



REPORT FOR FIRST QUARTER 2017

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)	January-March 2017	January-March 2016	2016
RESULTS			
Net interest income	561	502	2 087
Core earnings ¹	377	341	1 400
Profit before tax	480	343	919
Profit for the period	360	257	689
Return on equity after tax ²	12.57%	9.56%	6.27%
Return on equity after tax (core earnings) ²	13.16%	12.64%	12.74%
Return on assets after tax ²	0.34%	0.24%	0.16%
Return on assets after tax (core earnings) ²	0.35%	0.32%	0.33%
LENDING			
New disbursements	17 131	14 045	48 117
Outstanding loans ³	275 700	258 734	266 558
LIQUIDITY PORTFOLIO³	117 390	107 746	116 413
BORROWINGS			
New long-term borrowings	47 038	19 719	82 752
Repurchase of own debt	654	138	1 159
Redemptions	34 391	39 529	93 926
Total borrowings ³	394 409	362 743	376 785
TOTAL ASSETS	431 253	417 937	418 327
EQUITY			
Total capital adequacy ratio	21.01%	18.58%	21.45%
Tier 1 capital adequacy ratio	18.11%	16.33%	18.39%
Common equity Tier 1 capital adequacy ratio	16.67%	14.91%	16.86%
LIQUIDITY COVERAGE RATIO (LCR)⁴			
Total	819%	1 251%	1 116%
NOK	2 999%	1 823%	1 848%
EUR	285%	n/a	558% ⁵
USD	312%	126%	471%
AUD	60%	Infinite	Infinite
JPY	4 540%	636%	852%

¹ 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.

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

³ Principal amounts

⁴ 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.

⁵ EUR was not a significant currency at this time.

SOLID FIRST QUARTER PERFORMANCE FOR KBN

KBN's net interest income in the first quarter was NOK 561 million compared to NOK 502 million in the same period of 2016. Lending growth increased by NOK 9.1 billion during the first quarter.

RESULTS

Profit for the first quarter 2017 was NOK 360 million compared to NOK 257 million in the same period of last year. Net interest income was NOK 561 million, up from NOK 502 million in the same period of last year. The increase is due to strong underlying operations and lending growth throughout the quarter. Results include net unrealised losses on financial instruments of NOK 29 million related to changes in the market value of KBN's funding activities and lower credit spreads, against a loss of NOK 117 million for the same period of 2016. KBN's financial instruments are normally held to maturity and the effects of unrealised gains and losses on KBN's profits reverse either when fluctuations in the market reverse or the instruments reach maturity.

Total operating expenses so far this year are NOK 50 million compared to NOK 44 million in the same period of 2016. Operating expenses (annualised) represent 0.04% of total assets.

KBN achieved a return on equity

after tax of 12.57% (annualised) for the first three months of 2017. Return on equity after tax adjusted for unrealised gain/(loss) on financial instruments was 13.16%.

LENDING

KBN's total lending to the local government sector at the end of the first quarter was NOK 275.7 billion. The lending portfolio grew by NOK 9.1 billion representing an increase of 3.4% since year-end. KBN has seen demand for loans with variable maturities throughout the quarter and the lending portfolio has increased in all loan categories. KBN regards long-term financing to be its core product. Loans with maturities of less than 12 months form an integrated part of KBN's liquidity and asset management and will vary according to underlying market conditions. The portfolio of loans with maturities of less than 12 months may be adjusted on short notice. KBN's goal is to provide stable long-term financing for investments in welfare services. KBN's market share has increased somewhat

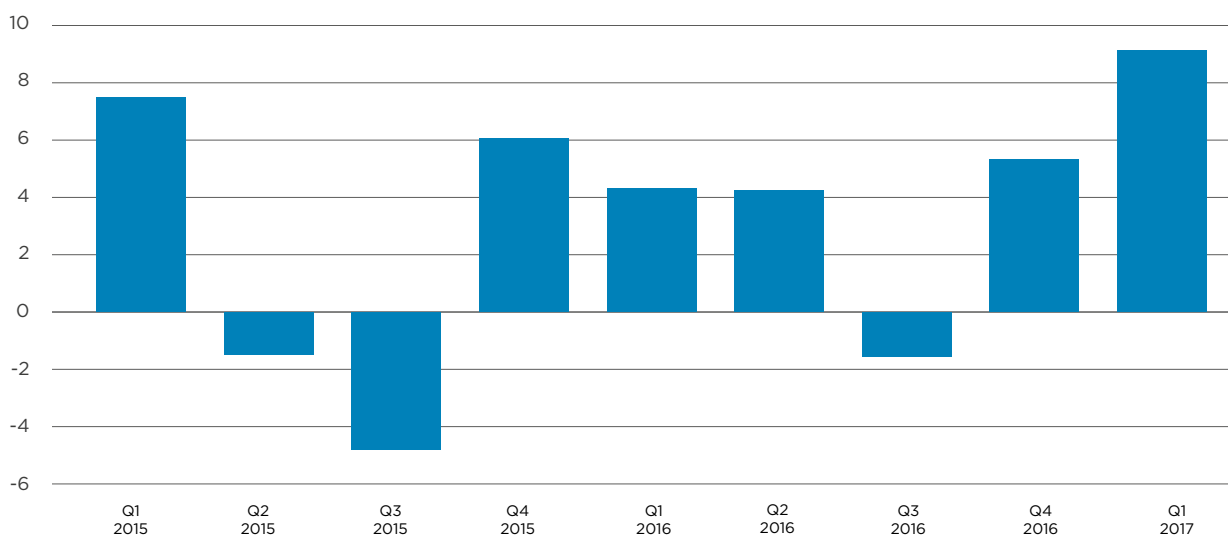
during the first three months.

KBN's new disbursements in the first quarter amounted to NOK 17.1 billion compared to NOK 14.0 billion in the first quarter of 2016.

FINANCIAL MARKETS

KBN's funding activities in the first quarter of 2017 have been stronger than the corresponding period of 2016 due to an increase in financing requirements and a more positive underlying market. A total of NOK 47 billion has been issued in bonds through 135 issues in 11 different currencies, compared to approximately NOK 20 billion for the same period in 2016. In January KBN issued its first USD benchmark of 2017, issuing a USD 1.5 billion trade. In February KBN issued its first GBP transaction in three years. The capped GBP 250 million transaction saw strong demand, ending with a comfortably oversubscribed final order book. Demand from the Japanese retail market, the Uridashi market, has been substantial throughout the first quarter, and KBN has issued bonds totaling

LENDING GROWTH
(amounts in NOK billion)



NOK 18 billion. Maintaining the highest possible credit rating of AAA/Aaa ensures KBN's low funding costs and access to attractive funding sources from all over the world.

LIQUIDITY MANAGEMENT

KBN holds cash and liquid assets at all times equal to its net liquidity requirements for the subsequent 12 months, including any forecast lending growth. KBN's liquidity reserves are invested in fixed income securities issued by governments, regional authorities, multilateral development banks, covered bonds and short-term with financial institutions that have high credit ratings.

KBN's liquidity portfolio is primarily held in foreign currencies. Changes in the krone value will lead to short-term cyclical fluctuations in the liquidity reserves. The liquidity portfolio was NOK 117.4 billion as of 31 March 2017 compared to NOK 107.7 billion for the same period of 2016.

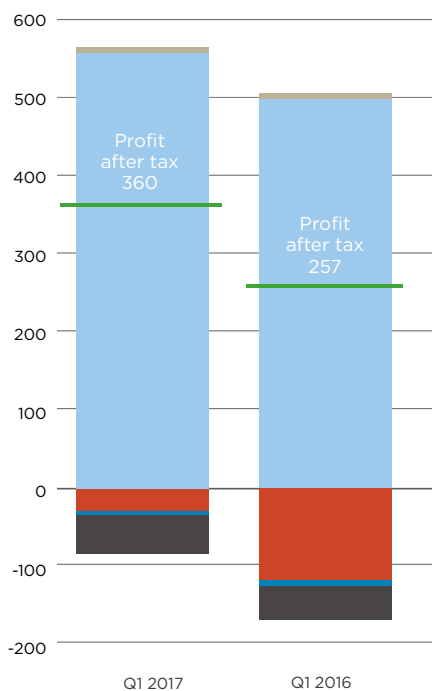
CAPITAL

KBN's total primary capital at 31 March 2017 was NOK 14.5 billion, total Tier 1 capital was NOK 12.5 billion and the total common equity Tier 1 capital was NOK 11.5 billion. KBN's total assets show an increase of NOK 12.9 billion since year-end. KBN had a common equity Tier 1 capital adequacy ratio of 16.67% by the end of the first quarter of 2017, a Tier 1 capital adequacy ratio of 18.11% and a total capital adequacy ratio of 21.01%.

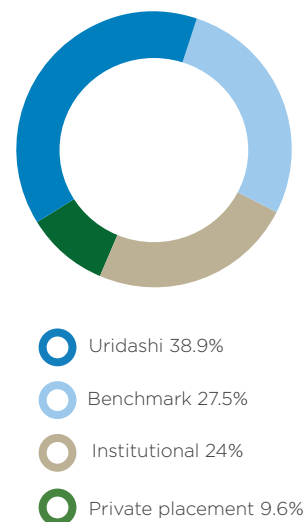
Regulatory minimum requirements and buffer requirements as of 31 March 2017 are 15.0% for common equity Tier 1 capital adequacy ratio, 16.5% for Tier 1 capital adequacy ratio and 18.5% for total capital ratio.

KBN will organise its activities so as to ensure it is capitalised in accordance with all regulatory requirements in force at any time. As of 31 December 2017 the requirements will have increased to 15.5% for the common equity Tier 1 capital adequacy ratio, 17.0% for Tier 1 capital adequacy ratio and 18.5% for total capital ratio.

PROFIT AFTER TAX
(amounts in NOK mill)



KBN FUNDING MARKET
January–March 2017



- Net trading income
- Net interest income
- Unrealised gain/(loss)
- Fees and commissions
- Operating expenses

Oslo, 28 April 2017
The Board of Directors
for Kommunalbanken AS

INTERIM CONDENSED FINANCIAL INFORMATION

INCOME STATEMENT

(Amounts in NOK 1 000 000)	Note	January-March 2017	January-March 2016	2016
Interest income		1 536	1 377	5 617
Interest expense		975	875	3 530
Net interest income	1	561	502	2 087
Fees and commission expenses		9	5	32
Net unrealised gain/(loss) on financial instruments	2	(29)	(117)	(974)
Net trading income		7	7	15
Total other operating income		(31)	(115)	(991)
Salaries and administrative expenses		36	32	125
Depreciation on fixed assets		5	5	20
Other expenses		9	7	32
Total operating expenses		50	44	177
Profit before tax		480	343	919
Income tax		120	86	230
Profit for the period		360	257	689
Portion allocated to shareholder		355	252	670
Portion allocated to owners of additional Tier 1 capital		5	5	19

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)	Note	January-March 2017	January-March 2016	2016
Profit for the period		360	257	689
Other comprehensive income				
<i>Items which will not be reclassified to profit or loss</i>				
Actuarial gain/(loss) on defined benefit plan		0	0	(1)
Of which is tax		0	0	0
Total other comprehensive income		0	0	(1)
Total comprehensive income for the period		360	257	688

STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1 000 000)</i>	Note	31 March 2017	31 March 2016	31 December 2016
Assets				
Deposits with credit institutions	3,4	19 002	26 476	16 182
Instalment loans	3,4,5	276 984	261 375	267 521
Notes, bonds and other interest-bearing securities	3,4,7,8	117 278	112 403	118 550
Financial derivatives	3,4	17 174	17 317	15 921
Deferred tax asset		0	201	0
Other assets		815	165	153
Total assets		431 253	417 937	418 327
Liabilities and equity				
Loans from credit institutions	3,4	4 010	5 503	7 584
Senior securities issued	3,4,6	388 345	354 716	369 933
Financial derivatives	3,4	23 608	42 676	26 275
Other liabilities		426	42	45
Current tax liabilities		0	711	0
Deferred tax liabilities		12	0	12
Pension liabilities		52	49	52
Subordinated debt	3,4	1 992	1 787	1 974
Total liabilities		418 445	405 484	405 875
Share capital		3 145	3 145	3 145
Additional Tier 1 capital		994	994	994
Retained earnings		8 309	8 058	8 314
Total comprehensive income for the period		360	257	
Total equity	9	12 807	12 454	12 452
Total liabilities and equity		431 253	417 937	418 327

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000 000)

	1 January - 31 March 2017			
	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2017	3 145	994	8 314	12 452
Profit for the period	0	0	360	360
Total other comprehensive income	0	0	0	0
Interest paid on Tier 1 capital	0	0	(5)	(5)
Dividends for 2016	0	0	0	0
Equity as of 31 March 2017	3 145	994	8 669	12 807

	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)
Dividends for 2015	0	0	0	0
Equity as of 31 March 2016	3 145	994	8 315	12 454

	1 January - 31 December 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	689	689
Total other comprehensive income	0	0	(1)	(1)
Interest paid on Tier 1 capital	0	0	(20)	(20)
Dividends for 2015	0	0	(417)	(417)
Equity as of 31 December 2016	3 145	994	8 314	12 452

STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000 000)

	January-March 2017	January-March 2016	2016
Cash flows from operating activities			
Interest received	1 486	1 289	5 433
Interest paid	(806)	(552)	(3 752)
Fees and commissions paid	(9)	(5)	(32)
Receipts from repurchase of issued securities	7	7	15
Cash payments to employees and suppliers	(45)	(39)	(157)
Income taxes paid	(338)	(202)	(838)
Net disbursement of loans to customers	(9 142)	(4 315)	(12 137)
Net (increase)/decrease in deposits with credit institutions	(5 985)	(8 878)	3 212
Net (increase)/decrease in notes, bonds and other interest-bearing securities	2 726	34 351	25 204
Net (increase)/decrease in other assets	(663)	(25)	(12)
Net increase/(decrease) in other liabilities	600	6	11
Net cash flows from operating activities	(12 168)	21 636	16 947
Cash flows from investing activities			
Net (purchase)/sales of property and equipment	(4)	(4)	(20)
Net cash flows from investing activities	(4)	(4)	(20)
Cash flows from financing activities			
Proceeds from issuance of debt securities	47 038	19 719	82 752
Repayment of debt securities	(35 058)	(41 575)	(96 675)
Interest paid on Tier 1 capital	(6)	(7)	(26)
Proceeds from issuance of subordinated debt	0	0	1 991
Repayment of subordinated debt	0	0	(1 758)
Dividends paid	0	0	(417)
Net cash flows from financing activities	11 974	(21 862)	(14 134)
Net cash flows	(199)	(230)	2 793
Effects of foreign exchange differences	226	238	(2 751)
Net cash flows after foreign exchange differences	27	8	42
Cash and cash equivalents at 1 January	76	34	34
Net change in cash and cash equivalents	27	8	42
Cash and cash equivalents at end of period	103	42	76
Whereof			
<i>Deposits with credit institutions without agreed time to maturity</i>	103	42	76
<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 2017 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as presented in the annual financial statements for 2016.

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 2017	January-March 2016	2016
Deposits with credit institutions	2	(4)	(20)
Instalment loans	1 289	1 203	4 933
Notes, bonds and other interest-bearing securities	134	155	562
Financial derivatives	111	23	142
Total interest income	1 536	1 377	5 617
Loans from credit institutions	0	1	1
Senior securities issued	862	1 998	10 563
Financial derivatives	98	(1 141)	(7 098)
Subordinated debt	15	17	64
Total interest expenses	975	875	3 530
Net interest income	561	502	2 087

NOTE 2

Net unrealised gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

	January-March 2017	January-March 2016	2016
Instalment loans	277	161	(1 542)
Notes, bonds and other interest-bearing securities	113	177	(185)
Financial derivatives	1 531	2 597	3 247
Loans from credit institutions	0	0	0
Senior securities issued	(1 948)	(3 062)	(2 564)
Subordinated debt	(3)	9	70
Net unrealised gain/(loss) on financial instruments	(29)	(117)	(974)

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 2017 amounting to NOK 29 million come from Senior securities issued due to a tightening of credit spreads in international fixed income markets.

NOTE 3

Categorisation of financial instruments

(Amounts in NOK 1 000 000)

At 31 March 2017

	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	19 002	8 635	0	0	0	10 264	103
Instalment loans	276 984	168 748	0	0	0	108 234	0
Notes, bonds and other interest-bearing securities	117 278	116 429	0	0	20	829	0
Financial derivatives	17 174	0	16 043	1 130	0	0	0
Total financial assets	430 436	293 813	16 043	1 130	20	119 328	103
Loans from credit institutions	4 010	0	0	0	0	0	4 010
Senior securities issued	388 345	229 505	0	0	0	0	158 839
Financial derivatives	23 608	0	22 383	1 225	0	0	0
Subordinated debt	1 992	1 992	0	0	0	0	0
Total financial liabilities	417 953	231 497	22 383	1 225	0	0	162 850

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
Total financial assets	417 571	279 451	16 952	365	36	120 766	0
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
Total financial liabilities	404 682	213 431	40 277	2 399	0	0	148 575

At 31 December 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	16 182	5 208	0	0	0	10 974	0
Instalment loans	267 521	164 748	0	0	0	102 773	0
Notes, bonds and other interest-bearing securities	118 550	117 414	0	0	21	1 115	0
Financial derivatives	15 921	0	14 955	966	0	0	0
Total financial assets	418 174	287 370	14 955	966	21	114 864	0
Loans from credit institutions	7 584	0	0	0	0	0	7 584
Senior securities issued	369 933	223 710	0	0	0	0	146 223
Financial derivatives	26 275	0	25 246	1 029	0	0	0
Subordinated debt	1 974	1 974	0	0	0	0	0
Total financial liabilities	405 765	225 684	25 246	1 029	0	0	153 807

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 2016 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 2017 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	8 635	0	8 635
Instalment loans	0	100 866	67 882	168 748
Notes, bonds and other interest-bearing securities	71 286	42 295	2 848	116 429
Financial derivatives	0	12 427	4 747	17 174
Total financial assets measured at fair value	71 286	164 223	75 477	310 986
Loans from credit institutions	0	0	0	0
Senior securities issued	0	137 984	91 521	229 505
Financial derivatives	0	5 663	17 945	23 608
Subordinated debt	0	0	1 992	1 992
Total financial liabilities measured at fair value	0	143 647	111 458	255 105

Reconciliation of movements in Level 3

	Instalment loans	Notes, bonds and other interest-bearing securities	Senior securities issued	Subordinated debt	Financial derivatives
Carrying amount at 31 December 2016	65 728	2 511	76 857	1 974	(17 952)
Purchase	0	0	(654)	0	(858)
Sale	0	0	0	0	0
Issue	9 546	0	20 849	0	0
Settlement	(3 803)	0	(10 453)	0	1 728
Transfer into Level 3	644	426	0	0	0
Transfer out of Level 3	(918)	(403)	0	0	0
Gain/(loss) recognised in the period	(3 315)	314	4 923	18	3 884
Carrying amount at 31 March 2017	67 882	2 848	91 521	1 992	(13 198)

Holdings amounting to approximately NOK 10 billion have been transferred from Level 2 to Level 1 in the first quarter of 2017. There are net transfers of NOK 251 million out of 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 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 2017:

	31 March 2017
Instalment loans	(288)
Notes, bonds and other interest-bearing securities	(4)
Financial derivatives	26
Senior securities issued	387
Subordinated debt	22
Total	143

NOTE 5

Instalment loans

<i>(Amounts in NOK 1 000 000)</i>	31 March 2017	31 March 2016	31 December 2016
Principal amount	275 700	258 734	266 558
Accrued interest	1 099	1 031	1 056
Fair value adjustment	184	1 610	(93)
Total instalment loans	276 984	261 375	267 521

NOTE 6

Senior securities issued

<i>(Amounts in NOK 1 000 000)</i>	31 March 2017	31 March 2016	31 December 2016
Senior securities issued (nominal amounts) as at 1 January	376 785	400 894	400 894
New issuance	47 038	19 719	82 752
Redemptions	(35 045)	(39 667)	(93 926)
Amortisation	(13)	(1 908)	(2 749)
Translation differences	5 644	(16 295)	(10 185)
Senior securities issued (nominal amounts) as at end of period	394 409	362 743	376 785
Accrued interest	2 887	2 717	4 390
Fair value adjustment	(8 952)	(10 744)	(11 242)
Total senior securities issued	388 345	354 716	369 933

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 2017	31 March 2016	31 December 2016
Domestic			
Issued by other borrowers	2 135	12 698	2 281
Foreign			
Issued by public bodies ¹	106 450	74 315	107 028
Issued by other borrowers	8 693	25 390	9 241
Total notes, bonds and other interest-bearing securities	117 278	112 403	118 550

¹Issued 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 2017	31 March 2016	31 December 2016
Under 1 year	56 338	51 331	52 497
1-5 years	54 820	60 798	59 965
Over 5 years	6 120	274	6 087
Total notes, bonds and other interest-bearing securities	117 278	112 403	118 550

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 2017

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	8 604	0	0	0	0	616	13 379	4 014	0	26 613
Multilateral development banks	7 221	0	0	0	0	0	1 243	8 017	0	16 481
Regional authorities	28 014	0	0	4 965	0	777	13 139	13 050	3 410	63 355
Financial institutions	566	0	0	0	0	0	0	0	0	566
Securitisation	0	0	0	0	0	0	10	8	0	18
Covered bonds	6 967	0	0	0	0	0	151	3 127	0	10 245
Total	51 372	0	0	4 965	0	1 393	27 922	28 216	3 410	117 278

NOTE 9

Primary capital

(Amounts in NOK 1 000 000)

31 March 2017 31 March 2016 31 December 2016

<i>Common equity Tier 1 capital</i>			
Share capital	3 145	3 145	3 145
Retained earnings	7 919	7 640	7 624
Profit for the period included in Tier 1 capital	360	257	689
Pension funds above pension commitments	0	0	0
Deferred tax asset*	0	0	0
Intangible assets	(134)	(142)	(138)
Dividends payable	(112)	(103)	(390)
Other additions/deductions in common equity Tier 1 capital	329	(401)	65
Share of nulled unamortised estimate differences	0	0	0
Total common equity Tier 1 capital	11 507	10 396	10 996
Other approved Tier 1 capital	994	994	994
Total Tier 1 capital	12 500	11 390	11 989
<i>Supplementary capital</i>			
Ordinary subordinated debt	2 000	1 571	2 000
Total supplementary capital	2 000	1 571	2 000
Total primary capital	14 500	12 962	13 989

*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 2017		31 March 2016		31 December 2016
	Carrying amount	Risk-weighted assets	Minimum capital requirements	Minimum capital requirements	Minimum capital requirements
Credit risk					
Sovereigns and central banks	26 613	0	0	0	0
Regional governments and local authorities	337 000	56 119	4 490	4 263	4 348
<i>Of which are Norwegian municipalities</i>	276 944	56 117	4 489	4 188	4 340
Public sector entities	6 164	0	0	0	0
Multilateral development banks	16 528	0	0	0	0
Financial institutions	30 353	6 201	496	619	400
<i>Of which counterparty exposure on derivatives</i>	10 786	2 288	183	165	137
Claims secured by residential property	39	39	3	4	3
Covered bonds	9 933	993	79	290	91
Other assets	23	23	2	2	1
Securitisation	18	11	1	1	1
Credit Valuation Adjustment	217	2 716	217	177	140
Total credit risk	426 888	66 104	5 288	5 354	4 984
Market risk	0	0	0	0	0
Operational risk—Basic Indicator Approach		2 909	233	225	233
Minimum capital requirements		69 013	5 521	5 580	5 217
Total capital ratio			21.01%	18.58%	21.45%
Tier 1 capital adequacy ratio			18.11%	16.33%	18.39%
Common equity Tier 1 capital adequacy ratio			16.67%	14.91%	16.86%