

KBN 2025-2027 Strategy



Kommunalbanken AS (KBN) is one of the largest financial institutions in Norway, with total assets of over NOK 500 billion. We provide stable, long-term and efficient financing to Norwegian municipalities and county authorities, as well as to companies that provide local government sector services. KBN seeks to facilitate the transition to a sustainable economy and greater value creation. Our value creation will balance financial, social and environmental factors so that our return over time is generated within sustainable limits. KBN is a systemically important financial institution due to its position as the largest participant in the market for local government sector loans. KBN finances its activities by ensuring it has efficient access to the world's capital markets. A credit rating on a par with that of the Norwegian state (AAA) is a key requirement of KBN's business model.

Important drivers of KBN's strategy:

- The ongoing geopolitical turmoil, the uncertain outlook for inflation and relatively high interest rates are creating uncertainty about future market conditions and volatility in the financial markets. As a large institution that depends on international financing, this is affecting our capital planning and earnings.
- The need to operate with less room for manoeuvre financially, strong growth in the number of elderly people and a lack of workers will be crucial considerations for our customers' future financial sustainability. The need for new borrowing will to a large extent be driven by increasing investment in the health and care sector and the water and wastewater sector, and to varying extents by structural changes in child welfare measures. KBN has to expect that more of its customers will be in a weaker

financial situation. As the largest lender, we are responsible for helping to ensure the long-term financial sustainability of our customers.

- Our customers are experiencing a growing need for climate change adaptation measures in connection with, for example, extreme weather events, while municipalities and county authorities must be expected to play a clearer role in relation to reducing both their own emissions and contributing to their area's transition to a zero-emissions society. At the same time, both KBN's owner and the regulatory authorities very much expect KBN to play a major role as a facilitator of the transition to a sustainable economy, including the green transition. In this sphere, natural diversity has been attracting growing interest in recent years, and KBN and its customers will be expected to take nature into account in the same way as climate considerations, which will include balancing these two factors to the extent that they conflict with each other.
- The extent of the regulation to which the finance industry is subject will continue to increase going forward. For example, regulatory changes related to sustainability reporting, IT security, market risk and capital requirements will impact KBN's activities during the strategy period.
- Technological developments will continue to create opportunities for new digital tools for KBN and our customers, while also expanding the range of tools available to cybercriminals. Developments in cloud services and artificial intelligence are enabling greater use of data in order to improve insight, efficiency and quality. At the same time, this is placing greater demands in terms of quality assuring data and the security of our information processing.



The customer's first choice

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

We want there to be added value to being a customer of KBN. We will achieve our aim of being our customers' first choice by further developing our most important competitive advantages:

- 1) An attractive and reliable provider of long-term financing with products adapted to each customer's specific needs.
- 2) Digital solutions that simplify the process of taking out a loan from KBN, provide customers with insight and make it easier for them to manage their

loan portfolio, and facilitate high-quality decisions that contribute to financial sustainability.

3) Our unique knowledge of both the lending market and the local government sector, which we use to closely monitor our customers with the aim of helping them to develop their expertise and to take good decisions. In selected areas, we will deliver a clear message and advise our customers in order to help them achieve predictable and responsible borrowing.

As the largest lender to the local government sector, we have a responsibility to ensure we have sufficient capacity to finance new borrowing. As a result of our responsible lending policy and credit model, it will be more and more important for us to empower our

customers to take high-quality and future-oriented decisions that deliver financial sustainability and healthy local communities. As a responsible lender, we have an independent responsibility to prevent customers from taking out loans that would (significantly) impair their financial situation.

We will:

- Further develop our differentiated customer follow up activities to ensure that customers find added value in using KBN as a key lender. At the same time, we will seek to ensure all our customers perceive KBN to be relevant.
- Develop new profitable products and services that address customer needs.
- Further develop our digital tools for customers and work continuously to improve the lending process.
- Further develop our role and our tools to contribute to responsible debt management and the financial sustainability of our customers.



Strong market participant

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

KBN is committed to being recognised as having good governance and control capabilities, a high level of efficiency and a strong risk management culture. KBN will maintain its strong position by means of quality and transparency in its reporting, a good understanding of the markets, and its

relationships with investors and market participants. KBN has a commercial focus that helps us to fulfil the role we play in relation to the local government sector.

We will:

- Maintain a good credit rating.
- Further develop a diversified and innovative funding program to maintain our low borrowing costs, based in open, developed and transparent markets.
- Hold liquidity reserves invested in highly creditworthy liquid securities.
- Be precise, open and transparent in our dialogue with the market through high-quality financial and non-financial reporting.
- Further develop our risk management framework.
- Work to ensure tailored regulatory treatment in selected areas where the opportunity arises.
- More closely integrate ESG assessments when taking decisions about and monitoring suppliers.
- Work in a systematic and focused way on the organisation, management and maintenance of external and internal data in order to streamline and improve our production of risk assessments and reports so they offer high quality governance data.
- Continue to digitise our transaction and reporting processes.
- Continually assess measures to further develop our business in the form of products, services and markets etc.



Leader in green finance

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

In order to continue to be a leader in green finance, we will further develop our work in the following three key areas:

- 1) Green lending. By providing green loans, we are a driver for investment in more numerous and more ambitious green projects. Our aim is to continue to achieve strong growth in our green lending. We want a larger proportion of our customers to have green loans, showing that they are adapting to the low-carbon society and climate change. This should also contribute to a greater focus on natural diversity. We will also consider new green lending products that could further help our customers to transition to a low-carbon economy or reduce KBN's financed emissions.
- 2) Measuring our environmental impact and reducing our emissions. We will share information and knowledge on the environmental impact of our green loans, both with our customers and with investors in our bonds. We will also continue our work on mapping our total financed emissions and will set a target for their gradual reduction. This means that as a lender we will need emissions data for the projects we finance.
- 3) Providing insight solutions for customers with a particular focus going forward on solutions for which KBN has unique data and that can help our customers with the transition to a low-carbon society with higher climate and nature risk. We will also work with external organisations where this generates the best solutions.

We will:

- Further develop our green lending program in order to accelerate growth in the local government sector's investment in green projects and provide customers with incentives to share their data.
- Continue our work on the financing of projects adapted to the EU Taxonomy, and develop a framework for issuing bonds under the EU Green Bond Standard.
- Map our financed emissions and set a reduction target for them, and thereby ensure we fully report our direct and indirect emissions.
- Further develop our work on nature risk and determine in more detail what it will mean for KBN over the short and long term.
- Include customers' own work on climate issues and nature to a greater extent in our ongoing discussions with them.



Expertise and technology driven

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

KBN will have strong specialist teams that develop continually and share their knowledge. The combined expertise of our employees is our most important resource. We arrive together at the best solutions by facilitating the exchange of views and different perspectives. We will become more efficient and create added value for our customers and within our own organisation by exploiting technological opportunities and high-quality data.

We will be an attractive and engaging employer that provides job satisfaction for our employees.

We will:

- Maintain a culture of continual learning and knowledge sharing, and build in-depth and wide-ranging expertise.
- Further develop our organisation, and refresh how we work by digitalising and streamlining.
- Further develop our expertise, work processes and the quality of our data – one answer, in one place, right the first time – that efficiently provides insight and a good basis for decisions.
- Continue to build digital expertise in different methods and tools across our entire organisation.
- Increase our diversity, and more systematically involve different perspectives and experiences in our problem solving and development work.
- Take future-oriented decisions in relation to technology and solutions that deliver good user experiences.