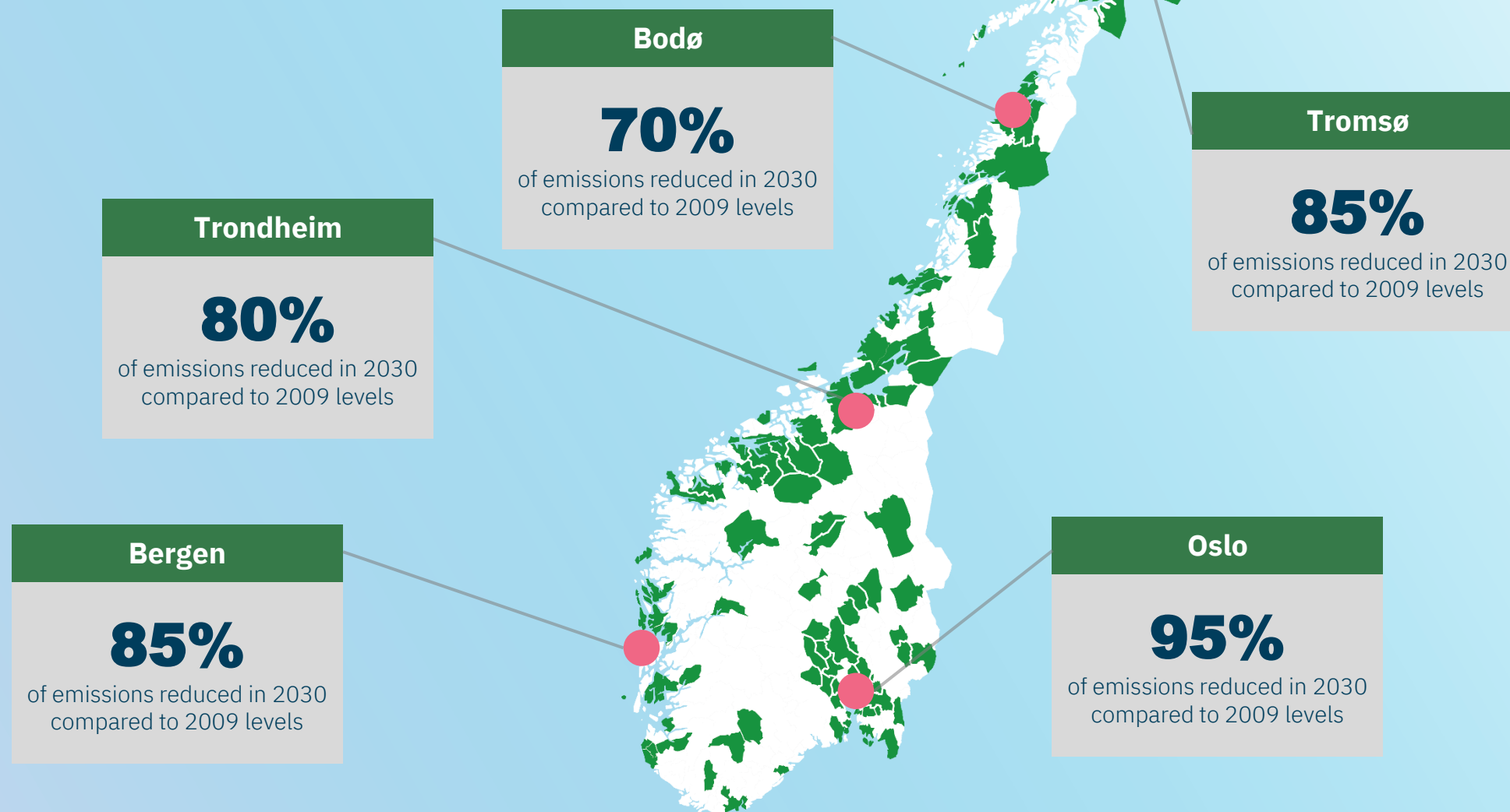


[Download full mapping \(Excel\)](#)

- 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.

Municipalities Driving Green Transition

Norway's largest cities are all 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, reflecting KBNs continuous work with both Environmental, Social and Governance related issues.
- More than 15% of the total lending portfolio consists of Green Loans, which offer favorable interest rates to climate- and environmental-friendly projects financed 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



ESG Rating

AA

On a scale from
AAA to CCC

Leader

A company leading its industry in
managing the most significant ESG
risks and opportunities.



ESG Rating

C+

On a scale from
D- to A+

Prime

Awarded to companies with an ESG
performance above the sector-specific
Prime threshold.

Project Examples

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



Biodegradable field fill reduces local pollution.



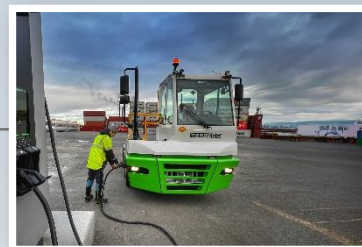
New low-energy school building with solar panels covering half of its electricity consumption.



Flood protection prevents damage from extreme weather.



Innovative hydrogen production from biogas aimed at capturing CO₂.



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.

Project period: 2023-2025

Tysvær municipality



Total cost:
490 000
(1000 NOK)

Green loan
outstanding:
83 000
(1000 NOK)

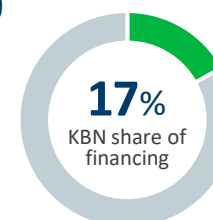


Photo: HOLON arkitektur



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 CO₂. 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 CO₂ 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)

12%KBN share of
financing

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)

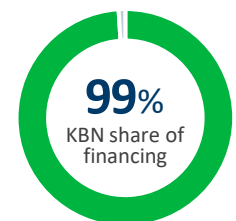


Photo: Borg Havn IKS

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:

4 500

(1000 NOK)

Green loan outstanding:

4 483

(1000 NOK)

100%
KBN share of
financing

Photo: Valdis 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

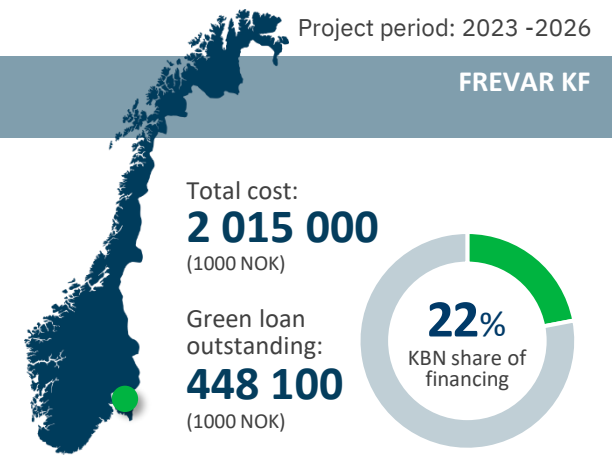


Illustration: FREVAR KF

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:
8 000
(1000 NOK)

Green loan
outstanding:
6 057
(1000 NOK)

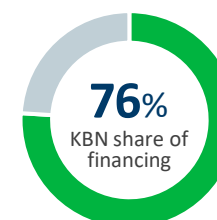


Photo: Idrettslaget Apollo



CASE



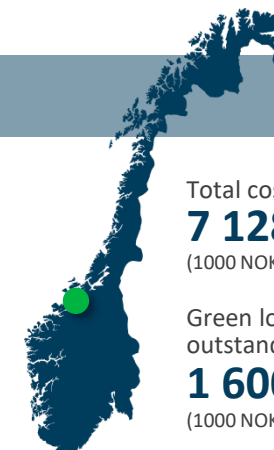
CLIMATE CHANGE ADAPTATION

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



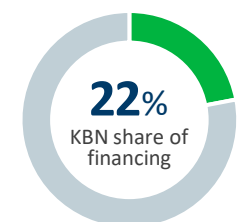
Total cost:

7 128

(1000 NOK)

Green loan
outstanding:**1 600**

(1000 NOK)



KBN FINANCIALS AND OPERATIONS

Financial Highlights

(Amounts in NOK 1 000 000)	3rd quarter 2024	January - September 2024	3rd quarter 2023	January - September 2023	2023
RESULTS					
Net interest income	595	1 699	556	1 572	2 105
Core earnings ¹	345	984	298	938	1 211
Profit after tax	310	1 194	197	866	1 432
Cost/income ratio (percent) ²	16.6%	16.7%	16.3%	15.1%	15.6%
Return on equity after tax ³	6.2%	8.0%	3.9%	6.3%	7.9%
Return on equity after tax (core earnings) ⁴	7.9%	7.3%	7.4%	7.6%	7.3%
Return on assets after tax ⁵	0.2%	0.3%	0.1%	0.2%	0.3%
LOANS TO CUSTOMERS					
New disbursements	11 453	30 378	10 817	32 186	53 429
Aggregate loans to customers ⁶	364 727	364 727	341 150	341 150	354 052
Aggregate customer financing ⁷	368 625	368 625	341 150	341 150	354 052
12 month lending growth in percent ⁸	6.9%	6.9%	5.7%	5.7%	7.8%
12 month aggregate financing growth in percent ⁹	8.1%	8.1%	5.7%	5.7%	7.8%
Green loans to customers ¹⁰	59 894	59 894	46 556	46 556	52 763
Share of green loans in lending portfolio	17.1%	17.1%	14.2%	14.2%	15.4%
Share of municipalities with green loans ¹¹	41.1%	41.1%	39.1%	39.1%	39.9%
LIQUIDITY PORTFOLIO⁶	128 078	128 078	129 261	129 261	114 610
DEBT SECURITIES ISSUED					
New long-term debt securities issued	21 263	82 843	29 877	62 771	76 935
Aggregate debt securities issued ⁶	457 205	457 205	467 286	467 286	438 407
TOTAL ASSETS	536 070	536 070	527 969	527 969	522 203
EQUITY					
Equity	21 863	21 863	20 671	20 671	21 684
Common equity Tier 1 capital adequacy ratio	18.2%	18.2%	18.2%	18.2%	17.4%
Leverage ratio	4.0%	4.0%	4.0%	4.0%	4.0%
LIQUIDITY COVERAGE RATIO (LCR)¹²					
Total	215%	215%	283%	283%	266%
NOK	93%	93%	95%	95%	87%
EUR	219%	219%	121%	121%	251%
USD	189%	189%	175%	175%	171%
AUD	127%	127%	26 525%	26 525%	1 253%
GBP	Infinite	Infinite	Infinite	Infinite	43 868%
OTHER KEY FIGURES					
Market share excl. Husbanken ¹³	50.0 %	50.0 %	50.4 %	50.4 %	51.1 %
Market share overall financing of customers excl. Husbanken ¹⁴	50.6 %	50.6 %	50.4 %	50.4 %	51.1 %
Percentage of women employed in KBN	34 %	34 %	38 %	38 %	36 %
Emissions in tons CO ₂ equivalents ¹⁵	17.7	69.9	21.6	71.9	111.5

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 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.

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

9 12-month growth based on aggregate customer financing (principal amount).

10 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 62.4 billion.

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

12 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.

13 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.

14 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.

15 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.



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.

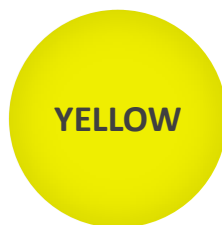
In accordance with the new municipal act in effect from 2020 all local governments will be required to implement financial target numbers for cost control and financial management to eliminate material financial risk.

KBN's Traffic Lights for Client Loan Requests



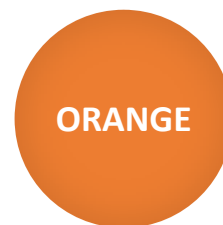
GREEN

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



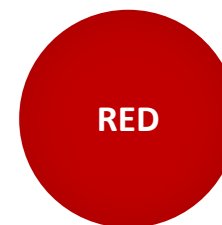
YELLOW

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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