

# Building a sustainable society

## A society in change

Our strategy is driven by six major trends in particular:

- **Customer preferences:** The local government sector's greater and more professional management of its finances is placing greater demands on us.
- **Technological development:** Digital solutions are enabling new products and services to be developed, and will require new forms of collaboration and greater expertise.
- **Changeable market conditions:** The capital markets are characterised by increasing uncertainty at what is a time of major international change.
- **Less room for manoeuvre:** Petroleum revenues will decline at the same time as the local government sector will need to invest significantly in response to problems including the ageing population, climate change and a maintenance backlog.
- **The expectations of KBN's owner:** KBN has to be run commercially and to generate a satisfactory return while at the same time functioning as a tool for achieving the state's sector-political objectives.
- **Regulatory framework:** The regulations to which financial institutions are subject are intended to ensure the stability of the financial system. As a systemically important financial institution, KBN is subject to extensive requirements. Capital optimisation will be important to ensuring that KBN has the lending capacity it needs.

## Our role

KBN, the Norwegian state's lender to the local government sector, is one of the largest financial institutions in Norway with total assets of approximately NOK 450 billion. We provide municipalities wishing to invest in welfare services with loans on attractive terms, and we seek to promote sustainable local communities and to contribute to the green shift. Through financial expertise, digital collaboration and insight into the local government sector, we seek to help our customers succeed in their work to develop the best possible welfare services for the people they serve.

KBN finances its activities by efficiently accessing the world's capital markets. KBN is required to be low risk and to be able to provide loans regardless of economic conditions. The local government sector's high creditworthiness should be reflected in the cost of the loans KBN provides. KBN will operate with a target of having a credit rating that is in line with the rating of Norway (AAA). In order for it to be able to fulfil this role, KBN has a target of being a market leader. KBN is a systemically important financial institution due to the role it plays in society and its position as the largest participant in the market.

KBN is required to meet its owner's requirement for a satisfactory return. In order to achieve this, KBN will work systematically on optimising the structure of its balance sheet and on increasing the efficiency of its use of capital. We will also be a driving force for ensuring that the regulatory framework in Norway is harmonised with the framework for similar institutions in the EU so that KBN is treated in the same way as these institutions.

### VISION

Long-term partner  
for local welfare  
services

### VALUES

- ▶ OPEN
- ▶ RESPONSIBLE
- ▶ ENGAGING



## The customer first

*"KBN will be the most important financing partner for Norwegian municipalities and county authorities, and we will put customers first in everything we do."*

KBN will provide simple, future-oriented and flexible financing solutions that are adapted to each customer's requirements. Through insight, financial expertise and digital tools, we will help our customers to assess financial risk and to choose the financing solutions that best suit their needs.

### WE WILL ▼

- Simplify and adapt our lending products based on customer requirements and their expectations for added value, with a target of developing new products for customers that provide a good level of profitability.
- Be an active disseminator of best practice in the financing of welfare services and play the role of discussion partner for customers to add value to our customer relationships.
- Develop digital leadership that provides a competitive advantage and contributes to the local government sector making high-quality, sustainable choices in relation to debt management.
- Work in an active and dedicated manner on business development and innovation.



## Building a sustainable society

*"Sustainability will permeate the way in which we carry out our activities."*

The climate, sustainability and the green transition are high on the international agenda, and will characterise society's development going forward. As an efficient allocator of capital, the finance industry can play a key role in the transition to a low-carbon society. KBN intends to contribute to the implementation of the green transition and the ongoing development of a sustainable society in Norway. As a long-term partner for local welfare, KBN is in a unique position in terms of influencing how Norwegian society develops. We are conscious of this responsibility.

### WE WILL ▼

- Support investment in responsible, long-term projects and sustainable debt management.
- Set high expectations in relation to ethical conduct and sustainability for ourselves and for our customers, suppliers and collaboration partners.
- Help develop and share knowledge that supports the sustainable development of society, and actively engage in stakeholder dialogue about our activities with politicians, the authorities and other organisations.



## Strong market participant

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

Efficient funding operations are the basis for the market's best lending products. Having a good understanding of the markets and strong relationships with investors will ensure that KBN maintains its desired market position. KBN will seek to secure the lowest possible transaction and hedging costs and low operational risk for its financing activities.

Risk management and risk monitoring are key tasks for KBN's activities. We emphasise enterprise risk management that is based on insight, analysis and market knowledge. KBN's funding activities must be based on open, developed and transparent markets with clearly identifiable pricing elements.

KBN's activities are characterised by their low risk. KBN will limit its foreign exchange risk and interest rate risk and will operate in a way that minimises volatility in its earnings and key regulatory figures.

### WE WILL ▼

- Further develop a diversified funding program to maintain our low borrowing costs in the context of the more uncertain international economic outlook.
- In order to address situations such as another crisis in the financial markets or unforeseen needs to make disbursements, KBN will hold sufficient liquidity reserves that are invested in highly creditworthy liquid securities.
- Strive to simplify our financing activities by reducing the complexity, costs and risk associated with funding, hedging and contingency planning.



## Leader in green finance

*"KBN will help ensure its customers succeed in transitioning to a low-carbon society."*

KBN intends to be among the leading financial institutions in the area of climate risk, sustainability and green finance solutions. Through our green lending, we will be a driver for more investment in ambitious green projects. We will seek to ensure climate risk is high on the agenda, and will work to ensure that climate concerns are treated as a risk area for KBN's own activities as well as ensuring our customers focus on their own climate risk.

### WE WILL ▼

- Have the market's best green loan products and be one of the leading players in the area of green finance.
- Develop one of the market's best programs for issuing green bonds and be a driver for the development of this market.
- Be a driver for climate risk becoming part of municipalities' decision-making processes and investment plans.



## A future-oriented organisation

*"KBN will be a knowledge business recognised for financing and the development of future-oriented financing solutions for Norwegian municipalities."*

It is important for KBN to succeed in further developing the entire organisation's customer insight and digital expertise, as well as for it to build pride in the role it plays in society. KBN shall be a knowledge business with strong specialist teams and a culture characterised by learning and the desire to be at the forefront of developments. Good solutions to complex problems are ensured by taking a wide-ranging and inter-disciplinary approach that is based on collaboration and teamwork. We have a shared responsibility for KBN achieving its objectives. Expertise will be strengthened through internal mobility, and flexibility across departments and areas of specialist responsibility will be emphasised. Modern ways of working and tools will ensure KBN is efficient and has strong delivery capabilities. We will strive to be a team of winners, and everyone must feel part of the team. Finally, we will do everything necessary to maintain our position as a future-oriented organisation.

### WE WILL ▼

- Work together to build our customer insight and collaborate in an interdisciplinary way to develop and make use of our combined expertise.
- Refresh our expertise and ways of working to stay ahead.
- Use service provider agreements in areas of expertise where KBN does not have a permanent requirement for in-house expertise. KBN will purchase such expertise in a professional, soundly justified and cost-efficient manner and the use of external expertise shall contribute to developing in-house knowledge building and adaptation. Our suppliers will be required to support our objective of being an efficient and scalable organisation.



## Digitalisation

*"Our digital solutions will give customers the best customer experience and help simplify and improve the quality of KBN's operations."*

As the biggest lender to the local government sector, we will further digitise how we interact with our customers, implementing simpler processes and helping customers gain greater insight.

### WE WILL ▼

- Based on customer requirements further develop digital channels that simplify processes and enable simple, effective and regular dialogue with customers.
- Make use of the opportunities created by analysing customer data to improve our products and positioning in relation to customers and the market.
- Create customer satisfaction, customer loyalty and added value by providing insight, both independently and in collaboration with external parties.
- Use new technology to improve and simplify our own operations, with a particular emphasis on frequently producing quality-assured data.
- Based on customer requirements and our own quality targets, modernise our internal work processes and system support in relation to our lending activities.