

# REPORT FOR FIRST QUARTER 2016

January - March (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)

RESULTS	January-March 2016	January-March 2015	2015
Net interest income	502	399	1 642
Core earnings <sup>1</sup>	454	264	1 043
Profit before tax	343	54	2 583
Profit for the period	257	39	1 870
Return on equity after tax <sup>2</sup>	9.56%	1.89%	20.84%
Return on equity after tax (core earnings) <sup>2</sup>	12.64%	12.68%	11.70%
Return on assets after tax <sup>2</sup>	0.24%	0.04%	0.42%
Return on assets after tax (core earnings) <sup>2</sup>	0.32%	0.25%	0.23%
<b>LENDING</b>			
New disbursements	14 045	16 806	46 757
Outstanding loans <sup>3</sup>	258 734	254 616	254 421
<b>LIQUIDITY PORTFOLIO<sup>3</sup></b>	<b>107 746</b>	<b>153 764</b>	<b>146 611</b>
<b>BORROWINGS</b>			
New long-term borrowings	19 719	32 238	68 644
Repurchase of own debt	138	242	2 979
Redemptions	39 529	45 421	110 604
Total borrowings <sup>3</sup>	362 743	404 702	400 894
<b>TOTAL ASSETS</b>	<b>417 937</b>	<b>461 297</b>	<b>449 361</b>
<b>EQUITY</b>	<b>12 454</b>	<b>8 375</b>	<b>12 202</b>
Total capital adequacy ratio	18.58%	14.04%	18.81%
Tier 1 capital adequacy ratio	16.33%	11.87%	16.53%
Common equity Tier 1 capital adequacy ratio	14.91%	11.87%	15.09%

1 Profit after tax adjusted for unrealised gain/(loss) on financial instruments after tax

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

3 Principal amounts

# SOLID FIRST QUARTER PERFORMANCE FOR KBN

KBN's net interest income in the first quarter was NOK 502 million compared to NOK 399 million in the same period last year. The increase is due to solid margins on KBN's lending portfolio and on its investments in the liquidity portfolio.

## RESULTS

Profit for the first quarter was NOK 257 million as compared to NOK 39 million in the same period of last year. The result includes net interest income of NOK 502 million, up from NOK 399 million in the same period in 2015. KBN's operational performance is solid. Lower funding requirements as a result of a satisfactory liquidity situation has provided solid margins on KBN's lending portfolio. In addition an increase in credit spreads has resulted in good margins on its investments in the liquidity portfolio. Net unrealised losses on financial instruments amounted to NOK 117 million for the first quarter, against a loss of NOK 308 million for the same period of last year. This is mainly owing to further changes in the valuation techniques for loans to customers with fixed rate terms and their related hedging instruments.

Operating expenses are NOK 44 million for the first quarter compared to NOK 34 million for the same period last year. The increase is related to the hiring of additional resources within the fields of governance and compliance and to non-recurring costs associated with migrating to a new finance system going live towards the end of 2015. Operating expenses (annualised) accounted for 0.04% of total assets.

KBN achieved a return on equity after tax of 9.56% (annualised) in the first three months of 2016. Return on equity after tax adjusted for unrealised gain/(loss) on financial instruments was 12.64%.

## LENDING

KBN's total lending to the local government sector at the end of the first quarter was NOK 258.7 billion. The lending portfolio grew by NOK 4.3

billion, representing an increase of 1.7% during the first quarter relative to a 3.0% increase for the same period of last year.

KBN prioritized long-term loans in the first quarter. The volume of short-maturity loans decreased. The demand for short-term financing has remained stable from previous quarters. This demand however, has been covered solely by raising short-term financing in the capital markets.

KBN's new disbursements amounted to NOK 14.0 billion compared to NOK 16.8 billion in the first quarter of 2015.

## FUNDING AND LIQUIDITY MANAGEMENT

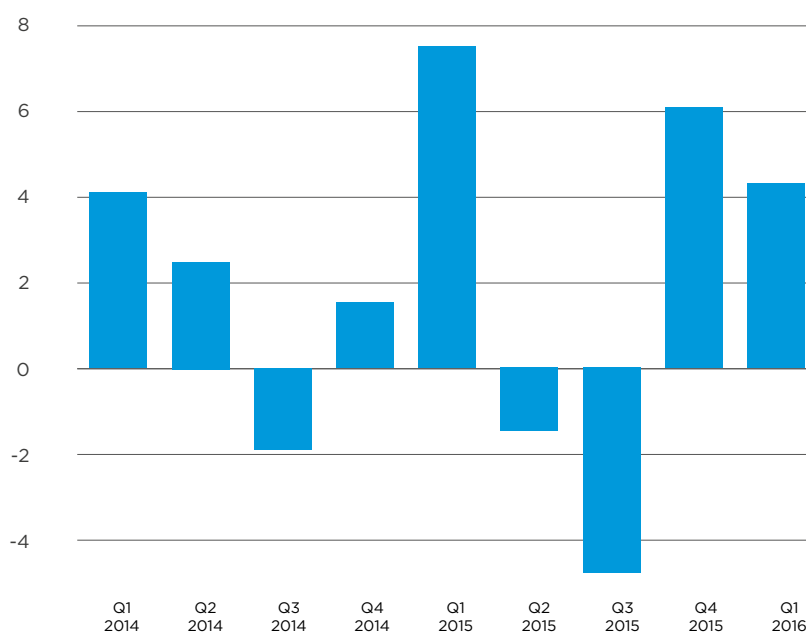
A satisfactory liquidity situation with less need to raise funding has

influenced the level of funding activities in the first quarter. Despite a turbulent market situation KBN has achieved long-term financing on attractive terms throughout the period raising bonds amounting to approximately NOK 20 billion.

The liquidity reserve corresponds to KBN's net financing needs for one year and is placed so that KBN is able to meet all its obligations over the next 12 months without having to raise additional funds.

The liquidity portfolio is primarily invested in foreign currencies in safe investments with a high rating. As at 31 March 2016 the liquidity portfolio amounted to NOK 107.7 billion, down from NOK 153.8 billion in the same period of 2015.

LENDING GROWTH  
(amounts in NOK billion)



## CAPITAL

KBN's total primary capital at 31 March 2016 was NOK 12,962 million and its total common equity Tier 1 capital was NOK 10,396 million. The total Tier 1 capital was NOK 11,390 million, with the inclusion of a Tier 1 perpetual bond issued in 2015. KBN's total assets are NOK 31 billion lower since year-end, to NOK 418 billion. The reduction is owing to the strengthening of the Norwegian krone, reducing the value in Norwegian kroner of bond debt and liquidity placements.

At the end of the first quarter of 2016 KBN had a common equity Tier 1 capital adequacy ratio of 14.91%, a Tier 1 capital adequacy ratio of 16.33% and total capital adequacy ratio of 18.58%.

## FUTURE PROSPECTS

The outlook for the world economy affects Norway as a small, open economy. This gives a high probability that interest rates will remain low for the foreseeable future.

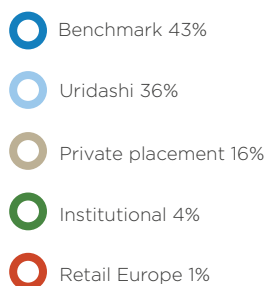
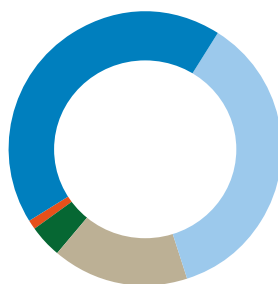
In light of Norway's high population growth, demographic changes and a maintenance backlog in relation to infrastructure and building stocks, the level of investment by the local government sector is expected to remain high going forward. The refugee situation may add dimensions to this picture.

The proportion of municipalities choosing to finance some of their investments using the capital markets is still on the increase. Loans with short maturities in particular. Municipalities expose themselves to refinancing risk by choosing to raise short-term financing in the capital markets. KBN plays a central role in ensuring that stable and long-term financing on attractive terms is available regardless of sudden market fluctuations and economic cycles.

A solid first quarter result provides the basis for stable growth in lending in 2016. KBN's activities will in the coming years be affected by developments in the regulatory framework, and its ability to meet increased demand for financing from the local government sector will be defined by its available equity. Predictability with regard to the long-term framework in which KBN operates is important to ensuring KBN is able to maintain a steady level of activity.

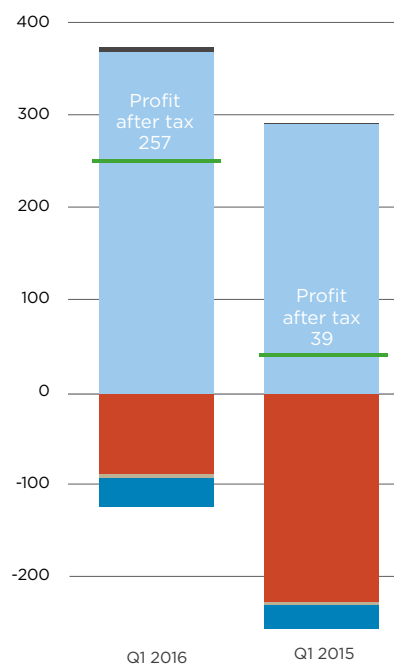
## KBN FUNDING MARKET

January-March 2016



## PROFIT AFTER TAX

(amounts in NOK mill)



## INTERIM CONDENSED FINANCIAL INFORMATION

### INCOME STATEMENT

(Amounts in NOK 1 000 000)

	Note	January-March 2016	January-March 2015	2015
Interest income		1 377	1 420	5 496
Interest expense		875	1 021	3 854
<b>Net interest income</b>	<b>1</b>	<b>502</b>	<b>399</b>	<b>1 642</b>
Fees and commission expenses		5	5	30
Net unrealised gain/(loss) on financial instruments	<b>2</b>	(117)	(308)	1 116
Net trading income		7	2	6
<b>Total other operating income</b>		<b>(115)</b>	<b>(311)</b>	<b>1 092</b>
Salaries and administrative expenses		32	26	115
Depreciation on fixed assets		5	1	5
Other expenses		7	7	30
<b>Total operating expenses</b>		<b>44</b>	<b>34</b>	<b>151</b>
<b>Profit before tax</b>		<b>343</b>	<b>54</b>	<b>2 583</b>
Income tax		86	15	713
<b>Profit for the period</b>		<b>257</b>	<b>39</b>	<b>1 870</b>
Portion allocated to shareholder		252	39	1 859
Portion allocated to owners of additional Tier 1 capital		5	0	11

### STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)

	Note	January-March 2016	January-March 2015	2015
Profit for the period		257	39	1 870
<b>Other comprehensive income</b>				
<i>Items which will not be reclassified in profit or loss</i>				
Actuarial gain/(loss) on defined benefit plan		0	0	16
Of which is tax		0	0	4
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>12</b>
<b>Total comprehensive income for the period</b>		<b>257</b>	<b>39</b>	<b>1 882</b>

## STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1 000 000)</i>	Note	31 March 2016	31 March 2015	31 December 2015
<b>Assets</b>				
Deposits with credit institutions	3,4	26 476	16 323	19 428
Instalment loans	3,4,5	261 375	257 251	256 815
Notes, bonds and other interest-bearing securities	3,4,7,8	112 403	156 719	149 944
Financial derivatives	3,4	17 317	30 803	22 831
Deferred tax asset		201	86	201
Other assets		165	115	142
<b>Total assets</b>		<b>417 937</b>	<b>461 297</b>	<b>449 361</b>
<b>Liabilities and equity</b>				
Loans from credit institutions	3,4	5 503	15 193	7 167
Senior securities issued	3,4,6	354 716	408 306	390 107
Financial derivatives	3,4	42 676	27 204	37 207
Other liabilities		42	44	36
Current tax liabilities		711	208	829
Pension liabilities		49	61	49
Subordinated debt	3,4	1 787	1 906	1 764
<b>Total liabilities</b>		<b>405 484</b>	<b>452 922</b>	<b>437 159</b>
Share capital		3 145	2 145	3 145
Additional Tier 1 capital		994	0	994
Retained earnings		8 058	6 191	8 063
Total comprehensive income for the period		257	39	
<b>Total equity</b>	<b>9</b>	<b>12 454</b>	<b>8 375</b>	<b>12 202</b>
<b>Total liabilities and equity</b>		<b>417 937</b>	<b>461 297</b>	<b>449 361</b>

## STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000 000)

1 January - 31 March 2016

	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2016	3 145	994	8 063	12 202
Profit for the period	0	0	257	257
Total other comprehensive income	0	0	0	0
Interest paid on Tier 1 capital	0	0	(5)	(5)
Issued additional Tier 1 capital	0	0	0	0
Dividends for 2015	0	0	0	0
<b>Equity as of 31 March 2016</b>	<b>3 145</b>	<b>994</b>	<b>8 315</b>	<b>12 454</b>

1 January - 31 March 2015

	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2015	2 145	0	6 191	8 336
Profit for the period	0	0	39	39
Total other comprehensive income	0	0	0	0
Dividends for 2014	0	0	0	0
<b>Equity as of 31 March 2015</b>	<b>2 145</b>	<b>0</b>	<b>6 230</b>	<b>8 375</b>

1 January - 31 December 2015

	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2015	2 145	0	6 191	8 336
Profit for the period	0	0	1 870	1 870
Total other comprehensive income	0	0	12	12
Interest paid on Tier 1 capital	0	0	(10)	(10)
Issued additional Tier 1 capital	0	994	0	994
Issue of share capital	1 000	0	0	1 000
Dividends for 2014	0	0	0	0
<b>Equity as of 31 December 2015</b>	<b>3 145</b>	<b>994</b>	<b>8 063</b>	<b>12 202</b>

## STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000 000)

	January-March 2016	January-March 2015	2015
<b>Cash flows from operating activities</b>			
Interest received	1 289	1 381	5 616
Interest paid	(552)	(1 026)	(3 175)
Fees and commissions paid	(5)	(5)	(30)
Receipts from repurchase of issued securities	7	2	6
Cash payments to employees and suppliers	(39)	(33)	(146)
Income taxes paid	(202)	(211)	(404)
Net disbursement of loans to customers	(4 315)	(7 493)	(7 298)
Net (increase)/decrease in deposits with credit institutions	(8 878)	(10 372)	(20 789)
Net (increase)/decrease in notes, bonds and other interest-bearing securities	34 351	2 164	19 049
Net (increase)/decrease in other assets	(25)	(2)	(123)
Net increase/(decrease) in other liabilities	6	(4)	(7)
<b>Net cash flows from operating activities</b>	<b>21 636</b>	<b>(15 599)</b>	<b>(7 302)</b>
<b>Cash flows from investing activities</b>			
Net (purchase)/sales of property and equipment	(4)	(21)	69
<b>Net cash flows from investing activities</b>	<b>(4)</b>	<b>(21)</b>	<b>69</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of commercial paper	0	0	3 758
Repayment of commercial paper	0	0	(3 855)
Proceeds from issuance of debt securities	19 719	32 129	68 644
Repayment of debt securities	(41 575)	(45 376)	(116 443)
Proceeds from issuance of additional Tier 1 capital	0	0	994
Interest paid on Tier 1 capital	(7)	0	(14)
Dividends paid	0	0	0
Proceeds from issuance of share capital	0	0	1 000
<b>Net cash flows from financing activities</b>	<b>(21 862)</b>	<b>(13 247)</b>	<b>(45 917)</b>
<b>Net cash flows</b>	<b>(230)</b>	<b>(28 867)</b>	<b>(53 149)</b>
Effects of foreign exchange differences	238	28 934	53 163
<b>Net cash flows after foreign exchange differences</b>	<b>8</b>	<b>67</b>	<b>13</b>
Cash and cash equivalents at 1 January	34	21	21
Net change in cash and cash equivalents	8	67	13
<b>Cash and cash equivalents at end of period</b>	<b>42</b>	<b>87</b>	<b>34</b>
<i>Deposits with credit institutions without agreed time to maturity</i>	42	87	34
<i>Loans from credit institutions without agreed time to maturity</i>	0	0	0



## ACCOUNTING POLICIES

KBN prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interim financial statements as of 31 March 2016 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as presented in the annual financial statements for 2015.

The preparation of financial statements in accordance with IFRS requires that management uses estimates and judgments that may affect the carrying amounts of assets and liabilities, and revenues and costs. Estimates and judgments 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 judgments and assumptions related to credit and liquidity risk related to the financial instruments. Even though the judgments 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)

	January-March 2016	January-March 2015	2015
Deposits with credit institutions	(4)	3	5
Instalment loans	1 203	1 354	5 117
Notes, bonds and other interest-bearing securities	155	543	1 884
Financial derivatives	23	(480)	(1 509)
<b>Total interest income</b>	<b>1 377</b>	<b>1 420</b>	<b>5 496</b>
Loans from credit institutions	1	2	7
Senior securities issued	1 998	2 735	9 415
Financial derivatives	(1 141)	(1 723)	(5 595)
Subordinated debt	17	7	27
<b>Total interest expenses</b>	<b>875</b>	<b>1 021</b>	<b>3 854</b>
<b>Net interest income</b>	<b>502</b>	<b>399</b>	<b>1 642</b>

## NOTE 2

### Net unrealised gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

	January-March 2016	January-March 2015	2015
Instalment loans	161	(297)	(271)
Notes, bonds and other interest-bearing securities	177	210	(331)
Financial derivatives	2 597	(4 233)	(17 172)
Loans from credit institutions	0	0	0
Senior securities issued	(3 062)	4 016	18 775
Subordinated debt	9	(4)	115
<b>Net unrealised gain/(loss) on financial instruments</b>	<b>(117)</b>	<b>(308)</b>	<b>1 116</b>

Changes in fair value are the result of changes in market parameters and risk factors, mainly prices on bonds, market 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 takes very 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 therefore to a small extent give rise to net effects in the income statement. Changes in credit spreads for investments in the liquidity portfolio, fixed rate instalment loans and issued bonds may on the other

hand lead to significant income statement effects, as may changes in basis swap spreads.

Net unrealised losses in the first quarter of 2016 amounting to NOK 117 million primarily come from Instalment loans and financial derivatives related to these, and are the result of increased credit spreads in fixed income markets and interest rate changes. Senior securities issued contribute with unrealised gains in the quarter due to increases in credit spreads, while USD-NOK basis swaps contribute with unrealised losses due to widening of swap spreads.

## NOTE 3

### Categorisation of financial instruments

(Amounts in NOK 1 000 000)

At 31 March 2016

	At fair value through profit or loss						
	Total	Fair value option	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	26 476	6 616	0	0	0	19 860	0
Instalment loans	261 375	162 459	0	0	0	98 916	0
Notes, bonds and other interest-bearing securities	112 403	110 376	0	0	36	1 990	0
Financial derivatives	17 317	0	16 952	365	0	0	0
<b>Total financial assets</b>	<b>417 571</b>	<b>279 451</b>	<b>16 952</b>	<b>365</b>	<b>36</b>	<b>120 766</b>	<b>0</b>
Loans from credit institutions	5 503	0	0	0	0	0	5 503
Senior securities issued	354 716	211 644	0	0	0	0	143 072
Financial derivatives	42 676	0	40 277	2 399	0	0	0
Subordinated debt	1 787	1 787	0	0	0	0	0
<b>Total financial liabilities</b>	<b>404 682</b>	<b>213 431</b>	<b>40 277</b>	<b>2 399</b>	<b>0</b>	<b>0</b>	<b>148 575</b>

At 31 March 2015

	At fair value through profit or loss						
	Total	Fair value option	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	16 323	5 427	0	0	0	10 896	0
Instalment loans	257 251	160 804	0	0	0	96 447	0
Notes, bonds and other interest-bearing securities	156 719	145 388	0	0	101	11 230	0
Financial derivatives	30 803	0	27 650	3 153	0	0	0
<b>Total financial assets</b>	<b>461 096</b>	<b>311 619</b>	<b>27 650</b>	<b>3 153</b>	<b>101</b>	<b>118 573</b>	<b>0</b>
Loans from credit institutions	15 193	0	0	0	0	0	15 193
Senior securities issued	408 306	249 648	0	0	0	0	158 658
Financial derivatives	27 204	0	26 628	576	0	0	0
Subordinated debt	1 906	1 906	0	0	0	0	0
<b>Total financial liabilities</b>	<b>452 609</b>	<b>251 554</b>	<b>26 628</b>	<b>576</b>	<b>0</b>	<b>0</b>	<b>173 851</b>

At 31 December 2015

	At fair value through profit or loss						
	Total	Fair value option	Held for trading	Fair value hedge	Held to maturity	Loans and receivables	Other liabilities
Deposits with credit institutions	19 428	2 190	0	0	0	17 238	0
Instalment loans	256 815	159 525	0	0	0	97 289	0
Notes, bonds and other interest-bearing securities	149 944	146 687	0	0	69	3 188	0
Financial derivatives	22 831	0	21 016	1 815	0	0	0
<b>Total financial assets</b>	<b>449 018</b>	<b>308 402</b>	<b>21 016</b>	<b>1 815</b>	<b>69</b>	<b>117 716</b>	<b>0</b>
Loans from credit institutions	7 167	0	0	0	0	0	7 167
Senior securities issued	390 107	231 332	0	0	0	0	158 775
Financial derivatives	37 207	0	36 435	772	0	0	0
Subordinated debt	1 764	1 764	0	0	0	0	0
<b>Total financial liabilities</b>	<b>436 245</b>	<b>233 096</b>	<b>36 435</b>	<b>772</b>	<b>0</b>	<b>0</b>	<b>165 942</b>

## NOTE 4

### Financial instruments measured at fair value

Methods used for the determination of fair value fall within three categories, which reflect different degrees of valuation uncertainty:

Level 1 - Quoted prices in active markets for identical assets and liabilities

Level 2 - Valuation techniques with observable inputs

Level 3 - Valuation techniques where inputs are to a significant degree unobservable

Financial instruments measured at fair value in KBN's Statement of financial position as of 31 March 2016 are distributed in the following way in the fair value hierarchy:

<i>(Amounts in NOK 1 000 000)</i>	Level 1	Level 2	Level 3	Total
Deposits with credit institutions	0	6 616	0	6 616
Instalment loans	0	97 466	64 993	162 459
Notes, bonds and other interest-bearing securities	54 400	48 981	6 995	110 376
Financial derivatives	0	2 630	14 687	17 317
<b>Total financial assets measured at fair value</b>	<b>54 400</b>	<b>155 695</b>	<b>86 675</b>	<b>296 769</b>
Loans from credit institutions	0	0	0	0
Senior securities issued	0	133 652	77 992	211 644
Financial derivatives	0	19 088	23 588	42 676
Subordinated debt	0	0	1 787	1 787
<b>Total financial liabilities measured at fair value</b>	<b>0</b>	<b>152 740</b>	<b>103 367</b>	<b>256 107</b>

### Reconciliation of movements in Level 3

	Instalment loans	Notes, bonds and other interest-bearing securities	Senior securities issued	Subordinated debt	Financial derivatives
<b>Carrying amount at 31 December 2015</b>	<b>58 830</b>	<b>5 967</b>	<b>72 702</b>	<b>1 764</b>	<b>(27 421)</b>
Purchase	0	765	(138)	0	465
Sale	0	0	0	0	0
Issue	8 004	0	10 555	0	0
Settlement	(7 615)	(2 066)	(4 848)	0	1 501
Transfer into Level 3	305	4 102	0	0	0
Transfer out of Level 3	(263)	(823)	0	0	0
Gain/(loss) recognised in the period	5 732	(950)	(279)	23	16 554
<b>Carrying amount at 31 March 2016</b>	<b>64 993</b>	<b>6 995</b>	<b>77 992</b>	<b>1 787</b>	<b>(8 901)</b>

Holdings amounting to approximately NOK 5 billion have been transferred from Level 1 to Level 2 in the first quarter of 2016. There are net transfers of NOK 3.3 billion into Level 3 in the quarter. The transfers into and out of Level 3 are mainly due to changes in market conditions that affect the assessment of inputs to the valuation techniques during the reporting period, and refinancing/change of loan product for Instalment loans. All gains/(losses) on financial instruments in Level 3 are recognised in the income statement under "Net interest income", "Net unrealised gain/(loss) on financial instruments" or "Net trading income".

#### Information on valuation techniques:

The methods used for determining the fair value of financial instruments is defined based on the instruments' features and structure. Fair value of financial instruments without embedded derivatives is determined using the discounted cash flows method, where discount rates are derived from the relevant observable money market interest rates and other significant risk factors that may affect the fair value of the instruments. When such factors cannot be reliably observed at a reporting date, management may make assumptions and use estimates when determining fair value. Fair value of financial instruments with embedded derivatives is determined using option pricing models with observable market data and estimates as inputs.

The most significant unobservable inputs used in the valuation in Level 3 are credit spreads for financial instruments not traded in an active market. The table below shows the impact of a 10 bp change in the credit spread for financial assets and liabilities in Level 3 at 31 March 2016:

	31 March 2016
Instalment loans	(267)
Notes, bonds and other interest-bearing securities	(12)
Financial derivatives	(33)
Senior securities issued	(14)
Subordinated debt	0
<b>Total</b>	<b>(326)</b>

## NOTE 5

### Instalment loans

(Amounts in NOK 1 000 000)	31 March 2016	31 March 2015	31 December 2015
Principal amount	258 734	254 616	254 422
Accrued interest	1 031	1 212	945
Fair value adjustment	1 610	1 423	1 448
<b>Total instalment loans</b>	<b>261 375</b>	<b>257 251</b>	<b>256 815</b>

## NOTE 6

### Senior securities issued

(Amounts in NOK 1 000 000)	31 March 2016	31 March 2015	31 December 2015
<b>Senior securities issued (nominal amounts) as at 1 January</b>	<b>400 894</b>	<b>391 285</b>	<b>391 285</b>
New issuance	19 719	32 238	68 644
Redemptions	(39 667)	(45 663)	(113 583)
Amortisation	(1 908)	287	(2 860)
Translation differences	(16 295)	26 555	57 408
<b>Senior securities issued (nominal amounts) as at end of period</b>	<b>362 743</b>	<b>404 702</b>	<b>400 894</b>
Accrued interest	2 717	2 671	3 017
Fair value adjustment	(10 744)	933	(13 805)
<b>Total senior securities issued</b>	<b>354 716</b>	<b>408 306</b>	<b>390 107</b>

## NOTE 7

### Notes, bonds and other interest-bearing securities

(Amounts in NOK 1 000 000)

Notes, bonds and other interest-bearing securities by type of issuer	31 March 2016	31 March 2015	31 December 2015
Domestic			
Issued by other borrowers	12 698	2 064	14 754
Foreign			
Issued by public bodies <sup>1</sup>	74 315	109 589	87 978
Issued by other borrowers	25 390	45 066	47 212
<b>Total notes, bonds and other interest-bearing securities</b>	<b>112 403</b>	<b>156 719</b>	<b>149 944</b>

<sup>1</sup>Issued by or guaranteed by sovereigns, central banks, regional authorities and multilateral development banks.

Notes, bonds and other interest-bearing securities by time to maturity	31 March 2016	31 March 2015	31 December 2015
Under 1 year	51 331	97 644	81 576
1-5 years	60 798	58 966	68 368
Over 5 years	274	109	0
<b>Total notes, bonds and other interest-bearing securities</b>	<b>112 403</b>	<b>156 719</b>	<b>149 944</b>

## NOTE 8

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

Amounts in the table below represent actual credit exposure

(Amounts in NOK 1 000 000)

Exposure as at 31 March 2016

Time to maturity	< 1 year				> 1 year					Total
	A-1	A-2	A-3	Not rated	BBB	A	AA	AAA	Not rated	
Sovereigns and central banks	9 506	0	0	0	0	0	3 513	7 407	0	20 427
Multilateral development banks	4 899	0	0	0	0	0	28	11 349	0	16 275
Regional authorities	7 788	0	0	1 296	0	754	12 867	10 918	3 980	37 602
Financial institutions	1 865	0	0	0	0	0	0	0	0	1 865
Securitisation	0	0	0	0	10	7	1	11	0	29
Covered bonds	23 467	0	0	2 510	0	0	813	9 414	0	36 204
<b>Total</b>	<b>47 525</b>	<b>0</b>	<b>0</b>	<b>3 806</b>	<b>10</b>	<b>761</b>	<b>17 222</b>	<b>39 099</b>	<b>3 980</b>	<b>112 403</b>

## NOTE 9

### Primary capital

(Amounts in NOK 1 000 000)

31 March 2016

31 March 2015

31 December  
2015

<i>Common equity Tier 1 capital</i>			
Share capital	3 145	2 145	3 145
Retained earnings	7 640	6 191	6 193
Profit for the period included in Tier 1 capital	257	0	1 870
Pension funds above pension commitments	0	0	0
Deferred tax asset*	0	0	0
Intangible assets	(142)	(99)	(124)
Dividends payable	(103)	0	(417)
Adjustments in common equity Tier 1 capital based on regulatory filters	(401)	332	(281)
Share of nulled unamortised estimate differences	0	0	0
<b>Total common equity Tier 1 capital</b>	<b>10 396</b>	<b>8 569</b>	<b>10 385</b>
Other approved Tier 1 capital	994	0	994
<b>Total Tier 1 capital</b>	<b>11 390</b>	<b>8 569</b>	<b>11 379</b>
<i>Supplementary capital</i>			
Ordinary subordinated debt	1 571	1 571	1 571
<b>Total supplementary capital</b>	<b>1 571</b>	<b>1 571</b>	<b>1 571</b>
<b>Total primary capital</b>	<b>12 962</b>	<b>10 140</b>	<b>12 950</b>

\*Only non reversing deferred tax asset to be deducted here.

Primary capital has been calculated under the Regulation on the calculation of primary capital for financial institutions. Unrealised gain/(loss) on liabilities that is due to changes in own credit risk include both non-derivative and derivative liabilities.

## NOTE 10

### Capital adequacy

(Amounts in NOK 1 000 000)

	31 March 2016		31 March 2015		31 December 2015
	Carrying amount	Risk-weighted assets	Minimum capital requirements	Minimum capital requirements	Minimum capital requirements
<b>Credit risk</b>					
Sovereigns and central banks	12 161	0	0	0	0
Regional governments and local authorities	302 861	53 283	4 263	4 215	4 195
<i>Of which are Norwegian municipalities</i>	261 329	53 143	4 188	4 204	4 184
Public sector entities	8 274	0	0	4	0
Multilateral development banks	16 272	0	0	0	0
Financial institutions	39 199	7 736	619	807	561
<i>Of which counterparty exposure on derivatives</i>	10 861	2 086	165	257	203
Claims secured by residential property	45	45	4	4	4
Covered bonds	36 204	3 620	290	247	343
Other assets	23	23	2	1	1
Securitisation	29	16	1	3	2
Credit Valuation Adjustment	177	2 208	177	241	175
<b>Total credit risk</b>	<b>415 244</b>	<b>66 931</b>	<b>5 354</b>	<b>5 521</b>	<b>5 282</b>
<b>Market risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operational risk—Basic Indicator Approach</b>		<b>2 814</b>	<b>225</b>	<b>255</b>	<b>225</b>
<b>Minimum capital requirements</b>		<b>69 745</b>	<b>5 580</b>	<b>5 776</b>	<b>5 507</b>
<b>Total capital ratio</b>			<b>18.58%</b>	<b>14.04%</b>	<b>18.81%</b>
<b>Tier 1 capital adequacy ratio</b>			<b>16.33%</b>	<b>11.87%</b>	<b>16.53%</b>
<b>Common equity Tier 1 capital adequacy ratio</b>			<b>14.91%</b>	<b>11.87%</b>	<b>15.09%</b>