

REPORT FOR THIRD QUARTER 2014

January-September (unaudited)

ABOUT KBN

Established by an act of Parliament in 1926 as a state administrative body, Kommunalbanken AS (KBN) gained its current organisational form by a conversion act in 1999. KBN's primary objective is to provide stable and low cost funding to Norwegian municipalities, counties, intermunicipal companies and other companies with a municipal guarantee for their primary municipal investments.

FINANCIAL HIGHLIGHTS

(Amounts in NOK 1 000 000)

	January-September 2014	January-September 2013	2013
RESULT			
Net interest income	1 100	1 233	1 634
Core earnings ¹	749	856	1 131
Profit before tax	419	1 217	1 496
Profit for the period	306	876	1 083
Return on equity after tax ²	5.06 %	16.04 %	14.94 %
Return on equity after tax (core earnings) ²	12.40 %	15.66 %	15.61 %
Return on assets after tax ²	0.11 %	0.33 %	0.30 %
Return on assets after tax (core earnings) ²	0.26 %	0.32 %	0.31 %
LENDING			
New disbursements	30 146	31 793	43 717
Outstanding loans ³	245 596	236 341	240 863
LIQUIDITY PORTFOLIO ³	123 344	104 153	102 358
BORROWINGS			
New long-term borrowings	96 785	138 134	162 539
Repurchase of own debt	542	4 659	4 910
Redemptions	77 151	122 423	148 390
Total borrowings ³	358 354	329 634	326 470
TOTAL ASSETS	398 475	363 098	361 918
EQUITY			
Core capital adequacy ratio	12.19 %	12.58 %	12.39 %
Total capital adequacy ratio	14.53 %	15.14 %	14.91 %

1 Profit after tax adjusted for unrealised gains/losses on financial instruments

2 Annualised return on equity and return on assets as percentage of average equity and average assets

3 Principal amounts

ROBUST CORE EARNINGS

KBN's net interest income after fees and commission expenses in the third quarter 2014 was NOK 361 million, down from NOK 393 million in the third quarter 2013. The decrease compared to 2013 is mainly due to lower interest rate margins from securities held in the liquidity portfolio. Lending activity contributes to favourable results for KBN's core business so far this year with stable net interest income all through the third quarter.

LENDING

KBN's lending portfolio shows a decrease of NOK 1.9 billion in the third quarter of 2014, compared to an increase of NOK 1.3 billion during the same period of last year. KBN experiences strong demand for short-term loans, although KBN, in line with objectives, has chosen to be less active at the short end during the third quarter.

In the first nine months of 2014, KBN's lending portfolio has increased by NOK 4.7 billion (2.0 per cent) compared to NOK 17.1 billion, (7.8 per cent) during the same period of last year. Total lending portfolio is NOK 245.6 billion as of 30 September 2014.

During the third quarter 2014 KBN disbursed new loans amounting to NOK 8.2 billion compared to NOK 8.5 billion during the same period of last year. A total of NOK 30.1 billion was disbursed during the first nine months, down from NOK 31.8 billion during the same period of last year.

GREEN LENDING

KBN experiences increased demand for loans with KBN's eco-friendly green floating rate showing a 20 per cent growth so far this year. Green floating rate is lower than the ordinary floating rate and is offered to investments included in the municipal climate and energy action plan. Lending growth is explained by increased investments in energy efficiency measures as well as waste disposal and waste water treatment plants. The Bergen light rail construction is financed with

the green floating rate. In the third quarter Bergen Bompengeselskap (toll-road company) chose KBN as a source of financing for the third construction phase of the light rail.

FUNDING

KBN's access to liquidity has been good all through the third quarter focusing on smaller private placements and public issues mainly outside the US dollar and euro markets.

KBN has looked to extend duration somewhat and offered several long-term issues mainly in Australian dollars. In the third quarter KBN also issued a 7 year USD floating rate note (FRN). KBN is one of the first SSA issuer offering a USD FRN this far out on the curve. The bond matures in September 2021.

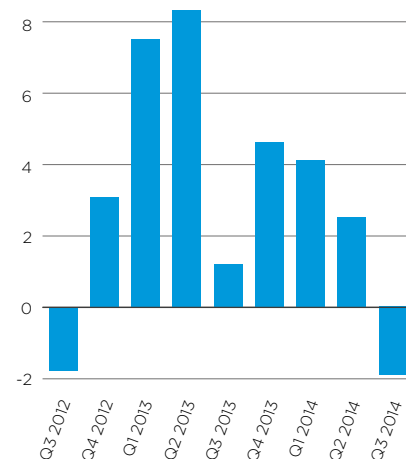
In the first nine months of 2014 KBN has raised NOK 96.8 billion in 16 different currencies.

LIQUIDITY MANAGEMENT

KBN targets a liquidity reserve equivalent to net debt service of minimum of 12 months, which implies a liquidity buffer that covers all KBN's obligations for the next 12 months. By the end of September 2014 KBN maintained a liquidity portfolio of NOK 123.3 billion. The liquidity portfolio is managed in line with KBN's low risk financial policies and is invested in securities issued by highly creditworthy states, regional authorities, supranationals and financial institutions. Exposure to state guaranteed issues has increased somewhat during the third quarter.

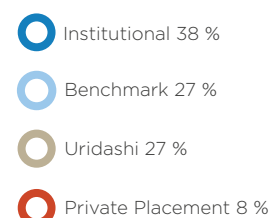
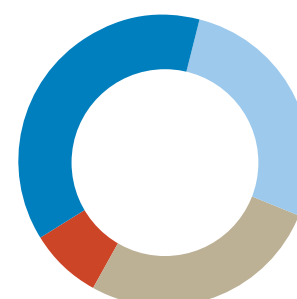
LENDING GROWTH

(amounts in NOK bill)



KBN FUNDING MARKET

January-September 2014



The majority of investments in the portfolio are due within a year.

RESULTS

Net interest income in the third quarter 2014 was NOK 368 million, down from NOK 401 million in the third quarter 2013. Lending activities are maintained at stable levels. The decrease compared to last year is due to marginally higher funding cost and lower margins on the liquidity portfolio.

Accumulated net interest income for the first nine months of 2014 amounted to NOK 1,100 million, compared to NOK 1,233 million for the same period of last year.

Net trading income from repurchase of own debt and sale of securities in the liquidity portfolio amounted to NOK 29 million for the third quarter of 2014. Market transactions contribution was NOK 30 million during the first nine months of the year, compared to NOK 50 million during the first nine months of 2013.

Unrealised loss on financial instruments in the third quarter was NOK 260 million. In the third quarter 2014 the fair value of financial instruments was only slightly influenced by market fluctuations. Net unrealised loss so far in 2014 is mainly due to price developments in the derivatives market and reduction in credit spread on KBN's own bonds. A period marked by reduced interest rates and credit spread in the financial markets. Since these instruments are normally held to maturity, the unrealised gain/loss will be reversed towards maturity, or when the trend in the market changes.

Unrealised loss on financial instruments after nine months is NOK 607 million, compared to a gain of NOK 28 million in the same period of last year.

Profit after tax for the third quarter 2014 was NOK 73 million, compared to NOK 250 million in the third quarter of 2013. Profit after tax for the first nine months of 2014 amounted to NOK 306 million, compared to NOK 876 million for the same period of last year.

Core earnings¹ as of 30 September 2014 was NOK 749 million, a decrease

from NOK 856 million compared with the same period of last year.

Operating expenses for the first nine months amounts to NOK 86 million. An increase of NOK 8 million compared to last year mainly owing to the allocation of NOK 4.6 million to the profit sharing scheme. Operating expenses (annualized) is 0.03 per cent of total assets.

Return on equity after tax is 5.06 per cent during the first nine months. The return on equity after tax adjusted for unrealised gains/losses on financial instruments is 12.40 per cent.

CAPITAL

As of 30 September 2014 KBN's total eligible capital amounted to NOK 9.7 billion with a core capital of NOK 8.2 billion. Total assets have increased by NOK 37 billion since year-end.

KBN's core capital adequacy ratio at the end of third quarter 2014 was 12.19 per cent, and total capital adequacy ratio was 14.53 per cent.

FUTURE PROSPECTS

International financial markets are slightly more volatile. KBN experiences good demand for own bonds and is soon reaching its annual funding total. Increased demand for local government financing is expected during the last months of the year.

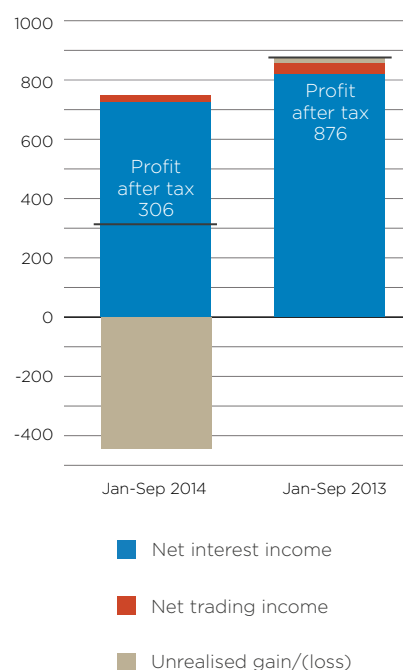
KBN was designated a systemically important financial institution by the Ministry of Finance in May with increased capital requirements from 1 July 2015. In the Fiscal Budget for 2015 presented on 8 October 2014, the government proposed an increase in KBN's equity of approximately NOK 1.4 billion through a capital injection of NOK 1,000 million and retaining the proposed 2014 dividend of approximately NOK 396 million.

KBN has a sector political role financing local welfare. KBN mirrors increased level of activity in the public sector. The Board of Directors' main objective is sufficient capitalisation of KBN at any given time. The capital increase means that KBN will be able to maintain its public policy mandate ensuring local government sector access to long-term and attractive financing, facilitating the efficient provision of public services in Norway.

In August the Ministry of Finance presented regulations for the introduction

PROFIT AFTER TAX

(amounts in NOK mill)



of detailed technical provisions in the EU Capital requirements regulation and directive – CRR/CRD IV. As of the third quarter 2014, KBN reports according to the new regulation. The requirements are reflected in the core capital figures as of 30 September 2014.

Oslo, 28 October 2014
The Board of Directors,
Kommunalbanken

¹ Profit after tax adjusted for unrealised gains/losses on financial instruments.

INCOME STATEMENT

(Amounts in NOK 1 000 000)

	Note	July- September 2014	January- September 2014	July- September 2013	January- September 2013	2013
Interest income		1 528	4 502	1 452	4 308	5 776
Interest expense		1 160	3 402	1 051	3 075	4 142
Net interest income	1	368	1 100	401	1 233	1 634
Fees and commission expenses		7	18	8	16	22
Net unrealised gain/(loss) on financial instruments	2	(260)	(607)	(24)	28	(68)
Net trading income		29	30	6	50	58
Total other operating income		(238)	(595)	(27)	62	(32)
Salaries and administrative expenses		26	72	21	62	82
Depreciation on fixed assets		1	2	1	3	4
Other expenses		4	12	5	13	20
Total operating expenses		31	86	26	78	106
Profit before tax		100	419	348	1 217	1 496
Income tax		27	113	97	341	414
Profit for the period		73	306	250	876	1 083

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)

	Note	July- September 2014	January- September 2014	July- September 2013	January- September 2013	2013
Profit for the period		73	306	250	876	1 083
Other comprehensive income						
<i>Items which will not be reclassified in profit or loss</i>						
Actuarial gain/(loss) on defined benefit plan		0	0	0	0	(13)
Of which is tax		0	0	0	0	(3)
Total other comprehensive income		0	0	0	0	(10)
Total comprehensive income for the period		73	306	250	876	1 073

STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1 000 000)</i>	Note	30-Sep-14	30-Sep-13	31-Dec-13
Assets				
Deposits with credit institutions	3,4	11 424	5 901	5 257
Instalment loans	3,4,5	248 128	238 873	243 114
Notes, bonds and other interest-bearing securities	3,4,7,8	122 249	103 349	101 696
Financial derivatives	3,4	16 585	14 947	11 806
Other assets		89	28	44
Total assets		398 475	363 098	361 918
Liabilities and equity				
Loans from credit institutions	3,4	9 102	4 178	3 656
Commercial paper	3	0	0	0
Senior securities issued	3,4,6	363 670	332 644	329 139
Financial derivatives	3,4	15 490	15 965	18 559
Other liabilities		25	20	36
Current tax liabilities		111	341	440
Deferred tax liabilities		141	168	139
Pension liabilities		48	32	48
Subordinated debt	3,4	1 723	1 733	1 687
Total liabilities		390 310	355 079	353 702
Share capital		2 145	2 145	2 145
Retained earnings		5 714	4 998	6 071
Total comprehensive income for the period		306	876	
Total equity	9	8 165	8 019	8 216
Total liabilities and equity		398 475	363 098	361 918

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000 000)

	1 January - 30 September 2014		
	Share capital	Retained earnings	Total equity
Equity as of 1 January 2014	2 145	6 071	8 216
Profit for the period	0	306	306
Total other comprehensive income	0	0	0
Issue of share capital	0	0	0
Dividends	0	(357)	(357)
Equity as of 30 September 2014	2 145	6 020	8 165

	1 January - 30 September 2013		
	Share capital	Retained earnings	Total equity
Equity as of 1 January 2013	2 145	5 251	7 395
Profit for the period	0	876	876
Total other comprehensive income	0	0	0
Issue of share capital	0	0	0
Dividends	0	(253)	(253)
Equity as of 30 September 2013	2 145	5 874	8 019

	1 January — 31 December 2013		
	Share capital	Retained earnings	Total equity
Equity as of 1 January 2013	2 145	5 251	7 395
Profit for the period	0	1 083	1 083
Total other comprehensive income	0	(10)	(10)
Issue of share capital	0	0	0
Dividends	0	(253)	(253)
Equity as of 31 December 2013	2 145	6 071	8 216

STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000 000)

	January- September 2014	January- September 2013	2013
Cash flows from operating activities			
Interest received	4 393	4 294	5 844
Interest paid	(3 273)	(2 957)	(4 036)
Fees and commissions paid	(18)	(16)	(23)
Receipts from repurchase of issued securities	30	50	58
Cash payments to employees and suppliers	(84)	(75)	(102)
Income taxes paid	(440)	(576)	(576)
Net disbursement of loans to customers	(4 715)	(17 132)	(21 641)
Net (increase)/decrease in deposits with credit institutions	(868)	(2 025)	(1 840)
Net (increase)/decrease in notes, bonds and other interest-bearing securities	(21 853)	3 912	6 530
Net (increase)/decrease in other assets	(43)	(17)	(1)
Net increase/(decrease) in other liabilities	(11)	(13)	6
Net cash flows from operating activities	(26 880)	(14 556)	(15 781)
Cash flows from investing activities			
Net (purchase) / sales of property and equipment	(4)	1	(33)
Net cash flows from investing activities	(4)	1	(33)
Cash flows from financing activities			
Repayment of commercial paper	0	(363)	(359)
Proceeds from issuance of debt securities	96 758	138 091	162 514
Repayment of debt securities	(77 701)	(127 094)	(153 387)
Repayment of subordinated debt	0	(8)	(7)
Dividends paid	(357)	(253)	(253)
Net cash flows from financing activities	18 700	10 374	8 508
Net change in cash and cash equivalents	(8 183)	(4 182)	(7 306)
Effects of foreign exchange differences	8 117	4 085	7 342
Cash and cash equivalents at 1 January	29	(6)	(6)
Net change in cash and cash equivalents	(66)	(97)	35
Cash and cash equivalents at end of period	(37)	(103)	29
<i>Deposits with credit institutions without agreed period of notice</i>	<i>0</i>	<i>0</i>	<i>29</i>
<i>Loans from credit institutions without agreed period of notice</i>	<i>(37)</i>	<i>(103)</i>	<i>0</i>

ACCOUNTING POLICIES

KBN prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Interim financial statements as of 30 September 2014 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as in the annual financial statements for 2013.

As of 1 January 2014, IAS 32 *Financial Instruments: Presentation* has been amended to clarify the interpretation of “has a legally enforceable right to set-off the recognised amounts” (IAS 32.42) and the use of the IAS 32 offsetting criteria for settlement systems with mechanisms for gross settlement taking place simultaneously, for instance clearing house systems. All financial instruments, also those subject to netting agreements, are presented gross in the Statement of Financial Position. The changes in the standard have had no effect on the presentation in the Statement of Financial Position or disclosures.

The preparation of financial statements in accordance with IFRS requires that the management uses estimates and judgements that may affect the carrying amounts of assets and liabilities, and revenues and costs. Estimates and judgements are based on historical experience and expectations regarding future developments, and actual outcomes may deviate from the estimates.

Fair value of financial instruments that are not traded in an active market or where quoted prices are not readily available on the reporting date is determined using valuation techniques. The measurement of fair value requires management to make judgements and assumptions related to credit and liquidity risk related to the financial instruments. Even though the judgements and assumptions are based to the largest extent possible on actual market conditions on the reporting date, they may increase the uncertainty related to carrying amounts.

NOTE 1

Net interest income

(Amounts in NOK 1 000 000)

	July- September 2014	January- September 2014	July- September 2013	January- September 2013	2013
Deposits with credit institutions	4	18	2	15	27
Instalment loans	1 504	4 441	1 456	4 313	5 792
Notes, bonds and other interest-bearing securities	478	1 542	548	1 578	2 153
Financial derivatives	(457)	(1 499)	(555)	(1 599)	(2 196)
Total interest income	1 528	4 502	1 452	4 308	5 776
Loans from credit institutions	0	4	1	2	2
Senior securities issued	2 248	6 347	2 106	6 954	8 874
Financial derivatives	(1 095)	(2 964)	(1 062)	(3 897)	(4 756)
Subordinated debt and Hybrid Tier 1 capital instruments	6	16	5	16	22
Total interest expenses	1 160	3 402	1 051	3 075	4 142
Net interest income	368	1 100	401	1 233	1 634

NOTE 2

Net unrealised gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

	July- September 2014	January- September 2014	July- September 2013	January- September 2013	2013
Instalment loans	(48)	48	(233)	(526)	(529)
Notes, bonds and other interest-bearing securities	(95)	25	13	(642)	(862)
Financial derivatives	(967)	1 377	(192)	(530)	(327)
Loans from credit institutions	0	1	0	0	0
Senior securities issued	868	(2 030)	375	1 732	1 645
Subordinated debt and Hybrid Tier 1 capital instruments	(18)	(28)	12	(5)	6
Net unrealised gain/(loss) on financial instruments	(260)	(607)	(24)	28	(68)

NOTE 3

Designation of financial instruments

(Amounts in NOK 1 000 000)

	At fair value through profit or loss						
	Total	FVO	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	11 424	7 032	0	0	0	4 392	0
Instalment loans	248 128	144 569	0	0	0	103 559	0
Notes, bonds and other interest-bearing securities	122 249	110 259	0	0	107	11 883	0
Financial derivatives	16 585	0	14 766	1 818	0	0	0
Total financial assets	398 386	261 859	14 766	1 818	107	119 835	0
Loans from credit institutions	9 102	0	0	0	0	0	9 102
Commercial paper	0	0	0	0	0	0	0
Senior securities issued	363 670	244 218	0	0	0	0	119 452
Financial derivatives	15 490	0	14 343	1 148	0	0	0
Subordinated debt	1 723	1 723	0	0	0	0	0
Total financial liabilities	389 985	245 941	14 343	1 148	0	0	128 553

	At fair value through profit or loss						
	Total	FVO	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	5 901	1 382	0	0	0	4 519	0
Instalment loans	238 873	134 955	0	0	0	103 918	0
Notes, bonds and other interest-bearing securities	103 349	87 510	0	0	936	14 902	0
Financial derivatives	14 947	0	12 590	2 357	0	0	0
Total financial assets	363 070	223 848	12 590	2 357	936	123 339	0
Loans from credit institutions	4 178	0	0	0	0	0	4 178
Commercial paper	0	0	0	0	0	0	0
Senior securities issued	332 644	239 091	0	0	0	0	93 553
Financial derivatives	15 965	0	14 399	1 565	0	0	0
Subordinated debt	1 733	1 733	0	0	0	0	0
Total financial liabilities	354 519	240 823	14 399	1 565	0	0	97 731

	At fair value through profit or loss						
	Total	FVO	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	5 257	704	0	0	0	4 553	0
Instalment loans	243 114	141 341	0	0	0	101 773	0
Notes, bonds and other interest-bearing securities	101 696	85 773	0	0	931	14 992	0
Financial derivatives	11 806	0	9 999	1 807	0	0	0
Total financial assets	361 873	227 818	9 999	1 807	931	121 318	0
Loans from credit institutions	3 656	0	0	0	0	0	3 656
Commercial paper	0	0	0	0	0	0	0
Senior securities issued	329 139	225 790	0	0	0	0	103 349
Financial derivatives	18 559	0	16 999	1 559	0	0	0
Subordinated debt	1 687	1 687	0	0	0	0	0
Total financial liabilities	353 040	227 477	16 999	1 559	0	0	107 005

NOTE 4

Financial instruments measured at fair value

(Amounts in NOK 1 000 000)

All financial instruments measured at fair value are categorised into three levels based on the nature of inputs to the valuation methods:

- Level 1-input—Quoted market prices in an active market for identical instruments, observable at the reporting date.
- Level 2-input—Inputs other than quoted prices, that are observable for an instrument directly or indirectly.
- Level 3-input—Unobservable inputs for the asset or liability.

At 30 September 2014 KBN had the following volumes in financial instruments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Deposits with credit institutions	0	7 032	0	7 032
Instalment loans	0	99 518	45 051	144 569
Notes, bonds and other interest-bearing securities	60 857	46 875	2 527	110 259
Financial derivatives	2 630	8 187	5 767	16 585
Total financial assets measured at fair value	63 487	161 612	53 345	278 444
Loans from credit institutions	0	0	0	0
Senior securities issued	0	0	244 218	244 218
Financial derivatives	149	7 269	8 072	15 490
Subordinated debt	0	0	1 723	1 723
Total financial liabilities measured at fair value	149	7 269	254 013	261 432

Reconciliation of movements in Level 3

	Instalment loans	Notes, bonds and other interest-bearing securities	Senior securities issued	Subordinated debt	Financial derivatives
Fair value at 31 December 2013	46 524	3 989	225 790	1 687	(5 881)
Purchase	0	722	(542)	0	0
Sale	0	0	0	0	0
Issue	1 531	0	74 522	0	0
Settlement	(1 171)	(3 663)	(63 467)	0	1 423
Transfer into Level 3	27	1 632	0	0	(1)
Transfer out of Level 3	(1 940)	(145)	0	0	(8)
Gain/(loss) recognised in the period	80	(9)	7 915	36	2 163
Fair value at 30 September 2014	45 051	2 527	244 218	1 723	(2 304)

There were no significant transfers between Level 1 and Level 2 in the period. The transfers in and out of Level 3 are mainly due to changes in market conditions that affect the assessment of inputs to the valuation methods during the reporting period.

All gains/(losses) on financial instruments are recognised in the income statement under "Net interest income", "Net unrealised gain/(loss) on financial instruments" or "Net trading income".

Valuation techniques:

The attributes of the financial instruments affect the choice of the valuation techniques to determine the fair value of the instruments in Level 2 and 3 at the end of the reporting period. Fair value of the financial instruments without embedded derivatives is determined using discounted cash flows, where discount rate is derived from the relevant observable money market interest rates and other significant risk factors that might affect the fair value. When such risk factors cannot be observed at the reporting date, the management has to make assumptions and use estimates in the valuation. Fair value of financial instruments with embedded derivatives is determined using option pricing models with inputs from observable market data and unobservable inputs.

The most significant unobservable Level 2 and Level 3 inputs to the valuation techniques are related to the assumptions about credit risk and liquidity risk for the instruments not traded in an active market. The table below shows the impact of the 10 bp change in the credit spread for financial assets and liabilities in Level 3 at 30 September 2014:

	30 September 2014
Instalment loans	(139)
Notes, bonds and other interest-bearing securities	1
Financial derivatives	(375)
Senior securities issued	313
Subordinated debt	3
Total	(197)

NOTE 5

Instalment loans

<i>(Amounts in NOK 1 000 000)</i>	30-Sep-14	30-Sep-13	31-Dec-13
Principal amount	245 596	236 341	240 863
Accrued interest	1 372	1 416	1 138
Adjustment for fair value	1 161	1 116	1 113
Total instalment loans	248 128	238 873	243 114

NOTE 6

Senior securities issued

<i>(Amounts in NOK 1 000 000)</i>	30-Sep-14	30-Sep-13	31-Dec-13
Senior securities issued (nominal amounts) at 1 January	326 470	312 867	312 867
New issuance	96 785	138 134	162 539
Redemptions	(77 693)	(127 082)	(153 300)
Amortisation	(9)	(12)	(88)
Translation differences	12 801	5 727	4 451
Senior securities issued (nominal amounts) at end of period	358 354	329 634	326 470
Accrued interest	2 570	2 380	1 953
Adjustment for fair value	2 745	629	716
Total senior securities issued	363 670	332 644	329 139

NOTE 7

Notes, bond and other interest-bearing securities

(Amounts in NOK 1 000 000)

Assets by issuer	30-Sep-14	30-Sep-13	31-Dec-13
Domestic			
Issued by other borrowers	6 041	2 014	3 704
Non-domestic			
Issued by public bodies ¹	86 354	79 603	74 870
Issued by other borrowers	29 855	21 731	23 123
Total notes, bonds and other interest-bearing securities	122 249	103 349	101 696

¹Issued by or guaranteed by sovereigns, central banks, regional authorities and multilateral development banks.

Assets by maturity	30-Sep-14	30-Sep-13	31-Dec-13
Under 1 year	67 185	50 182	54 140
1-5 years	55 064	53 166	47 556
Total notes, bonds and other interest-bearing securities	122 249	103 349	101 696

NOTE 8

Credit exposure in notes, bonds and other interest-bearing securities

(Amounts in NOK 1 000 000)

Exposure as at 30 September 2014

Maturity	< 1 year		> 1 year				Total
	A-1/A-1+	Not rated	A/A+	AA	AAA	Not rated	
Sovereigns and central banks	10 596	0	0	126	3 146	0	13 868
Multilateral development banks	10 973	0	0	651	11 529	0	23 154
Regional authorities	12 495	2 604	213	16 272	16 021	1 727	49 332
Financial institutions	16 028	0	322	1 032	0	0	17 383
Securitisation	107	0	0	0	0	0	107
Covered bond	14 381	0	0	164	3 860	0	18 406
Total	64 581	2 604	535	18 245	34 556	1 728	122 249

Exposure as at 30 September 2013

Maturity	< 1 year		> 1 year				Total
	A-1/A-1+	Not rated	A/A+	AA	AAA	Not rated	
Sovereigns and central banks	8 182	0	0	4 166	2 633	0	14 981
Multilateral development banks	6 555	0	0	1 822	14 330	0	22 707
Regional authorities	14 344	440	0	12 505	11 813	2 814	41 916
Financial institutions	12 126	0	376	630	0	0	13 130
Securitisation	133	0	0	0	0	0	133
Covered bond	8 402	0	0	0	2 080	0	10 482
Total	49 742	440	376	19 123	30 855	2 814	103 349

NOTE 9

Equity and subordinated loan capital

(Amounts in NOK 1 000 000)

	30-Sep-14	30-Sep-13
Core capital		
Share capital	2 145	2 145
Retained earnings	5 714	4 998
Pre-tax profit for the period (reduced by 50 %) included in core capital	210	608
Pension funds above pension commitments	0	0
Deferred tax asset	0	0
Intangible assets	(76)	(15)
Dividends payable	0	0
Adjustments in core capital based on regulatory filters	168	(17)
Share of nulled unamortised estimate differences	0	0
Total core capital	8 159	7 718
Other approved Tier 1 capital	0	0
Total Tier 1 capital	8 159	7 718
Supplementary capital		
Ordinary subordinated debt	1 571	1 571
Perpetual subordinated debt	0	0
Total subordinated bonds that may not be used as Tier 1 capital	0	0
Total supplementary capital	1 571	1 571
Total primary capital	9 731	9 290

Subordinated capital has been calculated pursuant to the Regulation governing calculation of subordinated capital for financial institutions. Unrealised gain/loss on liabilities that are due to changes in own credit risk include both non-derivative and derivative liabilities.

NOTE 10

Capital adequacy

(Amounts in NOK 1 000 000)

	30-Sep-14		
	Book value	Risk-weighted assets	Minimum capital requirements
Credit risk			
Sovereigns and central banks	8 471	0	0
Regional governments and local authorities	299 306	50 764	4 061
<i>Of which are Norwegian municipalities</i>	248 078	50 764	4 061
Public sector entities	7 940	38	3
Multilateral development banks	23 153	0	0
Financial institutions	43 550	8 816	705
<i>Of which counterparty exposure on derivatives</i>	13 395	2 180	174
Claims secured by residential property	50	50	4
Covered bonds	18 405	1 841	147
Other assets	13	13	1
Securitisation	107	40	3
Credit Valuation Adjustment	175	2 188	175
Total credit risk	401 170	63 749	5 100
Market risk	0	0	0
Operational risk (Basic Indicator Approach)		3 205	256
Minimum capital requirements		66 955	5 356
Capital adequacy ratio		14.53 %	
Tier 1 capital adequacy ratio		12.19 %	
Core capital adequacy ratio		12.19 %	