

## KBN WELL POSITIONED HEADING INTO Q4

KBN reached the end of Q3 2014 with 80 per cent of its annual total funding volume raised across a variety of markets.

Funding highlights for the quarter included the opening of a new July 2025 Kangaroo line and two subsequent taps (AUD 100m and AUD 150m), an AUD 100m January 2019 tap, a new 7yr USD 300m FRN as well as continued activity in the Sterling (December 2016 and December 2017 taps) and Kauri (March 2019 tap) markets.

As of 30 September, KBN has raised over USD 15.1 billion equivalent, via 328 individual trades across 15 different currencies.

### KBN Q2 RESULTS SHOW SOLID OPERATIONS

Net interest income in the second quarter of 2014 was NOK 352 million compared to NOK 398 million in the second quarter of 2013. The decrease reflects lower interest rate margins from securities held in the liquidity portfolio and funding costs in line with expected market developments.

Profit after tax for the second quarter of 2014 was NOK 3 million compared to NOK 346 million for the same period of last year. Unrealised losses on financial instruments in the second quarter amounted to NOK 317 million, compared to a gain of NOK 97 million in the same period of last year. KBN follows the International Financial Reporting Standards (IFRS) and the unrealised losses for the second quarter stem from movements in the market prices on hedging derivatives, as well as credit spread contraction on KBN's own bonds towards the end of the period. Since these financial instruments are normally held to maturity, any

changes in their value will be reversed when the contracts mature.

Loans to Norwegian municipalities and counties increased by NOK 2.5 billion during the second quarter 2014, compared to NOK 8.2 billion during the same period of 2013. In the first six months of 2014, KBN's lending portfolio has increased by NOK 6.6 billion (2.8 per cent) to NOK 247.5 billion as of 30 June 2014. By comparison lending growth for the same period of last year was NOK 15.8 billion (7.2 per cent). Loan demand has been somewhat lower in H1 2014 compared to H1 2013. The infrastructure sector has seen lower demand for loans in 2014 compared to 2013, but it, along with water supply and waste disposal, schools and kindergartens continued to provide a major share of new loans for the second quarter. KBN continues to be the leading lender to the Norwegian local government sector.

For the full report, please visit KBN's website: [www.kbn.org](http://www.kbn.org)

### URIDASHI FLOWS CONTINUE

KBN has seen continued interest for its name in the Japanese Uridashi market where it qualifies as a sovereign borrower. Despite somewhat lower issuance in the Uridashi market in general in 2014, KBN continues to maintain its strong market share and issuance remains robust. Approximately 27% of KBN's total funding volume raised in 2014 has been achieved in the Uridashi market.

As of the end of Q3 2014, KBN has raised almost USD 4.1 billion in the Uridashi format across 245 trades.

### KBN WEBSITE

The KBN IT and Communications department has launched a new design for the KBN website to coincide with the launching of a new graphic design. Menu and content have been developed with KBN's main stakeholders in mind, as well as for customer and traffic surveys. User experience should be excellent whatever device is used accessing KBN webpages, be it smart phone, tablet or pc. We hope you will find the pages informative and easy to navigate. Please tell us what you think, be it complaints or praise.

### FUNDING FORECAST

Markets permitting, KBN aims to complete its third and final USD benchmark for 2014 in the coming weeks. For the remainder of the year, funding activity will be limited to the Uridashi market, selected private placements and continuing to maintain a visible presence in institutional public niche markets.

It is also expected that during Q4 KBN will issue its second Green Bond to support climate friendly projects. This follows on from the successful USD 500m November 2016 Green Bond launched in 2013.

### THE KBN FUNDING TEAM