

DECEMBER 2019

THE NORWEGIAN AGENCY

FOR LOCAL GOVERNMENTS







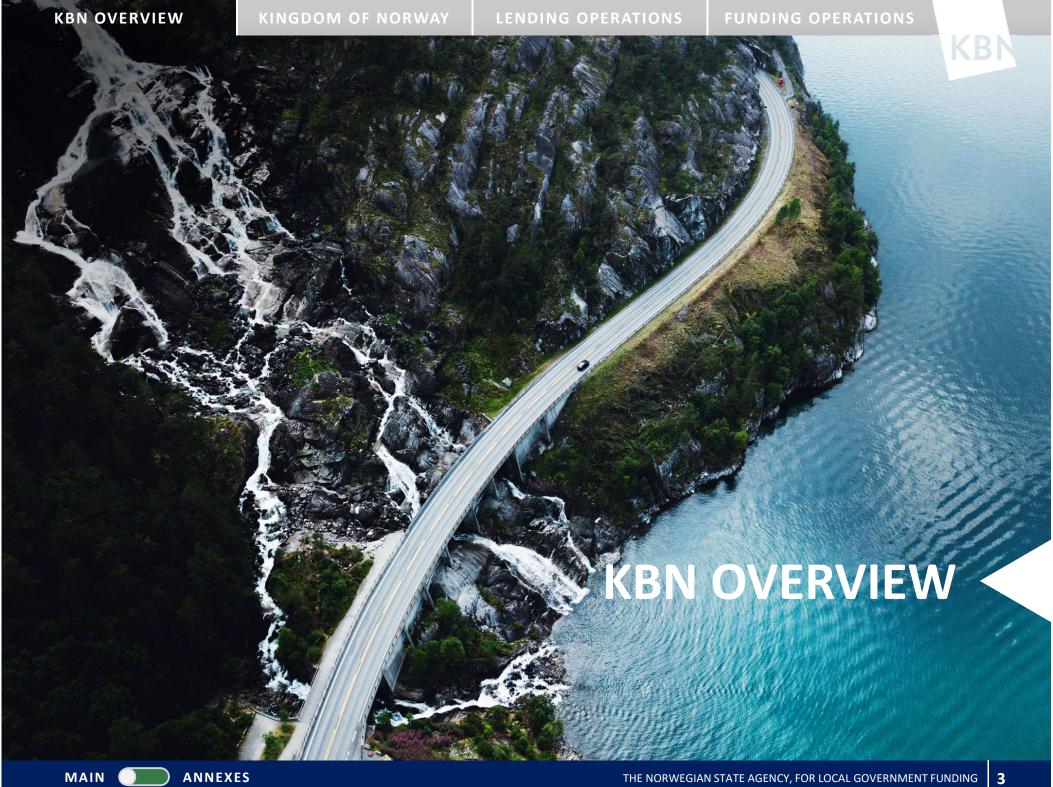
MAIN

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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.

KINGDOM OF NORWAY

- KBN's sole purpose is to grant loans to local and regional governments or inter-municipal companies, 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 76 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



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



KINGDOM OF NORWAY 100%

BOARD OF DIRECTORS (9) **SUPERVISORY BOARD (12)**



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CREDIT	RATINGS			RATING	THEIR COMMENTS		
	LONG	SHORT	оитьоок	AGENCY			
	AAA	A1+	Stable	STANDARD &POOR'S	 Norway continues to benefit from a prosperous economy, strong fiscal and external positions, and a stable policy environment. The stable outlook reflects our expectation that Norway's credit metrics will remain very strong over our 2019-2022 forecast period, enabling the country to withstand the negative effect of potential oil price shocks, possible escalation of global trade tensions, or a severe housing market correction. (MARCH 2019) 		
	Aaa	P-1	Stable	Moody's	 Resiliant and Highly competitive economy. Norwegian government's balance sheet is extremely strong, even when compared to other Aaa-rated sovereigns. Unparalleled fiscal strength that is likely to be sustained over the long-term. A Track record of exceptionally strong macro and regulatory institutions. 		
	AAA	A1+	Stable	STANDARD &POOR'S	 Integral link with Norway's central government. Kommunalbanken performs an important public policy function. Very strong an stable capitalization levels Extremely high likelihood of extraordinary support from Norwegian government. (JUNE 2019) 		
KBN	Aaa	P-1	Stable	Moody's	 KBN benefits from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as low susceptibility to event risk. We consider the Norwegian RLG sector financially strong because of the supportive and closely supervised system that underpins the sector KBN has not recorded any loss from lending during over 90 years of operations. (JUNE 2019) 		

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.

MAIN



Norwegian Regional Government

KINGDOM OF NORWAY

- 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 counties 11%, municipalities 70% and road projects 10%. KBN's county and municipal portfolio can be broken down as follows¹:

	Number	Share of Overall Loans
Counties	17*	11%
Large Munis	59	32%
Medium Munis	143	25%
Small Munis	220	13%



KBN also finances lending to companies and road projects, as well as to inter-municipal companies. Loans to these entities must carry either an explicit municipal or central government guarantee.

^{*} Oslo is the only Municipality which is also a County and for these statistics has been included as a large Muni



¹ Large munis = > 20,000 inhabitants, Medium-sized munis = 20,000 ≤ 5,000 inhabitants and Small munis = < 5,000 inhabitants.





Corporate Social Responsibility



Counties and municipalities have an important position in Norwegian society, and account for a large proportion of public sector services production. As a government agency, KBN recognizes its critical role in enabling the local and regional governments to improve quality of life across the country.



Long-term Financing for Sustainable Growth

- KBN maintains a strong focus on environmental, ethical and social issues and expects its partners and suppliers to mirror these commitments.
- Responsible lending is at the heart of KBN's business model, ensuring lending activities support and encourage clients to manage borrowings and investments in a long-term sustainable manner.
- The integrity of KBN's Green lending framework has been awarded a "Dark Green" rating by CICERO, the highest possible rating.

The Board of Directors has identified four of the UN's Sustainable Development Goals that to the largest extent are impacted by KBN's operations.

Ensure availability and sustainable management of water and sanitation for all





Take urgent action to combat climate change and its impact

Make cities and human settlements inclusive, safe, resilient and sustainable





Strengthen the means and implementation and revitalize the global partnership for sustainable development



Conservative Risk Management

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



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



CURRENCY AND INTEREST RATE RISK HEDGED

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



MINIMAL LENDING CREDIT RISK

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



STRICTLY MANAGED OFF-BALANCE CREDIT RISK

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



CONSERVATIVE LIQUIDITY PORTFOLIO

- Liquidity managed conservatively and in excess of policy or regulatory requirements.
- Portfolio of highly rated liquid assets 0%, 10% and 20% risk weight, cover 1 year net debt service.





Large and High Quality Liquidity Buffer

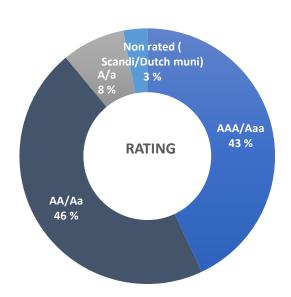
KINGDOM OF NORWAY

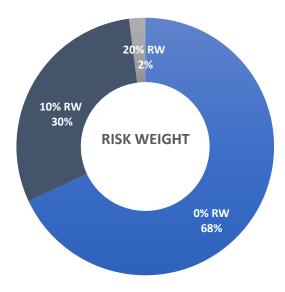
Managed under a conservative policy framework to ensure liquidity is available to cover a minimum of 12 months of debt servicing under various stress-tested models. Size approximately USD 12 bn and managed internally across EUR, NOK and USD.

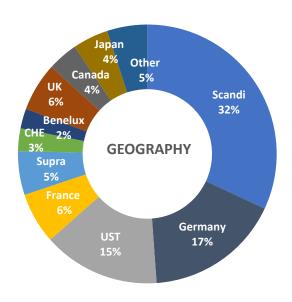
- The average portfolio maturity typically ranges between 1.5–2.0 years (1.0-1.5 years ex. UST).
- The majority of liquidity is invested in 0% risk-weighted assets. Eligible securities include; sovereigns, provincial states, government agencies and supranationals. Investments in covered bonds and financial institutions 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 also maintained in USD and NOK and invested solely in US Treasuries and Norwegian government papers.

PORTFOLIO BREAKDOWN

1.81 yr average maturity on liquidity portfolio (1.02 yr ex. UST) Oct 2019



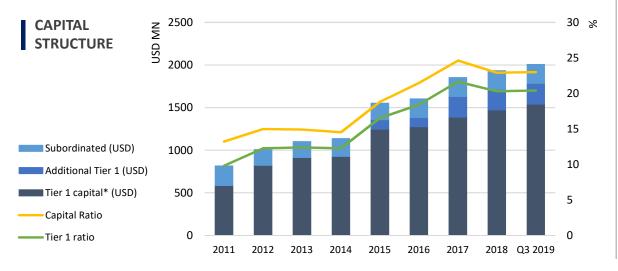




EQUITY &

Robust Financial Strength

- Strong operating results and capital injections in 2008, 2012 and 2015 have substantially strengthened the capital base in recent years.
- Tier 1 capital has risen from 7.5 % in 2008 to 20.4% in Q3 2019.
- While KBN is not profit maximizing, it does target a central government defined 8% return on equity target.
- Dividend paid to the Kingdom as owner. If the government ascertains that KBNs capital situation is satisfactory, up to 50% of KBN budgeted profit can be paid 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.



SOLID BALANCE SHEET

	ASSETS	LIABILITIES	
KBN's balance sheet of USD 52.6 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.	LENDING Norwegian local gov.	BORROWINGS	
There is no separate investment portfolio.			
	LIQUIDITY	Sub debt 225mn	
	PORTFOLIO	Add Tier 1 Cap 250mn	
		Equity 1.5bn	

USD/NOK 9.00

^{*} Paid-in capital and retained earnings





KINGDOM OF NORWAY

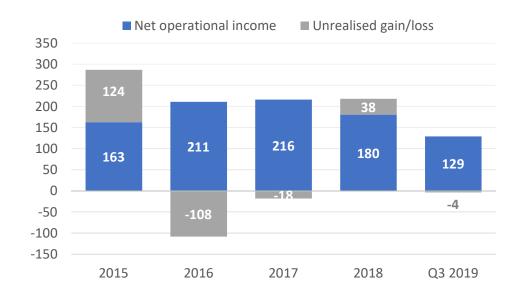
- KBN has enjoyed strong net operational income results for the past years, backed by consistent loan growth since 2008.
- The recent history of solid operational income reflects well on KBN's conservative lending mandate and solid margins during the financial crisis. KBN maintains financial performance 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 of 3.5% is considerably 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*)

	2015	2016	2017	2018	Q3 2019
Total Assets	49.9	46.5	45.9	50.9	52.6
Loan Portfolio	28.3	29.6	31.3	33.6	33.9
Leverage Ratio	2.58	2.65	3.68	3.60	3.50
Operating expenses/ total assets	0.034%	0.042%	0.047%	0.046%	0.052%
Return on Equity**	11.70%	12.74%	13.51%	9.8%	8.6%



^{*} USD/NOK 9.00

^{**} Core earnings





Overview



KINGDOM OF NORWAY

5,323,000



WOMEN'S SHARE OF GRADUATES FROM

60%



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



COUNTRY SIZE:

■1 323 809 km²



MAJOR EXPORT SECTORS:

- OIL and GAS
- FISH
- MARINE TRANSPORT
- METALS



FOREST SHARE OF TOTAL LAND AREA:

37,4%



OSLO AWARDED EUROPEAN

GREEN CAPITAL AWARD 2019





GDP PER CAPITA (USD): Ranked 4th

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



MAIN

-10,0

2010

2011

2012



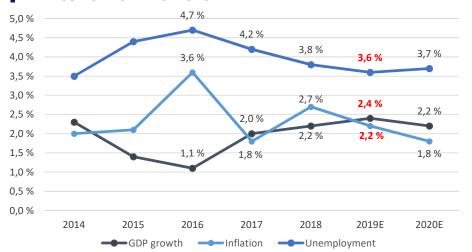
Strong and Diversified Norwegian Economy

- Norway's economic fundamentals remain robust. At USD 367 bn₁ eq, Norway's GDP is broadly diversified across a range of productive sectors. Norway is one of the world's wealthiest countries, with a GDP per capita of approx. USD 69,000.
- Key economic indicators underline the economy's strength²:

Current Account Surplus:	8.1%
GDP Growth:	2.4%
Inflation:	2.2%
Unemployment:	3.6%

- Norway's macroeconomic environment pillar ranks first in the World Economic Forum's 2017-2018 rankings. 3
- The government has managed a solid current account surplus for the past decades and estimates continued surpluses going forward.

KEY ECONOMIC INDICATORS





² Statistics Norway

GENERAL GOVERNMENT FINANCIAL BALANCES (% GDP) 15,0 10,0 5,0 0,0

2015

2016

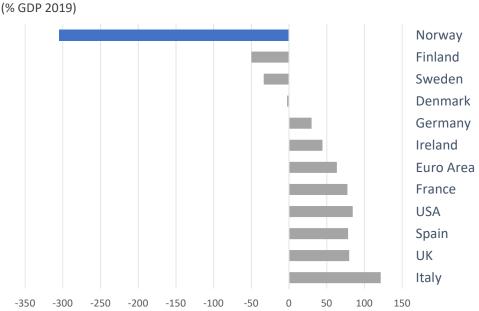
2017

2018

Source: OECD Economic Outlook No. 106 Nov 2019

2019 2020E

GENERAL GOVERNMENT NET FINANCIAL LIABILITES



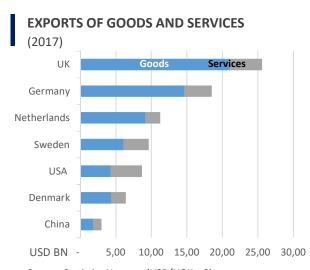
Source: OECD Economic Outlook No. 106 Nov 2019 / Statistics Norway
Debt measures are not always comparable across countries due to different definitions

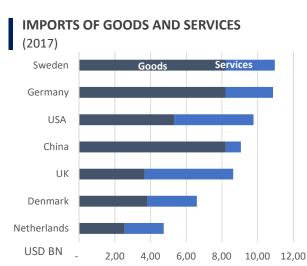
³ World Economic Forum Global Competitiveness Report, 2017



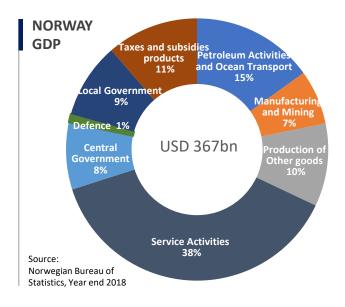
Strong and Diversified Norwegian Economy

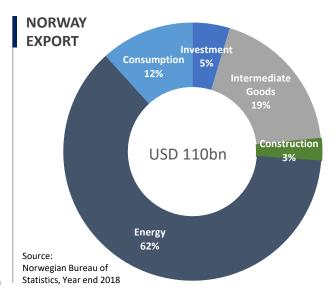
- The oil and gas industry (including supporting industries) constitutes approximately 20% of Norwegian GDP.
- The petroleum sector maintains its position as a major contributor to the overall trade balance and current account surplus, however, Norway's industrial base continues to diversify with growth from other major industries:
 - fishing/aquaculture, shipping, metals and mining, timber pulp and paper, manufacturing and machinery, construction and chemical products
- Norway's reliance on primary industries has decreased as Service Activities make up a larger portion of GDP. This includes Transport and Communication, Financial and Business Services, Telecommunication and Information Services and Tourism.
- The UK is one of the largest export counterparties due to the high volume of crude oil and natural gas exports. Considerable volumes of petroleum products are also exported to Germany, the Netherlands and France. Norway's largest trading partner 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 just over 80 percent of Norwegian exports of goods compared to just under 60 percent of imported goods.





LENDING OPERATIONS





Source: Statistics Norway (USD/NOK = 9)

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KBN OVERVIEW

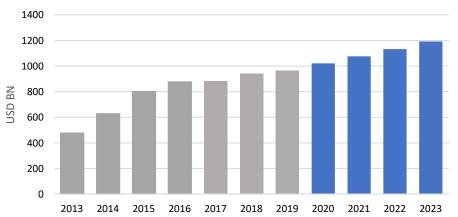
ANNEXES



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

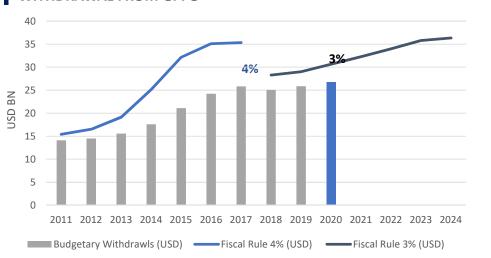
- Norway's sovereign wealth fund (Government Pension Fund Global
 – GPFG) has current assets of USD 1.1 trillion (NOK 10.0 trillion eq).
 This ranks the GPFG as the world's largest SWF.¹ The size compares to almost 300% of Norway GDP and 700% of the national budget.
- The GPFG accumulates all petroleum 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 up to expeted 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 30. Sept. 2019, the Fund's actual average annual net real rate of return has been 4.0%.
- 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. (2020 - 2023 EST.)



EXPECTED NET REAL RETURN AND ACTUAL WITHDRAWAL FROM GPFG





1 - Sovereign Wealth Fund Institute: August 2018

* USD/NOK 9.00

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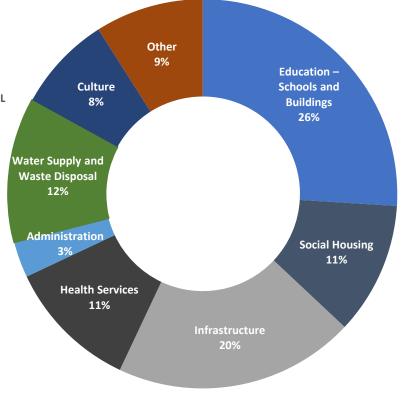


KBN Lending Across Norway

- KBN oversees a diversified loan portfolio of USD 34bn*. This reflects a market share of approx. 50% of all client borrowings. 100% of Norway's 18 counties and 422 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

LOANS TO THE NORWEGIAN LOCAL **GOVERNMENT SECTOR**

KBN WITH APPROX 50% MARKET SHARE OF ALL CLIENT BORROWINGS CLOSELY MIRRORS THE SECTOR AS A WHOLE



* USD/NOK 9.00

Source: Statistics Norway / Kostra Registry



BY 2018 KBN HAD COMPLETED USD 2.2 BN IN LENDING

to climate-friendly projects across a broad range of project categories. This represents 6.2% of the total lending portfolio.

For 2018, green loans represented 36% of KBN's overall lending growth.

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.

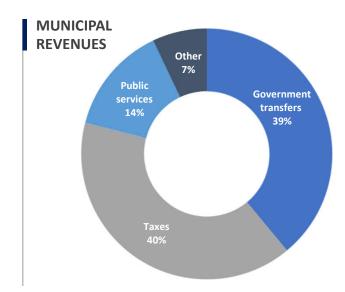
Close Supervision and Control

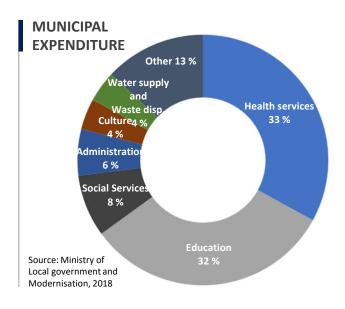
- All local government budgets are monitored and supervised by the central government. Strict limits are in place to manage financial conduct.
- Under the Local Government Act, counties and municipalities are prohibited from going bankrupt. Thus, they are subject to extensive central government oversight 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, June 2013







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 ongoing 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. Plans are in place to reduce the number of local governments from the current 422 to 358 and Counties from 18 to 11 by 2020.



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/mun icipalities-and-regions/municipaleconomy/register-for-governmentalapproval-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/offentligsektor/kostra

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Project Examples

STANDARD &POOR'S

"In essence, Norwegian local and regional governments act as delegated arms of the central government in the provision of public services. We view the Norwegian LRG sector's overall credit-worthiness as robust."

- Standard & Poor's - July 2016

SVALBARD (2,310)

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



HORDALAND (505,246)

KINGDOM OF NORWAY

- 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

COUNTIES (residents) **MUNICIPALITIES** (residents)

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



KONGSVINGER (12,078)

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

TØNSBERG (41,239)

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



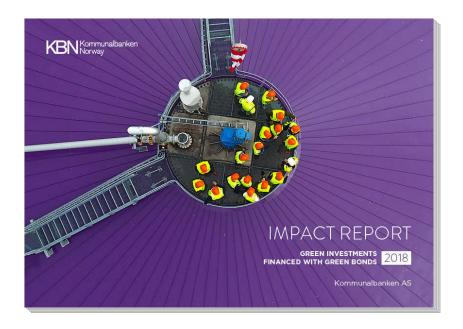


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Green Lending Integral Part of Mandate

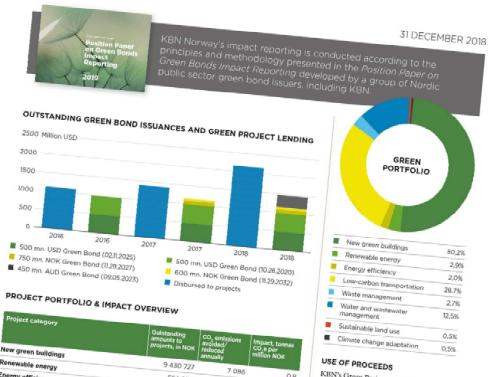
KINGDOM OF NORWAY

- On behalf of the government, KBN has been given a mandate to implement greater environmental and social awareness via Green Lending and thus offers 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 40% by 2030, compared to 1990 levels.
- By 2018, KBN had completed USD 2.2 bn in lending to climatefriendly projects representing 6.2% of the total lending portfolio. For 2018, green loans represented a sizeable 36% of KBN's overall lending growth.



KBN Kommunalbanken Norway

IMPACT REPORT



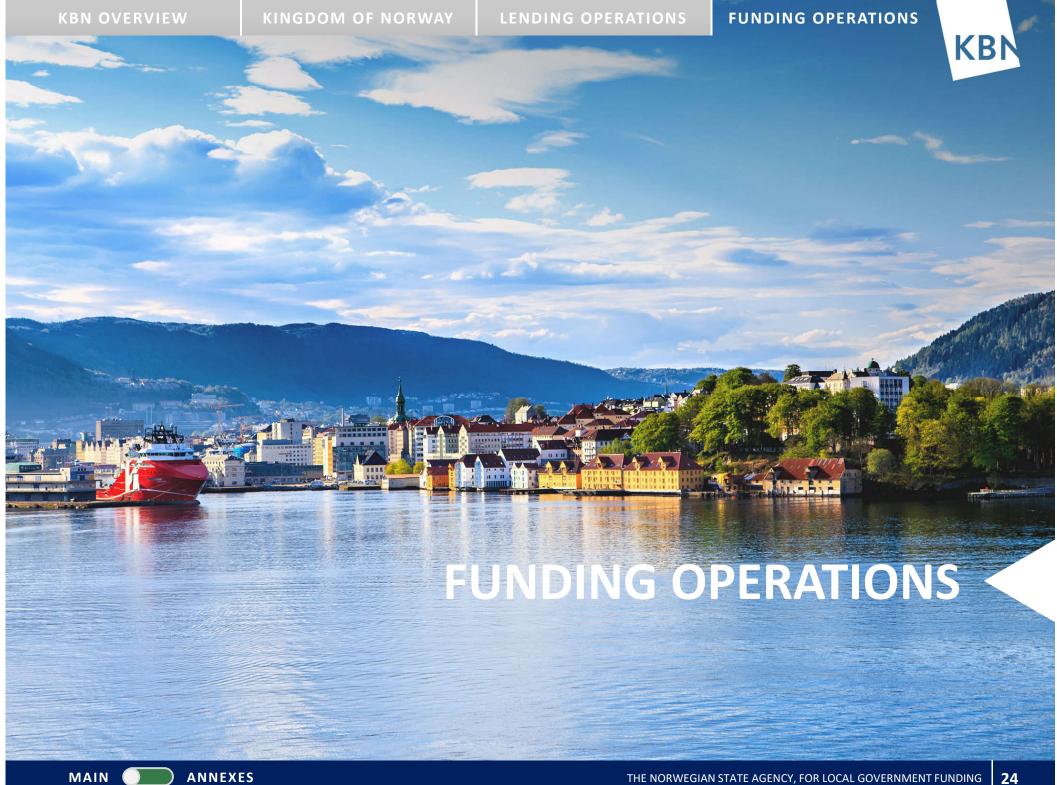
New green buildings	Outstanding amounts to projects, in NOK	CO_emissions avoided/ reduced annually	impact, tonnes CO,e per million NOK
Renewable energy	9 430 727	7 086	
Energy efficiency	554 036		0,8
Low-carbon transportation	367 321	40 855	73,7
Waste management	5 389 633	9 206	25,1
Water and wastewater management	517 287	6 892	1,3
sustainable land use	2 348 562	30	15,0
limate change adaptation	87 655		N/a
TOTAL	92 332		N/a
npact attributable to green by	18 787 553		N/a

Impact attributable to green bond investors Under the continue of the continu	
Where of impact attributable to a	68 %
Where of impact attributable to a	23 %
Where of impact attributable to a	23 %
Where of Impact attributable to Green Bond NOK 600 mn (11.29.2032)	4 %
to Green Bond AUD 450 mn (09.05 page)	3 %

KBN's Green Project portfolio exclusively consists of loans to Norwegian municipalities and county councils/regions, Each loan is selected according to KBN's Green Bond Framework and the supplementary Selection Criteria.

KEY REPORTING METHODOLOGY

A project's impact is calculated based on the disbursed and outstanding green loan to a project as a share of the total project cost. For the share of green foans financed with green bonds, please refer to the table "Impact attributable to green bond investors". KBN reports on a portfolio basis, and in Norwegian Kroner (NOK). For this document, the reporting period ends on 31 December 2018.



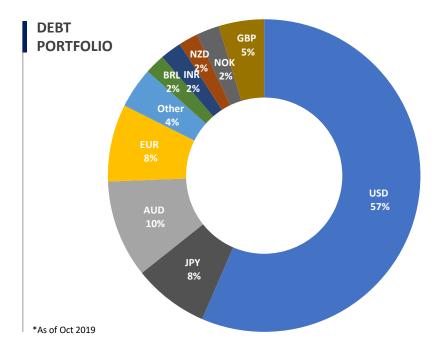


Flexible and Diversified Investor-Driven Funding Program

- KBN's annual borrowing program is estimated at USD 12-13bn.
- 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 and Norway as well as an MTN Programme 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









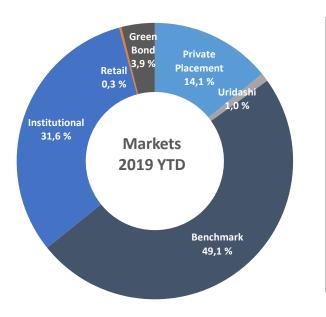
KBN Funding 2019 YTD

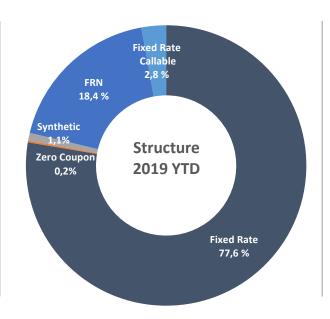
Highlights

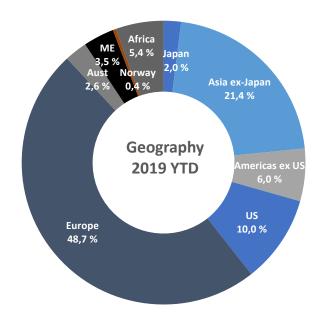
- Total USD 8bn raised 41 Individual transactions
- Issuance in 11 different currencies 4,55y avg maturity of new funding

Newsworthy

- USD 1.25 bn 5-year February 2024 Benchmark
- AUD 805 mn issuance in Kangaroo market
- USD 1.50 bn 5-year June 2024 Benchmark
- SEK 3.0 bn 7-year Aug 2026 Green Bond
- EUR 1.0 bn 10-year Oct 2029 Benchmark













USD Benchmark Strategy

KINGDOM OF NORWAY

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 2020, KBN plans to issue 2-4 USD benchmarks in maturities ranging from 2 to 10 years.

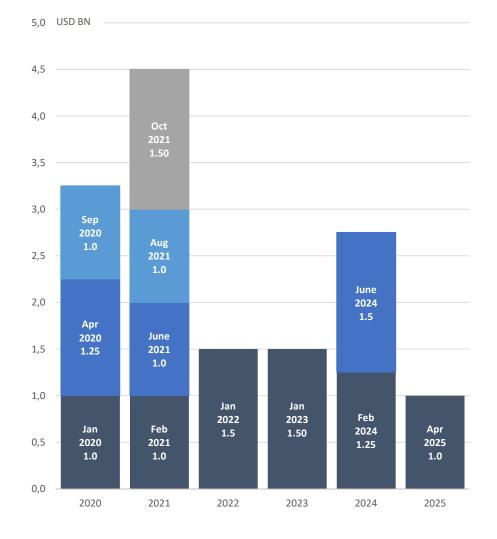


KBN currently has 12 USD benchmark transactions outstanding. The total notional amount is USD 14.5 bn.



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

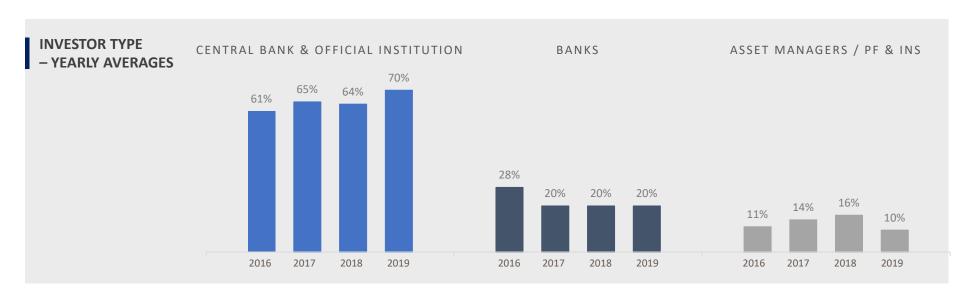
OUTSTANDING 144 A BENCHMARKS



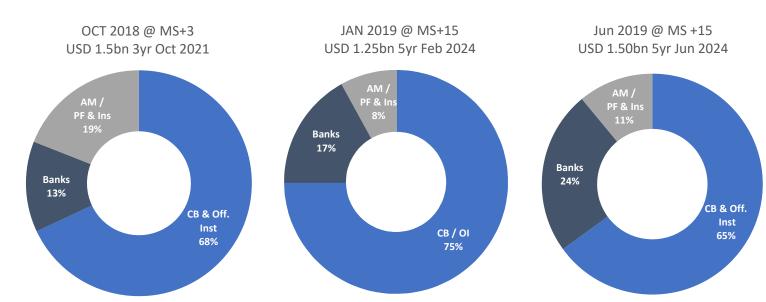




KINGDOM OF NORWAY



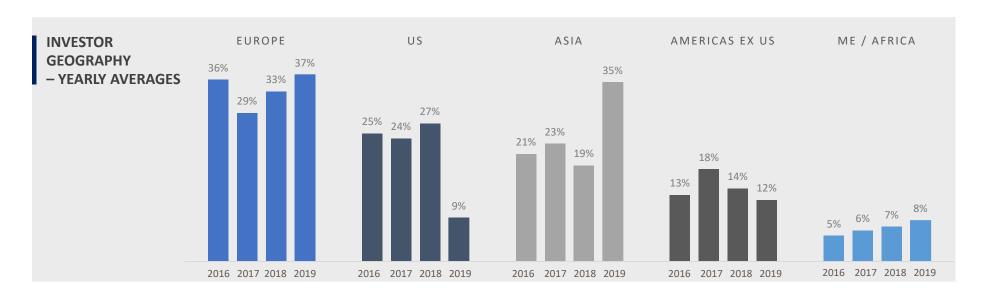
DISTRIBUTION ON LAST 3 USD BENCHMARKS



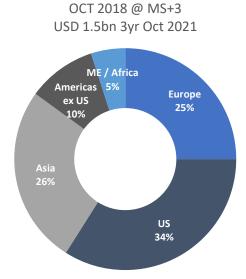




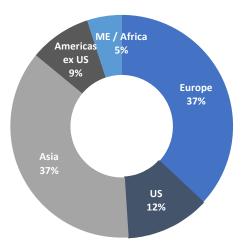
KINGDOM OF NORWAY



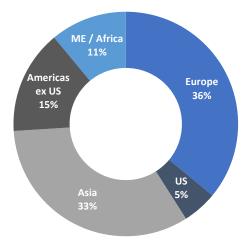
DISTRIBUTION ON LAST 3 USD BENCHMARKS



JAN 2019 @ MS +15 USD 1.25bn 5yr Feb 2024



JUN 2019 @ MS +15 USD 1.50bn 5yr Jun 2024



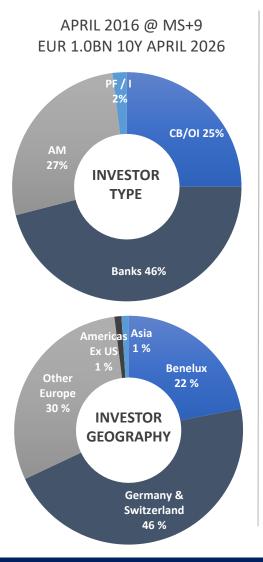




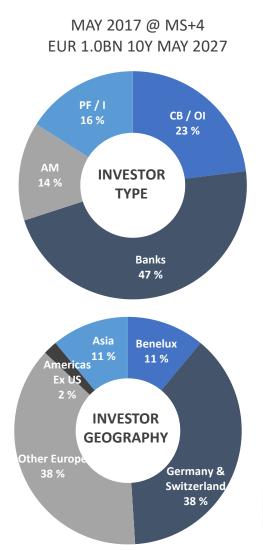
EUR Benchmark Strategy

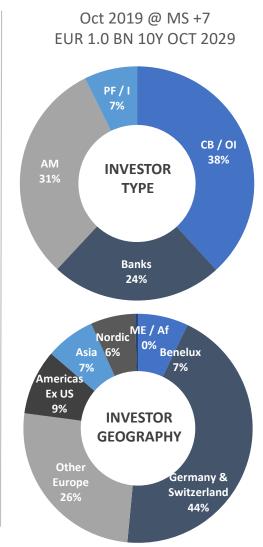
Diversifying The Funding Program Via Investordriven Issuance

- 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



KINGDOM OF NORWAY









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 7.11 bn outstanding
- 11 issues: 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2028, 2029, 2032
- Recent launch:
 - AUD 50 mn Nov 29
 - AUD 350 mn Apr 23 Tap



NEW ZEALAND – KAURI

- Currently NZD 1.475 bn outstanding
- 5 issues: 2021, 2023 2024, 2025
- Recent Launch:
 - NZD 200mn FRN May 21 Tap



UNITED KINGDOM – EMTN

- Currently GBP 1.7 bn outstanding
- 4 issues: 2020, 2021, 2022, 2023
- Recent launch:
 - GBP 250 mn Dec 21
 - GBP 100 mn Dec 23 Tap



NORWAY – VPS/EMTN

- Currently NOK 10.55bn outstanding
- 9 issues: 2020, 2022, 2023, 2027, 2028, 2029 2032, 2036
- Recent launch:
 - NOK 1.0 bn Oct 29
 - NOK 1.5 bn Apr 22



SWITZERLAND – DOMESTIC

- Currently CHF 100 mn outstanding
- 1 issue: 2021



SWEDEN – EMTN

- Currently SEK 8 bn outstanding
- 3 issues: 2022, 2024, 2026
- Recent launch:
 - SEK 2.0 bn Aug 26 Green Bond
 - SEK 4.0 bn Mar 22





KBN in 2013 was one of the first European SSA issuers to launch a public USD Green Bond.

- KBN and the Central government have since prioritized investments in Green projects in the Local government sector and subsequently KBN has been an active SSA issuer of Green bonds in several markets.
- With increasing global demand for sustainable and responsible investments and projects providing a climate benefit KBN will continue to be an active issuer in the Green Bond market.
- KBN offers a 10 basis point discount on Green loans, to encourage greater focus on ESG projects.
- As of November 2019, KBN's Green Lending portfolio equaled USD 2.2 bn.



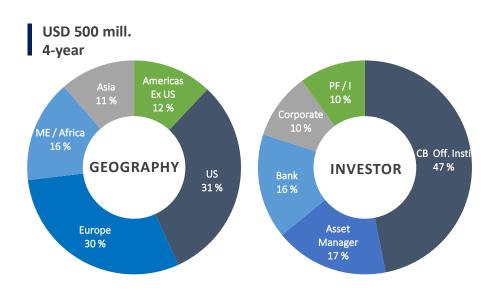
CICERO DARK GREEN SHADING

In June 2016, KBN updated its Green Bond program and was rewarded with CICERO's highest "DARK GREEN" rating. In 2017, KBN was elected as an Executive Committee Member for the Green Bond Principles, an initiative managed by ICMA.

Public Green Bond Issuance

٠	Nov. 2013 USD	500 mill.	3-year	RegS/144A
٠	Feb. 2015 USD	500 mill.	10-year	RegS/144A
٠	Oct. 2016 USD	500 mill.	4-year	RegS /144A
٠	Nov.2017 NOK	1.35 bn.	10/15-year	VPS/NO
٠	Aug. 2018 AUD	450 mill.	5-year	Kangaroo
٠	Aug. 2019 SEK	3.0bn	7-year	RegS
÷	Sep. 2019 USD	100 mill.	Tap Feb 2025	144A

The USD Oct. 2020 Green Bond saw strong interest from socially responsible investment portfolios with KBN's traditional investor base also participating in the transaction.





KBN - Norwegian State Agency - A Solid AAA Credit

- 100% owned and supervised by the Kingdom of Norway (AAA/Aaa)
- Monoline business model, financing core local government welfare investments in Norway and no cross border lending.
- 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
- Conservative and prudent financial and risk management policies

- 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)
- KBN is the closest proxy to Norwegian sovereign risk available in the international markets
- 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:



MS. KRISTINE FALKGÅRD President & CEO Tel +47 2150 2010 kfa@kbn.org



MR. SIGBJØRN BIRKELAND Chief Capital Markets Officer Tel +47 2150 2014 sib@kbn.org



MR. THOMAS MØLLER Head of Funding & IR Tel +47 2150 2041 thm@kbn.org



MR. MARIUS RUUD Senior Vice President International Funding Tel +47 2150 2048 mar@kbn.org



MR. EVAN R. MORGAN Senior Vice President International Funding Tel +47 2150 2043 erm@kbn.org



MS. LINN C.B LIE Vice president International Funding Tel +47 2150 2049 lcbl@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 (GPFG) https://www.nbim.no/

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

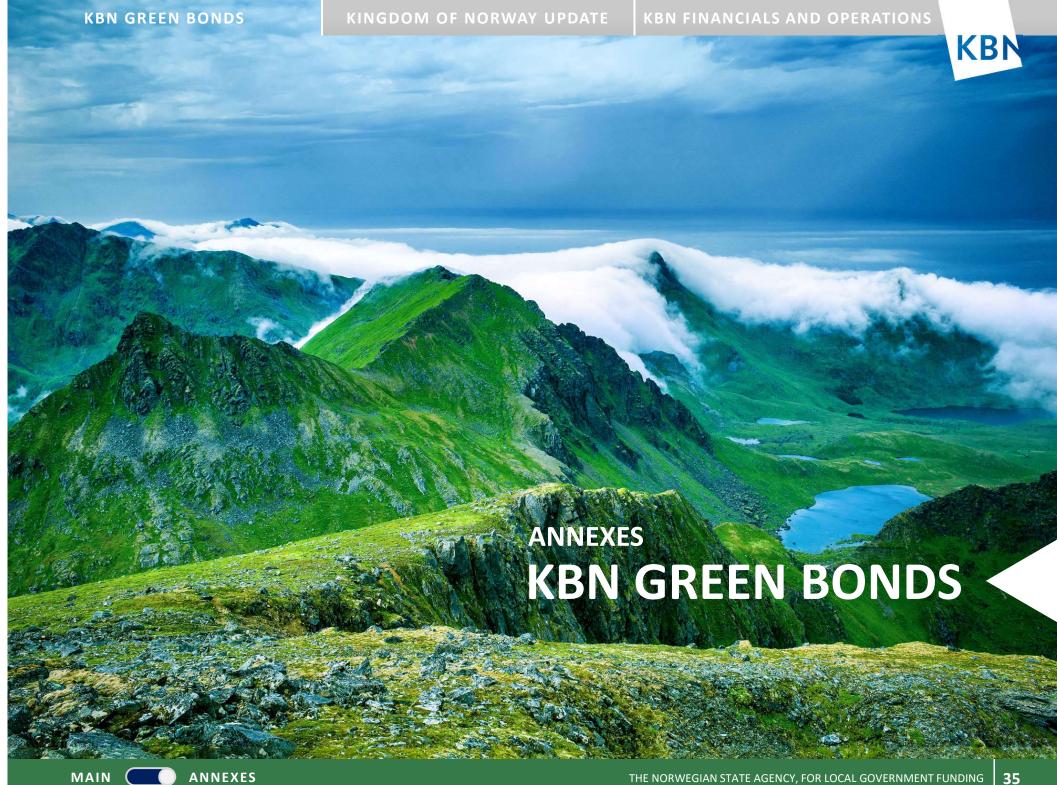
KOSTRA Registry Website

ICMA: Green Bond Principles

https://www.icmagroup.org/green-social-andsustainability-bonds/green-bond-principles-gbp/

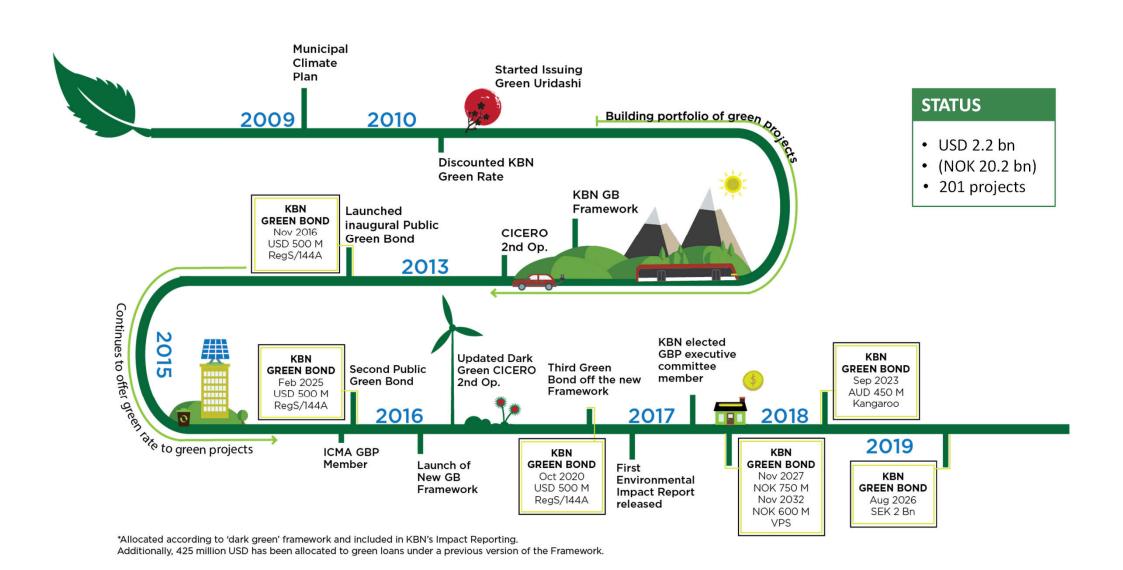
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The Evolution of KBN'S Green Issuance Strategy





KBN Green Lending Project Categories

Following KBN Green Bond Framework, Green Loans may be granted to eight different categories of projects:



NEW GREEN BUILDINGS

The buildings we finance help to reduce energy consumption and support the use of more sustainable building materials.



RENEWABLE ENERGY

Green lending finances investments such as biogas facilities and renewable heating sources for buildings that help to replace fossil fuels.



ENERGY EFFICIENCY

Energy efficiency measures that help to reduce greenhouse gas emissions and release energy for the electrification of other sectors.



LOW-CARBON TRANSPORTATION

Green lending finances projects that support the electrification of public transport and goods transport both on land and water, as well as providing facilities for pedestrians and cyclists.



WASTE MANAGEMENT

Investment in waste management facilities that help to improve the rate of recycling and facilitate more climate-friendly management of waste resources.



WATER AND WASTEWATER MANAGEMENT

The projects we finance help to ensure the availability of safe drinking water and reduce pollution from wastewater.



SUSTAINABLE LAND USE

We finance land-use projects that help to facilitate safe, inclusive and sustainable places and promote healthy ecosystems.



CLIMATE CHANGE ADAPTATION

Investment in climate change adaptation helps to equip local societies to cope with extreme weather and other consequences of climate change.

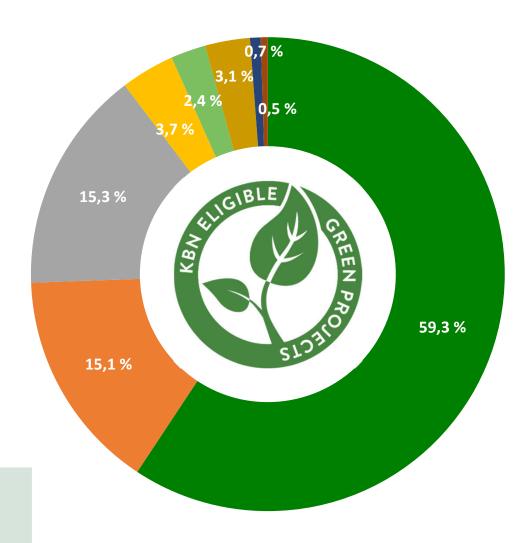


Green Lending Portfolio - Nov 2019

GREEN LOANS OUTSTANDING USD 2.2BN*

EXCHANGE RATE 1 USD= 9 NOK

- New Green Buildings 59.3%
- Low Carbon Transport 15.1%
- Water and Wastewater Management 15.3%
- Waste Management 3.7%
- Energy Efficiency 2.4%
- Renewable Energy 3.0%
- Sustainable Land Use 0.7%
- Climate Change Adaptation 0.5%





"KBN wish to promote climate friendly investments and therefore we offer a 10bp discount to such projects"



Fossil-free Green Lending Portfolio

- KBN's discounted Green Loans are aimed at COP21 2050 compatible investments.
- Thus, KBN does not allow any use of fossil fuels or other nonrenewable energy sources in projects funded by our Green Bonds issued in line with our updated Green Bond Framework:



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 may have fossil-based peak loads only as a fallback solution







Cicero Dark Green Shading



Green Issuance

Nov. 2013 USD 500mn. 3-year RegS/144A

Feb. 2015 USD 500mn. 10-year RegS/144A

Oct. 2016 USD 500mn. 4-year RegS / 144A

Nov. 2017 NOK 750mn. 10-year VPS/NO

Nov. 2017 NOK 600mn. 15-year VPS/NO

Aug. 2018 AUD 450mn. 5-year Kangaroo

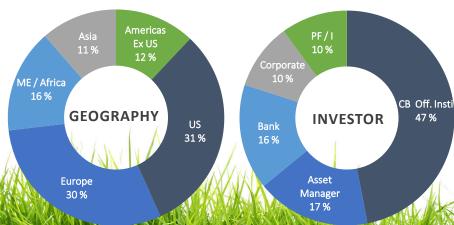
Aug. 2019 SEK 2.0 bn. 7-year RegS

Sep. 2019 USD 100 mill. Tap Feb 2025 144A

The 4y order book saw strong interest from environmentally responsible investment portfolios, with KBN's traditional investor base also participating in the transaction.

OCTOBER 16 @ MS +27BPS

USD 500 MM 4Y OCTOBER 2020







All projects that qualify for KBN's green interest rate must:

- Promote the transition to a low-carbon society that is resilient to climate change.
- Lead to verifiable reductions in greenhouse gas emissions (accumulated impact where possible) or energy consumption, or to adaptations required due to climate change or adaptations that are in some other way related to Norway's national energy, climate and environment targets.
- Form part of the municipality or county authority's systematic work on climate change and the environment, and have relevant plans and strategies as their foundation.

Projects awarded funds by Enova or the Norwegian Environment Agency's "Klimasats" scheme qualify.

In addition to the category-specific documentation, all applications must provide information on:

- The estimated total cost of the project.
- The date on which construction work is expected to start.
- The expected completion date.
- The expected lifetime of the investment.





RESOURCE CENTER

Enova

Norwegian Environment Agency

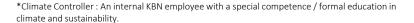
ICMA: Green bond principles



Selection and Proceeds Management

- A project's eligibility is assessed by the Lending Department and approved by two Climate controllers*.
- An amount equal to the net proceeds of the issue of the Notes will be credited to a ring fenced budget account that will support KBN lending for Eligible Projects, according to section 3 in the GBP.
- KBN has appointed an advisory board, "The Green Committee", whose mandate will be to provide advice and guidance in matters related to the Bank's Green Bond Framework. The committee will primarily draw on external expertise in related fields, but will also include members of the KBN staff.





Project must be approved by two Climate controllers



RESOURCE CENTER

KBN Green Bond Framework

KBN Green Bonds: Supplementary guidelines for project selection, documentation and reporting

KBN CICERO 2nd opinion





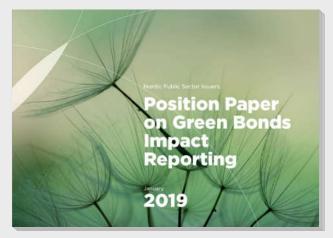
KBN Impact Reporting

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 base our calculations on projected (ex-ante) values.
- 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*

- Energy produced, saved or avoided is converted to greenhouse gas emissions reductions by applying an emission factor for electricity production in mainland EU and Norway (380g of CO2/kWh).
- In addition to key indicators such as CO2 reduced or avoided and electricity generated, the reporting includes category-specific environmental indicators.
- From 2018, our reporting also indicates to which of the UN's Sustainable Development Goals the various project categories make a contribution.

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.





https://www.kommunalbanken.no/media/54557 9/npsi position paper 2019 final.pdf



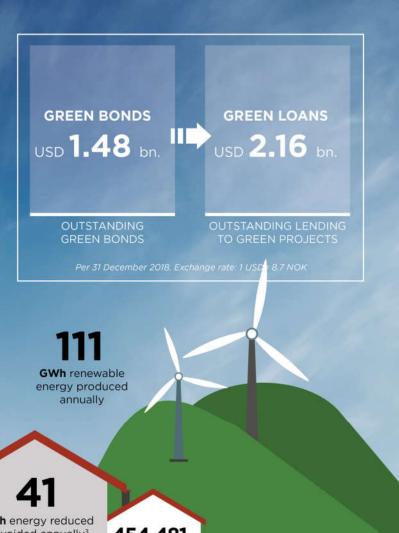
https://www.kommunalbanken.no/media/545 623/kbn-impact-report-2018.pdf KBN Norway's impact reporting is conducted according to the principles and methodology presented in the Position Paper on Green Bonds Impact Reporting

MAIN (

^{*} 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).



Estimated Environmental Impact From KBN's Green Loans



16 128 Tonnes of CO.e reduced annually

GHG emissions avoided + reduced

tonnes of CO e annually

48 641 Tonnes of CO₂e avoided annually2

> Added capacity of sustainable wastewater management

309 237 opulation equivalents 52 463

Tonnes added capacity of sustainable waste management



Efficiency measures implemented in

348 997 m2 of existing buildings

GWh energy reduced + avoided annually3

П

454 481 m2 of new green buildings erected

535 457

311

Energy produced, kWh/year

GHG emissions avoided,

tonnes CO2e

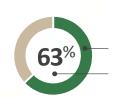




Fossil-free Building Site

When Bærum decided to build the municipality's largest elementary school, which will have a total floor area of 10,000m2, it set a requirement in the tender process for the building site to be fossil-fuel-free. This means that traditional diesel-driven machines will have as far as possible to be replaced by electric machines and machines that run on biofuels, and that heaters and dehumidifiers will have to run on district heating, electricity, hydrogen or bio energy. This is enabling the municipality to deliver a building site that is 90-95% fossil-fuelfree and has cut the greenhouse gas emissions from the construction process by an estimated 83 tonnes of CO2.

BEKKESTUA ELEMENTARY SCHOOL, **BÆRUM MUNICIPALITYY**



350 Total cost, million NOK

Outstanding green loan, million NOK

Share financed with outstanding green loan

ESTIMATED IMPACT (share financed with green loan)	
Energy use avoided, kWh/year	157 955
GHG emissions avoided, tonnes CO₂e	60





KINGDOM OF NORWAY UPDATE

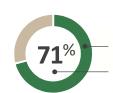
Food Waste and Manure Being Turned Into Fuel

"The magic factory" in Vestfold is at the cutting edge of bio energy production in Norway. The facility conjures up biogas equivalent to 6.5 million litres of diesel from 60 000 tonnes of food waste and 65 000 tonnes of manure, while also producing 110 000 tonnes of bio-fertilizer. This has helped cut synthetic fertilizer sales in Vestfold by 2 500 tonnes a year.

The facility has made it possible for the area's refuse trucks and buses to run on food waste and manure. Greve biogas is helping to reduce greenhouse gas emissions and air pollution. Value is being created by using waste as a resource, and the factory is a good step in the global shift towards renewable energy.



GREVE BIOGAS: "THE MAGIC FACTORY", TØNSBERG MUNICIPALITY



Total cost, million NOK

Outstanding green loan, million NOK

Share financed with outstanding green loan

ESTIMATED IMPACT (share financed with green loan)	
Energy produced, kWh/year	46 041 667
GHG emissions avoided, tonnes CO ₂ e	17 496

KBN GREEN BONDS



The Energy Solutions of **Tomorrow for an Old City Hall**

When Gjøvik Rådhus AS realised the City Hall's indoor climate and design needed improving, it decided on a comprehensive technical renovation of the building. It set ambitious targets with regard to quality, energy consumption and recycling. The new solution replaces oil and electric boilers with district heating. Central operating technology will help improve air quality and temperatures and will reduce energy consumption. The City Hall will meet the requirements of tomorrow in terms of functionality, efficiency and adaptations, and is an example of how a building can be renovated in an environmentally beneficial manner..



RENOVATION OF GJØVIK CITY HALL, GJØVIK RÅDHUS AS



Total cost, million NOK

175 Outstanding green loan, million NOK

Share financed with outstanding green loan

ESTIMATED IMPACT (share financed with green loan)	
Energy use avoided, kWh/year	2 485 216
GHG emissions avoided, tonnes CO₂e	944

ANNEXES

GREEN BONDS





Shore-side Power Significantly Reducing Emissions From Shipping

The shipping industry's activities along the coast of Norway are responsible for sizeable greenhouse gas emissions and significant local air pollution in port towns. A research report has demonstrated that shore-based power supplies in the 28 largest ports in Norway would save the country 356 000 tonnes of CO_2 emissions per year. 7% of the greenhouse gas emissions produced by the shipping industry are produced by docked ships. Stavangerregionen Havn IKS is taking a proactive approach and building two shore-side power supply systems with a total of six quay posts. The facilities will help docked ships to move from using fossil fuels to green energy delivered by a local power company.

SHORE-SIDE POWER SUPPLY
- TERMINAL IN RISAVIKA,
STAVANGER HAVN IKS



26.8 Total cost, million NOK

15.3 Outstanding green loan, million NOK

Share financed with outstanding green loan

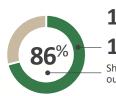




Home Collection of Glass and Metal Packaging **Increasing Recycling**

In the Ålesund region, ÅRIM, an environment company, is introducing a collection scheme for glass and metal packaging across twelve municipalities. The scheme is delivering results: it seems that people who have a separate bin separate out 30% more packaging from their rubbish than before. Even if there is a degree of uncertainty surrounding the figures because they are from the introductory period, the company has concluded that people separate out glass and metal packaging from their rubbish to a greater extent when they have a dedicated bin for it. Glass and metal are valuable resources that can be recycled endlessly without losing value.





14.4 Total cost, million NOK

Outstanding green loan, million NOK

Share financed with outstanding green loan

KBN GREEN BONDS



Collaboration Delivers Environmental Benefits

The capacity of the water and wastewater systems of the municipalities of Trondheim and Klæbu needed increasing, while the level of treatment also needed improving. These requirements were met by creating a new treatment facility and transfer pipelines to a larger facility in Trondheim.

The project is a good example of the benefits of collaboration. The shared solution solves the challenge of having adequate water reserves and makes the water supply more secure. It also helps to make the river Nid cleaner by reducing discharge into it and will facilitate the future task of improving small private drainage arrangements, which will in turn help the streams become habitable for fish again.







KBN GREEN BONDS





Norway's First Zero-emission Neighbourhood

Elverum municipality has seen strong population growth in recent decades, and it is now finding space for new residents by converting an old sand quarry into a new, climate-neutral district.

An energy-efficient elementary school and nursery will open in autumn 2019 and, over the course of the next 10-15 years, between 800 and 1,000 residential units will be built to the passive-house standard or better. This is one of seven zero-emission areas that will function as pilots for a research project called "Zero Emission Neighbourhoods" being undertaken by the Norwegian University of Science and Technology and SINTEF.





Total cost, million NOK

Outstanding green loan, million NOK

Share financed with outstanding green loan



An Answer To Frequent Flooding

Climate change is leading to heavier and more frequent precipitation that in turn causes surface water challenges in the form of floods. When precipitation does not find its way down the drain, it can cause extensive damage to the environment, infrastructure and, in the worst cases, to people's health. Without preventative measures, this can be very costly.

Bryne in Rogaland is a flat area that has had problems with water and wastewater entering into cellars as well as flooding fields right outside the centre of town. In response, Time municipality has implemented a range of measures to take the pressure off the pipe systems..

SURFACE RUNOFF MANAGEMENT IN BRYNE, TIME MUNICIPALITY



Total cost, million NOK

50 Outstanding green loan, million NOK

Share financed with outstanding green loan



KBN GREEN BONDS



Economic Forecast

	GDP		Inflation			Unemployment			
	2019	2020	2021	2019	2020	2021	2019	2020	2021
OECD ¹	1,1	2,4	2,3	2,5	2,0	2,2	3,4	3,2	3,2
SSB	2,4	2,2	1,6	2,2	1,8	1,9	3,6	3,7	3,7
Norges Bank	2,7	1,9	1,3	1,6	2,2	2,2	3,4	3,5	3,5

¹ OECD: CPI excluding food and energy

All numbers are percentage changes from the previous year

Sources:



Norges Bank (3/2019), **Monetary Policy Report**



OECD (2019), Economic Outlook, no. 106



SSB (2019), Main Economic Indicators 2009-2022



Economic Forecast

Economic growth remains robust

- Mainland output growth (i.e. abstracting from oil and gas production) has been robust in recent quarters, remaining above potential. A continuing rebound in oil-sector investment and a return to growth in housing investment have supported output growth.
- Wage growth continues to pick up, but employment growth has slowed slightly according to labour force surveys. Unemployment continues to fall. Headline inflation has headed down towards the 2% target as the effects of exchange-rate depreciation have worn off.
- The 2020 Budget proposal essentially retains the broadly neutral fiscal stance adopted in budgets since 2017, envisaging a small fiscal contraction between 2019 and 2020. This stance aligns well with continuing above-potential output growth. Norges Bank is expected to keep rates on hold following the four increases implemented since September 2018.
- Structural policy needs to help reverse the decline in potential output growth, while also ensuring the economy is on target to meet climate change goals and retaining a high priority on inclusiveness. Labour supply and skills issues, including the elevated numbers of sick-leave and disability-benefit claimants, are being addressed by a government-appointed commission.
- Mainland output growth is projected to slow to 1.7% by 2021, principally due to an end to the rebound in oil investment, and slowing growth of exports and household consumption. Nevertheless, capacity utilisation will remain high with a low rate of unemployment. Consumer-price inflation will rise gradually.

Source: OECD (2019), Economic Outlook, November 2019



Norway has the lowest income inequality in the world, helped by a mix of policies that support education and innovation. It also channels the world's largest sovereign wealth fund, which manages its oil and gas revenues, into long-term economic planning

- World Economic Forum (2017)







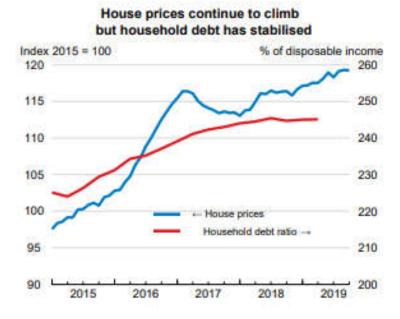




Economic Forecast

The Norwegian housing market

- House prices continue to climb following the downward correction in 2017, but still at a moderate pace. Stocks of unsold houses remain high and properties are taking longer to sell, which may foreshadow another correction. The debt-to-income ratio among households remains elevated but stable.
- The stabilization of house prices can be attributed to an increased housing supply as well as the implementation of a debt-to-income ceiling of 5x borrowers' pretax earnings in 2015. Furthermore, a stricter LTV requirement was introduced in Oslo for the purchase of a second home. For the purchase of the first home, the LTV ratio in Norway is 85%. For the purchase of a second home (in Oslo), the ratio is 40%.
- The debt growth of Norwegian households has slowed. In Q1 2019, the Norwegian household debt ratio was 244% the disposable income. Compared to other OECD countries, the debt burden in Norway is high, and only Denmark and the Netherlands have a higher debt burden.
- Nearly eight out of ten households own their own home, with 77% of Norwegian households being homeowners. The housing assets of households represent two-thirds of their gross assets, which in 2016 averaged NOK 3.9 million. Net wealth, with debt deducted, amounted to NOK 2.6 million.



Sources: OECD (2019), Economic Outlook, May/November 2019 Statistics Norway (2019) January-September 2019 January-September 2018

(Amounts in NOK 1 000 000)



Financial Highlights

(Amounts in NOK 1 000 000)	January-September 2019	January-September 2018	2018	
RESULTS				
Net interest income	1 404	1 378	1 885	
Core earnings'	844	864	1 194	
Profit before tax	1 126	1 317	1 996	
Profit for the period	860	988	1 496	
Return on equity after tax ^a	8.41%	10.33%	11.9%	
Return on equity after tax (core earnings):	8.64%	9.38%	9.8%	
Return on assets after tax ²	0.25%	0.32%	0.4%	
Return on assets after tax (core earnings)	0.24%	0.28%	0.3%	
LENDING				
New disbursements	34 368	31 343	55 749	
Outstanding loans ^a	305 197	288 102	302 229	
LIQUIDITY PORTFOLIO	117 271	84 600	113 557	
BORROWINGS				
New long-term borrowings	56 790	85 223	104 844	
Repurchase of own debt	260	98	206	
Redemptions	67 861	71 064	79 937	
Total borrowings ^a	420 587	378 773	414 603	
TOTAL ASSETS	473 521	414 033	457 701	
EQUITY	16 040	14 925	15 421	
Total capital adequacy ratio	23.0%	22.9%	22.9%	
Tier 1 capital adequacy ratio	20.4%	20.2%	20.3%	
Common equity Tier 1 capital adequacy ratio	17.6%	17.2%	17.4%	
Leverage ratio	3.5%	3.9%	3.6%	
LIQUIDITY COVERAGE RATIO (LCR)4				
Total	417%	281%	349%	
NOK	67%	8%	56%	
EUR	351%	356%	625%	
USD	411%	382%	248%	
AUD	905%	1 034%	489%	
JPY	426%	1 078%	Infinite	
OTHER KEY FIGURES				
Green loans	21 295	14 193	18 800	

Notes

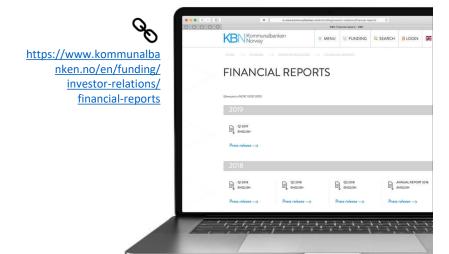
2018

- 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. Annualised return on equity after tax: Profit after tax/Core earnings as percentage of average equity and average assets.
- 3. Principal amounts
- 4. 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 ahead. The calculation method has been changed in the fourth quarter of 2018 and comparative figures for 2018 have been changed accordingly.
- 5. Outstanding green loans according to KBN's set of criteria for green loans. In addition, the bank has a small portfolio of green loans that were given before these criteria were established. These loans are no longer financed with green bonds.



Further information

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



MAIN



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 qualitive 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



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



Additional due diligence is undertaken by CRM prior to approval



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



Clients on the ROBEK list; 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.





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