

The KBN logo consists of the letters "KBN" in a white, sans-serif font. The letter "B" is stylized with a vertical bar extending downwards from its top, creating a shape reminiscent of a mountain or a flag.

The Norwegian Agency
for Local Governments

A photograph of a person with long blonde hair, seen from behind, swinging on a wooden swing. They are wearing a red floral dress. The swing hangs from two ropes. The background is a vast, calm blue fjord with towering, misty mountains on either side. The sky is overcast with soft, grey clouds.

January 2024

THE NORWEGIAN AGENCY

FOR LOCAL GOVERNMENTS



The Norwegian Agency
for Local Governments

A photograph of a person with long blonde hair, seen from behind, swinging on a wooden swing. They are wearing a red and white patterned dress. The swing hangs from two ropes. The background is a stunning fjord with deep blue water and towering, misty mountains covered in green forests. The sky is bright and slightly hazy.

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KBN OVERVIEW

Fundamentals

- Norwegian State Agency created by Act of Parliament in 1926/1999, having a public policy mandate from the central government to provide low cost finance to the Norwegian local government sector.
- 100% owned by the Kingdom of Norway (Aaa/AAA) and managed in accordance with the Central Government Maintenance Statement.
- KBN's sole purpose is to grant stable, long term and efficient funding to Norwegian local government sector in line with KBN's public policy mandate.
- Excellent asset quality, KBN's focused, specialized monoline lending model has never suffered a loan loss.
- KBN's mandate for sustainable financing of the local government sector is viewed as an important contribution for the Norwegian government to reach its climate goals.
- KBN is guided by prudent financial and risk management policies. Funding transactions are hedged and KBN maintains liquidity in excess of policy requirements.
- KBN is the closest proxy to Norwegian sovereign risk available in international currencies.
- Owing to full state ownership, the central public policy mission, a strong capital base, solid financial and operating performance and prudent financial and risk management policies, KBN is assigned Triple-A ratings by Standard & Poor's and Moody's.
- Staffed by 80 employees, KBN maintains headquarters in Oslo.



**AAA/Aaa
(stable/stable)**



**100% Central
Government
owned**



**Central Government
Maintenance
Statement**



**100% of local
governments as
clients. No loan
losses ever.**



**Closest proxy to
Norwegian sovereign
risk**

Norwegian State Ownership



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



KINGDOM OF NORWAY 100%

BOARD OF
DIRECTORS (9)

SUPERVISORY
BOARD (12)



The Norwegian Agency
for Local Governments

AAA Rating In Line With Sovereign

| CREDIT | RATINGS | | | RATING AGENCY | THEIR COMMENTS |
|---|---------|-------|---------|------------------------------|---|
| | LONG | SHORT | OUTLOOK | | |
|  | AAA | A1+ | Stable | <u>STANDARD & POOR'S</u> | <ul style="list-style-type: none"> Norway has extremely strong fiscal and external net asset position, which together with high wealth levels, strong institutions, and an effective monetary policy regime support the rating. The stable outlook reflects S&P Global Ratings' view that Norway has ample financial buffer and headroom to withstand a temporary economic shock, without a significant impact on its credit metrics. <p>(Sep. 2022)</p> |
| | Aaa | P-1 | Stable | <u>MOODY'S</u> | <ul style="list-style-type: none"> Substantial fiscal buffer and track record of fiscal surpluses. Very high and evenly distributed wealth that supports economic resilience. A sound macro policy framework, a very strong social safety net and a stable, consensus oriented political system <p>(Nov. 2022)</p> |
|  | AAA | A1+ | Stable | <u>STANDARD & POOR'S</u> | <ul style="list-style-type: none"> Very important role and integral link with Norway's central government. Very strong capitalization and liquidity position provide substantial financial buffers. Extremely high likelihood of receiving timely and sufficient extraordinary support from owner in the unlikely event of financial distress. <p>(JUNE 2023)</p> |
| | Aaa | P-1 | Stable | <u>MOODY'S</u> | <ul style="list-style-type: none"> KBN benefits from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as very low susceptibility to adverse events. We consider the Norwegian RLG sector financially strong because of the supportive and closely supervised system that underpins the sector KBN has not recorded a loss from lending during more than 90 years of operations. <p>(May. 2023)</p> |

Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, hold or sell particular securities. Credit ratings do not comment on the suitability of an investment for any particular investor. There is no assurance that any rating will remain in effect for any given period of time or that such rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Norwegian Regional Government



Norway's Counties and Municipalities form an integral part of the national economy.

Governmental responsibilities are divided between the Central government, Counties and Municipalities. A large part of welfare and infrastructure provisions in Norway are assigned to the Local governments.

The majority of KBN lending is made to municipalities (88%) and then counties (12%).

KBN's mandate extended to implement greater environmental and social awareness via Green Lending

- Green loans offered with reduced interest rates to projects with clear climate- and environmental ambitions
- KBN a regular issuer of green bonds to fund investments key in the Norwegian local government sector's transition to the low-carbon economy.

We want KBN to continue to be a driving force in the development of the market for green financing and to increase the proportion of its lending that is for green projects.



MONICA MÆLAND

Minister of Local Government
and Modernization (2018-2020)



Sustainability

The local government sector is regarded as vital to achieve Norway's goals under the Paris Climate Agreement, which targets a reduction in greenhouse gas emissions of at least 55% by 2030, compared to 1990 levels.

As a government agency, KBN recognizes its critical role in contributing to the sustainable development of Norwegian society and long-term value creation.

Collaborating to fulfill our social function



Cicero

KBN and CICERO have created a climate risk tool for the local government sector.



Zero

KBN works with the Zero Emission Resource Foundation (ZERO) on local government climate issues.



Norwegian Climate Foundation

KBN works with the Norwegian Climate Foundation on communicating knowledge on local government climate risk.



Sustainable Development Goals

- KBN has identified seven of the UN's SDGs which are impacted by our operations and where KBN is in the best position to make a contribution.
- KBN also maps our green lending portfolio to identify links between our financing of green lending and the SDGs.



ESG Ratings



ESG rating:
(Scale from AAA to CCC)

AA



Risk level:
(Scale from Negligible to Severe)

Low



Status:
(Prime status within peer group)

Prime

Conservative Risk Management

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



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

| CURRENCY AND INTEREST RATE RISK HEDGED | MINIMAL LENDING CREDIT RISK | STRICTLY MANAGED OFF-BALANCE CREDIT RISK | CONSERVATIVE LIQUIDITY PORTFOLIO |
|--|---|--|---|
| <ul style="list-style-type: none"> Proceeds from funding operations are hedged for currency and interest rate exposure and swapped into 3-month floating rate EURs, NOKs or USDs. | <ul style="list-style-type: none"> Loans are only granted to local and regional governments as well as inter-municipal companies and other public sector enterprises which are municipally guaranteed. Strict government oversight of local and regional government financial management, via the ROBEK list and Local Government Act §55, negate potential loan losses. KBN has suffered no loan losses in over 90 years. | <ul style="list-style-type: none"> KBN proactively manages risk via derivative strategies, negotiated under ISDA contracts with more than 30 financial institutions. Counterpart risk is minimized via two-way Credit Support Annexes (CSAs), cash collateral posting required with zero thresholds for counterpart ratings below AA-/Aa3. KBN currently marks and exchanges collateral for the majority of positions on a daily basis, and also uses over collateralization and independent amounts for some counterparts. | <ul style="list-style-type: none"> Liquidity managed conservatively and in excess of policy or regulatory requirements. Portfolio of highly rated liquid assets covering 1 year net debt service. |

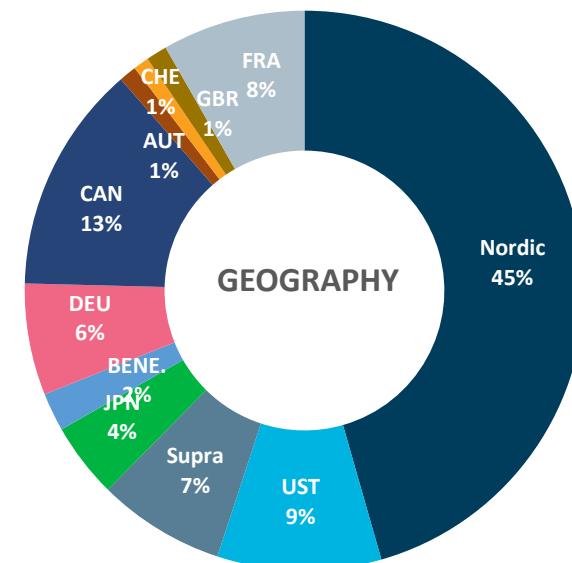
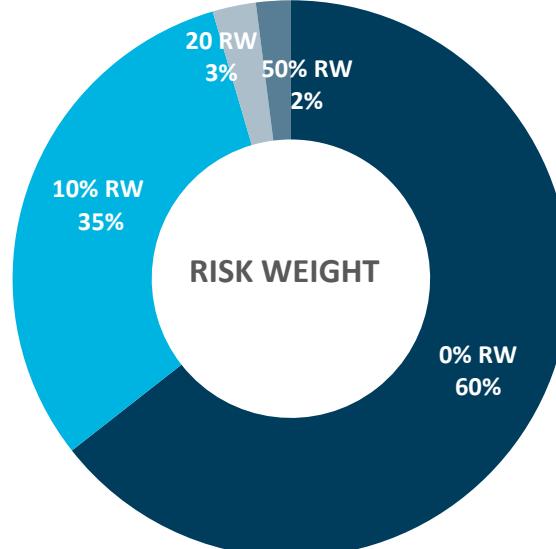
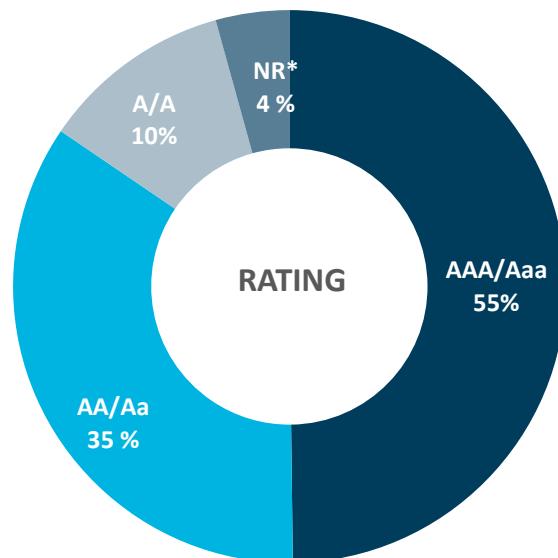
Large and High Quality Liquidity Buffer

Managed under a conservative policy framework to ensure liquidity is available to cover a minimum of 12 months of debt servicing under various stress-tested models. Size approximately USD 11-13 bn and managed internally across EUR, NOK and USD.

- The average portfolio maturity typically ranges between 1.5–2.0 years (1.0-1.5 years ex. UST).
- The majority of liquidity is invested in 0% risk-weighted assets. Eligible securities include; sovereigns, provincial states, government agencies and supranationals. Investments in covered bonds, financial institutions and limited number of corporates are permissible, subject to rating restrictions.
- KBN also complies with LCR regulatory considerations and maintains cash liquidity to cover 30 days worth of debt redemptions.
- As an extra buffer, additional buckets of liquidity are maintained in a VHL portfolio limited to either USD, NOK or EUR and invested solely in US Treasuries, Norwegian, German or French government papers.

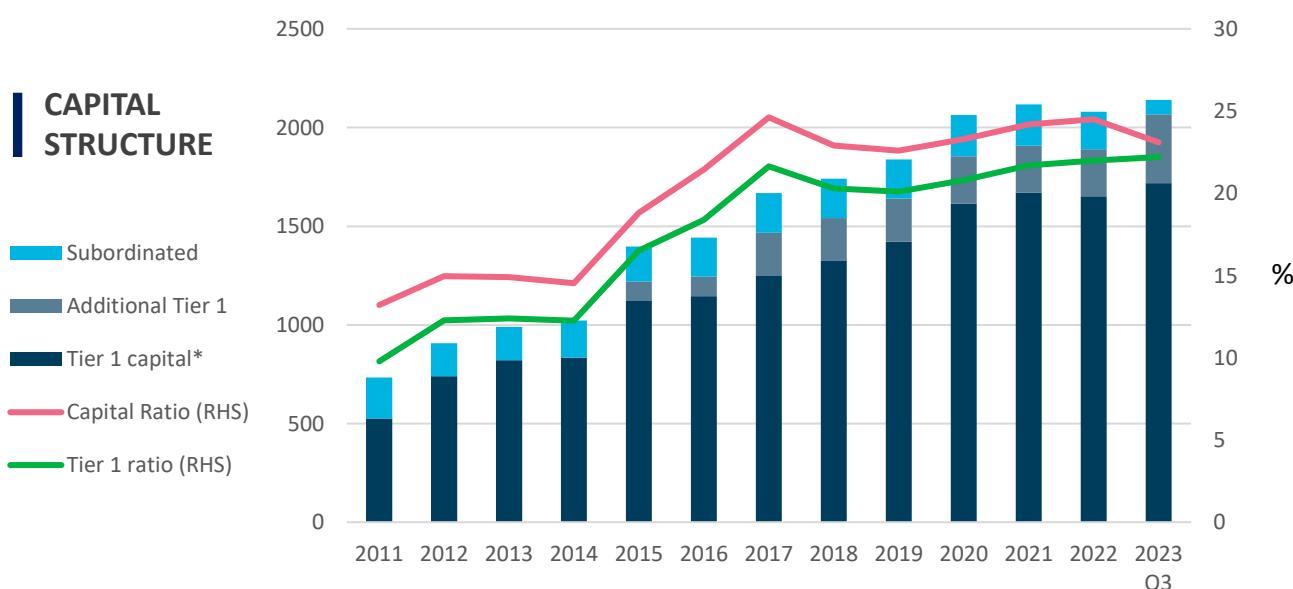
PORTRFOIO BREAKDOWN

1.87 yr average maturity on liquidity portfolio (Oct 2023)



Robust Financial Strength

- Strong operating results and capital injections in 2008, 2012, 2015 and 2020 have substantially strengthened the capital base in recent years.
- As a part of the Norwegian government's initial Covid-19 response initiatives, KBN received a NOK 750 mn capital injection in April 2020 to ensure funding available for LG's
- Tier 1 capital has risen from 7.5 % in 2008 to 22.2% Q3 2023.
- Dividend can be paid to the Kingdom as owner. If the government ascertains that KBN's capital situation is satisfactory, part of result can be paid out as a dividend.
- KBN maintains significant capital buffers above the regulatory requirements.
- KBN has been designated a systemically important financial institution in Norway and is thus subject to stricter regulatory oversight and is required to hold additional capital as a result. Given that KBN has never experienced a loan loss and there has been no change to KBN's risk profile, the agency is today very strongly capitalized.



* Paid-in capital and retained earnings USD/NOK 10

SOLID BALANCE SHEET

KBN's balance sheet of USD 53 bn eq. is supported by a broad, diversified portfolio of loans to the country's local authority sector, which cannot go bankrupt by order of Norway's Local Government Act §55 (1992).

KBN maintains a short-term liquidity portfolio to cover at least 12 months of future debt service and potential loan disbursements.

There is no separate investment portfolio.

ASSETS



LENDING



EQUITY & LIABILITIES



LIQUIDITY PORTFOLIO

Sound Financial Performance

- The history of solid operational income and growth reflects well on KBN's conservative lending mandate and solid margins. KBN maintains financial performance targets to balance its state instrumentality role with ensuring it remains a financially viable institution.
- KBN's total Liquidity Coverage Ratio is well within policy guidelines and the leverage ratio is above the prescribed regulatory minimum level of 3%.
- KBN also operates with a low cost ratio of approximately 0.06% of total assets
- Unrealized gains and losses on the Income Statement primarily reflect volatility in mark-to-market derivatives used for hedging under IFRS accounting, linked in part to exchange rate developments.

FINANCIAL RESULTS

(All figures USD bn eq*)

| | 2019 | 2020 | 2021 | 2022 | Q3 2023 |
|---|--------|--------|--------|--------|---------|
| Total Assets | 46.1 | 49.8 | 47.3 | 49.2 | 52.8 |
| Loan Portfolio | 31.0 | 31.8 | 32.3 | 32.8 | 34.1 |
| Leverage Ratio | 3.6 | 3.7 | 3.7 | 3.9 | 4.0 |
| Operating expenses/ total assets | 0.055% | 0.051% | 0.054% | 0.055% | 0.060% |

* USD/NOK 10.0

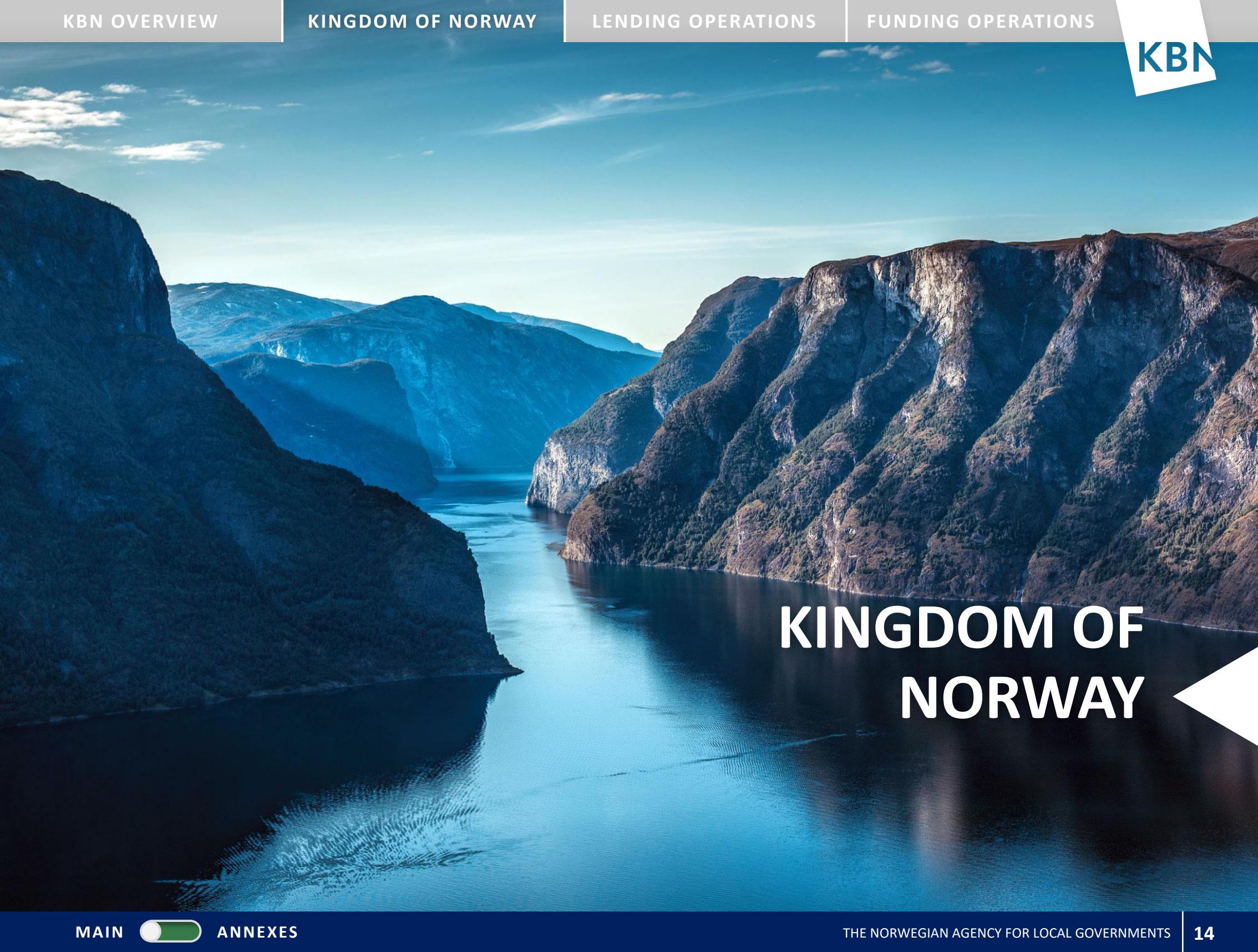


International Peer Group

| |  The Norwegian Agency for Local Governments |  |  |  |  |
|--------------------------------|--|--|---|---|---|
| DEBT RATING (S&P / MOODY'S) | AAA/Aaa (stable/stable) | AAA/Aaa (stable/stable) | AAA/Aaa (stable/stable) | AAA/Aaa (stable/stable) | AAA/Aaa (stable/stable) |
| OWNERSHIP | 100% Norwegian central government | Direct federal institution under public law | 50% Dutch central government, 50% local government | Co-owned by 27 EU Member States | 80% Federal Republic of Germany, 20% German federal states |
| GUARANTEE / SUPPORT MECHANISM | Government owned agency with Maintenance statement | Explicit and direct guarantee from the Federal Republic of Germany | Implicit Government Support | Supranational | Explicit and direct guarantee from the Federal Republic of Germany |
| PURPOSE | Public sector lending against guarantee, limited to Norway | Government agency for agriculture and rural areas | Dutch public and semi-public sector lending | Regional (EU) and international (ex-EU) development | German Federal development bank, not limited to Germany |
| BORROWING PROGRAM 2024 | USD 10bn | EUR 12-14bn* | EUR 16bn | EUR 60bn | EUR 90-95bn |

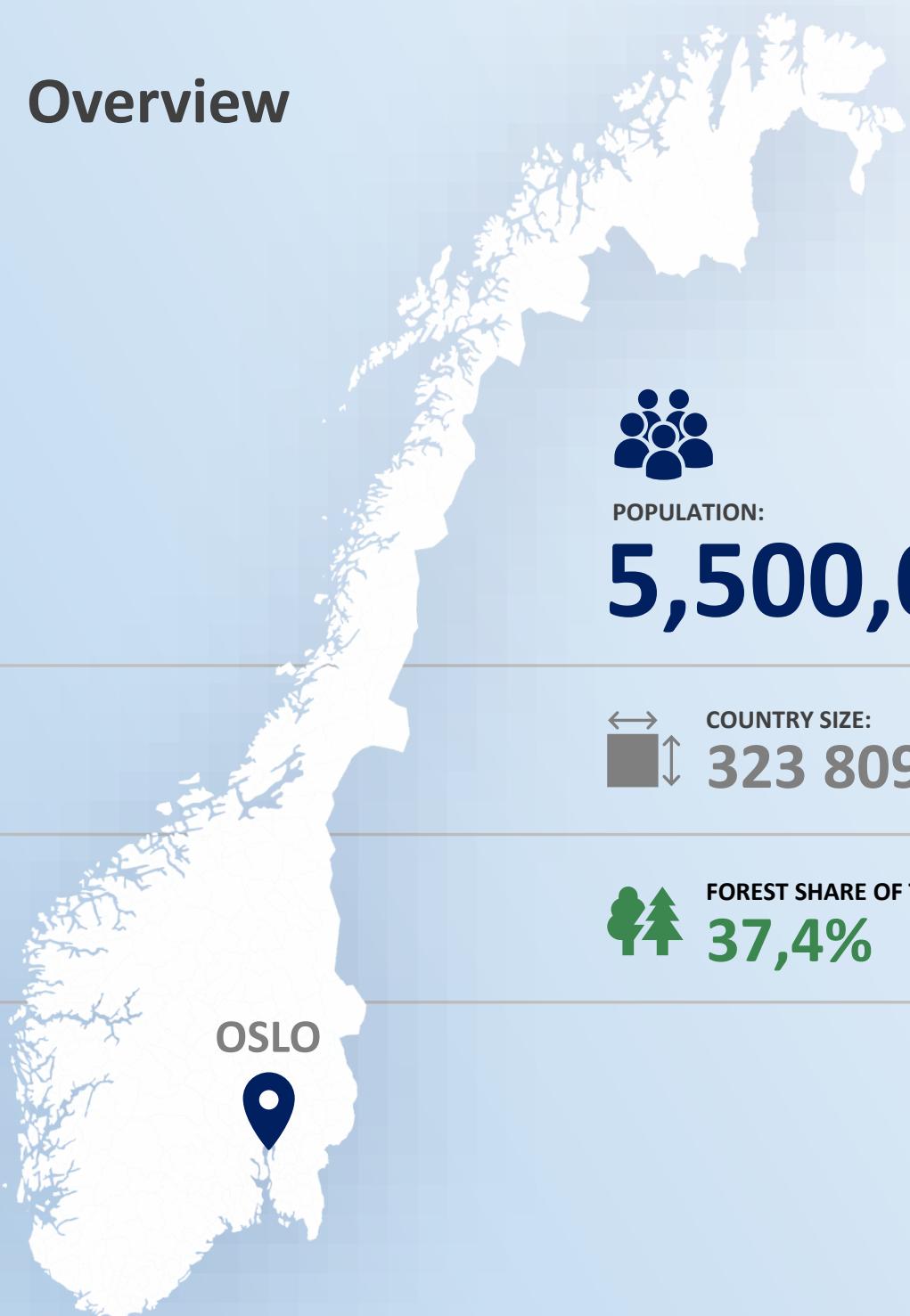
*Maturity > 2 years.

Source: Respective issuers' websites.



KINGDOM OF NORWAY

Overview



POPULATION:

5,500,000



COUNTRY SIZE:

323 809 km²



FOREST SHARE OF TOTAL LAND AREA:

37,4%



WOMEN'S SHARE OF
GRADUATES FROM
UNIVERSITIES:

60%



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

2nd



MAJOR EXPORT SECTORS:

- OIL and GAS
- FISH
- MARINE TRANSPORT
- METALS



OSLO AWARDED EUROPEAN
**GREEN CAPITAL
AWARD 2019**

Sources:

Statistics Norway (2020), WHR (2018), Global Gender Gap Report 2018 EGC (2019), European Green Capital Award 2019,

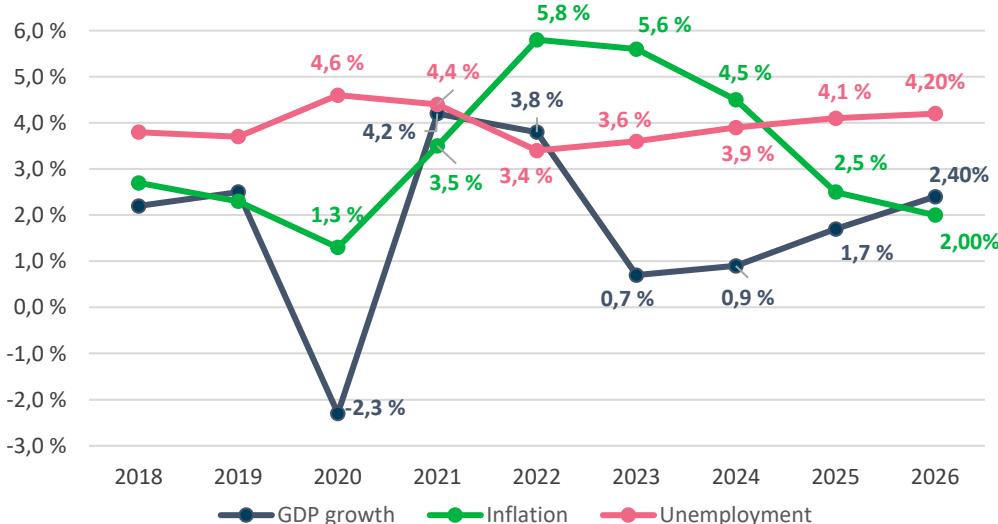
Strong and Diversified Norwegian Economy

- Norway's economic fundamentals remain robust. At USD 557 bn¹ eq, Norway's GDP is broadly diversified across a range of productive sectors. Norway is one of the world's wealthiest countries based on GDP per capita.
- Key economic indicators for 2024²:**

| 19.1% | 0.9% | 4.5% | 3.9% |
|-------------------------|------------|-----------|--------------|
| Current Account Surplus | GDP Growth | Inflation | Unemployment |

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

KEY ECONOMIC INDICATORS²



¹ Statistics Norway :2023 (USDNOK 10)

² Statistics Norway : Dec. 2023

³ World Economic Forum Global Competitiveness Report, 2019

GENERAL GOVERNMENT FINANCIAL BALANCES

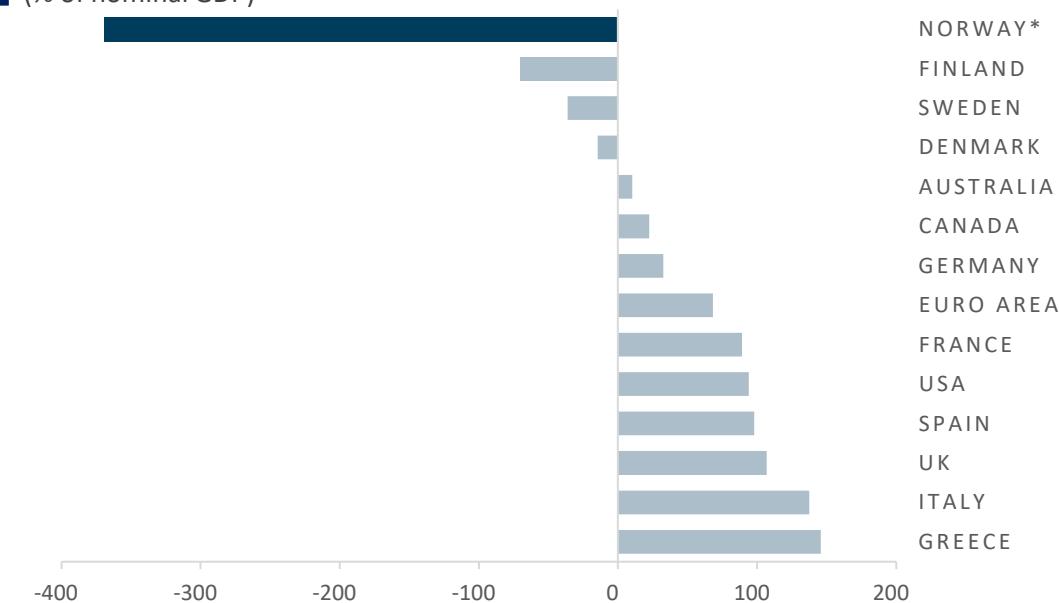
(Surplus (+) or deficit (-) as a % nominal GDP)



Source: OECD Economic Outlook No. 112 Nov 2022

GENERAL GOVERNMENT NET FINANCIAL LIABILITIES (2023)

(% of nominal GDP)



Source: OECD Economic Outlook No. 112 Nov 2022

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

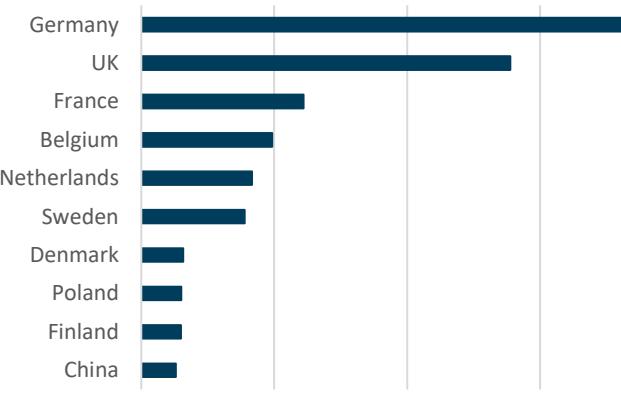
*OECD has not published an estimate for Norway since 2020. Figure for Norway is sourced from OECD EO 109

Strong and Diversified Norwegian Economy

- The oil and gas industry (including supporting industries) historically constituted approximately 20% of Norwegian GDP. Due to the exceptional energy market and high gas prices in 2022 this share increased. It is however expected to normalize in 2023.
- The petroleum sector is the major contributor to the overall trade balance and current account surplus. Norway's industrial base however continues to diversify with growth from other major industries:
 - fishing/aquaculture, shipping, metals and mining, timber – pulp and paper, manufacturing and machinery, construction and chemical products
- Prior to the energy crisis, Norway's reliance on primary industries had decreased as Service Activities made up a larger portion of GDP. This includes Transport and Communication, Financial and Business Services, Telecommunication and Information Services and Tourism.
- Germany and the UK are Norway's largest export counterparties due to the high volume of crude oil and natural gas exports. This situation was exacerbated due to Russia's invasion of Ukraine and Norway is now the largest supplier of natural gas to Europe. One of Norway's largest trading partners in relation to goods and services import is Sweden. Imports from China have also grown in recent years, and now constitute a significant part of imported goods.
- EU countries account for almost 70 percent of Norwegian exports of goods compared to just over 55 percent of imported goods.

EXPORTS OF GOODS

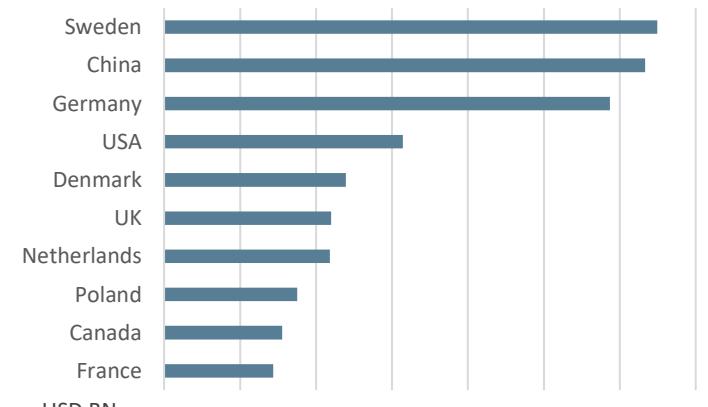
Main Trading Partners (2022)



Source: Statistics Norway 2023 (USDNOK = 10)

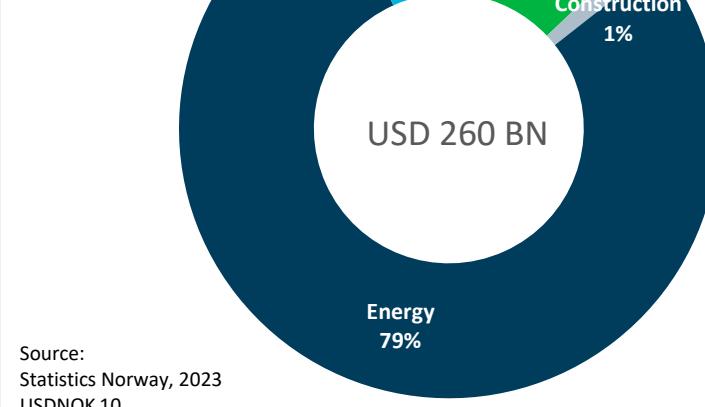
IMPORTS OF GOODS

Main Trading Partners (2022)



NORWAY EXPORT (2022)

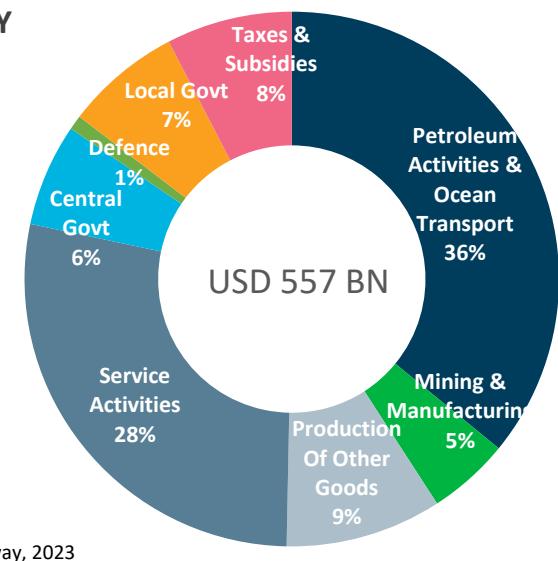
(2022)



Source:
Statistics Norway, 2023
USDNOK 10

NORWAY GDP (2022)

(2022)



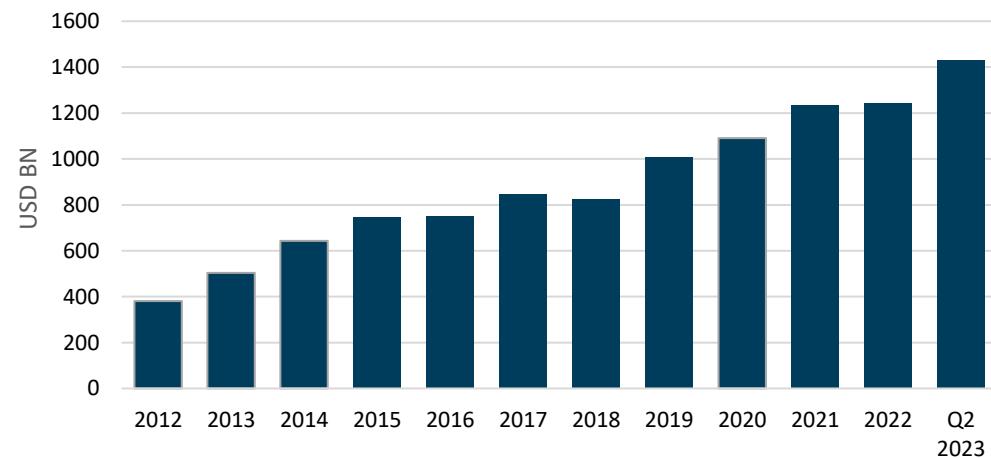
Source:
Statistics Norway, 2023
USDNOK 10

Norway Sovereign Wealth Fund

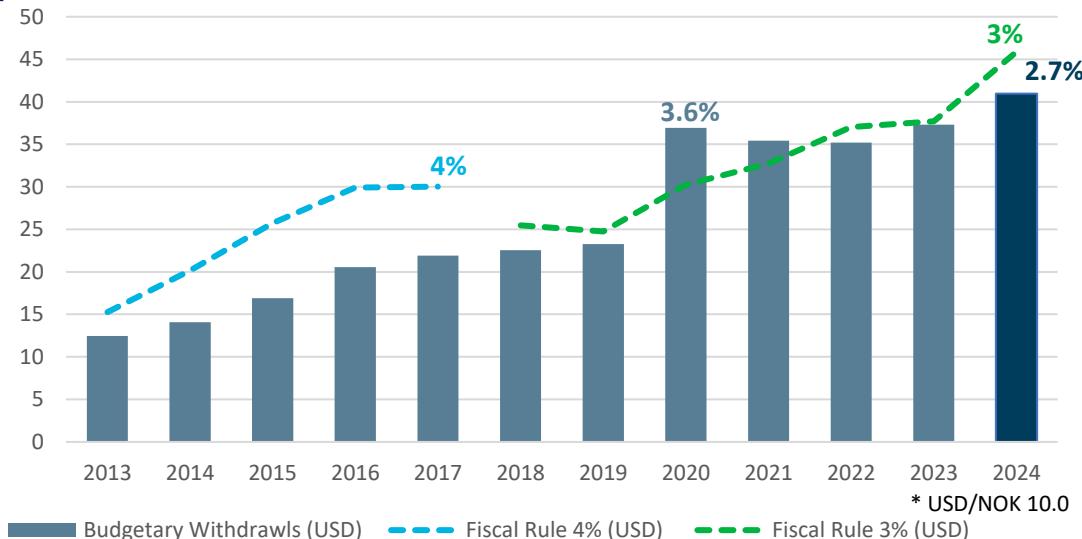
– A Long-term Contributor To The Nation’s Wealth

- Norway's sovereign wealth fund (Government Pension Fund Global – GPFG) Q2 2023 assets of USD 1.43 trillion (NOK 15.3 tr. eq). This ranks the GPFG as the world's largest SWF.¹ The size corresponds to around 300% of Norway GDP and 800% of the national budget.
- The GPFG accumulates all petroleum related government revenue surpluses and has the ability to use a portion of the fund to finance counter-cyclical fiscal policies. Thus, the GPFG is fully integrated with the State Budget.
- The Fund's liquidity is invested entirely in overseas markets across equity, fixed income and real estate holdings, to avoid distorting the domestic economy.
- Fiscal rule states that up to expected average real rate of return of GPFG can be used to balance budget.
- Expected average real rate of return 4% 1998 - 2017 and adjusted to 3% from 2018 onwards due to lower rate environment.
- From 1998 to Q2 2023, the Fund's actual average net annual real rate of return has been 3.7%.
- The history, objectives and management of the Norwegian sovereign wealth fund can be explored further [here](#).

VALUE OF GOVERNMENT PENSION FUND GLOBAL (GPFG)



EXPECTED NET REAL RETURN AND ACTUAL WITHDRAWAL FROM GPFG



¹ Sovereign Wealth Fund Institute, August 2021

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

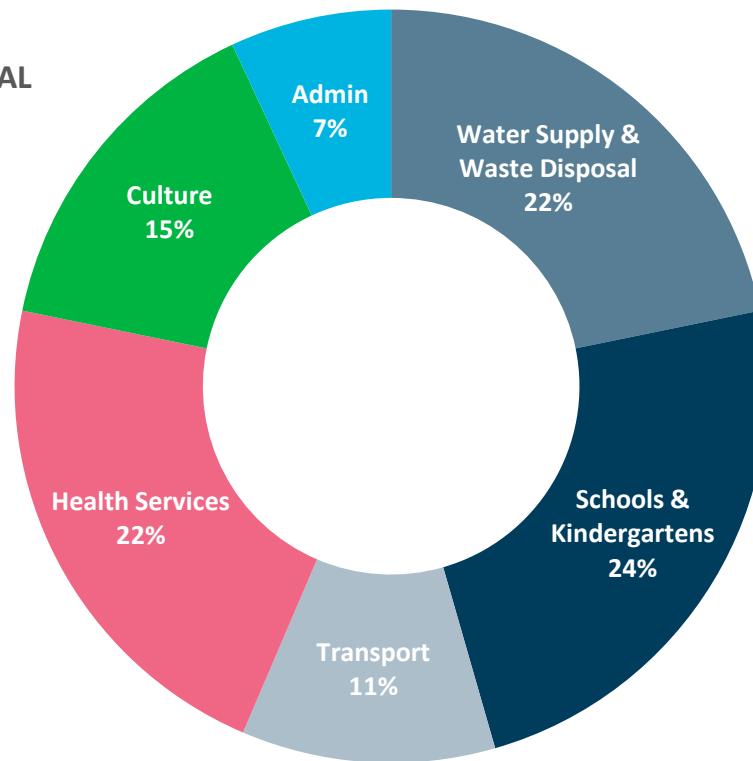
LENDING OPERATIONS

KBN Lending Across Norway

- KBN oversees a diversified loan portfolio of USD 34bn*. This reflects a market share of approx. 50% of client borrowings. 100% of Norway's 15 counties and 357 municipalities are borrowing clients of KBN.
- KBN's clients all have equal access to KBN funding, at comparable levels in order to deliver welfare services on behalf of the central government.
- KBN loans are used to implement a broad range of key social projects.

LENDING TO THE NORWEGIAN LOCAL GOVERNMENT SECTOR

INVESTMENT EXPENDITURES
LOCAL/REGIONAL SECTOR PER SERVICE AREA,
AVERAGE LAST 10 YEARS.



* USD/NOK 10

Source : Statistics Norway / KBN



BY 2023 KBN COMPLETED USD 4.0 BN IN LENDING
to climate-friendly projects
across a broad range of project categories. This represents 13%
of the total lending portfolio.

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

The Norwegian Local Government Sector is Financially Robust

The sound financial position of the Norwegian local government sector and the strict financial framework within which it operates make the whole sector and individual entities highly creditworthy borrowers.

Sound Revenue Foundation

- KBN benefits from an extremely solid customer base:
 - Municipal authority is seen as a delegated state authority as they are not defined a legal entity in the Norwegian Constitution.
 - They receive a large proportion of revenue from central government transfers, in order to ensure a unified service delivery throughout the country.

Close Supervision and Control

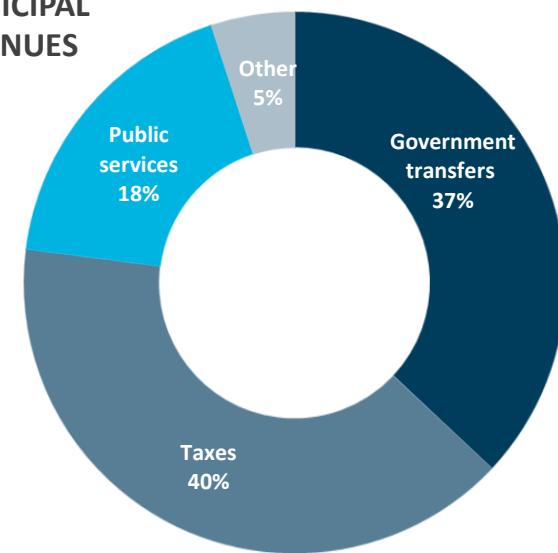
- All local government budgets are monitored and supervised by the central government. Strict limits are in place to manage financial conduct.
- Under the Local Government Act, counties and municipalities may not be subject to bankruptcy proceedings. Thus, they are subject to extensive central government 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.



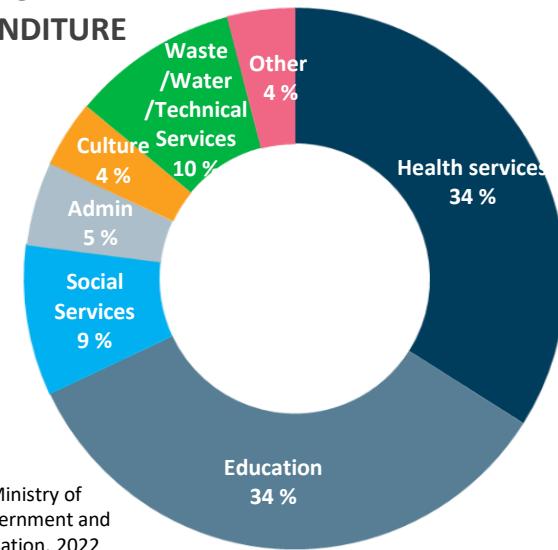
"Norwegian local governments are among the most regulated and supervised in Europe"

- Moody's Investors Services

MUNICIPAL REVENUES



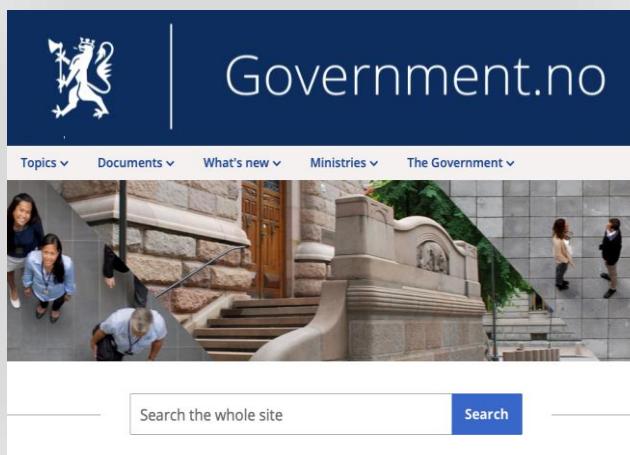
MUNICIPAL EXPENDITURE



Source: Ministry of Local government and Modernisation, 2022

KBN Lending – Supports the Nation’s Economic & Social Welfare

- KBN offers a range of flexible financing structures to its borrowing clients. KBN’s competitive advantage is in providing, at all times, stable funding solutions to the local government sector. This reflects KBN’s core public policy mandate as a strategic long-term partner for the country’s framework of social services.
- Loans are only extended in NOK and KBN does not differentiate between any clients on loan pricing. Local government creditworthiness is viewed equally due to the central government oversight and support, ensuring that clients are able to offer a unified standard of services across the country.
- KBN reviews local governments annual borrowing requests to ensure the underlying investment strategies are socially and commercially viable and fits within its balanced budget.
- The Credit Risk Management (CRM) department works on a continuous basis to track and analyze clients’ financial
- developments based on data from the government KOSTRA Registry*. Lending decisions can thus be made quickly, due to centralized oversight of client finances and KBN’s ongoing credit review processes.
- Loans for Green projects are all analyzed individually. KBN’s Green lending model follows international best practice for transparency, use of proceeds analysis and impact reporting.
- An amalgamation process of local governments is helping smaller and medium-sized municipalities gain economies of scale in administration, management, operations, resulting in efficiency and cost-effectiveness. In 2020 the number of local governments were reduced from 422 to 356 and Counties from 18 to 11.



THE ROBEK LIST

The Register for Governmental Approval of Financial Obligations (ROBEK) is a government register of municipalities and counties experiencing an operating deficit. Local governments on this list must have any new borrowing explicitly approved by the state representative Fylkesmann in order to be valid. Entities on this list have 3 years to balance their budget. This list is available publicly:



<https://www.regjeringen.no/en/topics/municipalities-and-regions/municipal-economy/register-for-governmental-approval-of-fi/id449305/>

* THE KOSTRA REGISTRY

Since 1997, local and regional governments have been required by law to register statistics on budget, financial activities and public services in the KOSTRA (Municipality-State-Reporting) database. This registry is managed by Statistics Norway and provides key inputs for KBN’s credit risk management models.



<https://www.ssb.no/en/offentlig-sektor/kostra>

Project Examples

STANDARD & POOR'S

"Norwegian local and regional governments act as delegated arms of the central government in the provision of public services."

- Standard & Poor's – April 2019



HORDALAND (505,246)

- Hardanger Bridge
- New suspension bridge across Eidfjorden
- Total length: 1,380 (30m longer than Golden Gate Bridge)



BOKN (865)

- New multipurpose sports halls
- New fire truck

COUNTIES (residents)

MUNICIPALITIES (residents)

SVALBARD (2,310)

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



FINNMARK (76,167)

- New high school
- New dental clinic
- New harbor facilities
- Upgrading energy efficiencies in county buildings



NORDKAPP (3,239)

- Road upgrade
- New cemetery
- Upgrading harbor facilities
- New library equipment



KONGSVINGER (12,078)

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



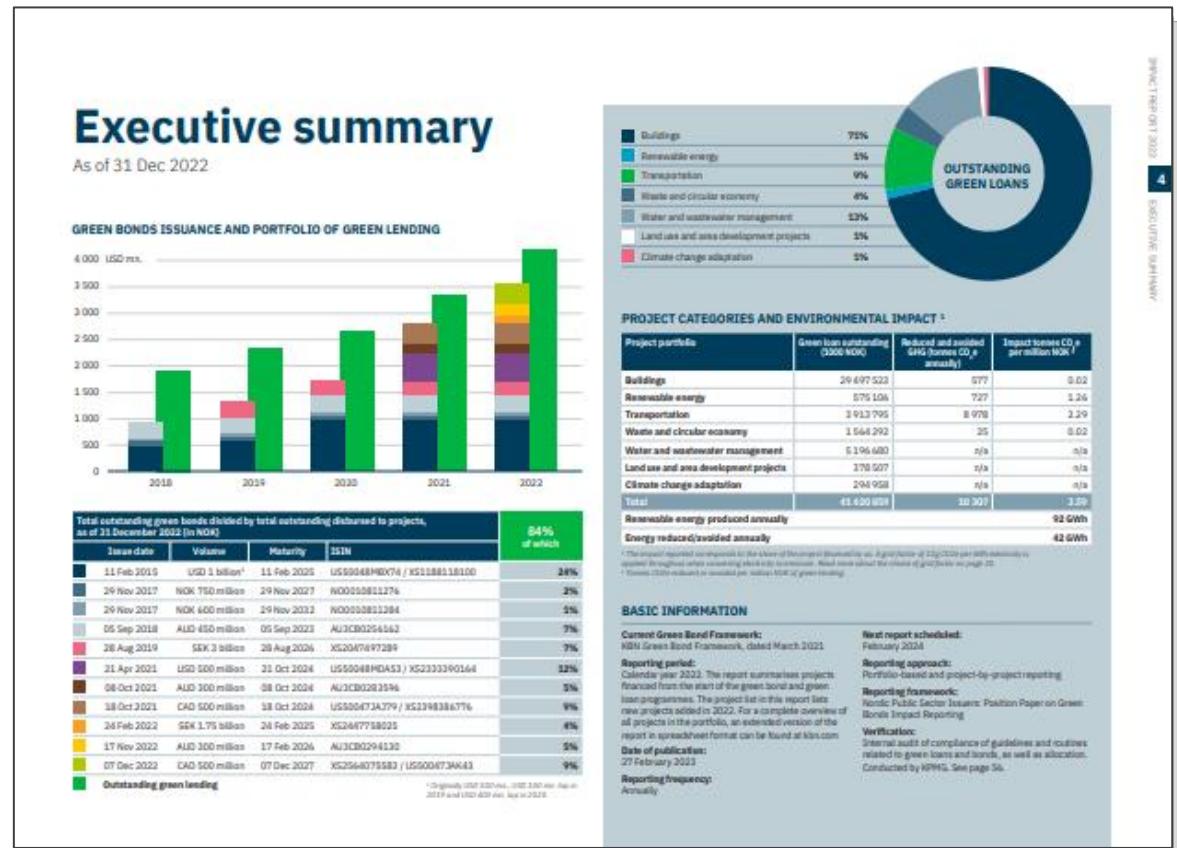
TØNSBERG (41,239)

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



Green Lending Integral Part of Mandate

- On behalf of the government, KBN has been given a mandate to implement greater environmental and social awareness via Green Lending and thus offers up to a 10 basis point discount on green loan projects versus traditional lending to all KBN clients.
- The local government sector is regarded as vital to achieve Norway's goals under the Paris Climate Agreement, which targets a reduction in greenhouse gas emissions of at least 55% by 2030, compared to 1990 levels.
- By 2023, KBN had completed USD 4.0 bn in lending to climate-friendly projects representing 13% of the total lending portfolio. For 2022, the green loan portfolio grew by 24%.



FUNDING OPERATIONS

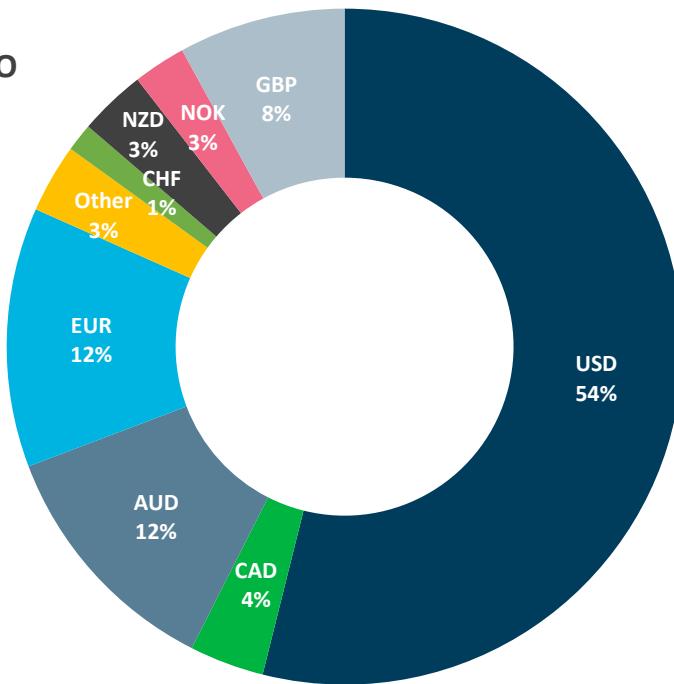
Flexible and Diversified Investor-Driven Funding Program

- KBN's borrowing program for 2024 will be approximately USD 10 billion.
- KBN has developed a solid international investor base, enabling it to access broad and well-diversified funding sources.
- KBN expect to see healthy lending growth going forward and will remain actively engaged in capital market issuance and market developments.
- KBN continuously works to gather market intelligence and expand its network of investors and products. Issuance is conducted via a range of documentation platforms, enabling access to both domestic and international investors. KBN manages domestic borrowing programs in Australia, Canada, New Zealand, Norway and Switzerland as well as an MTN Program with a 144a tranche.

Benchmark pricing strategy

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

DEBT PORTFOLIO

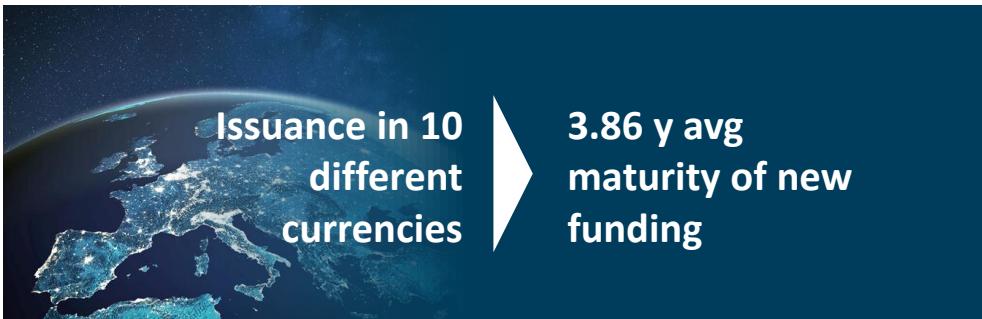


*As of Jan 2024

KBN'S FUNDING STRATEGY



KBN Funding 2023



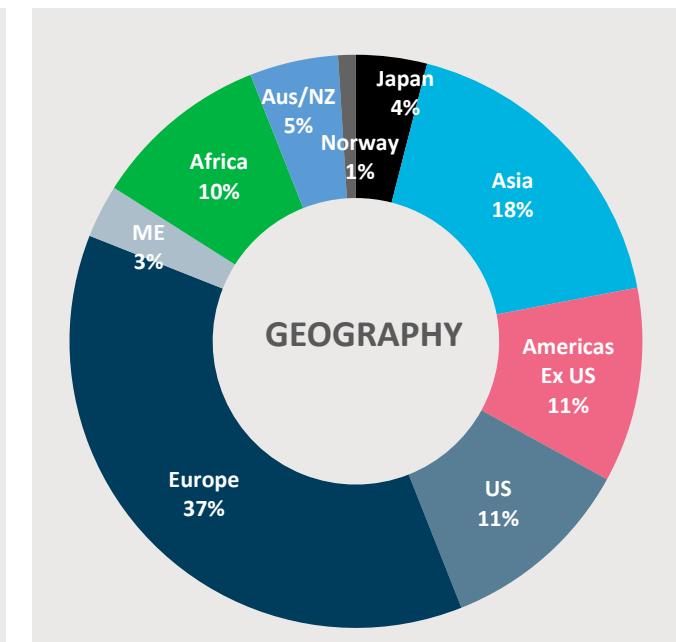
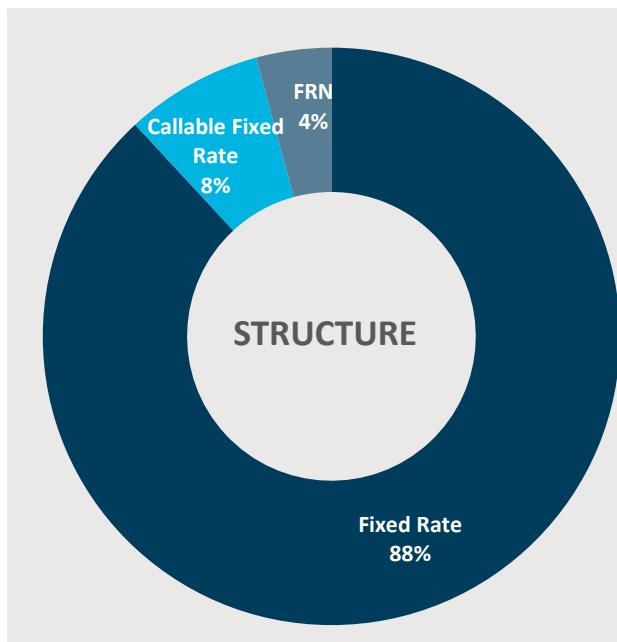
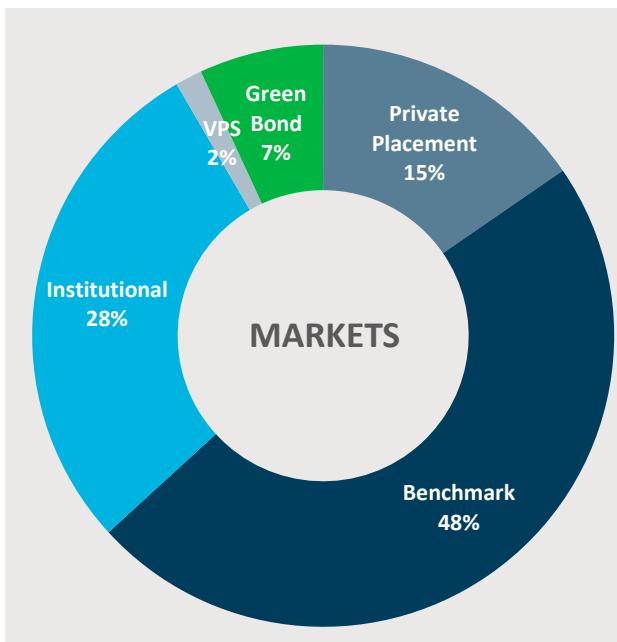
USD
1.25 bn
5-year Sep 2028
Benchmark

NZD
300 mn
3-year May 2026
Kauri

AUD
400 mn
5-year Jan 2028
Kangaroo

CAD
500 mn
3-year Oct 2026
Green Bond

GBP
550 mn
3-year Feb 2026
Benchmark



USD Benchmark Strategy

- KBN's strategy is to issue benchmarks regularly, to:
 - Enhance market presence
 - Access a wide institutional investor base
 - Provide liquidity and performance for investors
 - Issue products in line with market demand
 - Build strong long-term investor and bank relationships



For 2024, KBN plans to issue 3 USD benchmarks in maturities ranging from 3 to 10 years.



KBN currently has 14 USD benchmark transactions outstanding. The total notional amount is USD 18 bn.



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

OUTSTANDING 144 A BENCHMARKS

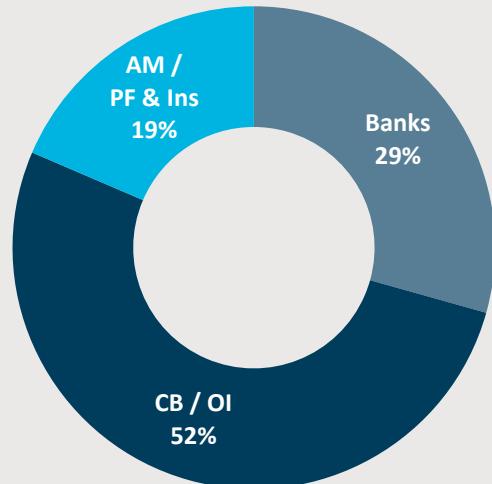


USD Benchmark Distribution

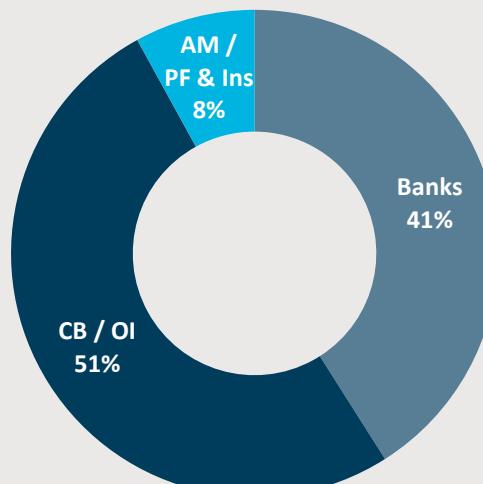
Investor type

Distribution on last 3 USD Benchmarks

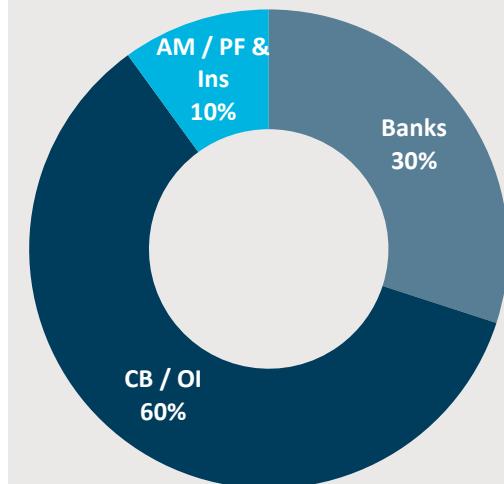
Jan 2023 @ MS SOFR +57
USD 1.00bn 5yr Jan 2028



Aug 2023 @ MS SOFR +44
USD 1.25bn 5yr Sep 2028

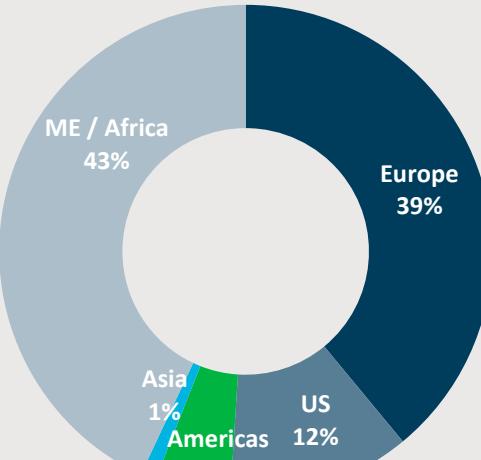
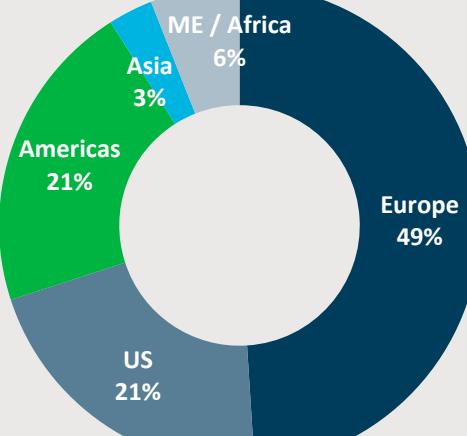
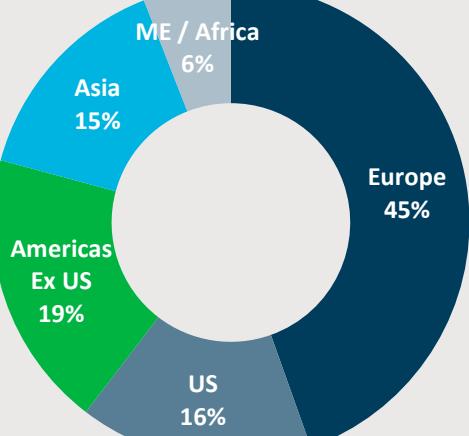


Oct 2023 @ MS SOFR +40
USD 1.00bn 3yr Mar 2027



Investor geography

Distribution on last 3 USD Benchmarks

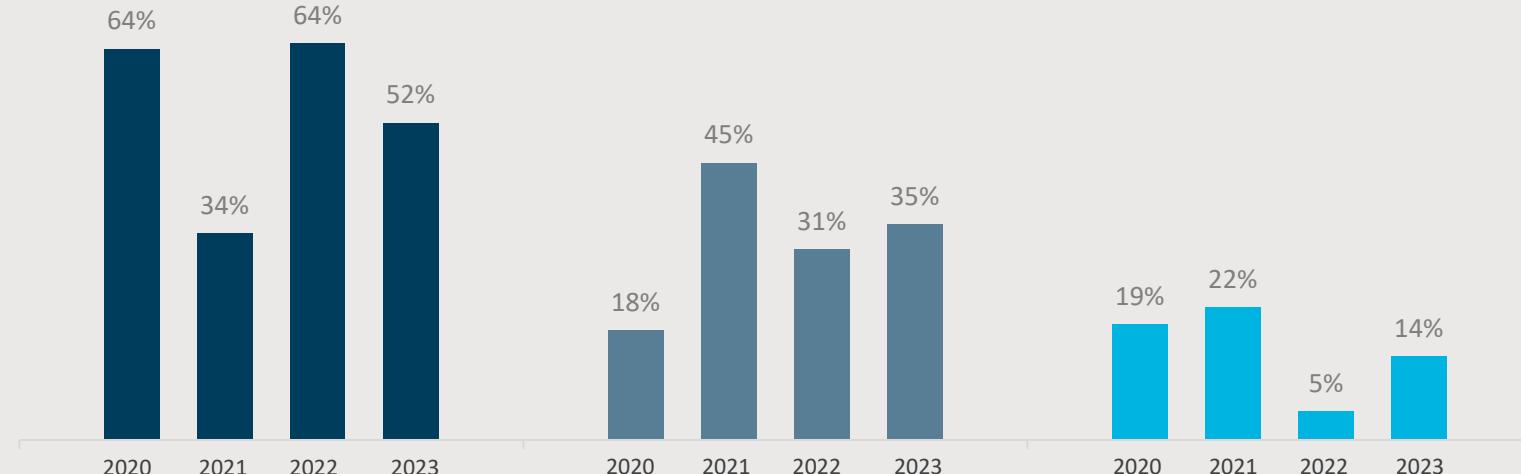


USD Benchmark Distribution

Investor type

– Yearly averages

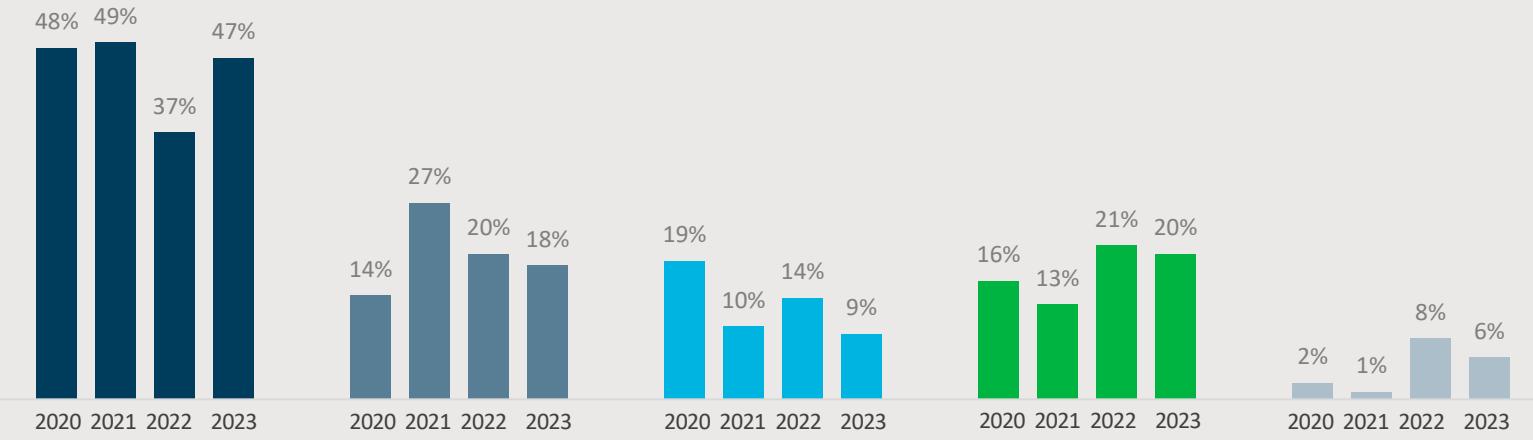
CENTRAL BANK & OFFICIAL INSTITUTION BANKS ASSET MANAGER / PF & INS



Investor geography

– Yearly averages

EUROPE USA ASIA AMERICAS EX. USA ME / AFRICA



EUR Benchmark Strategy

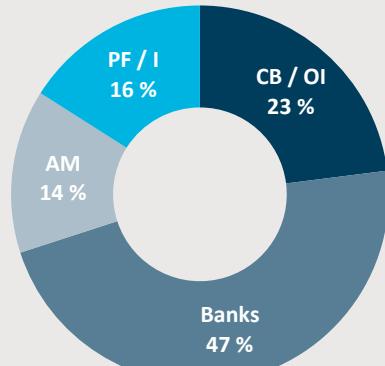
Diversifying The Funding Program via Investor-driven Issuance

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

Investor type

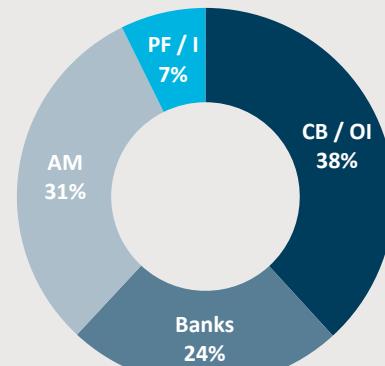
MAY 2017 @ MS+4

EUR 1.0BN 10Y MAY 2027



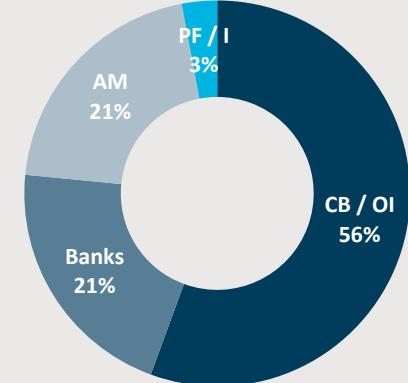
Oct 2019 @ MS +7

EUR 1.0 BN 10Y OCT 2029

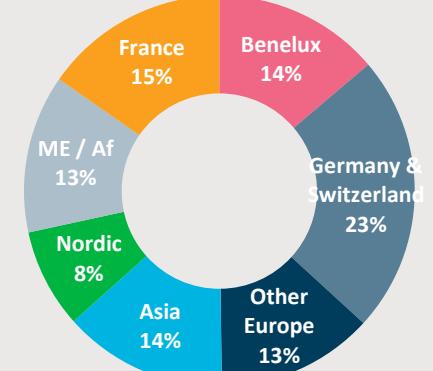
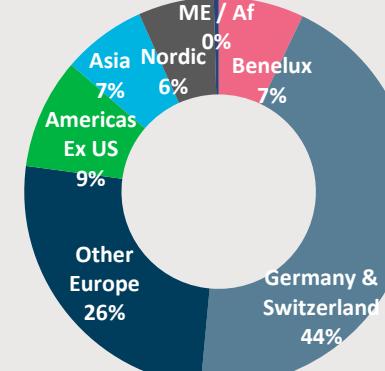
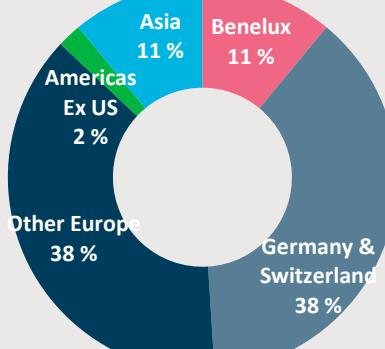


Nov 2022 @ MS+10

EUR 1.0 BN 5Y NOV 27



Investor geography



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 outstanding: AUD 7.145 bn 15 issues: 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2032, 2034 |  NORWAY VPS/EMTN | Currently outstanding: NOK 10.65 bn 10 issues: 2025, 2026, 2027, 2028, 2029, 2031, 2032, 2033, 2036, 2037 |
|  NEW ZEALAND KAURI | Currently outstanding: NZD 2.2 bn 6 issues: 2024, 2025, 2026, 2027, 2030 |  SWEDEN EMTN | Currently outstanding: SEK 5.75 bn 4 issues: 2024, 2025, 2026 |
|  UNITED KINGDOM EMTN | Currently outstanding: GBP 2.565 bn 5 issues: 2024, 2025, 2026 |  SWITZERLAND | Currently outstanding: CHF 500 mn 3 issues: 2027, 2028, 2030 |
|  USD FRNs 144/RegS | Currently outstanding: USD 1.85 bn 1 issue: 2026 |  CANADA EMTN | Currently outstanding: CAD 1.8 bn 4 issues: 2024, 2026, 2027, 2028 |

USD FRN Strategy

- KBN typically opens a new line with USD 500mn minimum notional.
- Taps are priced on the basis of investor demand.
- Lines are increased up to a maximum notional of USD 2 bn.
- In April 2021, KBN became one of the first European Agencies to issue a SOFR referenced bond, completing it's inaugural SOFR USD 500mn Oct 2023 line.
- Over time, KBN will aim to build a new, liquid curve of SOFR referenced FRNs.

Institutional Public Markets - AUD

Active Issuer Since 2001

- Maintain regular market presence
- Diversify investor base
- Strategic market - target issuance 5-10% of yearly Funding Programme
- Long term commitment to building investor relationships
- Dedicated investor marketing
- Ability to issue in Fixed, FRN and Green format

Total Annual Issuance

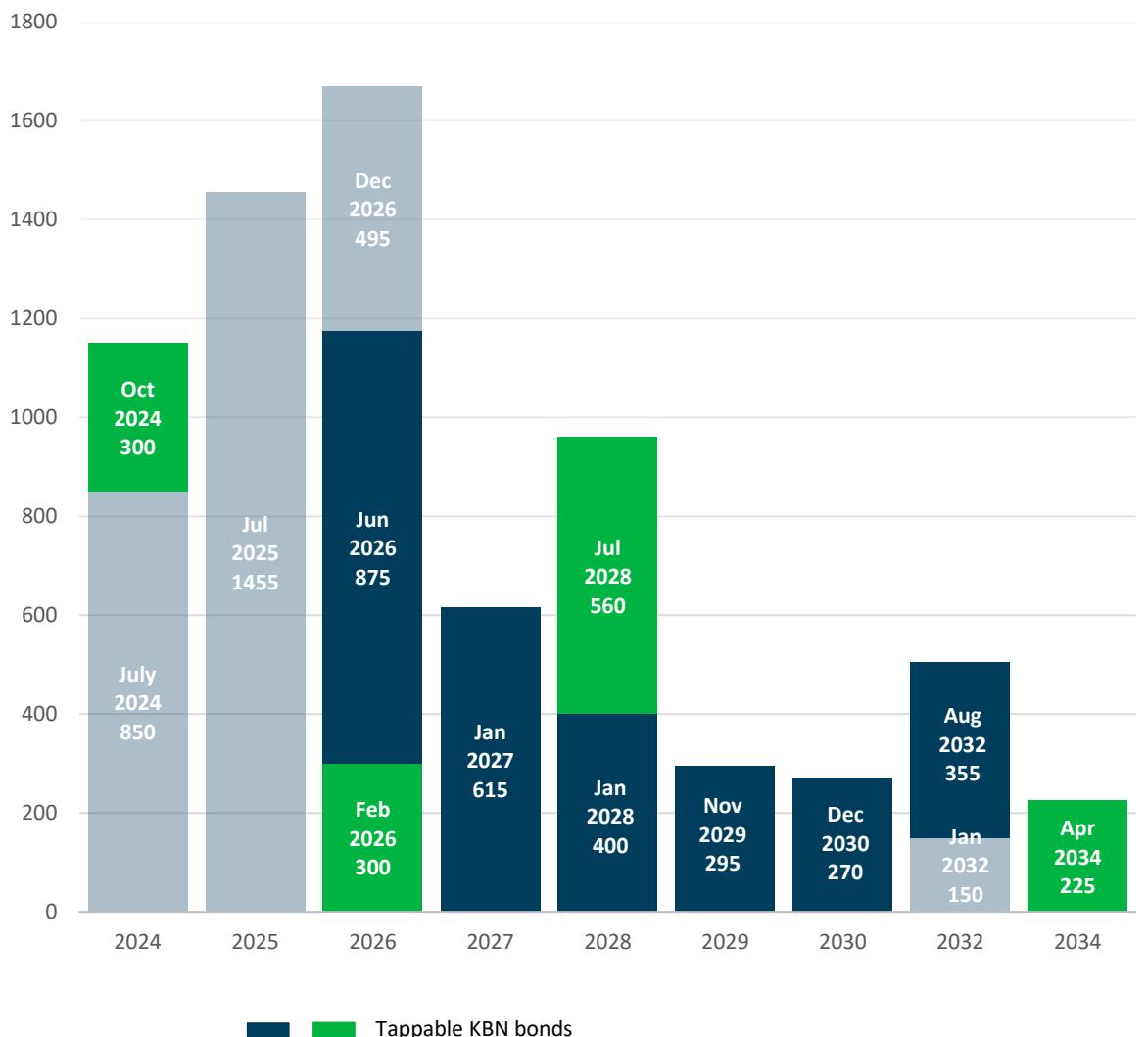
- 2020: AUD 520 mn
- 2021: AUD 1015 mn
- 2022: AUD 1240 mn
- 2023: AUD 910 mn

2024 Objective

- Main focus in the mid-curve. New lines and taps to build size/liquidity, pricing and market conditions allowing.
- Fill demand for longer dated tenors. (8-15y)
- Ambition of further issuance of Green Bonds in AUD.

KBN AUD REDEMPTION PROFILE

7.145 BN OUTSTANDING



As a result of the implementation of the BRRD (directive 2014/59/EU) legislation being implemented in Norway, KBN updated its base prospectus on 22 March 2019 to comply with the legislation. KBN has been advised by external counsel that, as a result of this, it will not be possible to achieve fungibility with existing series of notes and it will therefore no longer tap existing lines. All notes issued from 22 March 2019 will be open to be increased as per market practice.

Institutional Public Markets – NZD



Active In The Kauri Market Since 2007

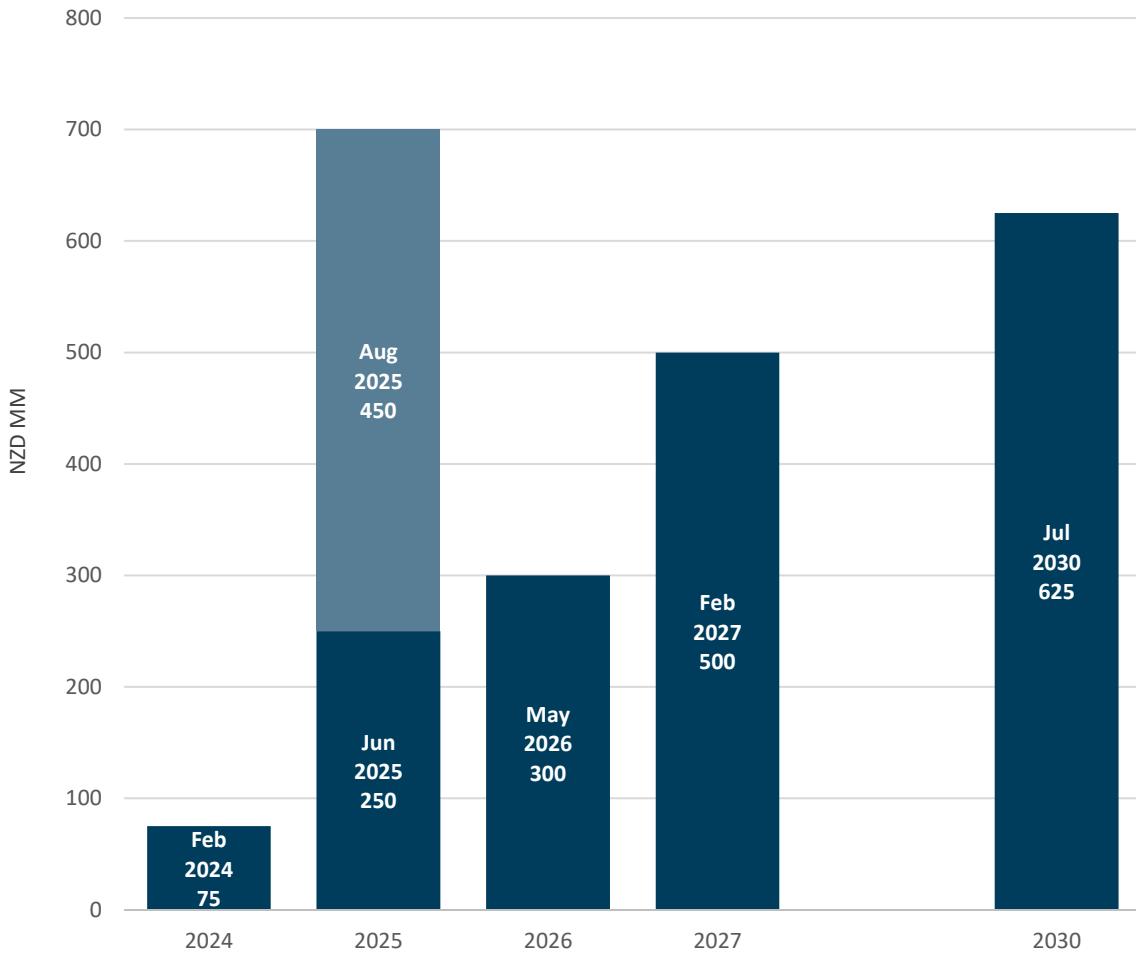
- Supply NZD investors with high quality investments based on market demand
- Long term commitment to building investor relationships
- Focus on 2-10y maturity
- Potential for Green NZD issuance
- Fixed and Floating formats

Total Annual Issuance

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

KBN NZD REDEMPTION PROFILE

2.20 BILLION OUTSTANDING



Institutional Public Markets – GBP



2024 Strategy

- Continue to build market presence and investor relations
- Tap outstanding lines and/or open new lines
- Maturity focus 2-7 year
- Fixed or Floating Rate format
- Currently preparing SONIA issuance

GBP ISSUANCE

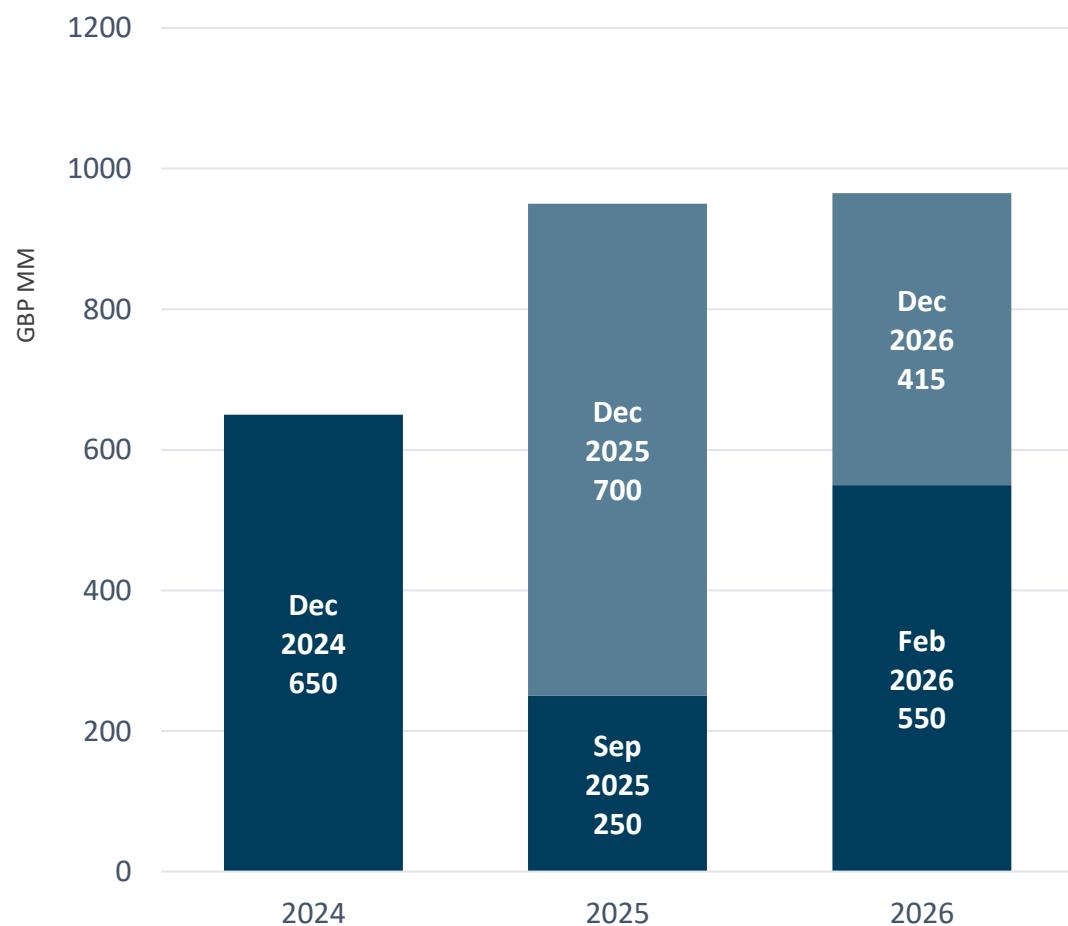
- GBP 2.565 bn outstanding
- 6 issues: 2023, 2024, 2025, 2026
- 2023 Issuance : GBP 600 mn



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

KBN GBP REDEMPTION PROFILE

2.565 BN OUTSTANDING



Institutional Public Markets – CAD



2024 Strategy

- Continue to build market presence and investor relations
- Diversify investor base
- Develop a liquid CAD curve
- Tap outstanding lines and/or open new lines
- Maturity focus 2-7 year
- Both Green and/or Regular Issuance

CAD ISSUANCE

- CAD 1.8 bn outstanding
- 4 issues: 2024, 2026, 2027, 2028
- 2021 Issuance : 500 mm Green
- 2022 Issuance : 500 mm Green
- 2023 Issuance : 800 mm



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

KBN CAD REDEMPTION PROFILE

1.8 BN OUTSTANDING



Private Placements

KBN is focused on maintaining its position as an active and flexible issuer of plain vanilla and lightly structured (Callable) notes

- KBN currently allows:
 - Size depending on capacity. Previously issued from USD 10 mn to 1 bn
 - Maturities ranging from 1-year to 30-years, with a maximum of 10-years for bullets
 - NSV/SC documentation in place
- Can issue in a broad range of currencies
- All structures are subject to internal approval and review for potential operational and reputational risk



Commerical Paper Programme (ECP)

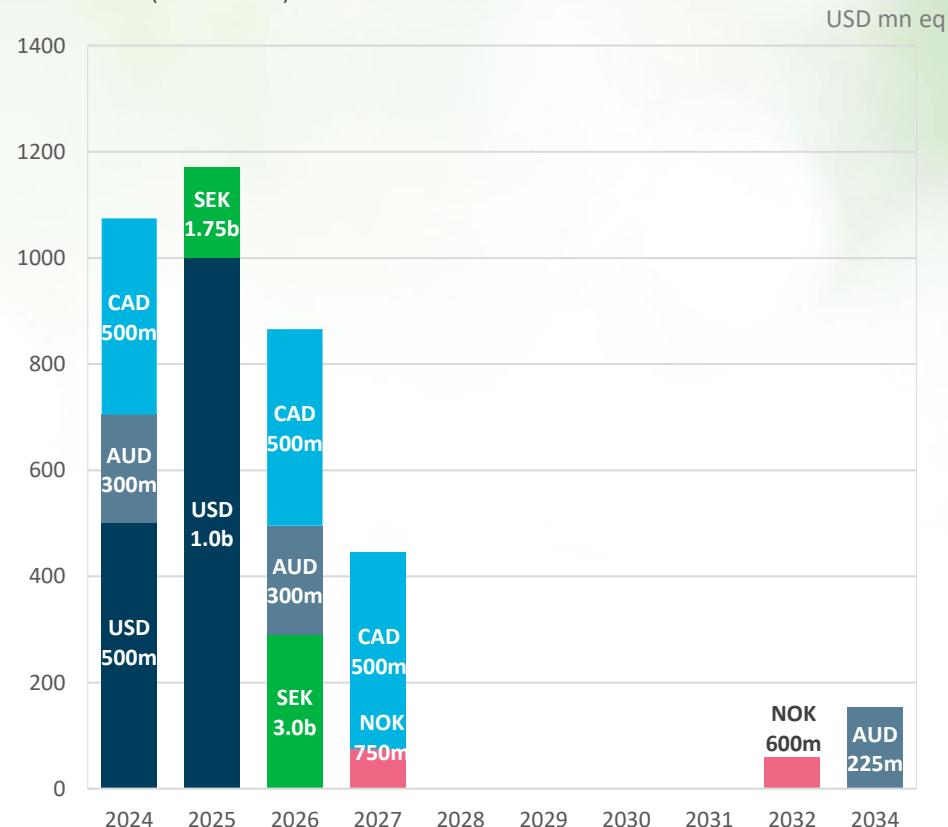
In recent years, KBN has been building its use of ECP and is now focused on maintaining an active ECP portfolio with issues in both USD and EUR

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

KBN Green Bond Issuance

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

KBN PUBLIC GREEN BOND MATURITY PROFILE (USD EQ*)



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

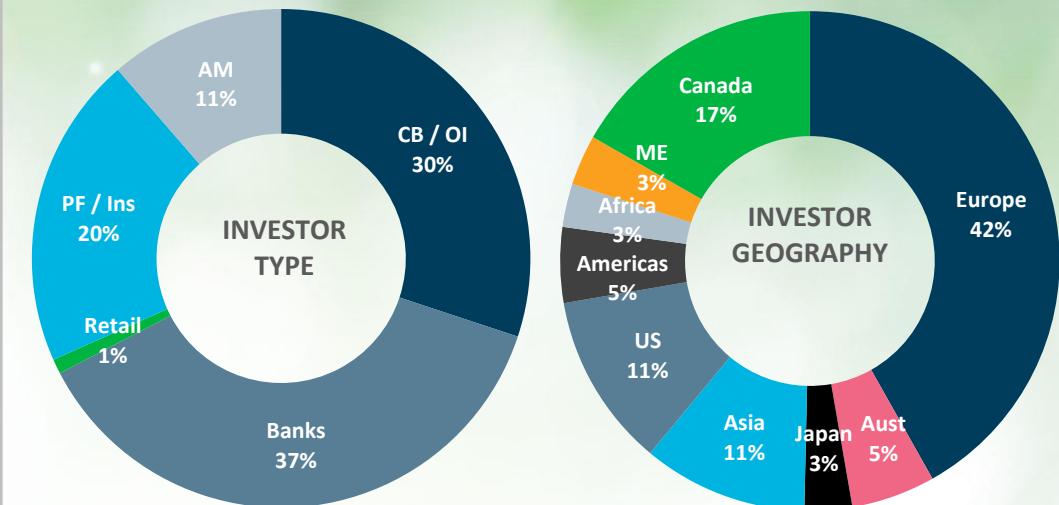
STATUS

Total Outstanding:

3.7 BN. USD*

Dec 2023

OUTSTANDING KBN PUBLIC GREEN BOND ISSUANCE*
Investor Type and Geography



* As of Dec 2023

KBN - Norwegian State Agency – A Solid AAA Credit

- 1.** 100% owned by the Kingdom of Norway (AAA/Aaa) and supervised by the Norwegian FSA
- 2.** Monoline business model, financing core local government welfare investments in Norway and no cross border lending.
- 3.** Counties and municipalities – KBN's clients - are prohibited by law from declaring bankruptcy
- 4.** KBN has never suffered loan losses in over 90 years of operations
- 5.** Conservative and prudent financial and risk management policies
- 6.** Strong financial profile with liquidity well in excess of regulatory requirements
- 7.** Strong, well-capitalized balance sheet
- 8.** Norway is one of the wealthiest countries globally, and owner of the largest sovereign wealth fund (the GPGF)
- 9.** KBN is the closest proxy to Norwegian sovereign risk available in the international markets
- 10.** Triple-A ratings from S&P and Moody's since first independently rated in 1999



Contact

For annual reports, rating reports and general information, please visit our website www.kbn.org or contact:



MR. SIGBJØRN BIRKELAND

Chief Capital Markets Officer &
Deputy CEO
Tel +47 2150 2014
sib@kbn.com



MR. THOMAS MØLLER

Head of Funding & IR
Tel +47 2150 2041
thm@kbn.com



MR. MARIUS RUUD

Senior Vice President
International Funding
Tel +47 2150 2043
mar@kbn.com



MR. EVAN R. MORGAN

Senior Vice President
International Funding
Tel +47 2150 2048
erm@kbn.com



MS. KIA KRIENS HAAVI

Head of Green Finance
Tel +47 9747 8005
kkh@kbn.com



MR. GEORG FUGLESANG

Vice President
International Funding
Tel +47 2150 2049
gef@kbn.com



ADDITIONAL INFORMATION

The Norwegian Government
<https://www.regeringen.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

<https://www.ssb.no/en/offentlig-sektor/kostra>

ICMA: Green Bond Principles

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

NOTICE

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ANNEXES
KBN GREEN BONDS

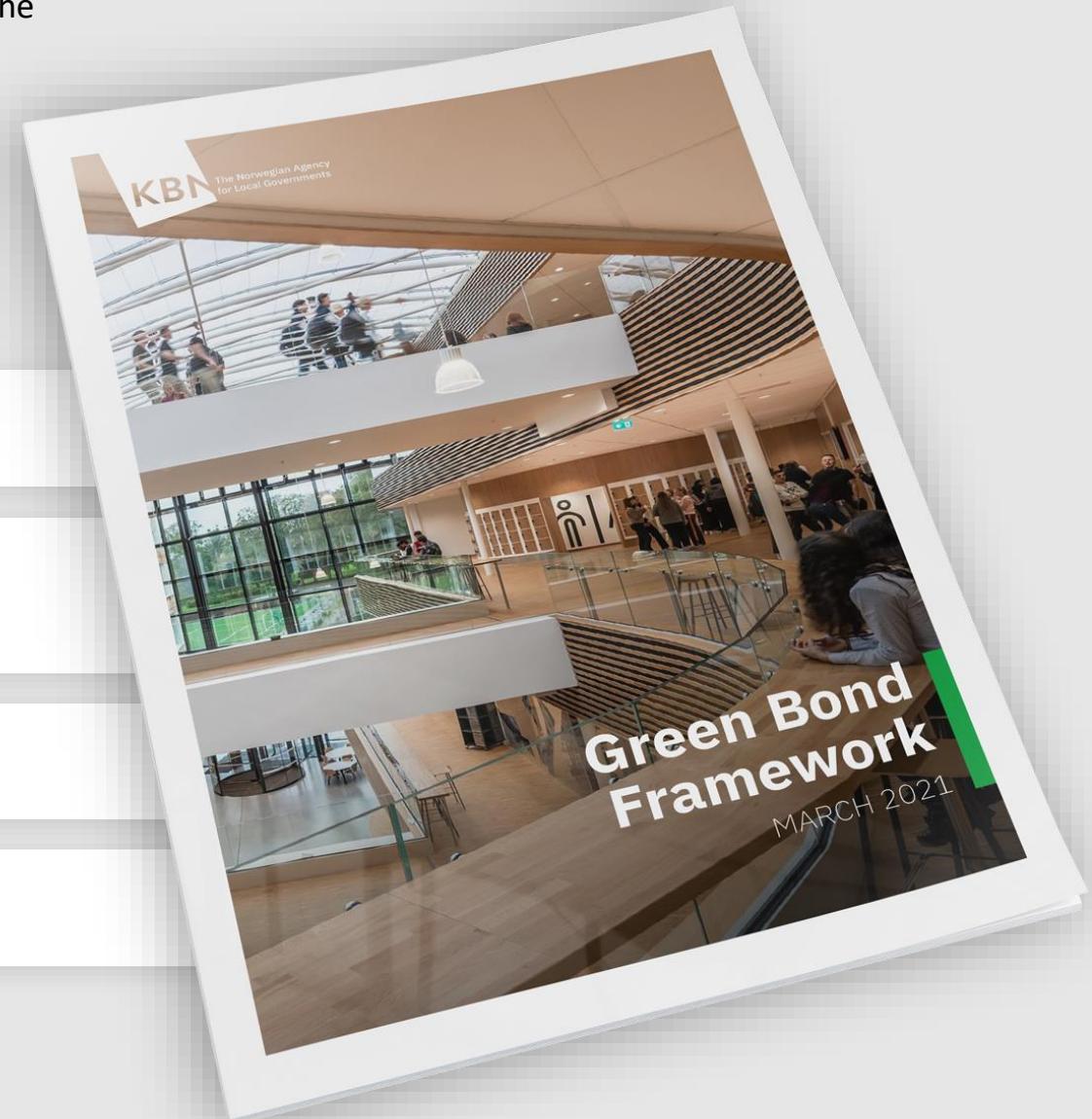
The Evolution of KBN'S Green Strategy



KBN Green Bond Framework 2021

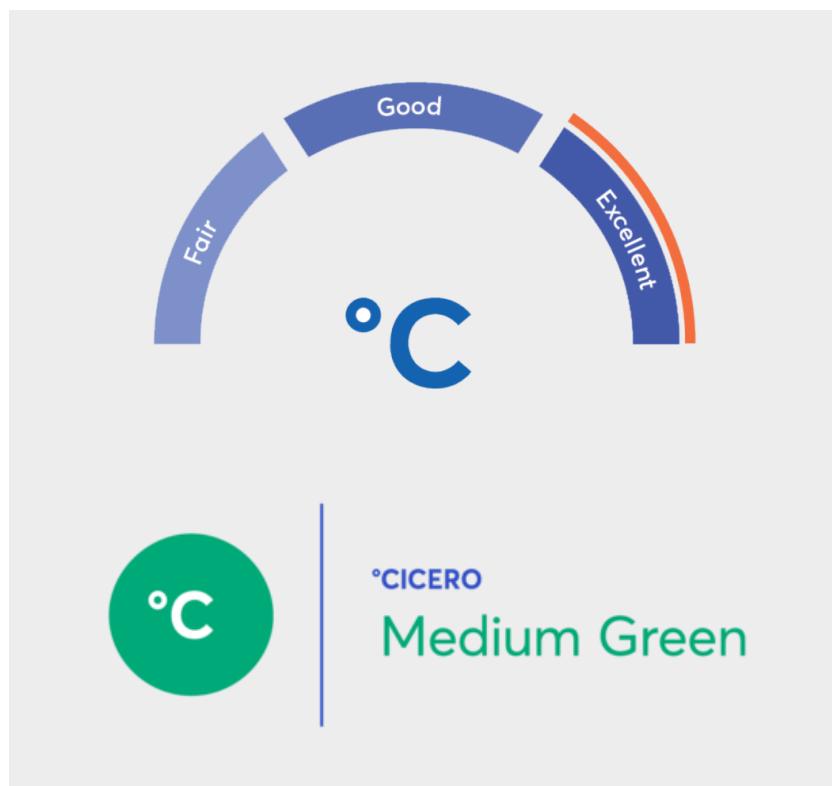
KBN's March 2021 Green Bond Framework replaces our 2016 Framework. All proceeds from bonds and taps dated after the update will be allocated to projects in line with the new Framework.

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



CICERO Second Opinion

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



| CICERO 2ND OPINION OF KBN’S GREEN PROJECT CATEGORIES | |
|--|------------------------|
| Buildings | ● Medium Green |
| Renewable Energy | ● Medium to Dark Green |
| Transportation | ● Medium to Dark Green |
| Waste and Circular Economy | ● Medium to Dark Green |
| Water and Wastewater Management | ● Dark Green |
| Land Use and Area Development Projects | ● Medium to Dark Green |
| Climate Change Adaptation | ● Medium Green |

KBN's Green Bonds finance Green Loans

All proceeds from KBN's Green Bonds are allocated to Green Loans for investments within seven categories:



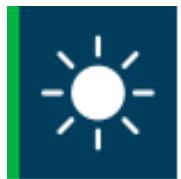
BUILDINGS

Buildings contributing to lower energy use and/or sustainable use of materials.



WASTE AND CIRCULAR ECONOMY

Measures that help minimize waste, increase reuse, recycling and improve energy recovery



RENEWABLE ENERGY

Facilitating the use of renewable energy sources.



WATER AND WASTEWATER MANAGEMENT

Water and wastewater investments with a climate and environmental profile



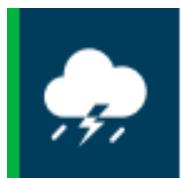
TRANSPORTATION

Transport solutions with minimal or zero emissions



LAND USE AND AREA DEVELOPMENT PROJECTS

Projects contributing to safe, inclusive and sustainable areas and healthy ecosystems.



CLIMATE CHANGE ADAPTATION

Measures making local communities better equipped to withstand current and future climate change and reduce physical climate risk.

Eligibility criteria defined in separate Criteria Document

| 2.1 RENEWABLE ENERGY PRODUCTION | DOCUMENTATION |
|--|---|
| 2.1.1 Renewable energy production Applies to the following: a) Biogas plants b) Geothermal wells c) Solar cells or solar thermal collectors d) Pellet or wood chip heating systems e) Other renewable energy sources. → For renewable energy production systems for buildings, see the Buildings category. | <p>▪ Expected annual energy production (kWh/year)</p> <input checked="" type="checkbox"/> |
| 2.2 ENERGY STORAGE | DOCUMENTATION |
| 2.2.1 Energy storage in connection with energy production facilities Storage of locally generated energy using one of the following methods: a) Electrical storage, e.g. batteries b) Thermal storage c) Storage as hydrogen. → For the installation of energy storage solutions for buildings, see the Buildings category. | <p>▪ Expected storage capacity (kW)</p> <input checked="" type="checkbox"/> |
| 2.3 ENERGY INFRASTRUCTURE | DOCUMENTATION |
| 2.3.1 Network capacity Municipalities' contribution to work to construct or upgrade the network's capacity, e.g. a construction contribution. | <p>▪ Expected increase in capacity (MW)</p> <input checked="" type="checkbox"/> |
| 2.3.2 District heating/cooling A production plant or distribution network for district heating or cooling. The plant must use renewable energy sources for both base and peak loads. Use of electricity to meet peak loads is acceptable. Energy from waste incineration or surplus heat/cold generated by other processes can also be used. The use of mineral-based emergency fuels can only be approved for clearly defined emergency situations. → For the installation of charging points for electric cars, see the Transport category. | <p>▪ Expected increase in capacity (MW)</p> <p>▪ Expected distribution between energy sources (%)</p> <input checked="" type="checkbox"/> |

- ✓ Eligible project categories are described in the **Green Bond Framework** and further defined in the **Criteria document for Green Loans**
- ✓ The criteria document is intended to **mirror developments in technology, official regulations and best practice**, ensuring investments financed with KBN's Green Loans are always at the forefront.
- ✓ The Criteria Document is assessed annually by **KBN's Green Expert Committee** consisting of external experts in fields such as clean energy and transport, sustainable buildings, and representatives from the local government sector.



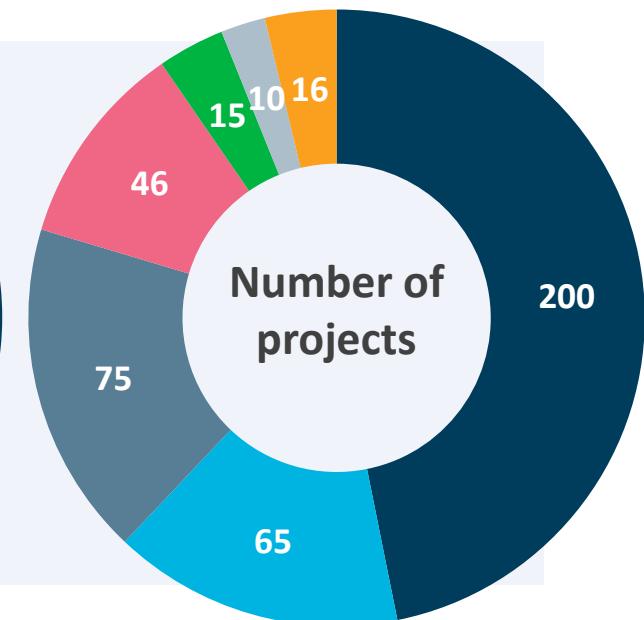
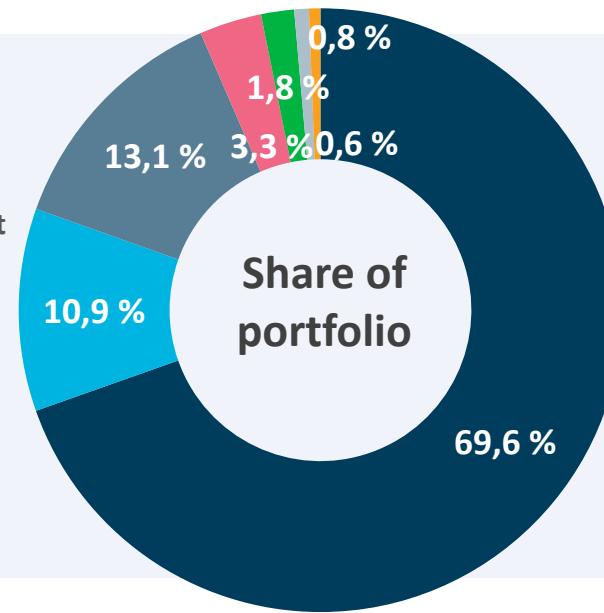
Example of Eligibility Criteria: Renewable energy

Green Lending Portfolio

GREEN LOANS OUTSTANDING
USD 4.4 BN*

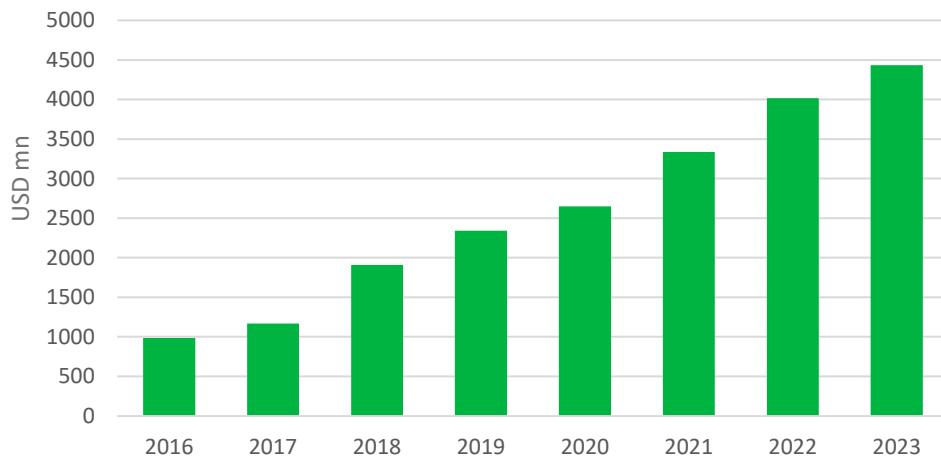
KBN has offered reduced-rate green loans for investments that contribute to solving the climate challenges of the future since 2010.

- Buildings
- Transportation
- Water and Wastewater Management
- Waste and Circular Economy
- Renewable Energy
- Land Use and Area Development
- Climate Change Adaptation



KBN GREEN LOANS*

Accumulative Lending - 2016-2023 (YTD)



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

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

*USDNOK = 10

Paris-aligned eligibility criteria

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

KBN does not allow any investments locking in fossil fuels or other non-renewable energy sources, unless it is strictly for emergency back-up only.



All transportation projects shall be strictly fossil-free. Sustainably produced bio fuels such as biogas from waste decomposition is allowed.

All energy production shall be based on renewable sources

For buildings, no oil-based or other fossil-based heating is allowed

District heating systems, ships and ferries may have fossil-based peak loads only as a fallback solution



Governance

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



Green loan process

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

Management of funds

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

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

Use of funds

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

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

KBN Impact Reporting

The central principles of our environmental impact reporting are:

- Reports include information at the project level, category level and portfolio level.
- Reported impact relates to the proportion of the project we financed.
- We report the expected impact of projects (ex ante), but may in the future report actual impact (ex post).
- Reporting is centred around the net benefit of each project relative either to the situation prior to the project's completion or to a reference scenario, as appropriate. As reference scenarios we use the relevant regulatory requirements.
- Our reporting is limited to emissions and emissions reductions that fall under Scopes 1 and 2*
- From 2022, electricity consumption is converted to greenhouse gas emissions using the grid factor for Norway as calculated by The

Norwegian Water Resources and Energy Directorate (NVE). The factor applied is 11 grams of CO₂e per kilowatt hour

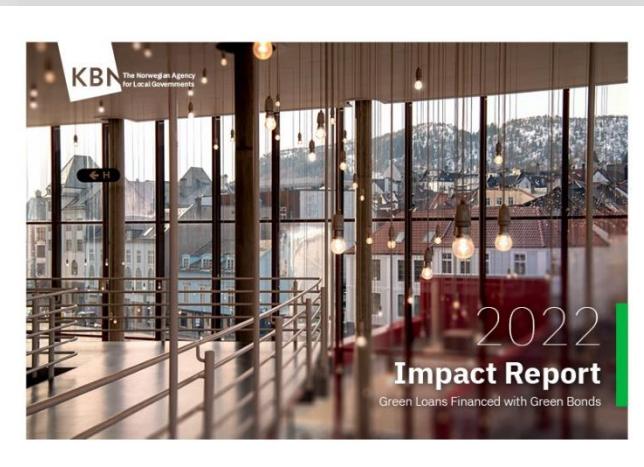
- Many projects will have a positive environmental impact for which no tangible impact data is provided in this report. This may be because the impact cannot be measured, and/or because there is no sufficient basis for comparison. A natural consequence of this is that the total impact that we report is probably somewhat lower than the actual impact
- We report which of the UN's Sustainable Development Goals and which of the EU's six environmental objectives the various project categories help to achieve.
- KBN also supplements its Impact Report with data on the environmental impact of its green bonds in a investor-friendly spreadsheet.

* Defined by the Greenhouse Gas Protocol as direct emissions from projects (Scope 1) and indirect emissions from the production of electricity and/or district heating used in projects (Scope 2).

KBN contributed to "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting", which KBN uses as the basis for its environmental impact reporting.



[NPSI Position Paper on Green Bonds Impact Reporting 2020](#)

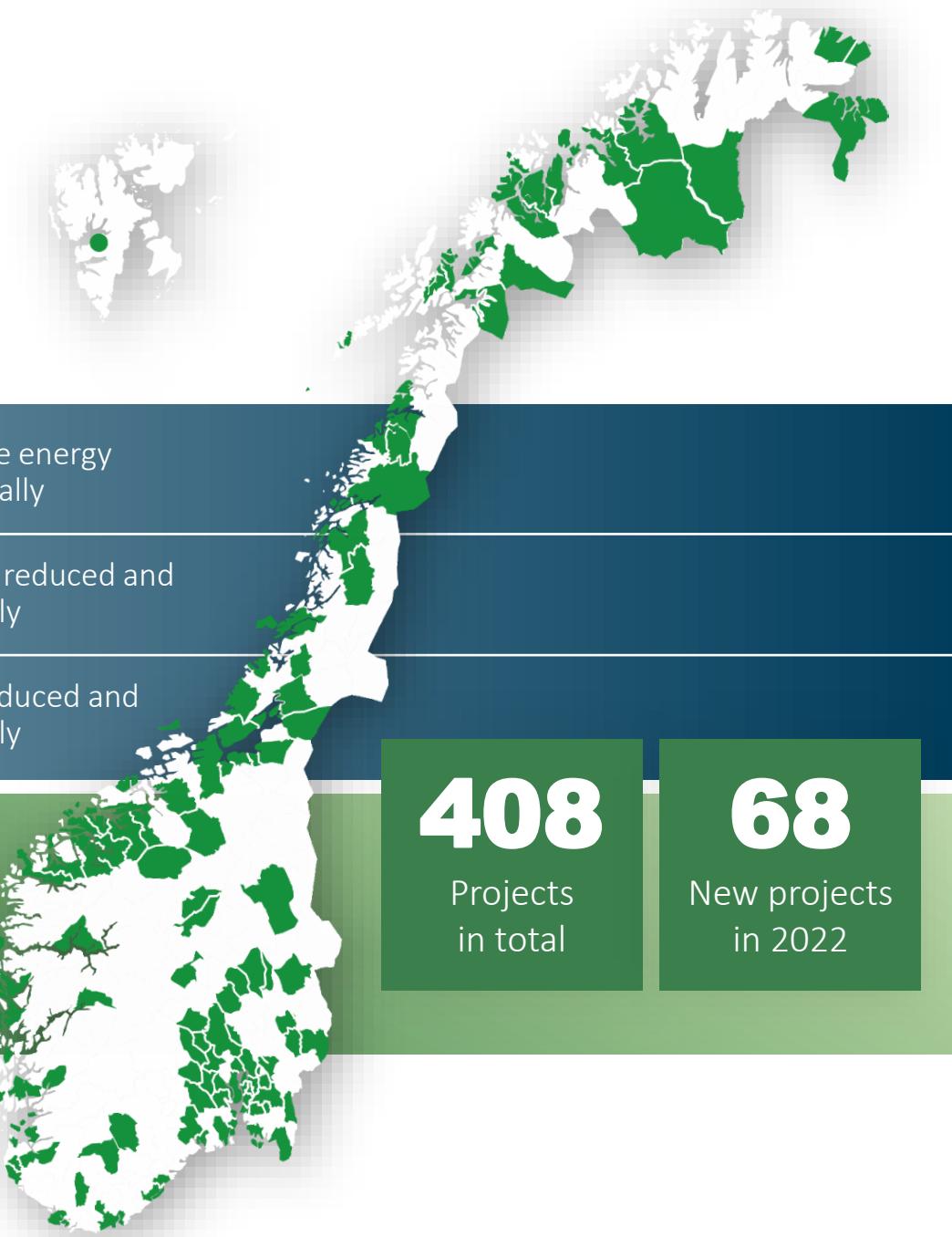


[2022 KBN Impact Report](#)

KBN Norway's impact reporting is conducted according to the principles and methodology presented in the Position Paper on Green Bonds Impact Reporting

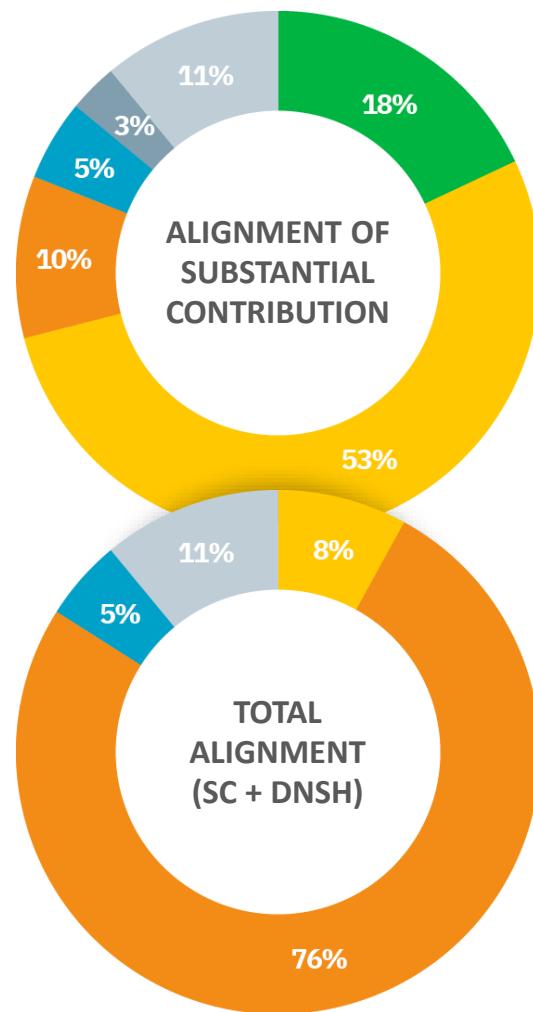
Impact Report 2022

All the funding raised by KBN's green bond issues is used exclusively for lending to customers as green loans. This report presents the projects financed by KBN's green bonds. The map shows the geographic location of these.



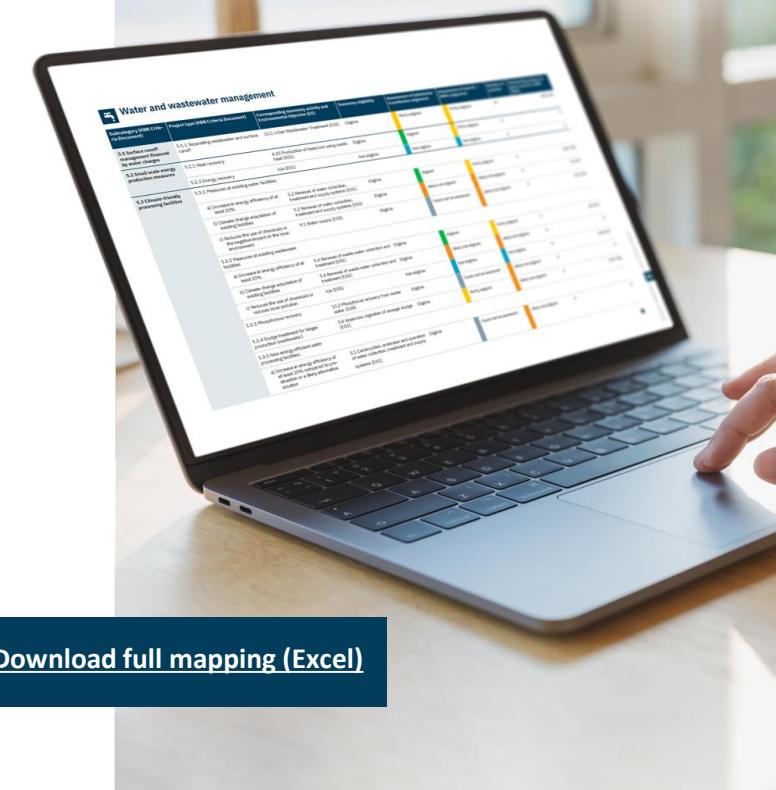
Voluntary Taxonomy alignment assessment

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



Preliminary taxonomy alignment assessment of the entire green project portfolio.

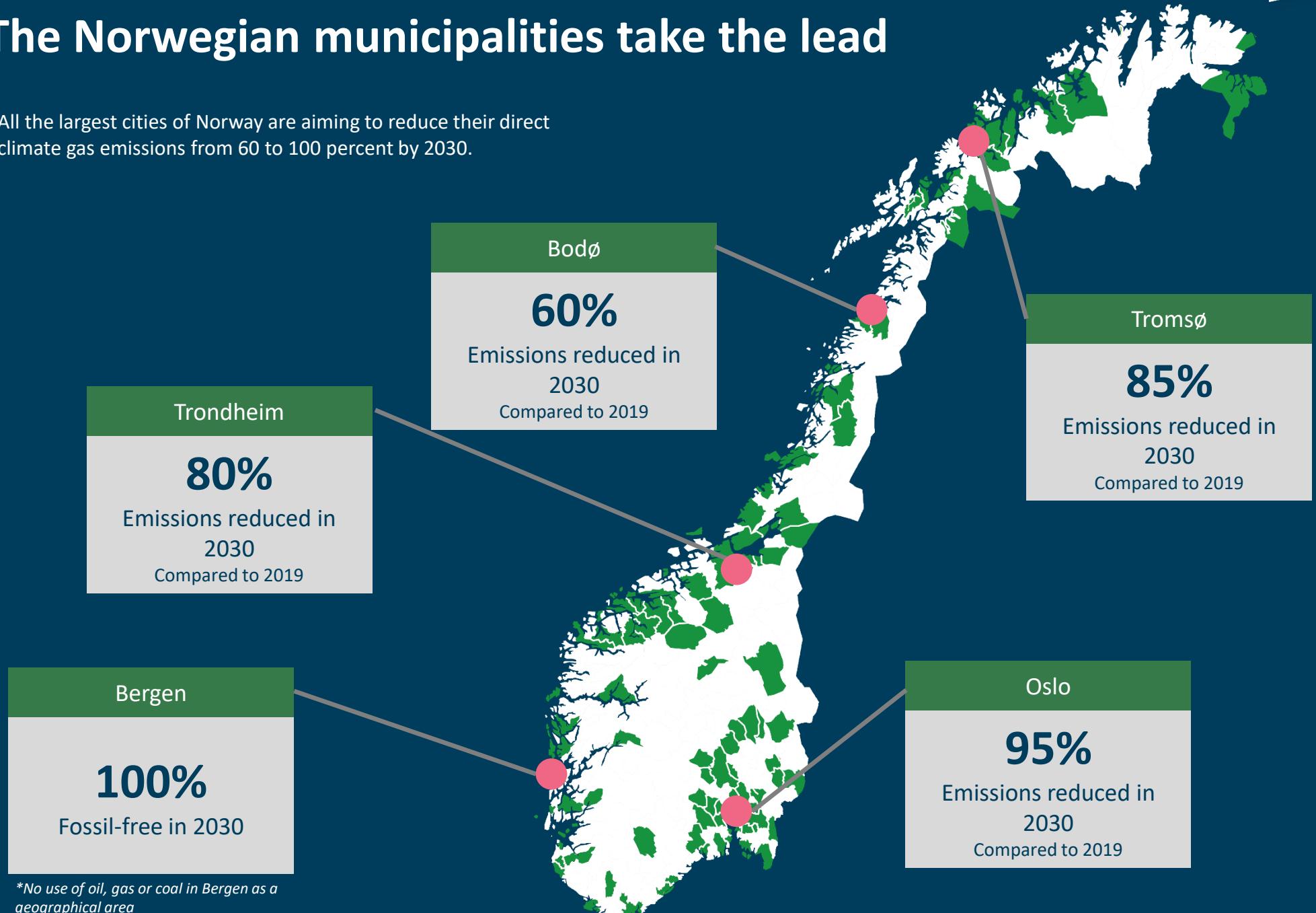
- █ ALIGNED
- █ PARTLY ALIGNED
- █ LIKELY NOT ALIGNED
- █ NOT ELIGIBLE
- █ COULD NOT BE ASSESSED
- █ PROJECTS ASSESSED INDIVIDUALLY



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

The Norwegian municipalities take the lead

All the largest cities of Norway are aiming to reduce their direct climate gas emissions from 60 to 100 percent by 2030.



Prime ESG Ratings

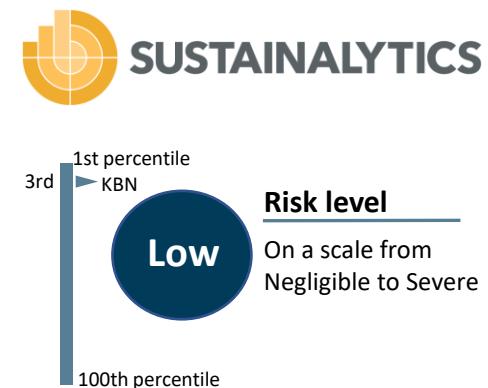
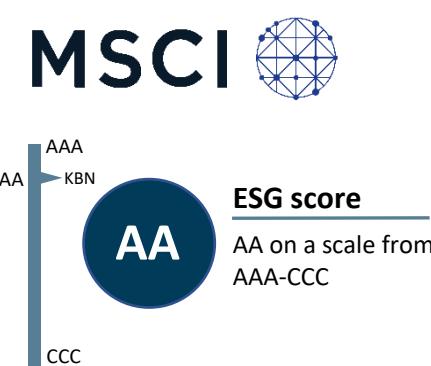
- KBN has received prime ESG ratings from the leading ESG rating agencies in the market, reflecting KBNs continuous work with both Environmental, Social and Governance related issues.
- 13% of the total lending portfolio consists of green loans, which give favorable interest rates to climate-friendly investments by the municipalities.
- KBN has a low risk of experiencing material financial impacts from ESG factors, due to low exposure to material ESG issues.
- KBN has received high transparency level from ISS ESG, reflecting the institution's efforts to disclose relevant information related to ESG factors.
- The institution has set up a robust system for business ethics compliance.

"Our research indicates the company continues to lead peers in most ESG parameters."

- MSCI

«Kommunalbanken's ESG reporting is assessed as very strong and it has board level oversight for ESG issues»

- Sustainalytics



Project Examples

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



**Improving energy
efficiency by
replacing 550
windows**



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



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



**Adaptation
measures increase
resilience to
flooding**



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





CASE



BUILDINGS

Improving energy efficiency by replacing 550 windows

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

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

Project period: 2022-2024

Grieghallen IKS



Total cost:
39 400
(1000 NOK)

Green loan outstanding:
9 000
(1000 NOK)

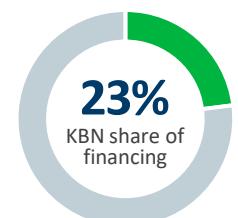
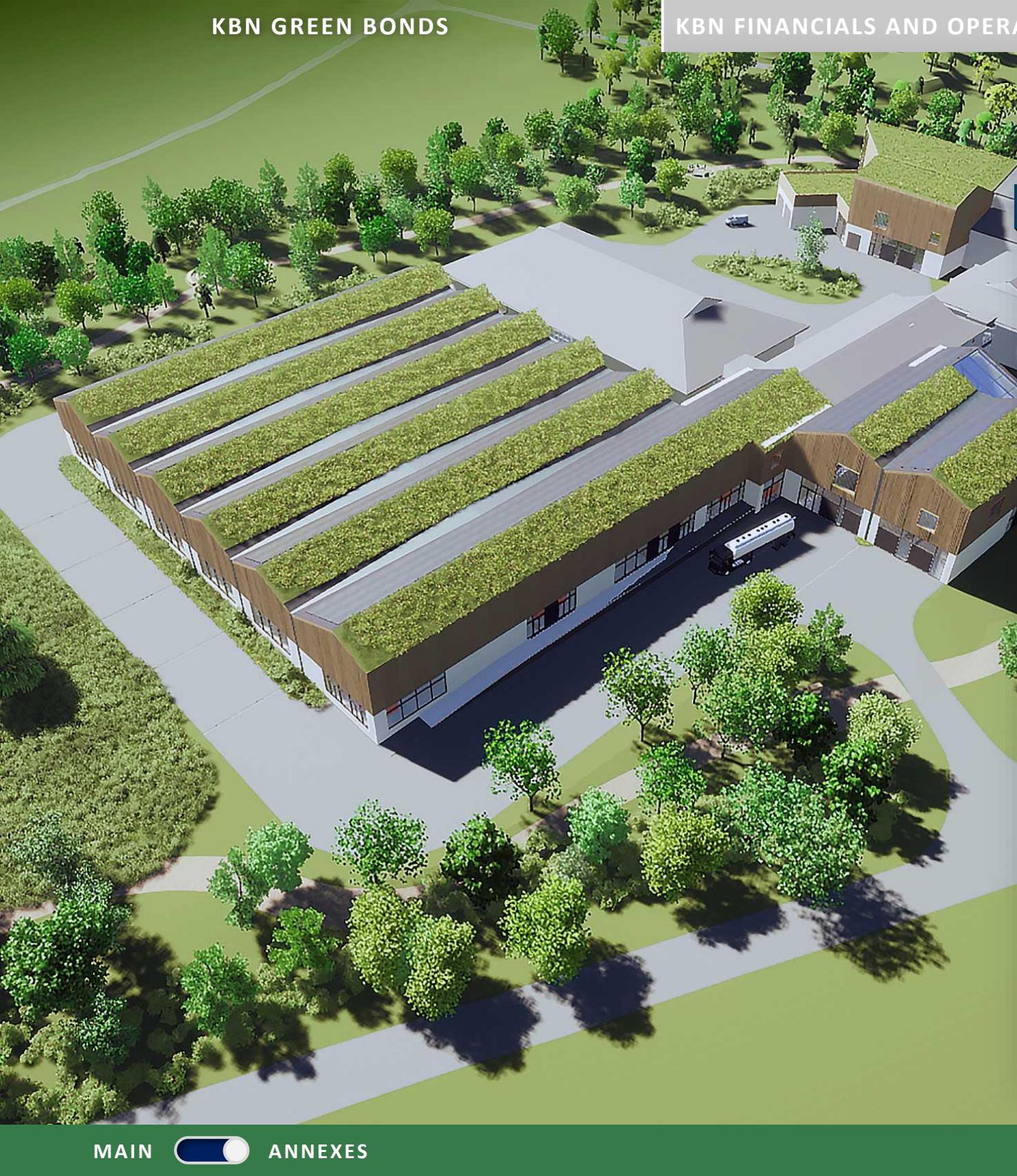


Photo: Grieghallen



CASE



RENEWABLE ENERGY

New energy efficient facility recovers resources from wastewater

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

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

Project period: 2022-2026

MOVAR IKS

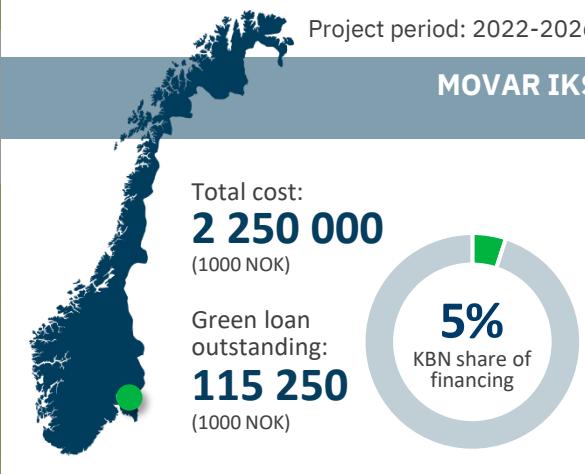


Photo: Stenseth Grimsfjord Arkitekter AS



CASE



TRANSPORTATION

Electric ferry saves 46 000 litres of diesel annually

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

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

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

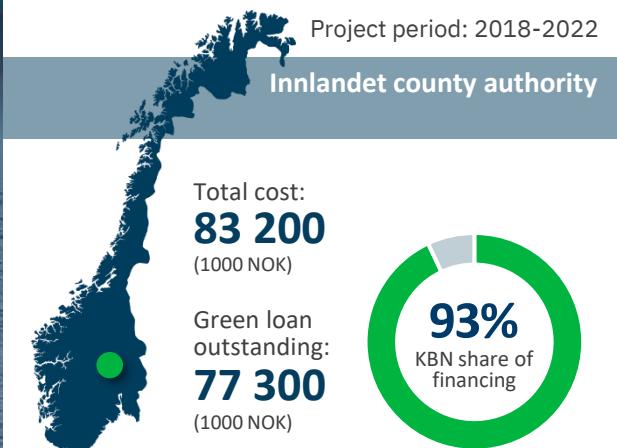


Photo: Innlandet county authority



CASE

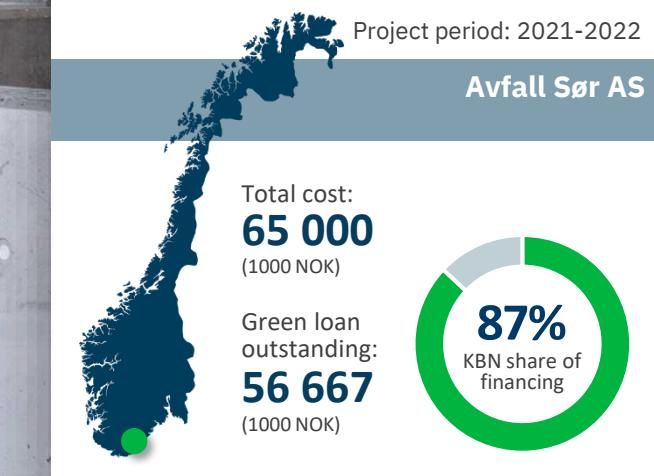


WASTE AND CIRCULAR ECONOMY

Electric machinery and solar panels reduce emissions at new recycling facility

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

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





CASE

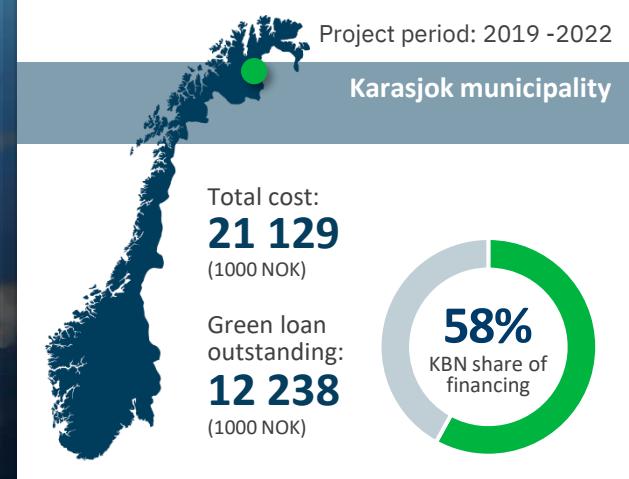


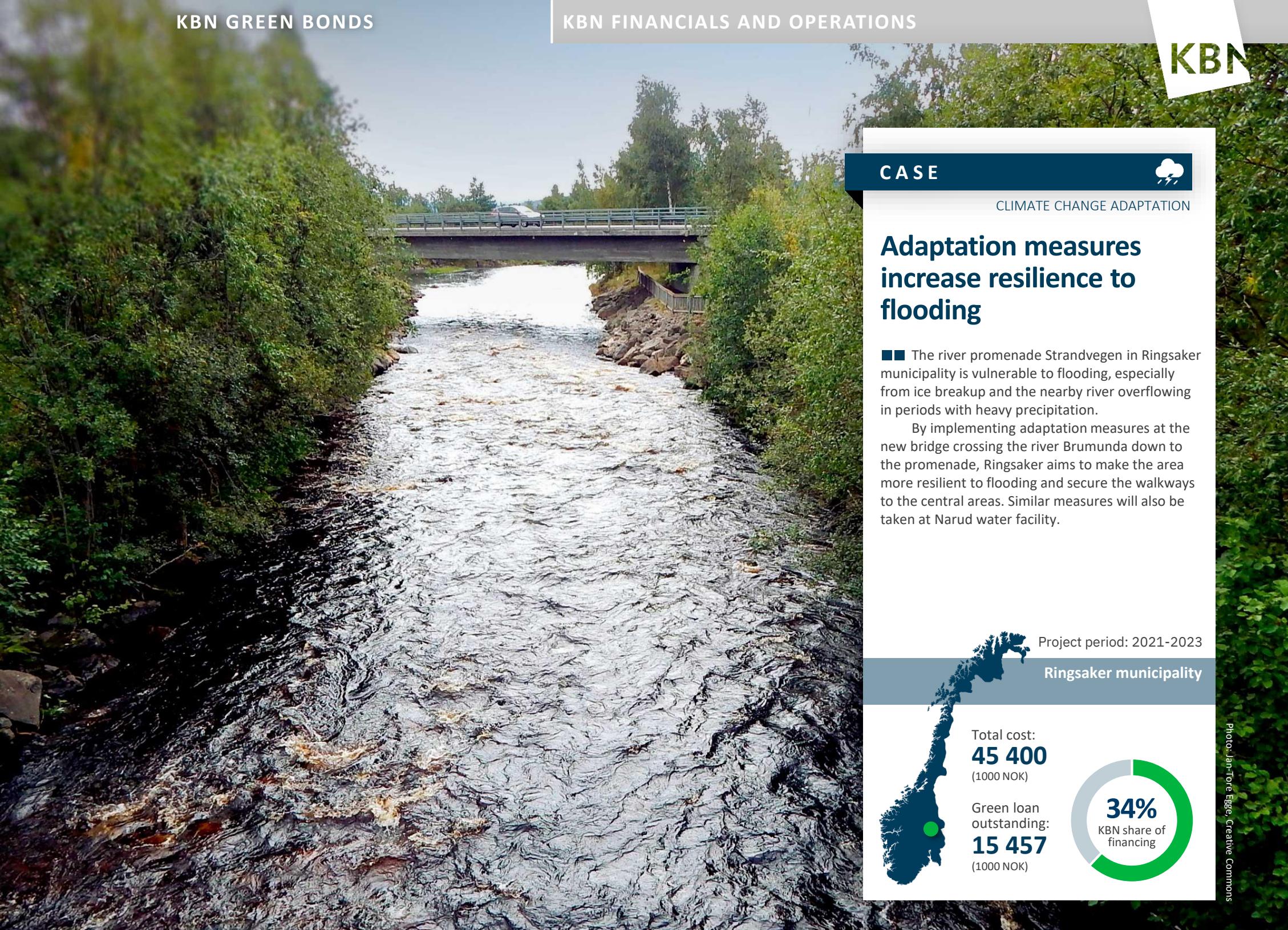
WATER AND WASTEWATER MANAGEMENT

Separate sewer system reduces overflow and chemical usage

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

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





CASE



CLIMATE CHANGE ADAPTATION

Adaptation measures increase resilience to flooding

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

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

Project period: 2021-2023

Ringsaker municipality



Total cost:
45 400
(1000 NOK)

Green loan outstanding:
15 457
(1000 NOK)

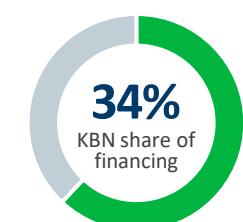


Photo: Ian-Tore Egge, Creative Commons

KBN FINANCIALS AND OPERATIONS

Financial Highlights

| (Amounts in NOK 1 000 000) | January - September 2023 | January - September 2022 | 2022 |
|---|--------------------------|--------------------------|---------|
| RESULTS | | | |
| Net interest income | 1 572 | 1 387 | 1 866 |
| Core earnings ¹ | 938 | 840 | 1 081 |
| Profit after tax | 866 | (283) | (60) |
| Cost/income ratio (per cent) ² | 15.1% | 15.3% | 15.8% |
| Return on equity after tax ³ | 6.3% | (2.7%) | (0.8%) |
| Return on equity after tax (core earnings) ⁴ | 7.6% | 6.8% | 6.6% |
| Return on assets after tax ⁵ | 0.2% | (0.1%) | 0.0% |
| LOANS TO CUSTOMERS | | | |
| New disbursements | 32 186 | 24 064 | 39 261 |
| Aggregate loans to customers ⁶ | 341 150 | 322 617 | 328 401 |
| 12 month lending growth in percent ⁷ | 5.7% | 2.6% | 1.7% |
| Green loans to customers ⁸ | 46 556 | 39 112 | 41 421 |
| Share of green loans in lending portfolio | 13.6% | 12.1% | 13.3% |
| Share of municipalities with green loans ⁹ | 39.1% | 36.9% | 38.0% |
| LIQUIDITY PORTFOLIO⁶ | | | |
| New long-term debt securities issued | 62 771 | 53 544 | 86 994 |
| Aggregate debt securities issued ⁶ | 467 286 | 452 838 | 429 206 |
| TOTAL ASSETS | | | |
| Equity | 20 671 | 18 576 | 18 903 |
| Common equity Tier 1 capital adequacy ratio | 18.2% | 17.9% | 19.0% |
| Leverage ratio | 4.0% | 3.7% | 3.9% |
| LIQUIDITY COVERAGE RATIO (LCR)¹⁰ | | | |
| Total | 283% | 545% | 261% |
| NOK | 95% | 105% | 95% |
| EUR | 121% | 901% | 441% |
| USD | 175% | 410% | 242% |
| AUD | 26 525% | 2 024% | 1 078% |
| GBP | Infinite | Infinite | 1 958% |
| OTHER KEY FIGURES | | | |
| Market share excl. Husbanken ¹¹ | 50.4 % | 42.7 % | 49.7 % |
| Percentage of women employed in KBN | 38% | 43% | 43% |
| Emissions in CO ₂ tons equivalents ¹² | 71.93 | 52.5 | 79.7 |

1 Profit after tax adjusted for Net unrealised gain/(loss) on financial instruments adjusted for estimated tax at 25% tax rate, and adjusted for Portion allocated to owners of additional Tier 1 capital. This result measure is included to give relevant information about the company's underlying operations.

2 Operating expenses as a percentage of sum Net interest income and Total other operating income adjusted for Net unrealised gain (loss) on financial instruments.

3 Share of the Profit for the year allocated to shareholders as a percentage of average equity (annualized). Average equity is calculated based on monthly equity, not including Profit for the year, less dividends from the time the dividends are paid out, as well as addition or reduction of the company's share capital during the year.

4 Core earnings as a percentage of average equity (annualized).

5 Share of Profit for the year allocated to shareholders as a percentage of average assets (annualized). Average assets are calculated based on monthly assets.

6 Principal amounts.

7 12-month lending growth based on total lending (principal amounts).

8 Aggregate green loans to customers financed by green bonds. In addition, the bank has a smaller portfolio of green loans to customers that were given before or that does not qualify after the criteria in Green bond framework published in 2016. These loans are no longer financed with green bonds.

Total aggregate green loans to customers are NOK 48.5 billion.

9 Percentage of municipalities in KBN's lending portfolio with green loans.

10 Liquidity coverage ratio (LCR) is a measure for the regulatory liquidity reserve. LCR is defined as liquid assets as a percentage of net payments in a given stress period of 30 days.

11 KBN's market share based on sector code 6500. Lending from Husbanken is not included as KBN does not compete for these loans.

12 KBN's calculated emissions. See Greenhouse gas accounting.



Further information

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



[Financial Reports](#)

The screenshot shows the KBN website's financial reporting section. At the top, there are links for 'Customer', 'Investor', 'Sustainability', 'About us', and 'Login'. Below that is a sub-menu for 'Investor / Financial reports' with links for 'Annual Report 2019', 'Annual Report 2018', 'Annual Report 2017', and 'Annual Report 2016'. Further down, there's a 'Financial calendar' section with a table showing dates for 2020, including '28 February Annual Report 2019' and 'Before 20 March 2020 EMTN'. The main content area features the heading 'Financial Reports' and a brief description of the available reports.

KBN's Loan Approval Process and Principles

Annual Budget Preparations

Clients set up an annual investment plan defining investments and funding needs. The plan is approved by the Municipal board

Internal Review

KBN's credit committee perform an annual credit review of all counties/municipalities based on quantitative and qualitative factors across several key parameters:

- Profit margins over the past two years
- Debt burden and use of short-term debt
- Percentage of cash flow focused on debt servicing
- Available liquidity
- Presence on the ROBEK list

The credit process culminates in a traffic light ranking system ranging from green to red for all clients. KBN Board receives a report on all result.

Loan Process

Loan application is assessed against the credit review, loan purpose and financial sustainability of the project before approval.

The KOSTRA Registry

Since 1997, local and regional governments have been required by law to register statistics on budget, financial activities and public services in the KOSTRA (Municipality-State-Register) database. This registry is managed by Statistics Norway and provides key inputs for KBN's credit risk management models.



**Central
Government
Control and
Oversight
Leads to...**

**...Disciplined
and Prudent
Financial
Management at
both clients
and KBN**

The ROBEK List

The Register for Governmental Approval of Financial Obligations (ROBEK) is a government register of municipalities and counties who have not submitted a balanced budget. Entities on the list must have any new debt contracts approved by the state representative Fylkesmann in order to be valid. They earn a KBN yellow light.

Framework for Local Government debt:

County and local government debt management are monitored by the Norwegian Ministry of Local Government and Regional Development. Financial report/accounting must be registered in the KOSTRA registry, ensuring transparency of operating activities.

Because the Norwegian legal statute Article §55 states that no county or municipality may go bankrupt, the Ministry provides technical assistance on budgeting and debt management.

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

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