

# 2022 Report for first quarter



# About KBN

Kommunalbanken AS (KBN) is the Norwegian state agency for local government funding. KBN is 100 per cent owned by the Kingdom of Norway (AAA/Aaa) and is managed in accordance with the Central Government Maintenance Statement.



## Climate-smart city center: a boost for the municipality – and the economy

Skårersletta in Lørenskog will be a climate-smart and pleasant city center that invites activities and recreation for its citizens. Bike lanes, wider sidewalks and easier access to public transport will reduce transportation by car, and in order to manage surface runoff and protect biodiversity, trees and flower beds are planted along the street. In addition, the municipality saves millions on financing the project with a green loan in KBN. Illustration (also cover): Norconsult/Baezeni

KBN's sole purpose is to grant loans to local and regional governments or inter-municipal companies in line with KBN's explicit public policy mandate. As an instrument of the state, KBN recognizes its critical role in enabling the local and regional governments to improve living standards across the country. 100 percent of Norwegian municipalities are KBN customers.

Through its Green Bond program, KBN aim to finance the Norwegian local

sector's transition to a climate-resilient, low-carbon society. Proceeds from Green Bonds are disbursed as discounted Green Loans to climate and environmentally conscious investments in the local sector. This reflects KBN's traditional, long-term focus on environmental, ethical and social impact.

KBN is guided by prudent financial and risk management policies. All financial transactions are fully hedged and KBN maintains liquidity in excess

of policy requirements. KBN's focused, specialized monoline lending model has never suffered a loan loss.

Owing to full state ownership, the central public policy mission, a strong capital base, solid financial and operating performance and prudent financial and risk management policies, KBN is assigned Triple-A ratings by Standard & Poor's and Moody's.

# Financial highlights

(Amounts in NOK 1 000 000)	January-March 2022	January-March 2021	2021
<b>RESULTS</b>			
Net interest income	436	384	1 585
Core earnings <sup>1</sup>	248	210	908
Profit for the period	(352)	398	1 208
Cost/income ratio (per cent) <sup>2</sup>	15.9%	17.7%	16.4%
Return on equity after tax <sup>3</sup>	(8.8%)	9.5%	7.1%
Return on equity after tax (core earnings) <sup>4</sup>	6.0%	5.2%	5.6%
Return on assets after tax <sup>5</sup>	(0.3%)	0.3%	0.3%
<b>LENDING</b>			
New disbursements	7 953	5 914	48 547
Outstanding loans <sup>6</sup>	320 650	313 594	323 018
12 month lending growth in percent <sup>7</sup>	2.3%	2.3%	1.5%
Green loans <sup>8</sup>	34 480	26 748	32 876
Share of green loans in lending portfolio	10.8%	8.5%	10.2%
Share of municipalities with green loans <sup>9</sup>	36.3%	34.7%	35.5%
<b>LIQUIDITY PORTFOLIO<sup>6</sup></b>	86 978	109 473	110 837
<b>BORROWINGS</b>			
New long-term borrowings	35 629	40 728	96 550
Total borrowings <sup>6</sup>	391 521	407 300	395 385
<b>TOTAL ASSETS</b>	455 099	472 795	473 064
<b>EQUITY</b>	18 900	18 479	19 081
Common equity Tier 1 capital adequacy ratio	18.1%	18.6%	18.8%
Leverage ratio	4.1%	3.8%	3.9%

	January-March 2022	January-March 2021	2021
<b>LIQUIDITY COVERAGE RATIO (LCR)<sup>10</sup></b>			
Total	240%	183%	175%
NOK	60%	63%	71%
EUR	148%	212%	140%
USD	210%	184%	137%
AUD	1980%	149%	1 082%
JPY	Insignificant	4299%	Insignificant
GBP	378%	Infinite	733%
<b>OTHER KEY FIGURES</b>			
Market share	43.2%	44.4%	44.9%
Percentage of women employed in KBN	45%	42%	46%
Emissions in CO <sub>2</sub> e <sup>11</sup>	18.3	12.5	40.3

<sup>1</sup> Profit after tax adjusted for unrealised gain/(loss) on financial instruments after tax. This result measure is included to give relevant information about the company's underlying operations.

<sup>2</sup> Operating expenses as a percentage of Income before tax adjusted for Net unrealised gain (loss) on financial instruments.

<sup>3</sup> 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 added to the 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.

<sup>4</sup> Core earnings as a percentage of average equity (annualized).

<sup>5</sup> Share of Profit for the year allocated to shareholders as a percentage of average assets (annualized). Average assets are calculated based on monthly assets.

<sup>6</sup> Principal amounts.

<sup>7</sup> 12-month lending growth based on total lending (principal amounts).

<sup>8</sup> Outstanding green loans according to KBN's set of criteria for green loans. In addition, the bank has a small portfolio of green loans that were given before these criteria were established. These loans are no longer financed with green bonds. Total outstanding green loans are NOK 35.1 billion.

<sup>9</sup> Percentage of municipalities in KBN's lending portfolio with green loans as of 31.03.2022.

<sup>10</sup> 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 ahead.

<sup>11</sup> KBN's calculated emissions.

## Board of Director's report

# A quarter characterised by geopolitical uncertainty

KBN's net interest income in the first quarter of 2022 was NOK 436 million as compared to NOK 384 million in the same period in 2021. KBN's lending portfolio decreased by NOK 2.4 billion in the first three months of 2022 as a result of KBN having voluntarily reduced its provision of loans with maturities of 12 months and under. KBN's lending of this type decreased by NOK 4.1 billion in the quarter. KBN's result for the period in the first quarter of 2022 was a loss of NOK 352 million as compared to a profit of NOK 398 million in the first quarter of 2021. The decline in KBN's result, is caused by unrealised losses on financial instruments, as a result of market turmoil.

## The war in Ukraine

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On 24 February Russia commenced a military invasion of Ukraine. In addition to the human impact associated with this act of war, it has also had a major impact on the world economy. The market turmoil caused a significant widening in credit spreads, which impacted KBN's results for the first quarter of 2022. It is very uncertain how the market will develop going forward.

KBN has no direct exposure to either Russia or Ukraine, nor does it have any outsourced activities or suppliers located in these areas. KBN has some indirect exposure through multinational institutions that have provided loans or financing for projects in Ukraine and Russia. Sanctions against investors that own securities issued by KBN are being monitored and followed up.

## Results for the quarter

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KBN's core earnings<sup>1</sup> totalled NOK 248 million in the first quarter, compared to NOK 210 million in the first quarter of 2021. The main explanation for the increase in KBN's core earnings was higher net interest income.

KBN's net interest income in the first quarter of 2022 totalled NOK 436 million as compared to NOK 384 million in the same period in 2021. The main reason for the increase in net interest income was the increase in interest rates, which has increased the return on equity. Lending margin has been falling through the

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1. Profit after tax for the quarter adjusted for unrealised gains or losses on financial instruments after tax and the portion allocated to owners of additional Tier 1 capital. This result measure is included to give relevant information about the company's underlying operations.

quarter. The money market rate increased in the quarter as a result of the expected increases to Norges Bank's key policy rate. Norges Bank raised its key policy rate by 0.25 percentage points at its monetary policy meeting on 24 March 2022. KBN decided on an interest rate increase of 0.50 percentage points with effect from 12 April as a result of the increases in the money market rate and Norges Bank's key policy rate.

KBN's result for the period in the first quarter of 2022 was a loss of NOK 352 million as compared to a profit of NOK 398 million in the first quarter of 2021. The market turmoil and its impact on credit spreads and basis spreads in the first quarter resulted in KBN recognising significant unrealised losses in connection with the measurement of the fair value of its financial instruments, and this is the reason for the decrease in the result for the period. In the first quarter of 2022, KBN recognised unrealised losses on financial instruments totalling NOK 821 million, while in the first quarter of 2021 it recognised unrealised gains totalling NOK 230 million. The portion of KBN's fixed-rate lending that is carried at fair value contributed an unrealised loss of NOK 462 million in the first quarter of 2022, as compared to an unrealised gain of NOK 368 million in the same period in 2021. KBN has started to apply hedge accounting to all its new fixed-rate lending with effect from 1 January 2022. For the first quarter of 2022, hedge accounting was used for loans totalling NOK 5.4 billion, which is equivalent to 5% of KBN's portfolio of fixed-rate loans.

KBN's liquidity portfolio and associated hedging instruments contributed an unrealised loss of NOK 88 million while KBN's own bonds and associated hedging instruments contributed an unrealised loss of NOK 271 million to its result from ordinary activities, with the latter unrealised loss caused by the widening of basis spreads. KBN's unrealised gains and losses are expected to reverse, either as market conditions normalise or as the instruments approach maturity. Sales of securities from the liquidity portfolio resulted in realised gains totalling NOK 11 million in the first quarter.

KBN's provision for losses is relatively limited due to the fact that Norwegian municipalities cannot be declared insolvent. KBN's liquidity management portfolio is also of very high credit quality. KBN made a NOK 6 million change to its provision for losses in the first quarter.

KBN's total operating costs for the first quarter were NOK 66 million, compared to NOK 64 million in the same period in 2021. KBN operated virtually as normal in the first quarter of 2022 despite its employees working largely from home for much of the winter, and its costs were little impacted by the Coronavirus situation.

**Profit for the period**  
Amounts in NOK 1 million

	Q1 2022	Q1 2021	2021
<b>Profit/(Loss) for the period</b>	<b>(352)</b>	<b>398</b>	<b>1 208</b>
Net interest income	436	384	1 585
Fees and commission expenses	27	25	106
Net unrealised gain/(loss) on financial instruments	(821)	230	322
Expected credit loss	6	1	0
Net trading income	11	5	73
Total operating expenses	66	64	255
Income tax	(121)	131	411

**Comprehensive income for the period**  
Amounts in NOK 1 million

	Q1 2022	Q1 2021	2021
<b>Total comprehensive income for the period</b>	<b>(175)</b>	<b>(54)</b>	<b>602</b>
Profit/(Loss) for the period	(352)	398	1 208
Unrealised change in fair value of liabilities (and related financial derivatives) after tax due to changes in own credit risk	177	(451)	(607)
Actuarial gain/(loss) on defined benefit plan	0	0	1
Tax effect on positions in Statement of comprehensive income	(59)	150	202

## Lending

KBN's lending portfolio totalled NOK 320.7 billion at the end of the first quarter of 2022. The lending portfolio decreased by NOK 2.4 billion in the first quarter, as compared to NOK 4.6 billion in the same period last year. In line with its new lending strategy, KBN's portfolio of loans with maturities of 12 months and under decreased by NOK 4.1 billion in the quarter. There was a good level of demand in the quarter for fixed-rate loans with no instalment payments prior to maturity, with this product category growing by NOK 2.7 billion.

Excluding loans with maturities of 12 months and under, KBN's total lending increased by NOK 1.8 billion in the quarter, which is a significant increase relative to 2021, as the equivalent figure for the first quarter of 2021 was a decrease of NOK 1.7 billion. As before, there continues to be growing demand for loans with no instalment payments prior to maturity.

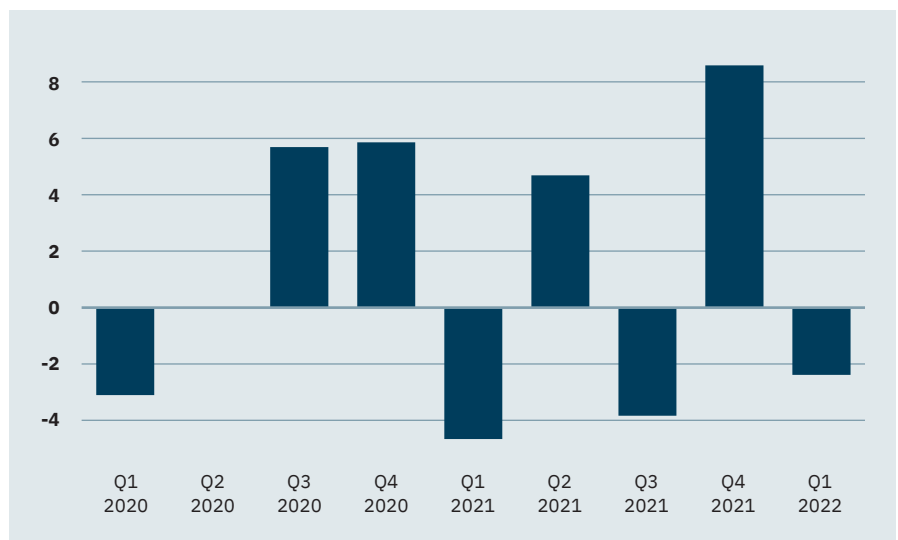
New loan disbursements totalled NOK 8 billion in the first quarter, as compared to NOK 5,9 billion in the first quarter of 2021. These figures include both loans disbursed as new financing and as refinancing for existing loans.

KBN continued to experience a good level of growth in its green lending, and its portfolio of green loans increased by NOK 1.6 billion in the quarter, which is more than double the increase of NOK 0.6 billion seen in the first quarter of 2021. The projects financed by a green loan from KBN in the first quarter of 2022 include a new school, sports and swimming complex in Lørenskog municipality, a recycling centre in Drammen and a shore-side power system for Nordfjord port.

The annual rate of debt growth in the local government sector as at the end of February 2022 was calculated to be 6.1%. The rate of growth decreased

significantly at the end of 2021, and the rate of growth so far in 2022 has remained at a lower level than in previous years. The preliminary municipality-state reporting (KOSTRA) figures published on 15 March indicate a decrease in the indebtedness of Norway's municipalities. Further analysis will be carried out once the revised and final figures become available in June. KBN's market share at the end of March was over 44%. After adjusting for loans from the Norwegian State Housing Bank, KBN's market share was 50%.

**Lending growth**  
Amounts in NOK 1 billion



## Financial markets

The financial markets and central banks were focused in the first quarter on the rise in inflation and the war in Ukraine. Central banks have issued many statements in which they have clearly stated that their key policy rates will be actively used to bring inflation down. The rate of inflation seen so far this year in the USA has been the highest for 40 years.

The credit spreads on both local government sector bonds and covered bonds climbed significantly following the invasion of Ukraine but have since decreased somewhat. Relative to the same point in 2021, spreads are currently somewhat higher.

**Funding** KBN's funding activities in the first quarter of 2022 were less extensive than in the first quarter of 2021 due to KBN having less need for refinancing. New borrowings in the first quarter of 2022 totalled approximately NOK 35.6 billion through thirteen bond issues in six currencies, as compared to NOK 40.7 billion in the same period in 2021.

The market turmoil in this period did not impact KBN's access to the international markets to any significant extent, and it completed its funding transactions as planned.

The largest funding transactions completed by KBN in the first three months of 2022 were two USD benchmark bonds each totalling USD 1.25 billion, one with a maturity of five years and one with a maturity of 2.5 years. Both bonds were well received in



the market and were strongly oversubscribed. In the first quarter KBN also saw a good level of interest from institutional investors, particularly in Australia dollars and New Zealand dollars.

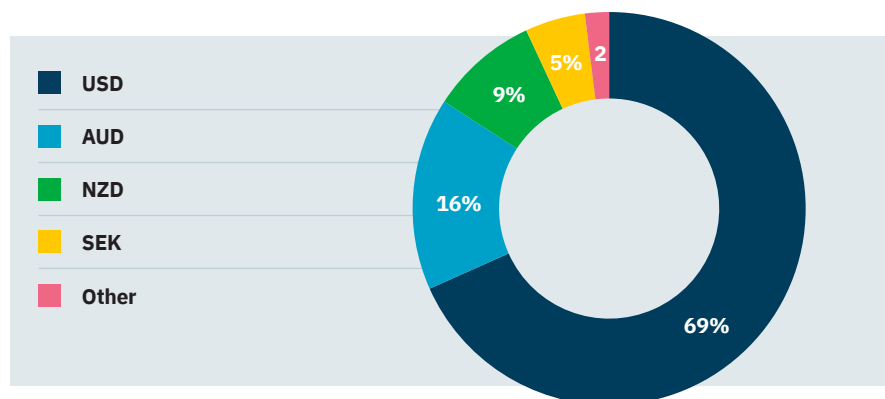
KBN's continued low borrowing costs and good market access are ensured by its AAA/Aaa rating.

### Liquidity management

KBN's liquidity portfolio totalled NOK 87 billion at 31 March 2022, as compared to NOK 109 billion at the end of the first quarter of 2021. The decline is due to a lower level of debt maturing in KBN's funding portfolio over the next 12 months. KBN seeks to ensure its liquidity portfolio matches its capital requirements, including lending growth, for the subsequent twelve months, and it is managed on the basis of a low-risk investment strategy.

The liquidity portfolio is principally held in zero-risk-weighted assets that are particularly liquid. Approximately 60% of the portfolio is held in foreign currencies. Fluctuations in the value of the Norwegian krone relative to other currencies will therefore result in fluctuations in the size of the liquidity portfolio in NOK terms.

**Funding 2022**  
Total borrowing by currency  
first quarter 2022



## Capital

At the end of the first quarter of 2022, KBN's total common equity Tier 1 capital was NOK 14.7 billion, its total Tier 1 capital was NOK 17.1 billion, and its total primary capital was NOK 19.1 billion. KBN's total assets at the end of the first quarter amounted to NOK 455 billion, down from NOK 473 billion at the end of 2021. KBN's total assets at the end of the first quarter of 2021 amounted to NOK 473 billion. The decrease from the end of 2021 is due to the decrease in the size of KBN's liquidity and lending portfolios.

At the end of the first quarter of 2022, KBN had a common equity Tier 1 capital adequacy ratio of 18.1%, a Tier 1 capital adequacy ratio of 21.0%, and a total capital adequacy ratio of 23.5%. The capital adequacy ratio requirements imposed by the authorities at the end of the first quarter were 15.1% (common equity Tier 1 capital), 16.6% (Tier 1 capital) and 18.6% (total capital).

Norges Bank and relevant authorities in certain countries have decided to increase countercyclical capital buffer during 2022 and 2023. This will influence KBN's industry-specific countercyclical buffer.

The European Commission's reform, to further strengthen the solidity to banks within the EU, will take effect at 1 June 2022. The implementation is expected

to reduce Tier 1 capital adequacy ratio in KBN, mainly due to increased capital requirements to counterparty risk.

KBN's leverage ratio at the end of the first quarter was 4.1%, as compared to the requirement of 3.0%.

## Future prospects

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As expected, Norges Bank raised its key policy rate from 0.50% to 0.75% at its monetary policy meeting in March 2022. The reason for this increase was the need to stabilise inflation around the annual target of 2%. The level of activity in the Norwegian economy is high and has continued to increase following the lifting of the infection control measures from the Coronavirus pandemic. The employment rate has climbed further, and the capacity utilisation rate in the economy seems to be above the normal level. Norges Bank is of the view that a further upswing in the Norwegian economy continues to be in prospect, and rising wage growth and higher prices are expected to boost inflation going forward. This means further increases in Norway's key policy rate will be needed. Forecasts for the key policy rate imply it will reach 2.5% towards the end of 2023. Norges Bank is expected to raise its key policy rate at its June meeting.

The war in Ukraine caused a widening in credit spreads for local government sector issuers in the capital markets, as it has for other fixed income securities. Credit spreads decreased somewhat towards the end of March 2022, but it is still uncertain whether this decrease will continue or whether spreads will stabilise at a higher level. This, in combination with the increase in money market rates, has made it more expensive for our customers to finance their activities. Seen in isolation, these factors may result in a decrease in demand for financing going forward.

The level of demand for KBN-issued bonds continues to be good, and the increase in the credit spreads on KBN's bonds has been relatively moderate. This means that KBN is in a good position to improve its profitability and to further strengthen its long-term capitalisation and lending capacity. KBN has good access to liquidity and will continue to provide its customers with attractive financing for local government sector projects right across Norway.

Oslo, 28 April 2022

The Board of Directors of Kommunalbanken AS

# Interim condensed financial information

## INCOME STATEMENT

(Amounts in NOK 1 000 000)	Note	January-March 2022	January-March 2021	2021
Interest income from assets measured at amortised cost		838	534	2 148
Interest income from assets measured at fair value		483	351	1 381
<b>Total interest income</b>		<b>1 321</b>	<b>885</b>	<b>3 529</b>
Total interest expense		885	500	1 943
<b>Net interest income</b>	<b>1</b>	<b>436</b>	<b>384</b>	<b>1 585</b>
Fees and commission expenses		27	25	106
Net unrealised gain/(loss) on financial instruments	<b>2</b>	(821)	230	322
Expected credit loss	<b>6</b>	6	1	0
Net trading income		11	5	73
<b>Total other operating income</b>		<b>(843)</b>	<b>208</b>	<b>289</b>
Salaries and administrative expenses		46	42	160
Depreciation on fixed assets		9	7	29
Other expenses		11	15	66
<b>Total operating expenses</b>		<b>66</b>	<b>64</b>	<b>255</b>
<b>Profit before tax</b>		<b>(473)</b>	<b>528</b>	<b>1 620</b>
Income tax		(121)	131	411
<b>Profit for the period</b>		<b>(352)</b>	<b>398</b>	<b>1 208</b>
Portion allocated to shareholder		(368)	383	1 149
Portion allocated to owners of additional Tier 1 capital		16	15	59

## STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)	Note	January-March 2022	January-March 2021	2021
Profit for the period		(352)	398	1 208
<b>Other comprehensive income</b>				
<i>Items which will not be reclassified to profit or loss</i>				
Change in fair value of liabilities due to changes in own credit risk	<b>9</b>	236	(601)	(809)
Actuarial gain/(loss) on defined benefit plan		0	0	1
Tax effect		(59)	150	202
<b>Total other comprehensive income</b>		<b>177</b>	<b>(451)</b>	<b>(606)</b>
<b>Total comprehensive income for the period</b>		<b>(175)</b>	<b>(54)</b>	<b>602</b>

## STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1 000 000)</i>	Note	31 March 2022	31 March 2021	31 December 2021
<b>Assets</b>				
Deposits with credit institutions	3,4	34 505	22 307	17 317
Other money market deposits		0	3 273	0
Instalment loans	3,4,5,6	317 766	315 755	323 672
Notes, bonds and other interest-bearing securities	3,4,6,7,8	87 842	112 555	112 839
Financial derivatives	3,4	11 722	15 477	16 047
Deferred tax asset		3 083	3 249	3 021
Other assets		182	178	169
<b>Total assets</b>		<b>455 099</b>	<b>472 794</b>	<b>473 064</b>
<b>Liabilities and equity</b>				
Loans from credit institutions	3,4	7 565	7 075	5 891
Commercial paper	3,4	19 240	12 539	31 567
Senior securities issued	3,4,9	379 206	410 110	393 663
Financial derivatives	3,4	27 489	20 914	20 072
Other liabilities		123	82	85
Current tax liabilities		581	1 501	581
Deferred tax liabilities		(1)	0	0
Pension liabilities		32	37	32
Subordinated debt	3,4	1 963	2 057	2 092
<b>Total liabilities</b>		<b>436 198</b>	<b>454 315</b>	<b>453 983</b>
Share capital		3 895	3 895	3 895
Additional Tier 1 capital		2 392	2 392	2 392
Retained earnings		12 966	11 796	12 795
Profit for the period		(352)	398	
<b>Total equity</b>	<b>10</b>	<b>18 900</b>	<b>18 479</b>	<b>19 081</b>
<b>Total liabilities and equity</b>		<b>455 099</b>	<b>472 794</b>	<b>473 064</b>

## STATEMENT OF CHANGES IN EQUITY

	1 January - 31 March 2022				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
<b>Equity as of 31 December 2021</b>	<b>3 895</b>	<b>2 392</b>	<b>(904)</b>	<b>13 698</b>	<b>19 081</b>
Profit for the period	0	0	0	(352)	<b>(352)</b>
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	177	0	<b>177</b>
Other comprehensive income—actuarial gain/loss	0	0	0	0	<b>0</b>
Interest paid on Tier 1 capital	0	0	0	(6)	<b>(6)</b>
Dividends for 2021	0	0	0	0	<b>0</b>
<b>Equity as of 31 March 2022</b>	<b>3 895</b>	<b>2 392</b>	<b>(727)</b>	<b>13 340</b>	<b>18 900</b>

	1 January - 31 March 2021				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
<b>Equity as of 31 December 2020</b>	<b>3 895</b>	<b>2 392</b>	<b>(297)</b>	<b>12 547</b>	<b>18 538</b>
Profit for the period	0	0	0	398	<b>398</b>
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	(451)	0	<b>(451)</b>
Other comprehensive income—actuarial gain/loss	0	0	0	0	<b>0</b>
Interest paid on Tier 1 capital	0	0	0	(5)	<b>(5)</b>
Dividends for 2020	0	0	0	0	<b>0</b>
<b>Equity as of 31 March 2021</b>	<b>3 895</b>	<b>2 392</b>	<b>(748)</b>	<b>12 940</b>	<b>18 479</b>

	1 January - 31 December 2021				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
<b>Equity as of 1 January 2021</b>	<b>3 895</b>	<b>2 392</b>	<b>(297)</b>	<b>12 547</b>	<b>18 538</b>
Profit for the period	0	0	0	1 208	<b>1 208</b>
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	(607)	0	<b>(607)</b>
Other comprehensive income—actuarial gain/loss	0	0	0	1	<b>1</b>
Interest paid on Tier 1 capital	0	0	0	(59)	<b>(59)</b>
Dividends for 2020	0	0	0	0	<b>0</b>
<b>Equity as of 31 December 2021</b>	<b>3 895</b>	<b>2 392</b>	<b>(904)</b>	<b>13 698</b>	<b>19 081</b>

## STATEMENT OF CASH FLOWS

<i>(Amounts in NOK 1 000 000)</i>	January-March 2022	January-March 2021	2021
<b>Cash flows from operating activities</b>			
Interest received	1 075	887	3 410
Interest paid	(869)	(573)	(1 894)
Fees and commissions paid	8	(25)	(73)
Receipts from repurchase of issued securities	11	5	73
Cash payments to employees and suppliers	(57)	(56)	(220)
Income taxes paid	0	0	(920)
Net disbursement of loans to customers	2 388	4 661	(4 783)
Net (increase)/decrease in deposits with credit institutions	(15 485)	(11 609)	(4 733)
Net (increase)/decrease in notes, bonds and other interest-bearing securities	22 420	11 608	12 301
Net (increase)/decrease in other assets	(10)	(12)	(9)
Net increase/(decrease) in other liabilities	(20)	1	(30)
Net (increase)/decrease in financial derivatives	3 811	(5 589)	(4 239)
<b>Net cash flows from operating activities</b>	<b>13 270</b>	<b>(703)</b>	<b>(1 117)</b>
<b>Cash flows from investing activities</b>			
Net (purchase)/sales of property and equipment	(10)	(4)	(21)
<b>Net cash flows from investing activities</b>	<b>(10)</b>	<b>(4)</b>	<b>(21)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of commercial paper	39 902	63 709	273 232
Repayment of commercial paper	(51 353)	(70 918)	(262 037)
Repayment on lease obligation	0	(2)	(6)
Proceeds from issuance of debt securities	35 629	40 728	96 551
Repayment of debt securities	(37 109)	(32 455)	(106 476)
Interest paid on Tier 1 capital	(6)	(5)	(60)
Dividends paid	0	0	0
<b>Net cash flows from financing activities</b>	<b>(12 937)</b>	<b>1 057</b>	<b>1 205</b>
<b>Net cash flows</b>	<b>323</b>	<b>350</b>	<b>67</b>
Effects of foreign exchange differences	(13)	0	51
<b>Net cash flows after foreign exchange differences</b>	<b>310</b>	<b>350</b>	<b>118</b>
Cash and cash equivalents at 1 January	308	190	190
Net change in cash and cash equivalents	310	350	118
<b>Cash and cash equivalents at end of period</b>	<b>618</b>	<b>540</b>	<b>308</b>
Whereof			
<i>Deposits with credit institutions without agreed time to maturity</i>	<i>618</i>	<i>540</i>	<i>308</i>
<i>Loans from credit institutions without agreed time to maturity</i>	<i>0</i>	<i>0</i>	<i>0</i>

## 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 2022 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as presented in the annual financial statements for 2021, with following clarifications:

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 2022	Total	At fair value			Total at fair value	Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge		
Deposits with credit institutions <sup>1</sup>	(11)	0	0	0	0	(11)
Other money market deposits	0	0	0	0	0	0
Instalment loans	1 306	506	0	0	506	800
Notes, bonds and other interest-bearing securities	120	54	0	0	54	66
Financial derivatives	(94)	0	(87)	(7)	(94)	0
<b>Total interest income</b>	<b>1 321</b>	<b>560</b>	<b>(87)</b>	<b>(7)</b>	<b>467</b>	<b>855</b>
Loans from credit institutions	1	0	0	0	0	1
Commercial paper <sup>2</sup>	(12)	0	0	0	0	(12)
Senior securities issued	1 452	819	0	0	819	632
Financial derivatives	(571)	0	(136)	(435)	(571)	0
Subordinated debt	15	15	0	0	15	0
Other interest expense <sup>3</sup>	0	0	0	0	0	0
<b>Total interest expenses</b>	<b>885</b>	<b>835</b>	<b>(136)</b>	<b>(435)</b>	<b>264</b>	<b>621</b>
<b>Net interest income</b>	<b>436</b>	<b>(274)</b>	<b>49</b>	<b>429</b>	<b>203</b>	<b>233</b>

<sup>1</sup> Deposits in EUR carrying negative interest rates.

<sup>2</sup> Short term funding in EUR carrying negative interest rates.

<sup>3</sup> Interest expense on tax as a result of changes in tax return for previous years

January-March 2021	Total	At fair value			Amortised cost	
		Fair value option	Mandatory at fair value	Fair value hedge		Total at fair value
Deposits with credit institutions <sup>1</sup>	(9)	0	0	0	0	(9)
Other money market deposits	(3)	0	0	0	0	(3)
Instalment loans	999	496	0	0	496	503
Notes, bonds and other interest-bearing securities	90	47	0	0	47	43
Financial derivatives	(192)	0	(192)	0	(192)	0
<b>Total interest income</b>	<b>885</b>	<b>542</b>	<b>(192)</b>	<b>0</b>	<b>351</b>	<b>534</b>

Loans from credit institutions	0	0	0	0	0	0
Commercial paper <sup>2</sup>	16	0	0	0	0	16
Senior securities issued	1 847	1 056	0	0	1 056	791
Financial derivatives	(1 378)	0	(827)	(551)	(1 378)	0
Subordinated debt	15	15	0	0	15	0
Other interest expense <sup>3</sup>	0	0	0	0	0	0
<b>Total interest expenses</b>	<b>500</b>	<b>1 071</b>	<b>(827)</b>	<b>(551)</b>	<b>(307)</b>	<b>807</b>
<b>Net interest income</b>	<b>384</b>	<b>(529)</b>	<b>636</b>	<b>551</b>	<b>658</b>	<b>(274)</b>

<sup>1</sup> Deposits in EUR carrying negative interest rates.

<sup>2</sup> Short term funding in EUR carrying negative interest rates.

<sup>3</sup> Interest expense on tax as a result of changes in tax return for previous years

2021	Total	At fair value			Amortised cost	
		Fair value option	Mandatory at fair value	Fair value hedge		Total at fair value
Deposits with credit institutions <sup>1</sup>	(48)	0	0	0	0	(48)
Other money market deposits	(3)	0	0	0	0	(3)
Instalment loans	4 028	1 990	0	0	1 990	2 037
Notes, bonds and other interest-bearing securities	491	330	0	0	330	161
Financial derivatives	(939)	0	(939)	0	(939)	0
<b>Total interest income</b>	<b>3 529</b>	<b>2 320</b>	<b>(939)</b>	<b>0</b>	<b>1 381</b>	<b>2 148</b>
Loans from credit institutions	0	0	0	0	0	0
Commercial paper <sup>2</sup>	(65)	0	0	0	0	(65)
Senior securities issued	6 723	3 810	0	0	3 810	2 914
Financial derivatives	(4 859)	0	(2 634)	(2 225)	(4 859)	0
Subordinated debt	61	61	0	0	61	0
Other interest expense <sup>3</sup>	84	0	0	0	0	84
<b>Total interest expenses</b>	<b>1 943</b>	<b>3 871</b>	<b>(2 634)</b>	<b>(2 225)</b>	<b>(988)</b>	<b>2 932</b>
<b>Net interest income</b>	<b>1 585</b>	<b>(1 551)</b>	<b>1 695</b>	<b>2 225</b>	<b>2 369</b>	<b>(784)</b>

<sup>1</sup> Deposits in EUR carrying negative interest rates.

<sup>2</sup> Short term funding in EUR carrying negative interest rates.

<sup>3</sup> Interest expense on tax as a result of changes in tax return for previous years



## NOTE 2

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

<i>(Amounts in NOK 1 000 000)</i>	January-March 2022	January-March 2021	2021
Instalment loans	(3 722)	(1 473)	(3 048)
Notes, bonds and other interest-bearing securities	(926)	(269)	(784)
Financial derivatives	(6 225)	(3 747)	(6 204)
Senior securities issued	9 906	5 656	10 344
Subordinated debt	145	64	14
<b>Net unrealised gain/(loss) on financial instruments</b>	<b>(821)</b>	<b>230</b>	<b>322</b>

Specification of total value changes including hedging instruments	January-March 2022	January-March 2021	2021
Notes, bonds and other interest-bearing securities, including hedging instruments	(88)	71	54
Instalment loans, including hedging instruments	(462)	368	99
Senior securities issued and Subordinated debt, including hedging instruments	(271)	(209)	169
<b>Net unrealised gain/(loss) on financial instruments</b>	<b>(821)</b>	<b>230</b>	<b>322</b>

Changes in fair value of liabilities due to changes in own credit risk are not included in the line Net unrealised 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. See Note 9 Senior securities issued for information on calculating such value changes. The change in fair value arising from Senior securities issued presented in the above table is due to changes in parameters other than credit.

Changes in fair value are the result of changes in market prices, 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 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.

Of Total unrealised losses of NOK 821 million in the first quarter of 2022, Instalment loans and associated hedging contracts as well as Notes, bonds and other interest-bearing securities and their associated hedging contracts contribute with a loss of NOK 462 million and NOK 88 million, respectively, mainly due to a widening of credit spreads. Senior securities issued and related hedging derivatives contribute with a loss of NOK 271 million, mainly due to a widening of the USD-NOK basis spreads.

Recognised value changes on financial instruments in fair value hedges of Senior securities issued and associated hedging instruments amount to NOK –20million in the first quarter of 2022. This amount is included in the above table as net unrealized changes in value. The carrying amount of the Senior securities issued included in fair value hedges amounts to NOK 195 billion.

Kommunalbanken has implemented hedge accounting for fixed-rate lending in the first quarter of 2022. For fixed-rate lending, interest rate risk is hedged financially through the use of interest rate swaps, and fair value hedging has been introduced for accounting purposes. This only applies for new fixed-rate lending from 2022 on. For fixed-rate lending with associated hedging instruments that are included in hedge accounting, recognised value changes amount to NOK -11 million in the first quarter of 2022, which are included as net unrealised changes in value in the table above. The carrying amount of hedged fixed-rate loans amounts to NOK 5.4 billion.

## NOTE 3

### Classification of financial instruments

(Amounts in NOK 1 000 000)

At 31 March 2022	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	34 505	0	0	0	34 505
Other money market deposits	0	0	0	0	0
Instalment loans	317 766	97 192	0	0	220 574
Notes, bonds and other interest-bearing securities	87 842	60 936	0	0	26 906
Financial derivatives	11 722	0	11 341	381	0
<b>Total financial assets</b>	<b>451 834</b>	<b>158 127</b>	<b>11 341</b>	<b>381</b>	<b>281 986</b>

Loans from credit institutions	7 565	0	0	0	7 565
Commercial paper	19 240	0	0	0	19 240
Senior securities issued	379 206	173 759	0	0	205 447
Financial derivatives	27 489	0	19 136	8 353	0
Subordinated debt	1 963	1 963	0	0	0
<b>Total financial liabilities</b>	<b>435 462</b>	<b>175 722</b>	<b>19 136</b>	<b>8 353</b>	<b>232 252</b>

At 31 March 2021	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	22 307	0	0	0	22 307
Other money market deposits	3 273	0	0	0	3 273
Instalment loans	315 755	105 568	0	0	210 188
Notes, bonds and other interest-bearing securities	112 555	85 289	0	0	27 265
Financial derivatives	15 477	0	10 934	4543	0
<b>Total financial assets</b>	<b>469 367</b>	<b>190 857</b>	<b>10 934</b>	<b>4543</b>	<b>263 033</b>

Loans from credit institutions	7 075	0	0	0	7 075
Commercial paper	12 539	0	0	0	12 539
Senior securities issued	410 110	180 476	0	0	229 633
Financial derivatives	20 914	0	18 888	2 026	0
Subordinated debt	2 057	2 057	0	0	0
<b>Total financial liabilities</b>	<b>452 695</b>	<b>182 533</b>	<b>18 888</b>	<b>2 026</b>	<b>249 248</b>

At 31 December 2021	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	17 317	0	0	0	17 317
Other money market deposits	0	0	0	0	0
Instalment loans	323 672	107 283	0	0	216 389
Notes, bonds and other interest-bearing securities	112 839	83 820	0	0	29 019
Financial derivatives	16 047	0	13 590	2 457	0
<b>Total financial assets</b>	<b>469 874</b>	<b>191 103</b>	<b>13 590</b>	<b>2 457</b>	<b>262 725</b>

Loans from credit institutions	5 891	0	0	0	5 891
Commercial paper	31 567	0	0	0	31 567
Senior securities issued	393 663	174 868	0	0	218 795
Financial derivatives	20 072	0	17 363	2 708	0
Subordinated debt	2 092	2 092	0	0	0
<b>Total financial liabilities</b>	<b>453 285</b>	<b>176 961</b>	<b>17 363</b>	<b>2 708</b>	<b>256 253</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

See Note 11 in the Annual Report 2021 for further information about valuation techniques, inputs, value change analysis and sensitivities. Financial instruments measured at fair value in KBN's Statement of financial position as of 31 March 2022 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
Instalment loans	-	4 327	92 864	97 192
Notes, bonds and other interest-bearing securities	51 921	2 816	6 198	60 936
Financial derivatives	-	11 427	295	11 722
<b>Total financial assets measured at fair value</b>	<b>51 921</b>	<b>18 570</b>	<b>99 358</b>	<b>169 849</b>
Commercial paper	0	0	0	0
Senior securities issued	9 070	137 264	27 425	173 759
Financial derivatives	0	19 658	7 831	27 489
Subordinated debt	0	0	1 963	1 963
<b>Total financial liabilities measured at fair value</b>	<b>9 070</b>	<b>156 922</b>	<b>37 219</b>	<b>203 211</b>

### Reconciliation of movements in Level 3

<i>(Amounts in NOK 1 000 000)</i>	Instalment loans	Notes, bonds and other interest-bearing securities	Senior securities issued	Subordinated debt	Financial derivatives
<b>Carrying amount at 31 December 2021</b>	<b>98 853</b>	<b>6 599</b>	<b>30 522</b>	<b>2 092</b>	<b>(8 674)</b>
Purchase	0	519	(113)	0	0
Sale	0	0	0	0	0
Issue	0	0	270	0	(27)
Settlement	(4 842)	(1 939)	(3 503)	0	1 058
Transfer into Level 3	0	1 150	0	0	0
Transfer out of Level 3	(986)	0	0	0	0
Gain/(loss) recognised in the period	(161)	(131)	249	(129)	107
<b>Carrying amount at 31 March 2022</b>	<b>92 864</b>	<b>6 198</b>	<b>27 425</b>	<b>1 963</b>	<b>(7 536)</b>

Net holdings amounting to NOK 0.2 billion have been transferred from Level 2 to Level 1 in 2022. There are net transfers of NOK 0.2 billion to Level 3 during 2022. 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", or in Other comprehensive income.

#### Information on valuation techniques:

The methods used for determining the fair value of financial instruments are defined based on the instruments' features and structure. Fair value of financial instruments without embedded derivatives or option elements 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 or option elements is determined using a combination of a discounted cash flow method and 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 increase in the credit spread for financial assets and liabilities in Level 3 at 31 March 2022:

<i>(Amounts in NOK 1 000 000)</i>	31 March 2022	
	Carrying amount	Sensitivity
Instalment loans	92 864	(359)
Notes, bonds and other interest-bearing securities	6 198	(14)
Financial derivatives	(7 536)	(26)
Senior securities issued	27 425	30
Subordinated debt	1 963	11
<b>Total</b>	<b>62 139</b>	<b>(358)</b>

#### Financial instruments measured at amortised cost

Financial instruments measured at amortised cost include Senior securities issued and fixed-rate lending that are subject to fair value hedge accounting. In addition, all other lending, except for fixed-rate lending with contract start before 2022 and lending with certificate terms, are measured at amortised cost as well. Further, floating rate notes and commercial papers are measured at amortised cost, if they are not hedged 1:1 with interest rate swaps. For these financial assets and liabilities it is assumed that amortised cost is a reasonable approach to fair value.

## NOTE 5

#### Instalment loans

<i>(Amounts in NOK 1 000 000)</i>	31 March 2022	31 March 2021	31 December 2021
Principal amount	320 650	313 594	323 018
Accrued interest	1 258	1 001	1 048
Fair value adjustment	(4 111)	1 186	(390)
Expected credit loss	(31)	(25)	(24)
<b>Total instalment loans</b>	<b>317 766</b>	<b>315 755</b>	<b>323 672</b>

## NOTE 6

### Expected credit loss

Changes in expected credit losses on instalment loans and bond investments of NOK 6 million were recorded in the first quarter of 2022 based on geopolitical unrest.

The below table shows expected credit loss as part of the carrying amount of Instalment loans and Notes, bonds and other interest-bearing securities at the end of the period.

<i>(Amounts in NOK 1 000 000)</i>	31 March 2022		31 December 2021
	Carrying amount	Expected credit loss	Expected credit loss
Instalment loans	220 574	(31)	(24)
Notes, bonds and other interest-bearing securities	26 906	(1)	(2)
<b>Total</b>	<b>247 480</b>	<b>(32)</b>	<b>(26)</b>

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

<i>(Amounts in NOK 1 000 000)</i>	January-March 2022	2021
Instalment loans	6.5	0.3
Notes, bonds and other interest-bearing securities	(0.7)	(0.5)
<b>Total</b>	<b>5.7</b>	<b>(0.1)</b>

The following table shows an allocation of KBN's expected credit losses as at 31 March 2022 to stage 1, 2 and 3. According to the impairment principles described in IFRS 9 *Financial Instruments*, Stage 1 implies no significant increase in credit risk since recognition of the asset. Stage 2 implies such a significant increase, while stage 3 implies that the asset is credit-impaired. See the Accounting Policies in the 2019 annual report for a description of the allocation to stages and the model for calculation of expected credit loss.

All exposures are estimated to be in Stage 1, which has remained unchanged since 2018.

<i>(Amounts in NOK 1 000 000)</i>	Stage 1	Stage 2	Stage 3
Instalment loans	(31)	0	0
Notes, bonds and other interest-bearing securities	(1)	0	0
<b>Total expected credit loss</b>	<b>(32)</b>	<b>0</b>	<b>0</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 2022	31 March 2021	31 December 2021
Domestic			
Issued by other borrowers	19 742	18 198	19 279
Foreign			
Issued by public bodies <sup>1</sup>	56 042	76 989	76 498
Issued by other borrowers	12 058	17 367	17 061
<b>Total notes, bonds and other interest-bearing securities</b>	<b>87 842</b>	<b>112 555</b>	<b>112 839</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 2022	31 March 2021	31 December 2021
Under 1 year	25 166	38 749	51 325
1-5 years	60 920	72 697	59 787
Over 5 years	1 756	1 110	1 726
<b>Total notes, bonds and other interest-bearing securities</b>	<b>87 842</b>	<b>112 555</b>	<b>112 839</b>
Average time to maturity (years)*	2.21	1.92	1.6

\*Average time to maturity shown in the table above applies to Notes, bonds and other interest-bearing securities, but not to money market deposits. These are presented on the line Deposits with credit institutions. Including such deposits, the average time to maturity of liquid assets is 2.09 years as of March 31, 2022.

## 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)

Time to maturity	Exposure as at 31 March 2022									
	< 1 year				> 1 year					Total
Risk class	A-1	A-2	A-3	Not rated	BBB	A	AA	AAA	Not rated	
Sovereigns and central banks	9 644	0	0	954	0	2 611	14 842	0	0	<b>28 052</b>
Multilateral development banks	2 912	0	0	0	0	0	216	5 094	0	<b>8 223</b>
Regional authorities	4 704	0	0	1 365	0	237	9 120	2 230	2 112	<b>19 767</b>
Financial institutions	0	0	0	0	0	0	0	0	0	<b>0</b>
Securitisation	0	0	0	0	0	0	0	0	0	<b>0</b>
Covered bonds	4 506	0	0	1 081	0	0	3 768	22 445	0	<b>31 800</b>
<b>Total</b>	<b>21 765</b>	<b>0</b>	<b>0</b>	<b>3 401</b>	<b>0</b>	<b>2 848</b>	<b>27 947</b>	<b>29 769</b>	<b>2 112</b>	<b>87 842</b>

## NOTE 9

### Senior securities issued

(Amounts in NOK 1 000 000)	31 March 2022	31 March 2021	31 December 2021
<b>Senior securities issued (nominal amounts) as at 1 January</b>	<b>395 385</b>	<b>405 451</b>	<b>405 451</b>
New issuance	35 629	40 728	96 550
Redemptions	(37 063)	(32 526)	(107 019)
Amortisation	(47)	70	544
Translation differences	(2 383)	(6 423)	(141)
<b>Senior securities issued (nominal amounts) as at end of period</b>	<b>391 521</b>	<b>407 300</b>	<b>395 385</b>
Accrued interest	3 422	3 925	3 875
Fair value adjustment	(15 737)	(1 115)	(5 596)
<i>Of which value change that is due to change in own credit risk</i>	<i>970</i>	<i>998</i>	<i>1206</i>
<i>Of which value change that is due to other reasons</i>	<i>(16 707)</i>	<i>(2 113)</i>	<i>(6 802)</i>
<b>Total senior securities issued</b>	<b>379 206</b>	<b>410 110</b>	<b>393 663</b>

The value change on liabilities that is due to changes in own credit risk is calculated as the change in the credit spread that KBN pays converted to 3M USD Libor, Euribor or Nibor interest rates, i.e. after adjustment for any conversion from other currencies to USD. Value changes on liabilities that are due to changes in own credit risk are recognised in Total comprehensive income, while value changes on liabilities that are due to changes in other market parameters are recognised in the Income statement on the line Net unrealised gain/(loss) on financial instruments.

## NOTE 10

### Primary capital

<i>(Amounts in NOK 1 000 000)</i>	31 March 2022	31 March 2021	31 December 2021
Equity	18 900	18 479	19 081
Ordinary subordinated debt included in equity	(2 392)	(2 392)	(2 392)
Equity included in Tier 1 capital	16 509	16 087	16 690
Deductions:			0
Deferred tax asset*	(1 468)	(1 609)	(1 353)
Intangible assets	(140)	(133)	(140)
Dividends payable	(809)	(162)	(646)
Prudent valuation adjustments (AVA)	(140)	(138)	(135)
Adjustments unrealised loss (gains) due to changes in own credit risk	727	749	904
<b>Total common equity Tier 1 capital</b>	<b>14 679</b>	<b>14 795</b>	<b>15 320</b>
Other approved Tier 1 capital	2 392	2 392	2 392
<b>Total Tier 1 capital</b>	<b>17 070</b>	<b>17 187</b>	<b>17 711</b>
Supplementary capital			
Ordinary subordinated debt	2 000	2 000	2 000
<b>Total supplementary capital</b>	<b>2 000</b>	<b>2 000</b>	<b>2 000</b>
<b>Total primary capital</b>	<b>19 070</b>	<b>19 187</b>	<b>19 711</b>

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

Primary capital has been calculated under Capital Requirements Regulation. Unrealised gain/(loss) on liabilities that is due to changes in own credit risk include both non-derivative and derivative liabilities.

## NOTE 11

### Capital adequacy

<i>(Amounts in NOK 1 000 000)</i>	31 March 2022		31 March 2021	31 December 2021	Minimum capital requirements
	Carrying amount	Risk-weighted assets	Minimum capital requirements	Minimum capital requirements	Minimum capital requirements
<b>Credit risk</b>					
Sovereigns and central banks	28 052	0	0	0	0
Regional governments and local authorities	332 944	63 989	5 119	5 077	5 202
<i>Of which are Norwegian municipalities</i>	317 745	63 989	5 119	5 077	5 202
Public sector entities	3 131	0	0	0	0
Multilateral development banks	8 223	0	0	0	0
Financial institutions	16 514	4 062	325	236	211
<i>Of which counterparty exposure on derivatives</i>	11 307	3 020	242	118	159
Claims secured by residential property	21	21	2	2	2
Covered bonds	31 788	3 179	254	285	291
Other assets	1 630	4 052	324	330	334
Securitisation	0	0	0	0	0
Credit Valuation Adjustment	182	2 280	182	145	194
<b>Total credit risk</b>	<b>422 485</b>	<b>77 582</b>	<b>6 207</b>	<b>6 075</b>	<b>6 234</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>3 573</b>	<b>286</b>	<b>302</b>	<b>286</b>
<b>Minimum capital requirements</b>		<b>81 155</b>	<b>6 492</b>	<b>6 377</b>	<b>6 519</b>
<b>Total capital ratio</b>			<b>23.5%</b>	<b>24.1%</b>	<b>24.2%</b>
<b>Tier 1 capital adequacy ratio</b>			<b>21.0%</b>	<b>21.6%</b>	<b>21.7%</b>
<b>Common equity Tier 1 capital adequacy ratio</b>			<b>18.1%</b>	<b>18.6%</b>	<b>18.8%</b>
<b>Leverage ratio</b>			<b>4.1%</b>	<b>3.8%</b>	<b>3.9%</b>

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