

A woman with long brown hair, seen from behind, is swinging on a swing set. She is wearing a dark, patterned sleeveless dress. The swing is suspended by two ropes. In the background, there is a large body of water, likely a fjord, and steep, forested mountains with patches of snow or light-colored rock. The sky is overcast and grey.

KBN

The Norwegian Agency
for Local Governments

May 2023

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)**



**SUPERVISORY
BOARD (12)**

- 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.



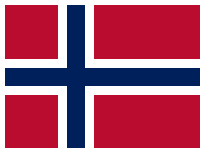
The Norwegian Agency
for Local Governments

AAA Rating In Line With Sovereign

CREDIT	RATINGS			RATING AGENCY	THEIR COMMENTS
	LONG	SHORT	OUTLOOK		
	AAA	A1+	Stable	<u>STANDARD</u> & <u>POOR'S</u>	<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	<u>STANDARD</u> & <u>POOR'S</u>	<ul style="list-style-type: none"> Very important role and integral link with Norway's central government. Very strong capitalization and liquidity position provide financial buffers. Extremely high likelihood of receiving extraordinary support in the unlikely event of financial distress. <p>(JUNE 2022)</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 over 90 years of operations. <p>(May. 2022)</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 directly to municipalities 87% and counties 13%.

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



ESG score:
(AA on a scale from AAA-CCC)

AA



Risk level:
(On a scale from Negligible to Severe)

Low



Status
(Prime status within peer group)

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	✓ 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.

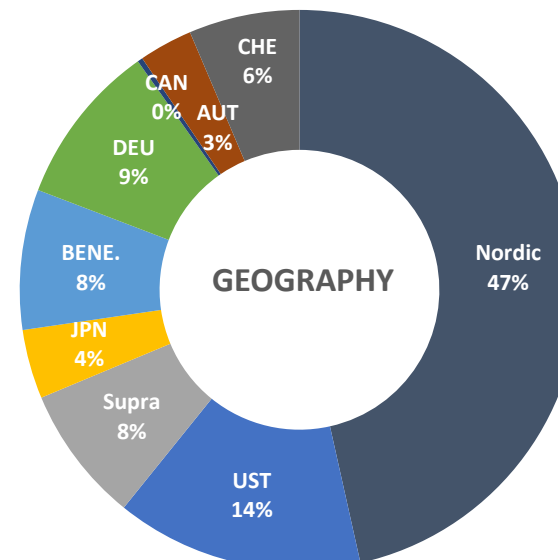
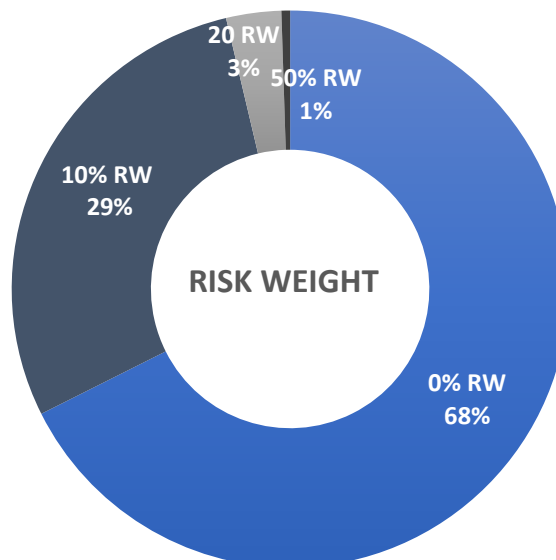
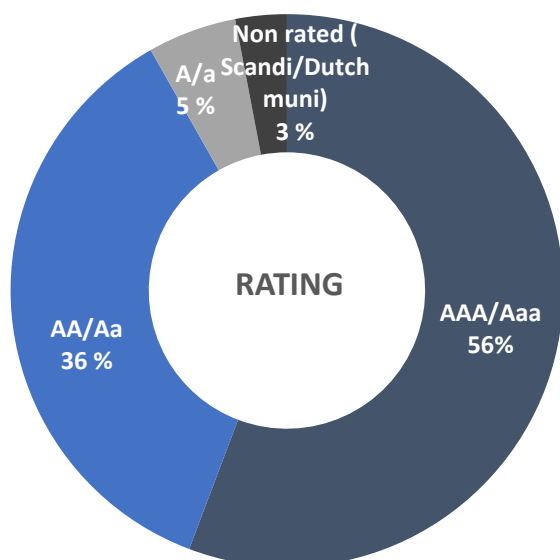
Large and High Quality Liquidity Buffer

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 1.5–2.0 years (1.0-1.5 years ex. UST).
- 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 solely in US Treasuries, Norwegian, German or French government papers.

PORTFOLIO BREAKDOWN

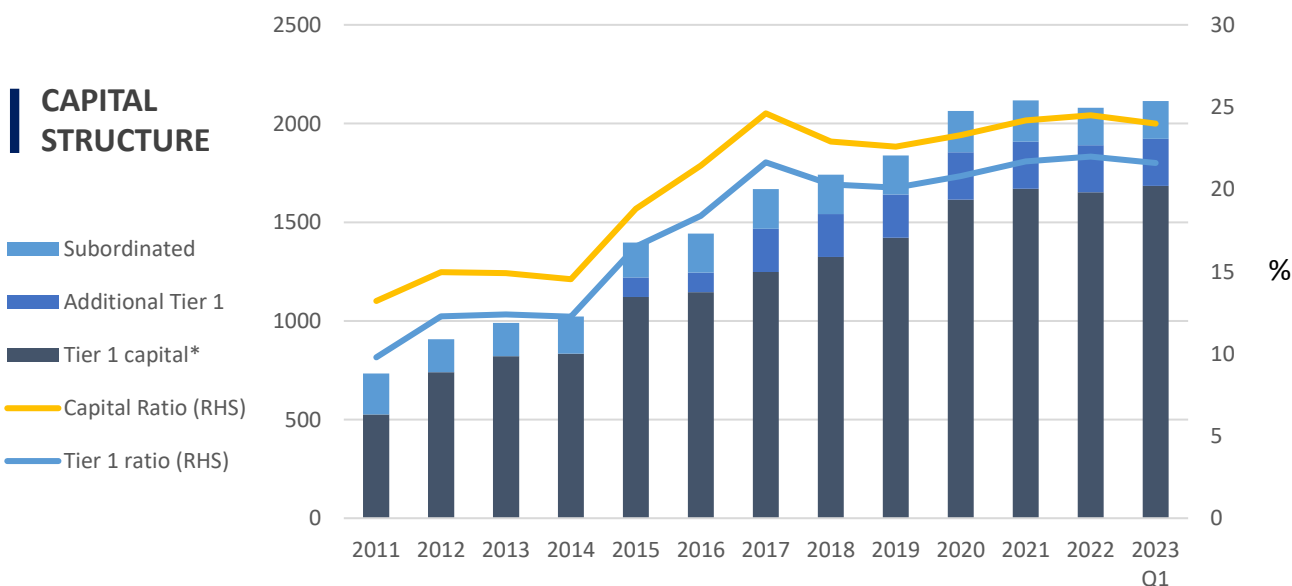
1.8 yr average maturity on liquidity portfolio (Apr 2023)



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 21.6% Q1 2023.
- KBN target a central government defined return on equity.
- Dividend can be paid to the Kingdom as owner. If the government ascertains that KBN's capital situation is satisfactory, part of result can be paid out as a dividend.
- 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 50 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

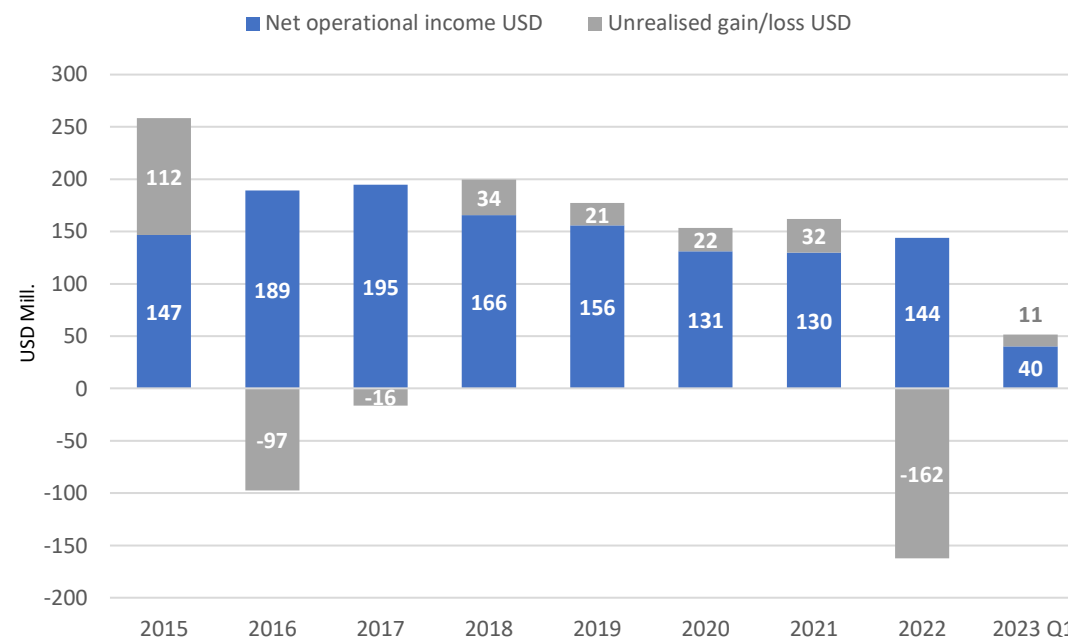
- The history of solid operational income and growth reflects well on KBN's conservative lending mandate and solid margins. KBN maintains financial performance targets to balance its state instrumentality role with ensuring it remains a financially viable institution.
- KBN's total Liquidity Coverage 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 0.05% 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	Q1 2023
Total Assets	46.1	49.8	47.3	49.2	50.5
Loan Portfolio	31.0	31.8	32.3	32.8	33.0
Leverage Ratio	3.6	3.7	3.7	3.9	3.8
Operating expenses/ total assets	0.055%	0.051%	0.054%	0.055%	0.055%

* USD/NOK 9.0



International Peer Group

	 The Norwegian Agency for Local Governments				
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 2023	USD 8bn	EUR 12-14bn*	EUR 16bn	EUR 45bn	EUR 80-85bn

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

KINGDOM OF NORWAY

Overview



POPULATION:

5,500,000



COUNTRY SIZE:

323 809 km²



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:

2nd



MAJOR EXPORT SECTORS:

- OIL and GAS
- 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

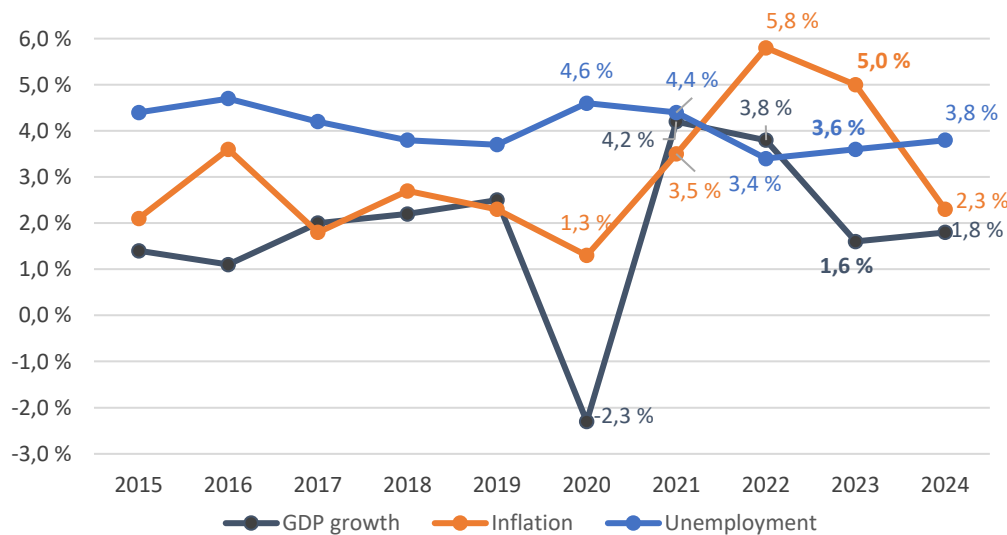
- Norway's economic fundamentals remain robust. At USD 557 bn¹ eq, Norway's GDP is broadly diversified across a range of productive sectors. Norway is one of the world's wealthiest countries based on GDP per capita.

- Key economic indicators for 2023²:**

18.4%	1.6%	5.0%	3.6%
Current Account Surplus	GDP Growth	Inflation	Unemployment

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

KEY ECONOMIC INDICATORS²



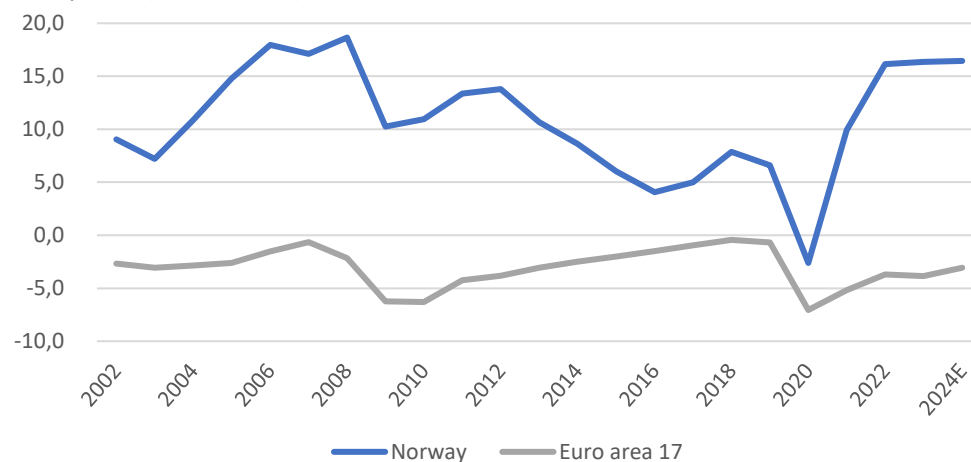
¹ Statistics Norway :2023 (USDNOK 10)

² Statistics Norway : March 2023

³ World Economic Forum Global Competitiveness Report, 2019

GENERAL GOVERNMENT FINANCIAL BALANCES

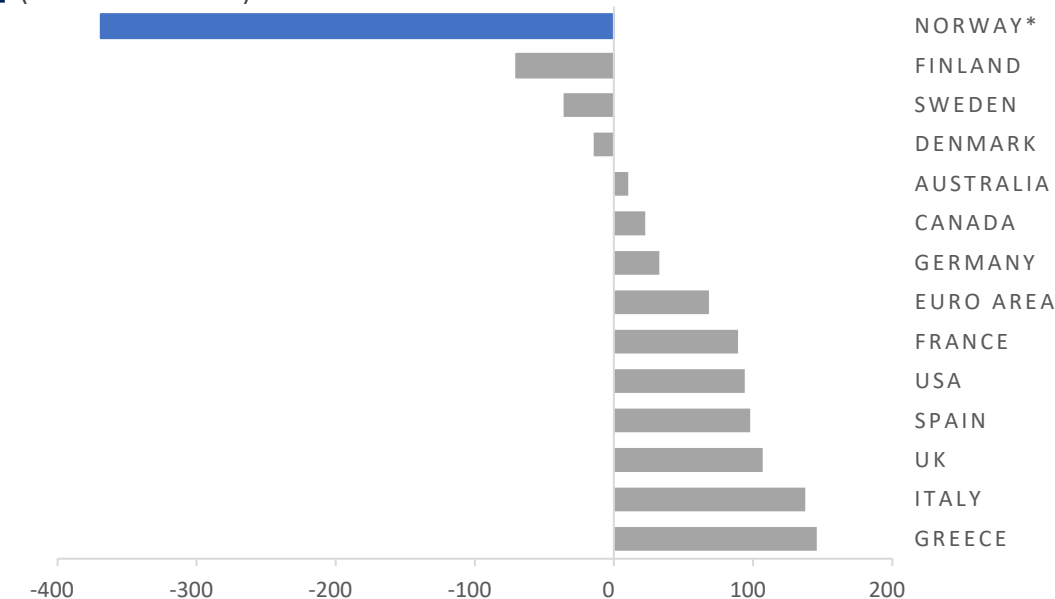
(Surplus (+) or deficit (-) as a % nominal GDP)



Source: OECD Economic Outlook No. 112 Nov 2022

GENERAL GOVERNMENT NET FINANCIAL LIABILITIES (2023)

(% of nominal GDP)



Source: OECD Economic Outlook No. 112 Nov 2022

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

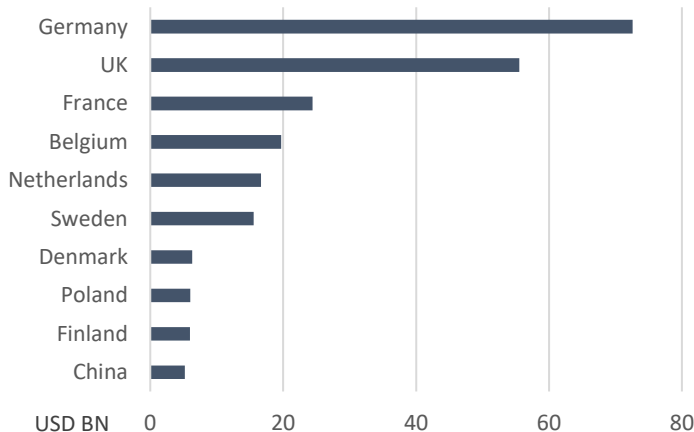
*OECD has not published an estimate for Norway since 2020. Figure for Norway is sourced from OECD EO 109

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 in 2023.
- 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.

EXPORTS OF GOODS

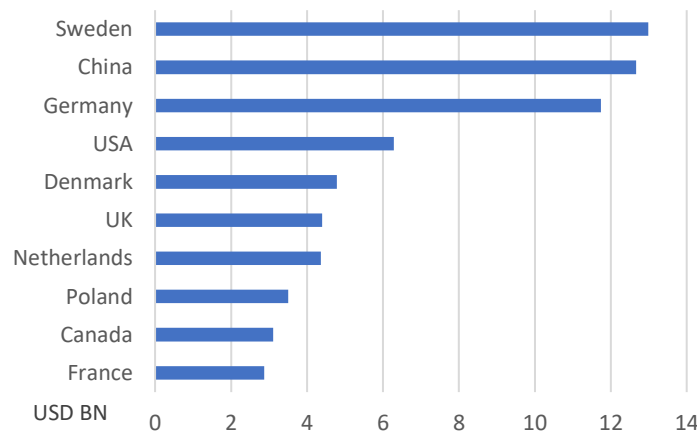
Main Trading Partners (2022)



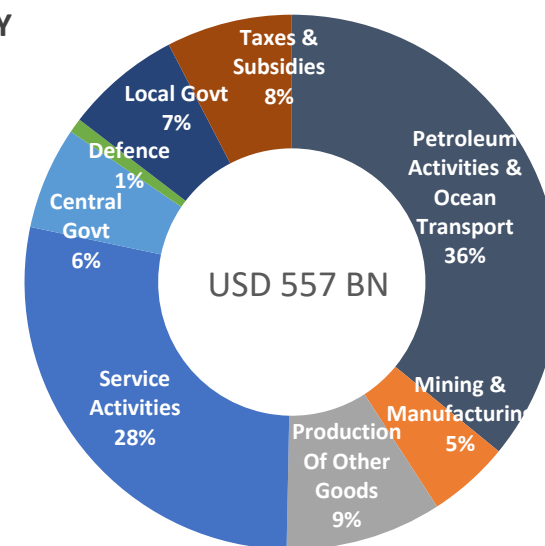
Source: Statistics Norway 2023 (USDNOK = 10)

IMPORTS OF GOODS

Main Trading Partners (2022)

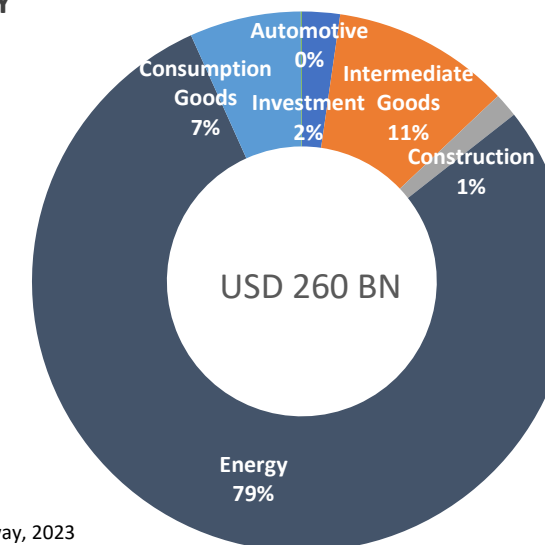


NORWAY GDP (2022)



Source: Statistics Norway, 2023
USDNOK 10

NORWAY EXPORT (2022)



Source: Statistics Norway, 2023
USDNOK 10

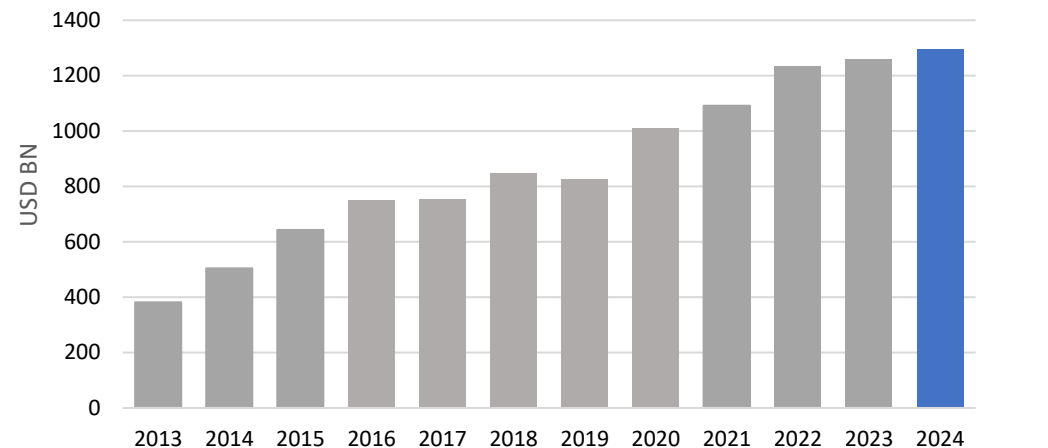
Norway Sovereign Wealth Fund

– A Long-term Contributor To The Nation's Wealth

- Norway's sovereign wealth fund (Government Pension Fund Global – GPFG) year end 2022 assets of USD 1.26 trillion (NOK 12.6 tr. eq). This ranks the GPFG as the world's largest SWF.¹ The size corresponds to around 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 end 2022, the Fund's actual average net annual real rate of return has been 3.5%.
- The history, objectives and management of the Norwegian sovereign wealth fund can be explored further here: <http://www.nbim.no/en>.

VALUE OF GOVERNMENT PENSION FUND GLOBAL (GPFG)

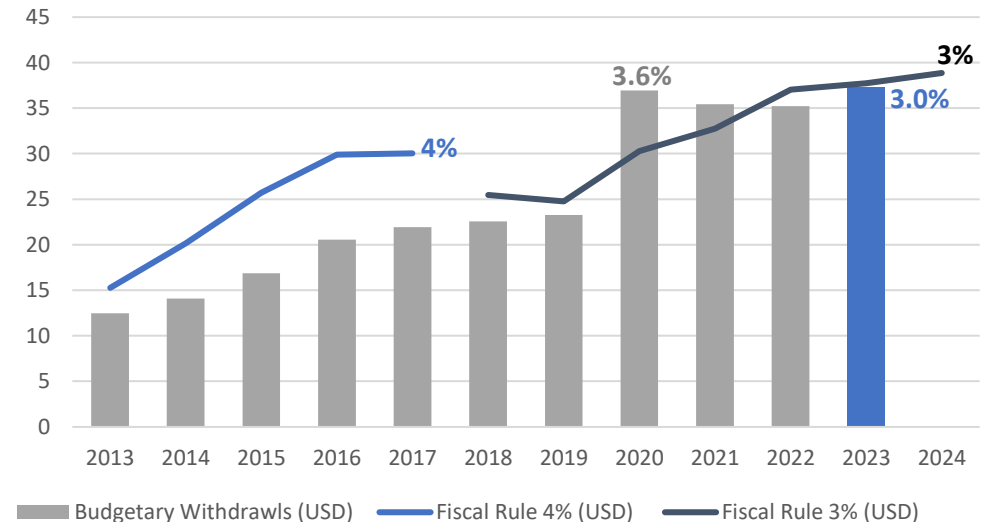
as of Jan 1. (2024 EST.)*



* The calculations of the projections from 2023 onwards assumes an annual real rate of return of 3% and a structural deficit adjusted to this path

USD/NOK 10.0

EXPECTED NET REAL RETURN AND ACTUAL WITHDRAWAL FROM GPFG



■ Budgetary Withdrawals (USD) ■ Fiscal Rule 4% (USD) ■ Fiscal Rule 3% (USD)

* USD/NOK 10.0

* USD/NOK 8.00

1 – Sovereign Wealth Fund Institute : December 2021

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



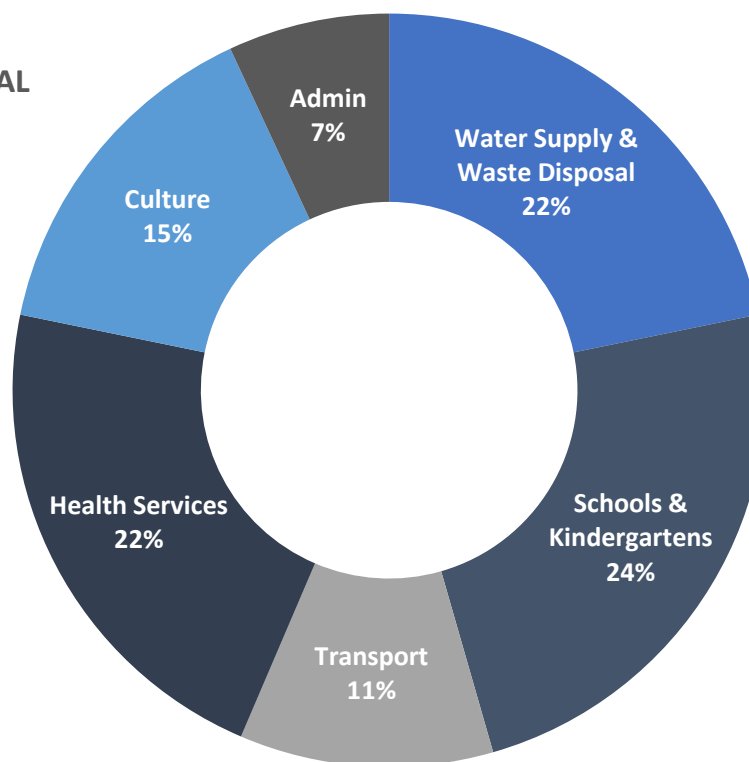
LENDING OPERATIONS

KBN Lending Across Norway

- KBN oversees a diversified loan portfolio of USD 33bn*. This reflects a market share of approx. 50% of client borrowings. 100% of Norway's 11 counties and 356 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 4.0 BN IN LENDING

to climate-friendly projects across a broad range of project categories. This represents 13% of the total lending portfolio.

For 2022, green lending for investment in climate and environmentally friendly projects grew by a record 8.4bn NOK equivalent to 24%.

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

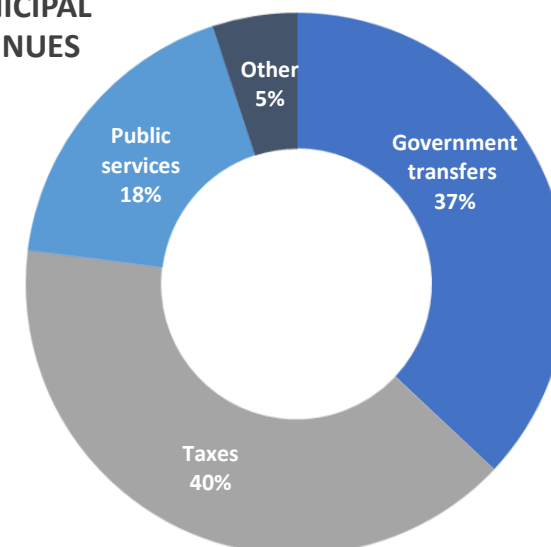
- All local government budgets are monitored and supervised by the central government. Strict limits are in place to manage financial conduct.
- Under the Local Government Act, counties and municipalities are prohibited from going bankrupt. Thus, they are subject to extensive central government oversight 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

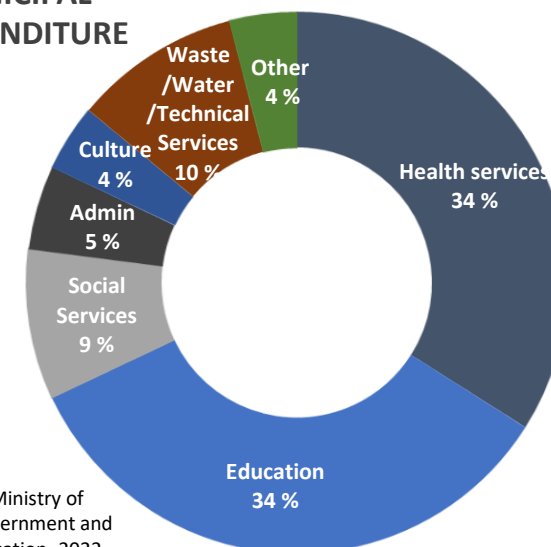
"Norwegian local governments are among the most regulated and supervised in Europe"

- Moody's Investors Services

MUNICIPAL REVENUES



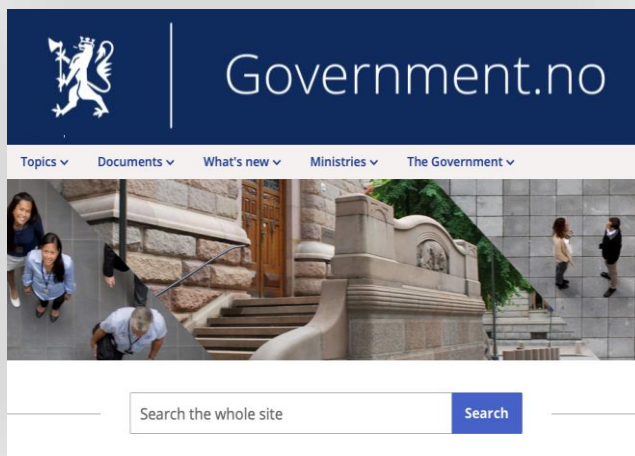
MUNICIPAL EXPENDITURE



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.
- An amalgamation process of local governments is helping smaller and medium-sized municipalities gain economies of scale in administration, management, operations, resulting in efficiency and cost-effectiveness. In 2020 the number of local governments were reduced from 422 to 356 and Counties from 18 to 11.



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

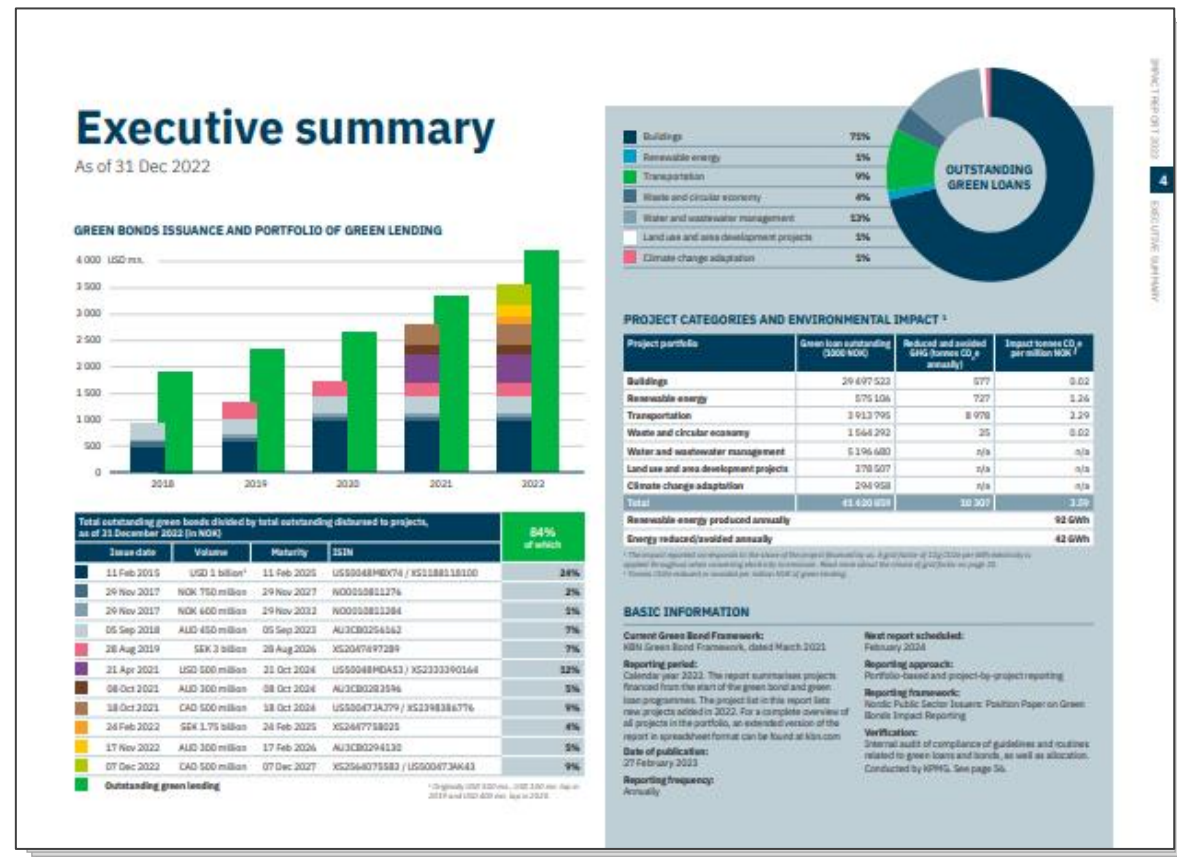


COUNTIES (residents)

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 2023, KBN had completed USD 4.0 bn in lending to climate-friendly projects representing 13% of the total lending portfolio. For 2022, the green loan portfolio grew by 24%.





FUNDING OPERATIONS

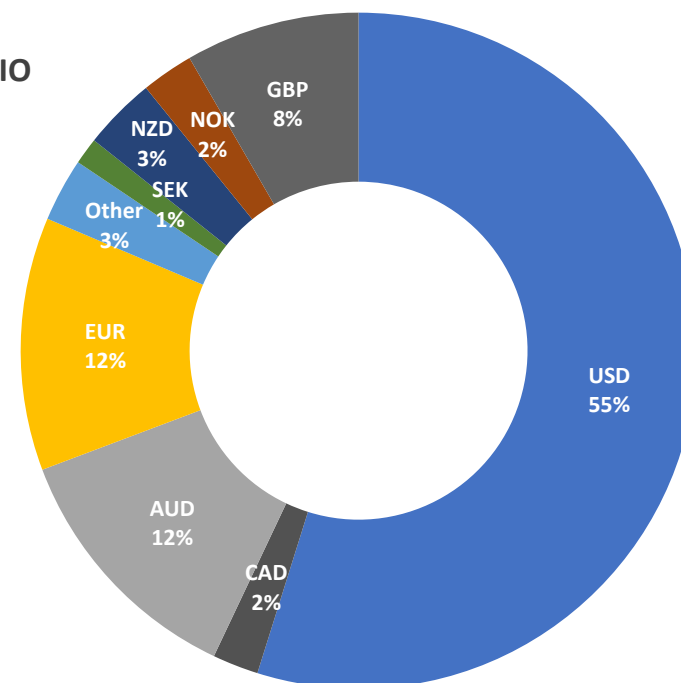
Flexible and Diversified Investor-Driven Funding Program

- KBN's borrowing program for 2023 will be approximately USD 8 billion. For 2022, the final program size was USD 9.2 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

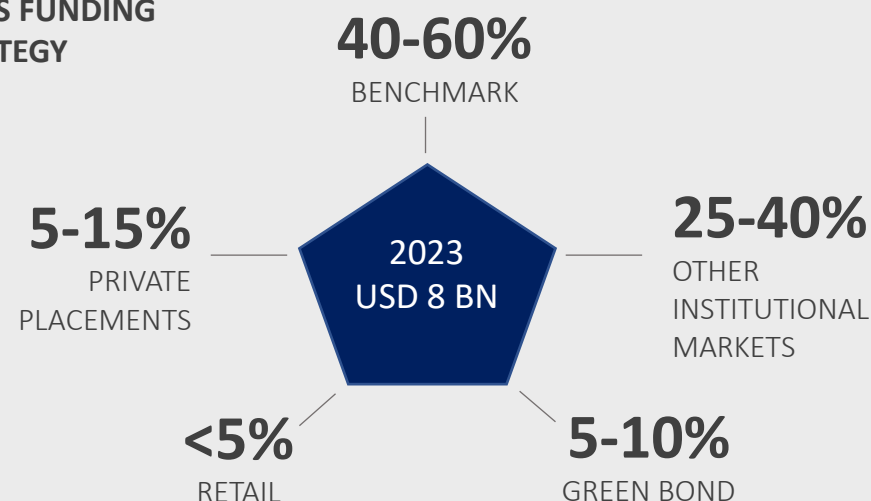
- A considerable portion of KBN's annual borrowing program is raised by issuing liquid benchmark securities.
- KBN recognizes the value of maintaining a solid partnership with investors for these offerings, and seeks to offer attractive relative value, with excellent credit quality.
- Principles guiding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

DEBT PORTFOLIO

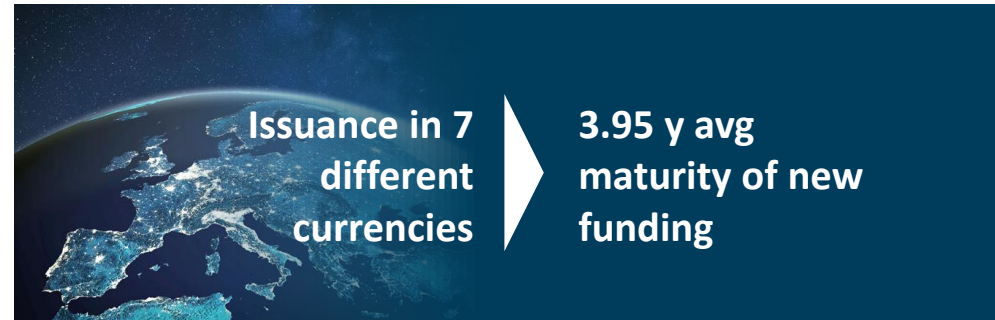
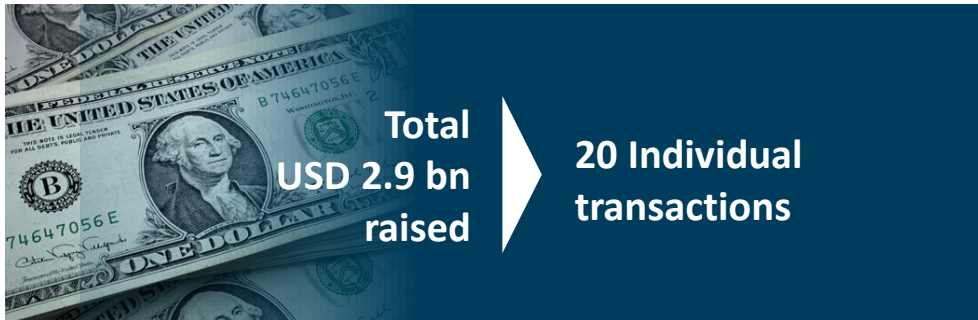


*As of Apr 2023

KBN'S FUNDING STRATEGY



KBN Funding 2023 - YTD



USD
1.00 bn

5-year Jan 2028
Benchmark

NZD
300 mn

3-year May 2026
Kauri

AUD
400 mn

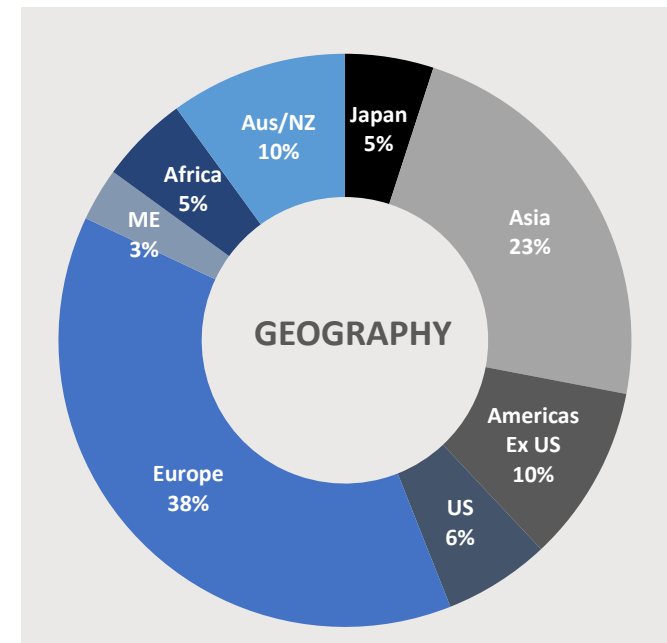
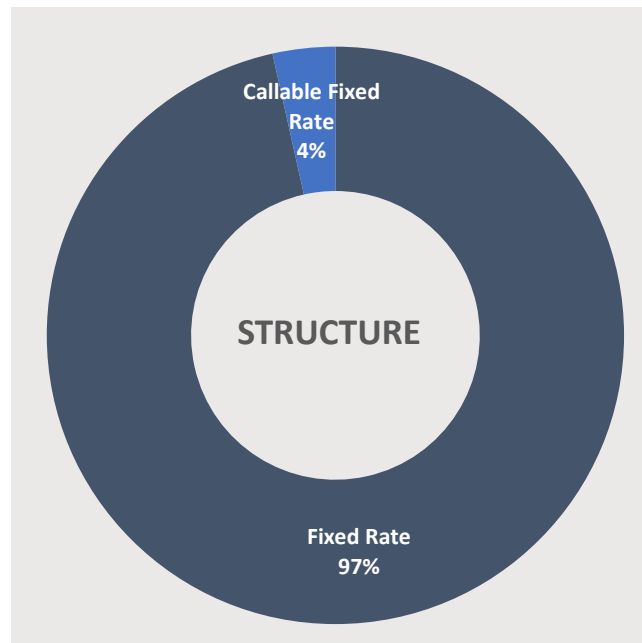
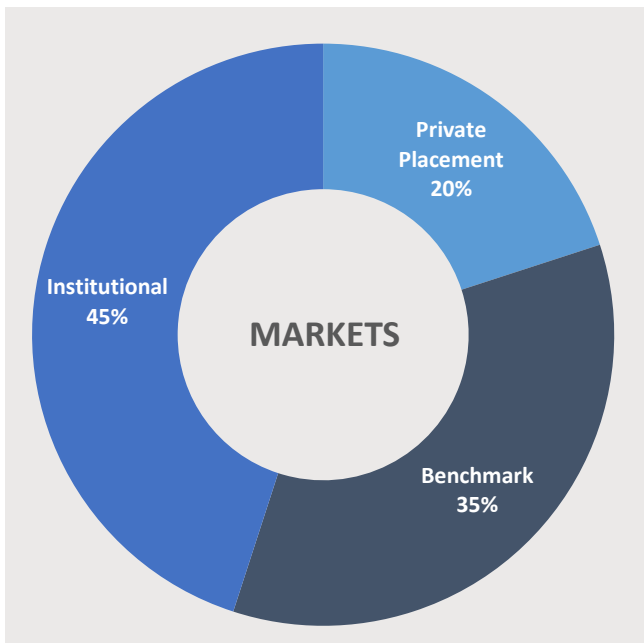
5-year Jan 2028
Kangaroo

CAD
300 mn

5-year Mar 2028
Benchmark

GBP
300 mn

3-year Feb 2026
Benchmark



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 2023, KBN plans to issue 3-4 USD benchmarks in maturities ranging from 2 to 10 years.

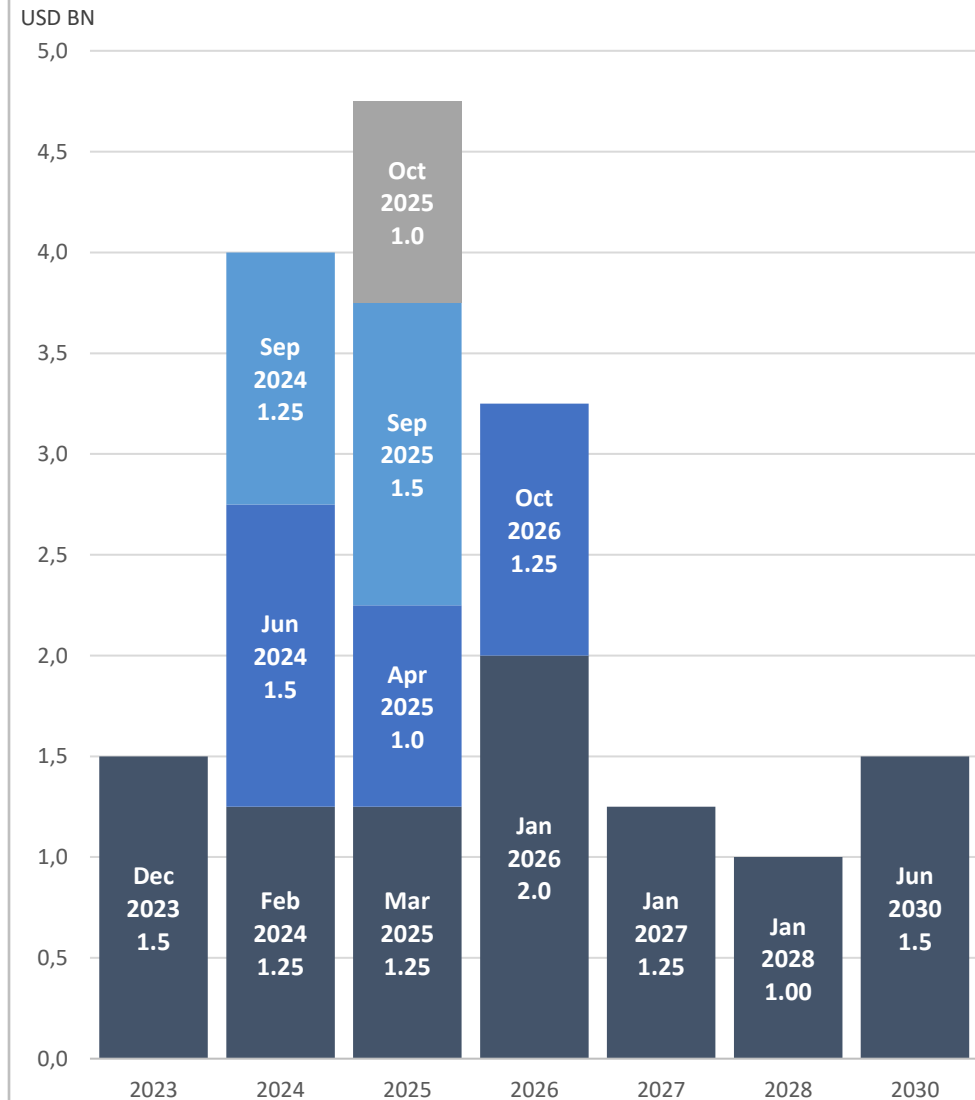


KBN currently has 13 USD benchmark transactions outstanding. The total notional amount is USD 17.25 bn.



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

OUTSTANDING 144 A BENCHMARKS

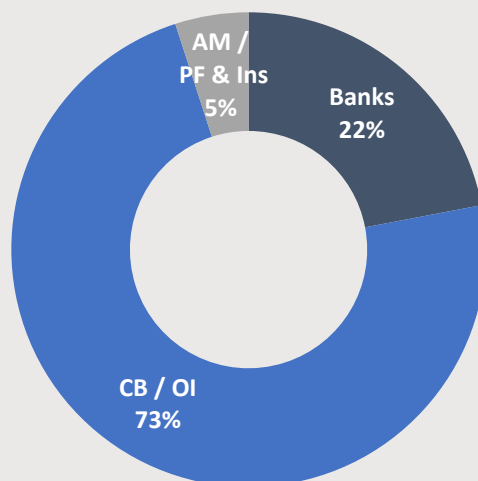


USD Benchmark Distribution

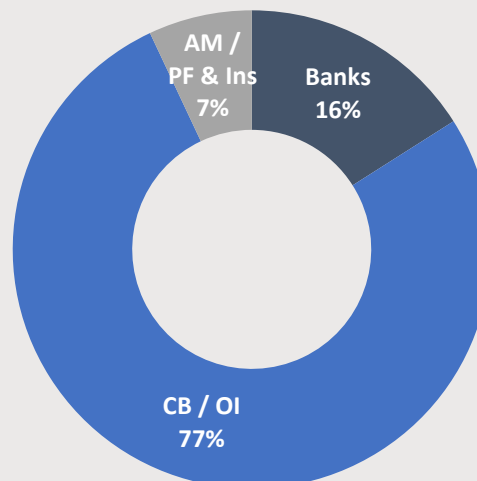
Investor type

Distribution on last
3 USD Benchmarks

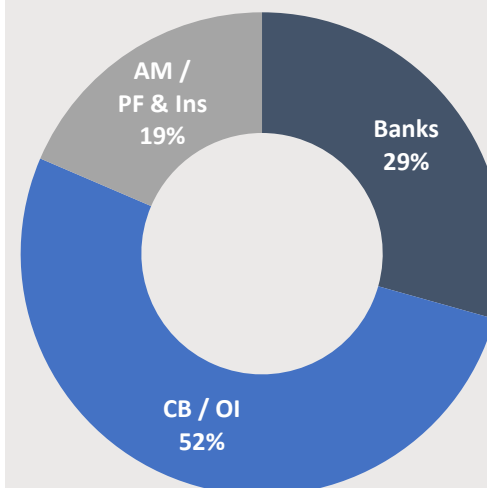
Mar 2022 @ MS SOFR +26
USD 1.25bn 2.5yr Sep 2024



Oct 2022 @MS SOFR +41
USD 1.00bn 3yr Oct 2025

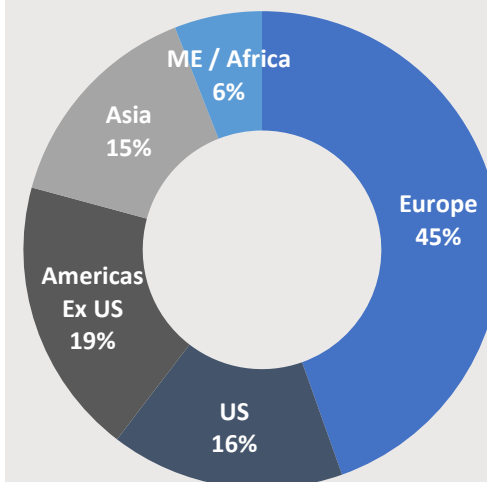
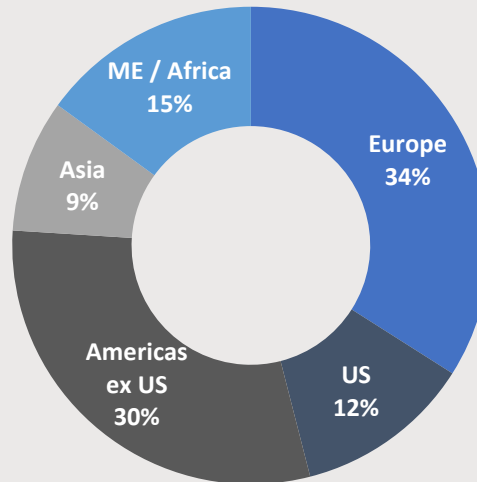
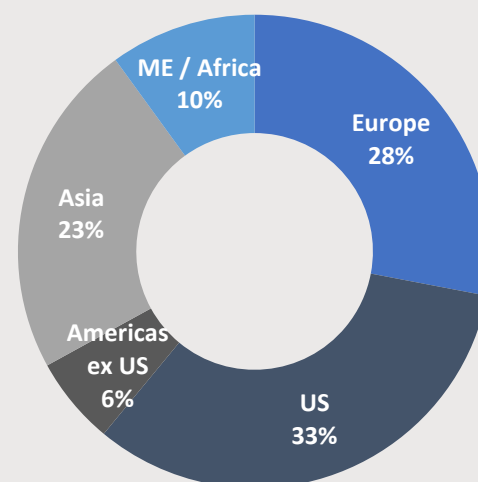


Jan 2023 @MS SOFR +57
USD 1.00bn 5yr Jan 2028



Investor geography

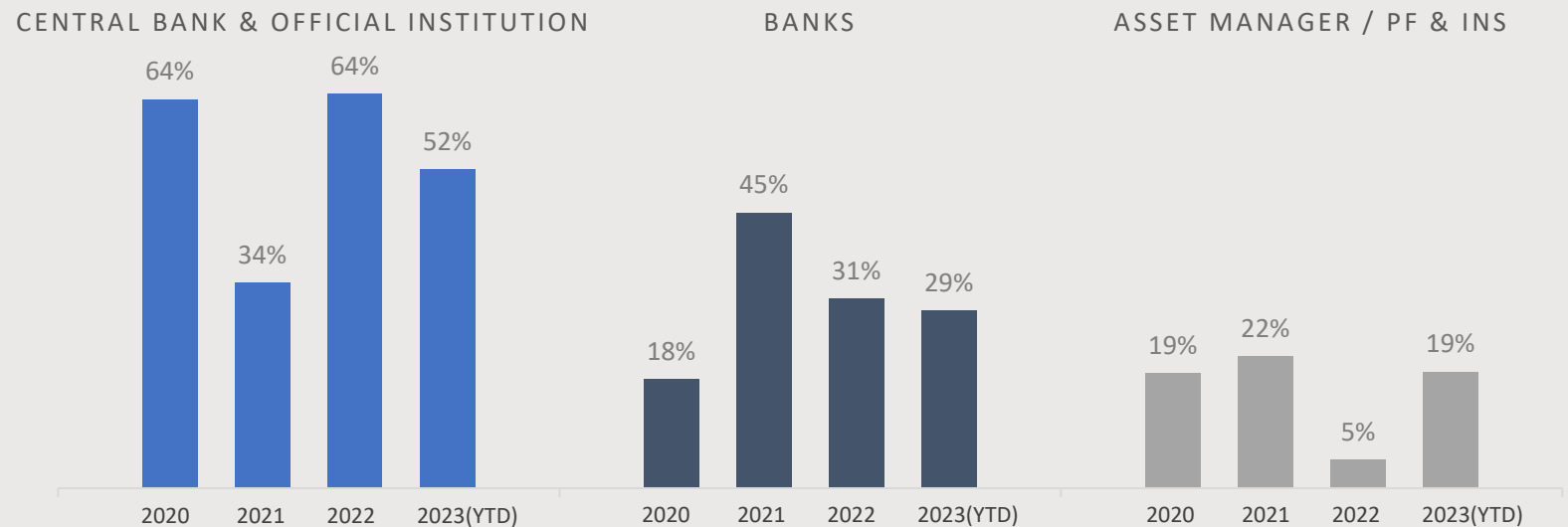
Distribution on last
3 USD Benchmarks



USD Benchmark Distribution

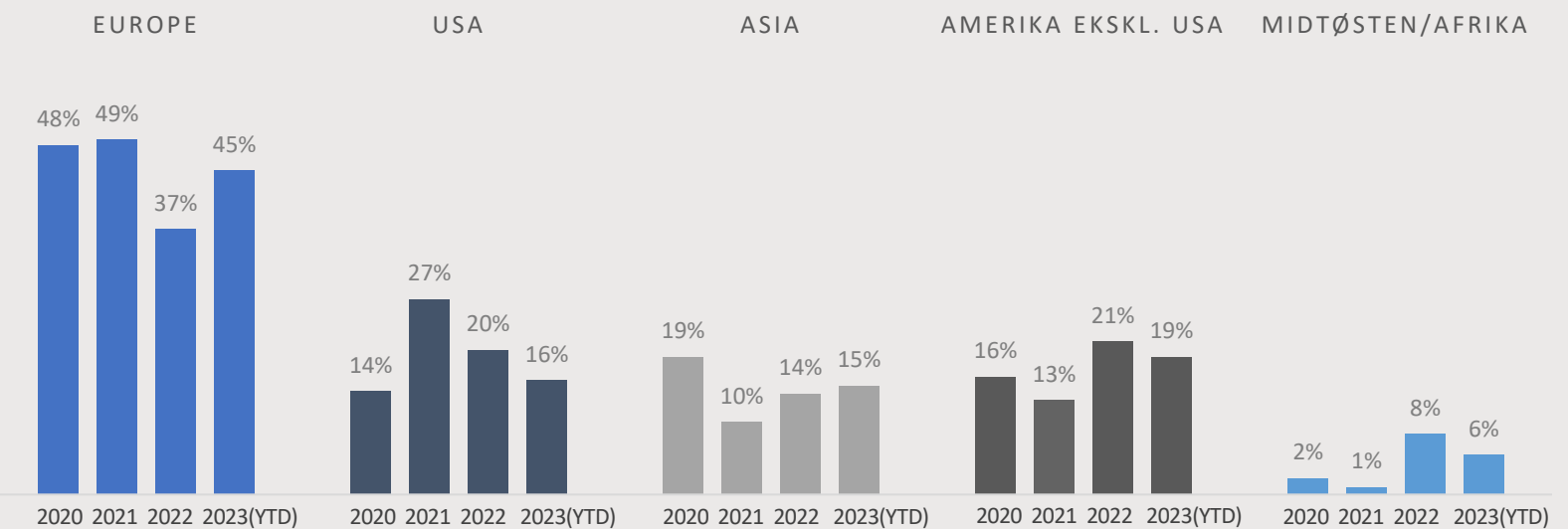
Investor type

– Yearly averages



Investor geography

– Yearly averages



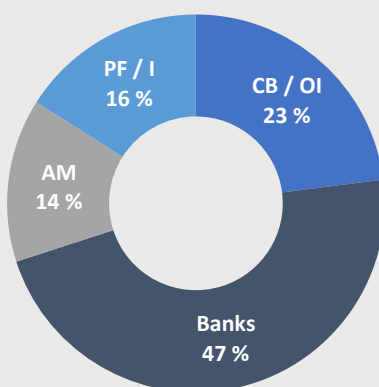
EUR Benchmark Strategy

Diversifying The Funding Program via Investor-driven Issuance

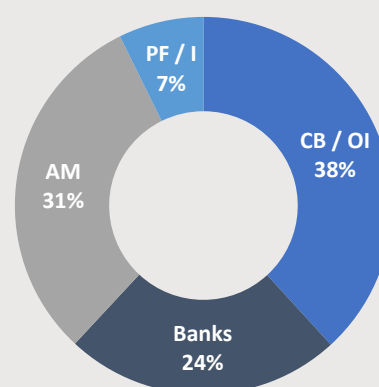
- Broaden the KBN investor base
- Expand market presence
- Raise visibility in Continental Europe
- Provide liquidity and performance for investors
- Issue in size of EUR 1 bn minimum
- Target maturities from 5 to 10 years

Investor type

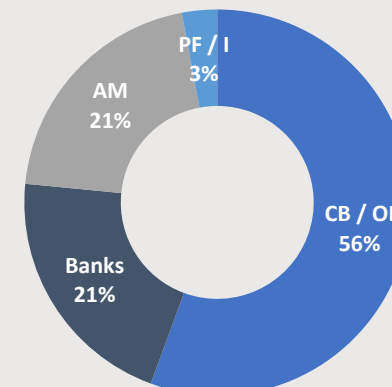
MAY 2017 @ MS+4
EUR 1.0BN 10Y MAY 2027



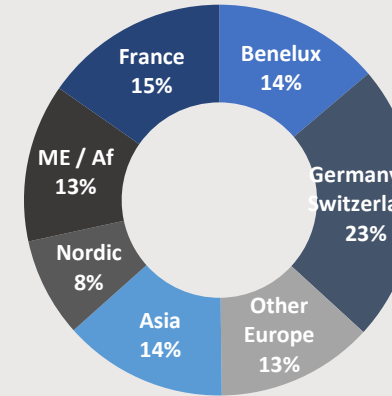
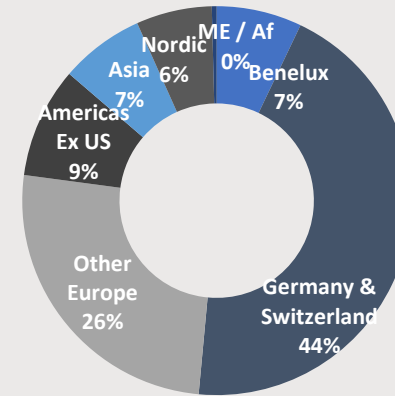
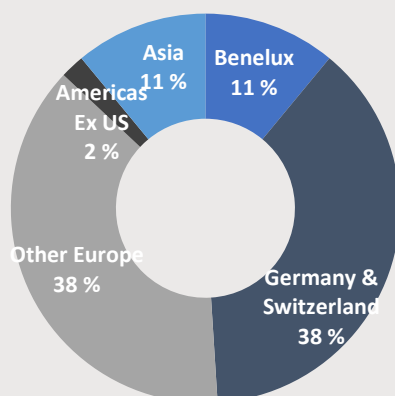
Oct 2019 @ MS +7
EUR 1.0 BN 10Y OCT 2029



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



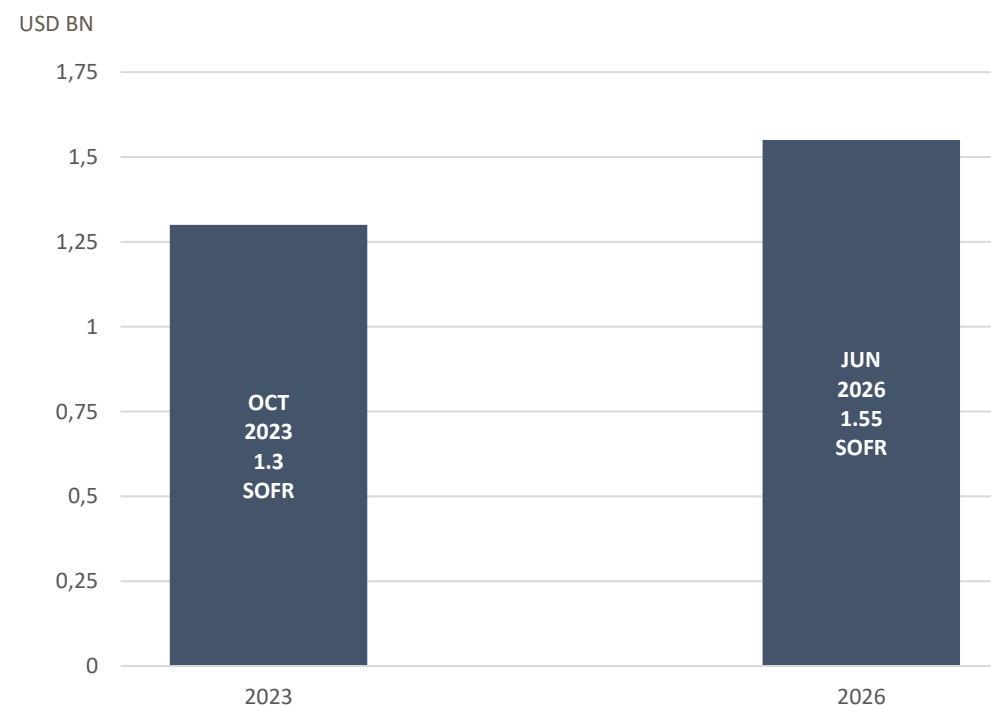
Investor geography



USD FRN Strategy

- KBN was for many years been one of the more active issuers of Libor USD FRNs.
- Issuance has historically responded to investor demand, enabling KBN to tap into discrete pools of liquidity that prefer floating-rate investments. This strategy will be continued as KBN builds its SOFR referenced curve.
- 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.
- SOFR referenced Private Placement opportunities will be assessed on a case-by-case basis.

OUTSTANDING USD 144A/REGS FRNs



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



AUSTRALIA – KANGAROO

- Currently AUD 7.36 bn outstanding
- 14 issues: 2023, 2024, 2025, 2026, 2027 2028, 2029, 2030, 2032
- Recent launch:
 - AUD 400 mn Jan 28
 - AUD 300 mn Feb 26 Green Bond



NEW ZEALAND – KAURI

- Currently NZD 2.4 bn outstanding
- 6 issues: 2023 2024, 2025, 2027 2030
- Recent Launch:
 - NZD 300 mn May 26
 - NZD 500 mn Feb 27



UNITED KINGDOM – EMTN

- Currently GBP 2.715 bn outstanding
- 6 issues: 2023, 2024, 2025, 2026
- Recent launch:
 - GBP 300 mn Feb 26
 - GBP 50 mn Dec 25 TAP



NORWAY – VPS/EMTN

- Currently NOK 11.65 bn outstanding
- 11 issues: 2023, 2025, 2026, 2027, 2028, 2029, 2031, 2032, 2033 2036, 2037
- Recent launch:
 - NOK 1.0 bn Apr 37
 - NOK 1.1 bn Feb 31



SWEDEN – EMTN

- Currently SEK 5.75 bn outstanding
- 4 issues: 2024, 2025, 2026
- Recent launch:
 - SEK 1.75 bn Feb 25 Green Bond
 - SEK 3.0 bn Aug 26 Green Bond



CANADA – EMTN

- Currently CAD 1.3 bn outstanding
- 3 issues: 2024, 2027, 2028
- Recent launch:
 - CAD 300 mn Mar 28
 - CAD 500 mn Dec 27 Green Bond

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

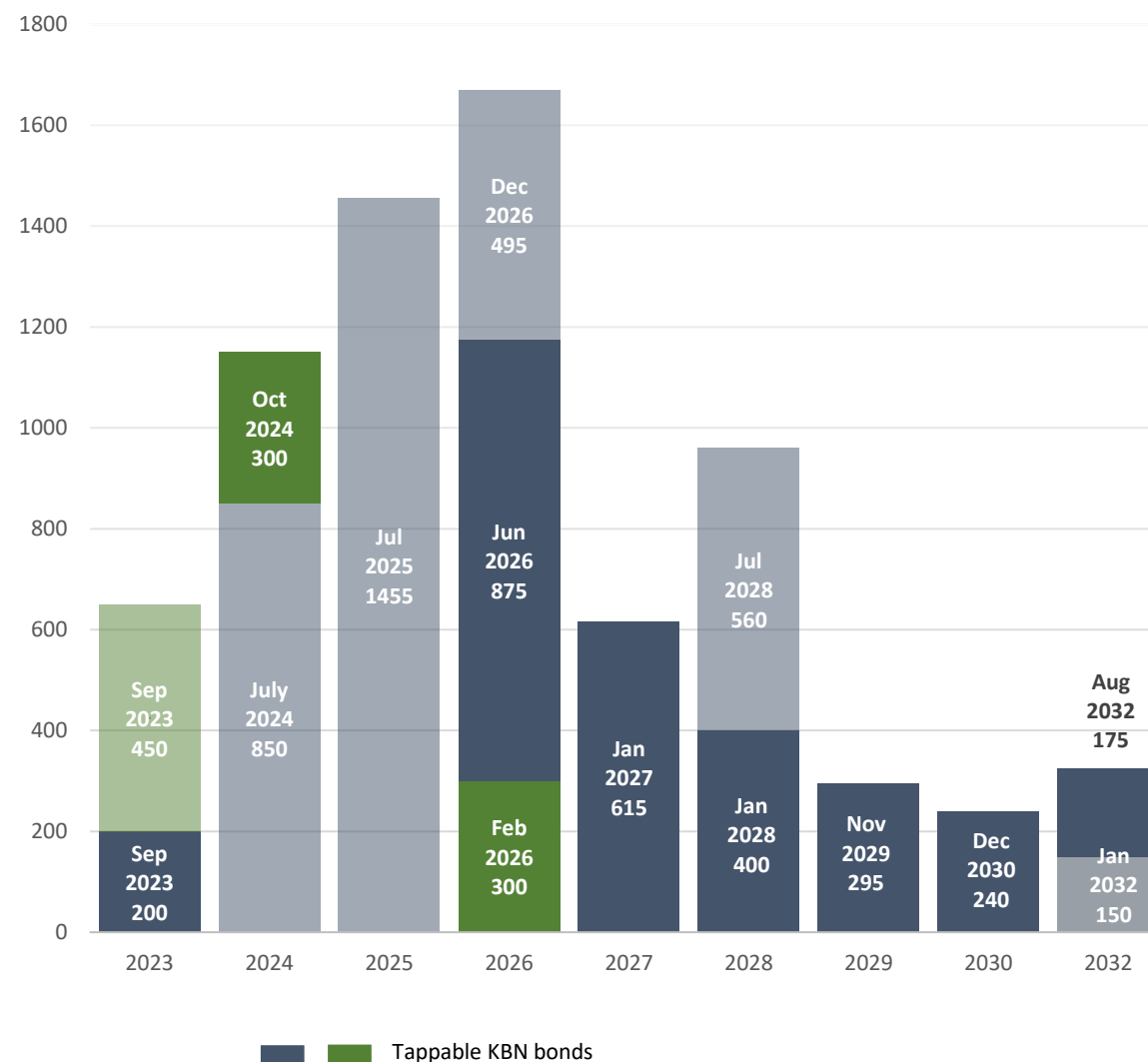
- 2020: AUD 520 mn
- 2021: AUD 1015 mn
- 2022: AUD 1240 mn
- 2023 YTD : AUD 475 mn

2023 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

7.36 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 – NZD

Active In The Kauri Market Since 2007

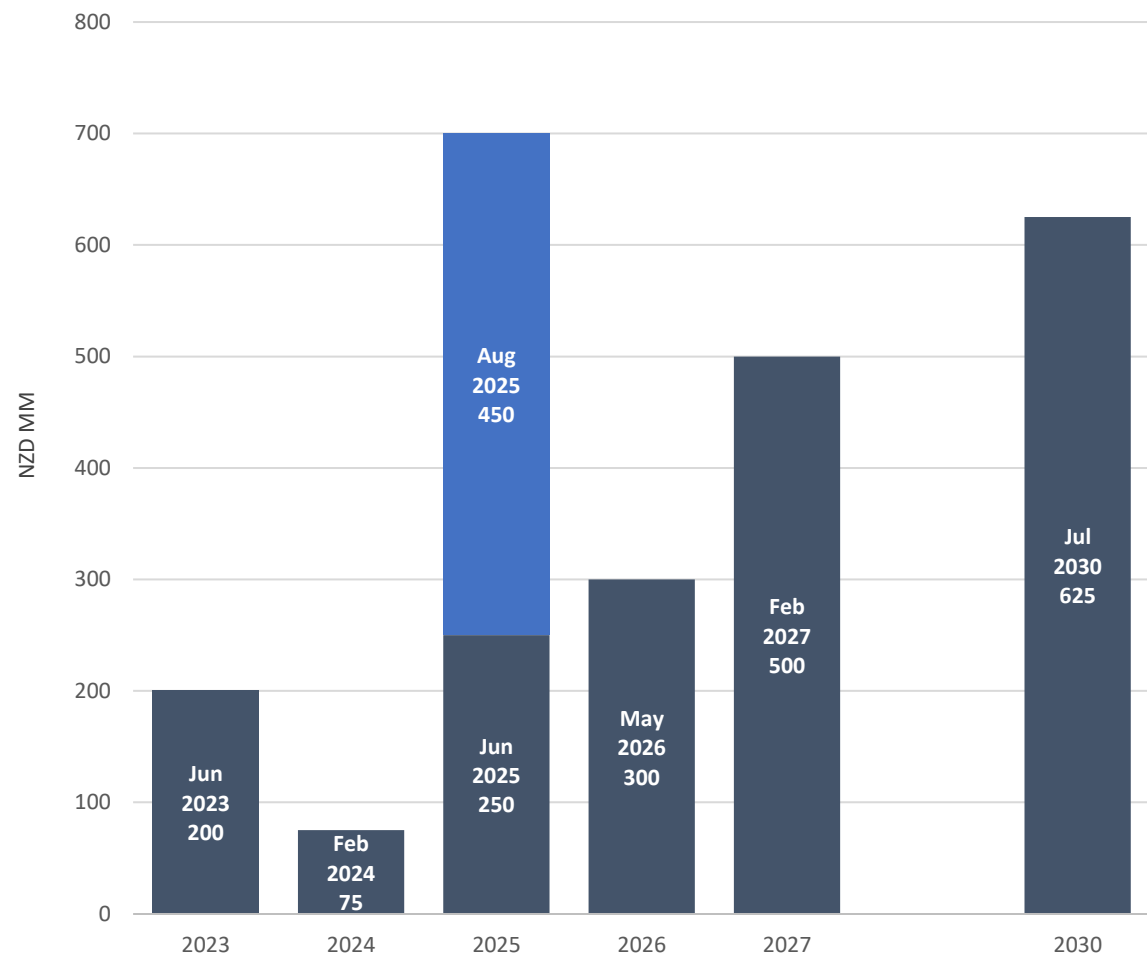
- Supply NZD investors with high quality investments based on market demand
- Long term commitment to building investor relationships
- Focus on 2-10y maturity
- Potential for Green NZD issuance
- Fixed and Floating formats

Total Annual Issuance

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

KBN NZD REDEMPTION PROFILE

2.40 BILLION OUTSTANDING





Institutional Public Markets – GBP

2023 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

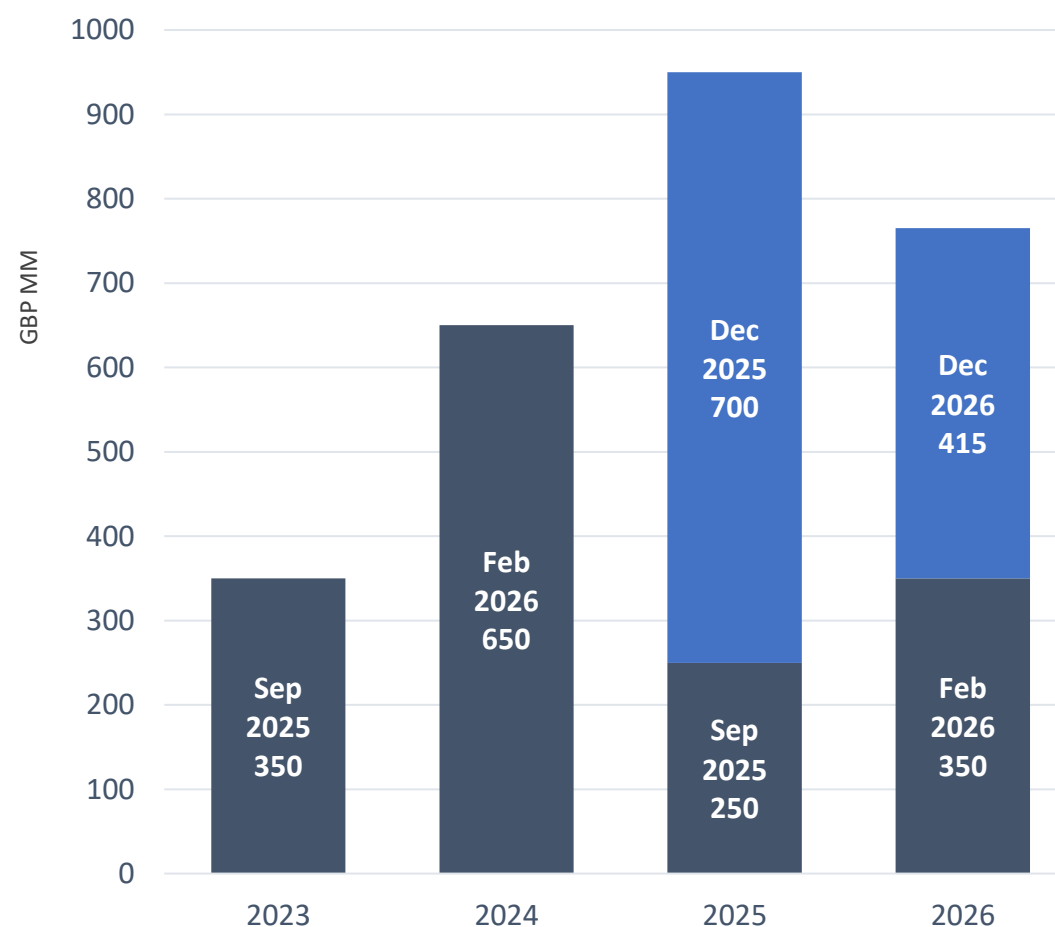
- GBP 2.565 bn outstanding
- 6 issues: 2023, 2024, 2025, 2026
- 2021/2022 Issuance : GBP 1.565bn



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

KBN GBP REDEMPTION PROFILE

2.715 BN OUTSTANDING





Institutional Public Markets – CAD

2023 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

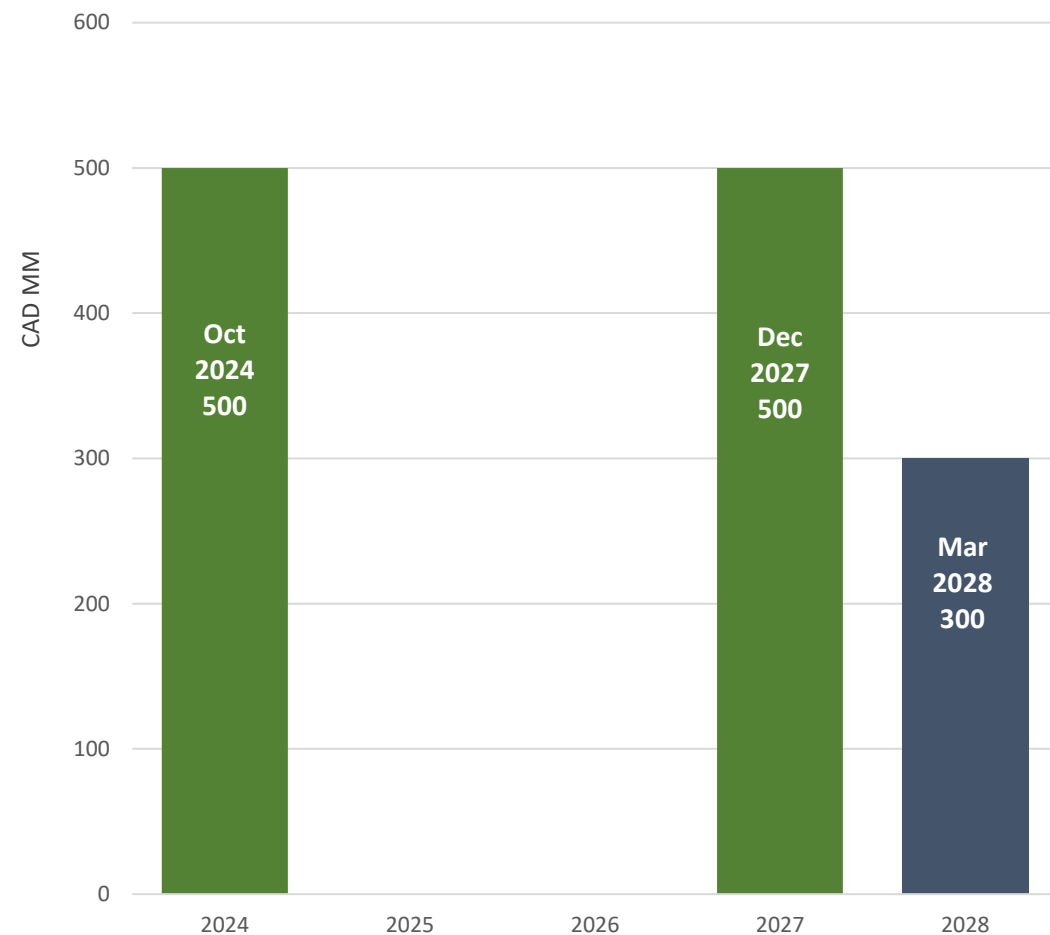
- CAD 1.3 bn outstanding
- 3 issues: 2024, 2027, 2028
- 2021 Issuance : 500 mm Green
- 2022 Issuance : 500 mm Green
- 2023 Issuance YTD : 300 mm



KBN re-entered the CAD market with Green Bond issuance in 2021 and 2022. KBN's goal is to continue to build market presence and the CAD Market offers great diversification for KBN's funding program

KBN CAD REDEMPTION PROFILE

1.3 BN 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

- KBN ECP Programme : Size Unlimited
 - Tenor : 1 to 12 months
 - Currencies : EUR and USD
 - Rating : P-1/A-1+



KBN Green Bond Issuance

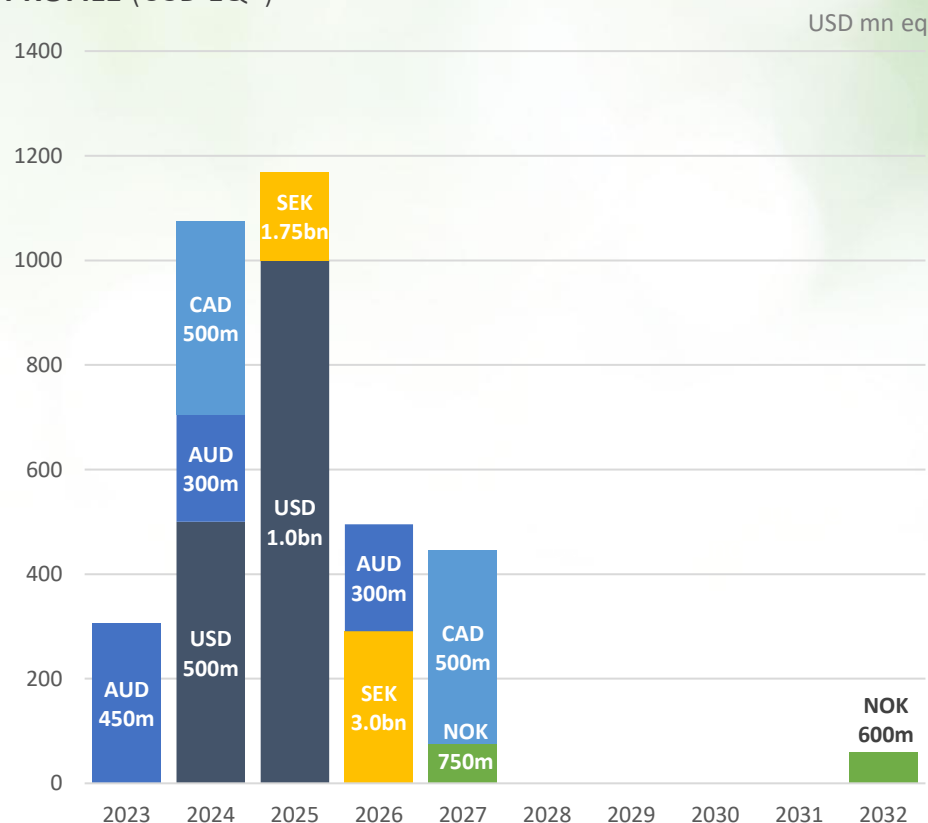
- KBN was one of the first European issuers to issue a green bond in USD.
 - The past years we've experienced a strong global increase in investor demand for our issues in USD, NOK, AUD, SEK and CAD.

STATUS

Total Outstanding: **3.55** BN. USD*

Apr 2023

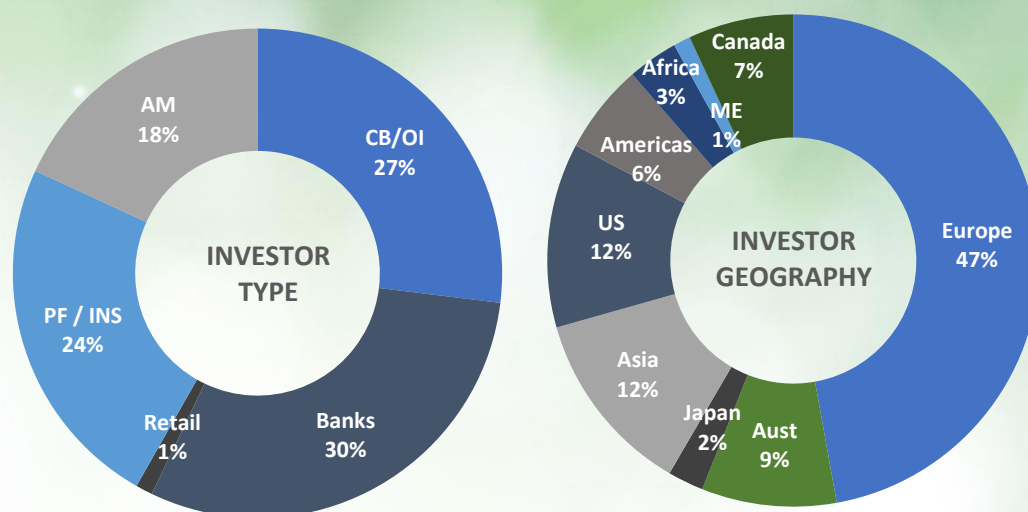
KBN PUBLIC GREEN BOND MATURITY PROFILE (USD EQ*)



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

OUTSTANDING KBN PUBLIC GREEN BOND ISSUANCE*

Investor Type and Geography



* As of Apr 2023

KBN - Norwegian State Agency – A Solid AAA Credit

- 1.** 100% owned and supervised by the Kingdom of Norway (AAA/Aaa)
- 2.** Monoline business model, financing core local government welfare investments in Norway and no cross border lending.
- 3.** Counties and municipalities – KBN's clients - are prohibited by law from declaring bankruptcy
- 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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gef@kbn.org



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>

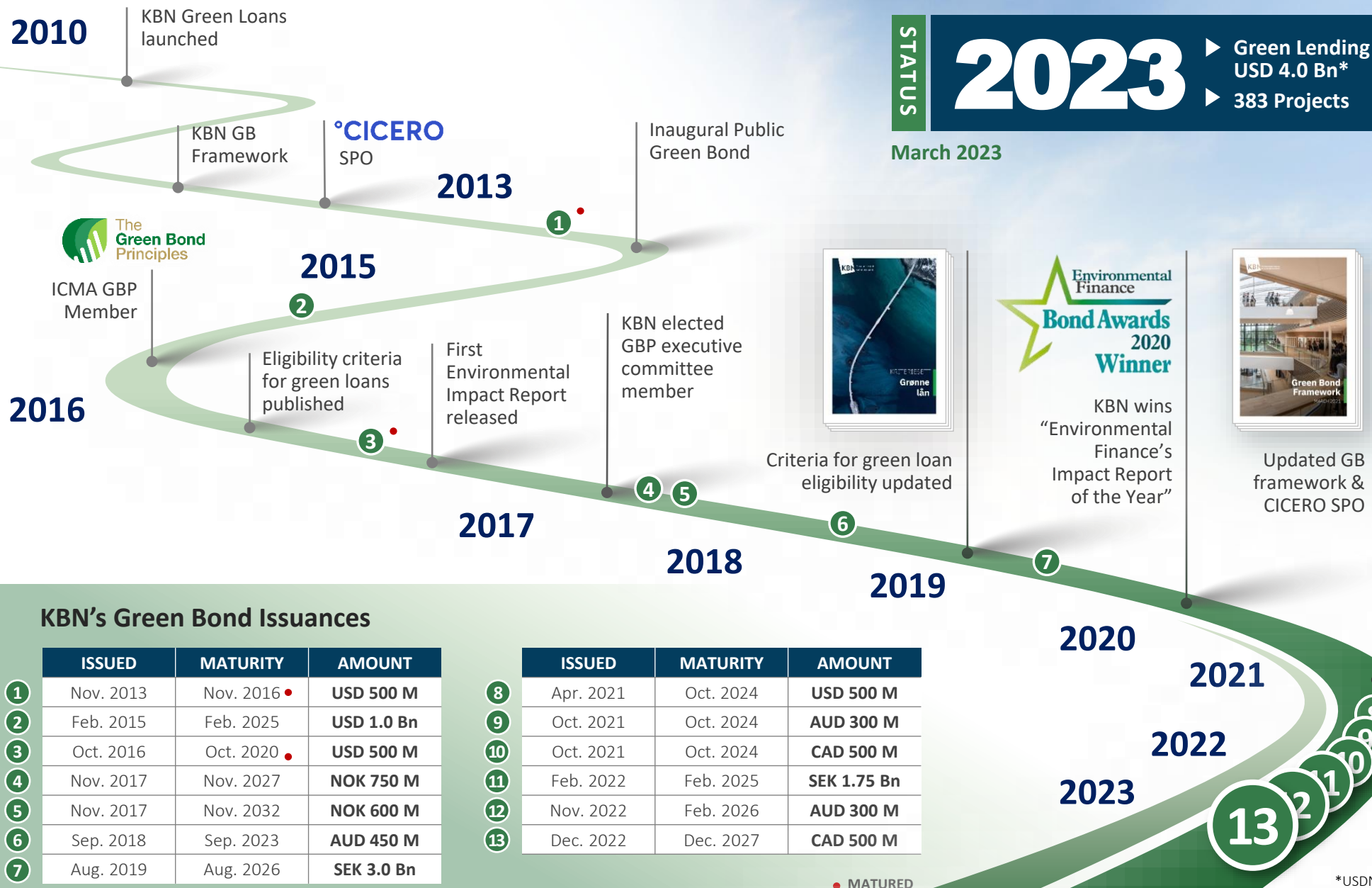
ICMA: Green Bond Principles
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

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ANNEXES KBN GREEN BONDS

The Evolution of KBN'S Green Strategy



KBN Green Bond Framework 2021

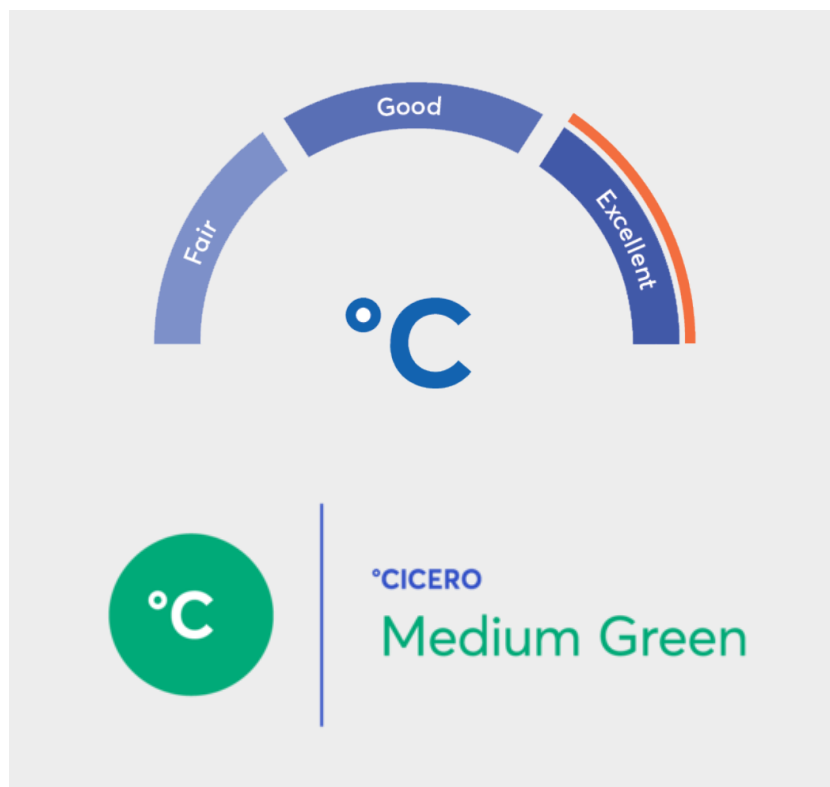
KBN's March 2021 Green Bond Framework replaces our 2016 Framework. All proceeds from bonds and taps dated after the update will be allocated to projects in line with the new Framework.

- ✓ Reinforces Green Finance as a strategic priority for KBN
- ✓ All projects must be aligned with 2021 version of KBN's Green Loan eligibility criteria, guided by KBN's external Green Expert Committee
- ✓ Annual in-house assessment of criteria's alignment with EU Taxonomy
- ✓ Annual third party review of asset selection process and allocation



CICERO Second Opinion

*“Based on the overall assessment of the project types that will be financed by the green finance, governance, and transparency considerations, KBN’s green bond framework receives a **CICERO Medium Green** shading and a governance score of **Excellent**. Although the framework contains many Dark Green elements and features an excellent governance structure, the main category, Green buildings, contains elements that allows for projects not rated Dark Green.”*



CICERO 2ND OPINION OF KBN'S GREEN PROJECT CATEGORIES

Buildings	● Medium Green
Renewable Energy	● Medium to Dark Green
Transportation	● Medium to Dark Green
Waste and Circular Economy	● Medium to Dark Green
Water and Wastewater Management	● Dark Green
Land Use and Area Development Projects	● Medium to Dark Green
Climate Change Adaptation	● 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



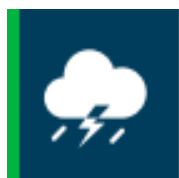
TRANSPORTATION

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
2.1.1 Renewable energy production Applies to the following: a) Biogas plants b) Geothermal wells c) Solar cells or solar thermal collectors d) Pellet or wood chip heating systems e) Other renewable energy sources. ➔ For renewable energy production systems for buildings, see the Buildings category.	<ul style="list-style-type: none"> Expected annual energy production (kWh/year)
2.2 ENERGY STORAGE	DOCUMENTATION
2.2.1 Energy storage in connection with energy production facilities Storage of locally generated energy using one of the following methods: a) Electrical storage, e.g. batteries b) Thermal storage c) Storage as hydrogen. ➔ For the installation of energy storage solutions for buildings, see the Buildings category.	<ul style="list-style-type: none"> Expected storage capacity (kW)
2.3 ENERGY INFRASTRUCTURE	DOCUMENTATION
2.3.1 Network capacity Municipalities' contribution to work to construct or upgrade the network's capacity, e.g. a construction contribution.	<ul style="list-style-type: none"> Expected increase in capacity (MW)
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 or surplus heat/cold generated by other processes can also be used. The use of mineral-based emergency fuels can only be approved for clearly defined emergency situations. ➔ For the installation of charging points for electric cars, see the Transport category.	<ul style="list-style-type: none"> Expected increase in capacity (MW) Expected distribution between energy sources (%)



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.

Example of Eligibility Criteria: Renewable energy



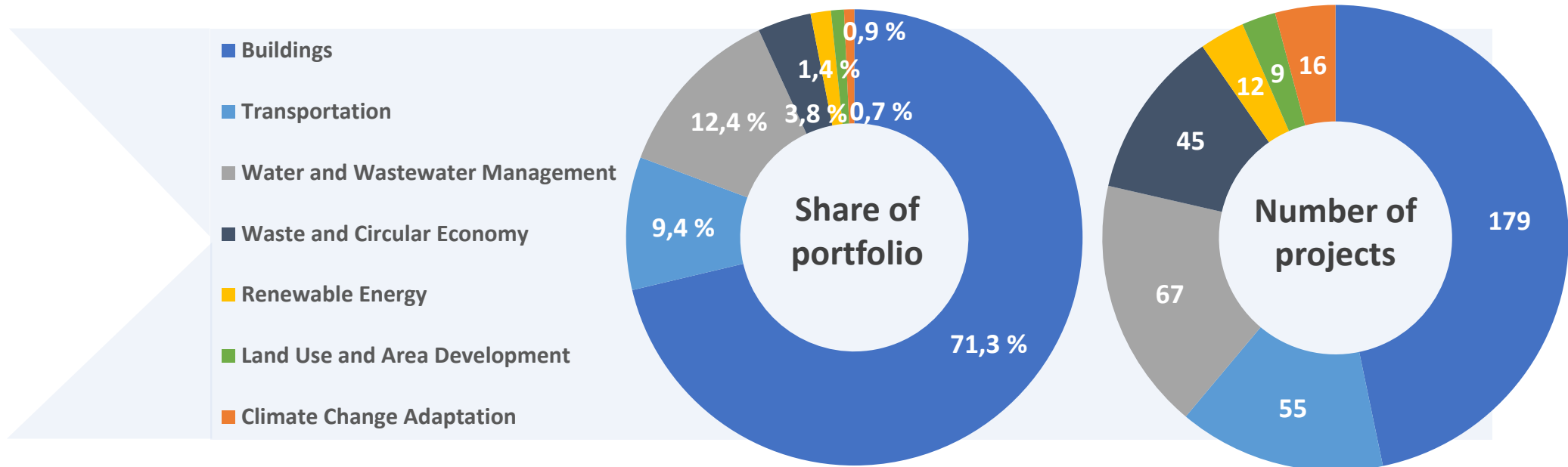
[Criteria Document for Green Loans \(pdf\)](#)



Green Lending Portfolio

GREEN LOANS OUTSTANDING
USD 4.0 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 - End of year 2016-2022



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

By the end of 2022, Green Lending accounted for 13% of KBN's total outstanding lending. KBN's goal is to reach 20% by 2025.

*USDNOK = 10

Paris-aligned eligibility criteria

KBN's discounted Green Loans are investments aiming towards a zero-emission and climate resilient society in line with the Paris agreement.

KBN does not allow any investments locking 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 have fossil-based peak loads only as a fallback solution



Governance

KBN's green loan and bond programs are governed by the obligations we have set out in our [Green Bond Framework \(2021\)](#), which is aligned with the four pillars of the Green Bond Principles.



Green loan process

- 1** The customer submits an application for a green loan. The climate or environmental impact for which the customer must provide evidence are specified for each category.
- 2** The customer's account manager assesses whether the project is in line with KBN's green lending criteria and prepares a recommendation which is forwarded to an internal climate adviser for evaluation.
- 3** The climate adviser makes a technical evaluation of the project describing uncertainty, impact and documentation associated with the project. If the project qualifies, it is forwarded to a climate controller for quality assurance purposes.
- 4** The climate controller checks that the account manager and climate adviser's assessments are verifiable and that the project qualifies for a green loan.

Management of funds

KBN's green bonds and green loans are tagged and tracked separately in KBN's systems. The total amounts of KBN's green funding and lending are reported in KBN's ordinary quarterly reports.

As a rule, KBN's outstanding green lending will always exceed its outstanding green borrowing, as this means that 100% of the funds it has borrowed by issuing green bonds are always allocated to green projects.

Use of funds

The funds raised by KBN's green bond issues can only be used to finance projects that satisfy KBN's green lending criteria.

This [criteria document](#) represents KBN's 'taxonomy' and sets out criteria for the categories of project that can be granted a green loan.

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), but 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.
- Our reporting is limited to emissions and emissions reductions that fall under Scopes 1 and 2*
- From 2022, 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 11 grams of CO₂e per kilowatt hour

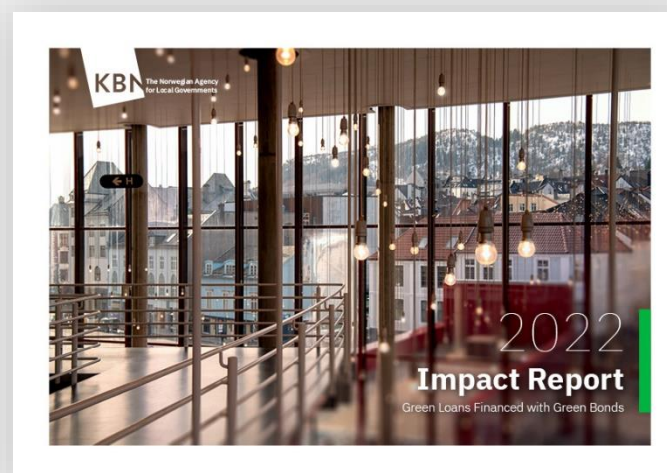
- Many projects will have a positive environmental impact for which no tangible impact data is provided in this report. This may be because the impact cannot be measured, and/or because there is no sufficient basis for comparison. A natural consequence of this is that the total impact that we report is probably somewhat lower than the actual impact
- 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 it's Impact Report with data on the environmental impact of it's 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 2020](#)



[2022 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 2022

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 KBNs green bonds. The map shows the geographic location of these.



92 GWh renewable energy produced annually

10 307 tonnes of CO₂e reduced and avoided annually

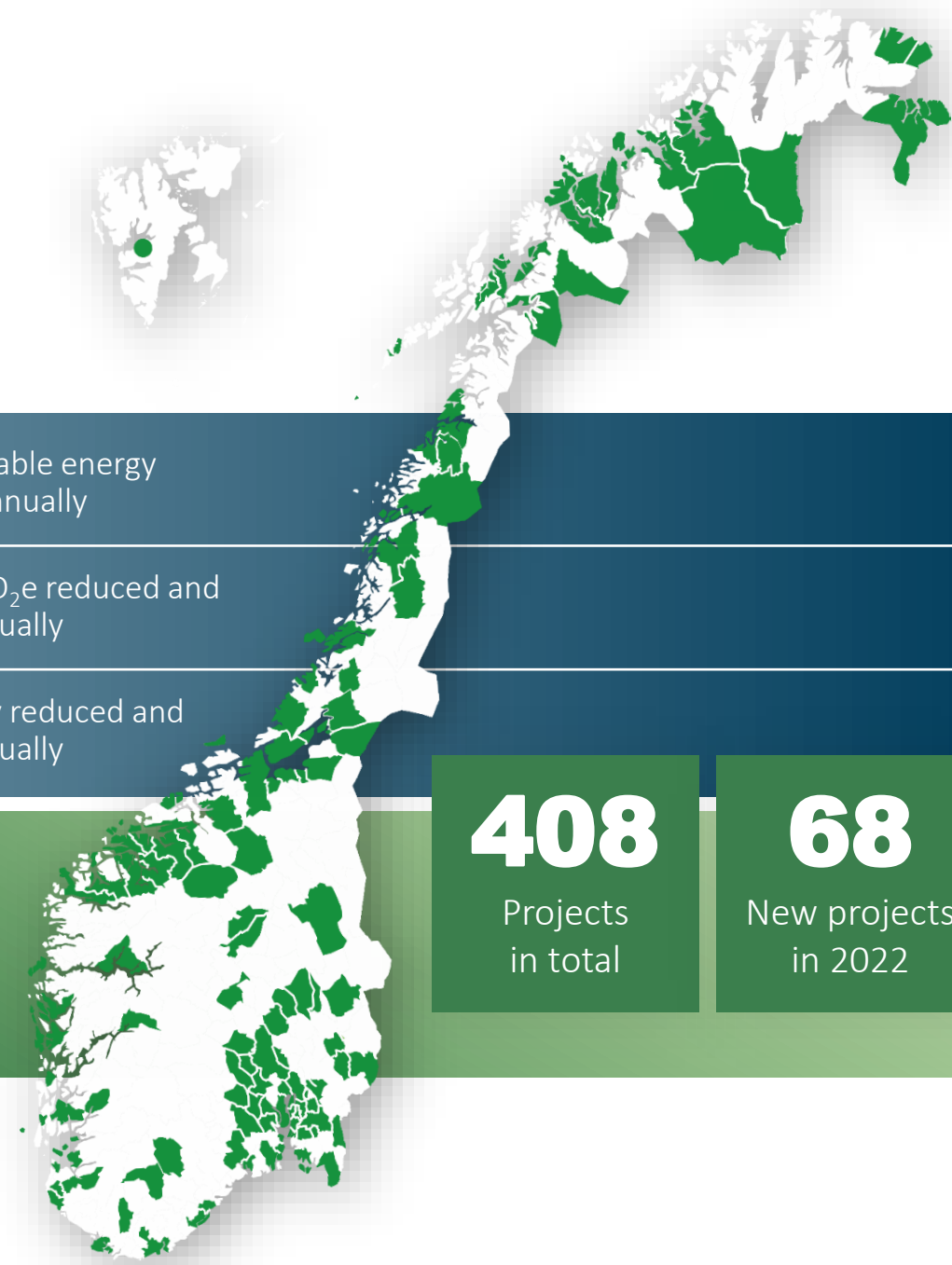
42 GWh energy reduced and avoided annually

408

Projects in total

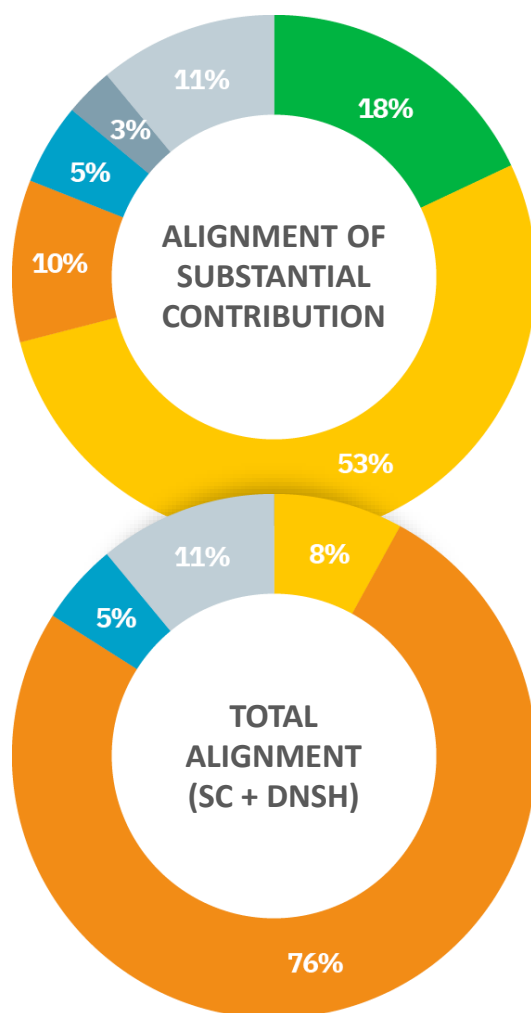
68

New projects in 2022



Voluntary Taxonomy alignment assessment

KBN has for several years performed an analysis of how eligibility criteria for green loans align with the EU Taxonomy. Until now the exercise has been limited to the Substantial Contribution-criteria (SC), but the scope has now been expanded to also covering the Do No Significant Harm-criteria (DNSH).



Preliminary taxonomy alignment assessment of the entire green project portfolio.

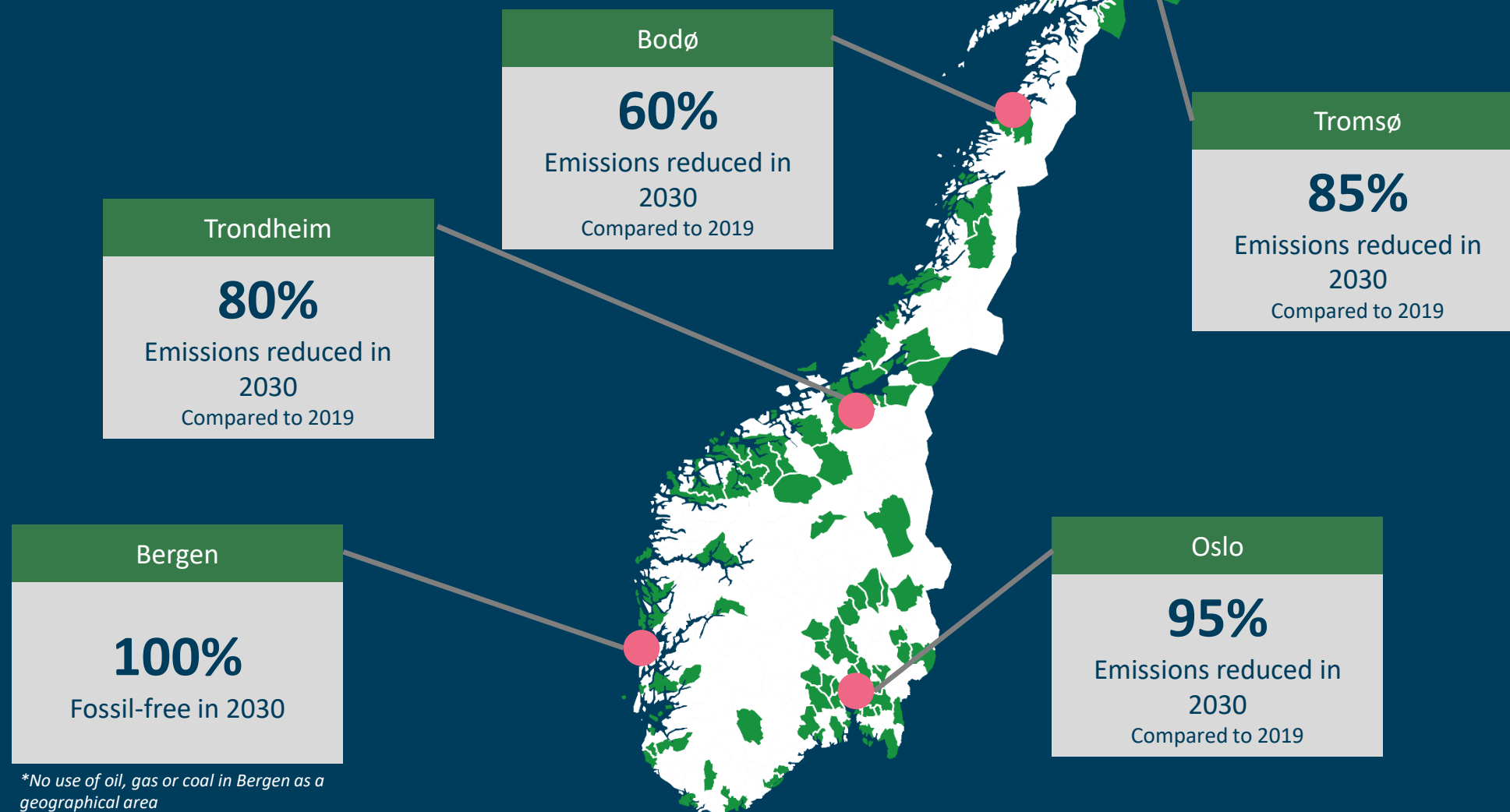
- **ALIGNED**
- **PARTLY ALIGNED**
- **LIKELY NOT ALIGNED**
- **NOT ELIGIBLE**
- **COULD NOT BE ASSESSED**
- **PROJECTS ASSESSED INDIVIDUALLY**

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

- 71% of KBNs portfolio are found to be either aligned or likely aligned with the Substantial Contribution criteria of the taxonomy. Project types include measures to improving the energy efficiency of buildings, low-carbon public land and maritime transportation, waste sorting facilities and new low-energy buildings
- The large share of partly aligned projects is mainly driven by criteria 1.2.1 New low-energy buildings larger than 5.000 m². The conclusion arrives at “partly aligned” because not all three of the substantial contribution criteria for construction of new buildings are met. We consider the criteria for energy performance and air-tightness to be fulfilled, but do not have enough information to assess if the criteria regarding the life-cycle Global Warming Potential (GWP) is fulfilled for all projects larger than 5.000 m².
- Although we find a number of our criteria to be aligned or likely aligned with the Substantial Contribution criteria, there is a zero degree of full alignment with Substantial Contribution and Do No Significant Harm-criteria. The main reason for this is the fact that extensive risk, water, and biodiversity assessments referred to in most DNSH criteria are not typically undertaken for small-scale projects in the Norwegian local government sector.

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

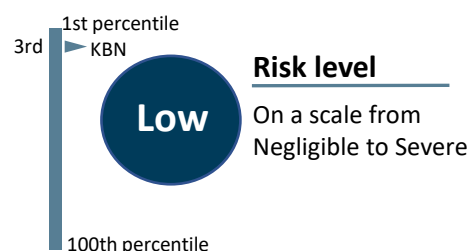
- KBN has received prime ESG ratings from the leading ESG rating agencies in the market, reflecting KBNs continuous work with both Environmental, Social and Governance related issues.
- 13% of the total lending portfolio consists of green loans, which give favorable interest rates to climate-friendly 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

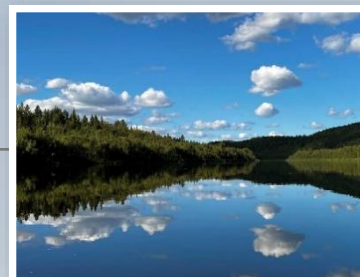
**Electric ferry
saves
46 000 litres of
diesel annually**



**Improving energy
efficiency by
replacing 550
windows**



**Electric machinery
and solar panels
reduce emissions at
new recycling facility**



**Separate sewer
system reduces
overflow and
chemical usage**



**Adaptation
measures increase
resilience to
flooding**



**New energy
efficient facility
recovers resources
from wastewater**

CASE



BUILDINGS

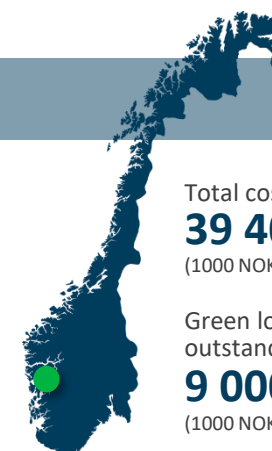
Improving energy efficiency by replacing 550 windows

■ ■ The cultural grand hall in Bergen, Grieghallen, was built in 1978 with a glass facade with uninsulated steel sections. The two-layer windows are more than 45 years old, and causes the building to suffer major heat loss. In order to reduce energy consumption and costs, the windows will be replaced with three-layer windows with Aerolon isolation.

This will result in better isolation, as the U-value will be reduced from 3.5 to 0.7. The investment is estimated to save up to 1 000 000 kWh annually. The old windows will repurposed as isolation for buildings.

Project period: 2022-2024

Grieghallen IKS



Total cost:
39 400
(1000 NOK)

Green loan
outstanding:
9 000
(1000 NOK)

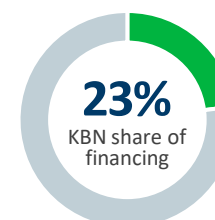


Photo: Grieghallen



CASE



RENEWABLE ENERGY

New energy efficient facility recovers resources from wastewater

■ ■ MOVAR IKS' ambition for Fuglevik is to create a robust and energy efficient facility. By expanding the existing facility, they aim to increase energy recovery and recycling of resources in the wastewater and sludge.

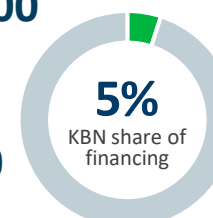
In addition to improving wastewater treatment and removing nitrogen to protect the fjord, the new facility will produce biogas from sewage sludge through thermal hydrolysis processes (THP) and pyrolysis. Solar panels will be placed on the roof of the facility. The total annual energy production from biogas and solar panels is estimated to 3 720 000 kWh.

Project period: 2022-2026

MOVAR IKS

Total cost:
2 250 000
(1000 NOK)

Green loan
outstanding:
115 250
(1000 NOK)



CASE



TRANSPORTATION

Electric ferry saves 46 000 litres of diesel annually

■ ■ The Randsfjord ferry has carried passengers and cars between Tangen and Horn for over 40 years, and the ferry connection is important to commuters and students in the local community.

The existing ferry runs on diesel and was built 70 years ago. Although the Randsfjord ferry has undergone regular renovation, it bears the mark of its age and general wear and tear. Thus, Innlandet county decided to replace the existing ferry with the new ferry Elrond.

Elrond runs on electricity and can be charged at the dock at Tangen. The ferry is equipped with a 678 kWh battery pack which contributes to reductions in diesel consumption of approximately 46 000 litres annually.

Project period: 2018-2022

Innlandet county authority



Total cost:
83 200
(1000 NOK)

Green loan
outstanding:
77 300
(1000 NOK)

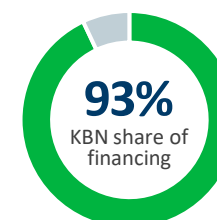


Photo: Innlandet county authority



CASE



WASTE AND CIRCULAR ECONOMY

Electric machinery and solar panels reduce emissions at new recycling facility

■ The heavy machinery at the new recycling facility Sørlandsparken Øst will be fossil-free. Machinery used for waste compaction and transportation of waste containers at the existing facility has an annual diesel consumption of approximately 20 000 litres.

By replacing the diesel-powered wheel loaders with electric, stationary rolling compactors, Avfall Sør will reduce their emissions substantially. Solar panels will be installed at the facility and are estimated to produce more than 12 000 kWh energy annually.

Project period: 2021-2022

Avfall Sør AS



Total cost:
65 000
(1000 NOK)

Green loan
outstanding:
56 667
(1000 NOK)

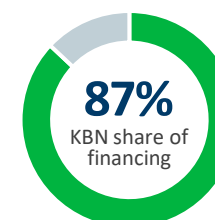


Photo: Avfall Sør

CASE



WATER AND WASTEWATER MANAGEMENT

Separate sewer system reduces overflow and chemical usage

■ Rainwater and surface runoff in Karasjok municipality is channeled into the wastewater pipe network, which results in reduced capacity of the wastewater network and high pressure on the treatment plant.

Karasjok has decided to create a separate sewer system by separating surface runoff and wastewater into two individual pipe networks. Such upgrades will reduce overflow into the river Karasjohka during periods with heavy precipitation and snowmelt, and reduce the need for using chemicals at the treatment plant.

Project period: 2019 -2022

Karasjok municipality



Total cost:
21 129
(1000 NOK)

Green loan
outstanding:
12 238
(1000 NOK)

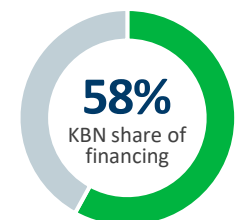


Photo: Shahjahan U Hassan, KBN

CASE



CLIMATE CHANGE ADAPTATION

Adaptation measures increase resilience to flooding

■ ■ The river promenade Strandvegen in Ringsaker municipality is vulnerable to flooding, especially from ice breakup and the nearby river overflowing in periods with heavy precipitation.

By implementing adaptation measures at the new bridge crossing the river Brumunda down to the promenade, Ringsaker aims to make the area more resilient to flooding and secure the walkways to the central areas. Similar measures will also be taken at Narud water facility.

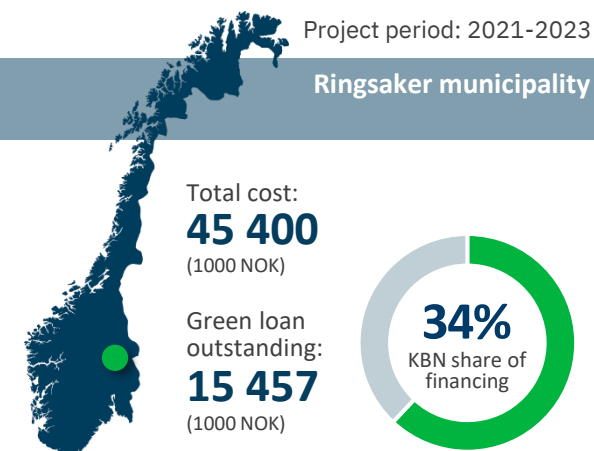


Photo: Jan-Tore Egge, Creative Commons

KBN FINANCIALS AND OPERATIONS

Financial Highlights

(Amounts in NOK 1 000 000)	1st quarter 2023	1st quarter 2022	2022
RESULTS			
Net interest income	508	436	1 866
Core earnings ¹	280	248	1 081
Profit after tax	389	(352)	(60)
Cost/income ratio (per cent) ²	16.1 %	15.9 %	15.8 %
Return on equity after tax ³	8.9%	(8.8%)	(0.8%)
Return on equity after tax (core earnings) ⁴	6.8%	6.0%	6.6%
Return on assets after tax ⁵	0.3%	(0.3%)	0.0%
LOANS TO CUSTOMERS			
New disbursements	9 264	7 953	39 261
Aggregate loans to customers ⁶	330 036	320 650	328 401
12 month lending growth in percent ⁷	2.9%	2.3%	1.7%
Green loans to customers ⁸	42 759	34 480	41 421
Share of green loans in lending portfolio	13.0 %	10.8 %	13.3 %
Share of municipalities with green loans ⁹	38.8 %	36.3 %	38.0 %
LIQUIDITY PORTFOLIO⁶	110 249	86 978	109 959
DEBT SECURITIES ISSUED			
New long-term debt securities issued	24 459	35 629	86 994
Aggregate debt securities issued ⁶	461 785	391 521	429 206
TOTAL ASSETS	505 485	455 099	492 450
EQUITY			
Equity	19 233	18 900	18 903
Common equity Tier 1 capital adequacy ratio	18.8%	18.1%	19.0%
Leverage ratio	3.8%	4.1%	3.9%
LIQUIDITY COVERAGE RATIO (LCR)¹⁰			
Total	258%	240%	261%
NOK	94%	60%	95%
EUR	246%	148%	441%
USD	163%	210%	242%
AUD	124%	1 980%	1 078%
GBP	Infinite	378%	1 958%
OTHER KEY FIGURES			
Market share excl. Husbanken ¹¹	49.1%	50.2%	49.7%
Percentage of women employed in KBN	43%	45%	43%
Emissions in CO ₂ equivalents ¹²	21.9	18.3	79.7

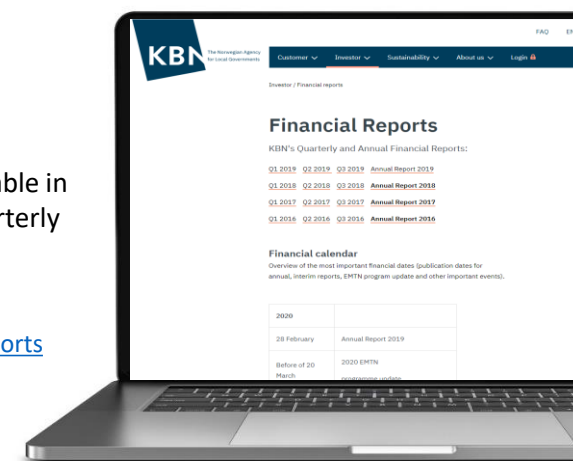
- 1 Profit after tax adjusted for unrealised gain/(loss) on financial instruments after tax. This result measure is included to give relevant information about the company's underlying operations.
- 2 Operating expenses as a percentage of sum Net interest income and Total other operating income adjusted for Net unrealised gain (loss) on financial instruments.
- 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 44.9 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. Lending from Husbanken is not included as KBN does not compete for these loans.
- 12 KBN's calculated emissions. See Greenhouse gas accounting. See also the overview and description of alternative performance measures published on kbn.com



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.

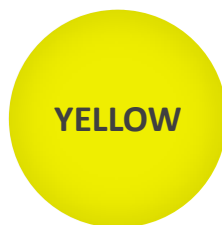
In accordance with the new municipal act in effect from 2020 all local governments will be required to implement financial target numbers for cost control and financial management to eliminate material financial risk.

KBN's Traffic Lights for Client Loan Requests



GREEN

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



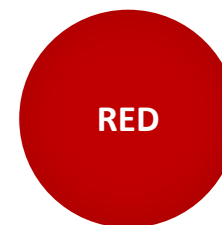
YELLOW

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.



KBN Finans

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