CREDIT OPINION

16 April 2026

Update

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RATINGS

Kommunalbanken AS

Domicile	Oslo, Norway
Long Term CRR	Aaa
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aaa
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Not Assigned

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Kommunalbanken AS

Update to credit analysis

Summary

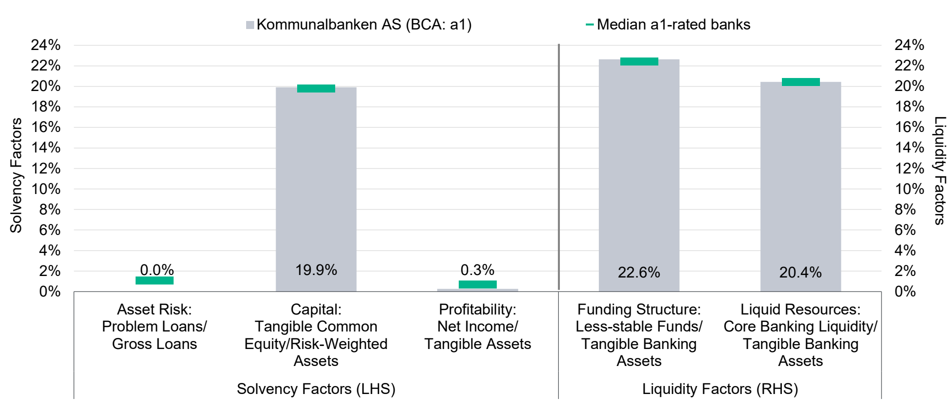
Kommunalbanken AS' (KBN) Aaa long-term issuer and senior unsecured debt ratings reflects its a1 Baseline Credit Assessment (BCA); our Advanced Loss Given Failure (LGF) analysis that results in a two-notch rating uplift from the a1 BCA, given its significant volume of senior unsecured debt; and our view of a very high likelihood of support from the Government of Norway (Aaa stable) because of its full ownership of KBN and KBN's role as the principal financier of the Norwegian regional and local government (RLG) sector, resulting in a further two notches of rating uplift to Aaa.

KBN's BCA is underpinned by its leading position in Norway as the largest provider of funding to the RLG sector, strong asset quality reflecting the credit quality of the RLGs it serves, and robust capital levels. The BCA also incorporates KBN's modest profitability, in line with its public policy mandate, strong operating efficiency, and solid liquidity, as well as a diverse funding profile characterised by longer-dated bond issuance, although with some asset and liability maturity mismatches.

We apply our Advanced LGF analysis, as the bank operates in Norway, which we consider to have an operational resolution regime, and is regulated by the Norwegian Financial Supervisory Authority. This applies despite KBN's ownership structure, public mandate and confirmation in 2025 that it would not be subject to a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), and that liquidation would be the preferred resolution strategy. Although we note that resolution practices may differ in practice, and the resolution authority retains the power to impose loss absorption and bail-in instruments.

Exhibit 1

Key financial ratios as of 31 December 2025



These are our Banks Methodology scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average or the latest annual figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures

Source: Moody's Ratings

Credit strengths

» Leading lender to the Norwegian public sector, supporting stable and predictable operations

» Excellent asset quality, underpinned by RLGs' predictable revenue streams and central government oversight

» Robust capitalisation relative to risk, comfortably exceeding regulatory requirements

» Stable funding profile and solid liquidity position

Credit challenges

» Sizable single-borrower concentrations given the bank's public policy mandate

» Modest profitability, consistent with the public policy mandate and low-risk business profile

» Small mismatches between assets and liabilities, mitigated by diversified funding

Outlook

The outlook on KBN's long-term issuer and senior unsecured debt ratings is stable, reflecting our expectation that its public policy role and excellent credit quality will be maintained, along with an unchanged willingness from the Norwegian government to support the institution in case of need.

Factors that could lead to an upgrade

KBN's BCA could be upgraded as a result of stronger profitability metrics while maintaining its excellent asset quality, which is unlikely given the bank's business model, and a significant increase in its already strong liquid reserves. However, an upgrade of the bank's BCA will not trigger any upgrade of the bank's long-term issuer and senior unsecured ratings, which are already at Aaa.

Factors that could lead to a downgrade

KBN's BCA could be downgraded as a result of a deterioration in asset quality; dilution of KBN's public policy mandate and lower importance for the RLG sector; a weaker position in the debt capital markets or reduced liquidity; and sustained weaker financial performance.

KBN's senior unsecured ratings could also be downgraded if the likelihood of government support for either of these debt classes diminishes, or if the sovereign rating is downgraded.

Key indicators

Exhibit 2
Kommunalbanken AS (Consolidated Financials) [1]

	12-25 [2]	12-24 [2]	12-23 [2]	12-22 [2]	12-21 [2]	CAGR/Avg. [3]
Total Assets (NOK Billion)	533.2	567.6	522.2	453.9	449.2	4.4 [4]
Tangible Common Equity (NOK Billion)	19.7	18.5	17.4	15.3	16.0	5.3 [4]
Tangible Common Equity / Risk Weighted Assets (%)	19.9	19.0	18.3	19.0	19.7	19.2 [6]
Net Interest Margin (%)	0.4	0.4	0.4	0.4	0.3	0.4 [5]
PPI / Average RWA (%)	2.1	1.8	2.0	-0.3	1.9	1.5 [6]
Net Income / Tangible Assets (%)	0.3	0.2	0.2	0.0	0.3	0.2 [5]
Cost / Income Ratio (%)	17.5	18.0	15.8	627.5	13.9	138.5 [5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	20.4	23.1	--	--	--	--
Less-stable Funds (LCR) / Tangible Banking Assets (%)	22.6	31.6	--	--	--	--

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods. Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities.
Sources: Moody's Ratings and company filings

Profile

Kommunalbanken AS (KBN) provides loans to Norwegian counties and municipalities, as well as intermunicipal companies and other companies that carry out tasks at a municipal level. The loans are granted against either a municipal or government guarantee. KBN's lending is funded by issuing securities in the international capital markets.

KBN is fully owned by the Norwegian state, with the Ministry of Local Government and Regional Development acting as KBN's owner. The ministry appoints KBN's board of directors and supervisory board, while the external auditor is appointed by the ministry following a recommendation from KBN's board.

KBN was established in November 1999 by special law as a limited company, taking over all activities from the government-owned Norges Kommunalbank (NKB). NKB was established as a state institution in 1926 with the sole purpose of lending to Norwegian local governments by issuing bonds, all of which were covered by state guarantees. However, NKB's lending was kept within government-fixed lending limits. KBN does not have to obey such limits, which gives it greater freedom in its borrowing and lending operations; however, its funding is not explicitly guaranteed.

Recent developments

2025 December: The Norwegian Parliament has announced that it will request the government to review whether loans to municipalities should be changed from the current 20% risk weight to 0%, in line with central government exposures under the capital requirements framework, and whether Kommunalbanken's own risk weight should also be adjusted. As part of this review, the authorities are also considering whether the bank should be formally designated as a promotional bank. At this stage, Parliament has only requested an assessment, and both the timing and outcome of the review remain uncertain, as do the potential implications for the bank's credit profile.

2025 May: Kommunalbanken announced that it had been advised it would not be subject to a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), and that the preferred resolution strategy would be liquidation rather than bail-in.

Detailed credit considerations

Largest lender to the Norwegian public sector and, alongside its public policy mandate, this underpins the stability of its operations

KBN is the largest lender to the Norwegian public sector, supported by its public policy mandate and full government ownership, as reflected in its establishment through legislation. In addition, the company benefits from oversight by the Ministry of Local Government and Regional Development and supervision by the Norwegian Financial Supervisory Authority (FSA, Finanstilsynet). KBN also benefits from a maintenance obligation, under which the Norwegian central government ensures that KBN can fulfil its mandate to provide low-cost financing to the Norwegian RLG sector.

As a bank established with an explicit public policy mandate, KBN benefits from an entrenched franchise in a niche market. With a reported market share of 48% as of year-end 2025, KBN is the largest provider of funding to RLGs and companies owned by RLGs in Norway, and therefore plays an important role in the Norwegian economy.

We view KBN's financial strategy as conservative, which, together with strong risk management practices, results in exceptional stability in terms of asset quality, capital and underlying earnings. This supports the bank's ongoing operating performance and underpins a very low risk profile. KBN has a proven track record of very low risk appetite in its lending, resulting in minimal credit losses over multiple decades.

KBN's public policy mandate and the above factors underpin the stability of its operations and support our positive adjustment for Strategy, Risk Appetite and Governance.

Excellent asset quality rests on RLGs predictable revenue streams and central government oversight

The aa1 Asset Risk score, in line with the Macro Adjusted score, reflects KBN's excellent asset quality, underpinned by the high credit quality of the RLGs it serves, which has resulted in the entity never having recorded a loss on its lending.

We view the Norwegian RLG sector as financially strong, supported by a closely supervised and highly supportive institutional framework. A significant share of RLG revenues is derived from government grants, while the equalisation principle ensures that all RLGs have sufficient financial resources to provide consistent public services nationwide. In addition, RLG budgets are subject to central government oversight, operating deficits are not permitted, and borrowing is restricted to specific purposes. Any RLG that incurs a deficit is placed under enhanced government supervision until the imbalance is resolved.

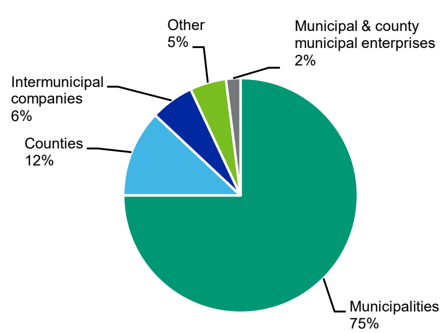
Importantly, RLGs cannot be declared insolvent and payments cannot be cancelled, with payments only deferrable and interest accruing as normal. Against this backdrop, KBN has not recorded a loss on its lending during nearly 100 years of operations. Although KBN has never incurred a credit loss, in line with accounting standards the lender had made provisions for theoretical losses on loans and bond investments of NOK39 million as of December 2025, slightly higher than at year-end 2024. This amount remains small relative to relevant exposures of NOK386 billion, all of which continue to be classified as Stage 1.

In line with peers, KBN serves a relatively small number of borrowers, which naturally results in single-borrower concentration in its loan portfolio. That said, KBN remains fully compliant with all applicable regulations, including large exposure limits.

Exhibit 3

KBN lends widely across the RLG sector

Outstanding lending by customer category as of year-end 2025

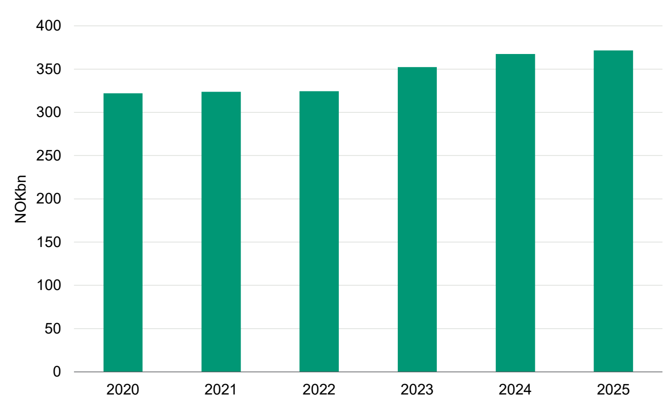


Source: Moody's Ratings

Exhibit 4

KBN's lending is all categorised as Stage 1, demonstrating its strong asset quality

Gross lending formation



Source: Moody's Ratings

Despite the strong credit quality of the Norwegian RLG sector, indebtedness has increased over recent years, reflecting both higher borrowing needs and rising standards of public service provision. As a result, a share of this debt is more exposed to higher interest rates. At the same time, municipalities total gross investment expenditures as a share of operating revenues have trended lower (from 15.6% in 2024 to 14.1% in 2025), pointing to a gradual moderation in investment activity. A sustained decline in municipal investment would represent a longer-term risk to Kommunalbanken's loan growth, given that its low-margin lending model is highly volume-driven. Moreover, as in many European countries, demographic trends, including an ageing population and declining birth rates, could weigh on future municipal investment needs over time, adding further downside risk to long-term loan growth prospects.

KBN's risk policy allows for minimal exposure to interest rate and currency risk, which are managed through the matching of assets and liabilities, and hedging through derivatives. Counterparty risk is mitigated through standard international swap and derivative association agreements and collateral support annexes with all counterparties.

Capital position is robust relative to risks and substantially above regulatory requirements

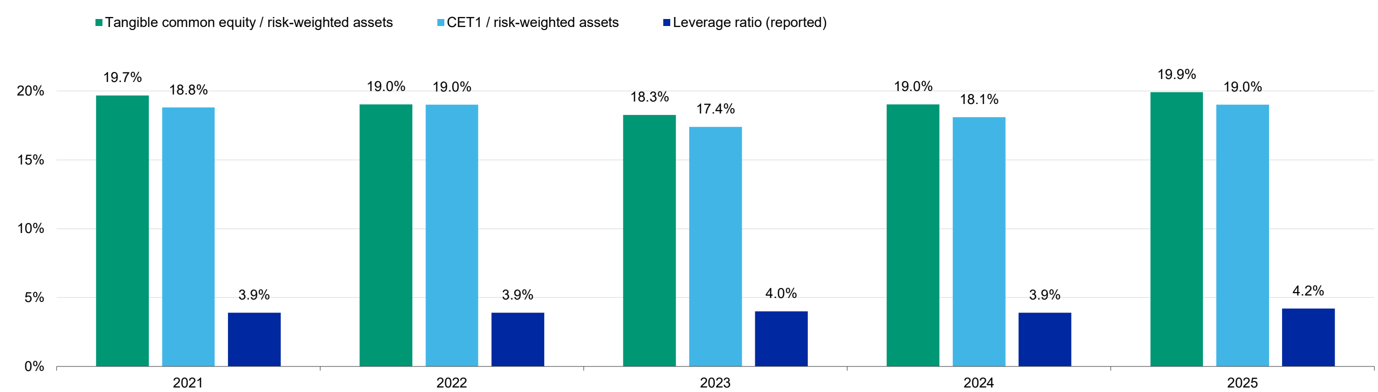
The a1 Capital score reflects KBN's strong risk-weighted capitalisation, with the institution's tangible common equity to risk-weighted assets ratio at 19.9%. The score is positioned two notches below the Macro Adjusted score, reflecting KBN's low leverage, albeit stronger than peers and consistent with its lower-risk lending profile.

As of December 2025, KBN reported a Common Equity Tier 1 (CET1) capital ratio of 19.0% and a total capital ratio of 23.3%. These metrics compare with minimum current CET1 and total capital requirements of 14.3% and 18.3%, respectively, which include a Pillar 2 add-on of 1.1% specific to KBN set by the Norwegian FSA. Capitalisation is supported by modest organic capital generation, consistent with KBN's lower risk-weighted lending. However, the bank has historically benefited from capital injections from the Norwegian government, most recently in April 2020, when the government executed an equity injection of NOK750 million to support KBN's role in financing the RLG sector amid market turmoil.

Exhibit 5

KBN's capital is solid with substantial buffer above capital requirements

Capital metrics evolution



Sources: Moody's Ratings

KBN is required to apply a 20% risk weight to lending to RLGs. This compares with standard capital requirements, which ascribe a 0% risk weight to government entities of comparable credit quality, and is also the risk weight applied by its European peers. As a result, KBN's risk-weighted capital metrics are weaker than those of its Nordic peers that are government-related issuers. As of December 2025, KBN reported a Basel leverage ratio of 4.2%, up from 3.9% at year-end 2024, largely reflecting a reduction in its loan book.

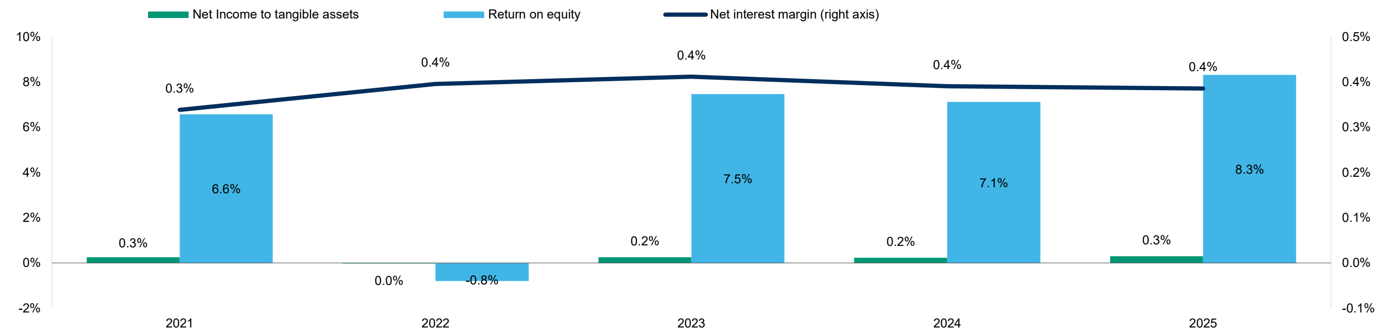
Modest profitability in line with public policy mandate and low-risk profile; operating efficiency is strong

The ba3 Profitability score reflects KBN's modest yet stable underlying earnings, consistent with its lower-risk lending profile and public policy mandate. The score is positioned one notch below the initial score to reflect an expected normalisation in net income following a one-off boost from the outcome of a tax appeal and higher-than-normal unrealised gains in the 2025 financial year.

Like other lenders with a public policy mandate, KBN's profitability is modest because it aims to provide cost-effective lending to its customers rather than to maximise profits. Net income to tangible assets increased to 0.30% as of December 2025, up from 0.23% as of December 2024, adjusted for tax appeal interest compensation.

Given KBN's high proportion of financial instruments and loans measured at fair value, earnings are sensitive to market movements. In 2025, KBN reported unrealised gains on financial instruments of NOK501 million, up from NOK157 million in 2024. Despite volatility in the fair value of financial instruments, we view KBN's underlying profitability as stable and predictable, reflecting its market-leading position and the expected stability of its RLG customer base.

Exhibit 6
KBN's profitability is modest in light of its public policy mandate
Evolution of profitability metrics



2025 figures are adjusted for tax appeal interest compensation.
Source: Moody's Ratings

KBN's financial flexibility is supported by strong operating efficiency, with a cost to income ratio of 17.5% as of December 2025, down from 18.0% in 2024. KBN's cost base is broadly in line with peers and is expected to remain low, supported by its unchanged business model and efficient distribution. That said, there has been a modest increase in expenses in recent years, mainly reflects higher IT development costs and additional hiring in the compliance function.

Solid funding profile supported by well-laddered, long-maturity wholesale funding

The a1 Funding Structure score reflects Kommunalbanken's longer-dated bond funding and a diversified investor base across both investor type and geography. The score is positioned one notch above the initial score to reflect netting arrangements in place for a portion of its repo funding.

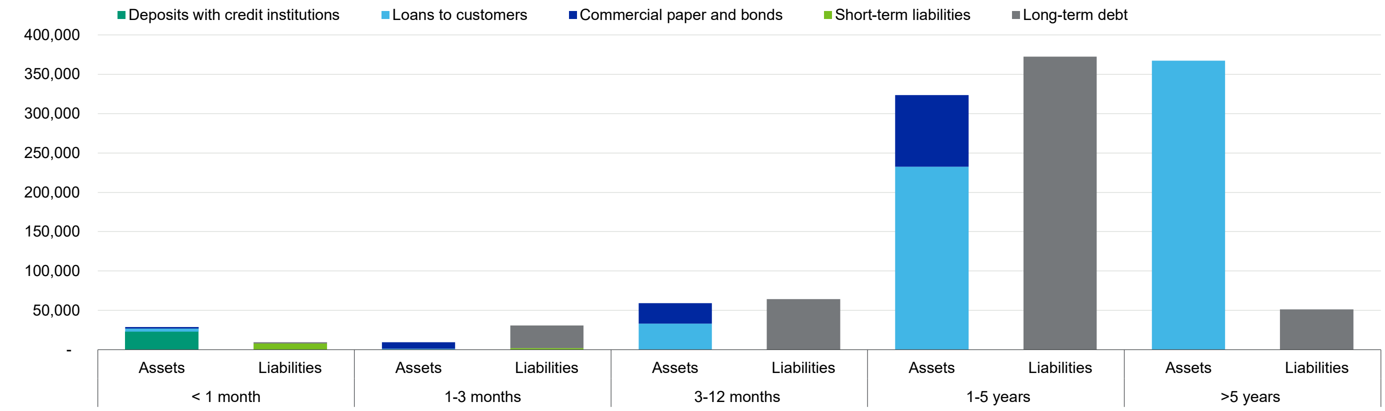
KBN is almost entirely funded through senior preferred instruments and therefore relies on capital markets for its financing. To mitigate funding risks, the bank pursues a diversified funding strategy, issuing debt across multiple markets and currencies to access a broad investor base. It also benefits from longer average funding maturities, as reflected in a modest 22.6% less stable funds ratio as of year-end 2025.

KBN's asset and liability management results in some maturity mismatches, with around 47% of assets having remaining maturities beyond five years, compared with around 10% of liabilities, including anticipated interest payments. While such mismatches could expose the bank to interest margin pressure in a prolonged rising spread environment, Kommunalbanken actively uses derivatives to mitigate market risks.

Exhibit 7

KBN has some asset and liabilities maturity mismatches mitigated by derivatives usage and strong access to capital markets

Exposure by contractual time to maturity and exposure type



Reflects net maturities including interest payments

Source: Moody's Ratings

Solid liquidity

The a2 Liquid Resources score reflects the bank's solid liquidity buffers.

KBN's weighted high-quality liquid assets (HQLA) totalled NOK108 billion as of December 2025, down from NOK131 billion at year-end 2024, and comprised assets of strong credit quality. Our core banking liquidity to tangible banking assets ratio was 20.4% at the end of the period, equivalent to 29% of total loans as of December 2025.

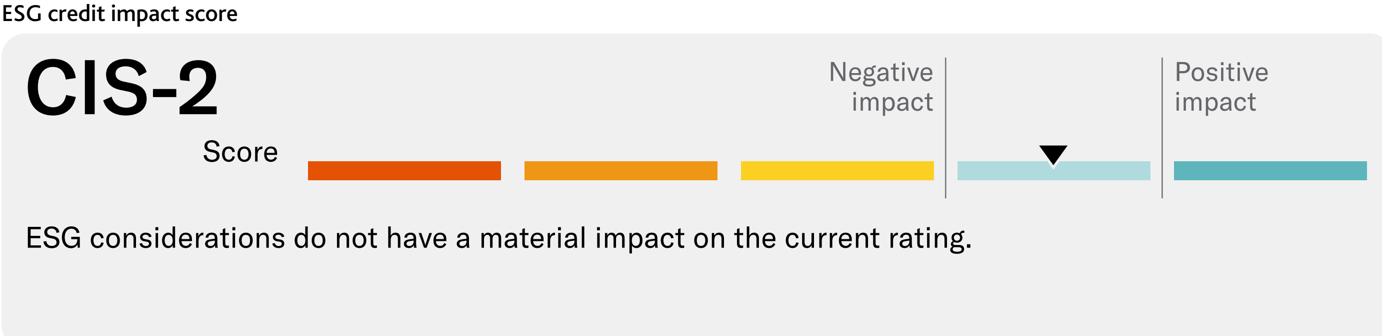
KBN aims to maintain liquid assets sufficient to sustain operations for 12 months in the event that funding markets become unavailable. However, unlike some peers, KBN does not have access to regular central bank liquidity facilities. The bank's liquidity coverage ratio (LCR) was 225% as of December 2025, compared with 242% at year-end 2024.

ESG considerations

Kommunalbanken AS' ESG credit impact score is CIS-2

Exhibit 8

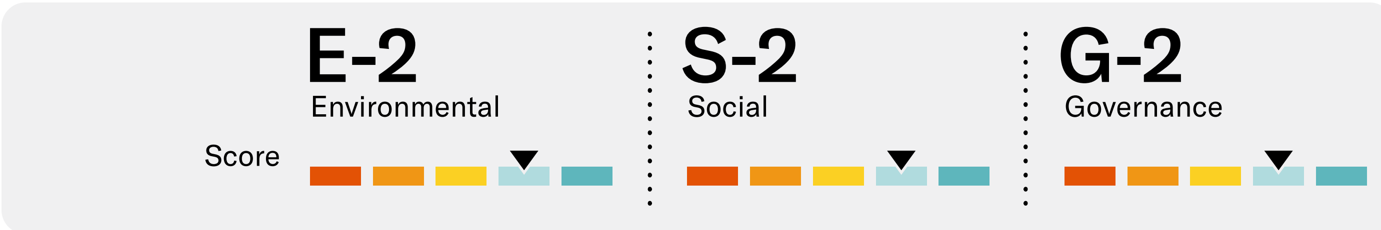
ESG credit impact score



Source: Moody's Ratings

KBN's **CIS-2** reflects the low credit impact of environmental and social risk factors on the rating, and low governance risks.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental
We view KBN's environmental risks as low, but municipalities, KBN's principal borrowers, are exposed to climate risk, such as severe weather phenomena, although KBN's green bond programme aims to finance the sector's transition to be more climate resilient.

Social
KBN's government-related footprint is substantial, reflecting its establishment though legislation, its public policy mandate and full government ownership. KBN's public policy mandate and the above factors underpin the stability of KBN's operations and our positive adjustment to the rating for Business Diversification.

Governance
KBN faces low governance risks and its risk management, policies and procedures are in line with industry best practices. Despite sectoral concentration, the bank benefits from strong underwriting standards which mitigate these concerns. The bank has a track record of sound capital and liquidity management and earnings stability while it has never recorded a credit loss.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis
We apply our Advanced LGF analysis, as the bank operates in Norway and KBN is regulated as a credit institution, with the Norwegian Financial Supervisory Authority designated as the relevant resolution authority. Norway is a jurisdiction that we consider to have an operational resolution regime. This assessment applies notwithstanding KBN's ownership structure and public mandate, as well as confirmation that the bank would not be subject to a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), with liquidation rather than bail-in identified as the preferred resolution strategy.

We note, that resolution strategies may differ in practice. In particular, the Norwegian resolution authority retains the power to impose loss absorption and bail-in instruments, even where this is not the stated intended approach. Consequently, we apply our Advanced LGF analysis using our standard assumptions, including residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets.

Under these assumptions, our LGF analysis for KBN's senior unsecured debt indicates a very low loss given failure, owing to the loss absorption provided by the significant volume of senior unsecured debt outstanding. This results in two notches of rating uplift for senior unsecured debt from KBN's Adjusted BCA.

Government support considerations
We assess a very high likelihood of support from the Norwegian government for all debt classes. This assessment is based on the Norwegian government's 100% ownership of Kommunalbanken, its public policy mandate to support RLGs, and its proven capacity to provide capital injections in stressed scenarios. Consequently, the senior unsecured debt rating receives a two-notch uplift from its preliminary rating assessment to Aaa.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may significantly differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10
Rating Factors

Macro Factors							
Weighted Macro Profile	**Very Strong -**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		0.0%	aa1	↔	aa1		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		19.9%	aa2	↔	a1	Nominal leverage	
Profitability							
Net Income / Tangible Assets		0.3%	ba2	↓	ba3	Expected Trend	
Combined Solvency Score			a1		a2		
Liquidity							
Funding Structure							
Less-stable Funds / Tangible Banking Assets		22.6%	a2	↑	a1	Market funding quality	
Liquid Resources							
Core Banking Liquidity / Tangible Banking Assets		20.4%	a2	↔	a2		
Combined Liquidity Score			a2		a1		
Financial Profile			a1		a2		
Qualitative Adjustments					Adjustment		
Business and Geographic Diversification					0		
Complexity and Opacity					0		
Strategy, Risk Appetite and Governance					1		
Total Qualitative Adjustments					1		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					aa3 - a2		
Assigned BCA					a1		
Affiliate Support notching					0		
Adjusted BCA					a1		

Balance Sheet	**in-scope (NOK Million)**	**% in-scope**	**at-failure (NOK Million)**	**% at-failure**
Other liabilities	30,068	5.6%	30,068	5.6%
Senior unsecured bank debt	482,652	90.5%	482,652	90.5%
Dated subordinated bank debt	800	0.2%	800	0.2%
Preference shares (bank)	3,600	0.7%	3,600	0.7%
Equity	15,993	3.0%	15,993	3.0%
Total Tangible Banking Assets	533,113	100.0%	533,113	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	94.4%	94.4%	94.4%	94.4%	3	3	3	3	0	aa1
Counterparty Risk Assessment	94.4%	94.4%	94.4%	94.4%	3	3	3	3	0	aa1 (cr)
Senior unsecured bank debt	94.4%	3.8%	94.4%	3.8%	2	2	2	2	0	aa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa1	1	Aaa	Aaa
Counterparty Risk Assessment	3	0	aa1 (cr)	1	Aaa(cr)	
Senior unsecured bank debt	2	0	aa2	2	Aaa	Aaa

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 11

Category	Moody's Rating
KOMMUNALBANKEN AS	
Outlook	Stable
Counterparty Risk Rating	Aaa/P-1
Baseline Credit Assessment	a1
Adjusted Baseline Credit Assessment	a1
Counterparty Risk Assessment	Aaa(cr)/P-1(cr)
Issuer Rating	Aaa
Senior Unsecured	Aaa
Commercial Paper	P-1
Other Short Term	(P)P-1

Source: Moody's Ratings

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