

Alternative performance measures (APM)

Alternative performance measure (APM) is a financial measure that is not defined in IFRS and is not necessarily directly comparable with performance measures in other companies. APM supplements the accounts and provides useful information for historical or future earnings, financial position and cash flows.

Key figures that are regulated in IFRS or other legislation are not counted as alternative performance measures. The same applies to non-financial information.

APM is used consistently over time.



APM	Description	Calculation
Core earnings	Core earnings provides relevant information on underlying development in the company's financial results corrected for the effects of unrealized gains/(losses) ¹ on financial instruments. KBN's results are significantly affected by short-term changes in market conditions. The core earnings provides a better basis for assessing the company's long-term earnings and provides the user of the accounts with central information about the underlying profitability. The core earnings is used for internal analyzes of financial results over time. The core earnings consists of the profit after tax for the accounting period minus unrealized gains/(losses) on financial instruments after estimated tax at a 25% tax rate, and minus the portion allocated to owners of additional Tier 1 capital.	Profit after tax minus Net unrealized gains/(losses) on financial instruments adjusted for estimated tax at 25 % tax rate, and minus the portion allocated to owners of additional Tier 1 capital
Cost/income ration (per cent)	The cost/income ratio gives information about the costs incurred as a result of the company's operations, and thus provides relevant information about the company's underlying operations. Income adjusted for unrealized gains/(losses) ¹ on financial instruments is used to avoid the influence of gains or losses due to changes in market conditions. Cost/income ratio is calculated as total operating expenses as a percentage of total net interest income and other operating income adjusted for unrealized gains/(losses) on financial instruments	<u>Total operating expenses</u> Total Net interest income and Other operating income adjusted for Net unrealized gains/(losses) on financial instruments
Return on equity after tax	Return on equity provides relevant information about ability to generate profitability on the capital used. The return on equity is calculated as the share of profit after tax for the accounting period minus the share allocated to owners of additional Tier 1 capital as a percentage of the average equity year to date. Average monthly equity year to date is based on the year's opening balance for equity adjusted for dividends from the month it is paid and any changes in contributed equity during the year (additional Tier 1 capital is not included in equity).	<u>Profit after tax adjusted for the share allocated to owners of additional Tier 1 capital</u> Average monthly equity year to date based on the year's opening balance for equity adjusted for dividends from the month it is paid and any changes in contributed equity during the year.
Return on equity after tax (core earnings)	Return on equity after tax (core earnings) provides relevant information about the company's underlying operations and measures the ability to generate profitability on the capital used. KBN's results are significantly affected by short-term changes in market conditions. Return on equity based on core earnings therefore provides a better basis for assessing the long-term earnings of the company. The key figure consists of core earnings as a percentage of average equity year to date. Average monthly equity year to date is based on the year's opening balance for equity adjusted for dividends from the month it is paid and any changes in contributed equity during the year (additional Tier 1 capital is not included in equity).	<u>Core earnings</u> Average monthly equity year to date based on the year's opening balance for equity adjusted for dividends from the month it is paid and any changes in contributed equity during the year.

¹ Unrealized gains/(losses) is specified in note 2 in quarterly reports and note 3 in the annual report

APM	Description	Calculation
Return on assets after tax	Return on assets measures profitability by showing the return on total assets by measuring the ability to generate profitability on the assets used in the company. The key figure consists of profit after tax allocated to the shareholder as a percentage of average assets years to date. Average assets year to date is based on the average of the closing balance for total assets for each month this year.	<u>Profit after tax</u> Average assets year to date based on the average of the closing balance for total assets for each month this year.
Return on assets after tax (core earnings)	Return on assets measures profitability by showing the return on total assets by measuring the ability to generate profitability on the assets used in the company. BN's results are significantly affected by short-term changes in market conditions. Return on assets based on core earnings therefore provides a better basis for assessing the long-term earnings of the company. The key figure consists of profit after tax allocated to the shareholder as a percentage of average assets years to date. Average assets year to date is based on the average of the closing balance for total assets for each month this year.	<u>Core earnings</u> Average assets year to date based on the average of the closing balance for total assets for each month this year.
New disbursements	The key figure shows the total payments for new loans in the period. Disbursement of new loans consists of the principal of new loans, including refinancing, paid out to customers in the period.	Sum of disbursements of new loans
Outstanding loans	Outstanding loans show the total principal of the loan portfolio. The key figure gives information about portfolio development by showing underlying figures for lending volume corrected for volume changes as a result of gains/(losses) on lending to fair value and corrected for accrued interest.	Principal amount of all loans
Aggregate customer financing	Aggregate customer financing is the sum of KBN's lending portfolio and KBN's portfolio of longer municipal bonds in the liquidity portfolio	Principal amount of all loans + Principal amount of municipal bonds with maturity >1 year
Green loans	The key figure shows the principal amount of green loans, according to KBN's Criteria Set 2016 or newer, at the end of the period. Green loans consist of the principal of green loans, i.e. without adjustment for gains/(losses) on lending to fair value and corrected for accrued interest. The bank also has a smaller portfolio of green loans that were granted before the set of criteria was introduced, which are no longer financed with green bonds	Principal amount of green loans, according to KBN's Criteria Set 2016 or newer
Share of total green loans in lending portfolio	The key figure shows the principal amount of total green loans divided by principal amount of all loans. The key figure also includes a smaller amount of green loans that do not qualify after the criteria in Green bond framework published in 2016 (these loans are no longer financed with green bonds)	<u>Principal amount of total green loans</u> Principal amount of all loans
Green bonds	The key figure shows the principal of total green bonds at the end of the period. Green issued bonds consist of the principal of all green bonds, i.e. without adjustment for changes in fair value as a result of changes in currency and/or interest rates and corrected for accrued interest.	Principal amount of green bonds
12 month lending growth in per cent	Lending growth provides relevant information on the activity and growth in the bank's lending activities. Loan growth as a percentage is the increase in the principal of all loans for the last 12 months as a percentage of the initial principal of all loans.	<u>Principal amount of all loans this year deducted of principal amount of all loans previous year</u> Principal amount of all loans previous year

APM	Description	Calculation
Liquidity portfolio	The key figure provides information on principal amount of notes, bonds and other interest-bearing securities. The key figure gives a picture of volume development in the portfolio corrected for volume changes as a result of changes in fair value and corrected for accrued interest.	Principal amount of notes, bonds and other interest-bearing securities
New long-term borrowings	The key figure shows the total new senior securities issued during the period, converted to Norwegian kroner. The currency conversion is conducted in same matters as for the rest of the balance sheet. New borrowings include taps of existing bond loans as well as new issues. The key figure provides insight into KBN's activity in the bond market. The key figure shows the principal of new senior securities issued, i.e. corrected for changes in fair value due to changes in currency and/or interest rates and corrected for accrued interest.	Principal amount of new senior securities issued
Total borrowings	The key figure provides information about the principal of senior securities issued. The key figure gives a picture of volume development in the portfolio of senior securities corrected for volume changes as a result of changes in fair value and corrected for accrued interest.	Principal amount of senior securities issued
Market share excl. Husbanken	The key figure shows KBN's market share of lending to sector 6500 Municipal and county municipal administration. The market share is calculated based on lending to sector 6500 from KBN divided by total lending to the same sector based on Statistics Norway's K2 reporting, plus foreign ownership in municipal and county securities and outstanding loans in NIB and EIB. Also, lending from Husbanken is not included as KBN does not compete for these loans.	<u>Principal amount of KBN's lending to sektor 6500</u> Total lending to sektor 6500 based on Statistics Norways K2 reporting and adjusted according to the description.
Share of green loans in lending portfolio	The key figure provides relevant information about the development in the bank's green lending portfolio relative to the total lending portfolio. The share of green lending is calculated by the principal amount of green loans divided by the principal amount of all loans.	<u>Principal amount of green loans</u> Principal amount of all loans