Annual Report 2024

Kommunalbanken AS

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Foreword

Stability and Steady Course in an Increasingly Uncertain Time

The battle against the rampant inflation in the wake of the COVID-19 pandemic seems to have been won for now, however a recent increase shows that the embers might not be completely extinguished and that there is considerable uncertainty both domestically and internationally. The change of power in the USA and the prospects of a trade war could lead to another round of price increases and significant uncertainty. Our role is to offer the municipal sector stable and long-term financing, regardless of how the world around us develops.

KBN’s lending increased in total by NOK 16 billion in 2024, equivalent to 4.5%. The total debt growth in the municipal sector was NOK 51 billion in 2024, equivalent to 8%. This represents higher growth in borrowing than was expected for 2024 but should be seen in the context of significant increases in prices for goods and services related to the investments that were financed. Some larger municipalities have significantly increased their borrowing and contributed to such strong overall growth. KBN’s objective is to maintain a stable share of the market for lending to municipalities and county authorities over time. At the end of 2024, KBN had loans outstanding to 356 of Norway’s 357 municipalities, all its county authorities, and Longyearbyen Community Council.

Along with rapid growth in costs and declining tax revenues, higher interest rates have created a more challenging economic situation for many of KBN's customers, which has been much discussed in 2024. The need for investments remains large and debt growth is expected to remain at a high level in the coming years, but probably somewhat down from the particularly high level in 2024. The overhang of overdue maintenance requirements and essential improvements in standards will continue to contribute to growth in investment spending, especially in the areas of health and care, water and wastewater, and public transport. At KBN, we aim to contribute to economic sustainability and good financial management in the municipal sector by offering insights and through customer dialogue and credit assessments related to borrowing. We consider this need to grow as uncertainty increases.

KBN also has a strategic goal of remaining a leader in green finance and contributing to the municipal sector's transition to a low-emission society. We are pleased to say that 2024 was a very strong year in this regard. The growth in our green lending portfolio accounted for more than 80 percent of the total lending growth for the year. Our total green lending portfolio amounted to NOK 66 billion at the end of the year, equivalent to 17.8 percent of the total lending portfolio. Seventeen new municipalities and two county municipalities received green loans from KBN in 2024, meaning that a total of 165 municipalities and county municipalities have at least one green loan from KBN.

International uncertainty has increased over the past year. The Ukrainians are still heroically defending their country against Russia's invasion, now in its fourth year. The Gaza war is not over, although there is a fragile ceasefire. In last year's foreword, I suggested that a possible change of power in the USA could mean that Europe must be prepared to play a larger role going forward to prevent a European democracy from falling, and much suggests that this is coming true. The new American administration has also created uncertainty around trade. “America first," whether it is expressed in the form of tariffs with countermeasures from trading partners, the USA withdrawing from various forms of international cooperation, or drastic measures allegedly to streamline and reduce costs (DOGE), contributes to uncertainty. The geopolitical developments at the beginning of 2025 have led to increased uncertainty around stock prices, exchange rates, inflation, and interest rates, but the financial markets are still functioning well. As of this writing, the S&P 500 has fallen over six percent since Trump was inaugurated as president on January 21, while the Eurostoxx 50 is up nearly five percent in the same period. US interest rates are largely unchanged. Gold, considered a safe asset in turbulent times, is up 8.4 percent.

We are in a period where climate transition and work on diversity, inclusion, and equality have faced tougher conditions. It is important to stand firm and not be fooled by the "anti-woke" trend, a job that must be done by responsible countries and businesses. The focus should be on real measures that contribute, rather than symbolic actions. Again, Europe must lead the way and take responsibility for creating a sustainable future, also for those who come after us. It is important to keep a cool head, stay the course, and not be thrown off balance. As the British say – keep calm and carry on.

Jannicke Trumpy Granquist, CEO

In this context, it is important to stick to facts and knowledge. Misinformation and disinformation are ranked as the greatest short-term risk by the World Economic Forum. The rise of fake news has been particularly prominent in various social media, owned and controlled by a handful of individuals and companies. At the beginning of 2024, KBN made a strategic decision to shift the use of advertising funds from social media to traditional media with editorial responsibility subject to ethical guidelines, partly because the latter is our most important defense against a media reality consisting of "alternative facts" and disinformation.

At KBN, we will continue to request that climate-, environment- and nature-related considerations are considered and emphasize suppliers' work on diversity, inclusion, and equality in our procurement. This is simply a matter of better risk management and long-term value creation. 2024 was the warmest year ever recorded, and the last ten years top the list of the warmest years in recorded history. The need for resolute collective action increases year by year, and here too, continued and strengthened European cooperation will be important. The municipal sector also needs restructuring related to the demographic challenge and based on a challenging economic situation. KBN will continue to work to facilitate the transition in local communities.

The EU's framework for sustainability reporting, CSRD, is being rolled out, but in light of geopolitical developments and the need to increase productivity in the EU, a simplification package (Omnibus) has now been presented. The EU has realized that the focus on regulation and reporting should be reduced in favor of productivity improvement, real transformation, and upgrading. If the proposal is adopted unchanged, KBN will be exempt from reporting obligations, however the annual report for 2024 still contains a transition report that largely meets the requirements, based on the strategic ambition to be a leader in green finance.

KBN will continue to uphold true democratic values and contribute to our customers and society as a whole developing in a positive and sustainable direction, both economically, socially, and environmentally. We stand firmly on what we consider to be the right side of history and hope others follow suit.

Jannicke Trumpy Granquist
ADMINISTRERENDE DIREKTØR

About KBN

With total assets over NOK 550 billion, Kommunalbanken AS (KBN) is one of the largest financial institutions in Norway. KBN provides loans to municipalities, county authorities and companies with municipal guarantee that carry out local government tasks. Our ambition is to contribute to the development of sustainable communities.

KBN is 100% owned by the Norwegian state. KBN was first established in 1927 and is today the largest lender to the local government sector.

Our total financing* to the sector is in excess of

NOK375 bn.

99.7%	50.2%
of Norwegian municipalities are KBN customers	**of municipal debt is financed through KBN (excl. debt with Husbanken)**

* Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

Building sustainable communities

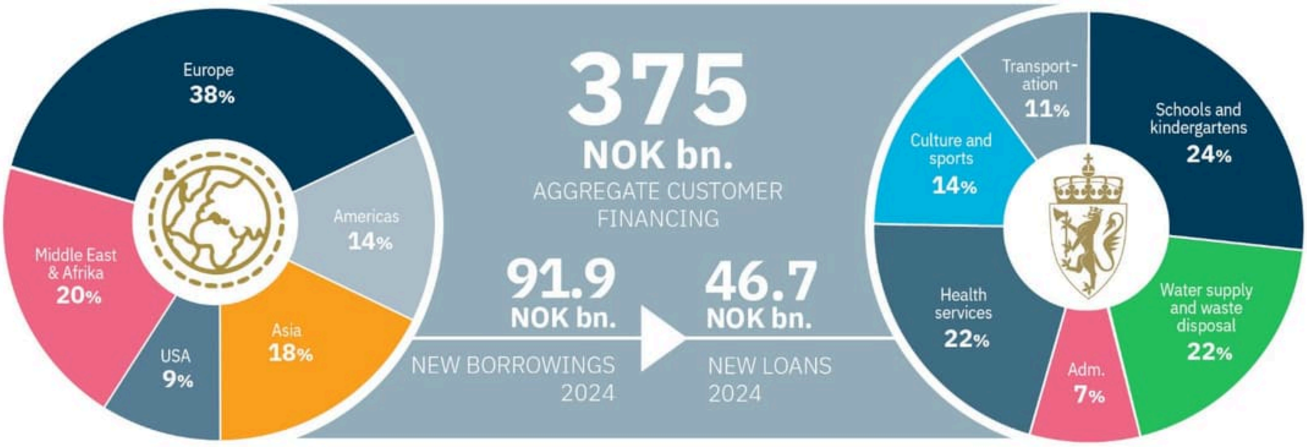
KBN has a strong market position and seeks to use this to promote communities that are sustainable, both economically, socially and environmentally. We are committed to ensuring municipalities make future oriented choices when investing, and we offer a slightly lower interest rate on loans for projects that are ambitious from a climate perspective. We also use some of our resources to improve knowledge of climate change and risk, and interest rates, as well as economy and debt management for municipalities' elected representatives and administrative teams.

One of the largest Norwegian borrowers

KBN finances its lending to the local government sector by borrowing money directly in the capital markets. KBN is today one of the largest Norwegian borrowers in the international capital markets, with a yearly borrowing program of around NOK 100 billion. KBNs green bonds finance the transition to a low-carbon, climate resilient future in Norwegian local societies. KBN has more than ten years' history as an issuer of green bonds.

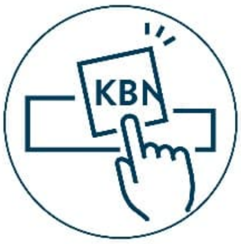
AAA-rating

KBN has a conservative risk profile and is one of the few AAA-rated financial institutions in the world. KBN has never suffered any losses on its lending. As a state-owned company with a public mandate, strong capital base, robust operations and low risk appetite, KBN holds the highest possible credit rating from both Standard and Poor's and Moody's.



*Investment expenditures local/regional sector per service area, average last 10 years. Source: SSB, KBN

KBN Strategy, 2025-2027



The customer's first choice

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

Strong market participant

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

Leader in green finance

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

Expertise and technology driven

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

Read more about KBN’s strategy on the website.

Strategic goals for the strategy-period 2025 - 2027

[1] applicable requirements at any time. P1 includes associated buffer requirements.

[2] Corresponds to emissions of 107 tons of CO2 equivalents in 2027, which is in line with the emissions trajectory that indicates a 55 % reduction in own emissions by 2030.

KBN in Numbers

Financial key figures

(Amounts in NOK 1 000 000)	2024	2023	2022	2021	2020
Results					
Net interest income	2 253	2 105	1 866	1 585	1 672
Core earnings[1]	1 276	1 211	1 081	908	922
Profit after tax	1 474	1 432	(60)	1 208	1 159
Cost/income ratio (percent)[2]	17.1 %	15.6 %	15.8 %	16.4 %	16.3 %
Return on equity after tax[3]	7.4%	7.9%	(0.8%)	7.1%	7.4%
Return on equity after tax (core earnings)[4]	7.2%	7.3%	6.6%	5.6%	6.3%
Return on assets after tax[5]	0.3%	0.3%	0.0%	0.3%	0.2%
Loans to customers					
New disbursements	46 692	53 429	39 261	48 547	57 699
Aggregate loans to customers[6]	369 859	354 052	328 401	323 018	318 235
Aggregate customer financing[7]	375 356	354 052	328 401	323 018	318 235
12 month lending growth in percent[8]	4.5 %	7.8 %	1.7 %	1.5 %	2.7 %
12 month aggregate financing growth in percent[9]	6.0 %	7.8 %	1.7 %	1.5 %	2.7 %
Green loans to customers[10]	65 969	52 763	41 421	32 876	26 112
Share of green loans in lending portfolio	18.5 %	15.4 %	13.3 %	10.9 %	8.9 %
Share of municipalities with green loans[11]	44 %	40 %	38 %	36 %	34 %
Liquidity portfolio[6]	139 954	114 610	109 959	110 837	123 585
Debt securities issued					
New long-term debt securities issued	91 909	76 935	86 994	96 550	107 822
Aggregate debt securities issued[6]	481 504	438 407	429 206	395 385	405 451
Total assets	567 644	522 203	492 450	473 064	498 327
Equity					
Equity	22 075	21 684	18 903	19 081	18 538
Common equity Tier 1 capital adequacy ratio	18.1%	17.4%	19.0%	18.8%	17.9%
Leverage ratio	3.9%	4.0%	3.9%	3.9%	3.7%
Liquidity coverage ratio (LCR)[12]					
Total	236%	266%	261%	175%	191%
NOK	97%	87%	95%	71%	77%
EUR	261%	251%	441%	140%	200%
USD	334%	171%	242%	137%	188%
AUD	707%	1 253%	1 078%	1 082%	1 239%
GBP	22 674%	43 868%	1 958%	733%	97 768%
Other key figures					
Market share excl. Husbanken[13]	49.4%	51.1%	49.7%	51.4%	52.8%
Market share overall financing of customers excl. Husbanken[14]	50.2%	51.1%	49.7%	51.4%	52.8%
Percentage of women employed in KBN	33%	36%	43%	46%	41%
Emissions in tons CO_2 equivalents[15]	82.5	111.5	79.7	40.3	74.5

Footnotes

[1] *Profit after tax adjusted for net unrealised gain/(loss) on financial instruments (in accordance with note 3) 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 (in accordance with note 2).*

[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] *Principal amounts. Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.*

[8] *12-month lending growth based on aggregate loans to customers (principal amounts).*

[9] *12-month growth based on aggregate customer financing (principal amount).*

[10] *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 68.5 billion.*

[11] *Percentage of municipalities in KBN's lending portfolio with green loans, based on total aggregate green loans to customers.*

[12] *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.*

[13] *KBN's market share based on total loans to customers of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.*

[14] *KBN's market share based on total customer financing of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.*

[15] *KBN's climate accounting is based on the Greenhouse Gas Protocol Corporate Standard. Own emissions consist of calculations within scope 1 and scope 2 in this climate statement, as well as indirect emissions in scope 3 from waste management and travel activities.*

See also the overview and description of alternative performance measures published on kbn.com

Corporate Governance

The Board of Directors of KBN

The Board of Directors of KBN is the company's highest governing body and is responsible, through the CEO, for ensuring that the company's activities are soundly organised. The Board of Directors has three committees: the Risk Management Committee, the Audit Committee and the Remuneration Committee.

BRIT KRISTIN RUGLAND

Chair since 2018, board member since 2016

Bachelor of Business Administration, Master of Management. Chair, KBN Remuneration Committee. Member, KBN Risk Committee. Chair, Figgjo AS. Member of the Board, Norfund. Former member of The central bank of Norway´s Executive Board.

Participated in 9 board meetings in 2024.

RUNE MIDTGAARD

Vice Chair since 2019, board member since 2014

Master of Science in Business and Economics and Certified Financial Analyst (AFA), NHH. Chair, KBN Audit Committee. CEO at Store Norske.

Participated in 9 board meetings in 2024.

EYVIND AVEN

Board member since 2019

MBA and two year extension program in Finance at Norwegian School of Economics NHH. Sr. Risk Advisor within Group Risk function in Equinor. Chair, KBN Risk Committee. Member of Equinor Insurance AS board and chair of its Risk Committee. Deputy member of Equinor Asset management ASA board and chair of its Risk Committee.

Participated in 9 board meetings in 2024.

NILS GUNNAR BAUMANN

Employee representative since 2023

Master of Science in Economics and Business Administration. Senior Portfolio Manager, KBN. Member, KBN Remuneration Committee. Personal alternate is Harald Jacobsen.

Participated in 9 board meetings in 2024.

KRISTINE FAUSA AASBERG

Employee representative since June 2024

Master of Science in Finance. Portfolio Manager, KBN. Member, KBN Audit Committee. Personal alternate is Anne Jenny Dvergsdal.

Participated in 5 board meetings in 2024.

TORIL HOVDENAK

Board member since 2020

MSc Economics and Business Administration. CEO Møre og Romsdal county. Member, KBN Audit Committee.

Participated in 8 board meetings in 2024.

IDA ESPOLIN JOHNSON

Board member
since 2018

Lawyer, partner in law firm Haavind AS. Member, KBN Risk Committee.

Participated in 8 board meetings in 2024.

IDA TEXMO PRYTZ

Board member
since 2022

MSc Economics and Business Administration. CEO, Hardfør Utvikling AS. Member, KBN Audit Committee. Member of the Board, Harstad Mek. Verksted AS, Yve AS and NHO Arktis.

Participated in 9 board meetings in 2024.

PETTER STEEN JR.

Board member
since 2015

Teacher. Former Mayor, City of Haugesund. Advisor to Sveio Municipality. Member, KBN Remuneration Committee. Chair, Haugaland Kraft AS and Helse Fonna HF. Member of the board, Moster 2024 AS.

Participated in 9 board meetings in 2024.

The management team

The management team at KBN forms the CEO's collegiate group for the day-to-day management of KBN. All material decisions are taken following discussion by the management team.

JANNICKE TRUMPY GRANQUIST
CEO, employed since 2014

Granquist previously held the position as CFO at KBN and was hired as the new President & CEO in 2020. She came to KBN from the position as head of valuation and accounting at NBIM (the Norwegian oil fund), Previously worked in banking and finance in EY and Simcorp. Has an MSc in accounting and finance from the London School of Economics and Political Science.

ILSE BACHE
Chief Technology & Operations Officer, employed since 2014

Previously CTO and Head of Risk & Performance at NBIM (The Norwegian Oil Fund), Administrations Director at the department of Monetary Policy at the Central Bank of Norway. Bache holds an MBA from the Norwegian Business School (BI) and studies in selective courses (Executive Education) from Harvard Business School.

SIGBJØRN BIRKELAND
Deputy CEO and Chief Capital Markets Officer, employed since 2017

Birkeland heads both Treasury and Funding & IR. Previously, he held the position as Finance Director with the insurer Storebrand. He has also worked as a researcher at the Norwegian School of Economics (NHH). Birkeland also received his Ph.D. in Economics.

LARS STRØM PRESTVIK
Chief Lending Officer, employed since 2014

Previously Senior Relationship Manager in Nordea, responsible for public sector customers. Prestvik has held the position as head of treasury in several Corporates. He holds a Master's degree from Norwegian School of Management and has leadership development from Harvard Business School.

TOR OLE STEINSLAND
Chief of Staff, employed since 2012

Previously worked as partner and advisor in PR agency Kreab Gavin Anderson. Steinsland has been employed as a financial journalist in various print and broadcast media. Steinsland has a finance degree from Norwegian School of Economics (NHH).

ANDREA SØFTING
CFO, employed since 2021

Søfting is former CFO of SpareBank 1 Ringerike Hadeland. Previously worked in audit and consulting at Deloitte. Andrea Søfting holds a MSc in Audit and Accounting (state-authorised auditor) and an MBA in Management Controls, both from Norwegian School of Economics (NHH).

HÅVARD THORSTAD
Chief Risk and Compliance Officer, employed since 2015

Former Deputy Head Risk Management at SIX Securities Services and Head of Risk Management at Oslo Clearing ASA, Norsk Hydro and Eksportfinans ASA and experience from Ministry of Finance and Norges Bank. He holds a Masters degree in Economics from Université de Fribourg, Switzerland.

KJERSTI ULSET
Chief Risk Officer, employed since 2021

Ulset joined KBN from a position as Head of Clearing Risk in Nasdaq Clearing. Prior to KBN she worked as a manager and analyst within market analysis and modelling of commodity markets. Ulset holds a Master of Science in applied mathematics from Norwegian University of Science and Technology (NTNU).

Business model and operating model

KBN is organised as a limited liability company that is 100% owned by the Norwegian state. The Ministry of Local Government and Regional Development manages the state's ownership of KBN. KBN has no subsidiaries.

Regarding the objective and company-specific purpose of the state's ownership of KBN, the Norwegian government's white paper "A greener and more active state ownership" (Report to Storting No. 6 (2022-2023)) states that:

"The state is the owner of Kommunalbanken in order to offer stable, long-term and efficient financing of the local government sector. The state's aim as owner is to achieve the highest possible return over time subject to the limits of sustainability".

The state has set out six general rationales for state ownership. For KBN, the following rationale applies:

"Facilitating sustainable restructuring and increased value creation"

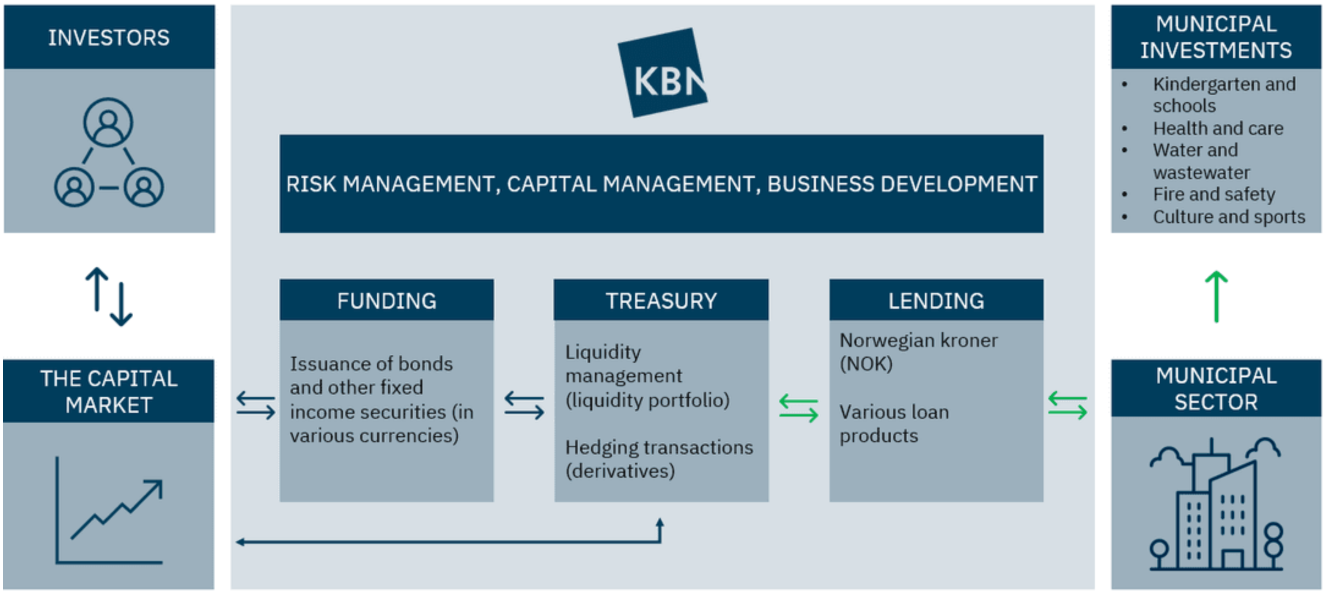
Through its ownership, the state helps counter barriers and market weaknesses that hinder sustainable transition and value creation in the Norwegian economy by ensuring that the local-government sector throughout the country receives specially adapted financing.

KBN's Articles of Association state that its objective is *"to provide loans to municipalities, county authorities, intermunicipal companies and other companies that carry out local government tasks against either a municipal guarantee, a government guarantee, or other satisfactory security. The Company can also undertake other tasks appropriate to the Company's business."*

KBN finances its lending activities by raising debt funding from capital markets around the world. Its business model and strategy are based on KBN operating with a low level of risk while also having the ability to provide loans regardless of economic conditions. KBN is committed to helping to ensure that the local government sector's high creditworthiness is reflected in the lowest possible borrowing costs for the sector. KBN will operate with a target of having a credit rating that is in line with the rating of Norway (AAA). In order for it to be able to fulfil its role, KBN has a target of having a strong market position.

KBN seeks to fulfil the Board of Directors' target of return on equity without infringing the restrictions on its activities laid down in its Articles of Association. In order to achieve this, KBN works systematically on optimising the structure of its balance sheet and on increasing the efficiency of its use of capital. KBN's operating model/business model is illustrated below.

Figure: KBNs operating model

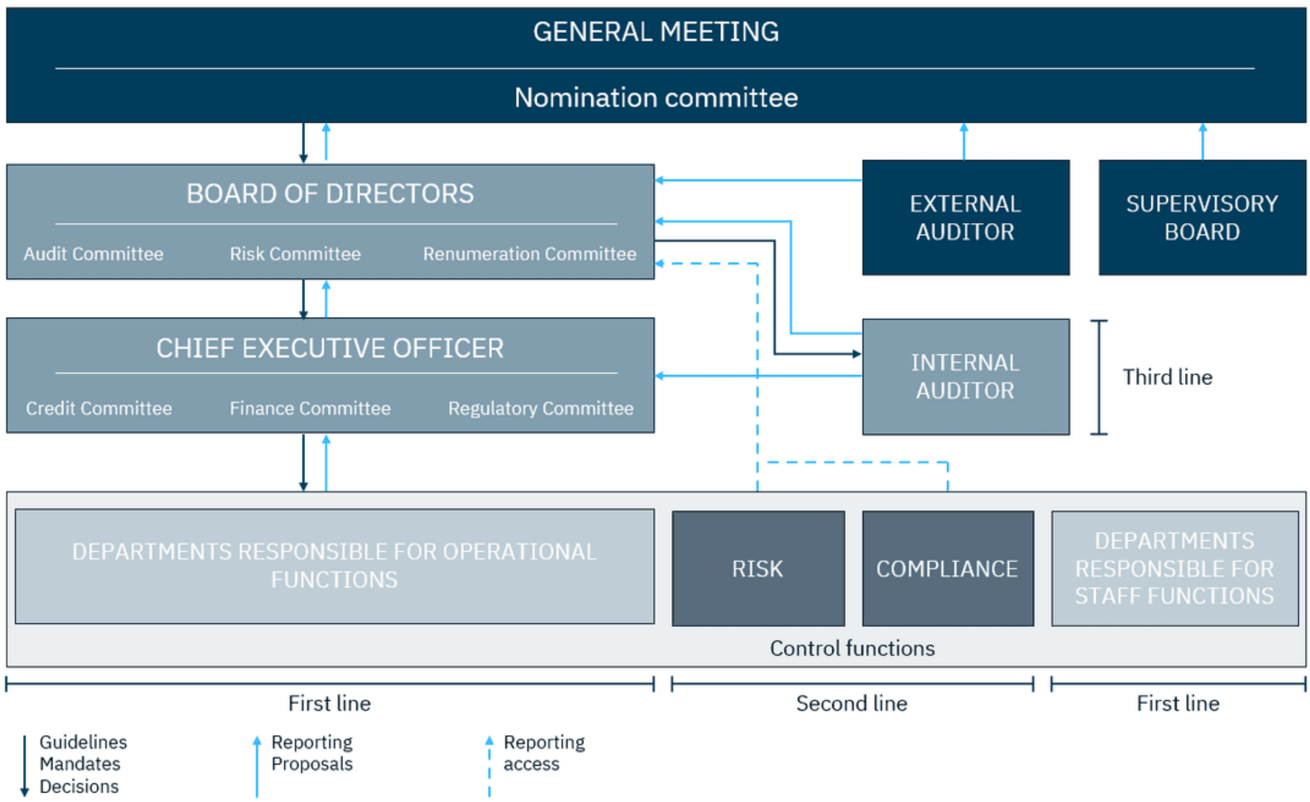


Organisational structure and governing bodies

KBN's organisational structure is intended to ensure it adapts effectively to changes in customers' expectations, to contribute to robust decision-making, and to be characterised by the existence of clear responsibilities within the framework of its owner's expectations and regulatory requirements.

Jannicke Trumpy Granquist has been the CEO of KBN since 2020.

Figure: Governing bodies in KBN



The General Meeting (the Norwegian state acting through the Ministry of Local Government and Regional Development) elects the Board of Directors as well as the members and deputy members of the Nomination Committee and Supervisory Board and the company's auditor. The General Meeting approves the annual accounts and annual report, including the allocation of profit and coverage of losses, and the payment of dividends. The General Meeting also sets the remuneration of the members of the Board of Directors, the company's auditor and the members of the Supervisory Board. The General Meeting considers the guidelines for the remuneration of senior executives and the salary report.

The Supervisory Board's role is set out in KBN's Articles of Association. It is tasked with ensuring that the company's objectives are promoted in accordance with the law, its Articles of Association and the resolutions passed by the General Meeting. The Supervisory Board is also required to provide a statement to the General Meeting on the annual accounts and the allocation of profit and coverage of losses proposed by the Board of Directors, as well as to give its opinion on matters that concern the company, and in this regard it shall have a particular focus on the company's role in society and corporate social responsibility. The Supervisory Board shall be composed of as broad a range of members as possible.

The Board of Directors has both managerial and supervisory responsibility for KBN and is required to ensure that its activities are soundly organised and, to the extent required, to draw up plans and budgets and overall guidelines for its activities. The Board of Directors must also keep itself informed of KBN's financial position and ensure that its activities and asset management are subject to adequate control. The Board of Directors is required to supervise the day-to-day management of KBN and its activities in general, to monitor and manage KBN's overall risk exposure and capital needs, and to assess whether its governance and control arrangements are adapted to KBN's level of risk and the scope of its activities. The Board committees that advise on and prepare issues for the Board's consideration are elected by and from amongst the Board's own members.

- ***The Risk Management Committee*** carries out preparatory work to facilitate the Board of Directors' consideration of risk, the company's risk appetite, ICAAP, ILAAP and the recovery plan, and in connection with this it assesses the outcomes of scenarios and stress tests as well as assessing whether the pricing proposed for any new products and services is sound from the perspective of KBN's risk appetite. The Committee also reviews internal audit's annual plan and reports that relate to the risk management area, as well as risk reports produced for the Board of Directors, and conducts preparatory work to facilitate the Board's monitoring of whether its risk management guidelines are being followed.
- ***The Audit Committee's*** main focus relates to financial reporting, sustainability reporting and control. The Committee is tasked with helping the Board to ensure that there is proper control of the reporting and the reporting process, and carrying out preparatory work to facilitate the Board's monitoring. The committee assesses the effectiveness of KBN's internal control and risk management systems in relation to financial reporting and sustainability reporting, assesses the effectiveness of the company's internal audit in relation to financial reporting and sustainability reporting, and assesses and monitors the external auditor's independence, particularly the extent to which services other than auditing are provided in accordance with the regulations. The Committee is also required to monitor matters that the Financial Supervision Authority of Norway has drawn attention to in its routine supervision of KBN or in letters to the Board, and which are relevant to financial reporting and sustainability reporting. The Committee is also responsible for carrying out preparatory work for the company's election of its external auditor.
- ***The Remuneration Committee*** prepares all matters related to the company's remuneration scheme that are to be considered by the Board of Directors, including the company's arrangements for variable salary, guidelines for the benefits received by senior executives, and evaluates the remuneration of the CEO. The Committee also considers the salary report and guidelines for the remuneration of senior executives, which are submitted to the General Meeting.

The Chief Executive Officer (CEO) of KBN has the authority to take decisions on all matters relating to the operation of KBN that are not required by any act of law or official regulation or the Board of Directors' guidelines to be considered by the Board. The CEO can make decisions regarding any such matters if mandated to do so by the Board of Directors. The CEO can delegate his/her decision-making authority to KBN's department heads subject to the delegated authority arrangements and guidelines issued by the Board. The CEO is responsible for ensuring that KBN's activities are operated in accordance with the strategy, plans, budgets and risk appetite framework produced by the Board. The CEO shall ensure that there is proper internal control through effective operational and control routines. The CEO determines the responsibilities and areas of authority of the department heads in the form of job specifications and delegated authority arrangements.

The Management Team comprises the senior executives of KBN, and is made up of the department heads and assists the CEO of KBN with the day-to-day management of KBN. There are committees and special fora with their own internal regulations that function as advisory bodies for the CEO, with whom the authority to make decisions lies.

- ***The Credit Committee's*** overall function is to carry out the mandate issued by the Board of Directors in its guidelines, including the lending framework, and to assist the CEO in managing KBN's credit risk.
- ***The Finance Committee's*** function is to provide advice and opinions on decisions that relate to matters of principle and to matters of material significance related to the capital markets area, including financial risk management. The Finance Committee also provides recommendations regarding new products (New Product Approval Process, NPAP).
- ***The Regulatory Committee's*** overall function is to provide advice to ensure that KBN identifies at an early stage regulatory matters that will affect its achievement of its objectives.

The department heads report to the CEO and are responsible for assisting the CEO with the day-to-day management of KBN, as well as for the organisation and day-to-day operation of their own departments. Their job specifications define their specific responsibilities and the authority delegated to their position. Their general responsibilities include executing KBN's strategies and plans in accordance with the law and official regulations and KBN's guidelines, as well as for carrying out internal control. Their special responsibilities relate to their departments' tasks. Department heads can set procedures within their area of responsibility. Department heads who are responsible for staff functions can, if mandated by the CEO, produce procedures in their specialist field that apply across KBN's departments following consideration of such procedures by the management team.

Internal control

Internal control is organised into three lines of defence. KBN's operational and staff functions represent the first line of defence, its control functions are the second line of defence, and the internal auditor is the third line of defence. The third line of defence is intended to ensure that KBN's different levels of management each have their own control functions to assist them with their responsibility to ensure that KBN's activities are operated in a reliable, robust and efficient manner, as well as in accordance with the applicable regulations. KBN's control functions are independent of the functions and areas subject to their controls.

- ***The department heads* (first line)** of the operational and staff functions are responsible for governance and internal control for their own area of responsibility, including for processes and activities designed to achieve set targets, and for managing risk and compliance with external and internal regulations.
- ***The Chief Risk Officer* (second line)** leads the risk management function, is the CEO's control function, and is provided with instructions for his/her work by, and reports to, the CEO. The risk management function independently assesses risks to which KBN is exposed, is responsible for the aggregated risk reporting to the Board of Directors, maintains and develops KBN's risk management framework, including proposals for its risk appetite framework, and checks that risk management, including first-line models and processes, are in accordance with KBN's framework. The Chief Risk Officer has direct access to the Board of Directors if required.
- ***The Chief Compliance Officer* (second line)** leads the compliance function, is the CEO's control function, and is provided with instructions for his/her work by, and reports to, the CEO. The Chief Compliance Officer ensures that KBN complies with external and internal regulations. The Chief Compliance Officer carries out regular independent assessments of the risk of shortcomings in compliance, and produces a risk-based

annual plan for compliance activities that is approved by the CEO. The Chief Compliance Officer is responsible for checking that KBN’s guidelines meet the requirements to which they are subject pursuant to the law and official regulations, and the Chief Compliance Officer regularly assesses whether KBN’s guidelines and measures are sufficiently effective. The Chief Compliance Officer co-ordinates and monitors KBN’s internal audit. The Chief Compliance Officer reports independently of the operational and staff functions for compliance risk, and provides regular compliance reports to the Board of Directors. The Chief Compliance Officer is KBN's nominated compliance officer in accordance with the Anti-Money Laundering Act. The Chief Compliance Officer has direct access to the Board of Directors if required.

- ***Internal Audit* (third line)** is the Board of Director’s control function and is provided with instructions for its work and with audit plans by the Board. The internal auditor assists the Board and management team with exercising good corporate governance by providing independent and neutral assessments of whether KBN is organised and operated in a sound manner and in accordance with the requirements that apply to its activities. The internal audit function is outsourced to KPMG.

Risk management and internal control related to the financial reporting process follow KBN's other organisation for risk management and internal control. Controls related to the financial reporting process have been implemented.

Governing bodies
Per 31.12.2024

The Board of Directors
- Brit Kristin Rugland, chair
- Rune Midtgaard, vice chair
- Eyvind Aven
- Nils Gunnar Baumann, employee representative
- Kristine Fausa Aasberg, employee representative
- Toril Hovdenak
- Ida Espolin Johnson
- Ida Texmo Prytz
- Petter Steen jr.

Alternates to the employee representatives
- Anne Jenny Dvergsdal
- Harald Jacobsen

Nomination Committee
- Cathrin Sætre, director general, Ministry of local government and regional development
- Otto Leirbukt, deputy director general, Ministry of local government and regional development
- Einar Bye, senior adviser, Ministry of local government and regional development

Alternates
- Arild Kormeseth, senior adviser, Ministry of local government and regional development

Supervisory board
- Hege Mørk, chair, chief municipal executive, Gol municipality
- Paul Johan Moltzau, vice chair, mayor, Hurdal municipality
- Gunn Marit Helgesen, president of the board, The Norwegian Association of Local and Regional Authorities (KS)

Board preparatory committees

Audit Committee

- Rune Midtgaard, chair
- Kristine Fausa Aasberg
- Toril Hovdenak
- Ida Texmo Prytz

Risk Committee

- Eyvind Aven, chair
- Ida Espolin Johnson
- Brit Kristin Rugland

Remuneration Committe

- Brit Kristin Rugland, chair
- Nils Gunnar Baumann
- Petter Steen jr.

Auditor

Deloitte AS

- Henrik Woxholt, state authorised public accountant

Internal auditor

KPMG AS

- Kine Kjærnet, state authorised public accountant

- Heidi Klaveness, chief municipal executive, Strand municipality
- Inger-Lene Håland, mayor, Froland municipality
- Lone Merethe Solheim, ass. county governor, Rogaland county
- Roar Vevelstad, chief municipal executive, Halden municipality
- Sara Hamre Sekkingstad, mayor, Alver municipality
- Terje Fronth-Pedersen, senior relationship manager, employee representative KBN
- Tore Isaksen, chief municipal executive, Ringerike municipality
- Tron Bamrud, chief county executive, Innlandet county
- Aase Refsnes, mayor, Steigen municipality

Alternates

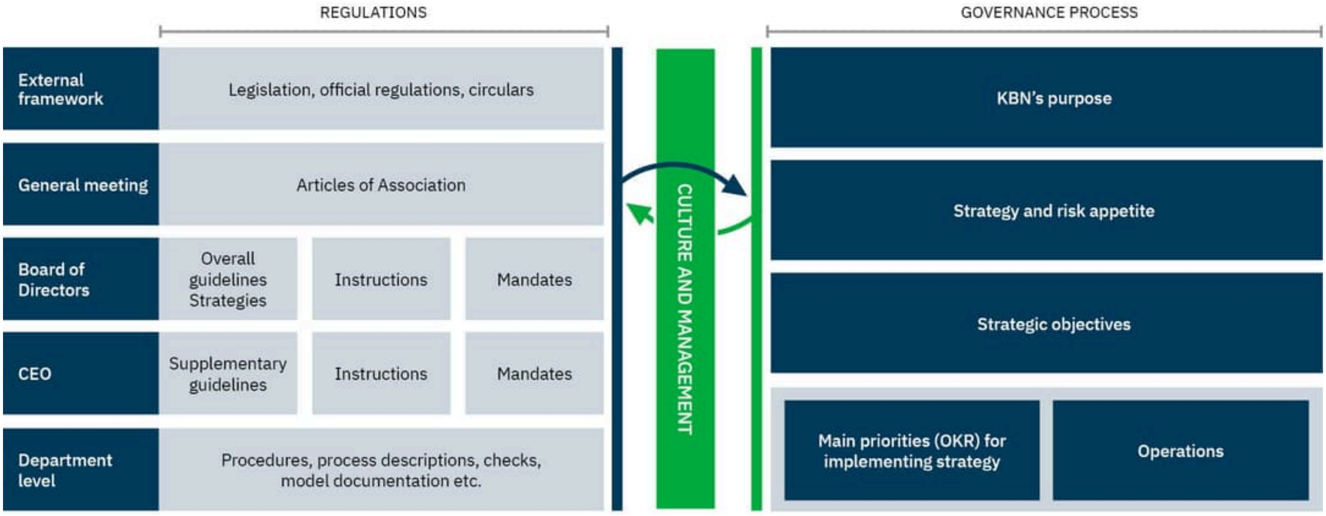
- Nina Bordi Øvergaard, chief municipal executive, Sør-Varanger municipality
- Per Ola Johansen, chief municipal executive, Åfjord municipality
- Terje Dalby, senior relationship manager, KBN
- Tommy Stensvik, chief municipal executive, Vågan municipality
- Toril Eeg, county director, Vestfold county

Corporate governance

Corporate governance at KBN is an interaction between the processes and structures that are used to manage KBN, including its organisation, internal regulations and controls. KBN is managed through its defined overall objectives, its strategy, the assessment and determination of its risk appetite framework, and annual assessments and plans such as long-term financial forecasts, capital adequacy plans, operating plans and budgets.

The Board of Directors sets KBN’s overall objectives, strategy and risk appetite framework and approves its annual plans and budgets. KBN’s risk appetite framework is operationalised through the setting of limits on the types and scope of the risk to which it can be exposed. The Board of Directors sets general guidelines and risk strategies, and the CEO sets supplementary guidelines. There are also instructions, delegated authority arrangements, mandates, process descriptions, procedures etc. These governance documents guide how KBN's activities are to be organised in order for it to fulfil its owner's purpose in owning KBN.

Figure: Corporate governance at KBN



The Board of Director's main priorities in 2024

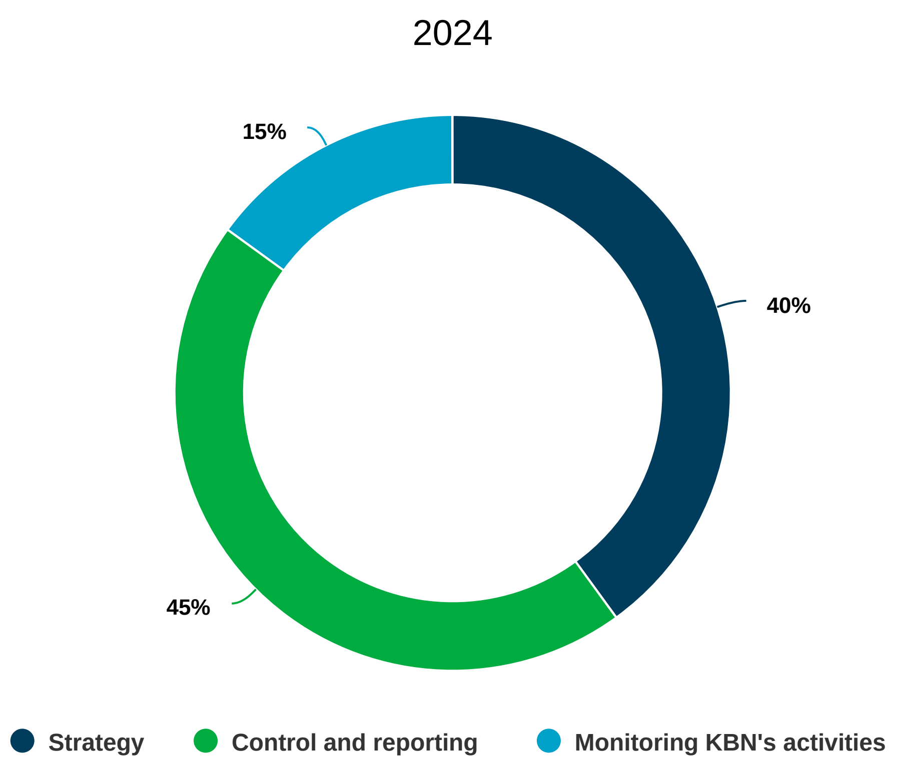
- Approving KBN's 2025-2027 strategy
- Setting the main priorities (OKR) for the implementation of the strategy in the coming years
- Preparing for the implementation of DORA (the Digital Operational Resilience Act)
- Monitoring KBN's work to combat money laundering and cyber threats
- Monitoring IT deliveries related to the new lending system
- Decisions on adjustments to KBN's risk appetite, lending credit strategy and financial risk strategy
- Decisions on capital and liquidity requirements, including the authority to issue additional Tier 1 capital
- Decisions on a new IT strategy for 2025-2027
- Decisions on adjustments to KBN's organisation
- Addressing ICAAP, ILAAP and SREP
- Following up on the Financial Supervisory Authority of Norway's supervision of KBN's use of ICT
- Preparing to implement the CSRD and determining material topics

The Board of Directors balances its time between three main areas of work:

1. Strategic matters and expertise development
2. Control and supervisory tasks
3. Monitoring and receiving information on KBN’s activities

In 2024, the Board of Directors spent around 40% of its time in Board meetings considering strategic matters and continuing expertise development. 45% of its time was spent on control and reporting tasks. The remaining 15% of its time was spent on monitoring and considering information on KBN’s activities. The proportion of time the Board of Directors spends on strategic duties has increased over recent years, and has now stabilised at approximately 40%, while the time spent on considering information on KBN’s activities has reduced, due in part to the greater availability of information to the Board on a continual basis through the Board portal. The amount of time the Board spends on control and reporting tasks has increased in recent years, in part due to the increasing scope of the regulatory requirements to which financial institutions are subject.

Figure: Time allocation for the Board of Directors



KBN’s response to its owner’s expectations

The description below sets out how KBN responds to the Norwegian state's expectations of state-owned companies.

Topic	How KBN strives to fulfil the state's expectations
1. Ambitions, targets and strategies	KBN is a ‘category 1’ company with an objective of delivering the highest possible return over time subject to the limits of sustainability. With the exception of 2020, KBN has achieved the target returns based on its core earnings that have been set over the last ten years. The Board of Directors carried out a more comprehensive review of KBN's strategy in 2024, and one of the objectives of this review was to ensure that KBN's priorities were consistent with its owner's expectations. The foundation of the strategy is that KBN’s activities should balance financial, social and environmental considerations in a way that contributes to long-term value creation. The Board of Directors carries out annual reviews and approval of KBN’s three-year rolling strategy, its main priorities (OKR) for its implementation of its strategy and its capital adequacy plan, as well as its risk appetite and risk limits.
2. Responsible organisation	KBN has carried out risk-based due diligence of its own activities and of its supplier chain pursuant to the Transparency Act. This is embedded in KBN's general guidelines for sustainability as approved by the Board of Directors. For further information, see the Transparency Act report on the KBN website.
3. Human rights and decent working conditions	Work on equality and preventing discrimination is an integral part of KBN's Human Resources policy, and is followed up in all areas of KBN's activities. KBN is committed to having an inclusive culture in which all employees have the same rights and opportunities and are treated with respect. These requirements are stipulated in KBN's general guidelines for sustainability as approved by the Board of Directors. KBN encourages its employees to be trade union members. Information on the trade unions represented at KBN is provided as part of the training arrangements for new employees. Information on the trade unions is provided on KBN's intranet, and the employee representatives are permitted to carry out the trade union work during their working hours.
4. Climate	KBN reports on its climate risk in accordance with the TCFD framework, and has developed indicators for its customers' climate risk exposure that are included in its credit approval model. KBN has set clear targets to reduce its own climate gas emissions, and will continue to work in 2025 to identify all material direct and indirect emissions.
5. Natural diversity and ecosystems	KBN offers green loans with discounted interest rates to finance investments in areas such as encouraging improvements in waste recovery and recycling, as well as measures to prevent pollution both on land and in water and for the restoration of natural areas. The use of natural areas was integrated into KBN's criteria for green loans in 2024.
6. Taxation and prevention of financial criminality	KBN operates in Norway and complies with the tax rules as in force from time to time, and has approved a policy for its tax compliance that is published on the KBN website. KBN operates its activities with the aim of preventing financial crime. KBN is open about its objectives and the measures it adopts for its work on being a responsible organisation.
7. Capital structure and dividend	KBN’s owner’s target return and dividend expectations guide KBN’s financial plans. KBN reports on its financial goals and results by publishing annual and quarterly reports. The Board of Directors produces annual capital adequacy plans (ICAAP report to the Financial Supervisory Authority of Norway), financial budgets, corporate OKRs and operating budgets in line with its long-term objectives and strategies.
8. Organisational structure and corporate culture	KBN's organisational decision-making structure is designed to facilitate the achievement of KBN's objectives and risk management policy, and complies with the Norwegian Code of Practice for Corporate Governance and the legislation and regulations that apply to financial institutions. Corporate culture and organisational development play central roles in KBN's strategy. A key theme for KBN's corporate culture is continuous renewal of expertise through training and sharing expertise in order to create value for its customers and for KBN's own activities. Measures to digitalise and improve the efficiency of work processes play a central role in KBN's strategy and strategic objectives. Specific targets have been introduced for employee involvement and achievement, which are monitored through regular employee surveys.

9. Employees and diversity	The general objectives for diversity and equality are embedded in KBN's guidelines for sustainability. KBN is committed to active, targeted and planned work on sustainability, which includes equality and prevention of discrimination. Work on equality and preventing discrimination is an integral part of KBN's Human Resources policy, and is followed up in all areas of KBN's activities. KBN is committed to having an inclusive culture in which all employees have the same rights and opportunities and are treated with respect. KBN's approach is that by facilitating and encouraging the exchange of views and different perspectives it will make it possible to work jointly to achieve the best solutions. KBN has established a program to enhance employee expertise, with a personal budget for every employee that can be used for competence development subject to specified criteria. Employees are assessed on their completion of the development they undertake. In 2024, 77% of KBN's employees completed this program. Three in four of those who completed the program chose to learn a new tech-related skill. KBN has established a student experience program which offers students in relevant disciplines the opportunity to work 40% of a full-time position at KBN for up to 2 years. Many of the students that have participated in this program have subsequently become full-time permanent employees at KBN.
10. Salaries and other remuneration	KBN’s remuneration policy for senior executives is anchored in the company’s value proposition and its personnel policy, and is in line with the state's guidelines for the remuneration of senior executives. The annual salary report is submitted to the Annual General Meeting and is published on KBN's website. KBN's guidelines stipulate that overall remuneration should be competitive but that KBN should not be market-leading. Fixed salary is the main element of remuneration. KBN also has a variable salary arrangement. This arrangement can award additional salary payments of up to 1.5 times one month's salary for all employees, based on quantitative criteria determined by the Board of Directors. Variable salary is conditional on KBN being in a position to pay a dividend to its owner.
11. Risk management	KBN’s Board has issued risk management and internal control guidelines, and has set KBN’s risk appetite framework. Important guidelines and limits for KBN’s risk appetite are reviewed periodically at Board meetings.
12. Corporate governance	KBN complies with the recommendations of the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board except where it is subject to other requirements pursuant to the special provisions for government owned limited liability companies contained in the Norwegian Limited Liability Companies Act. See section The Norwegian Code of Practice for Corporate Governance for further information. The Board of Directors observes practices for high-quality board work adapted to the company's activities.
13. Transparency and reporting	KBN has an objective of being one of the leading financial institutions in the areas of green finance solutions and insight that contribute to sustainable transition and value creation. KBN is in regular dialogue with its stakeholders and follows leading-edge practice for sustainability work and sustainability reporting. KBN complies with the TCFD framework, and reports to CDP and Eco-Lighthouse. Based on current legislation, Kommunalbanken AS (KBN) will be required to produce a sustainability statement with effect from the 2025 reporting year, with its first mandatory sustainability statement produced in 2026. In 2024, KBN decided to adapt its sustainability reporting to the requirements in the European Sustainability Reporting Standards (ESRS). On 26 February 2025, the European Commission announced proposed simplifications to CSRD, the CSRD omnibus. If the proposed simplifications are adopted in the EU and subsequently implemented into Norwegian law, Kommunalbanken will no longer be required to report in accordance with CSRD. KBN is open and reports on material matters related to its activities. KBN reports accordingly on www.kbn.com and in its published Pillar 3, quarterly and annual reports.

The Norwegian Code of Practice for Corporate Governance

The Norwegian Corporate Governance Board (NCGB) published a new edition of the Norwegian Code of Practice for Corporate Governance in 2021. The change that is particularly relevant for KBN is the recommendation that companies should create value for shareholders in a sustainable manner (Section 2).

The overview below details KBN’s compliance with the recommendations of the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). KBN’s deviations from the Code of Practice are the consequence of the special provisions for government-owned limited liability companies contained in the Norwegian Limited Liability Companies Act.

1. **Implementation and reporting on corporate governance**
   Some deviation from the Code of Practice.

KBN complies with the Code of Practice's recommendations to the extent permitted by the legislation that applies to government-owned limited liability companies and the regulations that result from authorisation to operate as a credit institution. The areas in which KBN deviates from the Code of Practice's recommendations primarily relate to the fact that some provisions are not suited to KBN due to its state ownership.

See also section Business model and operating model and KBN about us.

2. **Business**
   No deviation from the Code of Practice.

KBN's objective is set out in its Articles of Association and is to provide loans to the local government sector. KBN's Articles of Association are publicly available. The Board of Directors considers and approves each year KBN's three-year rolling strategy, its main priorities (OKR) for its implementation of its strategy and its capital adequacy plan, as well as its risk appetite and risk limits. The Board has adopted guidelines on ethical conduct, anti-money laundering and corruption, a document that defines KBN's expectations of its suppliers, and guidelines on sustainability, which include guidelines for diversity and equality.

KBN's Guidelines for Sustainability are intended to ensure that KBN creates value in a manner that takes into account financial, social and environmental sustainability and that we have clear ambitions for work on diversity and equality.

See also section Sustainability and KBN about us, and also KBN Sustainability.

3. **Equity and dividends**
   Some deviation from the Code of Practice.

The Board of Directors assesses KBN's capital adequacy situation on a continual basis in the light of the purpose behind the state's ownership and the company's objectives, strategy and risk profile, as well as in relation to the requirements and expectations of the Financial Supervisory Authority of Norway and other supervisory authorities. KBN seeks to meet its owner's target for it to achieve the highest possible return over time subject to the limits on its activities contained in its Articles of Association. Since 2023, the state has had a long-term expectation for KBN to pay around 55% of its core earnings after tax in dividend, subject to maintaining a satisfactory capital adequacy. The long-term expectation for KBN's dividend applies to a period of 4-5 years.

Consent from the Norwegian Parliament must be obtained for changes to be made to the state's ownership interest in KBN (purchases and sales of shares) and for decisions regarding capital injections that involve the state paying out funds.

4. **Equal treatment of shareholders**
   No deviation from the Code of Practice.

The Norwegian state owns 100% of KBN, and KBN follows the Code of Practice within the framework of its state ownership.

5. **Shares and negotiability**
   Deviation from the Code of Practice.

Under KBN's Articles of Association, the state's shares can be assigned to municipalities, county authorities, intermunicipal companies and municipal pension funds. Any such assignment shall be carried out in accordance with the company's aim of maintaining the highest possible creditworthiness.

6. **General meetings**
   Some deviation from the Code of Practice.

KBN has only one shareholder. The Norwegian state, acting through the Ministry of Local Government and Regional Development, calls General Meetings, to which the Chair of the Board of Directors, the CEO, the company's auditor, and the Office of the Auditor General are invited.

7. **Nomination Committee**
   Some deviation from the Code of Practice.

KBN's Articles of Association require it to have a Nomination Committee and the Committee consists of up to three members and one deputy member, all of whom are elected by the General Meeting for a term of office of two years. All members and the deputy member are independent of the Board of Directors and senior executives.

No fees are paid to members of the Nomination Committee.

8. **Board of directors: composition and independence**
   No deviation from the Code of Practice.

The composition of the Board of Directors is broadly-based in order to ensure that the Board can operate independently of any vested interests and that the Board has the necessary experience and expertise to understand KBN's activities. The suitability of individual members of the Board is assessed at the time the individual is first elected to the Board, and there is a requirement for routine confirmation of suitability thereafter. The Board's collective suitability is assessed at least annually in accordance with the regulatory requirements for financial institutions.

The General Meeting elects the Board's members as well as the chair and deputy chair.

The term of office for board members is two years.

9. **The work of the Board of Directors**
   No deviation from the Code of Practice.

The Board of Directors has issued instructions for its own work and for the CEO. The Board has three committees: the Audit Committee, the Risk Management Committee and the Remuneration Committee.

The Board elects at least three members to its committees each year from among its members, and it appoints the chairs of these committees.

The Board evaluates its performance and expertise annually and shares its evaluation with the Ministry of Local Government and Regional Development in its dialogue meetings.

10. **Risk management and internal control**
    No deviation from the Code of Practice.

The Board of Directors ensures that KBN has sound internal control and systems for risk management that are appropriate in relation to the nature of KBN's activities, and this includes ensuring that internal control and risk management are in line with the regulatory requirements for financial institutions and the specific requirements set for KBN by the authorities. The Board regularly reviews KBN's most important areas of exposure to risk, ensures its risk management is developed continuously, and sets KBN's risk appetite for different types of risk.
See also KBN's Pillar 3 Report.

11. **Remuneration of the Board of Directors**
    No deviation from the Code of Practice.

The remuneration of the Board of Directors reflects its responsibilities, expertise, time commitment and KBN's complexity. The remuneration of the Board is not linked to KBN's performance and share options are not granted to Board members.

12. **Salaries and other remuneration of executive personnel**
    No deviation from the Code of Practice.

The Board of Directors prepares guidelines for the salaries of KBN's senior executives that are submitted to the General Meeting of KBN. KBN has a variable salary scheme of which all employees are members. The maximum amount any employee can receive under the scheme in any year is 1.5 times the employee's monthly salary. The amount awarded is based on quantitative criteria defined by the Board.

KBN does not have any exchange-listed equity instruments and does not operate option schemes for its employees. The Board's statement on the remuneration of senior executives is submitted to the General Meeting.

The salary report for executive personnel in 2024 will be submitted to the Annual General Meeting in 2025. The report will be published following consideration by the Annual General Meeting.

13. **Information and communications**
    No deviation from the Code of Practice.

The Board of Directors has produced guidelines for the company's external reporting, as well as guidelines for information management and market conduct. KBN is committed to giving market participants accurate, clear, relevant and up-to-date information. In its activities in the markets for financial instruments, KBN is committed to operating in a manner that does not represent market manipulation.

The Board has decided which individuals shall act as spokespersons on behalf of KBN. KBN has a disaster recovery plan that also includes a separate plan for crisis communication.

Information about KBN is published in Norwegian and English.

14. **Take-overs**
    Deviation from the Code of Practice.

Consent from the Norwegian parliament must be obtained in the event of changes to the state's ownership interest in KBN (purchases and sales of shares).

15. **Auditor**
    No deviation from the Code of Practice.

The company's auditor is appointed by the General Meeting. The auditor issues an audit report in connection with KBN's annual accounts. The auditor attends the meetings of the Audit Committee, as well as those Board meetings at which KBN's annual and quarterly reports are considered.

The Audit Committee assesses the auditor's independence annually.

The auditor's fees are set by the General Meeting.

Sustainability Statement 2024

ESRS 2 General disclosures

Preparation of the sustainability statement

Basis for the statement

The EU's Corporate Sustainability Reporting Directive (CSRD) entered into force in the EU on 31 July, 2023. Based on current legislation, Kommunalbanken AS (KBN) will be required to produce a sustainability statement with effect from the 2025 reporting year, with its first mandatory statement produced in 2026. In 2024, KBN decided to adapt the sustainability reporting to the European Sustainability Reporting Standards (ESRS). KBN's 2024 statement will not achieve full compliance with the standards, meaning its 2024 sustainability statement will be a transitional statement. This statement covers the 2024 accounting year and has the same reporting period as KBN's financial report in accordance with the IFRS accounting standards, except for specified exceptions.

On 26 February, 2025, the European Commission announced proposed simplifications to the CSRD, the "Omnibus" proposal. If the proposed simplifications are adopted in the EU and subsequently implemented into Norwegian law, KBN will no longer be required to report according to the CSRD.

Kommunalbanken AS has no subsidiaries and is not part of a group. This statement covers the company's value chain, including its upstream and downstream value chains, and KBN's own activities. In this transitional statement, KBN's downstream value chain has been defined as one step away from the customer in the double materiality analysis process, meaning that the investment projects of KBN's customers are included in KBN's assessment. Underlying suppliers to customers' investment projects are not included. KBN's definition of its value chain will be re-evaluated when more companies from the financial industry have reported, and a practice is established for how companies in the financial industry define their value chains.

Specific circumstances

KBN's publication of the sustainability statement for 2024 is voluntary. KBN has previously used the Global Reporting Initiative (GRI) when preparing its sustainability reports. With effect from the 2024 reporting year, however, KBN has decided not to follow GRI, but instead to follow the principles and requirements set out in ESRS 1 and ESRS 2. This has resulted in the following, inter alia:

- Stakeholders have been identified, and KBN's value chain has been mapped in accordance with the principles and requirements in ESRS 1.
- A double materiality analysis (DMA) was carried out in accordance with the principles and requirements in ESRS 1.

- The Board of Directors, Audit Committee and management team have been involved in the DMA process to a greater extent.

- The structure and requirements in the ESRS have been used in KBN's preparation of its sustainability statement.
- The statement uses the forward-looking time horizons described in ESRS 1:
  - Short-term horizon, up to and including the end of the 2025 reporting year,
  - Medium-term horizon, up to 5 years from the end of the 2025 reporting year,
  - A long-term time horizon, longer than 5 years from the end of the 2025 reporting year.

KBN performs calculations as part of its greenhouse gas accounting. As KBN has fewer than 750 employees, the scope 1, 2 and 3 greenhouse gas emissions may be omitted, as well as total GHG emissions for the first reporting year. This means that KBN will not be required to report these before the 2026 reporting year, i.e. to be reported in 2027. KBN has ongoing processes to produce a best estimate of the scope 3 category 15 greenhouse gas emissions. For further information, please see section *E1 Climate Change*.

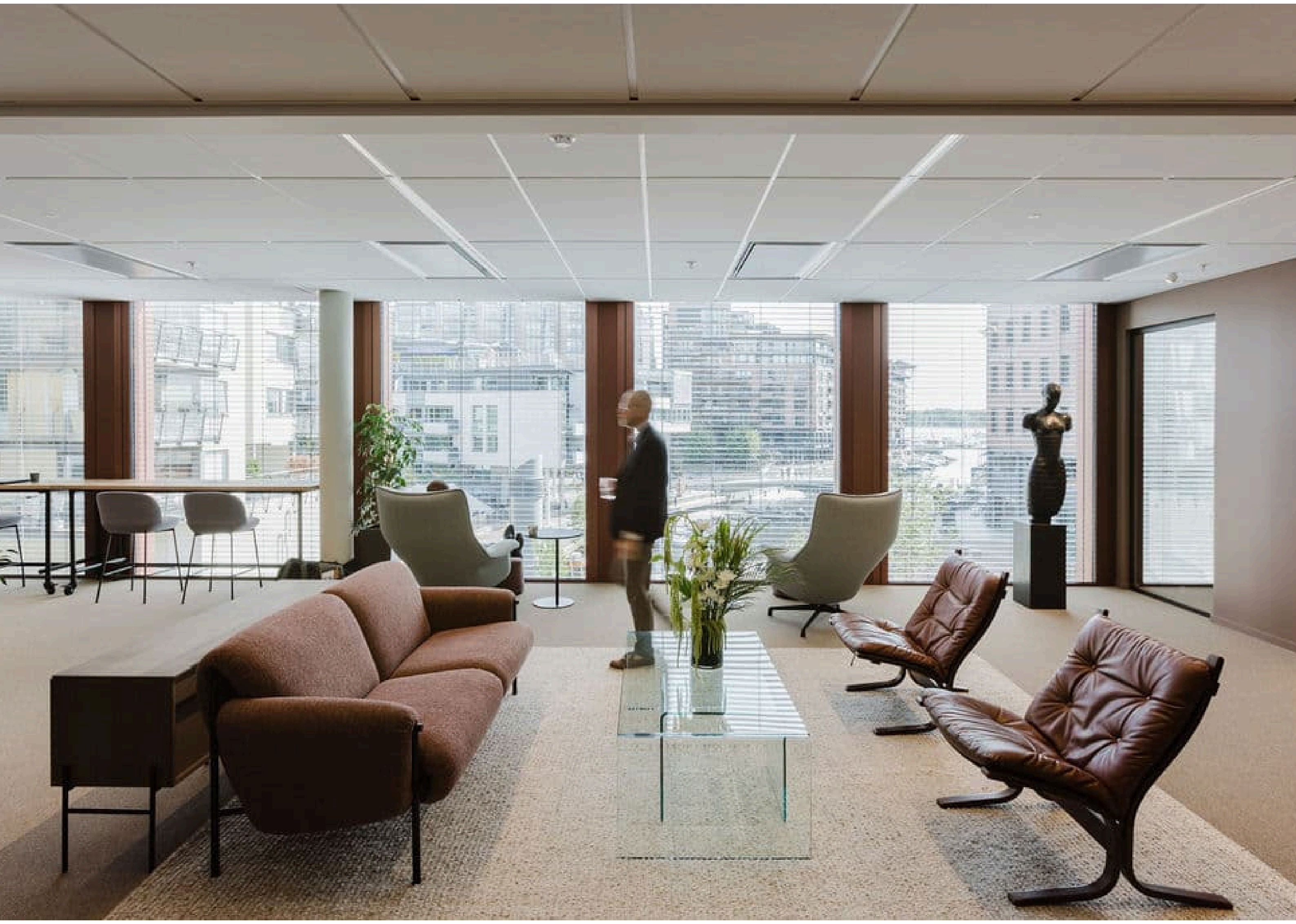
No material errors from prior periods have been identified and corrected in the reporting year. In cases where there have been changes to the principles used for the preparation of information, the reader will be made aware of this.

KBN reports in accordance with Pillar 3 requirements and publishes information on the company's risk profile and capitalisation, as well as on governance and risk controls. This statement is available on KBN's website.

In addition, KBN produces an overview of which activities it considers sustainable according to the requirements of the EU Taxonomy for Sustainable Activities. This overview is included in the climate change chapter in accordance with the structure requirements in ESRS 1.

KBN also reports in accordance with the Norwegian Transparency Act and produces a separate report pursuant to the Equality and Anti-Discrimination Act on work on equality at KBN. These reports are available on KBN's website.

KBN uses the Task Force on Climate-related Financial Disclosures (TCFD) framework to assess climate risks. KBN's TCFD report is published on its website in connection with its publication of its Annual Report.



Governance model related to sustainability

The role of KBN's administration, management, and Board of Directors

KBN's governance structure is described in the *Corporate Governance* section of its Annual Report. A description of the aspect of its governance structure that is relevant to KBN's sustainability reporting is provided below.

Board of Directors

The Board of Directors consists of nine people, four of whom are men and five of whom are women, i.e. 44% men and 56% women. Two of the board members are elected by KBN employees. The election of the chair, deputy chair and the other shareholder-elected board members is prepared by the Nomination Committee and elected by the general meeting. Shareholder-elected (external) board members represent 77% of the Board. More information on the individual members of the Board is available in *Corporate Governance*.

The Board is required to evaluate its own work, competence and suitability. It receives any necessary updates to its competence in the area of sustainability, and its members also acquire relevant knowledge and experience through other positions and activities. The Board is composed of members with different professional backgrounds, but who all have experience relevant to exercising their role as a board member in a high-quality and appropriate manner.

The Audit Committee consists of four members of KBN's Board of Directors, of whom one is a man and three are women, i.e. 25% men and 75% women. The Audit Committee is a preparatory and advisory committee for the Board and the Committee's overall function is to provide independent control over the company's financial reporting and sustainability reporting, and over KBN's control systems for these activities. The Audit Committee's role in relation to sustainability reporting is described in the mandate for the Audit Committee. The CFO, who is responsible for sustainability reporting, is the Audit Committee's secretary and attends all its meetings.

The Board also has two other preparatory committees: the Risk Committee and the Compensation Committee. Their tasks are described in their mandate documents.

The Board of Directors' and Audit Committee's responsibilities

The Board of Directors' and Audit Committee's responsibility is to approve KBN's sustainability statement by signing the Annual Report and thereby KBN's strategic direction in the sustainability area, its transition plan and its double materiality analysis. The Board of Directors, acting through the Audit Committee, is also responsible for monitoring internal control and risk management where this is relevant for reporting, the auditor's attestation, assessing the impact of the attestation and reviewing and ensuring the auditor's independence in connection with the attestation. For the 2024 statement, the sustainability statement as described in the *Preparation of the sustainability statement* will not be included in KBN's Annual Report, but will be disclosed as part of a separate annual report.

The management team

KBN's management team consists of eight executives, four of whom are men and four of whom are women, i.e. 50% men and 50% women. The management team represents 9% of KBN's 95 employees. Seven of KBN's departments are represented on the management team: capital markets, finance, compliance, tech and operations, risk management, lending, and staff functions. The management team's members have different backgrounds, and they receive regular updates to their competence in the area of sustainability.

The management team's responsibility for sustainability reporting relates to three areas:

1. Ensuring compliance with disclosure requirements: this means that they prepare both forward-looking and historical information, objectives in line with KBN's strategy, attend to qualitative and quantitative information requirements, make assessments for the short, medium and long terms, and ensure that the information covers the entire value chain.
2. Ensuring that KBN's statement is in accordance with the ESRS: this means that they ensure KBN is organised such that integrated reporting of the company's impact on sustainability topics is possible, as

well as reporting on how the company’s development, profitability and future will be impacted, and in addition they ensure there is consistency between the company’s strategy and transition plans.

3. Ensure digital tagging: the statement must be ESEF tagged (European Single Electronic Format), meaning information must be tagged to facilitate digital use and comparisons, and the statement must be included as a separate section of KBN’s Annual Report.

The responsibility for sustainability reporting lies with the CFO, and employees in sustainability reporting are part of the finance department. The management team’s mandate is described in a separate document, the *KBN Management Team Mandate*, and the responsibility for sustainability reporting is delegated by KBN’s *General Guidelines for Sustainability* and in the CFO’s *job specification*. The CFO, acting on behalf of the management team, is responsible for coordinating KBN’s strategy processes, which also cover strategy and preparation of targets in the sustainability area. Beyond this, roles and areas of responsibility regarding sustainability are defined and described in internal documents and job specifications. The CFO reports to the CEO as required.

In connection with the implementation of the CSRD, KBN will assess the sustainability competence of all relevant personnel. The assessment has determined that employees in the sustainability reporting area have sufficient competence.

In connection with KBN’s restructuring of the annual reporting for 2024, KBN will start processes to produce and implement more formalised processes for risk management and internal control for sustainability reporting in collaboration with the relevant departments.

Information provided to the undertaking's management and governance bodies, and the sustainability matters addressed by these bodies

The management team was involved throughout the process of the completion of the double materiality analysis for 2024 and contributed actively with feedback ahead of calibrations carried out by the internal working groups. KBN’s double materiality analysis was considered by the management team and Audit Committee and was approved by the Board of Directors in the second half of 2024. The Board of Directors is informed on a continual basis of relevant matters through the CEO’s briefings and is informed of KBN’s development and risk exposure in monthly and quarterly reports. In connection with the implementation of more formalised sustainability reporting processes, KBN will clarify how it ensures a good flow of information about sustainability reporting work throughout the year. In addition, the CFO will brief the Audit Committee through the year.

The CFO informs the other members of the management team, and the Board of Directors as required, the latter in consultation with the CEO, and is responsible for ensuring that material topics in the sustainability area are addressed by KBN's strategy work, decision-making processes and risk assessment processes in collaboration with the first line of defence. The management team and Board of Directors will be involved in monitoring all impacts, risks and opportunities.

Integration of sustainability-related performance in incentive schemes

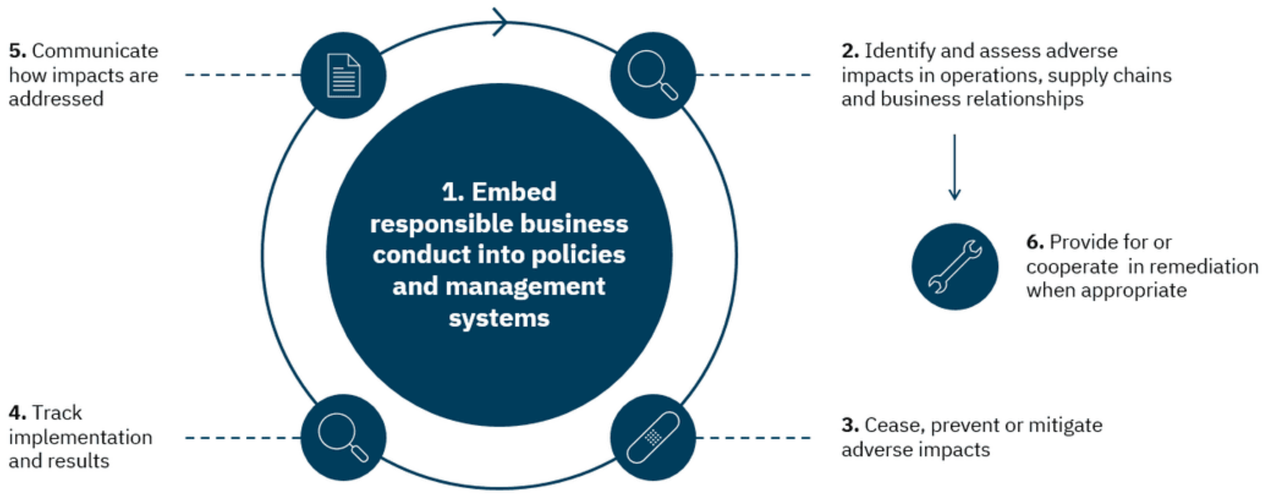
All employees are included in a collective variable remuneration scheme. The scheme applies to all employees, is based solely on quantitative criteria, represents a limited proportion of the overall remuneration received by individual employees, and does not incentivise risk.

The Board of Directors determine the collective variable salary scheme. There are no criteria in KBN’s variable salary scheme that are specifically related to sustainability. See the Report on the remuneration of KBN’s senior executives available on KBN’s website for more information.

Statement on due diligence

The Norwegian Transparency Act requires organisations that fall within its scope to carry out due diligence assessments in line with the OECD’s Guidelines for Multinational Enterprises. The OECD Due Diligence Guidance for Responsible Business Conduct is designed to help businesses understand and implement due diligence assessments in accordance with the OECD’s guidelines. The due diligence assessment comprises six steps and is summarised below:

Figure: OECD's due diligence guidelines



1. Embed responsible business conduct into policies and management systems

2. Identify and assess adverse impacts in operations, supply chains and business relationships

3. Cease, prevent or mitigate adverse impacts

4. Track implementation and results

5. Communicate how impacts are addressed

6. Provide for or cooperate in remediation when appropriate

This process is continual, and KBN has worked to adapt it to the company's size, nature and context. The process is evaluated regularly, and the measures are adjusted in the event of changes to its risk assessments and other matters.

The scope of KBN's due diligence assessments primarily relates to the assessment of suppliers, and KBN is working to implement a new system solution for procurement and for assessing and monitoring suppliers. The question of which other internal processes will be included will be assessed on a continual basis.

Risk management and internal control for sustainability reporting

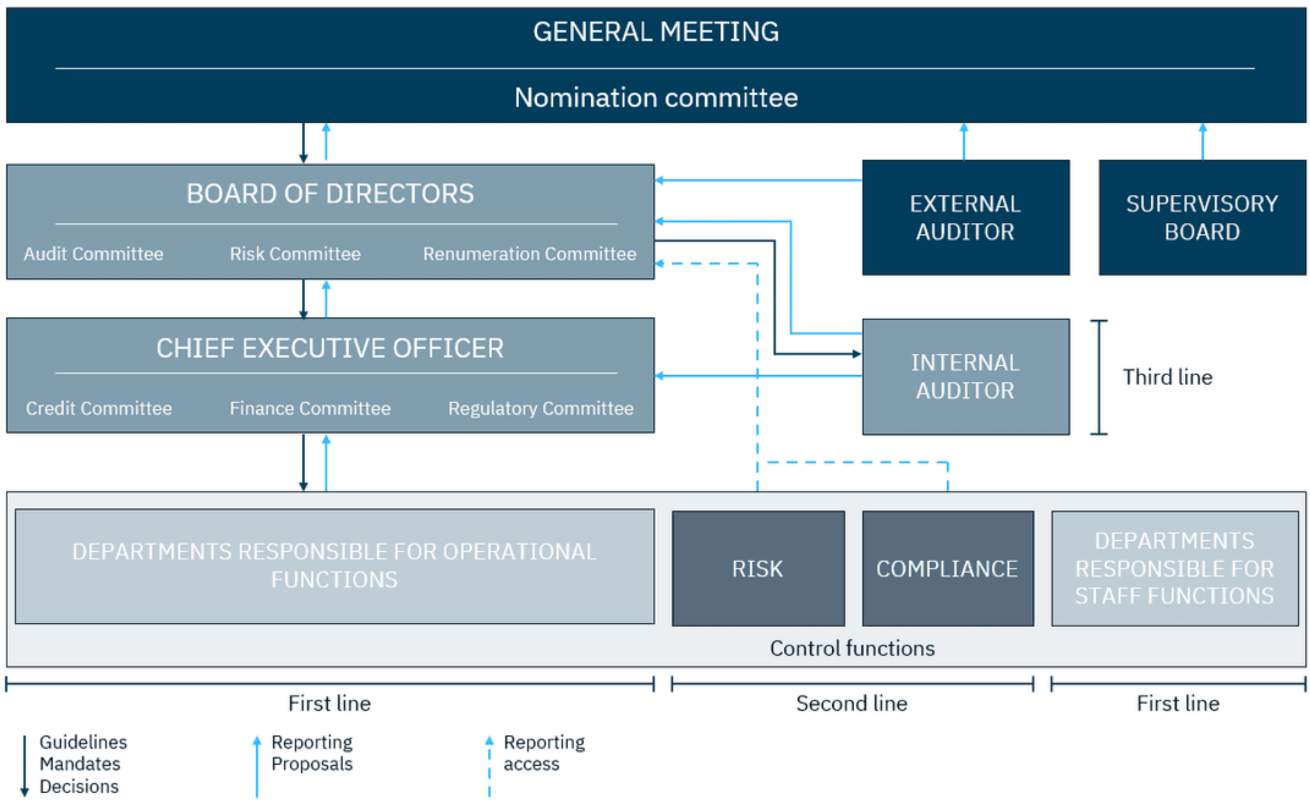
KBN is in the process of producing a more formalised approach to risk management and internal control relating to sustainability reporting. This means that risk assessments, risk management and effective internal control systems will be established for impacts, risks, opportunities, and incomplete compliance with standards for material topics. This will not be fully implemented in connection with KBN's 2024 statement, but it will be an important part of the implementation of CSRD and KBN will work on this in a targeted way throughout the first mandatory reporting year in 2025, and subsequently the following year.

The process for risk management and internal control will follow the general principles for KBN's internal control system. These principles are briefly described below and summarised in the diagram.

KBN's internal control system consists of the organisational structure with its governance bodies, framework in the form of strategies, guidelines, instructions/mandates, risk appetites and risk frameworks, and process documentation/procedures, risk management, compliance checks and associated reporting. Together these elements are intended to ensure that KBN has effective internal control.

KBN's organisational structure is intended to be clear and transparent with a clear division of responsibility and reporting limes. Internal control at KBN is organised into three lines of defence, with executive functions (operational and staff functions) representing the first line of defence, control functions the second line of defence, and the internal auditor the third line of defence. The purpose of the lines of defence is to ensure independent control over KBN's activities and first-line risk management. This ensures KBN's activities are operated in a reliable, robust, and efficient way within the applicable external and internal regulations. KBN's control functions are independent of the functions and areas subject to their controls.

Figure: KBN's internal control system



The risk associated with KBN's 2024 sustainability statement (the transitional statement) will generally relate to intended or accidental omissions or errors in the understanding of the reporting requirements. KBN, acting through the CFO, has taken measures to reduce this risk to an acceptable level pending implementation of more formalised sustainability reporting routines and procedures. The management team has been updated on a continual basis throughout the reporting period regarding the status of KBN's implementation of sustainability reporting in accordance with CSRD, and the implications of this for risk and internal control have been discussed.

Strategy

Strategy, business model and value chain

With total assets over NOK 550 billion, KBN is one of the largest financial institutions in Norway. KBN is owned by the Norwegian state to provide stable, long-term and efficient financing to Norwegian municipalities, county authorities and companies that perform local government tasks. The state also owns KBN to help facilitate the sustainable transition and value creation. KBN provides a broad range of lending products to the local government sector, including both green and normal loans.

KBN's value creation is intended to balance financial, social, and environmental factors so that return over time is generated within sustainable limits. KBN has been designated a systematically important financial institution on the basis of an assessment carried out by the Financial Supervisory Authority of Norway adopted by the Norwegian Ministry of Finance, that is founded on KBN's total assets as a share of mainland Norway's GDP and its lending to the Norwegian public sector as a share of total lending to the sector in Norway. KBN finances its activities by ensuring it has efficient access to the world's capital markets. Maintaining a credit rating equivalent to the Norwegian state's (AAA) rating is essential to KBN's business model.

KBN's sustainability related objectives are integrated into the strategy and are monitored on a continual basis in the same way as its other objectives. In 2025, KBN will work on setting and defining more specific targets for KBN's material topics. For 2025, KBN's strategic objectives of relevance to sustainability are summarised in the table below:

Figure: Strategic objectives - Sustainability

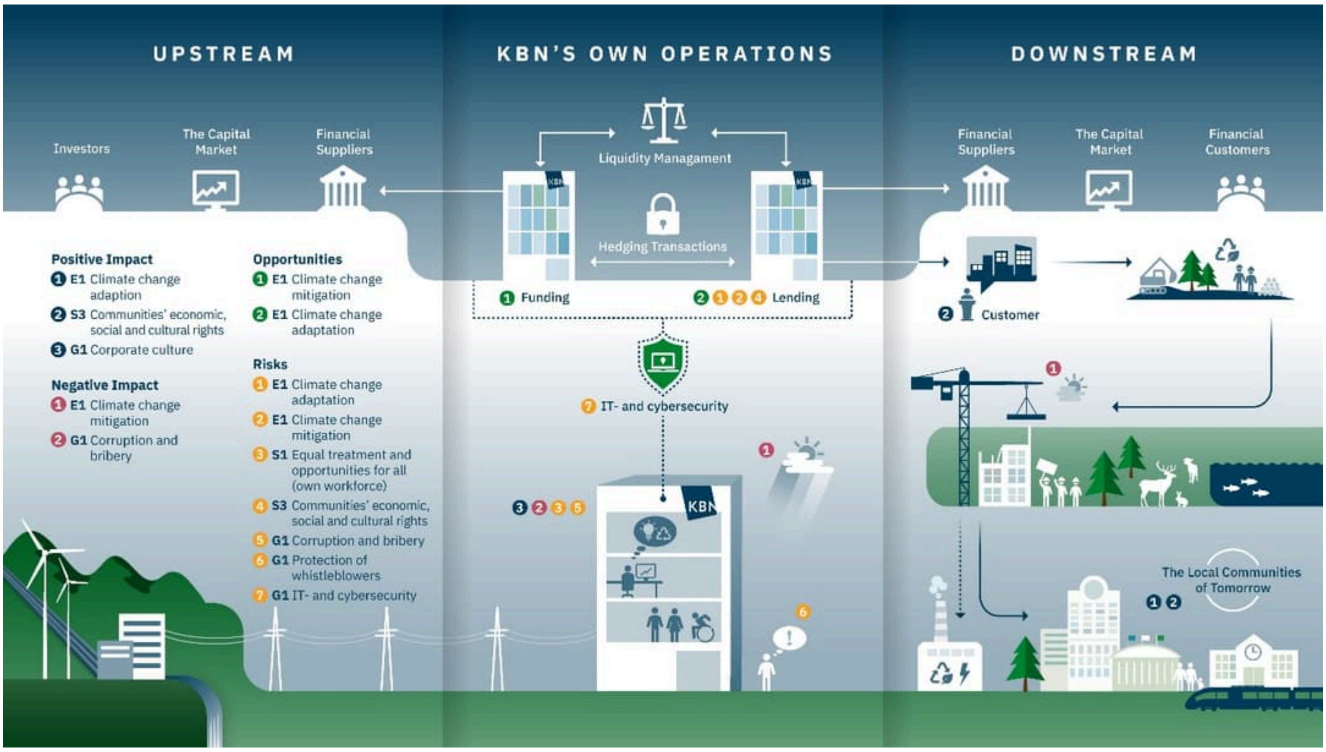
ENVIRONMENT	SOCIAL	GOVERNANCE
NOK 36 bn. Growth in green lending within 2026 Own CO_2 emissions below 110 tons of CO_2e within 2026	Gender balance above 40 pst. Sick leave below 2.5 pst. Results from employee survey: • Engagement above 4.4 • Implementation capacity above 4.1 Above 75 pst. of employees completing development program Customer satisfaction above 8.5	ESG-rating: • MSCI = AA • ISS ESG = B • Sustainalytics = Negligible

An overview of where in the value chain KBN's most material sustainability topics are located

In 2024, KBN carried out a double materiality analysis to identify material sustainability topics. In connection with this process, KBN also produced a new and expanded map of its value chain, and as part of the dual materiality process, KBN also assessed where in the value chain the various impacts, risks and opportunities within the various sustainability topics were located. There was wide-ranging involvement at KBN in the process of mapping the value chain.

KBN is a financial institution with approximately 50% market share in loans and financing for the local government sector. Its direct upstream value chain consists of obtaining funding to be able to provide loans to customers for their investment projects downstream. Downstream KBN also has an indirect value chain through financing customers' investment projects. This process spans from the moment customers make their investment decisions and execute them, to the completion of projects, such as the construction of a building in a local community.

Figure: KBN's value chain



Interests and views of stakeholders

Stakeholders are defined as all parties that are affected by or have an interest in KBN's sustainability reporting or sustainability work. Stakeholders internal and external to KBN were involved in KBN's double materiality work, as part of both the calibration and validation processes. In addition to carrying out interviews with stakeholders, KBN also based the assessments on prior discussions with stakeholders. A summary of material stakeholder groups is provided below, as well as details of how KBN communicates with them and the topics usually discussed.

KBN has two groups of external stakeholders: affected stakeholders and users of the sustainability statements. Stakeholders may belong to one or both of these groups.

AS = affected stakeholders US = users of the sustainability statement

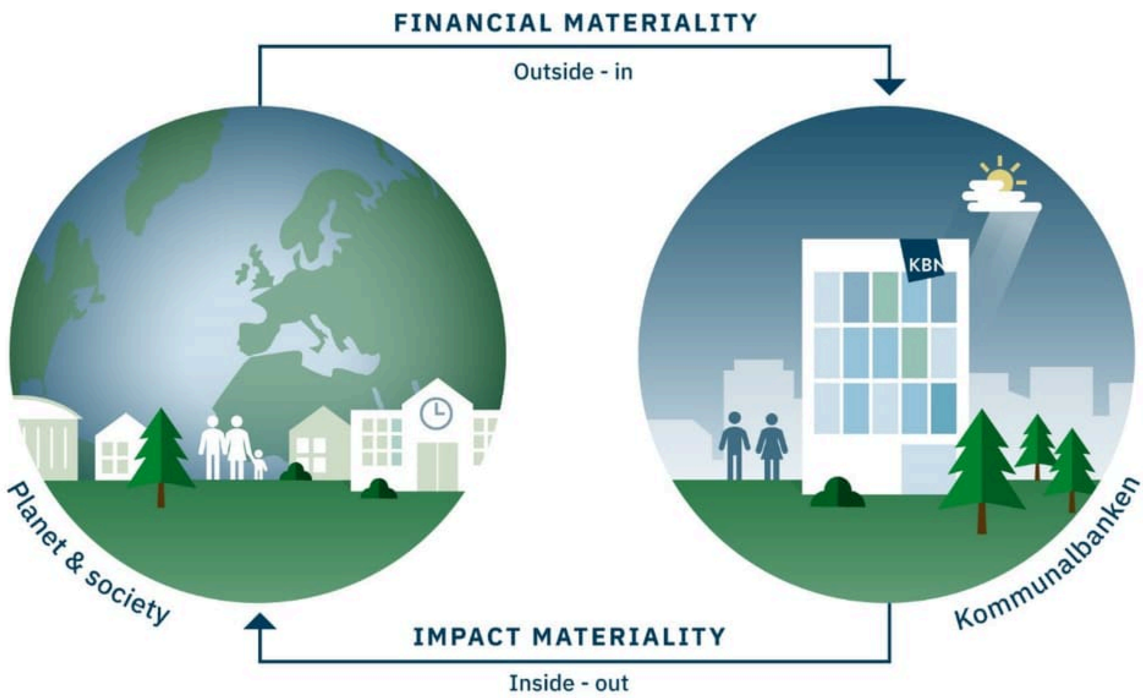
Stakeholder group	AS	US	Communication channel	Topics	Outcome of contact, and KBN's strategy for addressing inputs/needs
Customers KBN's customers are municipalities, county authorities and companies with a municipal or county authority guarantee	x	x	Customer dialogue KBN's website Newsletter Social media Customer surveys	General customer dialogue General sharing of information and communication General dialogue about customers' relationship with: the environment and climate, social issues and business conduct	Improving the customer experience Adapting marketing strategy
Investores	x	x	Dialogue Periodic investor updates ESG ratings	Market opportunities and expectations	Monitoring plan for KBN's ESG rating Updates to green framework as required Internal processes
Financial suppliers	x	x	Dialogue Tendering and contracting	Market opportunities and expectations Collaboration opportunities Pricing	Updating internal guidelines on selecting financial suppliers as needed Other initiatives
IT supplies	x	x	Tendering and contracting Continual monitoring of service provision	KBN's requirements and expectations towards suppliers	Updating KBN's strategy for and sourcing of IT services as required Due diligence assessments Other initiatives
Own workforce	x	x	Dialogue Intranet Employee surveys Employee appraisals Continual communication with employee representatives and employees KBN's Working Environment Committee	General communication Working environment and conditions Equal and inclusive working environment	Updating internal guidelines as required Improvements and production of plans Communication with management Other initiatives
Nature and wildlife	x		KBN monitors the development of nature in Norway	Impact on nature in Norway through financing of local government sector investment projects	Updating 'green framework' as needed Other initiatives
Society	x	x	Customer dialogue Website Newsletters Social media	General communication	Updating frameworks for lending, funding and the liquidity portfolio as needed Other initiatives
Owner (the Norwegian state acting through the Ministry of Local Government and Regional Development)	x	x	Dialogue AGM and owner meetings White papers on ownership	KBN's owner's purpose for its ownership and expectations of KBN	Topics that are emphasised in white papers on ownership are addressed in the sustainability reporting process

KBN's business model and strategy seek to balance different stakeholders' expectations. Moving forward, KBN will develop a transition plan and ensure it aligns with the business strategy. KBN will, through dialogue with stakeholders, map out how the different strategic objectives will impact its stakeholders' experience and expectations. KBN will gather its stakeholders' points of view by means of various channels and they will be communicated to management and internal governance bodies by means of inter alia committee meetings, management team meetings, working environment committee meetings and board meetings.

Material impacts, risks and opportunities and their interaction with KBN's strategy and business model

The double materiality analysis was carried out in accordance with the requirements in ESRS 1. In the analysis, KBN's positive and negative sustainability-related impacts on society were identified and assessed, as well as the financial risks and opportunities for KBN.

Figure: Illustration – double materiality



Material impacts, risks, and opportunities

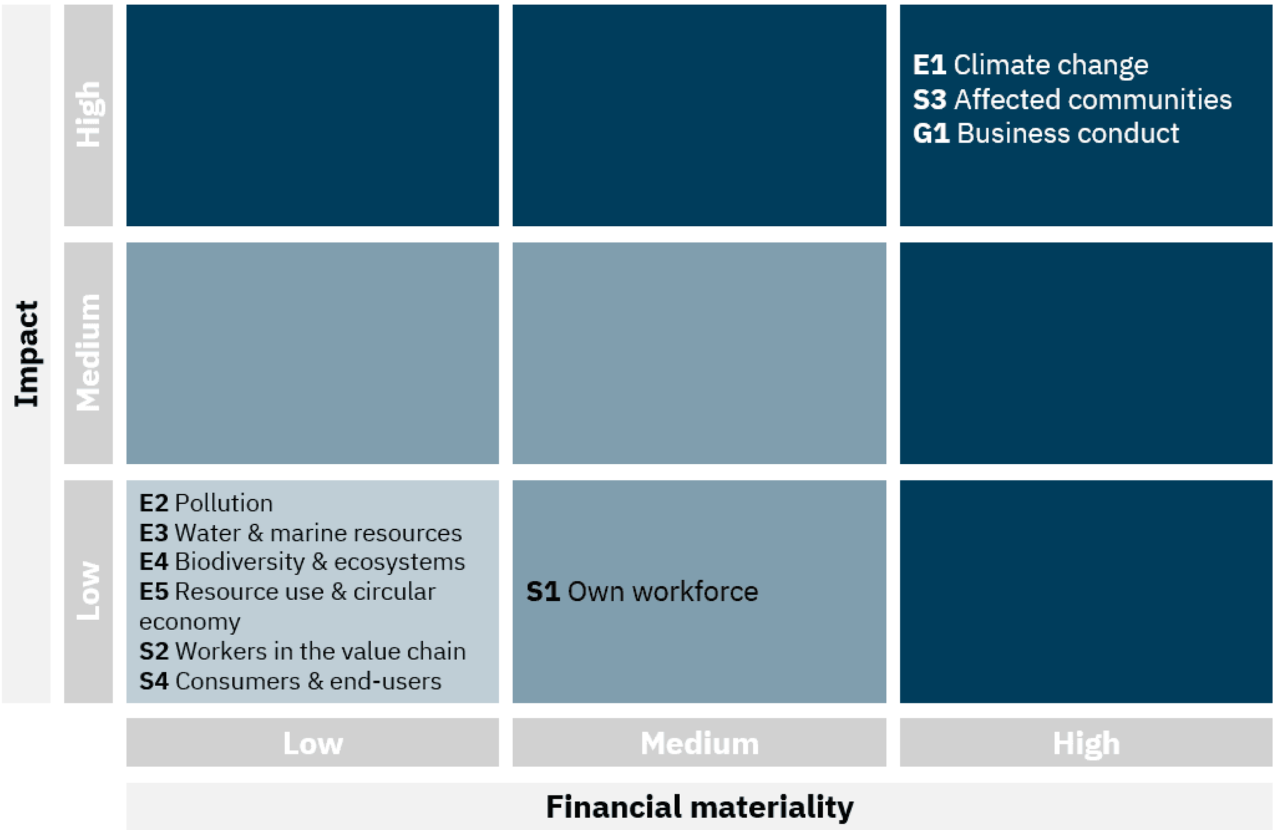
The table below provides an overview of the material sustainability topics at KBN that were identified in the double materiality analysis in 2024. A double materiality analysis will be conducted annually. This is the first year that KBN has carried out a double materiality analysis in accordance with the CSRD, so there are no comparables from the previous year. KBN also carried out a double materiality analysis in 2022 as part of the sustainability reporting in accordance with GRI. In 2025, during the process leading up to KBN's first mandatory statement, KBN's double materiality analysis process and methodology will be developed further in accordance with the European Financial Reporting Advisory Group (EFRAG) guidelines.

ESRS	Material	Value chain	Time horizon	Overall considerations that underlie the conclusion about materiality
E1 Climate change	Financial Impact	Upstream Own operations Downstream	Short Medium Long	**Climate change adaptation** **Positive impact**: Positive impact thanks to financing of customers' climate change adaptation measures. **Risk**: The risk that climate change may impact KBN's customers and over time impact their financial room for manoeuvre, including their ability to take on new loans. Over the long term, this may impact KBN's lending activity and portfolio composition. **Opportunity:** The opportunity that KBN's customers' climate change adaptation measures may increase demand for green loans. **Climate change mitigation** **Negative impact:** Negative impact through greenhouse gas emissions (scopes 1, 2 and 3). **Risk**: The risk that high levels of greenhouse gas emissions in KBN's lending portfolio may impact KBN's funding costs/access to capital, and loss of value for assets in the local government sector may impact KBN's customers' financial room for manoeuvre and investment capacity. **Opportunity**: The opportunity that climate change may increase demand for green and normal loans. Also, the opportunity that an increase in the level of demand for green investment assets from investors with ESG mandates may be an opportunity for KBN to attract greater demand and improve the terms for green bond issues compared with other financing.
S1 Own workforce	Financial	Own operations	Short Medium Long	**Diversity and equality** **Risk:** The risk that insufficient training and development of KBN's own employees leads to operational incidents and inefficiency and reduces workplace attractiveness.
S3 Affected communities	Financial Impact	Own operations Downstream	Short Medium Long	**Economic, social and cultural matters** **Positive impact**: Indirect positive impact on land use and socioeconomic matters in the local government sector through KBN's financing of investment in the sector. This means higher quality welfare and infrastructure that may stimulate financial activity and social interaction. In addition, KBN may disseminate knowledge on financial risk management, the debt markets and responsible debt management, and thus contribute to greater financial resilience. **Risk**: Any deterioration in the local government sector's financial situation and thus credit rating may over time change its financial capacity, including the ability to obtain new loans, and over the long term this will impact KBN's lending activity.
G1 Business conduct	Financial Impact	Own operations Downstream	Short Medium Long	**Corporate culture, corruption and bribery, protection of whistleblowers, and IT and cyber security** **Negative impact**: An indirect negative impact on corruption and bribery through KBN's financing of the customers' investment projects, in addition to KBN and its employees possibly being directly exposed to corruption and bribery. **Positive impact**: A positive impact on KBN's corporate culture through KBN incentivising ethical conduct and responsible business practice. **Risk**: The risk of the occurrence of corruption and bribery, insufficient protection for whistleblowers and weak IT/cyber security leading to disruption to KBN's business operations, reputational damage, fines, legal costs, loss of market share and stricter regulations.

Results of the double materiality analysis at the aggregate level

The matrix below summarises the results of KBN's double materiality analysis at an aggregate level. The ESRS topics located in the areas marked as high or medium impact are defined as material for KBN and are the sustainability topics on which KBN will report in 2024.

Figure: Materiality matrix



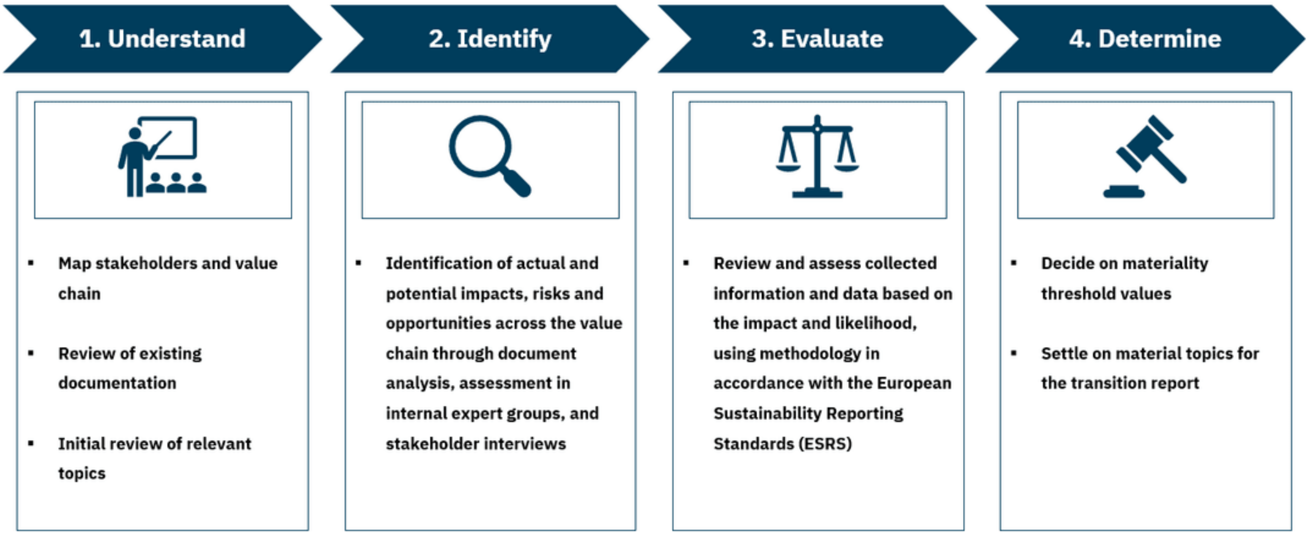
In 2025 KBN will assess how the impacts, risks and opportunities affect the business model, value chain, strategy, and direction, and how the impacts should be addressed. It will also look more closely at the relationship between impacts, strategy, and the business model.

Material impact, risk and opportunity management

A description of the process for identifying and assessing material impacts, risks, and opportunities

As described above, KBN conducted a double materiality analysis in 2024 in accordance with the requirements of ESRS 1 in order to identify the material impacts, risks and opportunities facing it. Stakeholders were identified, and KBN's value chain was mapped. Below is an overview of the process that was followed:

Figure: The process for identifying and assessing double materiality



KBN set up two working groups to assess impact materiality and financial materiality. The working groups consisted of representatives from various KBN departments, with members possessing relevant backgrounds to effectively assess environmental, social, and governance matters. At the same time, interviews were conducted with both internal and external stakeholders.

An overview of the stakeholders that were interviewed:

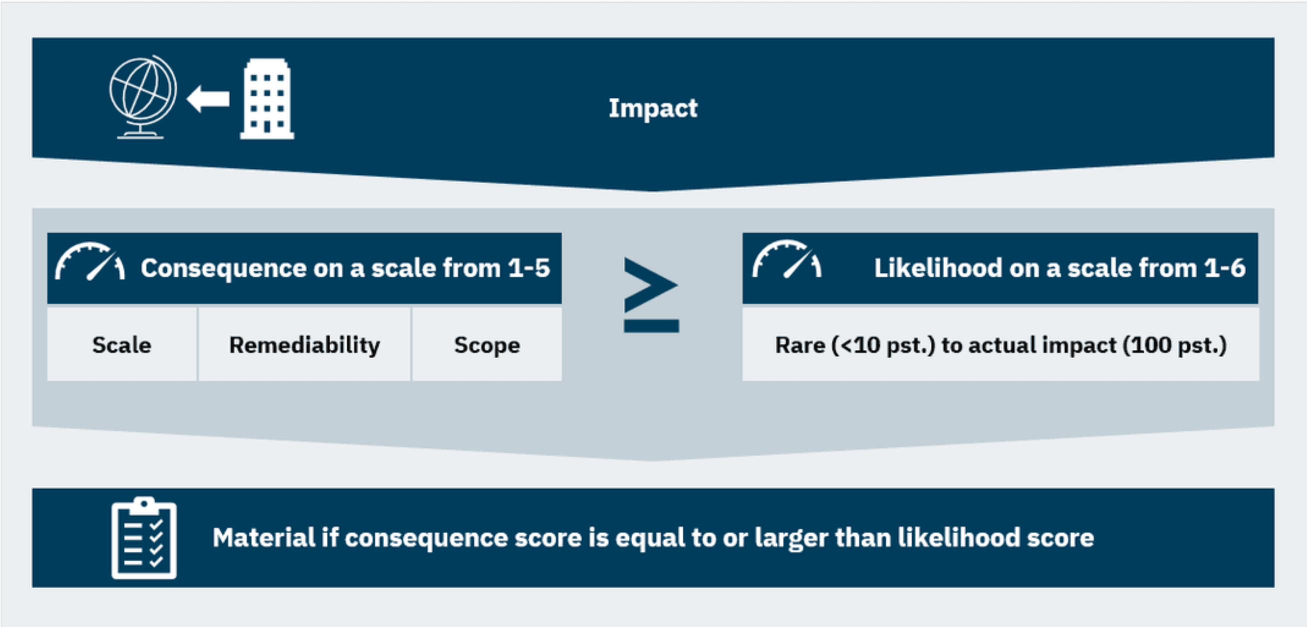
1. The Chair of the Board of Directors
2. A representative from the capital markets (issue manager/investor)
3. A representative from the Norwegian Association of Regional and Local Authorities
4. An external expert with previous experience as a member of the Board of Directors of KBN
5. The head of Green Finance, a section in KBN’s lending department

Impact materiality analysis

All topics identified as relevant in phase 1 when the comprehensive list was reviewed were assessed in phase 2, and impacts, risks, and opportunities were defined for the relevant topics. The topics were then assessed in phase 3 using the weighting described in the table below.

The impacts were assessed by considering the consequence of the identified impact (size and scope of the impact, and the possibility of rectifying an adverse impact), and the likelihood of the impact occurring. Adverse and positive impacts were assessed, as well as actual and potential impacts. In addition, where in the value chain the impact would occur was assessed, as well as the time horizon and whether the impact was decreasing, constant or increasing.

Figure: Assessment of materiality, impact



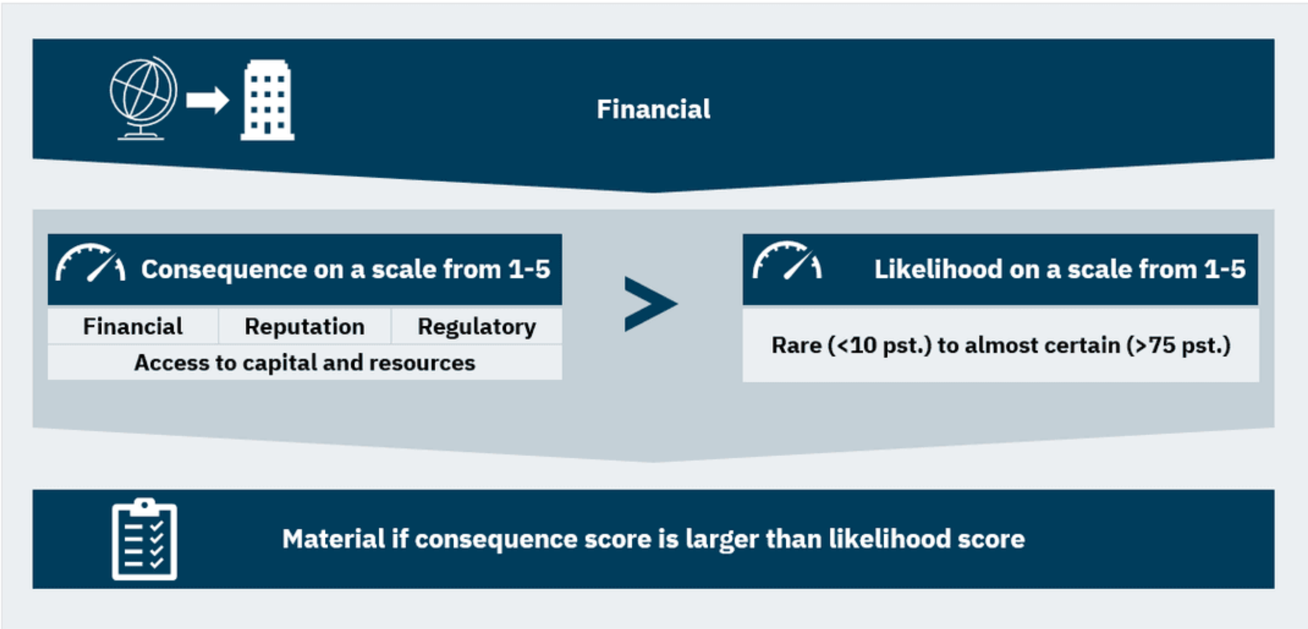
Each factor is given a score based on a scale from 1-6 for likelihood and 1-5 for consequence, and in the final matrix the scores have been recalculated so that each impact is categorised as low, medium, or high.

KBN monitors developments in the identified impacts.

Analysis of financial materiality

A similar process was used to understand, identify, and assess financial risks and opportunities. The consequences and likelihood of each risk and opportunity were assessed, and where in the value chain the impact would occur was assessed, as well as the time horizon and whether the impact was decreasing, constant or increasing. The interval for financial consequence (scale of severity) follows the equivalent level as in KBN's operational risk framework.

Figure: Assessment of materiality for risks and opportunities



Each factor is given a score based on a scale from 1-6 for likelihood and 1-5 for the consequence of its impact, and in the final matrix the scores have been recalculated so that each impact is categorised as low, medium, or high.

KBN follows developments in identified risks and opportunities, and going forward will continue to map the relationship between impacts, and risks and opportunities.

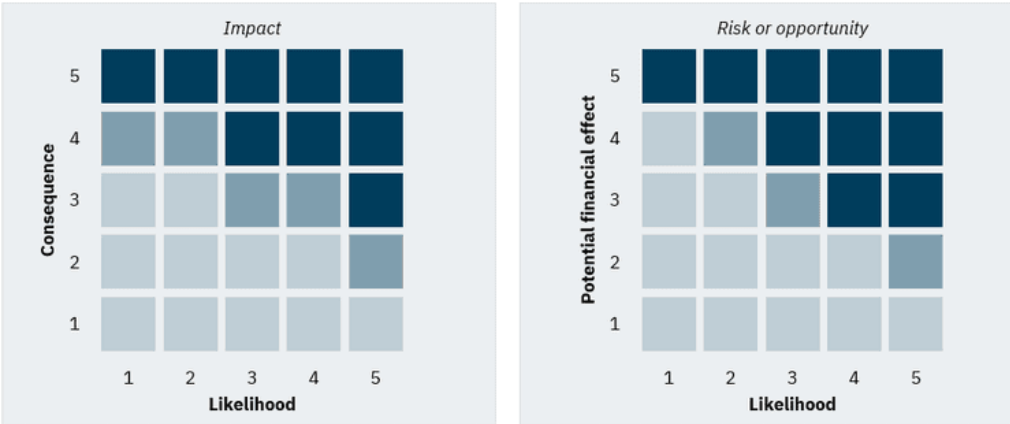
Threshold values

Threshold values are used to establish a position on which impacts, risks and opportunities are material for KBN. For topics with multiple impacts, risks, and opportunities, the highest-scoring factor will determine the sustainability topic's score/materiality.

With regard to impacts, KBN has initially operated with six categories for likelihood, with category six equating to an actual impact (100%). For the sake of readability, category 5 and category 6 have been combined, as this has no practical significance for the double materiality analysis that was carried out.

Figure: Method and threshold values for determining materiality

Methodology for determining threshold values for materiality	Threshold	Description
The threshold values are used to assess which impacts, risks and opportunities are considered material for KBN.	**High** Material	The topic is material for reporting and monitoring
KBN will report on material topics in accordance with the CSRD framework.	**Medium** Material	The topic is material for reporting and monitoring
The CSRD framework does not contain a specification for determining threshold values.	**Low** Not material	The topic is not considered material for KBN's sustainability reporting



Assessment of sustainability topics

KBN carried out the double materiality analysis in accordance with the process described above. The analysis was carried out for the value chain that is described in the 'Basis for preparation' section, and a process was carried out to identify all business activities, business relationships, locations and other factors that could affect the assessment.

As part of the assessment of climate risk, KBN also updated and developed its risk analysis in accordance with the TCFD framework. The main results of this analysis are described in *E1 Climate change*.

Sustainability risk is monitored continually by KBN's management and Board of Directors and is integrated into KBN's risk categories. The process of producing and updating the double materiality analysis will be carried out annually and will be assessed by the management team.

Disclosure requirements in the ESRS standards that are covered by the undertaking's sustainability statement

For material topics, KBN has used the flowchart in Appendix E to ESRS 1 to determine which information to include in the sustainability statement.

The table below summarises the assessments made as part of the double materiality analysis for topics/ standards that were not determined to be material.

ESRS	Justification for a standard not being material
ESRS E2 Pollution	**Impact:** The indirect impact KBN has through financing the customers' investment projects is not deemed to be material on the basis of the fact that the pollution is associated with small, isolated locations and is itself limited. KBN's impact through pollution in the direct value chain is considered to not be material. **Financial:** It is not considered likely that KBN will be impacted financially as a consequence of risks and opportunities associated with pollution in the value chain (both direct indirect). Regular loans (representing the majority of KBN's portfolio) cannot be linked to specific investment projects, which makes it unlikely that KBN would experience material financial consequences as a result of pollution. ESRS E2 Pollution and underlying topics are not considered to be material.
ESRS E3 Water and marine resources	**Impact:** The indirect impact KBN has through financing the customers' investment projects is not deemed to be material on the basis of the fact that the impact on water and marine resources is associated with small, isolated locations and is itself limited. KBN's impact through pollution in the direct value chain is considered to not be material. **Financial:** It is not considered likely that KBN will be impacted financially as a consequence of risks and opportunities associated with water usage and marine resources (in both the direct and indirect value chains). Regular loans (representing the majority of KBN's portfolio) cannot be linked to specific investment projects, which makes it unlikely that KBN would experience material financial consequences as a result of water usage and marine resources. ESRS E3 Water and marine resources and underlying topics are not considered to be material.
ESRS E4 Biodiversity and ecosystems	**Impact:** The indirect impact KBN has through financing the customers' investment projects is not deemed to be material. Even though municipalities' land use has a significant impact on nature in Norway, there is no reliable numerical basis to indicate that KBN's indirect impact would be material. A new assessment of this will be made as part of the 2025 double materiality analysis. **Financial:** It is not considered likely that KBN will be impacted financially as a consequence of risks and opportunities associated with biodiversity and ecosystems, and the standard was not assessed to be relevant in terms of financial materiality. ESRS E3 Biodiversity and ecosystems and underlying topics are not considered to be material.
E5 Resource use and circular economy	**Impact:** Resource use and circular economy are essentially associated with KBN's direct value chain, and the procurement activities carried out by municipalities' suppliers as part of their building and construction activities. The topic is not deemed to be material given the assumptions made when defining KBN's value chain. KBN's impact through resource use in the direct value chain has not been assessed to be material. **Financial:** It is not considered likely that KBN will be impacted financially as a consequence of risks and opportunities associated with resource usage and circular economy, and the standard was not assessed to be relevant in terms of financial materiality. ESRS E5 Resource use and circular economy and underlying topics are not considered to be material.
ESRS S2 Workers in the value chain	**Impact:** Workers in the value chain relates essentially to workers involved in building and construction projects that have KBN's customers as the contracting authority, but it is not regarded as material given the assumptions made when defining KBN's value chain. **Financial:** It is not considered likely that KBN will be impacted financially as a consequence of risks and opportunities associated with workers in the value chain. ESRS S2 Workers in the value chain and underlying topics are not considered to be material.
ESRS S4 Consumers and end-users	This standard is not relevant to KBN because KBN does not have end-users/consumers as defined by standard in the value chain, given that the value chain comprises investment projects and not service production. ESRS S3 Affected communities will capture the nuances in how KBN affects 'end-users' in the form of the customers (Norway's municipalities) and their 'customers' (local communities/residents). ESRS S4 Consumers and end-users and underlying topics are not considered to be relevant.

Reporting requirements in the ESRS covered by the sustainability statement

The sustainability topics that were identified in KBN's double materiality analysis form the basis for this year's sustainability statement. The 2024 statement is a transitional statement, and accordingly the content does not meet all the requirements in the ESRS. Descriptions will be provided where there are deviations from the requirements in the standards.

Topic	Sub-topic	Disclosure requirements and related data points
ESRS 2 - General disclosures	Basis for preparation Governance Strategy Impact, risk and opportunity management	BP-1, BP-2 GOV-1, GOV-2, GOV-3, GOV-4 SBM-1, SBM-3, SBM-4 IRO-1, IRO-2
ESRS E1 - Climate change	Climate change adaption Climate change mitigation	E1-1-7
ESRS S1 - Own workforce	Working conditions Equal treatments and opportunities for all	S1-1-17
ESRS S3 - Affected communities	Communities‘ economic, social, and cultural rights	S3-1-4
ESRS G1 - Business conduct	Corporate culture Corruption and bribery Protection of whistleblowers IT and cyber security	G1-1, G1-3-4

E1 Climate change

The double materiality analysis identified a material positive impact resulting from KBN's financing of customers' climate change adaptation measures, and a material adverse impact resulting from KBN's greenhouse gas emissions (scopes 1, 2 and 3).

The impact of climate change on KBN's customers along with the impact on their financial flexibility over time, including their ability to obtain new loans, was identified as a material risk. This may in turn impact KBN's lending activity and the composition of the lending portfolio. In addition, the fact that high greenhouse gas emissions in KBN's lending portfolio could impact KBN's funding costs and access to capital was also identified as a material risk. Material opportunities were also identified relating to higher demand for green loans and potentially also for ordinary loans. Greater demand for green investments from investors with ESG mandates was also considered to potentially increase demand for and improve the terms of KBN's green bond issues.

Strategy

Transition plan

KBN will in 2025 initiate the preparation of a transition plan in accordance with the requirements in the CSRD.[1] The plan aims to provide a comprehensive understanding of KBN's past, present, and future climate actions, and to explain how KBN's strategy and business model align with the transition to a sustainable economy. In accordance with CSRD requirements, the transition plan will also demonstrate how KBN will help mitigate global warming to 1.5°C in line with the Paris agreement, with the objective of reaching climate neutrality by 2050.

Climate risk

KBN has used the Task Force on Climate-Related Financial Disclosures (TCFD) framework to assess and report on climate risk. In 2024 KBN carried out an updated analysis, the results of which are summarised in the table below:

[1] And CRD6.

Figure: KBN's climate risk assessments

				Low-emission scenario		The middle way		High-emission scenario	
	Potential risks and opportunities	**Effect (risk)**	**Effect (opportunity)**	**Likelihood (trend)**	**Assessment**	**Likelihood (trend)**	**Assessment**	**Likelihood (trend)**	**Assessment**
1	Physical damage to KBN's office building due to acute weather events	Low		Very low	Neutral	Very low	Neutral	Low	Neutral
2	Customers' physical climate risk	Moderate		Low	Neutral	Low	Neutral	Moderate	Moderate risk
3	Customers' transition risk	High		High	Material risk	Moderate	Material risk	Low	Moderate risk
4	Adaptation of our loan products	High		Moderate	Material risk	Low	Moderate risk	Very low	Neutral
5	Increase in carbon taxes, cost/availability of capital, technology risk and asset depreciation	Moderate		Moderate	Moderate risk	Moderate	Moderate risk	Moderate	Moderate risk
6	Reputational risk related to low/ failed contribution to green transition by KBN	Moderate		Low	Neutral	Low	Neutral	Very low	Neutral
7	Reputational risk related to low/ failed contribution to green transition by customers	Moderate		Low	Neutral	Low	Neutral	Very low	Neutral
8	Customers' physical climate risk		High	Low	Moderate opportunity	Moderate	Material opportunity	High	Material opportunity
9	Customers' transition risk		Moderate	High	Material opportunity	Moderate	Moderate opportunity	Low	Neutral
10	Adaptation of our loan products		Moderate	High	Material opportunity	Moderate	Moderate opportunity	Moderate	Moderate opportunity
11	Impact on reputation considering our own climate impact		Low	Low	Neutral	Low	Neutral	Low	Neutral
12	Impact on reputation considering our customers' climate impact		Low	Low	Neutral	Low	Neutral	Low	Neutral
13	Energy savings in our buildings leading to lower costs		Very low	Very high	Moderate opportunity	High	Neutral	Moderate	Neutral

Material risk *Moderate risk* *Neutral* *Moderate opportunity* *Material opportunity*

Impact, risk and opportunity management

Sustainability is integrated into the four strategic pillars of KBN's company strategy. KBN's Overall Guidelines for Sustainability describe what is meant by sustainable business operations: "Sustainable business operations means business operations that balance economic, social and environmental considerations, that contribute to the promotion of respect for the climate and environment, fundamental human rights and decent working conditions, that address diversity, equality, anti-discrimination and ethical conduct, and that prevent corruption and other forms of financial crime both in KBN's operations and at its suppliers and business partners". KBN also has internal guidelines on green lending, funding, and sustainable investment. These are described below.

KBN contributes to mitigating climate change and reducing greenhouse gas emissions in several ways. These are explained below.

Climate change impact mitigation actions

Scope 1 and 2 emissions

KBN is a financial institution with office operations carried out at a single location. Scope 1 and scope 2 emissions will therefore be limited. In 2024, KBN moved to new office premises, and an important factor in choosing the new premises was the landlord's documentation of the optimization of energy consumption in the building. To reduce energy consumption, the building's heating is adjusted throughout the day and over the course of the week. During periods when the level of office activity is expected to be low, the temperature is set lower. The target temperature during normal working hours is 23-23.5˚C. KBN will continue to follow up with the landlord to further reduce energy consumption.

Scope 3 emissions

Sustainable lending products

KBN offers green loans at a discounted interest rate compared to standard loans, aiming to encourage the local government sector to invest in climate-friendly and environmentally sustainable projects. At the end of 2024, green lending represented 18.5% of KBN’s lending portfolio. Green loans are granted to projects that help reduce greenhouse gas emissions, improve energy efficiency, reduce climate impacts, and contribute to climate change adaptation. A discount of 10 basis points is given for long-term instalment-based loans for projects that satisfy KBN’s green loan criteria. For loans with no instalments offered in competition with the capital markets for projects that satisfy KBN’s green loan criteria, the discount is set on a case-by-case basis. To be granted a green loan, a project must be recommended by a customer manager from the Lending Department and assessed by a climate advisor and climate controller, who generally work in Green Finance in the Lending Department. The climate advisor and climate controller review the project to check that it is in line with KBN’s green loan criteria before it is either approved or rejected. Only KBN employees who have the role of climate advisor and/or climate controller in their job description are authorised to assess projects for green loans. In cases of doubt, the Chief Lending Officer is also required to consider whether the project satisfies the requirements.

Sustainable funding products

When considering the issuance of new green bonds, the amount to be issued must be evaluated against KBN’s outstanding green loans. As a rule, the total outstanding green bonds should not exceed KBN’s combined green loans, unless the excess is related to imminent disbursements of already approved green loans.

In the event of large redemption/instalment payments that cause the volume of KBN’s green loans to be lower than outstanding green bonds, KBN will consider making investments in green bonds issued by other parties within the applicable framework for liquidity investments.

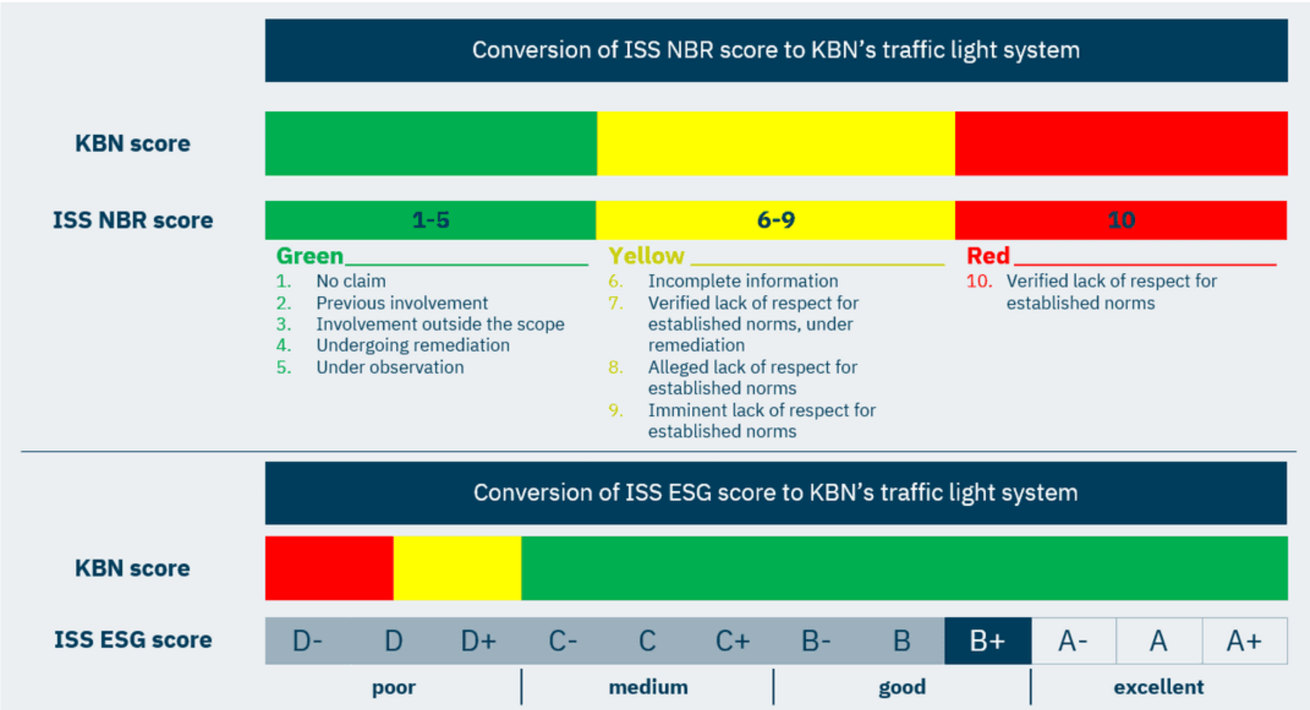
Sustainable investments

KBN has produced Guidelines for Sustainable Investment to ensure that the liquidity portfolio investments are in line with the objective of contributing to the sustainable development of society and long-term value creation. Integrating climate and environmental considerations, social issues, and governance factors (ESG) into its investment decisions and investing in counterparties/issuers that make sustainable choices is considered to generate a higher risk-adjusted return over the long term and to be in the best interests of society and the environment.

As part of the Guidelines for Sustainable Investment, KBN has developed a method for assessing counterparties/issuers. Counterparties are assessed on three dimensions whenever sufficient data exists: exclusion criteria, a norms-based research score, and an ESG rating.

All counterparties are given an overall score which is either green, yellow, or red based on the three dimensions, and it is the score from the dimension with the lowest score that is the counterparty's final score. The exclusion criteria mean that KBN does not invest in issuers that relate to tobacco, alcohol, cannabis, gambling, pornography or controversial weapons. The assessment criteria for NBR scores and ESG ratings are summarised in the figure below:

Figure: Assessment criteria for NBR scores and ESG ratings



Recommendation to use environmentally friendly means of travel

KBN has produced recommendations for how the employees can travel environmentally friendly when travelling for business as well as to and from work. KBN's office is near a public transport hub and is well-equipped for employees who choose to commute by bicycle. KBN's general principles for travelling to and from work, and for short and long business travel, are as follows:

- Travelling to and from work: ideally take public transport, walk, or cycle.
- Always assess whether a trip is needed or is appropriate, or whether a telephone meeting/teams meeting could be used instead.
- For short business trips, public transport should be used where possible. Employees should only drive or take a taxi if this is considered to be the most reasonable in terms of the time required, efficiency and price. Car sharing is encouraged.
- For longer business trips, employees are encouraged to plan their journey in good time in order to be able to use environmentally friendly means of travel. When using hire cars, environmentally friendly options

should be chosen where possible, and similarly hotels that have a distinct environmental profile should be chosen.

Scope 3 screening

KBN carries out an annual screening of the scope 3 categories to confirm that its greenhouse gas accounts include all material categories. The table below provides a list of the results of the screening:

Category	Included?	Basis for preparation
1. Purchased goods and services	No	KBN will re-map scope 3 category 1 emissions in 2025 to determine whether they should be included in future reports.
2. Capital goods	No	KBN did not procure capital goods of a material size in 2024.
3. Fuel and energy-related activities	No	KBN does not have material emissions related to production or consumption of fuels and energy.
4. Transportation and distribution	No	KBN's emissions in this category are not regarded to be a material part of KBN's greenhouse gas emissions. Procurement of IT and consulting services represents KBN's primary purchases. The transportation of office supplies and similar products is considered to be limited.
5. Waste generated from own operations	Yes	
6. Business travel	Yes	
7. Employee commuting	No	KBN's emissions resulting from the employees commuting are not considered to be material as a result of their extensive use of public transport, cycling and walking.
8. Leased premises/equipment	No	KBN's emissions associated with energy consumption in leased premises are covered by scope 2.
9. Downstream transportation and distribution	No	KBN does not sell products that are transported.
10. Processing of sold products	No	KBN does not sell products that are processed.
11. Use of sold products	No	KBN's loan products are covered by scope 3 category 15, financed emissions, and KBN has started a project to calculate greenhouse gas emissions in this category – see no. 15 below.
12. End-of-life treatment of sold products	No	KBN does not sell physical products that are disposed of.
13. Leased premises/equipment	No	KBN does not hire out premises or equipment.
14. Franchises	No	KBN does not have any franchises.
15. Investments	No	KBN is developing a method for estimating scope 3 category 15 financed emissions, in collaboration with other organisations in the finance industry.

Actions to reduce the risks and take advantage of the opportunities associated with climate change

KBN follows developments in the customers' financial situations and the capital markets in order to be able to offer stable, long-term and efficient financing. Financial tools to promote the customers' selection of green lending products are balanced against its owner's return expectation[2].

Actions to increase KBN's positive impact

KBN is a member of the Zero climate foundation, the Norwegian Climate Foundation (Norsk Klimatstiftelse), the organisation "Sirkulær praksis" and the Norwegian Green Building Council (Grønn Byggallianse), which are organisations that KBN considers to be important contributors to the green transition.

KBN has for a number of years awarded the prize for the "Local Climate Measure of the Year". This prize, which is a collaboration between the Norwegian Association of Local and Regional Authorities (KS) and Klimastiftelsen Zero climate foundation, is awarded at the Zero conference each autumn and is aimed at local government sector projects.

[2] In many cases the customer's alternative to a green lending product will not be a normal lending product without a discounted interest rate, but will instead be a market-based loan that generates lower profitability for KBN.

KBN has in recent years carried out several activities with the Norwegian Climate Foundation, including running projects, publishing information booklets and holding webinars.

In 2024 KBN also entered a collaboration with the Norwegian Association of Local and Regional Authorities in relation to the 'Sirkulær praksis' ('Circular practice') conference, which is a local-government sector-specific part of "Den store sirkulærkonferansen' ('The Big Circular Conference'), organised in May. KBN provides content for the conference and has a stand.

Through its membership in the Norwegian Green Building Council, KBN also sits on the jury for the BREEAM prize, which is awarded to real estate developments and building owners that have invested in sustainability and have documented this with certification. The prize was first awarded in 2024, with separate prizes for new buildings and renovations, in addition to a separate honorary award.

In 2025 KBN will continue the work with assessing how it can increase its positive impact on the green transition.

Impact report

KBN publishes a separate impact report in addition to the Annual Report. The impact report gives investors and other stakeholders detailed information about the projects which are financed by KBN's green bonds. At the end of 2024, KBN's outstanding green loans totalled NOK 64 billion across 537 local government projects, 64 of which were new projects in 2024.

Green bonds

NOK 52 bn.

funds borrowed through green bonds issued in the capital markets

Green loans

NOK 66 bn.

lent out for environmentally and climate friendly projects across Norway

Read KBN's complete 2024 Impact Report.

Results and targets

Targets related to climate change mitigation and adaptation

Topic	Target	2024 Results
Climate change mitigation:	**Strategic objective:**	
Scope 1 and 2	Own CO2 emissions below 110 tCO2e by 2026	Own CO2 emissions of 82.5 tCO2e in 2024.
Climate change mitigation:	**Strategic objective:**	
Scope 1 and 2	Reduce own CO2 emissions by at least 55% by 2030 compared with 2019	Own CO2 emissions of 82.5 tCO2e in 2024, and with this, KBN has reduced own CO2 emissions by more than 55% compared to 2019 greenhouse emissions.
Climate change mitigation:	**Strategic objective:**	
Scope 3	Growth in green lending of NOK 36 billion by 2026 (for the period 2024-2026)	Growth of NOK 13.2 billion in 2024.

Scope 1 and 2 greenhouse gas emissions

Electricity and district heating

The emissions from KBN's electricity consumption and district heating usage decreased in 2024 from 39.0 tCO_2e to 15.8 tCO_2e, a percentage decrease of 59%. The decrease was primarily due to KBN moving to new office premises in 2024 that are more energy efficient than the former office premises.

Material scope 3 emissions

Waste generated from own operations (category 5)

KBN's waste represents a small proportion of its total emissions and was responsible in 2023 and 2024 for 0.3 tCO_2e. In 2024 KBN changed its method of calculation for waste. Up until July 2024, all waste bags were weighed, while from August 2024 (in connection with KBN's move to new premises) a procedure was introduced involving keeping a record of the approximate volume of items being thrown away. The change was made because of the fact that the emissions in this category are not regarded to be material to KBN's overall greenhouse gas emissions.

Business travel (category 6)

In 2024 KBN reduced emissions from business travel further from 76.6 tCO_2e in 2023 to 66.5 tCO_2e in 2024, which represents a decrease of 13%.

Greenhouse gas accounts

KBN uses 2019 as the base year for the greenhouse gas accounts, and emissions are calculated using the principles in the GHG protocol. In 2024, KBN's greenhouse gas emissions totalled 15.8 tCO_2e in scope 1 and scope 2, which represents a decrease of 59% from 2023. For electricity, KBN uses location-based emissions. The difference between location-based and market-based is that location-based calculates emissions based on the actual energy mix in the geographical area where the electricity is produced, while market-based calculates emissions based on the electricity that is bought and sold in the market. This can include electricity from both renewable and non-renewable sources.

KBN's scope 3 emissions totalled 66.8 tCO_2e in 2024, which is a decrease of 13% from 2023. The scope 3 emissions that are currently included in KBN's greenhouse gas accounts comprise waste in addition to business travel. KBN is in the process of producing a method for calculating its scope 3 category 15 emissions, i.e. its financed emissions.

KBN's 2024 greenhouse gas emissions are divided between the scopes as follows:

- **Scope 1:** 0 tCO2e
- **Scope 2:** 15.8 tCO2e
- **Scope 3:** 66.8 tCO2e

Emissions intensity is a measure of the relationship between total greenhouse gas emissions and financial activity/value creation. KBN's results for 2024, 2023 and the base year of 2019 are summarised in the table below:

	2024	2023	2019
tCO2e/ full-time positions	0.93	1.39	2.35
tCO2e/ NOK million of revenue	0.04	0.05	0.10

Greenhouse gas accounts:

	2024	2023	2019	Change from 2023 to 2024	Change from 2019 to 2024
Scope 1					
Fuel	0	0	2.8	0%	(100%)
Total scope 1	**0**	**0**	**2.8**	**0%**	**(100%)**
Scope 2					
Electricity - location-based	3.5	15.1	39.3	(77%)	(91%)
Electricity - market-based	139.2	162.1	0	(14%)	0%
District heating and district cooling	12.3	22.9	18.5	(46%)	(34%)
Total scope 2 - market-based	**151.5**	**185.0**	**18.5**	**(18%)**	**0%**
Total scope 2 - location-based	**15.8**	**38.0**	**57.8**	**(59%)**	**(73%)**
Scope 1 + 2	15.8	38.0	60.6	(59%)	(74%)
Scope 3					
Category 5: Waste	0.3	0.3	0.3	7%	3%
Category 6: Business travels	66.5	76.6	130.9	(13%)	(49%)
Total scope 3	**66.8**	**76.9**	**131.3**	**(13%)**	**(49%)**
Total emissions – Location-based	**82.5**	**114.9**	**191.8**	**(28%)**	**(57%)**
Total emissions - Market-based	**218.3**	**261.9**	**152.6**	**(17%)**	**0%**

S1 Own workforce

KBN is a competence-based business, and at such employees are the most important resource. KBN seeks to work in a way that promotes learning, knowledge sharing and the efficient use of technology. It is important to KBN that the employees find the workplace to be safe and inclusive, that they are given the opportunity to further develop their competence, so that they can carry out their tasks successfully now and in the future.

The double materiality analysis identified a material risk associated with the training and development of KBN’s employees. KBN is a competence-based business with relatively few employees who collectively manage significant total assets, and KBN is therefore particularly exposed to insufficient training and a lack of critical competence among the employees.

The Norwegian state's white paper on ownership (Report to Stortinget No. 6 (2022-2023)) highlights decent working conditions, equality, and diversity as important topics in its expectations for state companies. Consequently, this statement will also describe KBN’s strategy, governance, and results for these topics. However, KBN’s actions will only be described for topics identified as material.

Strategy

One of KBN’s four strategic pillars for the 2024-2026 period is ‘Expertise and technology driven’. The strategy emphasises that the way in which KBN works should promote learning, knowledge sharing and the efficient use of technology. The most important resource for KBN is its employees’ combined competencies, and KBN seeks to have strong specialist teams that develop continually and share their knowledge.

KBN continually strives to ensure the efficiency in operations and to create added value for customers and in own activities. This means that KBN is becoming an increasingly data-driven organisation that has a significant requirement for digital competence. KBN seeks to be an attractive and engaging employer that provides job satisfaction for employees through its role in society, the work tasks, and its culture. This applies in relation to attracting candidates with desirable qualifications, but also in relation to KBN’s ability to further develop the organization and employees and achieve high levels of engagement and execution ability.

In light of this focus, KBN launched ‘kompetanseløftet’ in 2021, an initiative involving employees completing an annual course of training or undertaking further education to ensure their continual learning and professional development. This underlines the fact that KBN’s employees’ competence is KBN’s primary and most important resource. The initiative ran until 2024 and has subsequently changed form to competence development budgets for each individual employee, in addition to an enhanced offering of internal courses and learning measures.

Impact, risk, and opportunity management

As a competence-based business, KBN depends on being able to recruit, develop and retain skilful employees within a range of specialist areas in order to achieve its ambitions. KBN needs to constantly adapt to changes that are being driven forward by factors including technology, regulatory changes, and changing customer needs, in addition to the requirements and expectations of KBN's owner, other stakeholders and the employees.

KBN seeks to be an attractive workplace by taking good care of its employees and creating a high-quality working environment, as well as by facilitating its employees' professional development and competence development. In addition to complying with all relevant legislation that is intended to ensure employees' rights, KBN actively works to promote well-being, to maintain a culture of continual learning and knowledge sharing, and to increase diversity.

MATERIAL TOPIC: Training and development of employees

KBN is a competence-based business. One of the most important tasks for KBN employees is developing their competence, both for use at KBN and for themselves. Competence development is therefore a strategic and important focus area for KBN, and KBN works on a long-term basis to strengthen the competence of its employees in relevant specialist areas. Employees learn a lot by carrying out their day-to-day work and collaborating with their colleagues, but KBN also offers opportunities and schemes to enable employees to attend external conferences, courses and further education in instances where it is deemed appropriate.

Working conditions

KBN seeks to offer high-quality and safe working conditions that are also in line with all relevant legislation and regulations. KBN's equality statement in accordance with the Norwegian Equality and Anti-Discrimination Act is published on the website.

Employment terms and conditions

KBN offers its employees competitive terms and conditions of employment, and all employees are part of the company's welfare and insurance schemes. All employees also have the right to join a trade union and are given information on the option at the start of their employment at KBN.

Health, safety and environmental issues (HSE)

HSE is an umbrella term for the systematic work KBN conducts to ensure a safe working environment that is in line with applicable legislation and regulations. 'Working environment' is a collective term for the physical, psychological, social, and organisational conditions at KBN, and KBN has guidelines and procedures that must be followed to manage the working environment. The Working Environment Committee plays an important role in KBN's work on HSE issues.

The Working Environment Committee's main objective is to actively contribute to the creation of a high-quality working environment and the promotion of good physical health. The Committee holds regular meetings and carries out risk assessments in relation to health, safety and environmental issues, as well as related inspections. KBN also has activity groups that offer and organise regular health-promoting and social activities for KBN's employees.

KBN's HSE work plays an important role in ensuring that the working environment forms the basis for a health-promoting and meaningful working environment. HSE work is intended to help employees to thrive and perform optimally, and to maintain as low a sick leave rate as possible. The working environment must be fully satisfactory, cf. the Norwegian Working Environment Act, Section 4-1. This means that the company must be arranged, and the work organised in such a way that employees are protected from damage to life or health as far as this is practically possible.

The CEO has the overall responsibility for ensuring that KBN's working environment is satisfactory and is responsible together with the Labour Inspection Authority and Working Environment Committee for continually mapping the working environment in terms of risk factors, health hazards and welfare, in addition to implementing any measures required. Employees have a duty to cooperate and accordingly help ensure that KBN has a high-quality and safe working environment.

Work-life balance

KBN's employees must have a workload that is reasonable, and the HR function and department managers carry out monitoring throughout the year to ensure that no employee has an excessive workload. In addition, the trend in the sick leave rate is also monitored, and employees' experience of their work-life balance is also surveyed using the annual employee survey.

The work-life balance, including employees' experience of the balance, is monitored in the ongoing dialogue between employees and their line-managers, and as part of employee performance reviews and employee surveys.

Equal treatment and equal opportunities for all

Equality and diversity

KBN works to have a high level of inclusion and diversity. It seeks to create a working environment in which everyone is seen, respected and valued for who they are, and it works to create diversity among employees. In the hiring processes and employment conditions KBN addresses grounds for discrimination such as gender, pregnancy, leave due to childbirth or adoption, care giving duties, ethnicity, religion, beliefs, disability, sexual orientation, gender identity, gender expression, and combinations of these grounds. At KBN all employees receive equal pay for equal work.

KBN employs a targeted approach in the recruitment efforts to attract a diverse range of applicants. It is challenging to attract female applicants for particular positions in specialist areas in finance and IT.

Guidelines

KBN has issued guidelines that describe what KBN expects of employees, and what the employees can expect of KBN – see the description of the most relevant topics in the employee handbook below. It is KBN's CEO who is responsible for implementing and monitoring guidelines in the HR area.

KBN's Code of Conduct

KBN's Code of Conduct describes the behaviour that is expected of KBN's employees. KBN's Code of Conduct is described in further detail in the *G1 Business Conduct* section.

Employee handbook

KBN's employee handbook is available to all employees on KBN's intranet. Some of the most relevant topics in the handbook are summarised below:

Employment: Guidelines and general information on relevant legal rules and internal guidelines, procedures and checklists, preferential rights to job changes, temporary employment, hired-in and part-time employees, employment contracts and job specifications, the introduction of new employees and probationary periods.

Working hours and holidays: General information on working hours, flexi time, overtime and limits on overtime working, working from home, time spent travelling, guidelines for recording working hours, holidays, and time off in lieu.

Salaries, benefits, schemes, and work equipment: Guidelines on salaries and payroll processes, parental benefits, insurance arrangements, pay in the event of absence, other benefits and schemes, and work equipment.

Health, illness and leave of absence: Guidelines and general information on employees' rights and obligations in the event of sick leave, self-reported sick leave, and sick notes, and leave to care for a sick child.

Whistleblowing: Information on whistleblowing and the whistleblowing process, and a link to KBN's external whistleblowing channel.

HSE and working environment: Guidelines and general information on the working environment and HSE. Information on KBN's Working Environment Committee and its representatives, and other roles and responsibilities at KBN.

Diversity and equality: Information on KBN's work, objectives, and obligations in relation to diversity and equality. The chapter provides specific guidelines on how discrimination should be avoided in recruitment processes and during employment.

Competence development: Procedures and general information on competence development, manager and employee development, employee performance reviews and good leadership. KBN is a competence-based business.

Travel, expenses and hospitality: Procedures and guidance relating to travel, expenses and hospitality, environmentally friendly travel, credit cards and environmentally friendly procurement guidelines.

Termination of employment: Leaving procedures in the event of resignation or retirement. HR is responsible for leaving procedures. Use of the checklist for departing employees.

Human rights

As an employer, KBN respects fundamental human and employee rights, and ensures acceptable working conditions at its own organisation. The employee handbook provides information and guidance on schemes, rules, and procedures and on how KBN works systematically to ensure a satisfactory working environment. KBN is bound by two collective labour agreements with two trade unions, which ensure it operates thoroughly regulated working conditions, promotes good dialogue, and helps ensure employee rights for

KBN employees. The Norwegian Working Environment Act and Norway's national anti-discrimination rules provide a good framework for working life in Norway. KBN is also a competence-based business with office-based work with very few HSE incidents.

KBN works actively to promote equality and to prevent discrimination. The Board of Directors has approved overall guidelines for sustainability which state that work on diversity and equality must be integrated into KBN's HR policies and monitored in all parts of the organisation. KBN seeks to have an inclusive culture where all employees have equal rights and opportunities and are treated with respect. KBN's work on equality and discrimination is described in more detail in the Statement on Equality on the website.

Engagement and dialogue with own employees

KBN's employees are its most important resource, and KBN is therefore committed to following up with and engaging in dialogue with each individual employee. KBN uses the following arenas to facilitate employee engagement:

- Annual employee performance reviews, including mid-year reviews between the employee and his/her line manager. These reviews are an arena for following up on topics that are particularly important to each individual employee.
- Annual employee surveys.
- Employee representatives on the Board of Directors, the Working Environment Committee and the pensions steering group, as well as employee involvement as safety representatives and through trade union representation.
- Employee representatives on internal projects concerning employees.
- Whistleblowing channels.
- Annual discussions with employee representatives in accordance with legislation and collective agreements.
- Safety inspections.
- Continual dialogue using the intranet, posting in shared channels and all-company meetings.

The most common topics for communication with employees are well-being, workplace adaptation, employment conditions, working conditions, inclusion and equality, training and development opportunities, and general company information.

The Chief of Staff and Head of HR represent KBN as the employer in dialogue with employee representatives on the Working Environment Committee and in other contexts in which KBN has contact with the employees, and they strive to ensure employee engagement.

Whistleblowing channels

KBN does not accept discrimination or harassing behaviour, or physical, psychological, or sexual violence. Such behaviours are prevented by means of general working environment measures, and the employee handbook describes the whistleblowing procedures. Employees can whistleblow using various channels, internally at KBN to their employer or a health and safety representative, employee trade union representative or the employer's law firm, as well as to KBN's external whistleblowing channel (PwC) or publicly by means of a public supervisory authority or other public authority. An electronic whistleblowing channel is available to all KBN's employees on the intranet, and as mentioned, there is also an external whistleblowing channel provided by an external organisation. Information on KBN's channels and procedures for whistleblowing is provided as part of the annual training provided on KBN's Code of Conduct.

Refer to the *G1 Business conduct* section for more information on KBN's whistleblowing procedures.

Actions related to training and employee development

KBN is a competence-based business, and an important part of the strategy is ensuring that the organisation continuously renews its competence to ensure it is relevant and creates value for the customers in the future. However, it is also important for KBN to renew and increase its competence to prevent operational incidents and counteract operational inefficiency. KBN has relatively few employees and each of them possesses unique competence. It is therefore important that all KBN's individual employees maintain and develop competence that is relevant to their specialist field (depth) and for KBN as a whole (breadth).

From 2021 to 2024 inclusive, KBN had a scheme called 'kompetanseløftet' that involved all employees being required to complete two days' training each year, and KBN had a strategic objective of over 75% of employees completing the scheme. Starting in 2025, the scheme is to be continued but in a different format, and KBN's strategic objective will be replaced by KBN running three internal courses each year. The option to attend external courses, conferences and similar will be continued, including through individual competence development budgets, without there necessarily being an associated strategic objective.

Results and targets

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

KBN has set strategic targets in the 'Expertise and technology driven' strategy pillar that concern its own workforce.

Topic	Target	2024 results
Equal treatment and opportunities:	**Strategic target:**	
Training and talent development	Above 75% of employees completing the 'kompetanseløftet' scheme	Share of employees who completed shceme: 77%
Equal treatment and opportunities:	**Strategic target:**	
Inclusion and diversity	Gender balance above 40%	Gender balance: 33% women and 67% men
Working conditions:	**Strategic target:**	
Well-being and working environment	Sick leave rate below 2.5%	Sick leave: 2.1%
Working conditions:	**Strategic target:**	
Well-being and working environment	Results from the employee survey:	Results from the employee survey:
	Engagement above 4.4	*Engagement: 4.5*
	Execution above 4.1	*Execution: 4.0*

Characteristics of the undertaking's employees

The table below summarises the characteristics of KBN's employees, including the turnover rate.

Category	Women	Men	Total
Number of permanent employees	28	60	88
Number of temporary employees	3	4	7
Number of employees (total)	**31**	**64**	**95**
Average number of permanent employees			85
Number of employees who have left			5
Turnover rate			**6%**

In 2024, five employees left by ordinary resignation, and a total of 10 employees left KBN's employment.

Characteristics of non-employee workers in the undertaking's own workforce

In 2025 KBN will work on mapping statistics for non-employee workers in the workforce.

Collective bargaining coverage and social dialogue

49.4% of all KBN's employees are members of a union, but all employees are covered by the collective labour agreements that the company has entered even if they are a member of a union.

Diversity metrics

The tables below summarise the distribution between age groups and position levels, between women and men.

Employees by age	Women	Men	Total	Share of own workforce
Less than 30 years old	5	10	15	16%
From 30 to 50 years old	18	37	55	58%
More than 50 years old	8	17	25	26%

Employees by position type	Women	Men	Total	Share of own workforce
Management team	4	4	8	8%
Middle managers/ subject specialists	2	12	14	15%
Professional staff	19	44	63	66%
Administrative staff	3	0	3	3%
Students	3	4	7	7%

KBN works to have a high level of inclusion and diversity. It works in a targeted way in recruitment processes to attract a variety of candidates. It can be challenging to attract sufficient female candidates particularly for the specialist areas of front-office finance, risk management and technology.

	Women *(share)*	Men *(share)*	Total
Board members	5 (56%)	4 (44%)	9

KBN satisfies the gender representation requirements for the Board of Directors, and the Board has for a number of years had an equal distribution of men and women.

Average wage

The table below summarises the average wage for women and men at KBN.

Average renumeration (NOK)	Women	Men	Total
KBN employees	1 042 650	1 206 250	1 142 327

All KBN's employees receive wages that follow general wage growth in society.

Benefits

All employees are covered by statutory social schemes through the state or Norwegian law. They are members of collective personal insurance schemes, health and travel insurance, and are offered health checks through KBN.

Persons with disabilities

None of KBN's employees have notified KBN that they have a disability. There is no obligation for employees to report any disability they may have.

Training and competence development metrics

The table below summarises statistics for KBN's monitoring of competence development and completed competence development.

Category	Women	Men	Total	Share of own workforce
Employees who have participated in regular performance and career development reviews	31	64	95	100%
Permanent employees who have completed the 'kompetanseløftet' scheme	18	45	63	77%
Average time spent on training and skills per employee			16 timer	

There was a good level of participation in the Kompetanseløftet scheme in 2024, and KBN achieved the target of over 75% of employees completing the scheme.

Working environment metrics

The table below summarises the statistics for sick leave and accidents at work.

Statistics for sick leave and accidents at work	
Share of employees covered by the company's health and safety management system based on statutory requirements and/or standards or guidelines	100%
Sick leave	2.1%
Number of deaths as a result of work-related accidents and work-related illnesses	0
Number of recordable work-related accidents	0
Frequency of recordable work-related accidents	0%

Work-life balance metrics

The table below summarises employees that have the right to parental leave and the number of employees who have taken parental leave over the course of the year.

	Women	Men	Total
Share of employees with the right to parental leave			100%
Number of employees who took parental leave	1	3	4

Compensation metrics (pay gap and total compensation)

The table below summarises the average wages received by women and men, and the proportional difference between men and women. The figures in the table do not include variable salary payments.

Compensation (numbers in NOK)	Women	Men	Total	Women's compensation as a percentage of men's
Average annual employee compensation	1 042 650	1 206 250	1 142 327	86%
CEO	3 667 142	N/A	3 667 142	N/A
Management team excl. CEO	2 015 774	2 067 814	2 041 794	97%
Middle managers/ subject specialists	N/A	1 408 534	N/A	N/A
Professional staff	937 524	1 065 732	1 011 642	88%
Administrative staff				N/A
Students				100%

As there are only two female middle managers/subject specialists and three female administrative employees, the average salaries and ratios have not been disclosed for these two job levels.

The reason for the higher average salary for men at the subject specialist employee level is that the male employees concerned have on average worked at KBN for longer than the women.

Relationship between the CEO's compensation and that of other employees	
CEO compensation	3 667 142
As a percentage of average employee compensation	321%
As a percentage of median employee compensation	322%

Incidents, complaints, and severe human rights breaches

The table below summarises incidents, complaints, and serious human rights breaches. There were no incidents, complains or serious human rights breaches at KBN in 2024.

Incidents, complaints, and severe human rights breaches	
Instances of discrimination, including harassment	0
Number of complaints submitted via whistleblowing channels for the KBN's own workforce	0
Amount paid in fines, penalties, and compensation for damages as a result of incidents and complaints	0
Number of serious human rights breaches related to KBN's own workforce	0
Amount paid in fines, penalties, and compensation for damages related to human rights breaches	0

S3 Affected communities

The double materiality analysis identified a material positive impact associated with financial and social rights in Norway's local communities. KBN finances municipalities' and county authorities' investment in infrastructure and welfare. This investment spending is intended to stimulate economic activity, as well as social interaction and development. KBN's position as the largest lender to the Norwegian local government sector means KBN is uniquely positioned to share knowledge and expertise that can strengthen the customers' financial resilience. KBN also has a strategic ambition of being a responsible lender that supports long-term and sustainable debt management in the local government sector. The local government sector is undergoing a period in which it has less financial room for manoeuvre, and this may affect KBN's lending activity due to lower demand for new loans (Regjeringa bidreg i ei krevjande tid for kommunane).

Our total financing* to the sector is in excess of

NOK 375 bn.

99,7%

of Norway's municipalities are customers of KBN

50,2%

of all local-government sector borrowing (excluding loans from the Norwegian State Housing Bank) are financed by KBN

* Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

Strategy

With a market share of approximately 50% (excluding the Norwegian State Housing Bank), KBN is the largest lender to the local government sector. The Norwegian state justifies its ownership of KBN on the grounds that it will contribute to stable, long term and efficient financing for the local government sector.

Being the customer's first choice is an important pillar in KBN's strategy. KBN's main aim is for the customers to want to use KBN for long-term financing of investment in welfare by providing specially adapted loan products, insight solutions and close monitoring.

As the largest lender to the local government sector, KBN must ensure it has sufficient capacity to finance new borrowing and to grant loans using an approach to responsible lending that is based on its credit model. By being close to the customers, KBN can contribute knowledge and insight solutions, including based on its credit model, to ensure the financial sustainability of the local government sector in Norway.

Lending practice and assessment of creditworthiness

KBN's credit strategy for lending activities, along with the guidelines for lending and credit assessment principles for borrowers, provides the framework for monitoring customers. This framework determines what needs to be assessed when entering into and continuing customer relationships, as well as when issuing new loans. The guidelines and principles are important governance documents for how KBN is to exercise its role, share its knowledge and contribute to the development of competence, financial management skills and quality of the decisions of the customers. The risk of a negative impact resulting from KBN providing incorrect or incomplete information is decreased by means of clear guidelines for how and what type of advice customer managers can give customers.

Human rights

KBN's business model and strategy are intended to help maintain and strengthen the local government sector's socioeconomic condition, thereby contributing to the achievement of Article 22 of the Universal Declaration on Human Rights: "Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality".

Engagement with affected communities

KBN serves the local government sector, and the customers are the administrations of each individual borrower in this sector. This means that all locations in Norway where projects and investment financed by KBN take place are affected communities. The locations concerned are small and large towns and cities in all the country's municipalities (and county authorities), and they may even be outside urban areas in connection with water and wastewater and other infrastructure projects. The administrations at KBN's customers (hereafter 'customers') will be legitimate representatives of the affected local communities. All loans from KBN are linked to the financing of investments that either are directly approved by a municipal or county council or indirectly through approved loan guarantees. KBN's financing is therefore directly subject to the decisions and priorities of elected bodies.

KBN's customer managers, the customer centre and the Chief Lending Officer are in continual dialogue with KBN's customers, but the most frequent contact takes place when a new loan relationship is being initiated and completed. KBN organizes annual customer seminars and surveys, aiming to hold meetings with all interested municipalities and county authorities over a two-to-three-year period. KBN has a separate channel for complaints from customers, and an external whistleblowing channel is available via KBN's website. Feedback from dialogue with customers, worse-than-expected results from customer surveys and any whistleblowing reports are followed up immediately. The Chief Lending Officer is operationally responsible for monitoring and engaging with affected communities (KBN's customers), but guidelines are set by the management team and Board of Directors.

Impact, risk and opportunity management

As the largest lender to the local government sector, KBN has a responsibility to contribute to sustainable debt management to ensure that the customers are able to become, and continue to be, financially stable, and have the ability in the future to invest in welfare services that stimulate economic activity and social interaction.

A challenging financial situation in the local government sector

The local government sector is undergoing a period in which it has less financial room for manoeuvre, less access to labour and an increasing number/proportion of residents over 80 years old. Many municipalities are also seeing a reduction in the number of children and working age adults. There has been a shift from a period of good financial results and the building up of contingency funds in the local government sector's accounts to a period of weaker financial results and less financial strength (Regjeringa bidreg i ei krevjande tid for kommunane). Despite measures targeting the sector's finances (including extra transfers from the state and cuts to municipal budgets) and a change to the revenue/income system to favour municipalities with low tax burdens, economic growth in the coming years will likely be weak and all municipalities and county authorities will go through a period of significant adjustment.

This financial situation will affect KBN’s customers’ financial room for manoeuvre and the priorities they set. This may mean a reduction in investment activity, which will affect the demand for new loans. At the same time, the local government sector’s period of adjustment may trigger investment due to restructuring, for example from a school to an elderly care facility, so that the impact on debt growth and demand is more complex. By being a forward looking and responsible lender, KBN can share knowledge and expertise with the local government sector and be a support to the customers. KBN's plans in this respect are set out in the *Financial sustainability* section below.

Economic sustainability

Economic sustainability is about ensuring that economic growth and development can be maintained to ensure the security of people and society over time. It also means taking responsibility for stable, long-term, and ethically responsible economic growth so that economic growth today is not at the expense of future growth, while also being able to deliver sufficient services to residents. In a local government context, it means ensuring that budgets are adhered to, having contingency funds, and ensuring that the level of borrowing is manageable over time. KBN provides stable, long-term, and efficient financing to municipalities, county authorities and companies that perform local government sector tasks. As KBN's owner, the Norwegian state expects KBN to play a role as a facilitator of the sustainable transition and greater value creation pursuant to its rationale for state ownership of KBN. These considerations are built into KBN’s strategy. KBN provides a broad spectrum of lending products to the local government sector, including both green and normal lending products. KBN's value creation is intended to balance financial, social, and environmental factors so that return over time is generated within sustainable limits.

KBN’s position as the largest lender to the Norwegian local government sector grants it unique knowledge and expertise in the lending market and local government sector. Consequently, KBN has the opportunity to share this knowledge and contribute to the development of competence, financial management skills, and the quality of decision-making by the customers. KBN also seeks to contribute to the long-term financial sustainability of its customers. Based on KBN’s approach to responsible lending and the credit model, it will become more important in the future for KBN to support the customers to take high-quality and future-oriented decisions that address financial sustainability and the health of local communities.

KBN can achieve this by closely monitoring the customers and more specifically by emphasising financial sustainability in discussions with the customers, by being clear and transparent about the assessment of the credit worthiness of the customers, and by setting a clear expectation for economic growth to continue to be able to provide loans. This will also mean that in some instances loans will not be offered when KBN considers, based on the credit model, that the customer is not in position to service further new borrowing. Going forward, these will be important tasks for KBN’s lending department to support long-term and sustainable debt management by the customers.

Actions through dialogue about KBN’s credit assessment process

As part of the lending process, KBN assesses the creditworthiness of the customers. KBN’s credit model provides a good picture of individual municipalities' and county authorities’ financial position. The model is intended to facilitate enhanced financial monitoring of KBN’s customers. There are three categories of key figures in the model, which are:

1. Financial key figures (80% of the total weighting)
2. Demographic and socioeconomic key figures (11% of the total weighting)
3. ESG (9% of the total weighting)

The financial key figures provide a snapshot of each customer’s financial situation, and this, in combination with the demographic and socioeconomic key figures, provides an indication of future developments.

A low score on KBN’s credit model will result in a requirement for any loan request by the customer concerned to be considered by the Credit Committee and, potentially, approved by the CEO. For customers with the lowest credit score (red), new loans may need to be approved by the Board of Directors. This ensures that, although KBN has minimal real exposure to credit risk, lending activities align with those of other banks and regulations. It also allows KBN to monitor customers’ financial situations (despite their inability to be declared insolvent) and to exercise the role as a responsible organization contributing to sustainable debt management by Norway’s municipalities. KBN’s credit model and credit assessments are made available to customers in the customer portal and are included in KBN’s dialogue with customers such that KBN shares its knowledge, and discussions are adapted to the financial situation of each customer. If desirable, KBN can also contribute to discussions with the customer's elected representatives, either on its municipal council or its executive committee.

Actions through dialogue about financial sustainability and economic development

As part of the lending process, KBN engages in dialogue about financial sustainability and economic development with the customers. In special instances, KBN also discusses the prerequisites needed to continue providing loans. KBN holds information on economic development, investment history, and forecasts for each customer and the sector as a whole. This information provides a basis for productive dialogue and discussion with customers, contributing to the development of their competence, financial management skills, and quality of decision-making. KBN’s vision is: "We finance the local communities of tomorrow". KBN achieves this by financing the customers’ investments in new buildings and the renovation of existing ones, as well as infrastructure projects (e.g., water and wastewater). These efforts help to increase and maintain the level of economic activity, social interaction, and welfare of local communities in Norway. Through dialogue and knowledge sharing with customers, KBN has the opportunity to be a leading source of knowledge and insight. This helps to identify the nature of historical financing and investment decisions. Such information can be valuable for customers to consider when making future decisions.

Results and targets

Topic	Target	2024 results
Metrics related to financial sustainability	No defined targets related to financial sustainability were produced	As a major organisation that is close to the customers whose most important task is to offer municipalities stable, long-term, and efficient financing, KBN has a responsibility to support long-term and sustainable debt management. By being ahead and close to the customers, KBN seeks to contribute to greater awareness about financial developments and issues, and to make available information that can be the basis for good decisions. In 2024, KBN worked closely with the customers in order to support long-term and sustainable debt management as part of normal operations. KBN will work on developing targets for the financial sustainability of the customers in the coming year and will develop methods for measuring the effect of its actions.

G1 Business conduct

The double materiality analyses of business conduct identified a material impact related to corporate culture, corruption, and bribery, as well as a material risk related to bribery, corruption, and procedures for managing whistleblowers. IT and cyber security were identified as company-specific topics and are discussed in this chapter.

Impact, risk, and opportunity management

With total assets of over NOK 550 billion, KBN is one of the largest financial institutions in Norway. KBN finances lending to the local government sector by borrowing money directly in the capital markets. KBN is today one of the largest Norwegian borrowers in the international capital markets, with a yearly borrowing program of around NOK 100 billion. KBN has a conservative risk profile and is one of the few AAA-rated financial institutions in the world. Good business conduct is important for KBN to maintain a strong position in the market and ensuring access to low-cost and stable financing, hedging and liquidity management.

Code of Conduct and corporate culture

KBN's Code of Conduct is a guide to the behaviour that is expected of KBN's employees. It is the Board of Directors that approves the Code of Conduct, and all KBN's employees are required to be aware of it. In addition to the Code of Conduct, KBN has General Guidelines for Measures to Combat Money Laundering and Terrorist Financing, General Guidelines for Sustainability and General Guidelines for Market Conduct. There are also various supplementary guidelines approved by the CEO, which cover inter alia whistleblowing, sustainable investment, money laundering and investments in KBN's investment universe. These provide the instructions for KBN and the employees' conduct.

Annual training in key conduct rules is provided for all employees under the supervision of the compliance department, and all employees must confirm each year that they have read and are familiar with the rules.

The Chief Compliance Officer is the document manager and is responsible for monitoring the Code of Conduct.

The Compliance Function has its own manager and the function's independence is ensured by means of a separate reporting line to the CEO and Board of Directors.

The management team and Board of Directors discuss and consider KBN's corporate culture on a continual basis as part of the company's strategy process. KBN's Board of Directors produces the general guideline documents and the administrative management issues more detailed guidelines as needed, which are approved by the CEO. The guidelines are reviewed annually.

KBN's conduct rules emphasise the importance of respect, a high level of integrity and transparency. Employees are responsible for acting in accordance with KBN's values. In addition to the conduct rules, KBN has a wide range of other guidelines that provide instructions and are intended to promote a healthy corporate culture. This applies to KBN's guidelines on sustainability, measures to prevent money laundering and terrorist financing, IT and data management, risk management and internal control, the assessment of conflicts of interest, privacy, security management, market conduct, supplier management and information management.

KBN’s remuneration scheme is primarily based on individual remuneration. Individual salary assessments are based on set criteria, with half linked to results and the other half to behaviour, development, and compliance. The variable salary scheme is linked to the company's results and is a collective scheme that rewards joint effort and results.

The four pillars of KBN’s strategy will affect and guide the corporate culture – see the section on KBN’s 2025-2026 strategy for a description of the pillars. The four pillars are supported by KBN’s values, which are Open, Responsible and Ahead. These values, which are further described in the items below each value, provide a more comprehensive description of KBN’s desired corporate culture:

Open

- We share our knowledge
- We are open to change, new ideas and perspectives
- Our dialogue is transparent, externally and internally

Responsible

- We take responsibility for our own deliveries
- We show respect for each other’s time
- We exhibit highly ethical behaviour and think about sustainability in everything we do

Ahead

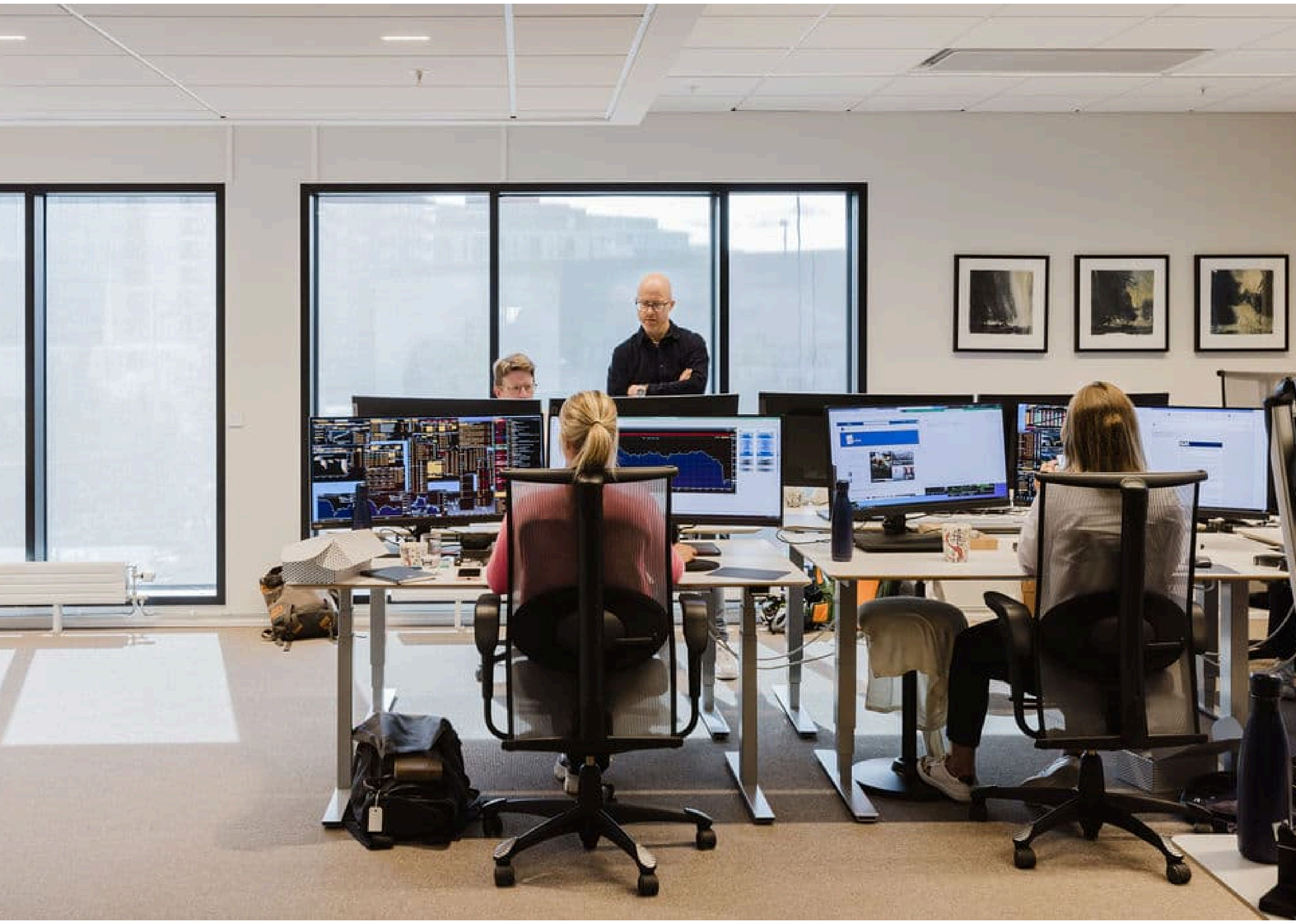
- We renew and extend our expertise the entire time
- We take the initiative, come up with ideas and work to be ahead
- We tackle tasks with speed, enthusiasm and commitment

ESG rating

One of the pillars in KBN’s strategy is being a leader in green finance, and KBN has set a strategic target of having the following ratings from the most relevant ESG ratings companies:

- MSCI: AA
- ISS ESG: B
- Sustainalytics = Negligible

This target could be placed under E1 *Climate Change*, S1 *Own workforce*, S3 *Affected communities* and G1 *Business conduct*, but KBN has chosen to include this objective as part of G1 *Business conduct*. This relates to KBN's implicit desire for sustainability to permeate the corporate culture.



Corruption and bribery

KBN provides loans to the local government sector and has been designated by the Ministry of Finance as one of four systemically important financial institutions in Norway. It is important for KBN to build an organisational culture and organisational structure that reduce the risk of corruption and bribery.

KBN's procedures for addressing corruption and bribery are first and foremost covered by the Code of Conduct. There are also separate guidelines for measures to combat money laundering and terrorist financing.

KBN's governance structure is built such that the second line of defence (Risk management and Compliance) is the CEO's control function that exercises control over the activities and risk management on the first line of defence, while the third line of defence (the internal auditor) is the Board of Director’s control function, and independently assesses whether KBN is organised and operated in a proper manner and in accordance with the relevant requirements. KBN’s governance structure is intended primarily to reduce the risk of corruption and bribery. It is particularly in those departments which exercise a high level of discretion regarding market participants that there is a risk of corruption and bribery (in KBN’s own operations). Controls intended to reduce this risk to an acceptable level have been implemented in the various departments.

Anti-money laundering

KBN is an obliged entity under the Norwegian Anti-Money Laundering Act and is therefore required to implement measures to combat money laundering and terrorist financing and to report suspicious matters to the authorities.

Customer due diligence measures must be applied when establishing customer relationships and on a continual basis during a customer relationship. KBN’s general and supplementary guidelines on measures to combat money laundering and terrorist financing describe how and when customer due diligence measures shall be applied and describes KBN’s governance structure in the anti-money laundering area.

KBN’s Chief Technology and Operations Officer belongs to the first line of defence and is the head of anti-money laundering at KBN in accordance with Norway’s anti-money laundering rules, while KBN’s Chief Compliance Officer is the compliance officer in accordance with the rules. KBN’s Chief Lending Officer belongs to the first line of defence and is responsible for obtaining and verifying information on customers, monitoring sanctions on a continual basis, monitoring for negative media reports and monitoring transactions. KBN’s Chief Risk Officer is a control function on the second line who is responsible for assessing and reporting the level of risk in the area.

The lending department and business operations section in the technology and operations department are the units that are involved in the customer due diligence measures, and that are the closest to transactions with customers. All these sections’ employees (‘at-risk’ employees/those closest to customers and therefore possessing the greatest chance of identifying indicators of suspicious maters) receive anti-money laundering training each quarter and take an annual test on which they are required to score 80% in order to pass. The training is foundational, but it is also adapted so that the employees are in a position to apply due diligence measures in accordance with the Norwegian Anti-Money Laundering Act, and to make sound judgments and observations when carrying out their normal work tasks with respect to the risk of money laundering and terrorist financing. In 2024, KBN's green finance section did not receive the same training as the rest of the lending department, but adapted training is planned to take place from 2025. Green finance is a section in the lending department that works to inform about, promote and certify green loans in collaboration with the customer managers in the lending department.

In 2024, the anti-money laundering training for at-risk employees for Q4 was postponed and will be carried out in February 2025.

KBN's Board of Directors and management team receive annual training on anti-money laundering and terrorist financing. The last time they received this training was 16 November 2023. The next training session is planned for the Board meeting that will be held in February 2025.

Training on Code of Conduct and anti-money laundering per 31.12.24	Number	Share
Completed Code of Conduct training	93	98%
Acknowledged reading and understanding KBN's Code of Conduct		
Employees	93	98%
Consultants	14	78%
At-risk employees who completed anti-money laundering training		
Q1	19	83%
Q2	15	71%
Q3	15	63%
Q4	0	0%
At-risk employees who completed and passed the anti-money laundering test	24	100%
Tailored anti-money laundering training for the Board of Directors and executive team		
Board of Directors	0	0%
Management team	0	0%

The duty to inform the Head of Anti-Money Laundering of suspicious matters applies to members of the Board of Directors, KBN's employees and hired-in personnel. When suspicious matters are reported, it is the Head of Anti-Money Laundering who determines the group of people who will be involved in the investigations. The Board receives quarterly status reports on KBN's efforts to combat money laundering and terrorist financing. These reports include the number of customers in each risk category and the number of matters reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) Reporting on risk exposure and compliance is also provided through the routine reports provided to the Board of Directors.

Protection of whistleblowers

It is important for KBN to have procedures that attend to the rights of whistleblowers, and for the employees to be informed about the processes for managing whistleblowing reports. Whistleblowing and KBN's whistleblowing procedure are part of the annual training provided for all KBN's employees on conduct rules. The guidelines are subject to regular assessment and revision.

The guidelines for whistleblowing were produced with the purpose of facilitating a high-quality and constructive climate for expression and a good whistleblowing culture in accordance with KBN's values. They describe the roles and responsibilities involved, provide definitions for whistleblowing, and set out what constitutes a censurable matter and how employees can whistleblow, both internally and externally. KBN's Chief Compliance Officer manages KBN's whistleblowing channels and will normally be the person who processes whistleblowing reports that are received internally, but he/she also ensures that KBN has an external whistleblowing channel.

Individuals can whistleblow anonymously. KBN's internal whistleblowing channel maintains personal confidentiality and only stores a whistleblowers' personal data to the extent required for the report to be processed. If an individual wishes to remain anonymous, he/she can use KBN's external whistleblowing channel, which can be found on KBN's website and intranet.

In accordance with KBN's guidelines on whistleblowing, any person who receives an internal whistleblowing report must ensure it is treated properly and confidentially. The guidelines establish a duty to act and a duty of care, which means that the report must be processed within a reasonable amount of time and to a reasonable extent, and that the person who receives the report must ensure that the whistleblower has a proper working environment. As a rule, information is deleted within three months of the end of a whistleblowing case. Retaliation against whistleblowers is prohibited.

As a general rule, whistleblowing reports must be handled by KBN's Chief Compliance Officer. The person who receives a whistleblowing report can, if the matter can easily be resolved by the recipient, address the report. This is in line with the duty to act and duty of care.

There were no whistleblowing reports at KBN in 2024.

IT and cyber security

Expertise and technology driven is one of the four pillars of KBN's commercial strategy, and it means that KBN must both satisfy current information security requirements and be well-equipped to deal with future developments in technology.

IT and cyber security are important for KBN to protect sensitive data, prevent financial losses, maintain trust in the market, comply with legislation, ensure continuing operations, and avoid causing losses or disruption for customers and counterparties because of weak security procedures at KBN. The Board of Directors has determined that KBN's risk appetite for operational risk, including IT and cyber risk is low, and resources for risk-reduction measures are prioritised.

KBN's general guidelines for security management, risk management and internal control, and IT and data management set limits and requirements for KBN's governance of IT and cyber security. The Chief Technology and Operations Officer is responsible for the security governance framework and carries out a risk and vulnerability analysis each year for the IT and cyber area, and this determines which actions and measures are implemented and carried out to ensure KBN operates within the established risk appetite for the IT area. Security measures in IT and cyber security are intended to ensure the confidentiality, integrity and availability of the information and systems, both physical and digital, that are used by KBN.

All of KBN's critical business processes and support functions depend on IT systems and services, and it is therefore important that all employees have basic knowledge of good security procedures and put them into practice. KBN provides annual training in IT and cyber security as part of an obligatory review of the Code of Conduct for all employees. IT and cyber security training is also provided in the form of phishing tests and participation in Norway's national security month and quizzes.

KBN uses CIS Controls as the technical standard for implementing security measures. Threats are monitored and technical vulnerabilities are closed on a continual basis. Security tests are carried out at different levels, including different penetration tests. The internal auditor carries out independent tests and checks annually.

Results and targets

Corruption and bribery

In 2024 there were no registered incidents or fines related to corruption, bribery, or money laundering at KBN, nor is KBN aware of any incidents at organisations in the value chain in which KBN has been directly involved.

Business conduct

Topic	Target	2024 results
ESG-rating	**Strategic target:**	**Strategic target:**
	ESG rating:	ESG rating:
	- MSCI = AA	*- MSCI = AA*
	- ISS ESG = B	*- ISS ESG = C+*
	- Sustainalytics = Negligible	*- Sustainalytics = Low*

The Board of Directors' Report 2024

KBN's activities in 2024

Kommunalbanken AS (hereinafter KBN) is 100% owned by the Norwegian state, with the Ministry of Local Government and Regional Development acting as KBN's owner, and its business address is in Oslo, Norway. KBN's role is to provide stable, long-term and efficient debt financing for the local government sector. In 2024 KBN again played an important role as the largest provider of financing to the local government sector in Norway, with growth for the year in its aggregate customer financing[3] of NOK 21 billion. Lending represented NOK 16 billion of this amount, while local government sector bonds in its liquidity portfolio represented NOK 5 billion. At the end of 2024, KBN's market share based on its aggregate customer financing and after adjusting for loans from the Norwegian State Housing Bank was 50.2%[4], compared to 51.1% at the end of 2023. The loans KBN granted in 2024 financed investment in projects such as schools, health and care facilities, and water and wastewater systems.

KBN seeks to help facilitate the transition to a sustainable economy and greater value creation in the local government sector. It provides green lending products to finance investment in projects with a climate ambition. KBN's green lending grew by NOK 13 billion in 2024, as compared to an increase of NOK 11 billion in 2023. Green lending represented 18.5% of KBN's total lending at the end of 2024. Good growth in lending for projects with a climate ambition, efficient operations and a high level of customer satisfaction demonstrate that KBN is fulfilling its role in society successfully.

KBN's core earnings[5] were NOK 1,276 million in 2024, as compared to NOK 1,211 million in 2023. Net interest income was NOK 2,253 million in 2024, as compared to NOK 2,105 million in 2023. The main reason for the increase is that money market interest rates were higher in 2024 than in 2023. KBN's result for the period for 2024 as a whole was a profit of NOK 1,474 million as compared to a profit of NOK 1,432 million in 2023.

KBN's annualised return on equity in 2024 was 7.4%, compared to 7.9% in 2023. Based on its core earnings, KBN's annualised return on equity in 2024 was 7.2%, compared to 7.3% in 2023. KBN's Board of Directors has set a strategic target for its return on equity of minimum 7%. KBN's return on equity is expected to a large extent to correlate with the level of interest rates in the market.

[3] Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of municipal bonds in the liquidity portfolio, which are included as a part of KBN's financing of customers.

[4] KBN's market share based on total customer financing of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.

[5] Profit after tax adjusted for net unrealised gain/(loss) on financial instruments (in accordance with note 3) 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.

Strategy, objectives and strategic activities

The white paper on state ownership, "The State's direct ownership of companies - Greener and more active state ownership" (Report to Storting No. 6 (2022-2023)) places significant importance on sustainable value creation, and on the state being an active and responsible owner with a long-term perspective.

The white paper stipulates that "The state is the owner of Kommunalbanken in order to offer stable, long-term and efficient financing of the local government sector" and that "The state's aim as owner is to achieve the highest possible return over time subject to the limits of sustainability". The White paper also states that the state's rationale for owning KBN is to facilitate the transition to a sustainable economy and greater value creation across Norway. The Board of Directors target for return on equity and the owner's dividend expectations, as well as the need for KBN to be able to provide loans regardless of market conditions, guide KBN's financial plans.

The Board of Directors of KBN updates KBN's strategy every year. In order for KBN to achieve its objectives, the Board of Directors has set the following strategic pillars for the 2025-2027 strategy period:

- THE CUSTOMER'S FIRST CHOICE: Our main aim is for our customers to want to use KBN for long-term financing of investment in welfare.
- STRONG MARKET PARTICIPANT: Through a strong position in the capital markets, nationally and internationally, KBN will ensure Norwegian municipalities and county authorities have access to attractive financing.
- A LEADER IN GREEN FINANCE: KBN will be among the leading financial institutions on green financing solutions and insight that contribute to the transition to a sustainable economy and value creation.
- EXPERTISE AND TECHNOLOGY DRIVEN: The way we work will promote learning, knowledge sharing and the efficient use of technology.

The Board of Directors, working on the basis of KBN's strategy, approves the strategic objectives prioritised for the strategy period, as well as the ambitions and key results for KBN's strategic development work that are to be prioritised. KBN uses OKRs (Objectives and Key Results) as the goal management tool for its organisation.

Work on establishing new lending processes and a new lending system were again among the main activities carried out in 2024. This project is expected to be completed in 2025. Completion of this project is important in order to modernise and ensure greater efficiency in the lending process. Extensive work was again carried out in 2024 to further develop the quality of KBN's data warehouse and its use as a source for KBN's reports and analysis. Activities were carried out in respect of the implementation of the EU's new regulation on digital operational resilience in the financial sector (DORA), financing projects within the EU Taxonomy, the development of a model to calculate indirect emissions generated as a result of KBN's financing, and the further development of KBN's sustainability reporting in accordance with the CSRD.

In 2024 KBN moved to new offices, and it used the opportunity to work on organisational initiatives that will ensure it is boosted by the new location. Free seating and tailored work facilities (activity-based office) are strengthening the potential for effective collaboration across the organisation.

Statement of the annual accounts

The Board of Directors confirms, in accordance with Section 4-5 of the Norwegian Accounting Act, that KBN's ability to continue as a going concern remains unchanged, and that the financial statements for 2024 have been prepared on a going concern basis. The Board of Directors considers that the financial statements and accompanying notes for the year ending 31 December 2024 provide an adequate description of KBN's financial position at year-end. The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

Result for the year

The result for the year was a profit of NOK 1,474 million, as compared to a profit of NOK 1,432 million in 2023.

Table: Net Income Results

(Amounts in NOK 1 000 000)	**2024**	**2023**
Net interest income	2 253	2 105
Fees and commission expenses	125	126
Net gain/(loss) on financial instruments	157	212
Increased/(reduced) provision for expected credit loss	(9)	(10)
Operating expenses	383	325
Income tax	437	444
Profit for the year	**1 474**	**1 432**

Net interest income totalled NOK 2,253 million in 2024, as compared to NOK 2,105 million in 2023. In 2024 KBN's net interest income from its lending activities was positively affected by higher money market interest rates relative to 2023 and by lending growth. KBN's lending margins were relatively stable throughout 2024. The net interest income from KBN's liquidity management portfolio generated a modest contribution to KBN's earnings in 2024, in line with expectations. Fees and commission expenses totalled NOK 125 million in 2024, compared to NOK 126 million in 2023. KBN's contribution to the Resolution Fund run by the Norwegian Banks' Guarantee Fund was the largest single cost item in this category, amounting to NOK 79 million in 2024 as compared to NOK 82 million in 2023.

Table: Net gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)	**2024**	**2023**
Loans to customers, and related financial derivatives	259	101
Commercial paper and bonds, and related financial derivatives	89	(82)
Senior debt securities issued, and related financial derivatives	(190)	193
Net gain/(loss) on financial instruments	**157**	**212**
Whereof net unrealised gain/(loss) on financial instruments	47	120
Whereof net realised gain/(loss) on financial instruments	110	92

KBN's net gain on financial instruments amounted to NOK 157 million in 2024, compared to a net gain of NOK 212 million in 2023. KBN's net gains/(losses) on financial instruments comprise the sum of the realised and unrealised gains and losses recognised by KBN. There was a net realised gain from market transactions of NOK 110 million in 2024, as compared to a net realised gain of NOK 92 million in 2023. The net unrealised gain on financial instruments in 2024 totalled NOK 47 million as compared to NOK 120 million in 2023.

There was a net unrealised gain on fixed rate lending recognised at fair value and associated hedging contracts amounting to NOK 259 million in 2024, as compared to a net unrealised gain of NOK 101 million in 2023. Credit spreads for Norwegian municipalities and county authorities decreased by approximately 5 basis points over the course of 2024. At the end of 2024, 45% of KBN's portfolio of fixed lending was carried at fair value with changes in its value recognised in the income statement, as compared to 63% at the end of 2023. KBN introduced hedge accounting for all new fixed rate loans with effect from 1 January 2022. The introduction of hedge accounting for fixed rate lending will, over time, reduce the portfolio of fixed rate loans measured at fair value and accordingly reduce the extent of unrealised gains or losses in the accounts.

There was a net unrealised loss on KBN's borrowings, not taking into account any changes to its own credit risk, of NOK 190 million in 2024, as compared to a net unrealised gain of NOK 193 million in 2023. In 2023 KBN recognised a realised gain of NOK 101 million from its repurchasing of subordinated loan capital. A net gain of NOK 89 million was recognised for KBN's liquidity investments in 2024, as compared to net loss of NOK 82 million in 2023. An unrealised loss of NOK 21 million is included in the figure for 2024, as compared to NOK 72 million for 2023.

Table: Total comprehensive income

(Amounts in NOK 1 000 000)	2024	2023
Profit for the period	1 474	1 432
Change in fair value of liabilities due to changes in own credit risk	(305)	484
Actuarial gain/(loss) on pension liability	11	(8)
Tax	73	(119)
Total comprehensive income for the period	**1 254**	**1 789**

Total comprehensive income amounted to NOK 1,254 million in 2024, as compared to NOK 1,789 million in 2023. An unrealised loss of NOK 228 million after tax in the fair value of liabilities due to a change in KBN's own credit risk was attributable to a change in credit spreads in relation to bond debt issued by KBN. The equivalent figure for 2023 was an unrealised gain of NOK 363 million.

KBN's financial instruments are normally held to maturity and the effects of gains and losses on KBN's profits reverse either when fluctuations in the market reverse or as instruments approach maturity.

Table: Operating expenses

(Amounts in NOK 1 000 000)	2024	2023
Salaries	149	132
Pension costs	14	12
Administrative expenses and other expenses	173	139
Depreciation	48	43
Operating expenses	**383**	**325**

KBN's operating expenses totalled NOK 383 million in 2024, as compared to NOK 325 million in 2023. As a result of the financial results reported by KBN for 2023, variable salary payments equivalent to 0.8 times employees' monthly salaries were accrued in 2024, while variable salary payments equivalent to 1.1 times employee's monthly salaries were accrued in 2023. Administrative expenses and other operating expenses increased by NOK 33 million from 2023. The increase was due to higher prices, the weakness of the Norwegian krone, a higher level of activity in relation to developing and improving KBN's operations, and the hiring-in of workers pending appointments. Digitalisation, the further development of KBN's digital resilience and greater regulatory requirements were contributory factors to the increase in expenses.

KBN's total assets at 31 December amounted to NOK 568 billion, compared to NOK 522 billion at the end of 2023. The increase was largely due to the weakness of the Norwegian krone and to lending growth.

Capital adequacy – key figures

Table: Capital adequacy – key figures

As at 31 December 2023	Volume in NOK billion	Capital adequacy	Requirements
Common equity Tier 1 capital adequacy ratio	17.6	18.1 %	14.7 %
Tier 1 capital adequacy ratio	21.1	21.7 %	16.5 %
Total capital ratio	21.9	22.5 %	18.9 %

KBN received the Financial Supervisory Authority of Norway's (Finanstilsynet's) decision regarding its Pillar 2 requirement (SREP) on 11 November 2024. The Financial Supervisory Authority of Norway determined that KBN will have a Pillar 2 requirement consisting of 1.7% of the basis for calculation under Pillar 1. KBN's Pillar 2 requirement has thus decreased by 0.3 percentage points. The Pillar 2 requirement is intended to address risks that the undertaking is exposed to and that are not, or are only partially, covered by the general capital requirements in Pillar 1. The requirement must be satisfied with at least 56.25% common equity Tier 1 capital and at least 75% Tier 1 capital. The decision came into force on 31 December 2024.

KBN's leverage ratio at the end of 2024 was 3.9%, as compared to the requirement of 3.0%.

KBN's capital adequacy at the end of 2024 was in excess of the requirements set by the authorities.

Capital adequacy figures are sensitive to large fluctuations in exchange rates, particularly the US dollar / Norwegian krone rate, because these impact the size of KBN's balance sheet through the conversion into NOK. In addition, changes in the value of KBN's outstanding currency hedging contracts cause fluctuations in cash collateral, which affects KBN's capital adequacy key figures. KBN has internal buffers to ensure its capital adequacy does not fall below the regulatory requirements as a result of exchange rate fluctuations.

Lending

In 2024 the local government lending market was, as in previous years, dominated by KBN, KLP, and issuers borrowing directly from the capital market. KBN is the biggest provider of loans overall, and is specifically the biggest provider of long-term, instalment-based loans. 2024 again saw strong competition from time to time between the lenders active in the local government market. With sufficient and well-managed lending capacity throughout 2024, KBN ensured that its customers had access to financing throughout the year.

KBN's lending increased in total by NOK 16 billion in 2024, equivalent to 4.5%. The rate of growth in normal local government sector borrowing was 8.5% in 2024 compared to 7.9% in 2023. Municipalities again increased their borrowing from the Norwegian State Housing Bank in 2024, and these loans are used to make loans to residents under the municipal start-up loans scheme. After correcting for growth in loans from the Norwegian State Housing Bank, the increase in borrowing in 2024 was 8.0% as compared to 7.2% in 2023. The total growth in borrowing in 2024 by municipalities and county authorities that are included in the calculation of KBN's market share was NOK 51 billion. This represents higher growth in borrowing than was expected for 2024, but should be seen in the context of significant increases in prices for goods and services related to the investments that were financed. Some larger municipalities have significantly increased their borrowing and contributed to such strong overall growth in borrowing in 2024.

KBN saw a good level of demand in 2024 for long-term loans with instalment payments. There was also good demand for fixed rate loans, and this is thought to reflect the favourable market conditions for this type of loan from time to time in 2024. As in previous years the main areas of investment for which loan financing was used were schools, health and care, and water and wastewater. Demand for borrowing varied between different types of municipality. The largest municipalities and county authorities accounted for the largest growth in KBN's lending again in 2024.

At 31 December 2024, KBN's market share, based on its aggregate customer financing and after adjusting for loans from the Norwegian State Housing Bank, was 50.2%[6], a decrease from 51.1% at the close of 2023. The decrease was partially due to a high rate of debt growth in the sector, but also the strong level of competition for new loans from time to time in 2024. KBN's objective is to maintain a stable share of the market for lending to municipalities and county authorities over time. At the end of 2024, KBN had loans outstanding to 356 of Norway's 357 municipalities, all its county authorities, and Longyearbyen Community Council. In addition, a range of municipal and intermunicipal companies and companies with a municipal or county-authority guarantee are loan customers of KBN.

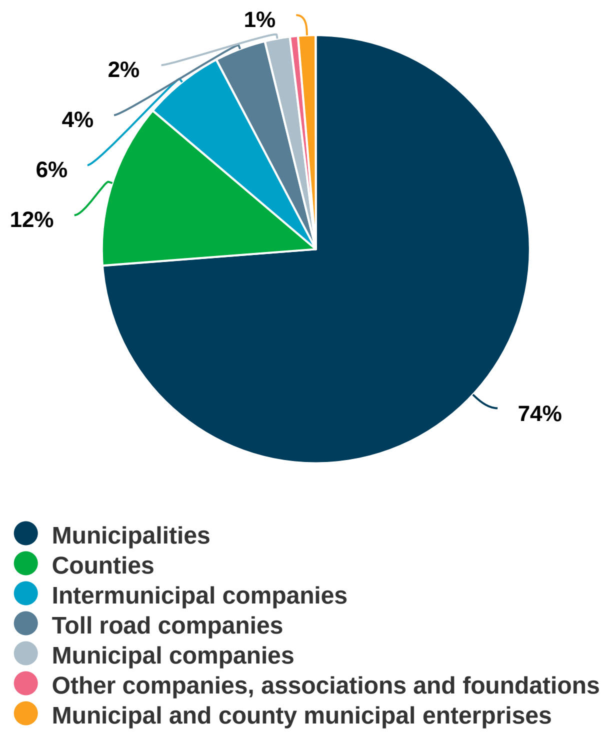
KBN's total portfolio of green lending for investment in climate and environmentally friendly projects increased by 25.0% in 2024, equivalent to NOK 13 billion for 72 projects. At the end of 2024, 152 municipalities, seven county authorities and a total of 84 other customers had green loans from KBN, and outstanding green lending totalled NOK 68 billion. The environmental impact of these loans is reported

[6] KBN's market share based on total customer financing of sector code 6500 divided by total lending to the same sector, based on Statistics Norway's K2 reporting. Lending from Husbanken is not included as KBN does not compete for these loans.

annually in KBN's separate Impact Report. KBN's Criteria Document for green lending is updated annually in pace with developments in environmental standards.

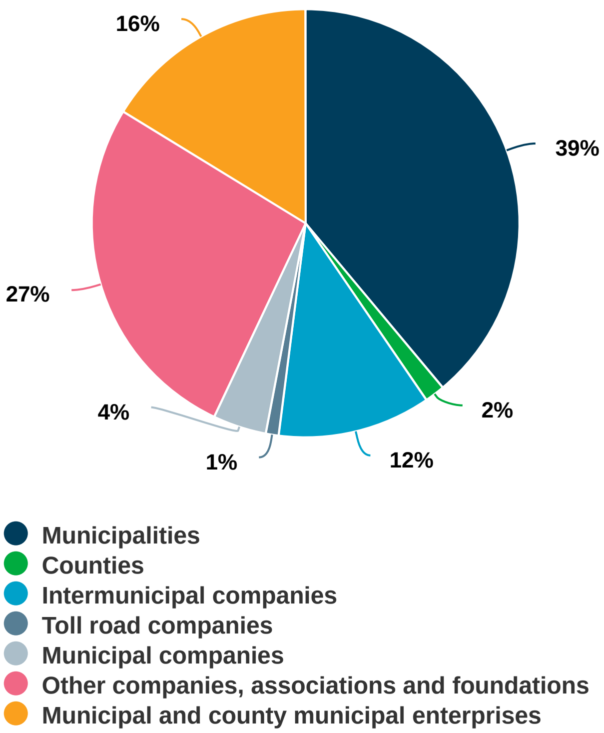
88% of KBN's lending is directly to municipalities (including municipal companies) and county authorities, as shown by the breakdown provided in the chart below. A further 6% of KBN's lending is to inter-municipal companies, and the remaining 6% of the lending portfolio is made up of loans to borrowers with a variety of organisational types, all of which are guaranteed by municipalities or county authorities, with toll-financed road projects accounting for just over half of this category.

Figure: Analysis of KBN's outstanding lending in NOK by customer category



A total of 917 customers have outstanding loans from KBN. Figure below shows that 44% of KBN's customers are municipalities, county authorities or municipal companies, 12% are intermunicipal companies, and 44% are customers with a municipal or county authority guarantee.

Figure: Analysis of the number of customers by customer category



KBN did not experience any default or payment problems with customers in 2024.

Funding

KBN's AAA/Aaa credit ratings ensure it has stable access to funding on favourable terms, which benefits the local government sector. KBN pursues a diversified funding strategy that ensures it has a broad investor base and low refinancing risk. New long-term borrowings amounted to NOK 92 billion in 2024, as compared to NOK 77 billion in 2023. KBN enjoyed good access to funding from the capital markets throughout 2024.

Europe, the USA and Asia are KBN's most important markets for funding. KBN issued bonds in 8 currencies in both 2024 and 2023. KBN achieved a good currency diversification for its funding over the course of 2024, and the proportion of new borrowing that was denominated in US dollars was maintained at around 55%. In 2024 KBN issued three USD benchmark bonds totalling USD 4.25 billion. KBN attracted a high level of interest from investors, and all its benchmark bonds were significantly oversubscribed. In addition, KBN experienced good interest from investors in euros, British pounds and Australian dollars.

KBN is one of the most active Norwegian issuers of green bonds and is one of the leading participants in the development of green finance in the Nordic region. KBN's green bonds finance its loans to customers for their green projects. KBN's Green Bond Framework was updated in 2024, and develops further the earlier 2021 framework which it replaces. The updated framework has been subjected to an independent third-party assessment by S&P Global Ratings/CICERO, and received an overall rating of 'Medium Green'. KBN issued five green bonds in 2024 with a total nominal value equivalent to USD 2 billion.

KBN's total outstanding bonds and other borrowings increased in 2024 from NOK 438 billion to NOK 482 billion[7]. Some of the increase in total borrowing measured in Norwegian kroner was due to the weakness of the krone through 2024.

Liquidity management

KBN's policy is to operate with cash and cash equivalents that match its capital requirements, including growth in lending to the local government sector, for the subsequent 12 months at all times. KBN's liquidity portfolio is held primarily in securities issued by states, multinational institutions and regions. KBN also invests in covered bonds. KBN's liquidity portfolio is managed according to an investment strategy that is low risk in terms of both credit risk and market risk. A large proportion of KBN's liquidity portfolio investments are denominated in foreign currencies, meaning that fluctuations in the NOK exchange rate lead to fluctuations in KBN's liquidity reserves when translated into NOK terms. The value of the liquidity portfolio at the end of 2024 was NOK 140 billion[8], as compared to NOK 115 billion at the end of 2023. At the end of 2024, KBN's overall Liquidity Coverage Ratio (LCR) and its LCR for NOK were 236% and 97% respectively. LCR is a measure of liquid assets relative to net payments in a situation of stress in the bond and capital markets for a period of 30 days ahead.

Corporate governance

The corporate governance of KBN is based inter alia on the Norwegian Financial Institutions Act, the Limited Liability Companies Act, the Accounting Act, the Norwegian Government's white paper on state ownership, and the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB). For more information, see the section on corporate governance.

The Board of Directors' statement on the remuneration of senior executives

The Board of Directors produces guidelines on the remuneration of senior executives. These guidelines are approved by the Board, and are submitted to the Annual General Meeting for approval whenever there has been a change to the guidelines, and in any case at least every fourth year. The remuneration report that details the salaries and other remuneration received by executive personnel is submitted to the Annual General Meeting for an advisory vote. The report is published on the KBN website at the same time as the Annual Report.

[7] Nominal amounts incl. fees.

[8] Principal amounts.

Risk management and internal control

KBN’s Board of Directors issues guidelines on risk management and internal control. The Board determines KBN’s risk appetite framework and ensures that this is within KBN’s risk capacity. The threshold levels for KBN’s risk appetite framework and the need for any adjustments are assessed annually. The Board considers the CEO’s assessment of internal control on a yearly basis.

The purpose of risk management is to ensure that KBN’s management of its assets and liabilities is in accordance with the Board’s guidelines for risk management and internal control and its defined risk appetite framework. Risk assessments are carried out in relation to material risks for all KBN’s business areas at least annually. Stress tests and scenario analysis are used to assess the vulnerability of KBN’s key risk areas. The results of these stress tests are evaluated and considered when determining KBN’s risk appetite and as part of the capital adequacy plan, recovery planning, and the commercial strategy design process.

The Board is regularly informed of KBN’s activities, financial position and earnings situation. The Board routinely considers management’s assessment of risk exposure, compliance and risk events.

Risk management at KBN is established in a structure based on three lines of defence that ensures systematic identification, assessment, monitoring and reporting of risk in all parts of KBN's activities. The first line of defence carries out operational tasks and is responsible for managing and checking that KBN’s activities are carried out within the approved limits and in accordance with internal and external regulations. The second line of defence carries out independent risk and compliance assessments, assesses and validates risk models and produces independent risk and compliance reports. KBN’s second line of defence comprises its risk management and compliance functions. KBN’s third line of defence is provided by the internal auditor (KPMG) and represents the Board’s independent control function.

KBN has arranged directors’ and officers’ liability insurance for the members of the Board of Directors and for the CEO in respect of their potential liability to KBN and third parties. The insurance cover is subject to a limit of NOK 700 million. The lead insurer is Tryg Forsikring NUF.

<u>Capital risk</u>

KBN has a limited risk appetite with regard to capital risk. KBN’s regulatory capital risk is the result of KBN’s commercial direction and the composition of its balance sheet, as well as external matters that affect its capital adequacy requirements. KBN’s financial capital risk is made up of the aggregated risk to which its equity is exposed (risk of loss associated with market risk, credit risk, liquidity risk and operational risk).

KBN has in place a structured process to calculate its capital requirements including the necessary capital buffers to ensure that it maintains a sufficient level of capital in relation to its risk profile.

Credit risk

KBN has a limited risk appetite with regard to its overall exposure to credit risk.

KBN lends exclusively to customers connected to the local government sector, and this means it has a very limited risk of incurring financial losses from its lending activities. This is in part because of the Norwegian Local Government Act, which stipulates that municipalities cannot be declared insolvent. In the event that any municipality runs into financial difficulties or comes under pressure financially, it will be monitored by the state by means of the Register for State Review and Approval of Financial Obligations (ROBEK) system. These factors in practice protect KBN from any losses in relation to accumulated debt and accrued interest.

KBN manages its liquidity through investments in securities with a low credit risk, and it has a limited appetite for credit risk in relation to its liquidity counterparties.

KBN uses financial derivatives to manage the interest rate risk and exchange rate risk associated with its lending and funding activities and its liquidity portfolio investments. The counterparty risk associated with entering into derivative contracts is reduced by the use of central counterparties or other counterparties with a high credit rating, and by exchanging cash collateral on a daily basis.

Liquidity risk

KBN has a very limited risk appetite with regard to liquidity risk. Liquidity risk is managed by means of KBN's internal liquidity management framework. KBN's policy is to ensure that it is in a position at all times to meet its liabilities when they fall due without incurring any significant extra costs.

Market risk, including interest rate risk and foreign exchange risk

KBN has a limited risk appetite with regard to market risk, and financial derivatives are used to hedge all significant exposure to interest rate risk and foreign exchange risk. The remaining source of market risk for KBN is principally basis risk, which is the risk of a change in basis spreads between two currencies that affects the value of hedging contracts. Credit spread risk is the risk of changes in the credit spreads on assets.

Operational risk

KBN has a limited risk appetite with regard to operational risk. A uniform and systematic approach to identifying risk is used for managing operational risk, and regular risk assessments are carried out for all material functions. This work forms the basis for decisions regarding how KBN's resources for risk-reduction activities should be prioritised. Operational risk is subject to continual monitoring and reporting. Compliance risk, i.e. the risk of a breach of compliance with external or internal regulations or guidelines, cyber risk and the risk of money laundering and terrorist financing, represent three sub-types of operational risk that are subject to special reporting. KBN has a very limited risk appetite with regard to compliance risk and the risk of money laundering and terror financing and limited risk appetite for cyber risk.

Environmental, social and governance risk (ESG)

Social and governance risk

KBN acts to reduce its exposure to risk related to social and governance issues in its own activities through sound governance and corporate management, sound risk management and internal control, good working conditions that facilitate diversity and equality, and ethical business conduct.

KBN strives through its follow-up of its customers to create good awareness of the importance of sound routines and procedures for internal control, including avoidance of conflicts of interest, ethical conduct, arrangements for whistle blowing and assessment of the risk of financial criminality, as well as asking questions about each customer's approach to setting requirements for its suppliers and following up their compliance in respect of procurement and the conduct of building and construction projects.

Environmental

KBN is exposed to direct climate-related risk through its own activities to a limited extent, but is indirectly exposed through the local government sector's exposure to climate-related risk. As mentioned above, the Norwegian Local Government Act states at Section 29-1 that municipalities and county authorities cannot be declared insolvent, and consequently the potential risk of lending losses as a consequence of KBN's indirect exposure to climate-related risk is very limited. KBN's direct and indirect exposure to climate-related risk is discussed in more detail in the section on sustainability reporting and in the Task Force on Climate-related Financial Disclosures (TCFD) report, which is published on the KBN website at the same time as its Annual Report.

KBN has only a limited direct exposure to nature-related risk through its own activities, but is indirectly exposed through its lending to the local government sector. The local government sector takes up loans from KBN to finance its investment in buildings, water and wastewater facilities, roads and other infrastructure that can impact nature. Such investments also use raw materials that can have an impact on nature. Norwegian municipalities and county authorities cannot be declared insolvent, and consequently the potential risk of lending losses as a consequence of KBN's indirect exposure to nature-related risk is very limited.

Environmental, social and governance risk in the liquidity portfolio

KBN has an established strategy for its liquidity portfolio that also takes into account risk related to environmental, social and governance issues, and it has guidelines and systems for regular screening of the liquidity portfolio.

Corporate communication and public relations

The Board of Directors regards engagement by KBN in continuous dialogue with its major stakeholders as an important means of ensuring that there is a good understanding of its business model and the framework in which it operates. High-quality, open communication is important for maintaining the trust of KBN's owner, customers, investors and employees, as well as the trust of rating agencies, regulatory authorities and wider society.

KBN's external communication activities are intended inter alia to help highlight issues that affect its customers, for example changes to their own or to KBN's framework conditions. Inflation and rising interest rates, green finance and the local government sector's long-term sustainability in a broad sense were central topics in KBN's external communication activities in 2024. KBN organised a range of customer seminars and webinars on these topics, among others. The importance of a sustainable approach to debt management by the local government sector was emphasised in the communication activities KBN conducted directly with its customers, including its finance seminars, its digital portfolio management tool (KBN Finans) and its newsletters.

Ethics

KBN expects all its employees and managers to act in line with KBN's Code of Conduct. All employees are required to confirm on an annual basis that they have paid proper attention to KBN's rules and guidelines on ethical conduct, including the Code of Conduct.

Corporate social responsibility

A new double materiality analysis was carried out in 2024 in line with the requirements of the EU's Corporate Sustainability Reporting Directive, CSRD.

The EU's Corporate Sustainability Reporting Directive (CSRD) entered into force in the EU on 31 July 2023. Based on current legislation, Kommunalbanken AS (KBN) will be required to produce a sustainability statement with effect from the 2025 reporting year, with its first mandatory sustainability statement produced in 2026. In 2024, KBN decided to adapt its sustainability reporting to the requirements in the European Sustainability Reporting Standards (ESRS). KBN's 2024 sustainability statement will not achieve full compliance with the standards, meaning its 2024 sustainability statement will be transitional. On 26 February 2025, the European Commission announced proposed simplifications to CSRD, the CSRD omnibus. If the proposed simplifications are adopted in the EU and subsequently implemented into Norwegian law, Kommunalbanken will no longer be required to report in accordance with CSRD.

KBN's reporting in response to the Norwegian Transparency Act is provided in the Report on due diligence, which is published on KBN's website.

Organisation and employees

As a competence-based business, KBN needs to recruit, develop and retain skilled employees across a range of specialist areas in order to fulfil its objectives. KBN needs to adapt continuously to the changes that are being driven by factors such as technology, regulatory requirements and changing customer behaviours, in addition to the requirements and expectations of our owner, other stakeholders and KBN's employees themselves.

KBN seeks to be an attractive place to work by taking good care of its employees and creating a good working environment, in addition to facilitating their growth and competence development. In addition to following relevant legislation intended to ensure employee rights, KBN works actively to ensure well-being, to maintain and further develop a culture of continuous learning and knowledge sharing, and to increase diversity.

KBN seeks to ensure that employees have high-quality and safe working conditions that are in line with all relevant legislation and regulations. KBN's report on due diligence and equality statement are published on the KBN website.

The sickness rate was 2.1% in both 2024 and 2023. KBN's target is for the sickness rate to be below 2.5% over time. There were no work-related accidents in 2024 or 2023.

Allocation of surplus

The Board of Directors of KBN proposes the following allocation of the surplus for the 2024 accounting year: NOK 700 million to be paid in dividend to the owner, NOK 162 million to be paid in interest to Additional Tier 1 capital holders, and NOK 612 million to be transferred to other equity. Dividends are decided by the Annual General Meeting. The proposed dividend is equivalent to 47% of KBN's profit for the year and 55% of its core earnings. The state has a long-term expectation for KBN to pay around 55% of its core earnings after tax in dividend, subject to maintaining a satisfactory capital adequacy. Proposed dividends are included in KBN's equity until such time as the dividend is approved by the Annual General Meeting, but are deducted for the purpose of calculations of capital adequacy.

Future prospects

Norges Bank reiterated at its January 2025 monetary policy committee meeting that it expects it will reduce Norway's key policy rate to 4.25% in March and then to 3.75% by the end of the year. Norges Bank stated that a restrictive monetary policy is still needed to stabilise inflation around the target of 2%. The rate of inflation in Norway increased from January to February and was running at 3.6% at the most recent assessment in March (rate as at February 2025), while core inflation was 3.4%. Norges Bank's interest rate decision at the end of March will depend on further developments in key economic figures, but the increased inflation reduces the likelihood of an interest rate cut.

The rate of growth in mainland Norway's economy increased in 2024, and this is expected to continue into 2025. Labour market conditions in Norway are tight, with employment at a stable low level. The rate of wage growth, however, is expected to decrease somewhat in 2025.

The outlook for the Norwegian and global economy has improved, but there continues to be a high level of uncertainty. The uncertainty regarding Europe's relationship with the USA increased significantly in the first weeks of 2025, particularly with regard to security and the financial system. Political uncertainty in the USA, particularly after the election of Trump as president and the consequent changes to the administration, will impact its relationship with Europe. Greater economic nationalism and the policy of 'America First' may lead to further tension and uncertainty in the transatlantic relationship. There are particular concerns that the US may introduce higher tariffs on European goods, which could reduce Europe's and Norway's GDP growth and create economic instability. Norway, as a small and open economy, is dependent on a functioning global economic framework. In addition, security policy cooperation appears to be taking a new shape.

Re-arming the Norwegian Armed Forces will require significant resources, including a greater demand for labour. This higher level of demand may lead to challenges in the labour market, particularly in sectors that are already experiencing a shortage of qualified workers. The Norwegian Armed Forces will need more engineers, technicians, logisticians and other specialised personnel, something which may draw labour away from other important industries, such as the building and construction sector, the tech industry and the healthcare sector.

In 2024, credit spreads for local government sector issuers decreased by about 5 basis points and have continued to fall in 2025. The outlook for future changes in the credit spreads for local government sector issuers is uncertain. An expectation that money market rates will fall in 2025 means that it may again be more favourable for KBN’s customers to borrow to finance their investment projects.

At a time of rapid growth in costs and declining tax revenues, higher interest rates have resulted in a more challenging financial situation for many of KBN’s customers. Many municipalities are facing a continuing need for sizeable investment spending and the rate of debt growth is expected to continue to be high in the coming years, but probably somewhat lower than the particularly high level seen in 2024. The overhang of overdue maintenance requirements and essential improvements in standards will continue to contribute to growth in investment spending, especially in the areas of health and care, water and wastewater, and public transport.

According to Statistics Norway’s population forecasts, the number of people over 80 will double within 15 years. Increased use of welfare technology is expected to make it possible for more people to remain independent and live at home longer. However, the growth in the older population will be so rapid that it will force a radical change in how essential care can be provided. Greater investment spending in the health and care area will contribute to keeping the aggregate level of investment that KBN’s customers will need to carry out at high levels for the years ahead. Statistics Norway's population forecasts anticipate a continuing low birth rate, which indicates a decline in the level of investment in schools and nurseries. The availability of skilled employees is already a significant problem for many municipalities. In the future this will become an increasingly important factor for investment decisions and for how welfare services can be delivered to residents.

Climate change, the transition to a low carbon society and the need to reduce the degradation of nature in relation to land use will place demands on investment decisions through their impact on the location of new buildings, the content and implementation of construction contracts, energy solutions, resource use and choice of materials. A sustainable approach to nature and land use will become increasingly necessary over the years ahead, and will be an ever more important factor in investment decisions by municipalities and county authorities.

In short, the geopolitical events seen at the start of 2025 have led to a high level of uncertainty regarding exchange rates and interest rates and the level of general liquidity, but equity markets, currency markets and bond markets are continuing to function effectively.

KBN has good access to liquidity and will continue to provide its customers with attractive financing for local government sector projects across Norway.

The Board of Directors thanks KBN's employees for a job well done.

Oslo, 13 March 2025

The Board of Directors and Chief Executive Officer of Kommunalbanken AS

Brit Kristin Sæbø Rugland
CHAIR

Rune Midtgaard
VICE CHAIR

Eyvind Aven
BOARD MEMBER

Kristine Fausa Aasberg
EMPLOYEE REPRESENTATIVE

Nils Gunnar Baumann
EMPLOYEE REPRESENTATIVE

Toril Hovdenak
BOARD MEMBER

Ida Espolin Johnson
BOARD MEMBER

Ida Texmo Prytz
BOARD MEMBER

Petter Steen Jr.
BOARD MEMBER

Jannicke Trumpy Granquist
CEO

Financial statement 2024

Income statement

INCOME STATEMENT

(Amounts in NOK 1 000 000)	Note	2024	2023
Interest income from assets measured at amortised cost		*19 557*	*15 411*
Interest income from assets measured at fair value		*7 375*	*6 933*
Total interest income		26 931	22 345
Interest expense		24 678	20 240
Net interest income	1	**2 253**	**2 105**
Fees and commission expenses	2	125	126
Net gain/(loss) on financial instruments	3	157	212
Increased/(reduced) provision for expected credit loss	14	(9)	(10)
Total other operating income		**41**	**96**
Salaries and administrative expenses	4,5	221	190
Depreciation of fixed and intangible assets		48	43
Other operating expenses	7	115	92
Total operating expenses		**383**	**325**
Profit before tax		**1 911**	**1 876**
Income tax	6	437	444
Profit for the year		**1 474**	**1 432**
Portion allocated to shareholder		1 312	1 301
Portion allocated to owners of additional Tier 1 capital		162	131

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)	Note	2024	2023
Profit for the year		1 474	1 432
Other comprehensive income			
Items which will not be reclassified to profit or loss			
Change in fair value of liabilities due to changes in own credit risk	18	(305)	484
Actuarial gain/(loss) on pension liability		11	(8)
Tax		73	(119)
Total other comprehensive income		**(220)**	**357**
Total comprehensive income for the year		**1 254**	**1 789**
Portion allocated to shareholder		1 091	1 658
Portion allocated to owners of additional Tier 1 capital		162	131

Statement of financial position

(Amounts in NOK 1 000 000)	Note	2024	2023
Assets			
Deposits with credit institutions	8,10,12,20	37 787	36 601
Loans to customers	8,9,10,13	367 495	352 226
Commercial paper and bonds	8,9,10,11,15	139 971	114 344
Hereof commercial paper and bonds lent	15	*7 688*	*0*
Financial derivatives	8,9,10,11,19,20	20 133	16 505
Deferred tax asset	6	1 954	2 318
Other assets	16	303	210
Total assets		**567 644**	**522 203**
Liabilities and equity			
Due to credit institutions	8,10,17,20	17 539	5 232
Commercial paper issued	8,10,18	26 713	41 318
Debt securities issued	8,9,10,11,18	472 917	424 593
Financial derivatives	8,9,10,11,19,20	27 443	28 505
Other liabilities	16	177	76
Pension commitments	5	11	25
Subordinated loan capital	8,9,10,11	769	770
Total liabilities		**545 569**	**500 520**
Share capital	22	3 895	3 895
Additional Tier 1 capital	23	3 484	3 484
Other equity		14 696	14 305
Total equity		**22 075**	**21 684**
Total liabilities and equity		**567 644**	**522 203**

Oslo, 13 March 2025

The Board of Directors and Chief Executive Officer of Kommunalbanken AS

Brit Kristin Sæbø Rugland
CHAIR

Rune Midtgaard
VICE CHAIR

Eyvind Aven
BOARD MEMBER

Kristine Fausa Aasberg
EMPLOYEE REPRESENTATIVE

Nils Gunnar Baumann
EMPLOYEE REPRESENTATIVE

Toril Hovdenak
BOARD MEMBER

Ida Espolin Johnson
BOARD MEMBER

Ida Texmo Prytz
BOARD MEMBER

Petter Steen Jr.
BOARD MEMBER

Jannicke Trumpy Granquist
CEO

Statement of changes in equity

2024	Note	Share capital	Additional Tier 1 capital	Financial liabilities, changes in own credit risk	Other equity	Total equity
Equity as of 31 December 2023		**3 895**	**3 484**	**59**	**14 245**	**21 684**
Profit for the year		0	0	0	1 474	1 474
Other comprehensive income after tax - financial liabilities, changes in own credit risk		0	0	(229)	0	(229)
Other comprehensive income after tax - actuarial gain/loss		0	0	0	8	8
Interest paid on additional Tier 1 capital	23	0	0	0	(162)	(162)
Issuance of additional Tier 1 capital		0	0	0	0	0
Dividends for 2023		0	0	0	(700)	(700)
Equity as of 31 December 2024	22	**3 895**	**3 484**	**(170)**	**14 866**	**22 075**

2023	Note	Share capital	Additional Tier 1 capital	Financial liabilities, changes in own credit risk	Other equity	Total equity
Equity as of 31 December 2022		**3 895**	**2 392**	**(304)**	**12 920**	**18 903**
Profit for the year		0	0	0	1 432	1 432
Other comprehensive income after tax - financial liabilities, changes in own credit risk		0	0	363	0	363
Other comprehensive income after tax - actuarial gain/loss		0	0	0	(6)	(6)
Interest paid on additional Tier 1 capital	23	0	0	0	(101)	(101)
Dividends for 2022		0	1 093	0	0	1 093
Equity as of 31 December 2023	22	**3 895**	**3 484**	**59**	**14 245**	**21 684**

Statement of cash flows

(Amounts in NOK 1 000 000)	2024	2023
Cash flows from operating activities		
Interest received	26 751	21 671
Interest paid	(23 392)	(19 068)
Fees and commissions paid	(122)	(129)
Cash payments for operations	(336)	(285)
Paid taxes	0	0
Net disbursement of loans to customers	(15 805)	(25 647)
Net (payment)/disbursement short-term investments	10 686	1 677
Net payment/(disbursement) from purchase/sale of securities	(18 131)	1 936
Net (payment)/disbursement other assets	0	(50)
Net payment/(disbursement) other liabilities	(8)	24
Net (payment)/disbursement financial derivatives	32 142	11 435
Net cash flows from operating activities	**11 784**	**(8 436)**
Cash flows from investing activities		
Disbursment from sale of fixed assets	(45)	(34)
Net cash flows from investing activities	**(45)**	**(34)**
Cash flows from financing activities		
Payments on issued commercial paper	132 316	152 355
Repayment of commercial paper issued	(148 789)	(134 845)
Lease payments	(10)	(8)
Payments on issued debt securities	91 909	76 935
Repayment of debt securities issued	(86 499)	(85 790)
Interest Paid on additional Tier 1 capital	(162)	(101)
Dividends paid	(700)	0
Net cash flows from financing activities	**(11 935)**	**8 546**
Net cash flows	**(196)**	**76**
Adjusment of exchange rate changes	83	29
Net cash flows after effects of exchange rate changes	**(113)**	**105**
Cash and cash equivalents at 1 January	356	251
Net changes of cash and cash equivalents	(113)	105
Cash and cash equivalents at 31 December	**243**	**356**
Whereof		
Deposits with credit institutions without agreed time to maturity	*243*	*356*
Due to credit institutions without agreed time to maturity	*0*	*0*

Notes to the financial statements

Accounting policies

Reporting entity

KBN is a Norwegian limited company providing loans to counties, municipalities, intermunicipal companies and other companies with municipal guarantee that carry out tasks at a municipal level. KBN ’s registered office is located in Filipstad Brygge 1, Oslo. KBN is wholly owned by the Norwegian state through the Ministry of Local Government and Districts.

Basis of preparation

The financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU. The accounting is based on the historical cost principle, except for financial assets and liabilities measured at fair value.

Functional currency and presentation currency

The company's functional and presentation currency is Norwegian Kroner (NOK). Balance sheet items in foreign currency are translated into Norwegian Kroner using the exchange rate on the balance sheet date. Income statement items in foreign currency are translated into Norwegian Kroner using the exchange rate at the transaction date. Effects from the translation of the principal amount of non-derivative interest-bearing instruments in foreign currency and on accrued interest and fees, are presented net in the income statement. Corresponding changes in fair value from currency derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure are presented net along with translation differences from the hedged item.

Significant estimates and accounting judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and revenues and expenses. Estimates and judgments are based on historical experience and expectations about future developments. The key estimates and assessments in the financial statements include:

Measurement at Fair Value

The fair value of financial instruments not traded in an active market or lacking readily available quoted prices on the balance sheet date is determined using valuation models. When inputs into valuation models cannot be directly derived from observable market data, management makes assessments and uses assumptions related to credit risk and liquidity risk in financial instruments. Although judgmental assessments and assumptions are largely based on actual market conditions on the balance sheet date, they may introduce uncertainty into the recognised amounts. Management exercises particular judgment in valuing instruments measured at fair value in Level 3 of the fair value hierarchy, as detailed in note 9.

Financial instruments

RECOGNITION AND DERECOGNITION

Recognition of financial assets and derivatives occurs when the entity becomes a party to the contractual provisions of the instrument, i.e., at the contract inception. Recognition of financial liabilities occurs at the settlement date. The recognised amount for financial assets and liabilities not classified at fair value through profit or loss also includes transaction costs directly attributable to the acquisition. When the requirements for hedge accounting with fair value hedging are met, KBN will recognise the cumulative fair value change of the financial liability (the hedged item) from the inception of the contract.

Financial assets and derivatives are derecognised when the contractual rights to cash flows expire or are transferred, and substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the obligation specified in the contract is fulfilled, cancelled, or expires. In the case of repurchasing issued bonds, the financial liability is derecognised at the settlement date.

CLASSIFICATION AND MEASUREMENT

Classification of financial instruments takes place at initial recognition and determines the subsequent measurement of the carrying amount. Classification of financial instruments is determined by the characteristics of the financial instrument and by the business model for the management of financial assets. Detailed principles of classification and measurement are presented in note 8 together with tabular statements of the instruments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities, which are not measured at amortised cost, are measured at fair value with changes in fair value recognised in the income statement or in statement of comprehensive income. Fair value is the market-based price that would have been obtained selling an asset or paying to transfer a liability in a well-arranged transaction between market participants at the time of measurement. Fair value is the achieved price under the current market conditions, regardless of whether the price is directly observable or estimated using a valuation method.

Financial instruments are categorised into the fair value hierarchy, where the level of classification (levels 1, 2 or 3) is based on the observability of the input that is significant to the fair value measurement. See note 9 for accounting principles on fair value measurement.

PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES

General master netting agreements for financial derivatives do not meet the conditions for offsetting, and all financial derivatives are presented gross in the balance sheet. Cash received or provided as collateral for derivative exposure, which grant the right of offset in the event of bankruptcy also do not meet the conditions for offsetting under IAS 32 and is presented gross in the balance sheet as liabilities to or receivables from credit institutions. Combined repurchase and resale agreements where the terms of the GMRA agreement (Global Master Repurchase Agreement) trigger an offsetting obligation under IAS 32 are presented net in the balance sheet. See note 20 for details on financial assets and financial liabilities subject to offsetting.

All financial derivatives are measured at fair value through profit or loss and are classified as assets when the value is positive and as liabilities when the value is negative.

For issued liabilities that are designated as measured at Fair Value Option (FVO), the part of changes in fair value that is attributable to changes in KBN 's own credit risk will be recognised in other comprehensive income in the statement of comprehensive income. The remaining part of the value changes is recognised in the income statement.

EXPECTED CREDIT LOSS

Provision for expected credit loss is recognised for all financial assets that are measured at amortised cost. Expected credit loss is based on the instrument's/loan's exposure at default, probability of default and loss at default, all estimated at the reporting date. Expected credit loss for instruments where credit risk has not increased significantly since initial recognition, is calculated based on the probability of default within the next 12 months. For instruments where credit risk has increased significantly since initial recognition, the expected credit loss is calculated based on a probability of default during the full lifetime of the asset. See note 14 Expected credit loss for accounting principles on measuring expected credit loss.

Hedge accounting

The bank uses interest rate and cross currency swaps to financially hedge interest rate and currency risk in assets and liabilities. KBN applies IFRS 9 for hedge accounting. When a hedge relationship fulfils the criteria for hedge accounting and is designated as such, it is accounted for as a fair value hedge. The hedged items are classified as measured at amortised cost. The accounting principles for hedge accounting are described in detail in note 11 together with the financial information.

Principles of revenue recognition and cost allocation

Interest income for assets and liabilities measured at amortised cost, is recognised in the income statement using the effective interest method. For items measured at fair value, including interest rate derivatives, interest is recognised as it accrues, either as income or expense. Changes in the value of derivatives resulting from accrued or incurred interest are presented as interest income/cost, as the derivatives are used in economic hedging. Interest income/costs from financial derivatives included in hedge accounting are presented together with corresponding interest income/costs from the hedged item.

Unrealised gains and losses on financial instruments at fair value and value changes attributable to the hedged risk on hedged items under hedge accounting, are recognised in the income statement as net gain/(loss) on financial instruments.

Fees and commission expenses are recognised as expenses in the period when the service is provided.

Fixed assets

Fixed assets are measured at acquisition cost with the deduction of accumulated depreciation and write-downs. Depreciation is calculated by using a linear method over the estimated useful life, where the disposal value of the assets is assumed to be zero.

Intangible assets

Intangible assets are measured at acquisition cost and consist of IT systems. Acquisition cost is depreciated over its useful life. If the annual impairment test indicates that assets are impaired, the value of the assets is written down, and the difference between the carrying amount and the recoverable amount is recognised in profit or loss.

Pensions

The bank ’s pension scheme is a defined contribution pension scheme. This means that the bank is paying a fixed percentage deposit as savings to each employee ’s pension account, depending on the size of the employee’s salary. Employees who were 55 or older at the time of transition to the defined contribution pension scheme on 1 January 2018, remain in the former defined benefit pension scheme. The defined contribution pension scheme is expensed on an ongoing basis.

Leases

Leases are being accounted for according to IFRS 16 Leases. Depreciation for leased assets (“right-to-use-assets”) are recognised in the income statement, at the same time as interest costs on the lease obligation. Repayment of the lease obligation ’s principal and interest portion, are classified as financing activities in the cash flow statement.

Taxes

Taxes are recognised in the income statement as they accrue. The income tax is based on profit before tax, other comprehensive income before tax, and on interest expense on additional Tier 1 capital that is recognised in the Statement of changes in equity. Temporary and permanent differences are adjusted for in the year's tax base when current taxes are calculated. Deferred tax liabilities and deferred tax assets are calculated on the basis of temporary differences between the accounting and tax values at year end. The nominal tax rate is used for calculation. Tax-increasing and tax-reducing differences within the same period are offset. Income tax consists of current taxes (tax on the taxable profit or loss for the year), changes in net deferred tax and adjustment to taxes payable for previous years.

The company is subject to financial tax. The tax rate is 25%.

Equity

The Company's equity consists of share capital, additional Tier 1 capital that fulfils the requirements of equity, and other retained earnings. Dividends are classified as equity until approved by the Annual General Meeting. The additional Tier 1 capital is measured at cost and paid interest is subtracted from other equity.

Segment information

The company has only one operating segment. There is thus no segment information beyond the note information provided on lending to customers and the business as a whole, including information on the geographical distribution of lending, commercial paper and bonds and income from various categories of financial instruments.

Statement of cash flows

The cash flow statement is prepared using the direct method and presents cash flows by category. Cash flows from derivatives are classified as either interest received or interest paid, while cash flows from the exchange of principal on derivatives are reported on the line net (increase)/decrease in financial derivatives. Some derivatives involve periodic settlements of currency on the nominal amount, and these inflows or outflows are also recorded on the net (payment)/disbursement financial derivatives line. Cash flows from realised and unrealised foreign exchange gains/losses are reported on adjustment of exchange rate changes. Cash and cash equivalents include cash on hand, receivables, and payables with credit institutions with no notice period.

Implementation of new accounting standards as well as amended standards and interpretations

KBN has not implemented new standards in 2024. There has been no significant change in accounting principles throughout the year. There are no relevant standards and interpretation that have been approved, but not yet entered into force, that have an impact on KBN`s accounting principles in the coming financial year.

Note 1 Net interest income

(Amounts in NOK 1 000 000)

(Amounts in NOK 1 000 000)	2024	2023
Deposits with credit institutions	673	404
Other money market deposits	0	11
Loans to customers	15 027	11 755
Financial derivatives, hedge accounting loans to customers	636	239
Commercial paper and bonds	3 243	3 002
Financial derivatives, hedge accounting commercial paper and bonds	(22)	0
Interest income from assets measured at amortised cost	*19 557*	*15 411*
Loans to customers	1 408	1 398
Commercial paper and bonds	2 043	1 524
Financial derivatives	3 924	4 011
Interest income from assets measured at fair value	*7 375*	*6 933*
Total interest income	**26 931**	**22 345**
Due to credit institutions	132	0
Commercial paper issued	589	417
Debt securities issued	8 328	6 195
Financial derivatives, hedge accounting debt securities issued	8 753	8 858
Interest expenses from debt measured at amortised cost	*17 801*	*15 470*
Debt securities issued	4 448	4 003
Financial derivatives	2 405	726
Subordinated loan capital	24	41
Interest expenses from debt measured at fair value	*6 877*	*4 770*
Total interest expenses	**24 678**	**20 240**
Net interest income	**2 253**	**2 105**

Note 2 Fees and commission expenses

(Amounts in NOK 1 000 000)	2024	2023
Expenses of banking services	23	24
Contribution to resolution fund	79	82
Other transaction costs	22	20
Total fees and commission expenses	**125**	**126**

Note 3 Net gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

Net gain/(loss) on financial intruments	2024	2023
Loans to customers[1]	(972)	1 049
Commercial paper and bonds[2]	481	1 310
Financial derivatives	3 866	9 803
Debt securities issued	(3 218)	(11 959)
Subordinated loan capital	2	10
Net gain/(loss) on financial instruments	**157**	**212**
Whereof net unrealised gain/(loss) on financial instruments	47	120
Whereof net realised gain/(loss) on market transactions	110	92

[1]*Change in fair value attributed to credit spread change amounted to NOK 254 million in gain troughout the year, and NOK 161 million in accumulated loss.*

[2]*Change in fair value attributed to credit spread change amounted to NOK 24 million in losses throughout the year, and NOK 52 million in accumulated losses.*

Specification of net gain/(loss) on financial instruments including hedging instruments	2024	2023
Loans to customers, including hedging instruments	259	101
Commercial paper and bonds, including hedging instrument	89	(82)
Debt securities issued and subordinated loan capital, including hedging instruments	(190)	193
Net gain/(loss) on financial instruments	**157**	**212**

Specification of net gain/(loss) on financial instruments in fair value hedges	2024	2023
Loan to customers	(1 441)	243
Financial derivatives, in hedge accounting loans to customers	1 453	(250)
Commercial paper and bonds	(18)	0
Financial derivatives, in hedge accounting commercial paper and bonds	18	0
Debt securities issued	(2 958)	(7 154)
Financial derivatives, in hedge accounting debt securities issued	2 878	7 242
Net gain/(loss) on financial instruments in fair value hedge	**(68)**	**81**

Changes in fair value of liabilities due to changes in own credit risk are not included in the line net gain/(loss) on financial instruments in the table above. Such fair value changes are recognised in other comprehensive income in the statement of comprehensive income and amounted to NOK 305 million in loss throughout the year, and NOK 227 million in accumulated loss. The change in fair value arising from debt securities issued presented in the above table, is due to changes in parameters other than own credit risk.

Changes in fair value are the result of changes in market parameters - mainly prices on bonds, interest rates, credit spreads, basis swap spreads and FX rates, and are reflected in carrying amounts in the statement of financial position and in the income statement. As KBN has limited currency and interest rate risk, the changes in relevant parameters will mostly be symmetric on the asset and liabilities sides of the statement of financial position and will therefore only to a small extent cause net effects in the income statement. Changes in credit spreads for investments in the liquidity portfolio, fixed interest-rate loans to customers measured at fair value and issued debt securities, as well as changes in basis swap spreads, may on the other hand lead to significant effect in income statement and in the statement of comprehensive income.

KBN hedges currency risk. The bank's guidelines require hedging of all currency risk associated with positions in foreign currency. However, short-term net positions may arise related to income statement and balance sheet items in USD and EUR. KBN's framework for currency risk in these currencies is set at 1.6% of regulatory capital. This means that net income effects from short-term exchange rate fluctuations are limited. Effects from the currency conversion of principal amounts and from interest and fees on non-derivative interest-bearing instruments are presented net in the income statement. This applies to commercial paper and bonds, as well as debt securities issued and commercial paper issued. Corresponding changes in fair value from FX derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure, are presented net along with exchange differences from the hedged item. In the tables above, only the effects of exchange rate changes on fair value changes and changes in hedging value are presented.

Note 4 Salary and administrative expenses

(Amounts in NOK 1 000 000)	2024	2023
Salaries	117	105
Payroll tax	27	23
Pension costs	14	12
Other personnel benefits	4	4
Administrative expenses	58	47
Total salaries and administrative expenses	**221**	**190**
Average number of full-time positions	*88.3*	*82.4*

Remuneration to senior executives	2024	2023
Salaries, fixed and variable, and other benefits	19.7	19.0
Pension cost	1.7	1.8
Total remuneration to senior executives	**21.4**	**20.8**
Remuneration to Board of Directors and Supervisory Board	2.8	2.6

For further information about remuneration to senior executives see the remuneration report for 2024 published at KBNs website.

Fees to the statutory auditor	2024	2023
Statutory audit fees	2.7	1.3
Other attestation services	0.2	0
Other services	1.6	1.5
Total fees excl. VAT	**4.6**	**2.8**

Note 5 Pensions

(Amounts in NOK 1 000)

The company is obliged to have an occupational pension scheme in accordance with the Mandatory Occupational Pensions Act. The company has a pension scheme that meets the requirements of this Act.

KBN have a defined contribution pension scheme at Storebrand Livsforsikring AS. The contribution pension scheme has contribution rates of 7% for salaries 0-7.1 times the National Insurance basic amount (G) and 18% for salaries between 7.1 G and 12 G. The scheme includes the option for the Advanced Pension Plan (AFP) in the private sector associated with the common scheme. Associated insurance coverages are part of the scheme and include disability pension with child supplement without individual policy accumulation, child pension, and group life insurance/death benefits. The contribution scheme applies to all employees, except those who were 55 years or older as of 1 January 2018, and employees who were partially disabled or incapacitated with the right to sick pay at the time of the establishment of the contribution pension schemes. These individuals are covered by the previous scheme with KLP, which, with 30 years of accrual, grants the right to age-adjusted retirement pension at 66% of the pensionable salary at the time of retirement. The scheme also includes disability and survivor pensions as well as agreed-upon early retirement. The assets in the pension scheme are placed in a collective portfolio and cannot be specified in terms of asset classes. KBN had an operational pension scheme for salaries exceeding 12G that was closed in 2011.

Pension costs and pension liabilities for the defined benefit scheme include payroll tax and are assessed at the present value of future pension obligations accrued as of the balance sheet date. Pension obligations are calculated based on linear accrual, considering assumptions about discount rates, future salary adjustments, pensions, and benefits from the National Insurance, as well as assumptions about mortality and voluntary turnover. The period's pension cost consists of the sum of the period's accrual, interest cost on the calculated liability, and administrative costs. Changes in prior periods' pension accruals (plan amendments) are recognised in the period's results when the pension plan changes. The period's net pension cost is recognised under salary and administrative expenses. Changes in pension liabilities and assets in defined benefit schemes due to changes and variations in calculation assumptions (changes in financial and actuarial assumptions) are presented in the statement of comprehensive income as other comprehensive income. For the defined contribution scheme, payroll tax is presented as such in Note 4 Salary and administrative expenses and are therefore not included in the pension costs below.

Economic estimates used in calculation of pension costs and defined benefit obligation	31.12.2024	31.12.2023
Discount rate	3.30%	3.10%
Estimated wage growth	3.50%	3.50%
Estimated growth in Base amount	3.25%	3.25%
Expected growth in benefit levels	2.80%	2.80%

KBN has used preferential bonds (OMF) in the Norwegian market as a basis for determining the discount rate for 2024 and 2023. Actuarial assumptions are based on commonly used assumptions regarding demographic factors.

Pension costs	Funded plan		Unfunded plan	
	2024	2023	2024	2023
Defined benefit pension scheme				
Net periodic pension cost	1 103	1 189	0	0
Net interest expense	79	109	649	593
Service cost	97	97	0	0
Payroll tax	180	197	91	84
Total pension cost defined benefit scheme	**1 460**	**1 592**	**740**	**677**
Defined contribution pension scheme				
Pension cost for the year	11 531	8 446	0	0
Total pension costs (both benefit and contribution scheme)	**12 991**	**10 038**	**740**	**677**
Actuarial gain/(loss) recognised in other comprehensive income	(10 962)	7 287	(18)	1 009
Net pension costs	**2 029**	**17 325**	**723**	**1 686**

Pension liabilities	Funded plan		Unfunded plan	
	2024	2023	2024	2023
Gross accrued pension liabilites	142 290	142 622	21 404	21 095
Pension funds	(154 089)	(142 004)	0	0
Payroll tax	(1 664)	87	3 018	2 974
Net pension liabilities	**(13 462)**	**705**	**24 422**	**24 069**

Changes in pension liabilities	Funded plan		Unfunded plan	
	2024	2023	2024	2023
Net pension liabilities as of 1 January	705	3 784	24 069	22 736
Net pension costs	(9 502)	8 879	723	1 686
Contribution to the pension scheme, incl. payroll tax	(4 665)	(11 958)	(369)	(353)
Net pension liabilities as of 31 December	**(13 462)**	**705**	**24 422**	**24 069**

Changes in the fair value of pension funds	Funded plan		Unfunded plan	
	2024	2023	2024	2023
Fair value of pension funds as of 1 January	142 004	131 736	0	0
Net interest income	4 337	3 941	0	0
Actuarial gain/(loss) on pension funds	6 310	(1 582)	0	0
Service cost	(97)	(97)	0	0
Contribution to the pension scheme	4 088	10 480	324	309
Benefits paid	(2 553)	(2 474)	(324)	(309)
Fair value of pension funds as of 31 December	**154 089**	**142 004**	**0**	**0**

Note 6 Tax

(Amounts in NOK 1 000 000)

	2024	2023
Payable taxes on profit for the period	0	0
Change in deferred tax	364	563
Increased/(reduced) payable tax for previous years	0	0
Items recognised in other comprehensive Income	73	(119)
Total income tax	**437**	**444**

Reconciliation of effective income tax rate	2024	2023
Profit before tax	1 911	1 876
Calculated tax expense	478	469
Tax on additional Tier 1 Capital	(41)	(25)
Effects of changes in tax rate and tax returns for previous years	0	0
Permanent differences	0	0
Tax expense	**437**	**444**
Effective income tax rate	24%	24%

Deferred tax liability/(asset)	2024	2023
Deferred tax liability/(asset) as at 1 January	(2 318)	(2 885)
Change in deferred tax on items recognised in income statement	437	444
Changes in deferred tax on items recognised in other comprehensive income	(73)	119
Change in deferred tax as a result of changes in timing of taxable income for previous years	0	4
Deferred tax liability/(asset) as at 31 December (25%)	**(1 954)**	**(2 318)**

Temporary differences	2024	2023
Fixed assets	(5)	(4)
Leases	(1)	1
Pension commitments	(11)	(25)
Other differences	(18)	(10)
Provisions	(3)	0
Debt istruments	9 580	10 790
Financial derivatives	(7 219)	(11 534)
Losses carried forward for tax purposes	(10 139)	(8 489)
Total temporary differences	**(7 816)**	**(9 271)**
Deferred tax liability/(asset)	**(1 954)**	**(2 318)**

KBN has previously received a resolution on changes to its tax assessments for the years 2015 -2021. KBN also expects to receive a similar resolution for 2022 and 2023. The changes relate to the tax treatment and periodisation of the accrual of financial instruments. The Norwegian Tax Administrations resolutions implies a change to the timing of taxable income and expense, but no change in total taxable income and expense over the lifetime of the instruments. KBN has prepared its accounts in compliance with the treatment expected by the tax authorities. KBN is still in disagreement with the Norwegian Tax Administration on certain matters relating to the tax treatment of the accrual of financial instruments in the accounts. KBN has submitted an appeal against aspects of the resolutions.

Tax accruals/timing of income and expenses may deviate significantly from accounting accruals over the instruments' lifetime. However, there will be no difference in total income/expense over the life of the instruments. This can lead to volatility in temporary differences and tax payments. This will not have a significant effect on the banks tax cost over time, except for changes in tax rate. Deferred tax assets arising from temporary differences affect capital adequacy adversely through deduction in common equity Tier 1 capital.

Note 7 Lease agreements

(Amounts in NOK 1 000 000)

KBN has one lease agreement that is covered by IFRS 16 Leases. The agreement applies to the lease of office space in Filipstad Brygge 1. The right-of-use-asset is presented in the statement of financial position as other assets, while the lease obligation is presented as other liabilities. See Note 16 for further information.

Lease liability	2024	2023
Current (under 1 year)	9	7
Non-current (over 1 year)	93	0
Amortisation	8	7
Total interest expense recognised	4	0

Undiscounted future lease payments	2024	2023
1 year	13	7
2 years	13	0
3 years	13	0
4 years	13	0
5 years	13	0
> 5 years	58	0

Note 8 Classification of financial instruments

Accounting policies for classification and measurement

Classification of financial instruments are carried out at initial recognition and determines the subsequent measurement of the carrying amount. Classification of financial instruments is determined by the characteristics of the financial instrument and by the business model for the management of financial assets.

Financial assets measured at amortised cost

KBN’s business model for loans to customers and commercial paper and bonds is to “hold to collect contractual cash flows”. When the assets’ cash flows only consist of principal and interest payments, and instruments with mainly offsetting value changes are not present, the assets are measured at amortised cost. New loans to customers and commercial paper and bonds are subject to an assessment of whether the cash flows of the asset are only repayment, principal or interest payments. If this is not the case, the asset shall be classified as measured at fair value. KBN’s PT and NIBOR loans are measured at amortised cost. Commercial paper and bonds without related financial derivatives are also measured at amortised cost, as well as deposits from credit institutions (cash deposits, money market deposits and cash collateral pledged) and other money market deposits, not hedged with a derivative contract. Other money market deposits are deposits to non-financial institutions. Measurement of amortised cost is performed using the effective interest rate method.

Hedge accounting may apply to assets classified as measured at amortised cost. When fair value hedge accounting is applied, the value change that is attributable to the hedged risk is recognised as part of the carrying amount with the hedged item, and in the income statement as net gain/(loss) on financial instruments.

Financial assets designated at fair value through profit or loss (FVO)

If the risk in selected commercial paper and bonds, loans to customers with fixed interest rate and money-market deposits (both to financial and non-financial institutions) is hedged with a derivative contract, these financial assets is designated at fair value through profit or loss at initial recognition, in order to achieve similar treatment as related derivative contracts which are measured at fair value. This leads to a reduction in measurement inconsistency between commercial paper and bonds and loans to customers on one hand, and financial derivatives on the other hand.

Financial liabilities measured at amortised cost

Debt securities issued in the form of benchmark loans and certain loans from institutional investors in niche markets issued in public capital markets, are classified as financial liabilities measured at amortised cost and are measured at amortised cost using the effective interest rate method. The same applies to floating-rate bonds issued in U.S. dollars or Euros, due to credit institutions (received cash collateral or loans in the money market), as well as commercial papers issued. A portion of these financial liabilities is designated as hedged items and is subject to fair value hedge accounting rules. The hedged risk is limited to interest rate risk for liabilities in USD, EUR, and NOK. Changes in value attributable to the hedged risk in the bond are recognised under debt securities issued, and accounted for in the income statement under net gain/(loss) on financial instruments.

Financial liabilities designated at fair value through profit or loss (FVO)

Debt securities issued that are not measured to amortised cost, are designated as at fair value through profit or loss at initial recognition. This to achieve similar treatment as related derivative contracts, which are measured at fair value. This leads to a reduction in measurement inconsistency between debt securities issued on one hand and financial derivatives on the other hand. For debt securities issued that are measured at fair value, the part of changes in fair value of liabilities that is attributable to changes in KBN's own credit risk is recognised in other comprehensive income in the statement of comprehensive income. The remaining part of the change in fair value is recognised in the income statement. Note 9 provides additional information about financial assets at fair value through profit or loss (FVO).

Financial derivatives

Financial derivatives are classified as at fair value through profit and loss, with the exception of contracts designated as hedging instruments in fair value hedges. All financial derivatives are measured at fair value through profit or loss and are presented as assets when the value is positive, and as liabilities when the value is negative.

The accumulated principal of the debt as of December 31, 2024, including commercial paper issued, debt securities issued and subordinated loan capital, amounts to NOK 514 billion against a book value of NOK 500 billion.

(Amounts in NOK 1 000 000)

		At fair value			At amortised cost	
2024	**Total**	**Fair value option**	**Mandatorily at fair value**	**Fair value hedge**	**Designated at hedge accounting**	**Hold to collect**
Deposits with credit institutions	**37 787**	0	0	0	0	37 787
Loans to customers	**367 495**	58 136	0	0	71 923	237 436
Commercial paper and bonds	**139 971**	76 002	0	0	2 152	61 818
Financial derivatives	**20 133**	0	18 070	2 063	0	0
Total financial assets	**565 386**	**134 138**	**18 070**	**2 063**	**74 075**	**337 041**
Due to credit institutions	**17 539**	0	0	0	0	17 539
Commercial paper issued	**26 713**	0	0	0	0	26 713
Debt securities issued	**472 917**	160 426	0	0	280 955	31 536
Financial derivatives	**27 443**	0	16 543	10 900	0	0
Subordinated loan capital	**769**	769	0	0	0	0
Total financial liabilities	**545 381**	**161 195**	**16 543**	**10 900**	**280 955**	**75 788**

2023	Total	At fair value			At amortised cost	
		Fair value option	Mandatorily at fair value	Fair value hedge	Designated at hedge accounting	Hold to collect
Deposits with credit institutions	**36 601**	0	0	0	0	36 601
Loans to customers	**352 226**	71 461	0	0	42 274	238 490
Commercial paper and bonds	**114 344**	66 898	0	0	0	47 446
Financial derivatives	**16 505**	0	15 454	1 051	0	0
Total financial assets	**519 675**	**138 359**	**15 454**	**1 051**	**42 274**	**322 537**
Due to credit institutions	**5 232**	0	0	0	0	5 232
Commercial paper issued	**41 318**	0	0	0	0	41 318
Debt securities issued	**424 593**	165 165	0	0	240 285	19 143
Financial derivatives	**28 505**	0	14 267	14 238	0	0
Subordinated loan capital	**770**	770	0	0	0	0
Total financial liabilities	**500 419**	**165 935**	**14 267**	**14 238**	**240 285**	**65 694**

Note 9 Financial instruments measured at fair value

(Amounts in NOK 1 000 000)

Accounting principles for measuring financial instruments at fair value

Financial instruments are categorised into the fair value hierarchy, where the level of categorisation (Levels 1, 2 or 3) is based on the following.

Level 1

For securities traded in an active market with frequent market observations, quoted prices on the reporting date are used in the measurement of fair value. The bank uses quoted prices provided by international vendors, and they are classified as level 1-inputs when they represent actual market transactions for the instrument.

Level 2

For financial instruments without available quoted prices in an active market, KBN will either use quoted prices of similar instruments in active markets, where possible, or valuation techniques where significant inputs are based on observable market data. level 2-inputs might include:

- observable interest rate yield curves, basis swap spreads, FX-rates, equity indices, commodity indices and volatilities
- quoted prices and credit spreads at the reporting date for similar instruments issued by the same issuer but with a different tenor, so that an adjustment for maturity is necessary
- quoted prices and credit spreads at the reporting date for similar instruments issued by the same issuer but denominated in a different currency, so that an adjustment for basis swap spread is necessary
- actual market transactions in identical instruments before or after the reporting date, so that an adjustment for events between the date of transaction and the reporting date is necessary

- more liquid instruments issued by the same issuer with identical maturity, but an adjustment for liquidity risk is necessary
- prices on potential new issues in similar instruments from the same issuer

Level 3

Level 3 is relevant for financial instruments that are not traded in an active market and fair value is determined using valuation techniques where significant input is based on unobservable data.

The same type of input might be used to determine the fair value of commercial paper and bonds classified as level 2 and level 3, however, the significance of adjustments of market data and to what extent the adjustment is done based on observable data, determines the categorisation. Other inputs used in determination of fair value might include:

- indicative prices and estimates for similar instruments provided by other market participants
- market indices, both bond and credit default swap indices, for similar instruments
- non-binding price quotes from different sources
- historical or implied volatilities

Fair value disclosures

For financial instruments categorised in the fair value hierarchy at multiple periods, a reconciliation of movements between the levels is done at the end of each reporting period. The valuation technique used to determine fair value of financial instruments categorised in level 2 or level 3, is determined based on the instruments' features. Fair value of financial instruments without embedded option-elements is determined using the discounted cash flows method, where discount rates are derived from the relevant observable money market interest rates with the addition of a credit surcharge. When such factors cannot be reliably observed at a reporting date, management may make assumptions and use estimates when determining the fair value. Fair value of financial instruments with embedded option-elements is determined using both discounting and option pricing models with observable market data and estimates as inputs. The most significant unobservable input used in the valuation in level 3, comprises the credit premium for financial instruments that are not traded in an active market.

2024	Level 1	Level 2	Level 3	Total
Loans to customers	0	58 136	0	58 136
Commercial paper and bonds	68 733	1 062	6 207	76 002
Financial derivatives	0	19 989	144	20 133
Total financial assets measured at fair value	**68 733**	**79 186**	**6 351**	**154 271**
Debt securities issued	11 046	131 815	17 565	160 426
Financial derivatives	0	23 248	4 196	27 443
Subordinated loan capital	0	0	769	769
Total financial liabilities measured at fair value	**11 046**	**155 063**	**22 529**	**188 638**

2023	Level 1	Level 2	Level 3	Total
Loans to customers	0	71 461	0	71 461
Commercial paper and bonds	52 667	3 471	10 760	66 898
Financial derivatives	0	16 151	354	16 505
Total financial assets measured at fair value	**52 667**	**91 083**	**11 114**	**154 864**
Debt securities issued	11 759	128 495	24 911	165 165
Financial derivatives	0	25 888	2 618	28 505
Subordinated loan capital	0	0	770	770
Total financial liabilities measured at fair value	**11 759**	**154 382**	**28 299**	**194 441**

Information about fair value

Assets and liabilities measured at fair value are in the above tables categorised in the three levels as described in the accounting principles above.

All changes in fair value of financial instruments adjust the carrying amounts of assets and liabilities and are recognised in either the income statement as net unrealised gain/(loss) on financial instruments or in the statement of comprehensive income as change in fair value of liabilities due to changes in own credit risk under other comprehensive income.

KBN has established policies and guidelines for valuation that describe principles for fair value measurement of financial instruments. The main principles are that fair value should be measured at the value the asset may be sold for or the liability repurchased/transferred for, and that observable data shall be used to the extent possible in the valuation. Quality assurance should be undertaken against alternative sources. The guidelines also set out the frequency of valuation for different instrument types, and procedures for control of fair value.

Loans to customers

Level 2 includes fixed rate loans to customers granted before 1 January 2022. Fixed rate loans to customers are granted on individual level and are not traded in an active market. Hence, observable market prices are not available after initial recognition. Fair value of such loans is estimated based on discounting future cash flows using discount rates derived from observable money market rates and observable credit spreads for Norwegian municipalities at the reporting date. Fixed rate loans with an amortisation schedule are valued adding a discretionary spread to cover liquidity premium, but this does not constitute a significant part of the input data in the valuation.

Commercial paper and bonds

Level 1

Determination of fair value based on quoted prices in an active market with many buyers and sellers gives a fair value estimate with the lowest degree of valuation uncertainty (level 1). Level 1 inputs for commercial paper and bonds include quoted prices provided by international vendors, which represent actual transactions in an active market. Such third-party prices are also partially used within level 2, but where the price is not considered to reflect sufficient liquidity to allocate the position to level 1.

Level 2 and 3

The fair value of commercial paper and bonds where quoted prices are not sufficiently available on the reporting date, is determined using the discounted cash flow method where discount rates are derived from observable money market interest rate yield curves (parts of level 2 and level 3). Discount rates are adjusted for the issuers credit and liquidity risk to as large a degree as possible, based on observable market data. When applying credit/liquidity adjustments to discount rates, the assets are grouped based on the issuer's credit rating, currency, time to maturity, underlying exposure and geographic location. All investments are allocated to their respective levels on each reporting date. Unobservable credit spreads are used to some extent when there is little or no market activity for the security in concern, or equivalent securities. When these are material for the valuation, the security is allocated to level 3, which reflects significant valuation uncertainty.

Debt securities issued.

The bond debt is divided into three main groups based on the type of borrowing product and the corresponding loan documentation used. The three groups are loans in public niche markets, private placement loans, and retail loans. The first two groups are public (listed) syndicated loans in various currencies, where the issuance size constitutes the primary difference between the two groups.

Level 1

For quoted loans in public niche markets, quoted prices exist in an active market and these are considered to belong to level 1 with limited valuation uncertainty.

Level 2

For other loans in public niche markets, there are partially listed prices, but the activity and liquidity are somewhat low, so they are considered to belong to level 2, with some valuation uncertainty. A discounted cash flow model is used in the valuation, where inputs include market interest rates, listed prices, and prices of comparable instruments adjusted for differences in maturity, size, and currency. Prices of new issuances are also used as an important indicator in the valuation, and the bank makes non-binding price inquiries to brokers.

Level 3

The second group comprised of private placement loans where the loan terms are specially adapted for a single investor. The final main group is retail loans, i.e. loans sold to non-professional investors. Bonds in these two groups are not listed and normally not traded in the secondary market and are, to a large extent, structured products with option elements that are linked to stock prices, equity indices, FX rates or commodity prices. Quoted prices are hence not available for the security, and unobservable inputs are used to a significant degree in the valuation. These loans are therefore allocated to level 3 in the fair value hierarchy, and thus are characterised by significant valuation uncertainty. The choice of valuation techniques and inputs depends on the structure and terms of each loan. For all bonds in these groups, fair value is determined by using the discounted cash flow method. Inputs are current interest rate yield curves and credit spreads that are estimated from price indications to brokers at the Company's information channels. Credit spreads are for these groups regarded as an unobservable input, and hence an estimate. For structured bonds with option elements, option pricing models are used in addition to determine expected cashflows. These models use interest rates, FX-rates, stock prices, equity indices and implicit or historical volatilities as inputs.

Financial derivatives

All financial derivatives are unlisted OTC-contracts used in economic hedges of interest rate and currency risk, and other market risks for debt securities. Derivatives are used for all portfolios, including securing interest for fixed-rate loans. For basis swaps (USD-NOK, USD-EUR and EUR-NOK), FRAs and interest rate swaps and cross currency swaps without option elements, fair value is determined by using the discounted cash flow method. Discount rates are derived from observable basis swap spreads and swap interest rates. Hence, these contracts are allocated to Level 2, with considerable market activity for new contracts and relevant market parameters. Cross-currency swaps and interest rate swaps which are economic hedges of debt securities issued with option elements, are valued using discounted cash flow method and option pricing. These are classified as Level 3 due to significant use of unobservable inputs.

KBN analyses the fair value and the value changes at the end of the reporting period, including the basis for the development in fair values.

Reconciliation of changes in level 3

(Amounts in NOK 1 000 000)	Commercial paper and bonds	Debt securities issued	Subordinated loan capital	Financial derivaties
Carrying amount at 31 December 2023	**10 760**	**24 911**	**770**	**(2 264)**
Purchase	2 476	0	0	6
Sale	(1 244)	0	0	0
Issue	0	2 047	0	0
Settlement	(5 160)	(10 673)	0	149
Transfer into Level 3	1 083	0	0	0
Transfer out of Level 3	(1 919)	0	0	0
Net unrealised gain/(loss) recognised in the period	212	1 280	(2)	(1 943)
Carrying amount at 31 December 2024	**6 207**	**17 565**	**769**	**(4 051)**

(Amounts in NOK 1 000 000)	Commercial paper and bonds	Debt securities issued	Subordinated loan capital	Financial derivaties
Carrying amount at 31 December 2022	**6 424**	**19 580**	**1 897**	**(4 138)**
Purchase	9 203	0	(1 099)	(15)
Sale	(1 396)	0	0	0
Issue	0	6 528	0	0
Settlement	(3 864)	(1 655)	0	1 238
Transfer into Level 3	4 093	0	0	0
Transfer out of Level 3	(3 655)	0	0	0
Net unrealised gain/(loss) recognised in the period	(45)	459	(28)	651
Carrying amount at 31 December 2023	**10 760**	**24 911**	**770**	**(2 264)**

Transfers to and from level 3 primarily result from changes in the availability of observable inputs to valuation methods during the period, as well as refinancing or product shifts for loans to customers. In 2024, net debt of NOK 6.7 bn. were transferred from level 1 to level 2, and net assets of NOK 0.6 bn. were transferred from level 2 to level 1. Transfer between level 1 and level 2 is due to improved or reduced reliability of market data used in the valuation.

Effects from the currency conversion of principal amounts from non-derivative interest-bearing instruments in foreign currency and from interest and fees, are presented net in the income statement. Corresponding changes in fair value from currency derivatives used as hedging instruments in the economic hedging of the mentioned currency exposure, are presented net along with FX differences from the hedged item.

Net unrealised fair value changes for loans to customers, commercial paper issued, debt securities issued as well as subordinated loans are included in the income statement in net gain/(loss) on financial instruments, with the exception of unrealised fair value changes due to a change in own credit risk. Unrealised fair value changes due to a change in own credit risk are included in the statement of comprehensive income as other comprehensive income.

Description of significant unobservable data used in valuation, within level 3

In cases where there is very little or no market activity for the relevant instrument, the valuation relies significantly on estimates as input in the model. The most significant estimate includes a spread to the relevant yield curve. For debt securities issued, the spread includes liquidity risk, own credit risk, and market risk in the relevant currency market. For commercial paper and bonds valued using a model, the spread includes liquidity risk, issuer credit risk, and market risk in the relevant currency market. Other unobservable inputs include volatilities within option pricing models, where relevant. Beyond this, the parameters used in valuing instruments with option elements are primarily observable. Bonds with option elements are hedged one-to-one with financial derivatives where the option element is offsetting, thus eliminating exposure from the option element.

The total credit spread and thus the yield curves are sensitive to changes in underlying components. Changes in credit spread, liquidity risk, or market risk in the relevant currency market will therefore affect the fair value of the instrument. See the sensitivity analysis in the following table for the impact of a 10 bp increase in the discount rate.

Sensitivity analysis level 3

	2024		2023	
(Amounts in NOK 1 000 000)	Carrying amount	Impact of changes in key assumptions	Carrying amount	Impact of changes in key assumptions
Commercial paper and bonds	6 207	(14)	10 760	(20)
Financial derivatives	(4 051)	(7)	(2 264)	(31)
Debt securities issued	(17 565)	7	(24 911)	16
Subordinated loan capital	(769)	2	(770)	3
Total		**(11)**		**(32)**

Sensitivity of level 3 are measured by changes in fair value due to a 10 bp increase in the discount rate.

For debt securities issued as well as subordinated loan capital, changes attributed to an increased credit spread will result in recognising the unrealised gain in other comprehensive income in the statement of comprehensive income. Changes attributable to increased money market interest rate will result in the unrealised gain being recognised in the income statement.

Level 3 unrealised gain/(loss) in the period

	2024		2023	
(Amounts in NOK 1 000 000)	Carrying amount	Unrealised gain/(loss)	Carrying amount	Unrealised gain/(loss)
Commercial paper and bonds	6 207	40	10 760	57
Financial derivatives	(4 051)	(1 589)	(2 264)	(1 270)
Debt securities issued	(17 565)	1 455	(24 911)	1 403
Subordinated loan capital	(769)	2	(770)	(92)
Total		**(92)**		**98**

Amounts in the column unrealised fair value changes in the table above are included in net gain/(loss) on financial instruments in the income statement, and in other comprehensive income in the statement of comprehensive income.

Note 10 Financial instruments measured at amortised cost

(Amounts in NOK 1 000 000)

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits with credit institutions	37 787	37 786	36 601	36 599
Loans to customers	309 359	309 647	280 765	280 966
Commercial paper and bonds	63 969	64 012	47 446	47 442
Total financial assets measured at amortised cost	**411 116**	**411 446**	**364 812**	**365 007**
Due to credit institutions	17 539	17 539	5 232	5 232
Commercial paper issued	26 713	26 712	41 318	41 303
Debt securities issued	312 491	312 489	259 427	259 469
Total financial liabilities measured at amortised cost	**356 743**	**356 739**	**305 978**	**306 004**

Information about the level within the fair value hierarchy, for financial instruments measured at amortised cost, where fair value is disclosed.

2024	Level 1	Level 2	Level 3	Total
Loans to customers	0	309 647	0	309 647
Commercial paper and bonds	43 640	18 846	1 527	64 012
Total fair value of financial assets	**43 640**	**328 493**	**1 527**	**373 660**
Debt securities issued	278 784	33 705	0	312 489
Total fair value of financial liabilities	**278 784**	**33 705**	**0**	**312 489**

2023	Level 1	Level 2	Level 3	Total
Loans to customers	0	280 966	0	280 966
Commercial paper and bonds	39 111	7 772	559	47 442
Total fair value of financial assets	**39 111**	**288 738**	**559**	**328 408**
Debt securities issued	238 150	21 319	0	259 469
Total fair value of financial liabilities	**238 150**	**21 319**	**0**	**259 469**

Information about fair value for assets and liabilities recognised at amortised cost

Loans to customers.

Loans to customers at level 2 includes P.t. loans, NIBOR-loans and fixed rate loans. These loans are not traded in an active market. Valuation is hence based on discounting future cash flows using discount rates derived from observable money market rates and observable credit spreads for Norwegian municipalities. Fixed rate loans with an amortisation schedule, the same principals as for fixed rate loans at fair value are applied. See note 9 for information on fair value measurements.

Commercial paper and bonds

Commercial paper and bonds without related financial derivatives are measured at amortised cost. Fair value valuation and grouping in levels 1, 2 and 3 follow similar principles as for commercial paper and bonds measured at fair value, see note 9 for information on fair value measurement.

Debt securities issued.

Debt securities issued in the form of benchmark loans and certain loans from institutional investors in niche markets issued in public capital markets, are classified as financial liabilities measured at amortised cost. The same applies to bond debt with a floating interest rate issued in USD or Euros. The valuation at fair value and the grouping in levels 1, 2 and 3 follow similar principles as for debt securities issued that is measured at fair value, see note 9 for information on fair value measurement.

Note 11 Hedge accounting

(Amounts in NOK 1 000 000)

Accounting principles for hedge accounting

KBN uses fair value hedge accounting for selected economic hedges of interest rate risk according to IFRS 9 of debt securities issued, commercial paper and bonds and loans to customers. Fair value hedging is applied when the economic hedging meets the requirements for the use of fair value hedge accounting. The hedge relationship is documented at designation, including the goals and strategy for the risk management of the hedge relationship. The documentation includes identification of the hedge relationship, description of hedged risk (interest rate risk) and a prospective effectiveness test. Hedge effectiveness is measured on an on-going basis. Any ineffective part of the hedge is recognised in the income statement. Hedging instruments are measured at fair value through profit or loss, and carrying amounts are adjusted accordingly. The value change of the hedged items that is attributable to the hedged risk (interest rate risk), is recognised as part of the carrying amount of the item and in the income statement as net gain/(loss) on financial instruments.

Ineffectiveness occurs due to changes in market rates in the floating leg of the hedging instrument (swap), the use of different interest rate curves for discounting the hedging instrument and where the hedge is not 1:1.

Carrying amount of financial instruments in fair value hedges	2024	2023
Hedged item:		
Commercial paper and bonds	2 151	0
Debt securities issued	280 955	240 285
Loans to customers	71 923	42 274
Hedging instruments:		
Financial derivatives, in fair value hedge of commercial paper and bonds	0	0
Financial derivatives, in fair value hedge of debt securities issued	(9 556)	(12 844)
Financial derivatives, in fair value hedge of loans to customers	718	(343)
Total	**346 191**	**269 372**

Nominal values of hedged items in fair value hedges	2024	2023
Commercial paper and bonds	2 142	0
Debt securities issued	288 715	251 450
Loans to customers	69 036	40 886
Total	**359 893**	**292 335**

Recognised value changes on financial instruments in fair value hedges	2024	2023
Hedged item:		
Commercial paper and bonds	(18)	0
Debt securities issued	(2 958)	(7 154)
Loans to customers	(1 441)	243
Hedging instruments:		
Financial derivatives, in fair value hedge of commercial paper and bonds	18	0
Financial derivatives, in fair value hedge of debt securities issued	2 878	7 242
Financial derivatives, in fair value hedge of loans to customers	1 453	(250)
Total	**(68)**	**81**

Recognised value changes are a result of changes in underlying risk factors, hence the hedged risk (secured inefficiency).

Maturity profile of financial instruments in fair value hedge.

Maturity profile of financial instruments in fair value hedge 2024	0-1 years	1-3 years	3-5 years	> 5 years	Total
Carrying amount of commercial paper and bonds, measured at amortised cost	266	1 902	0	0	2 169
Fair value adjustment	(0)	(18)	0	0	(18)
Total carrying amount of debt securities issues	**266**	**1 885**	**0**	**0**	**2 151**
Nominal value of financial derivatives, in fair value hedge of commercial paper and bonds	(265)	(1 877)	0	0	(2 142)
Carrying amount of debt securities issued, measured at amortised cost	(65 587)	(113 258)	(86 285)	(24 592)	(289 722)
Fair value adjustment	726	2 689	2 272	3 080	8 767
Total carrying amount of debt securities issues	**(64 861)**	**(110 569)**	**(84 013)**	**(21 512)**	**(280 955)**
Nominal value of financial derivatives, in fair value hedge of debt securities issued	65 306	112 700	86 092	24 617	288 715
Carrying amount of loans to customers, measured at amortised cost	6 632	25 069	22 926	18 584	73 210
Fair value adjustment	166	(441)	(390)	(623)	(1 287)
Total carrying amount of loans to customers	**6 798**	**24 628**	**22 536**	**17 961**	**71 923**
Nominal value of financial derivatives, in fair value hedge of loans to customers	1 305	15 436	22 477	27 444	66 662

Maturity profile of financial instruments in fair value hedge 2023	0-1 years	1-3 years	3-5 years	> 5 years	Total
Carrying amount of debt securities issued, measured at amortised cost	(45 913)	(102 890)	(69 330)	(33 876)	(252 009)
Fair value adjustment	750	5 433	912	4 629	11 725
Total carrying amount of debt securities issues	**(45 163)**	**(97 457)**	**(68 417)**	**(29 248)**	**(240 285)**
Nominal value of financial derivatives, in fair value hedge of debt securities issued	45 686	102 587	68 865	34 311	251 450
Carrying amount of loans to customers, measured at amortised cost	1 635	13 874	14 864	11 884	42 257
Fair value adjustment	30	(42)	(14)	44	18
Total carrying amount of loans to customers	**1 665**	**13 832**	**14 850**	**11 928**	**42 274**
Nominal value of financial derivatives, in fair value hedge of loans to customers	750	4 915	19 593	13 326	38 584

Note 12 Deposits with credit institutions

(Amounts in NOK 1 000 000)	2024	2023
Deposits with credit institutions without agreed time to maturity	243	356
Deposits with credit institutions with agreed time to maturity	19 934	6 528
Cash collateral pledged	17 610	29 717
Total deposits with credit institutions	**37 787**	**36 601**

Note 13 Loans to customers

(Amounts in NOK 1 000 000)	2024	2023
Principal amount	369 859	354 052
Accrued interest	3 342	2 915
Fair value adjustment	(4 231)	(4 700)
Value adjustment in fair value hedges	(1 459)	(18)
Expected credit loss	(32)	(41)
Total loans to customers	**367 480**	**352 208**
Other loans	15	18
Total loans	**367 495**	**352 226**

Geographic distribution of principal amount	2024	2023
Agder	19 964	20 656
Innlandet	27 574	26 931
Møre og Romsdal	22 457	21 235
Nordland	27 247	26 356
Oslo	23 368	18 538
Rogaland	24 702	22 921
Troms*	13 942	24 803
Finnmark*	10 707	0
Trøndelag	40 798	38 667
Vestfold**	12 007	24 299
Telemark**	11 677	0
Vestland	42 573	41 037
Viken	0	88 049
Akershus***	48 323	0
Buskerud***	25 312	0
Østfold***	18 639	0
Svalbard	568	561
Loans to customers, principal amount	**369 859**	**354 052**

** Troms and Finnmark for 2023*
*** Vestfold and Telemark for 2023*
**** Viken for 2023*

Note 14 Expected credit loss

Accounting policies on measuring of expected credit loss

At each reporting date, an allocation to stages 1, 2 or 3 is performed for all loans to customers and commercial paper and bonds that are measured at amortised cost.

All assets are allocated to stage 1 at initial recognition. On subsequent reporting dates, stage 1 allocation means that there has been no significant increase in credit risk since initial recognition for that particular asset. An allocation to stage 2 on a subsequent reporting date represents a significant increase in credit risk since initial recognition, while stage 3 implies that the asset is credit impaired. Stage 1 requires the calculation of a 12-month expected credit loss that is recognised in the income statement and statement of financial position. Assets allocated to stages 2 and 3 require the calculation of a lifetime expected credit loss, recognised in the income statement and statement of financial position. The assets are allocated back to lower stages if the credit risk is since reduced. Actual credit losses have never taken place during KBN's history.

The recognition of interest income for assets allocated to stages 1 and 2 is based on the assets principal amount, while the recognition of interest income for assets allocated to stage 3 is based on the assets amortised cost, meaning after deduction of the provision for the expected credit loss. Expected credit loss is calculated per loan/instrument, based on exposure at default, probability of default and loss given default, all estimated at the reporting date.

KBN uses three different scenarios in its model for the calculation of expected credit loss. Furthermore, the normalised values for probability of default are adjusted for market cycles in line with current market conditions at reporting times. The periods change in total expected credit loss is recognised in the Income statement as increased/(reduced) provision for expected credit loss. Within stage 1 a 12-month probability of default and lifetime losses based on default within the next 12 months are used, while stages 2 and 3 use lifetime probability of default and losses resulting from this.

Major changes in the issuers rating or a significant move under KBN's internal credit rating assessment are used as indicators of significant increase in credit risk since initial recognition. These will lead to an allocation of the asset to stage 2. For loans to customers such deterioration has taken place if a payment stop is decided under the Municipality Act. An assessment as credit impaired or allocation to stage 3 for loans to customers are triggered by events that result in actual credit losses, or payment delays of at least 90 days over a certain threshold amount. For bonds and certificates, allocations to level 3 are triggered by events such as payment delays, bankruptcy petitions, or restructuring due to financial difficulties.

The below table shows expected credit loss as part of the carrying amount of loans to customers and commercial paper and bonds at the end of the period. All exposures are assessed to be in stage 1, both as of 31 December 2024, and 31 December 2023.

(Amounts in NOK 1 000 000)	31 December 2024		31 December 2023	
	Carrying amount	Expected credit loss	Carrying amount	Expected credit loss
Loans to customers	309 359	32	280 765	41
Commercial paper and bonds	63 969	3	47 446	3
Total	**373 329**	**35**	**328 211**	**44**

The below table shows a specification of the period's change in expected credit loss that is recognised in the income statement.

(Amounts in NOK 1 000 000)	31 December 2024	31 December 2023
Loans to customers	(8.9)	(11.0)
Commercial paper and bonds	0.4	1.2
Increased/(reduced) provision for expected credit loss	**(8.6)**	**(9.8)**

Note 15 Commercial paper and bonds

(Amounts in NOK 1 000 000)

Commercial paper and bonds by type of issuer	2024	2023
Domestic		
Issued by public bodies[1]	15 039	0
Hereof bonds issued by Norwegian municipalities	5 533	0
Issued by other borrowers	27 074	25 107
Foreign		
Issued by public bodies[1]	68 185	69 755
Issued by other borrowers	29 673	19 481
Total commercial paper and bonds	**139 971**	**114 344**
Hereof		
Commercial paper and bonds lent	7 688	0
Commercial paper and bonds pledged as collateral	4 318	1 514

[1]*Issued by or guaranteed by sovereigns, central banks, regional authorities and multilateral development banks*

Commercial paper and bonds by time to maturity	2024	2023
Under 1 year	31 632	31 833
1-5 years	106 376	80 869
> 5 years	1 962	1 642
Total commercial paper and bonds	**139 971**	**114 344**
Average duration (years)*	2.3	1.9

** The maturity period shown in the table apllies to the holdings of certificates and bonds, i.e., excluding deposits in the money market. Such deposits are presented on the balance sheet line deposits with credit institutions. Including such deposits, the maturity period for liquid holdings is 2.1 years as of 31 December, 2024.*

Note 16 Other assets and other liabilities

Other assets

(Amounts in NOK 1 000 000)	2024	2023
Intangible assets	153	162
Leases	101	7
Fixed assets	15	7
Other assets	34	35
Total other assets	**303**	**210**

Intangible assets comprise of IT systems, website, customer online banking and data-warehouse. All are amortised over their expected lifetimes.

Other liabilities

(Amounts in NOK 1 000 000)	2024	2023
Accounts payable	17	16
Public fees	10	9
Leases	102	6
Other short term liabilities	23	13
Accrued expenses and received, not yet accrued interest	26	32
Total other liabilities	**177**	**76**

Note 17 Due to credit institutions

(Amounts in NOK 1 000 000)	2024	2023
Cash collateral received	17 477	5 232
Repurchase agreements	62	0
Total due to credit institutions	**17 539**	**5 232**

Note 18 Debt securities issued and commercial paper issued

(Amounts in NOK 1 000 000)	2024	2023
Debt securities issued (nominal amounts) as at 1 January	**438 407**	**429 206**
New issuance	91 909	76 935
Redemptions*	(86 499)	(85 790)
Amortisation (incl. fees)**	433	(242)
Effects of exchange rate changes	37 253	18 297
Debt securities issued (nominal amounts) as at 31 December	**481 504**	**438 407**
Accrued interest	7 296	5 592
Fair value adjustment	(15 883)	(19 406)
Of which value adjustment that is due to change in own credit risk	*227*	*(78)*
Of which value adjustment that is due to other reasons, fair value	*(7 343)*	*(7 603)*
Of which value adjustment that is due to other reasons, hedge accounting	*(8 767)*	*(11 725)*
Total Debt securities issued	**472 917**	**424 593**

(Amounts in NOK 1 000 000)	2024	2023
Commercial paper issued (nominal amounts) as at 1 January	41 318	23 377
New issuance	132 316	152 355
Redemptions	(148 789)	(134 845)
Amortisation	589	417
Effects of exchange rate changes	1 280	15
Commercial paper issued (nominal amounts) as at 31 December	**26 713**	**41 318**

* There have been no buybacks in 2024. **Amortisation is shown in its own line in the table above but is included in buyback in the table below.

Changes in value due to a change in own credit risk are recognised in other comprehensive income in the statement of comprehensive income, while changes in value due to changes in short term interest are recognised in the income statement as net gain/(loss) on financial instruments.

Reconciliation of changes in liabilities that are part of financing activities.

(Amounts in NOK 1 000 000)	Commercial paper issued	Debt securities issued	Subordinated loan capital
Carrying amount 31 December 2023	**41 318**	**424 593**	**770**
Cash flows			
Payments from issuance	132 316	91 909	0
Redemptions	(148 789)	(86 499)	0
Changes that are not related to cash flows	0	0	0
Changes due to accrued interest and amortisation	589	2 138	0
Changes in fair value	0	3 523	(2)
Repurchase, related to issuance of Tier 1 capital	0	0	0
Effects of exchange rate changes on nominal amount incl. fees	1 280	37 253	0
Carrying amount 31 December 2024	**26 713**	**472 917**	**769**

(Amounts in NOK 1 000 000)	Commercial paper issued	Debt securities issued	Subordinated loan capital
Carrying amount 31 December 2022	**23 377**	**0**	**1 897**
Cash flows			
Payments from issuance	152 355	76 935	0
Redemptions	(134 845)	(85 790)	0
Changes that are not related to cash flows			
Changes due to accrued interest and amortisation	417	1 122	(19)
Changes in fair value	0	11 475	92
Repurchase, related to issuance of Tier 1 capital	0	0	(1 200)
Effects of exchange rate changes on nominal amount incl. fees	15	18 297	0
Carrying amount 31 December 2024	**41 318**	**424 593**	**770**

Note 19 Financial derivatives

KBN uses financial derivatives to economically hedge exposures to interest rate and currency risk arising in the Company's business activities, and to economically hedge exposure to option elements in issued bonds. In addition to its ordinary function as a hedging instrument, a subset of currency-related derivatives has a built-in financing element with ongoing predefined payments during the term and repayment at maturity. KBN enters derivative contracts with counterparties with an average credit rating of A+ and all derivative exposure is subject to risk limits approved by the Board. The bank's assets and liabilities denominated in foreign currency, are financially secured with interest rate and currency derivatives based on reference rates in NOK, USD, and EUR. Net assets or liabilities in reference rates in USD or EUR are converted to reference rates in NOK using a combination of basis swaps and currency forwards. Derivatives that are both interest rate and currency related are presented as currency related in the table below.

Interest rate risk arising from interest rate fixation on loans to customers is hedged using interest rate swaps.

See note 20 and note 24 for information on ISDA agreements, collateral transfers and clearing, that reduce counterparty risk. Counterparty risk is measured and monitored on an ongoing basis.

	2024			2023		
(Amounts in NOK 1 000 000)	Nominal amounts	Positive fair values	Negative fair values	Nominal amounts	Positive fair values	Negative fair values
Mandatorily at fair value:						
Interest rate related derivatives	327 265	7 613	6 685	264 004	8 078	5 287
Currency related derivatives	575 352	10 457	9 858	557 649	7 376	8 980
Of which principal amounts on transactions with financing element	*2 696*	*110*	*274*	*2 803*	*249*	*260*
	902 617	**18 070**	**16 543**	**821 653**	**15 454**	**14 267**
Fair value hedges:						
Interest rate related derivatives	357 519	2 063	10 900	290 033	1 051	14 238
Currency related derivatives	0	0	0	0	0	0
	357 519	**2 063**	**10 900**	**290 033**	**1 051**	**14 238**
Total financial derivatives	**1 260 136**	**20 133**	**27 443**	**1 111 686**	**16 505**	**28 505**

All financial derivatives are measured at fair value through profit and loss. Most contracts are categorised as mandatorily at fair value according to IFRS 9. The remaining contracts are designated as hedging instruments in fair value hedges. Standard netting agreements (ISDA) do not fulfil the requirements for offsetting in the statement of financial position, even though they imply the right to offset in case of default. Financial derivatives are hence presented on a gross basis in the statement of financial position, such that contracts with a positive fair value are presented as assets and contracts with a negative fair value are presented as liabilities.

KBN have financial instruments that have been affected by the IBOR reform. In accordance with the fallback provisions in ISDA, all derivatives with USD Libor 3M as reference rate changed reference rate to SOFR with an imposed fallback spread of 26.16 basis points as of July 1, 2023. The transition had no significant impact on the financial statement of 2023.

Note 20 Collateral and offsetting

Offsetting and collateral

KBN has entered into ISDA agreements with all derivatives counterparties. This implies that all exposures vs the counterparty may be offset in the event of default. The ISDA agreements contain agreements regarding the exchange of collateral in the form of Credit Support Annex (CSA) related to financial derivatives exposures. Financial derivatives entered under the ISDA/CSA framework are presented gross in the balance sheet.

KBN also use repurchase agreements, reverse repurchase agreements, and combined repurchase and reverse repurchase agreements (collateral swaps) for liquidity management. A combined repurchase and reverse repurchase agreement aims to exchange the underlying collateral. When entering into such transactions, KBN assesses whether the terms of the GMRA agreement trigger an obligation to offset in the balance sheet.

(Amounts in NOK 1 000 000)		2024			2023		
		Gross fair value	Amounts that are offset in the statement of financial position	Carrying amount	Gross fair value	Amounts that are offset in the statement of financial position	Carrying amount
Assets	**Instrument**						
Financial derivatives	Financial derivatives	20 133	0	20 133	16 505	0	16 505
Deposits with credit institutions	Repurchase agreement	18 132	7 732	10 400	0	0	0
Liabilities	**Instrument**						
Financial derivatives	Financial derivatives	27 443	0	27 443	28 505	0	28 505
Due to credit institutions	Repurchase agreement	7 793	7 732	62	0	0	0

KBN provides securities as collateral in derivative transactions and repurchase agreements. Such assets do not meet the criteria for derecognition and are presented in the balance sheet under commercial paper and bonds. See note 15 for more information on securities that are not derecognised.

Cash collateral received and cash collateral pledged is presented in the statement of financial position as deposits with credit institutions or due to credit institutions. Cash collateral received is included in KBN's cash management and is placed either in commercial paper and bonds or in short term money market instruments.

(Amounts in NOK 1 000 000)	2024	2023
Cash collateral received	17 477	5 232
Cash collateral pledged	(17 610)	(29 717)
Net received cash collateral	**(134)**	**(24 485)**

Note 21 Subordinated loan capital

(Amounts in NOK 1 000 000)	Currency	Principal amount in currency	Redemption right	Coupon	Principal amount in NOK 2024	Principal amount in NOK 2023	Carrying amout 2023	Carrying amout 2022
Ordinary subordinated loan capital	NOK	800 mill	2028	3.02%	800	800	769	770
Total Subordinated loan capital					**800**	**800**	**769**	**770**

Note 22 Share capital

	2024		2023	
	Number of shares	Share in %	Number of shares	Share in %
The Kingdom of Norway	3 894 625	100	3 894 625	100

The Board of Directors proposes that for 2024, NOK 700 million be paid out as dividends to the owner, NOK 162 million be paid as interest to Additional Tier 1 capital holders, and NOK 612 million be transferred to other equity.

Note 23 Additional Tier 1 capital

(Amounts in NOK 1 000 000)	Currency	Principal amount in currency	Redemption right	Coupon	Principal amount in NOK 2024	Principal amount in NOK 2023	Carrying amount 2023	Carrying amount 2022
Additional Tier 1 capital	NOK	1 200	2027	3.26%	1 200	1 200	1 195	1 195
Additional Tier 1 capital	NOK	1 200	2025	3 mnd NIBOR +1,25%	1 200	1 200	1 196	1 196
Additional Tier 1 capital	NOK	1 200	2028	4.22%	1 200	1 200	1 093	1 093
Total additional Tier 1 capital					**3 600**	**3 600**	**3 484**	**3 484**

KBN issued additional Tier 1 capital in June 2023, June 2020 and June 2017. The bonds forms part of KBN's Tier 1 capital, see Note 29. The bonds are perpetual with redemption rights by the issuer. Based on KBN having a one-sided right to not pay interest and notional amount to the investors, the bond does not qualify as a liability under IAS 32 and is therefore classified as equity in the Statement of Financial Position. The interest expenses are not presented as interest expense in the income statement, but rather as a reduction of other equity. The expenses are recognised when paid, see the Statement of changes in equity. In 2024 interest in the amount of NOK 122 million (after tax) has been paid (NOK 76 million in 2023). In addition, NOK 39 million (after tax) had accrued at year end 2024 (NOK 39 million in 2023).

Note 24 Risk management

Risk management

KBN’s state ownership, customer group and sector political role imply that KBN maintains a low to very low risk profile. The Board has determined KBN’s overall risk appetite, which is divided into the following categories: market risk, liquidity risk, credit risk, capital risk and operational risk with associated risk appetite. Risk appetite has also been established for key subcategories of operational risk, such as compliance risk, cyber risk, and the risk of being used for money laundering and contributing to terrorist financing. Risk appetite is operationalised through defined limits for types and extent of risk exposure.

Risk management and internal control are integrated into the banks strategy and business processes, and are adapted to the nature, scope and complexity of the risk exposure. The CEO is responsible for the implementation of risk management and internal control, and follows up and assesses changes in the banks risk exposure.

Robust internal control is carried out as an integrated part of the business processes of the bank. Risk management is established in a structure based on three lines of defence that ensures systematic identification, assessment, monitoring and reporting of the risk in all parts of KBN’s activities. The first line of defence carries out operational tasks and is responsible for managing and controlling that all the activities are carried out within the established limits, and in accordance with external and internal regulations. The second line of defence conducts independent risk- and compliance assessments, controls and validates models and develops and prepares KBN’s risk and compliance reporting. The second line of defence consists of the risk management and compliance functions. Internal audit (KPMG) constitutes KBN’s third line of defence and is the Board’s independent control body.

Risk types

The risk management and risk exposure in KBN are subject to strict internal guidelines to ensure the banks credit rating and access to the most attractive money markets. KBNs appetite for credit and liquidity risk are low and very low. Interest rate and currency risk is hedged on transaction level for all currencies except for NOK, USD and EUR. Interest rate risk for these currencies is hedged with interest rate swaps, such that the bank is only exposed to changes in three-month interest rates or shorter money market rates.

The following risk factors are identified as the most important for KBN:
Capital management
Credit risk and counterparty risk

- Loss on loans granted to customers
- Counterparty default – derivative transactions
- Issuer default – liquidity portfolio

Market risk

- Basis risk
- Interest rate risk
- Credit spread risk
- Currency risk

Liquidity risk

ESG risk (including climate risk) is not a separate risk area but is managed within the individual areas.

Capital management

KBN is subject to the Financial Undertakings Act and its capital requirements. In addition, KBN have a strategy and process of assessing necessary capital level, considering all substantial risks the bank is exposed to. The Board of Directors discusses the capital level and assesses all the risks annually to ensure the Company’s capital level based on the actual and expected future risk exposure.

In the process of capital assessment, KBN estimates the capital level necessary to cover the total risk exposure. This is done by estimating the capital requirement per risk area. The following risks are assessed separately: credit risk, market risk, liquidity risk and operational risk.

The Board pays special attention to the risk of changes in regulatory framework.

KBN’s Common equity Tier 1 capital adequacy ratio is 18,1 per cent as of 31 December 2024, and KBN is compliant with all regulatory minimum requirements and buffer requirements for all capital measures (common equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio).

Credit risk

KBN’s assets consist of loans to municipalities and similar, and a liquidity portfolio of commercial paper and bonds issued by or guaranteed by sovereigns, regional authorities, multilateral development banks, covered bonds and financial institutions with high credit rating.

Credit risk arising from loans to customers is limited to payment deferrals as the payment obligation cannot be waived. The Local Government Act states that municipalities and county authorities cannot be declared bankrupt. In the Local Government Act, provisions have also been made on the procedures to be followed if payment deferral must be implemented. KBN does, however, perform credit assessment of all lending customers, based on a model for economic analysis of municipalities and county authorities. The model considers the municipalities’ financial situation with both qualitative and quantitative key indicators for economic development and prospects of the customer.

KBN also grants loans to companies that perform tasks for municipalities and county authorities. The prerequisite for such loans is that the municipalities, or county authorities, provide guarantees that have been politically adopted and approved by the state through the chief county executive or the Ministry of Local Government and Regional Development.

Financial counterparties in the liquidity portfolio are subject to regular credit assessment and are allocated a credit limit. Credit limits are determined through an internal assessment of the counterparty’s rating, the banks risk capital, the type of financial instrument and its maturity.

For investments in commercial paper and bonds, as well as for financial derivatives, the minimum rating requirement is A2/A from Moody ’s and Standard and Poor ’s.

KBN enters into derivative transactions in order to control interest rate and currency risk. Counterparties in derivative transactions are financial institutions or central counterparties. In addition to strict rating requirements, the risk inherent in derivative transactions is mitigated through the use of ISDA agreements (offsetting). Such agreements have been made with all derivative counterparties.

KBN uses clearing services at a central counterparty (London Clearing House —LCH) for financial derivatives related to interest rate risk. As a central counterparty, LCH are subject to capital and risk management, and are considered to have lower counterparty risk than ordinary financial institutions.

KBN does not have a direct membership at LCH and uses clearing brokers that act on behalf of KBN towards LCH. KBN has chosen to segregate its derivative positions and funds (collateral) in relation to any possible default of the clearing broker. Thus, the banks’ exposure is directly against LCH. KBN achieves a high degree of protection through such a solution.

Credit risk related to the liquidity portfolio is low. The average rating of the portfolio is AA+ (based on the lowest of S&P and Moody ’s) as of 31 December 2024, and 41 per cent of the portfolio is invested in securities with a risk weight of zero per cent. Average time to maturity of the portfolio was 1.6 years as of 31 December 2024. The risk in the portfolio is managed at issuer level and is limited due to the portfolios short duration.

Market risk

Market risk consists mainly of interest rate, basis spread, credit spread and currency risk. KBN ’s risk appetite and risk policy allows a limited degree of exposure to changes in interest rates, basis spreads and credit spreads, while it allows a minimal degree of exposure of currency for operational reasons. Interest rate and currency risk are managed through matching of assets and liabilities at all times. Economic hedges with derivative instruments are used actively to reduce market risk.

Liquidity risk

Liquidity risk is managed by matching maturity profiles and interest rate reset periods for assets and liabilities. The policy requires that the liquidity portfolio must at any time cover a minimum of 10 months' obligations, without access to new borrowing. Liquidity risk in KBN is primarily a function of the need for collateral exchange with the bank's derivative counterparties. The size and liquidity characteristics of the liquidity portfolio are at all times adapted to KBN's liquidity risk through the bank's liquidity framework. The liquidity portfolio is invested in liquid securities of very high credit quality and with low ESG-risk.

Note 25 Credit risk

KBN has credit exposures against the municipal sector in Norway, as well as against sovereigns, local authorities, multilateral development banks, financial institutions and issuers of covered bonds within the OECD. For the Norwegian municipal sector, the maximum maturity is determined by the Municipality Act and the credit framework is governed by regulations on large exposures. Credit exposures to financial institutions shall have a rating of A- or above.

KBN has no actual loan losses in 2024. Neither are there any evidence of actual default or payment problems with customers that would give reason to expect actual loan losses in 2024. KBN does not issue financial guarantees.

The table below includes exposures that are recognised as deposits with credit institutions, loans to customers and commercial paper and bonds. Exposures on the line regional authorities includes loans to companies guaranteed by municipalities and regional authorities.

Amounts in the table below represent actual credit exposure.

(Amounts in NOK 1 000 000)	2024								
Time to maturity	< 1 year				> 1 year				
Risk class	**A-1**	**A-2**	**A-3**	**Not ratet**	**A**	**AA**	**AAA**	**Not ratet**	**Total**
Sovereigns and central banks	7 191	0	0	0	3 248	6 652	7 125	0	**24 216**
Multilateral development banks	1 424	0	0	0	0	1 132	12 985	0	**15 541**
Regional authorities[1]	9 562	0	0	38 133	0	17 422	21 680	324 214	**411 010**
Financial institutions	37 152	896	0	0	264	399	0	0	**38 710**
Corporates	1 351	0	0	0	1 786	0	0	0	**3 137**
Covered Bonds	4 692	0	0	0	0	450	47 497	0	**52 638**
Total	**61 371**	**896**	**0**	**38 133**	**5 298**	**26 055**	**89 287**	**324 214**	**545 253**

[1]Including loans to the municipality, regional authority and intermunicipal companies amounting to NOK 367.5 bn. Undisbursed loan commitments amount to NOK 6 bn as at 31 December 2024.

Credit exposure by country

(Amounts in NOK 1 000 000)	2024								
Time to maturity	< 1 year				> 1 year				
Risk class	**A-1**	**A-2**	**A-3**	**Not ratet**	**A**	**AA**	**AAA**	**Not ratet**	**Totalt**
Australia	1 569	0	0	0	0	0	0	0	**1 569**
Austria	122	0	0	0	0	535	0	0	**658**
Belgium	824	0	0	0	0	0	0	0	**824**
Canada	7 829	0	0	0	0	619	1 472	0	**9 920**
Denmark	1 436	0	0	0	0	0	5 381	0	**6 816**
Finland	9 170	0	0	468	0	3 856	3 261	0	**16 756**
France	9 663	0	0	0	264	10 307	3 124	0	**23 358**
Germany	3 768	50	0	0	0	947	14 075	0	**18 840**
Ireland	1 006	0	0	0	0	0	0	0	**1 006**
Japan	2 380	299	0	0	3 248	0	0	0	**5 927**
Luxembourg	4	0	0	0	0	0	0	0	**4**
Netherlands	0	0	0	0	0	0	737	0	**737**
Norway	8 188	0	0	37 665	38	0	41 313	324 214	**411 418**
Spain	0	0	0	0	0	0	0	0	**0**
Supranational	1 424	0	0	0	0	1 245	12 985	0	**15 654**
Sweden	3 289	0	0	0	0	2 905	4 351	0	**10 546**
Switzerland	0	0	0	0	0	0	0	0	**0**
United Kingdom	294	547	0	0	0	0	2 589	0	**3 430**
USA	10 402	0	0	0	1 748	5 639	0	0	**17 789**
Total	**61 371**	**896**	**0**	**38 133**	**5 298**	**26 055**	**89 287**	**324 214**	**545 253**

Amounts in the table represent actual credit exposure.

(Amounts in NOK 1 000 000)	2023								
Time to maturity	< 1 year				> 1 year				
Risk class	**A-1**	**A-2**	**A-3**	**Not ratet**	**A**	**AA**	**AAA**	**Not ratet**	**Totalt**
Sovereigns and central banks	11 242	0	0	0	574	6 718	2 590	0	**21 125**
Multilateral development banks	1 409	0	0	0	0	1 713	9 133	0	**12 256**
Regional authorities[1]	12 762	0	0	31 634	208	16 102	20 280	310 031	**391 017**
Financial institutions	36 214	532	0	0	0	274	0	0	**37 020**
Corporates	1 400	0	0	0	1 826	0	1 533	0	**4 759**
Covered Bonds	2 166	0	0	0	0	0	34 827	0	**36 994**
Total	**65 194**	**532**	**0**	**31 634**	**2 608**	**24 807**	**68 364**	**310 031**	**503 170**

[1]Including loans to the municipality, regional authority and intermunicipal companies amounting to NOK 352.1 bn. Undisbursed loan commitments amount to NOK 5 bn as at 31 December 2023.

Credit exposure by country

(Amounts in NOK 1 000 000)	2023								
Time to maturity	**< 1 year**				**> 1 year**				
Risk class	**A-1**	**A-2**	**A-3**	**Not ratet**	**A**	**AA**	**AAA**	**Not ratet**	**Totalt**
Australia	0	0	0	0	0	0	0	0	**0**
Austria	0	0	0	0	0	526	0	0	**526**
Belgium	2 868	0	0	0	0	0	0	0	**2 868**
Canada	5 973	0	0	0	208	272	2 552	0	**9 005**
Denmark	4 001	0	0	0	0	0	7 642	0	**11 643**
Finland	1 495	0	0	190	0	3 964	3 399	430	**9 478**
France	15 856	0	0	0	0	6 000	1 370	0	**23 226**
Germany	15 500	122	0	0	0	1 971	2 693	0	**20 286**
Ireland	0	0	0	0	0	0	0	0	**0**
Japan	5 186	64	0	0	574	0	0	0	**5 824**
Luxembourg	0	0	0	0	0	0	0	0	**0**
Netherlands	145	0	0	0	0	0	0	887	**1 032**
Norway	2 117	0	0	31 333	0	0	36 487	307 799	**377 736**
Spain	0	0	0	0	0	0	0	0	**0**
Supranational	1 409	0	0	0	0	1 713	9 133	0	**12 256**
Sweden	5 369	0	0	101	0	4 168	3 441	915	**13 994**
Switzerland	3	0	0	0	0	0	0	0	**3**
United Kingdom	739	346	0	0	0	0	1 658	0	**2 744**
USA	4 532	0	0	0	1 826	6 192	0	0	**12 549**
Total	**65 194**	**532**	**0**	**31 624**	**2 608**	**24 807**	**68 375**	**310 031**	**503 170**

Note 26 Interest rate risk

Interest rate sensitivity

The interest rate sensitivity information illustrates how the value of the bank's assets and liabilities, income statement and equity would be affected by a change in the respective market rate. KBN calculates interest rate sensitivity for the economic value of equity (EVE) and the net interest income (NII) on a 12-month horizon for changes in interest rates, basis spreads and credit spreads. EVE gives an estimate of the change in market value of all the bank's balance sheet items regardless of the measurement method in the financial statements, while NII gives an estimate of changes in net interest income for the period's result. Tables below show amounts before tax, for effects on equity, a tax of 25 per cent must be deducted.

EVE is a cash flow calculation that deducts the present value of all known and expected cash flows stemming from debt positions from the present value of all known and expected cash flows stemming from assets. EVE sensitivity indicates how a basis point change in the yield curve will affect the total capital. NII is a cash flow calculation that deducts interest costs of all known and expected cash flows on debt from the interest income of all known and expected cash flows on assets. NII sensitivity indicates how a basis point change in the yield curve will affect the net interest income in the Income Statement. EVE sensitivity and NII sensitivity are internationally recognised standards for estimating interest rate risk. The bank uses both models to manage its assets and liabilities. The interest rate sensitivities are calculated before tax according to the items agreed rate fixing, distributed per currency type at a 1%-point parallel shift in market interest rate.

Table 1: Interest rate sensitivity on the market value of balance sheet items (EVE)

The table below illustrates the sensitivity in market value for all balance sheet items, based on a parallel shift in the yield curve (market rate/swap rate) of 100 basis points (upward).

(Amounts in NOK 1 000 000)						
2024	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net total**	**Gross total**
AUD	0	(0)	(8)	(38)	**(45)**	**45**
EUR	(0)	(1)	(14)	(9)	**(24)**	**24**
JPY	0	0	0	0	**0**	**0**
NOK	(23)	(14)	(29)	59	**(8)**	**8**
USD	1	9	(13)	(1)	**(5)**	**5**
Other	0	(1)	(16)	(8)	**(25)**	**25**
Total	(23)	(7)	(80)	4	**(107)**	**107**
2023	**0-3 months**	**3 months -1 year**	**1-5 years**	**>5 years**	**Net total**	**Gross total**
AUD	0	0	(9)	(29)	**(38)**	**38**
EUR	37	(1)	2	(12)	**26**	**26**
JPY	0	0	0	0	**0**	**0**
NOK	54	(9)	0	(2)	**43**	**43**
USD	(1)	2	1	(26)	**(23)**	**23**
Other	1	(2)	(17)	(11)	**(29)**	**29**
Total	92	(10)	(23)	(80)	**(21)**	**159**

Table 2: Interest rate sensitivity for unrealised fair value changes in the income statement and the statement of comprehensive income (EVE)

The table below shows the effect on the income statement in the form of unrealised fair value changes at a parallel shift of 100bp, as in table 1. Not all balance sheet items included in EVE have an accounting measurement method that impacts profit and loss, this only applies to assets and liabilities measured at fair value and assets and liabilities included in hedge accounting. The effect in the income statement of balance sheet items measured at fair value is NOK 152 million, while the effect in the income statement of balance sheet items measured at hedge accounting is NOK -259 million. Net effect of these is NOK -107 million.

(Amounts in NOK 1 000 000)					
2024	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net Total**
AUD	0	(0)	(8)	(38)	**(45)**
EUR	(6)	(1)	(14)	(9)	**(30)**
JPY	0	0	0	0	**0**
NOK	317	(11)	(98)	58	**267**
USD	(4)	10	(19)	(1)	**(15)**
Other	0	(1)	(16)	(8)	**(25)**
Total	308	(3)	(156)	2	**152**
2023	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net Total**
AUD	0	0	(9)	(29)	**(38)**
EUR	(2)	(1)	2	(12)	**(13)**
JPY	0	0	0	0	**0**
NOK	388	(6)	(91)	(3)	**288**
USD	(10)	1	(5)	(25)	**(40)**
Other	1	(2)	(17)	(11)	**(29)**
Total	377	(8)	(121)	(80)	**169**

Table 3: Basis-spread sensitivity (EVE)

The table below shows sensitivity in market value for derivatives in form of a parallel shift of the basis curve by one basis point (up). The items included in the table have an effect on profit and loss.

(Amounts in NOK 1 000 000)						
2024	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net total**	**Gross total**
AUD	0	(1)	(6)	(8)	**(15)**	**15**
EUR	(1)	0	0	(2)	**(3)**	**3**
JPY	0	0	0	0	**1**	**1**
NOK	4	11	15	1	**31**	**31**
Rest	0	(3)	(12)	(2)	**(17)**	**17**
Net exposure	3	7	(2)	(11)	**(3)**	**66**
2023	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net total**	**Gross total**
AUD	0	(1)	(8)	(6)	**(15)**	**15**
EUR	0	0	0	(2)	**(2)**	**2**
JPY	0	0	0	0	**0**	**0**
NOK	3	7	19	7	**36**	**36**
Rest	0	(2)	(14)	(3)	**(18)**	**18**
Net exposure	3	4	(2)	(5)	**0**	**72**

Table 4: Credit-spread sensitivity (EVE)

The table below shows sensitivity in market value of balance sheet items (assets measured at fair value) by a parallel shift of the credit spread curve by one basis point (up). The items included in the table influence profit and loss.

(Amounts in NOK 1 000 000)					
2024	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net total**
Loans to customers	0	(2)	(23)	(20)	**(45)**
Commercial paper and bonds	0	(3)	(12)	(1)	**(15)**
Net exposure	0	(4)	(35)	(21)	**(60)**
2023	**0-3 months**	**3 months - 1 year**	**1-5 years**	**>5 years**	**Net total**
Loans to customers	0	(2)	(9)	(11)	**(22)**
Commercial paper and bonds	0	(1)	(10)	(0)	**(11)**
Net exposure	0	(3)	(19)	(11)	**(34)**

Table 5: Interest rate sensitivity for net interest income (NII)

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 100bp parallel shift of the yield curve (up).

(Amounts in NOK 1 000 000)			
2024	**0-3 months**	**3 months - 1 year**	**Net total**
EUR	(4)	0	**(4)**
NOK	165	(32)	**132**
USD	50	0	**50**
Other	0	0	**0**
Total	211	(32)	**179**
2023	**0-3 months**	**3 months - 1 year**	**Net total**
EUR	(25)	41	**17**
NOK	329	(136)	**193**
USD	(172)	35	**(137)**
Øvrige	0	0	**0**
Total	133	(60)	**73**

Table 6: Sensitivity for change in basis spread for net interest income (NII)

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 1bp parallel shift of the basis curve (up).

(Amounts in NOK 1 000 000)			
2024	**0-3 months**	**3 months - 1 year**	**Net total**
EUR	5	0	**5**
NOK	(17)	(5)	**(21)**
Other	0	1	**1**
Total	(12)	(4)	**(15)**
2023	**0-3 months**	**3 months - 1 year**	**Net total**
EUR	4	0	**4**
NOK	(19)	(2)	**(21)**
Other	0	0	**(0)**
Total	(16)	(2)	**(17)**

Table 7: Sensitivity for change in credit spread for net interest income (NII)

The table below shows the sensitivity of the bank's net interest income on a 12-month horizon based on a 1bp parallel shift of the credit spread curve (up).

(Amounts in NOK 1 000 000)			
2024	**0-3 months**	**3 months - 1 year**	**Net Total**
Loans to customers	17	1	**18**
Investments	4	0	**5**
Liabilities	(6)	(2)	**(8)**
Total	16	(1)	**14**
2023	**0-3 months**	**3 months - 1 year**	**Net Total**
Loans to customers	16	0	**17**
Investments	2	1	**3**
Liabilities	(5)	(2)	**(7)**
Total	13	(1)	**12**

Investments include income risk from both commercial paper and bonds and deposits with credit institutions.

Note 27 Currency risk

(Amounts in NOK 1 000 000)

Currency risk is defined as the risk of loss due to changes in market values based on fluctuations in FX rates. Currency risk arises due to KBN's borrowing being mainly in foreign currency, while lending is in NOK. The banks guidelines require hedging of all currency risk related to assets and liabilities in foreign currency. However, short term net positions related to income statement items in USD and EUR, may occur. Currency risk is hedged at both transaction level and portfolio level. The limit for currency risk is set to net currency position that cannot exceed 1.6% of subordinated capital.

2024 **(Amounts in NOK 1 000 000)**	**Gross position USD**	**Sensitivity 10% change in FX rate**	**Gross position EUR**	**Sensitivity 10% change in FX rate**	**Gross position Other FX**	**Sensitivity 10% change in FX rate**	**Gross position Total in FX**	**Sensitivity 10% change in FX rate**
Deposits with credit institutions	5 626	563	8 287	829	5	0	13 918	1 392
Commercial paper and bonds	43 222	4 322	21 128	2 113	16 401	1 640	80 751	8 075
Commercial paper issued	(8 381)	(838)	(18 332)	(1 833)	0	0	(26 713)	(2 671)
Debt securities issued	(272 972)	(27 297)	(74 484)	(7 448)	(135 771)	(13 577)	(483 227)	(48 323)
Financial derivatives	232 438	23 244	63 366	6 337	119 369	11 937	415 173	41 517
Net position	**(68)**	**(7)**	**(35)**	**(3)**	**4**	**0**	**(98)**	**(10)**

2023 **(Amounts in NOK 1 000 000)**	**Gross position USD**	**Sensitivity 10% change in FX rate**	**Gross position EUR**	**Sensitivity 10% change in FX rate**	**Gross position Other FX**	**Sensitivity 10% change in FX rate**	**Gross position Total in FX**	**Sensitivity 10% change in FX rate**
Deposits with credit institutions	18 377	1 838	16 201	1 620	5	1	34 583	3 458
Commercial paper and bonds	25 845	2 585	14 947	1 495	23 642	2 364	64 435	6 443
Commercial paper issued	(12 253)	(1 225)	(29 066)	(2 907)	0	0	(41 318)	(4 132)
Debt securities issued	(242 648)	(24 265)	(55 322)	(5 532)	(139 386)	(13 939)	(437 357)	(43 736)
Financial derivatives	210 791	21 079	53 201	5 320	115 744	11 574	379 736	37 974
Net position	**112**	**11**	**(38)**	**(4)**	**6**	**1**	**79**	**8**

The table above shows an effect in the income statement of a 10 percent change in FX rates relative to NOK. The effect in the income statement is before tax, for effects on equity, a tax of 25 per cent must be deducted. The amount is calculated based on all positions in foreign currency as of 31 December, 2024, and 2023. The sensitivity analysis assumes zero correlation between FX rates and other market risk factors.

Note 28 Liquidity risk

(Amounts in NOK 1 000 000)

Liquidity risk is defined as the risk of KBN not being able to meet its commitments or finance lending demand without significant extra costs being incurred in the form of reduction in value of assets that need to be sold, or in the form of more expensive funding. Liquidity risk is monitored and managed through the bank's liquidity policy set by the Board of Directors.

The policy requires that the liquidity portfolio should generally cover 12 months' net redemptions, and at any time a minimum of 10 months' net redemptions. This implies that the bank has to be in the position to cover all its liabilities/payables, including normal lending activities, during at least 10 months without new borrowing.

KBN has a portfolio of highly liquid securities. These holdings shall be transferrable to cash without significant losses for KBN under severely stressed market conditions, either through direct sales or through the use of repurchase agreements in a recognised repurchase market.

The liquidity portfolio shall have low credit and market risk and is invested in notes and bonds issued by sovereigns, local authorities, multilateral development banks and highly rated financial institutions.

2024

Exposure by time to maturity	Total	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Without maturity
Deposits with credit institutions	**37 790**	37 790	0	0	0	0	0
Other money market deposits	**0**	0	0	0	0	0	0
Loans to customers	**654 218**	6 195	6 577	32 646	219 509	389 291	0
Commercial paper and bonds	**148 874**	2 980	14 377	18 357	107 501	5 658	0
Total assets	**840 882**	**46 965**	**20 954**	**51 003**	**327 011**	**394 949**	**0**
Due to credit institutions	**17 539**	17 539	0	0	0	0	0
Commercial paper issued	**26 748**	24 410	2 338	0	0	0	0
Debt securities issued	**529 247**	1 380	42 692	63 263	376 779	45 134	0
Other liabilities	**188**	38	31	19	45	44	11
Subordinated loan capital	**897**	0	0	24	872	0	0
Additional Tier 1 capital	**2 755**	0	18	107	2 630	0	0
Total liabilities	**577 374**	**43 366**	**45 078**	**63 413**	**380 326**	**45 178**	**11**
Dfinancial derivatives	**(12 489)**	**(271)**	**2 277**	**(2 875)**	**(5 074)**	**(6 546)**	**0**
Net liquidity exposure	**251 019**	**3 328**	**(21 847)**	**(15 285)**	**(58 390)**	**343 225**	**(11)**

The table shows the sum of net maturities in that period, including interest payments. Interest payments in the table are calculated based on the current interest rate as of year-end. For instruments with a call structure, maturity at first call is used as an assumption. Additional Tier 1 capital is included in the table although it is not classified as liability in the Statement of financial position, because it is included in the bank's liquidity management. Financial derivatives are net cash flows (principal and interest) per time period.

2023

Exposure by time to maturity	Total	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Without maturity
Deposits with credit institutions	**36 603**	36 603	0	0	0	0	0
Other money market deposits	**0**	0	0	0	0	0	0
Loans to customers	**530 314**	2 259	8 048	27 758	185 372	306 877	0
Commercial paper and bonds	**122 737**	6 044	16 563	12 706	87 295	130	0
Total assets	**689 654**	**44 906**	**24 611**	**40 463**	**272 666**	**307 007**	**0**
Due to credit institutions	**5 232**	5 232	0	0	0	0	0
Commercial paper issued	**41 518**	14 237	27 282	0	0	0	0
Debt securities issued	**475 015**	3 049	22 124	61 248	336 595	51 999	0
Other liabilities	**101**	28	35	13	0	0	25
Subordinated loan capital	**921**	0	0	24	897	0	0
Additional Tier 1 capital	**4 106**	0	18	140	3 948	0	0
Total liabilities	**526 894**	**22 547**	**49 458**	**61 425**	**341 440**	**51 999**	**25**
Dfinancial derivatives	**(11 659)**	**(1 138)**	**(1 384)**	**(3 441)**	**(3 922)**	**(1 775)**	**0**
Net liquidity exposure	**151 101**	**21 222**	**(26 231)**	**(24 402)**	**(72 696)**	**253 233**	**(25)**

Note 29 Capital adequacy and capital management

(Amounts in NOK 1 000 000)

KBN’s capital consists of share capital, retained earnings, additional Tier 1 capital and subordinated loan capital. A satisfactory level of capital is seen as necessary for maintaining the AAA-rating and to ensure efficient market competition. The Board assesses the capital level on an ongoing basis and approves KBN’s principles for capital management. The bank is subject to the capital adequacy regulations and must at all times ensure a capital level that is justifiable in relation to the risk profile and market conditions. The goal for capital management is operationalised through common Tier 1 capital adequacy, Tier 1 capital adequacy and total capital adequacy.

KBN’s capital status is assessed against risk in a 12-month perspective and using long-term stress tests. As at 31 December 2024 KBN`s requirement, including buffers and pillar 2 requirements, is set at 14.7 percent for common equity Tier 1 capital, 16.5 percent for Tier 1 capital and 18.9 percent for total capital. KBN’s pillar 2 requirement is 1.7 percent. The minimum requirement for leverage ratio is set at 3 percent. KBN's capital adequacy exceeds government-determined and board-determined capital requirements as of 31 December 2024.

The capital adequacy is affected by deduction items in common equity Tier 1 capital, primarily related to deferred tax assets, see note 6 Tax for further information.

Capital adequace	2024 Carrying amount	2024 Risk-weighted assets	2024 Minimum capital requirements and capital adequacy	2023 Carrying amount	2023 Risk-weighted assets	2023 Minimum capital requirements and capital adequacy
Credit risk						
Sovereigns and central banks	24 216	0	0	21 125	0	0
Regional governments and local authorities	398 680	76 647	6 132	381 386	71 120	5 690
Of which are Norwegian municipalities	382 537	76 647	6 132	352 226	70 637	5 651
Corporates	3 140	1 570	126	4 759	1 613	129
Public sector entities	12 295	0	0	9 630	0	0
Multilateral development banks	15 553	0	0	12 258	0	0
Financial institutions	19 679	4 004	320	34 358	6 442	515
Of which counterparty exposure on derivatives	8 836	1 814	145	27 495	5 966	477
Claims secured by residential property	21	21	2	21	21	2
Covered bonds	52 654	5 524	442	36 995	3 865	309
Other assets	1 894	4 561	365	1 727	4 298	344
Credit Valuation Adjustment	144	1 798	144	427	5 343	427
Total credit risk	**528 275**	**94 126**	**7 530**	**502 687**	**92 703**	**7 416**
Market risk	**0**	**0**	**0**	**0**	**0**	**0**
Operational risk - Basic Indicator Approach[1]		**3 100**	**248**		**2 554**	**204**
Minimum capital requirements		**97 226**	**7 778**		**95 257**	**7 621**
Total capital ratio			**22.5 %**			**21.9 %**
Tier 1 capital adequacy ratio			**21.7 %**			**21.0 %**
Common equity Tier 1 capital adequacy ratio			**18.1 %**			**17.4 %**
Leverage ratio			**3.9 %**			**4.0 %**

[1]KBN uses basic indicator approach to calculate operational risk, where average of net income last three years are basis for the calculation. Net income include Net unrealised gain/(loss) on financial instruments.

Supplementary capital cannot exceed 100 percent of Tier 1 capital. KBN's total capital satisfies the capital adequacy requirements. KBN's total primary capital comprises the following elements:

(Amounts in NOK 1 000 000)	2024	2023
Equity	22 075	21 684
Additional Tier 1 capital included in equity	(3 484)	(3 484)
Equity included in common equity Tier 1 capital	**18 590**	**18 199**
Deductions:		
Deferred tax asset that exceeds 10 % of common equity Tier 1 capital	(176)	(604)
Intangible assets	(153)	(162)
Dividends payable	(700)	(700)
Prudent valuation adjustments (AVA)	(127)	(138)
Adjustments unrealised loss (gains) due to changes in own credit risk	170	(59)
Total common equity Tier 1 capital	**17 604**	**16 536**
Other approved Tier 1 capital	3 484	3 484
Total Tier 1 capital	**21 088**	**20 020**
Supplementary capital		
Subordinated loan capital	800	800
Total supplementary capital	**800**	**800**
Total primary capital	**21 888**	**20 820**

Primary capital has been calculated under Capital Requirements Regulation (CRR). Unrealised gain/(loss) on liabilities that is due to changes in own credit risk is related to debt securities issued.

In 2023, KBN conducted a repurchase of subordinated debt of NOK 1.2 billion and a corresponding issuance of additional Tier 1 capital. Both loans have a first redemption date in the second quarter of 2028. The repurchase resulted in a realised gain of NOK 101 million before tax, which has been recognised as income. The transaction led to an enhancement of the bank`s Tier 1 capital adequacy ratio and leverage ratio.

Board statement

The Board of Directors confirms, in accordance with Section 5-5 of the Norwegian Securities Trading Act, that the annual accounts for the company for 2024 to the best of its knowledge have been prepared in accordance with IFRS, and that the information in the accounts provides a true and fair view of the company's assets, liabilities, financial position and earnings for the company as a whole.

The Board of Directors confirms that, to the best of its knowledge, the annual report provides a true and fair view of important events during the accounting period and their influence on the annual accounts, and of the most important risks and uncertainties facing the company in the next accounting period.

Oslo, 13 March 2025

The Board of Kommunalbanken AS

Brit Kristin Sæbø Rugland
CHAIR

Rune Midtgaard
VICE CHAIR

Eyvind Aven
BOARD MEMBER

Kristine Fausa Aasberg
EMPLOYEE REPRESENTATIVE

Nils Gunnar Baumann
EMPLOYEE REPRESENTATIVE

Toril Hovdenak
BOARD MEMBER

Ida Espolin Johnson
BOARD MEMBER

Ida Texmo Prytz
BOARD MEMBER

Petter Steen Jr.
BOARD MEMBER

Jannicke Trumpy Granquist
CEO

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To the General Meeting of Kommunalbanken AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kommunalbanken AS (the Company), which comprise the balance sheet as at 31 December 2024, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Kommunalbanken AS for 2 years from the election by the general meeting of the shareholders on 1. juni 2022 for the accounting year 2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT systems and controls relevant for financial reporting of commercial paper and bonds, financial derivatives, commercial papers issued and debt securities issued ("funding")

Description of the Key Audit Matter	How the matter was addressed in the audit
Processes and control activities in the commercial papers and bonds, financial derivatives and funding management related to amongst others calculation of interest, amortization of premium and discount, valuation, and foreign currency translation are largely automated. Results and deviations from the automated management processes are analysed and followed up. Kommunalbanken's IT systems are mainly standard systems adapted to Kommunalbanken's needs. The IT solutions are operated in cooperation with various third parties. The IT systems used in the investment management are central for accounting and reporting. Effective internal controls in the automated investment management processes as well as in handling deviations are of high importance to form the basis for ensuring accurate, complete and reliable financial reporting and this is therefore a key audit matter.	Kommunalbanken has established overall governance models and control activities for evaluation of the commercial papers and bonds, financial derivatives and funding management. We assessed those elements of the overall governance models that are relevant to financial reporting. We assessed and tested the design of selected control activities related to IT operations, change management and access management. For a sample of these control activities we tested if they operated effectively in the reporting period. We used our own IT specialists to understand the overall governance model for IT systems and in the assessment and testing of the control activities. We assessed whether selected valuation and calculation methods for calculation of interest, amortization of premium and discount, valuation, and foreign currency translation, were in accordance with IFRS. We assessed and tested the design of selected automated control activities for the IT systems related to calculation of interest, amortization of premium and discount, valuation, and foreign currency translation. For a sample of these control activities we tested if they operated effectively in the reporting period. We assessed and tested the design of selected manual control activities for the areas listed above related to analysis of the results from the calculations. We performed selected tests of details and analytical procedures for a sample of profit and loss and balance sheet items calculated by the automated calculation methods related to commercial papers and bonds, financial derivatives and funding. The procedures covered both commercial papers and bonds and funding measured at amortized cost and commercial papers and bonds, financial derivatives and funding measured at fair value categorized in both level 1, 2 and 3 in the fair value hierarchy.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our statement on the Board of Directors' report applies correspondingly to the statement on Corporate Governance.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Kommunalbanken AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "KBN Annual Report 2024 (XHTML)", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with

ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 13. March 2025
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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