

An aerial photograph of a town nestled at the base of a large, snow-covered mountain. The town features a mix of residential houses and commercial buildings, with a prominent road intersection in the foreground. The sky is filled with dramatic, white clouds against a blue background. The overall scene is a winter landscape.

KBN

The Norwegian Agency
for Local Governments

2020

Report for third 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.



KBN offers green loans with lower interest rates for water and wastewater investments in municipalities across the country. Cover image: Narvik Vann (credit: Kalle Punsvik). Photo page 2: Mira IKS (credit: Jo Straube)

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 aims 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-September 2020	January-September 2019	2019
RESULTS			
Net interest income	1 292	1 404	1 875
Core earnings ¹	721	844	1 071
Profit before tax	1 183	1 126	1 771
Profit for the period	902	860	1 283
Return on equity after tax ²	7.8%	8.4%	9.5%
Return on equity after tax (core earnings) ²	6.6%	8.6%	8.3%
Return on assets after tax ²	0.2%	0.3%	0.3%
Return on assets after tax (core earnings) ²	0.2%	0.2%	0.2%
LENDING			
New disbursements	39 441	34 368	53 825
Outstanding loans ³	312 395	305 197	309 758
LIQUIDITY PORTFOLIO³	125 561	117 271	107 350
BORROWINGS			
New long-term borrowings	79 465	56 790	72 508
Repurchase of own debt	781	260	276
Redemptions	94 397	67 861	95 704
Total borrowings ³	415 512	420 587	400 489
TOTAL ASSETS	502 281	473 521	460 778
EQUITY	18 384	16 040	16 401
Total capital adequacy ratio	23.6%	23.0%	22.6%
Tier 1 capital adequacy ratio	21.2%	20.4%	20.1%
Common equity Tier 1 capital adequacy ratio	18.3%	17.6%	17.4%
Leverage ratio	3.8%	3.5%	3.7%

	January-September 2020	January-September 2019	2019
LIQUIDITY COVERAGE RATIO (LCR)⁴			
Total	208%	417%	348%
NOK	68%	67%	73%
EUR	424%	351%	800%
USD	179%	411%	422%
AUD	1 395%	905%	Infinite
JPY	6 181%	426%	533%
GBP	Infinite	Insignificant	Infinite
OTHER KEY FIGURES			
Green loans ⁵	24 170	21 295	23 049
Emissions in CO ₂ e ⁶	58.7	n/a	192.4

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 assets after tax: Profit after tax/Core earnings as percentage of average equity (from owner) and average assets. Average equity is calculated based on monthly opening equity (less Tier 1 capital) excluding profit for the year/comprehensive income/interest on Tier 1 capital. Capital injections and dividends are added/deducted in the payment month, such that opening equity for the following month is adjusted for the change. Average assets is calculated based on monthly total 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 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.

⁶ Includes the company's direct (Scope 1) and indirect (Scope 2) emissions, as well as residual waste and flights (Scope 3).

The Board of Directors' report

Good lending growth in a normalised market

KBN's net interest income in the third quarter of 2020 was NOK 437 million as compared to NOK 476 million in the same period in 2019. Profit for the period totalled NOK 517 million in the third quarter of 2020, an increase from NOK 373 million in the third quarter of 2019. KBN won a significant proportion of requests for financing for new projects, and its lending portfolio grew by NOK 5.7 billion in the third quarter.

Result

KBN's net interest income in the third quarter of 2020 was NOK 437 million as compared to NOK 476 million in the same period in 2019. KBN's lending activities contributed net interest income that was somewhat higher than in the third quarter of 2019, while KBN's liquidity management activities generated low margins and therefore weaker earnings relative to the same period in 2019.

Profit for the period in the third quarter totalled NOK 517 million as compared to NOK 373 million in the third quarter of 2019. The main reason for this increase was unrealised gains on financial instruments and loans measured at fair value totalling NOK 317 million in the third quarter of 2020. Unrealised gains on KBN's fixed rate loans represented NOK 159 million of this amount. This was primarily due to a further reduction in credit spreads in the markets in the first part of the third quarter, with spreads decreasing towards the levels seen before the outbreak of coronavirus. Hedging instruments used to convert funding in US dollars into Norwegian kroner also contributed an unrealised gain of NOK 80 million, which was the result of a tightening of basis swap spreads. In the third quarter of 2019, KBN recognised unrealised gains of NOK 113 million. KBN's unrealised gains and losses are expected to reverse, either as market conditions normalise or as the instruments approach maturity. KBN's gains in the third quarter of 2020 were partially the result of a continuing reversal of losses related to the market turmoil seen in the first quarter. Core earnings totalled NOK 264 million in the third quarter of 2020, compared to NOK 274 million in the corresponding period in 2019.

KBN also recognised a further decrease in expected credit losses on its instalment loans and bond securities measured at amortised cost in the third quarter, namely of NOK 8 million. This was due to a further reduction in the level of uncertainty in the real economy relative to the end of the previous quarter. KBN's provision for losses

is relatively limited due to the fact that Norwegian municipalities cannot be declared bankrupt, and no discernible payment problems are being encountered in the local government sector as a result of coronavirus. KBN's liquidity portfolio is also of very high credit quality. KBN's total operating costs for the third quarter of 2020 were NOK 60 million, unchanged from the third quarter of 2019. KBN operated virtually as normal in the third quarter of 2020 and its costs were little impacted by the coronavirus situation. No employees have been furloughed.

Net interest income in the first nine months of 2020 was NOK 1,292 million as compared to NOK 1,404 million in the first nine months of 2019. The decrease was due to a combination of lower market rates through 2020 and KBN having quickly altered its own lending rates in line with the interest rate cuts made by Norges Bank in the first and second quarters. KBN took this action to ensure that the cuts to Norway's key policy rate benefitted the local government sector. It caused KBN's average margin to be lower in the first nine months of 2020 than in the same period in 2019. In the third quarter, however, KBN's lending margin was back at the same level as before the market turmoil struck. KBN's profit for the period in the first nine months of 2020 was NOK 902 million. Despite the negative result in the first quarter of 2020, profit for the period in the first nine months of 2020 was higher than the corresponding figure of NOK 860 million for the first nine months of 2019. The increase was due to the fact that unrealised gains totalling NOK 176 million were recognised in the first nine months of 2020, while an unrealised loss of NOK 30 million was recognised in the same period in 2019. KBN's operating costs for the first nine months of 2020 were NOK 180 million, which is approximately in line with the same period in 2019, when operating costs totalled NOK 177 million.

Based on its result from ordinary activities, KBN's return on equity in the first nine months of 2020 was 7.8%, compared to 8.4% in the same period in 2019. Based on its core earnings, KBN's return on equity in the first nine months of 2020 was 6.6%, compared to 8.6% in the same period in 2019. The decrease was partially expected

TABLE 1
Profit for the period

	Q3 2020	Q3 2019	2019
Profit/(Loss) for the period	517	373	1 283
Net interest income	437	476	1 875
Fees and commission expenses	28	38	87
Net unrealised gain/(loss) on financial instruments	317	113	213
Expected credit loss	-6	0	1
Net trading income	13	4	23
Total operating expenses	60	60	252
Income tax	171	122	488

Amounts in NOK 1 000 000

TABLE 2
Comprehensive income
for the period

	Q3 2020	Q3 2019	2019
Total comprehensive income for the period	484	364	1 515
Profit/(Loss) for the period	517	373	1 283
Unrealised change in fair value of liabilities (and related financial derivatives) after tax due to changes in own credit risk	-33	-9	242
Actuarial gain/(loss) on defined benefit plan	0	0	-10
Tax effect on positions in Statement of comprehensive income	11	3	-77

Amounts in NOK 1 000 000

due to higher funding costs, but it otherwise relates to the temporary impact of the coronavirus outbreak on the net interest income from KBN's lending activities in the second quarter. KBN's increased share capital also contributed somewhat to the decrease. A more long-term effect of the outbreak of coronavirus is that KBN's return on equity will be lower as a result of market interest rates having fallen towards zero.

KBN's total comprehensive income in the first nine months of 2020 amounted to NOK 1,085 million, compared to NOK 1,161 million in the same period in 2019. The credit spreads for KBN-issued bonds increased in connection with the market turmoil, as did the spreads for similar types of issuers in the international financial markets. This increase largely reversed after the end of the market turmoil. Higher credit spreads cause the market value of KBN's liabilities to decrease. Consequently, unrealised gains related to the Change in fair value due to changes in own credit risk are recognised as part of Total comprehensive income. In the first nine months of 2020, an unrealised gain totalling NOK 243 million was recognised. There was an equivalent unrealised gain in the first nine months of 2019 totalling NOK 402 million. For the third quarter of 2020 seen in isolation, an unrealised loss was recognised as a result of credit spreads decreasing over the quarter.

Lending

KBN's lending portfolio totalled NOK 312.4 billion at the end of the third quarter of 2020. In the third quarter of 2020 the lending portfolio grew by NOK 5.7 billion or 1.9%, which compares with a growth of 1.0% in the third quarter of 2019. The strong growth seen in the third quarter of 2020 reflects favourable market conditions for KBN in general and a high level of demand for green loans in particular.

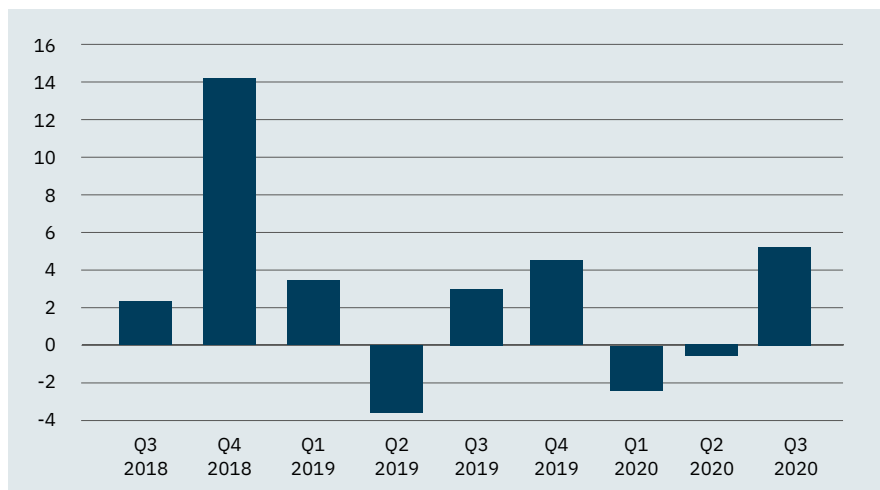
KBN's overall growth of its lending portfolio amounts to NOK 2.6 billion or 0.8% in the first nine months of 2020, compared to a growth of 1.0% in the first nine months of 2019. KBN registered demand for new borrowing in the third quarter of 2020 totalling NOK 6.7 billion, which is NOK 4.6 billion less than in the third quarter of 2019. However, KBN won a larger share, both in terms of volume and number, of requests for financing for new projects in 2020 than in 2019. KBN also won requests for refinancing of loans from the capital market. KBN registered demand for new borrowing in the first nine months of 2020 of NOK 30 billion, which is the same level as seen in 2019.

The third quarter saw particularly strong growth in loans without instalment payments with maturities of up to ten years. The growth in fixed-rate loans continued in line with the growth seen in the first and second quarter. KBN has introduced stricter requirements for customers' maximum share of total debt maturing over the next twelve months. This has to a certain extent impacted KBN's interest in, and thus growth in, loans with maturities of twelve months or less. KBN's portfolio of green loans grew by NOK 2.5 billion in the third quarter of 2020, while the overall growth in this portfolio was NOK 1.0 billion in the first nine months of the year. After adjusting for the termination of a single green loan in the first quarter, the portfolio grew by NOK 3.6 billion in the first nine months of 2020. This reflects the high level of demand for new green loans, with the portfolio growing by NOK 1.5 billion more than in the first nine months of 2019 after adjusting for the single loan mentioned above.

New loan disbursements totalled NOK 39.4 billion in the first nine months of 2020, as compared to NOK 34.4 billion in the same period in 2019. These figures include both loans disbursed as new financing and as refinancing for existing loans.

The rate of debt growth in the local government sector (according to Statistics Norway's C2 credit indicator) over the twelve months to the end of August 2020 was 8.5%. This is a higher rate of growth than over the corresponding period in 2018-2019 and higher than for 2019 as a whole. The high rate of growth reflects particularly strong growth in municipalities' borrowing from the Norwegian State Housing Bank. The loans in question are start-up loans that finance loans to private individuals, meaning they are outside KBN's market area. A high level of demand for new borrowing is also expected in the fourth quarter. KBN's market share at the end of September was approximately 46.5%.

Lending growth
Amounts in
NOK 1 000 000 000



Financial markets

Funding KBN's funding activities in the third quarter of 2020 were more extensive than in the third quarter of 2019 due to a greater net liquidity requirement and the greater stability of the Norwegian krone relative to other currencies as compared to the same period in 2019. New borrowings in the third quarter of 2020 totalled NOK 24 billion through eleven bond issues, compared to approximately NOK 3.6 billion in the same period in 2019.

KBN's funding activities were generally strong across all markets. The largest single bond KBN issued in the third quarter was a USD 1.5 billion five-year fixed-rate benchmark bond. The bond was very well received and attracted the highest level of subscriptions ever for a KBN-issued bond. KBN also completed funding transactions with institutional investors in British pounds, Australian dollars and New Zealand dollars as well as in US dollars with a floating rate format.

In the first nine months of 2020 KBN's new borrowings totalled approximately NOK 79 billion as compared to NOK 57 billion in the same period in 2019. The increase in volume was primarily due to more debt maturing in the period than in 2019. At the end of the third quarter of 2020, approximately 90% of KBN's estimated borrowing requirements for the year had been met.

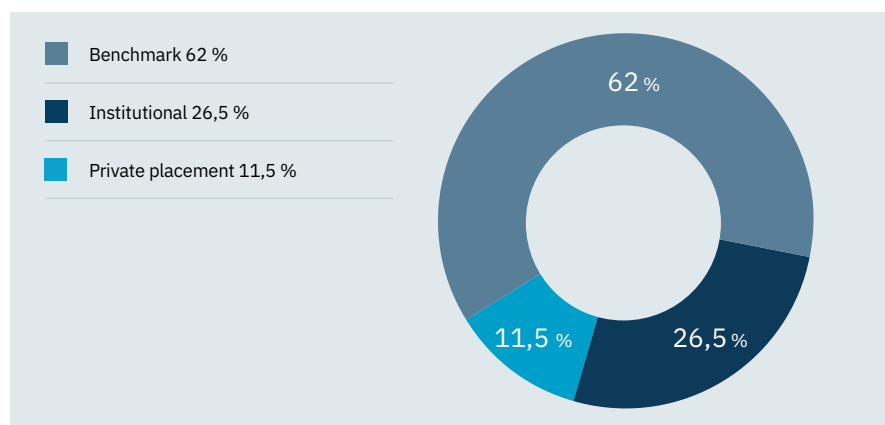
Liquidity management KBN's liquidity portfolio totalled NOK 125.6 billion at 30 September 2020 as compared to NOK 124.5 billion at 30 June 2020.

KBN seeks to ensure its liquidity portfolio matches its capital requirements, including lending growth, for the subsequent twelve months at all times, and it is managed on the basis of a low-risk investment strategy. The liquidity portfolio is principally held in zero-risk-weighted assets, and primarily in investments denominated in foreign currencies.

Despite the continuing high level of uncertainty around the outbreak of coronavirus, the markets were positive in the third quarter. Since the end of the second quarter stock markets have climbed, credit spreads have generally fallen somewhat, and the Norwegian krone has strengthened. Long-term interest rates also climbed somewhat in the third quarter. In its September Monetary Policy Report, Norges Bank estimates that its key policy rate will remain set at 0% until 2022, after which only cautious increases are expected.

The pricing associated with converting funding in foreign currencies to Norwegian krone was relatively stable in the third quarter.

Funding
Investor markets
third quarter 2020



Capital

KBN's capital position at the end of the third quarter of 2020 was approximately unchanged from the end of the second quarter of 2020 due to factors including the further normalisation of the markets during the third quarter of 2020.

At the end of the third quarter of 2020, KBN's total common equity Tier 1 capital was NOK 15.3 billion, its total Tier 1 capital was NOK 17.7 billion, and its total primary capital was NOK 19.7 billion. KBN's total assets at the end of the third quarter of 2020 totalled NOK 502 billion, approximately unchanged from the end of the second quarter, while at 31 March 2020 its total assets amounted to a sizeable NOK 554 billion. KBN's total assets were NOK 461 billion at the end of 2019 and NOK 474 billion at the end of the third quarter of 2019. The increase between 31 December 2019 and the end of the first quarter was primarily due to the significant

weakening of the Norwegian krone in the month of March 2020, which resulted in KBN's non-NOK-denominated balance sheet items increasing in value in NOK terms. In addition, the weakening of the krone caused the market value of KBN's derivative contracts to increase significantly, and KBN received significant amounts of cash collateral deposits. This cash collateral increased KBN's total assets. The Norwegian krone strengthened again in the second quarter such that KBN's total assets returned to a normal level. The krone weakened somewhat at the end of the third quarter, and this increased KBN's total assets. At 30 September 2020, KBN held cash collateral deposits totalling NOK 8.5 billion.

At the end of the third quarter of 2020, KBN had a common equity Tier 1 capital adequacy ratio of 18.3%, a Tier 1 capital adequacy ratio of 21.2%, and a total capital adequacy ratio of 23.6%. These figures represent small increases from the figures as at the end of the second quarter and significant increases from the figures as at the end of the first quarter when KBN's capital adequacy had decreased due to the market turmoil. The increases in the third quarter were primarily due to an increase in KBN's common equity Tier 1 capital resulting from its strong earnings. The capital adequacy ratio requirements imposed by the authorities at the end of the third quarter were 14.1% (common equity Tier 1 capital), 15.6% (Tier 1 capital) and 17.6% (total capital). These requirements are all 0.7 percentage points lower than at 31 December 2019, when they were 14.8%, 16.3% and 18.3% respectively. The decrease is a combination of KBN's pillar 2 requirement having increased by 0.7 percentage points with effect from 31 March 2020 and of KBN's institution-specific countercyclical buffer decreasing by 1.4 percentage points as a result of the Ministry of Finance reducing the Norwegian countercyclical buffer rate to 0.5% in connection with the coronavirus crisis. KBN's capital adequacy is high relative to the requirements, and part of the reason for this is the injection of NOK 750 million in share capital KBN received in April as part of the Norwegian government's coronavirus measures. KBN is therefore prepared for turmoil in the markets for local government sector financing. If it makes use of this preparedness, its effect on KBN's capital adequacy will decrease.

KBN's leverage ratio at the end of the third quarter of 2020 was 3.8%, which compares with the requirement of 3.0%.

Board statement

We confirm that the company's financial statements for the period 1 January 2020 to 31 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the information in the financial statements gives a true and fair view of the company's assets, liabilities, financial position and results as a whole.

In our best belief, the half-year report provides a true and fair view of important events during the accounting period and their influence on the half-yearly accounts, and the most important risk and uncertainty factors the company faces in the next accounting period.

Oslo, 30 October 2020
The board of Kommunalbanken AS

Interim condensed financial information

INCOME STATEMENT

<i>(Amounts in NOK 1 000 000)</i>	Note	July- September 2020	January- September 2020	July- September 2019	January- September 2019	2019
Interest income from assets measured at amortised cost		518	2 790	1 316	3 627	5 039
Interest income from assets measured at fair value		356	2 138	992	2 824	3 777
Total interest income		875	4 928	2 308	6 451	8 817
Total interest expense		438	3 636	1 833	5 047	6 942
Net interest income	1	437	1 292	476	1 404	1 875
Fees and commission expenses		28	89	38	85	87
Net unrealised gain/(loss) on financial instruments	2	317	176	113	(30)	213
Expected credit loss	6	(8)	14	0	0	1
Net trading income		13	(2)	4	15	23
Total other operating income		310	76	78	(100)	148
Salaries and administrative expenses		38	108	39	116	159
Depreciation on fixed assets		7	18	5	16	22
Other expenses		15	54	16	45	71
Total operating expenses		60	180	60	177	252
Profit before tax		688	1 183	495	1 126	1 771
Income tax		171	281	122	266	488
Profit for the period		517	902	373	860	1 283
Portion allocated to shareholder		506	863	360	821	1 231
Portion allocated to owners of additional Tier 1 capital		11	39	13	39	52

STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1 000 000)</i>	Note	July- September 2020	January- September 2020	July- September 2019	January- September 2019	2019
Profit for the period		517	902	373	860	1 283
Other comprehensive income						
<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	10	(44)	243	(12)	402	319
Actuarial gain/(loss) on defined benefit plan		0	0	0	0	(10)
Tax effect		11	(61)	3	(100)	(77)
Total other comprehensive income		(33)	182	(9)	301	232
Total comprehensive income for the period		484	1 085	364	1 161	1 515

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000 000)	Note	30 September 2020	30 September 2019	31 December 2019
Assets				
Deposits with credit institutions	3,4,9	20 013	22 631	18 181
Other money market deposits		2 606	-	3 244
Instalment loans	3,4,5,6	317 561	307 228	310 912
Notes, bonds and other interest-bearing securities	3,4,6,7,8	129 724	121 485	111 111
Financial derivatives	3,4,9	30 410	22 013	15 025
Deferred tax asset		1 794	-	2 134
Other assets		173	165	172
Total assets		502 281	473 521	460 778
Liabilities and equity				
Loans from credit institutions	3,4	24 113	12 970	4 462
Commercial paper	3,4	6 270	-	2 631
Senior securities issued	3,4,10	424 001	421 808	403 913
Financial derivatives	3,4,9	23 436	18 973	27 425
Other liabilities		39	131	55
Current tax liabilities		3 868	266	3 868
Deferred tax liabilities		0	1 265	0
Pension liabilities		36	47	36
Subordinated debt	3,4	2 144	2 022	1 987
Total liabilities		483 907	457 481	444 377
Share capital		3 895	3 145	3 145
Additional Tier 1 capital		2 392	2 189	2 189
Retained earnings		11 185	9 847	11 067
Profit for the period		902	860	
Total equity	11	18 374	16 040	16 401
Total liabilities and equity		502 281	473 521	460 778

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000 000)

	1 January - 30 September 2020				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
Equity as of 31 December 2019	3 145	2 189	(395)	11 460	16 401
Profit for the period	0	0	0	902	902
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	182	0	182
Other comprehensive income—actuarial gain/loss	0	0	0	0	0
Interest paid on Tier 1 capital	0	0	0	(65)	(65)
Call of Tier 1 capital	0	(994)	0	0	(994)
Issuance of Tier 1 capital	0	1 197	0	0	1 197
Issue of share capital	750	0	0	0	750
Dividends for 2019	0	0	0	0	0
Equity as of 30 September 2020	3 895	2 392	(212)	12 298	18 374

	1 January - 30 September 2019				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
Equity as of 31 December 2018	3 145	2 189	(634)	10 720	15 421
Profit for the period	0	0	0	860	860
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	301	0	301
Other comprehensive income—actuarial gain/loss	0	0	0	0	0
Interest paid on Tier 1 capital	0	0	0	(61)	(61)
Dividends for 2018	0	0	0	(481)	(481)
Equity as of 30 September 2019	3 145	2 189	(333)	11 038	16 040

	1 January - 31 December 2019				
	Share capital	Additional Tier 1 capital	Value changes on liabilities due to changes in own credit risk	Retained earnings	Total equity
Equity as of 31 December 2018	3 145	2 189	(634)	10 720	15 421
Profit for the period	0	0	0	1 283	1 283
Other comprehensive income—value change on liabilities due to changes in own credit risk	0	0	239	0	239
Other comprehensive income—actuarial gain/loss	0	0	0	7	7
Interest paid on Tier 1 capital	0	0	0	(69)	(69)
Dividends for 2018	0	0	0	(481)	(481)
Equity as of 31 December 2019	3 145	2 189	(395)	11 460	16 401

STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000 000)	January-September 2020	January-September 2019	2019
Cash flows from operating activities			
Interest received	5 535	6 207	8 666
Interest paid	(3 840)	(4 746)	(6 514)
Fees and commissions paid	(105)	-85	(87)
Receipts from repurchase of issued securities	(2)	15	21
Cash payments to employees and suppliers	(157)	(158)	(246)
Income taxes paid	0	0	0
Net disbursement of loans to customers	(2 606)	(2 965)	(7 557)
Net (increase)/decrease in deposits with credit institutions	19 518	1 372	(5 758)
Net (increase)/decrease in notes, bonds and other interest-bearing securities	(10 678)	(2 123)	6 812
Net (increase)/decrease in other assets	1	(1)	(9)
Net increase/(decrease) in other liabilities	0	54	(23)
Net (increase)/decrease in financial derivatives	3 336	13 043	24 528
Net cash flows from operating activities	11 003	10 611	19 832
Cash flows from investing activities			
Net (purchase)/sales of property and equipment	(19)	(10)	7
Net cash flows from investing activities	(19)	(10)	7
Cash flows from financing activities			
Proceeds from issuance of commercial paper	99 259	17 647	20 337
Repayment of commercial paper	(96 783)	(17 671)	(17 678)
Repayment on lease obligation	(5)	(3)	(6)
Proceeds from issuance of debt securities	79 465	56 791	72 508
Repayment of debt securities	(94 230)	(67 064)	(94 564)
Proceeds from issuance of additional Tier 1 capital	1 196	0	0
Repayment of Tier 1 capital	(1 000)	0	-
Interest paid on Tier 1 capital	(60)	(61)	(69)
Dividends paid	0	(481)	(481)
Paid in share capital	750	0	0
Net cash flows from financing activities	(11 407)	(10 842)	(19 952)
Net cash flows	(423)	(241)	(113)
Effects of foreign exchange differences	487	335	296
Net cash flows after foreign exchange differences	64	94	183
Cash and cash equivalents at 1 January	459	276	276
Net change in cash and cash equivalents	64	94	183
Cash and cash equivalents at end of period	522	370	459
Whereof			
Deposits with credit institutions without agreed time to maturity	522	370	459
Loans from credit institutions without agreed time to maturity	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 30 September 2020 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as presented in the annual financial statements for 2019, except for the following:

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 as-

sumptions are based to the largest extent possible on actual market conditions on the reporting date, they may increase the uncertainty related to carrying amounts.

In April 2020, it was announced that the international work related to the replacement of today's Interbank Offered Rates (IBOR) will not change its 2021 time-line due to the corona crisis. KBN has a number of contracts with terms related to such reference rates and will be affected by the changes. The bank monitors developments both in connection with changes in accounting standards and otherwise. The IASB published draft amendments for phase 2 of its work in this area in April 2020. The preliminary opinion is that already hedged relationships with IBOR terms can be continued. No transition effects are otherwise recognised in KBN's accounts.

KBN's share capital was increased by the issuance of 750 000 new shares with a par value of NOK 1 000 for each share on April 15 2020. The new shares were subscribed by the Norwegian State through the Ministry of Local Government and Modernisation.

NOTE 1

NET INTEREST INCOME

(Amounts in NOK 1 000 000)

July-September 2020	Total	At fair value				Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	Total at fair value	
Deposits with credit institutions	(8)	0	0	0	0	(8)
Other money market deposits	(1)	0	0	0	0	(1)
Instalment loans	1 017	527	0	0	527	489
Notes, bonds and other interest-bearing securities	132	95	0	0	95	37
Financial derivatives	(266)	0	(266)	0	(266)	0
Total interest income	875	622	(266)	0	356	518
Loans from credit institutions	0	0	0	0	0	0
Commercial paper	1	0	0	0	0	1
Senior securities issued	2 180	1 301	0	0	1 301	879
Financial derivatives	(1 759)	0	(1 144)	(615)	(1 759)	0
Subordinated debt	15	15	0	0	15	0
Total interest expenses	438	1 317	(1 144)	(615)	(442)	880
Net interest income	437	(694)	878	615	799	(362)

January-September 2020	Total	At fair value				Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	Total at fair value	
Deposits with credit institutions	(9)	0	0	0	0	(9)
Other money market deposits	(8)	0	0	0	0	(8)
Instalment loans	4 149	1 601	0	0	1 601	2 548
Notes, bonds and other interest-bearing securities	1 693	1 432	0	0	1 432	260
Financial derivatives	(896)	0	(896)	0	(896)	0
Total interest income	4 928	3 034	(896)	0	2 138	2 790
Loans from credit institutions	(1)	0	0	0	0	(1)
Commercial paper	40	0	0	0	0	40
Senior securities issued	7 371	4 026	0	0	4 026	3 345
Financial derivatives	(3 820)	0	(2 566)	(1 254)	(3 820)	0
Subordinated debt	46	46	0	0	46	0
Total interest expenses	3 636	4 072	(2 566)	(1 254)	252	3 384
Net interest income	1 292	(1 038)	1 670	1 254	1 885	(593)

July-September 2019	Total	At fair value				Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	Total at fair value	
Deposits with credit institutions	(1)	0	0	0	0	(1)
Instalment loans	1 618	473	0	0	473	1 145
Notes, bonds and other interest-bearing securities	442	271	0	0	271	172
Financial derivatives	249	0	249	0	249	0
Total interest income	2 308	744	248	0	992	1 316
Loans from credit institutions	0	0	0	0	0	0
Senior securities issued	2 555	1 192	0	0	1 192	1 363
Financial derivatives	(737)	0	(782)	45	(737)	0
Subordinated debt	15	15	0	0	15	0
Total interest expenses	1 833	1 207	(782)	45	470	1 363
Net interest income	476	(463)	1 030	(45)	522	(47)

January-September 2019	Total	At fair value				Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	Total at fair value	
Deposits with credit institutions	2	0	0	0	0	2
Instalment loans	4 600	1 385	0	0	1 385	3 216
Notes, bonds and other interest-bearing securities	996	586	0	0	586	410
Financial derivatives	854	0	854	0	854	0
Total interest income	6 451	1 971	853	0	2 824	3 627
Loans from credit institutions	0	0	0	0	0	0
Senior securities issued	8 187	4 207	0	0	4 207	3 980
Financial derivatives	(3 185)	0	(3 452)	267	(3 185)	0
Subordinated debt	46	46	0	0	46	0
Total interest expenses	5 047	4 253	(3 452)	267	1 067	3 980
Net interest income	1 404	(2 282)	4 306	(267)	1 757	(352)

2019	Total	At fair value				Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	Total at fair value	
Deposits with credit institutions	0	0	0	0	0	(0)
Instalment loans	6 350	1 878	0	0	1 878	4 472
Notes, bonds and other interest-bearing securities	1 200	632	0	0	632	568
Financial derivatives	1 267	0	1 267	0	1 267	0
Total interest income	8 817	2 511	1 267	0	3 777	5 039
Loans from credit institutions	(0)	(0)	0	0	(0)	0
Senior securities issued	10 897	5 689	0	0	5 689	5 207
Financial derivatives	(4 016)	0	(4 202)	186	(4 016)	0
Subordinated debt	61	61	0	0	61	0
Total interest expenses	6 942	5 751	(4 202)	186	1 735	5 207
Net interest income	1 875	(3 240)	5 468	(186)	2 043	(168)

NOTE 2

Net unrealised gain/(loss) on financial instruments

<i>(Amounts in NOK 1 000 000)</i>	July- September 2020	January- September 2020	July- September 2020	January- September 2020	2019
Instalment loans	45	4 207	105	366	(412)
Notes, bonds and other interest-bearing securities	(85)	770	188	1 012	750
Financial derivatives	(1 002)	230	3 490	11 976	15 380
Senior securities issued	1 364	(4 860)	(3 651)	(13 331)	(15 501)
Subordinated debt	(4)	(171)	(19)	(54)	(4)
Net unrealised gain/(loss) on financial instruments	317	176	113	(30)	213

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 10 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 Net unrealised gains on financial instruments in the third quarter of NOK 317 million, Instalment loans and associated

hedging contracts contribute with approximately NOK 159 million, mainly due to a tightening of credit spreads. Furthermore, Senior securities issued and related financial derivatives contribute with a gain of NOK 150 million, mainly due to a tightening of basis spread USD-NOK.

Recognised value changes on financial instruments in fair value hedges amount to NOK 42 million in the third quarter of 2020. This amount is included in the above table as net unrealized changes in value. The carrying amount of financial instruments included in fair value hedges amounts to NOK 196 billion.

NOTE 3

Classification of financial instruments

(Amounts in NOK 1 000 000)

At 30 September 2020	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	20 013	0	0	0	20 013
Other money market deposits	2 606	0	0	0	2 606
Instalment loans	317 561	109 112	0	0	208 449
Notes, bonds and other interest-bearing securities	129 724	99 993	0	0	29 730
Financial derivatives	30 410	0	23 010	7400	0
Total financial assets	500 314	209 106	23 010	7400	260 798

Loans from credit institutions	24 113	0	0	0	24 113
Commercial paper	6 270	0	0	0	6 270
Senior securities issued	424 001	176 790	0	0	247 211
Financial derivatives	23 436	0	23 337	99	0
Subordinated debt	2 144	2 144	0	0	0
Total financial liabilities	479 964	178 934	23 337	99	277 594

At 30 September 2019	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	22 631	0	0	0	22 631
Instalment loans	307 228	91 063	0	0	216 165
Notes, bonds and other interest-bearing securities	121 485	89 260	0	0	32 223
Financial derivatives	22 013	0	18 115	3 899	0
Total financial assets	473 356	180 324	18 115	3 899	271 019

Loans from credit institutions	12 970	0	0	0	12 970
Senior securities issued	421 808	182 344	0	0	239 464
Financial derivatives	18 973	0	18 789	184	0
Subordinated debt	2 022	2 022	0	0	0
Total financial liabilities	455 772	184 366	18 789	184	252 434

At 31 December 2019	Total	At fair value			Amortised cost
		Fair value option	Mandatory at fair value	Fair value hedge	
Deposits with credit institutions	18 181	0	0	0	18 181
Other money market deposits	3 244	394	0	0	2 850
Instalment loans	310 912	95 014	0	0	215 898
Notes, bonds and other interest-bearing securities	111 111	89 397	0	0	21 714
Financial derivatives	15 025	0	12 095	2 929	0
Total financial assets	458 472	184 805	12 095	2 929	258 643

Loans from credit institutions	4 462	0	0	0	4 462
Commercial paper	2 631	0	0	0	2 631
Senior securities issued	403 913	170 856	0	0	233 057
Financial derivatives	27 425	0	27 046	379	0
Subordinated debt	1 987	1 987	0	0	0
Total financial liabilities	440 418	172 844	27 046	379	240 149

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 2019 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 30 September 2020 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	0	0	0
Other money market deposits	0	0	0	0
Instalment loans	0	12 845	96 267	109 112
Notes, bonds and other interest-bearing securities	90 680	2 017	7 297	99 993
Financial derivatives	0	27 963	2 446	30 410
Total financial assets measured at fair value	90 680	42 825	106 010	239 515
Loans from credit institutions	0	0	0	0
Commercial paper	0	0	0	0
Senior securities issued	15 826	106 146	54 819	176 790
Financial derivatives	0	11 994	11 442	23 436
Subordinated debt	0	0	2 144	2 144
Total financial liabilities measured at fair value	15 826	118 140	68 405	202 369

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
Carrying amount at 31 December 2019	81 437	7 406	66 156	1 987	(7 376)
Purchase	0	4 328	0	0	0
Sale	0	0	(333)	0	17
Issue	23 675	0	0	0	0
Settlement	(15 652)	(2 358)	(10 751)	0	(2 449)
Transfer into Level 3	1 888	2 155	0	0	0
Transfer out of Level 3	(1 815)	(4 123)	0	0	0
Gain/(loss) recognised in the period	6 734	(112)	(253)	157	813
Carrying amount at 30 June 2020	96 267	7 297	54 819	2 144	(8 995)

Net holdings amounting to NOK 1.6 billion have been transferred from Level 2 to Level 1 in 2020. There are net transfers of NOK 1.9 billion out of Level 3 during 2020. 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 30 September 2020:

<i>(Amounts in NOK 1 000 000)</i>	30 September 2020
Instalment loans	(390)
Notes, bonds and other interest-bearing securities	(14)
Financial derivatives	(215)
Senior securities issued	219
Subordinated debt	15
Total	(386)

NOTE 5

Instalment loans

<i>(Amounts in NOK 1 000 000)</i>	30 September 2020	30 September 2019	31 December 2019
Principal amount	312 395	305 197	309 758
Accrued interest	1 168	1 447	1 318
Fair value adjustment	4 024	595	(183)
Expected credit loss	(25)	(11)	(11)
Total instalment loans	317 561	307 228	310 881

NOTE 6

Expected credit loss

Changes in expected credit losses (reduction) on instalment loans and bond investments of NOK 8 million were recorded in the third quarter of 2020 (NOK 6 million reduction in the second quarter of 2020). This is a partial reversal of the increase in the bank's total loss provisions of NOK 28 million in the first quarter of 2020. The increase was based on increased uncertainty in the economy due to the coronavirus outbreak. The subsequent reversal is a consequence of reduced uncertainty in the markets and increased activity levels.

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.

(Amounts in NOK 1 000 000)	30 September 2020		31 December 2019
	Carrying amount	Expected credit loss	Expected credit loss
Instalment loans	208 449	(25)	(11)
Notes, bonds and other interest-bearing securities	29 730	(2)	(1)
Total	238 179	(27)	(12)

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

(Amounts in NOK 1 000)	July-September 2020	January-September 2020	2019
Instalment loans	10 072	(13 372)	(282)
Notes, bonds and other interest-bearing securities	(1 802)	(999)	(384)
Total	8 270	(14 371)	(666)

The following table shows an allocation of KBN's expected credit losses as at 30 September 2020 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.

(Amounts in NOK 1 000 000)	Stage 1	Stage 2	Stage 3
Instalment loans	(25)	0	0
Notes, bonds and other interest-bearing securities	(2)	0	0
Total expected credit loss	(27)	0	0

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	30 September 2020	30 September 2019	31 December 2019
Domestic			
Issued by other borrowers	20 296	19 925	16 584
Foreign			
Issued by public bodies ¹	57 594	81 115	75 285
Issued by other borrowers	51 836	20 445	19 243
Total notes, bonds and other interest-bearing securities	129 726	121 485	111 111

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	30 September 2020	30 September 2019	31 December 2019
Under 1 year	44 020	48 904	40 923
1-5 years	85 701	62 566	60 604
Over 5 years	5	10 015	9 584
Total notes, bonds and other interest-bearing securities	129 726	121 485	111 111
Average time to maturity (years)*	1.87	1.98	1.51

*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 1.78 years as of September 30, 2020.

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 30 September 2020									
	< 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	6 246	0	0	0	0	3 482	11 843	0	0	21 572
Multilateral development banks	1 951	0	0	0	0	0	119	5 231	0	7 301
Regional authorities	8 817	0	0	3 415	0	1 734	10 578	698	3 477	28 719
Financial institutions	12 791	0	0	717	0	2 683	11 327	3 598	0	31 117
Securitisation	0	0	0	0	0	0	0	5	0	5
Covered bonds	7 206	0	0	2 876	0	0	6 961	23 967	0	41 011
Total	37 012	0	0	7 008	0	7 899	40 828	33 499	3 477	129 724

NOTE 9

Financial derivatives and cash collateral

(Amounts in NOK 1 000 000)	30 September 2020	30 September 2019	31 December 2019
Financial derivatives - assets	30 410	22 013	15 025
Financial derivatives - liabilities	23 436	18 973	27 425
Market value financial derivatives	6 974	3 040	(12 400)
Deposits with credit institutions (asset)	20 013	22 630	18 181
- of which pledged cash collateral	15 592	10 253	17 073
Loans from credit institutions	24 112	12 970	4 462
- of which received cash collateral	24 112	12 970	4 462
Net received (+)/pledged cash collateral (-)	8 520	2 717	(12 611)

KBN uses financial derivatives only to economically hedge exposures to interest rate and currency risk arising from the Company's business activities.

When the Norwegian krone depreciates (or the USD appreciates), the value of balance sheet items in foreign currency converted to Norwegian kroner increases, mainly Notes, bonds and other interest-bearing securities and Senior securities issued. A further effect of the depreciation of the Norwegian krone (or appreciation of the USD) is that the market value of the bank's hedging contracts increases. The exchange rate of NOK against USD was 9.64 at the end of the second quarter of 2020. At the beginning of September, the NOK has strengthened against the USD to 8.7 before the NOK exchange rate weakened again to 9.35 against the USD at the end of the third quarter. The weakening of the krone at the end of the third quarter contributed to the total market value of financial derivatives ending at NOK 7.0 billion, changing from NOK -8.6 billion at the end of the second quarter.

When the market value increases in KBN's favour, the bank receives cash collateral from its counterparties. KBN held cash collateral of NOK 8.5 billion at the end of Q3 2020. Received cash collateral is placed in the liquidity portfolio and in short term money market deposits, thus increasing the bank's total assets.

The mentioned effects related to the weakening of the NOK were more significant during the market turmoil in the first quarter than in the third quarter, which is a more ordinary result.

Should the USD depreciate (or NOK appreciate) to a large extent, then the bank will have to raise funds to pay cash collateral by reducing its liquidity holdings.

NOTE 10

Senior securities issued

<i>(Amounts in NOK 1 000 000)</i>	30 September 2020	30 September 2019	31 December 2019
Senior securities issued (nominal amounts) as at 1 January	400 489	414 603	414 603
New issuance	79 465	56 790	72 508
Redemptions	(95 178)	(68 121)	(95 981)
Amortisation	948	1 056	1 417
Translation differences	29 787	16 259	7 943
Senior securities issued (nominal amounts) as at end of period	415 512	420 587	400 489
Accrued interest	4 851	4 452	4 402
Fair value adjustment	3 638	(3 231)	(978)
<i>Of which value change that is due to change in own credit risk</i>	<i>283</i>	<i>444</i>	<i>527</i>
<i>Of which value change that is due to other reasons</i>	<i>3 355</i>	<i>(3 675)</i>	<i>(1 505)</i>
Total senior securities issued	424 001	421 808	403 913

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 11

Primary capital

(Amounts in NOK 1 000 000)	30 September 2020	30 September 2019	31 December 2019
<i>Common equity Tier 1 capital</i>			
Share capital	3 895	3 145	3 145
Retained earnings	11 185	9 847	9 784
Profit for the period included in Tier 1 capital	902	860	1 283
Pension funds above pension commitments	0	0	0
Deferred tax asset*	(239)	0	(688)
Intangible assets	(123)	(115)	(126)
Dividends payable	(449)	(383)	0
Other additions/deductions in common equity Tier 1 capital	138	308	370
Share of nulled unamortised estimate differences	0	0	0
Total common equity Tier 1 capital	15 308	13 662	13 768
Other approved Tier 1 capital	2 392	2 189	2 189
Total Tier 1 capital	17 700	15 851	15 957
<i>Supplementary capital</i>			
Ordinary subordinated debt	2 000	2 000	2 000
Total supplementary capital	2 000	2 000	2 000
Total primary capital	19 700	17 851	17 957

*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 12

Capital adequacy

(Amounts in NOK 1 000 000)	30 September 2020		30 September 2019	31 December 2019
	Carrying amount	Risk-weighted assets	Minimum capital requirements	Minimum capital requirements
Credit risk				
Sovereigns and central banks	42 468	0	0	0
Regional governments and local authorities	348 784	63 853	5 108	4 948
<i>Of which are Norwegian municipalities</i>	317 536	63 853	5 108	4 948
Public sector entities	7 483	0	0	0
Multilateral development banks	7 301	0	0	0
Financial institutions	35 624	2 815	225	430
<i>Of which counterparty exposure on derivatives</i>	28 884	1 989	159	158
Claims secured by residential property	25	25	2	2
Covered bonds	41 064	4 106	329	316
Other assets	1 573	3 905	312	1
Securitisation	4	1	0	0
Credit Valuation Adjustment	389	4 860	389	251
Total credit risk	484 714	79 565	6 365	5 949
Market risk	0	0	0	0
Operational risk—Basic Indicator Approach		3 879	310	264
Minimum capital requirements		83 444	6 676	6 212
Total capital ratio			23.6%	23.0%
Tier 1 capital adequacy ratio			21.2%	20.4%
Common equity Tier 1 capital adequacy ratio			18.3%	17.6%
Leverage ratio			3.8%	3.7%



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