

REPORT FOR THIRD QUARTER 2016

July - September (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-September 2016	January-September 2015	2015
RESULTS			
Net interest income	1 542	1 194	1 642
Core earnings ¹	1 041	775	1 043
Profit before tax	337	1 496	2 583
Profit for the period	253	1 092	1 870
Return on equity after tax ²	3.05%	16.49%	20.84%
Return on equity after tax (core earnings) ²	12.54%	11.77%	11.70%
Return on assets after tax ²	0.08%	0.32%	0.42%
Return on assets after tax (core earnings) ²	0.32%	0.23%	0.23%
LENDING			
New disbursements	33 132	30 367	46 757
Outstanding loans ³	261 251	248 353	254 421
LIQUIDITY PORTFOLIO³			
	119 453	157 592	146 611
BORROWINGS			
New long-term borrowings	64 103	59 395	68 644
Repurchase of own debt	1 137	841	2 979
Redemptions	60 099	91 470	110 604
Total borrowings ³	378 437	402 583	400 894
TOTAL ASSETS			
	421 652	460 995	449 361
EQUITY			
Total capital adequacy ratio	12 022	11 417	12 202
Tier 1 capital adequacy ratio	20.43%	18.02%	18.81%
Common equity Tier 1 capital adequacy ratio	17.44%	15.76%	16.53%
	15.96%	14.33%	15.09%
LIQUIDITY COVERAGE RATIO (LCR)⁴			
Total	1 234%	856%	1 418%
NOK	2 308%	231%	3 855%
EUR	1 249%	852% ⁵	530% ⁵
USD	104%	104%	54%
AUD	Infinite	Infinite	Infinite
JPY	2 814%	77%	525%

¹ Profit after tax adjusted for unrealised gain/(loss) on financial instruments after tax (NOK 253 million + (0.75*NOK 1 070 million) - NOK 15 million). 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

GOOD OPERATIONAL PERFORMANCE

KBN's net interest income in the third quarter was NOK 572 million, up from NOK 391 million in the third quarter of 2015 due to good lending growth and increased margins.

RESULTS

Profit for the third quarter 2016 was NOK 198 million, compared to NOK 572 million in the same period last year. KBN's net interest income in the third quarter was NOK 572 million, up from NOK 391 million in the same period last year. The increase in net interest income is due to good margins within KBN's main areas of operation, as well as satisfactory growth in lending. The result is influenced by net unrealised losses on financial instruments totalling NOK 256 million compared to a gain of NOK 439 million during the same period in 2015. The net unrealised losses in the third quarter are related to funding operations and hedging derivatives, owing to lower credit spreads in the international financial markets. KBN's financial instruments are normally held to maturity and the effect of the unrealised value changes on the result is reversed when there is a reversal in market movements or when instruments fall to maturity.

Operating expenses for the first nine months of 2016 amounts to NOK

127 million, compared to NOK 106 million in the same period last year. The increase is related to the hiring of additional resources within the fields of governance and compliance and an increase in non-recurring costs associated with the new finance system going live in the fourth quarter of 2015. Operating expenses (annualised) constitute 0.04% of total assets.

KBN achieved a return on equity after tax of 3.05% (annualised) in the first nine months of 2016. Return on equity after tax adjusted for unrealised gain/(loss) on financial instruments was 12.54%.

LENDING

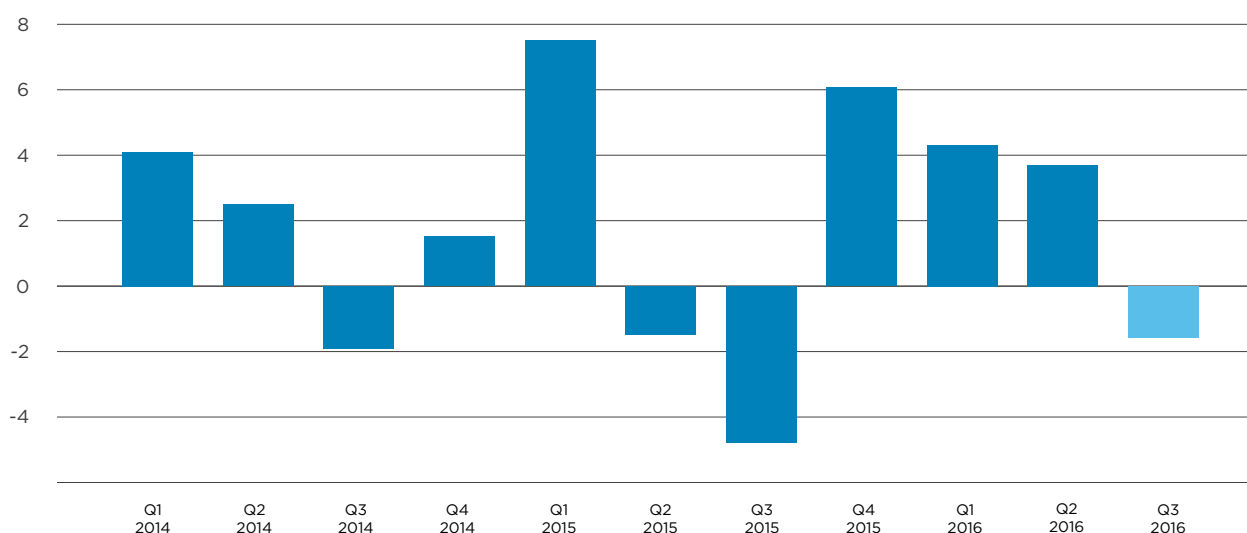
The lending portfolio was NOK 261.3 billion at the end of the third quarter. The lending portfolio has been reduced by NOK 1.7 billion during the third quarter, corresponding to a reduction of 0.7%. Loan growth in the third quarter 2015 was a decrease of 1.9%. The total demand for new loans in the local government sector has remained low so far in 2016. KBN expects debt growth in 2016 to

remain lower than in many years. The demand for loans with long maturity is good. During the third quarter KBN has given priority to this type of loan and the volume of lending with short maturity has been reduced. New disbursements in the third quarter totalled NOK 8.0 billion compared to NOK 5.6 billion in the third quarter of 2015.

FUNDING

KBN's funding activity in the third quarter of 2016 has been moderate owing to good liquidity. A total of NOK 16.0 billion has been issued in bonds through 70 issues in nine currencies, compared to NOK 7.1 billion in 2015. KBN issued its second USD benchmark this year in September with a maturity of five years. The transaction was substantially oversubscribed and priced in the lower segment of the indicated price interval. The trade enjoyed broad distribution across geographies and investor types with central banks and official institutions in Asia, US and Europe constituting the main investor group.

LENDING GROWTH
(amounts in NOK billion)



In the first nine months of 2016 KBN has issued bonds totalling NOK 64.1 billion, somewhat higher compared to the same period last year. KBN maintains the highest possible ratings AAA/Aaa from the leading rating agencies Standard & Poor's and Moody's Investors Service.

LIQUIDITY MANAGEMENT

KBN holds cash and liquid assets equal at all times to its net liquidity requirements for the subsequent 12 months with lending growth taken into account. The liquidity portfolio is principally held in foreign currencies. The strengthening of the Norwegian krone, particularly against the US dollar, towards the end of the quarter resulted in a weakening of the liquidity portfolio. The liquidity portfolio totalled NOK 119.5 billion as of 30 September 2016, representing a reduction of NOK 38.1 billion compared to the same period of last year. The liquidity portfolio is invested in fixed income securities issued by governments, regional authorities,

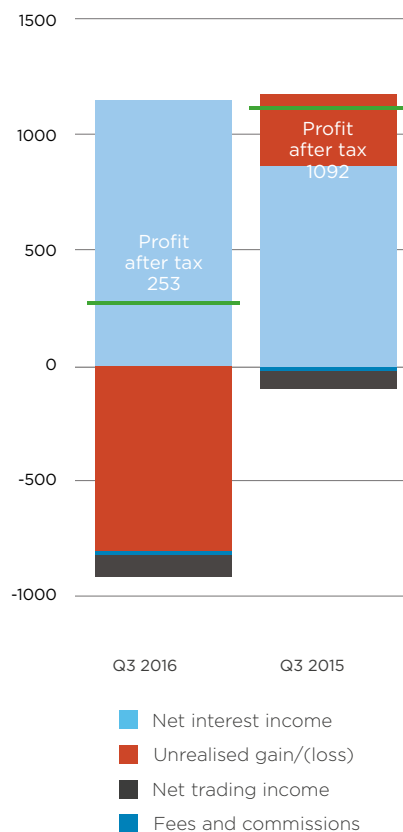
multilateral development banks, covered bonds and short-term bonds against financial institutions with high credit ratings.

CAPITAL

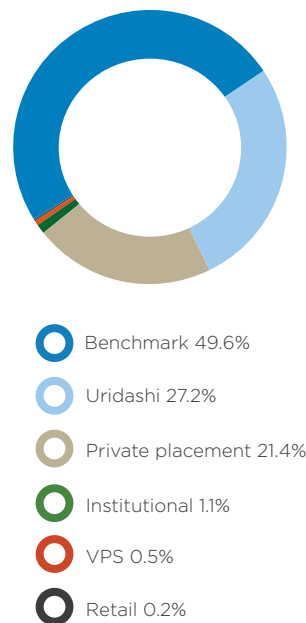
Total primary capital at 30 September 2016 was NOK 13.7 billion, total Tier 1 capital NOK 11.7 billion and total common equity Tier 1 capital NOK 10.7 billion. Total assets are down NOK 27.7 billion since year-end, down NOK 15.2 billion during the third quarter alone. At the end of the third quarter of 2016 KBN's common equity Tier 1 capital adequacy ratio was 15.96%, the Tier 1 capital adequacy ratio was 17.44%, and the total capital adequacy ratio was 20.43%. Regulatory minimum requirements and buffer requirements for common equity Tier 1 capital adequacy ratio increased from 1 July 2016 to 13.5%, Tier 1 capital adequacy ratio to 15.0% and total capital ratio to 17.0%.

Oslo, 21 October 2016
The Board of Directors
for Kommunalbanken AS

PROFIT AFTER TAX (amounts in NOK mill)



KBN FUNDING MARKET July-September 2016



INTERIM CONDENSED FINANCIAL INFORMATION

INCOME STATEMENT

(Amounts in NOK 1 000 000)

	Note	July- September 2016	January- September 2016	July- September 2015	January- September 2015	2015
Interest income		1 404	4 117	1 361	4 174	5 496
Interest expense		832	2 575	970	2 980	3 854
Net interest income	1	572	1 542	391	1 194	1 642
Fees and commission expenses		10	22	9	22	30
Net unrealised gain/(loss) on financial instruments	2	(256)	(1 070)	439	426	1 116
Net trading income		6	13	0	4	6
Total other operating income		(260)	(1 078)	430	408	1 092
Salaries and administrative expenses		34	92	29	83	115
Depreciation on fixed assets		5	14	1	2	5
Other expenses		9	21	7	21	30
Total operating expenses		48	127	37	106	151
Profit before tax		263	337	784	1 496	2 583
Income tax		66	84	212	404	713
Profit for the period		198	253	572	1 092	1 870
Portion allocated to shareholder		193	238	567	1 086	1 859
Portion allocated to owners of additional Tier 1 capital		5	15	5	6	11

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000 000)

	Note	July- September 2016	January- September 2016	July- September 2015	January- September 2015	2015
Profit for the period		198	253	572	1 092	1 870
Other comprehensive income						
<i>Items which will not be reclassified in profit or loss</i>						
Actuarial gain/(loss) on defined benefit plan		0	0	0	0	16
Of which is tax		0	0	0	0	4
Total other comprehensive income		0	0	0	0	12
Total comprehensive income for the period		198	253	572	1 092	1 882

STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1 000 000)</i>	Note	30 September 2016	30 September 2015	31 December 2015
Assets				
Deposits with credit institutions	3,4	22 332	23 757	19 428
Instalment loans	3,4,5	263 103	251 090	256 815
Notes, bonds and other interest-bearing securities	3,4,7,8	122 059	161 089	149 944
Financial derivatives	3,4	13 801	24 843	22 831
Deferred tax asset		201	86	201
Other assets		156	130	142
Total assets		421 652	460 995	449 361
Liabilities and equity				
Loans from credit institutions	3,4	3 869	13 277	7 167
Senior securities issued	3,4,6	369 895	399 402	390 107
Financial derivatives	3,4	33 657	34 618	37 207
Other liabilities		33	32	36
Current tax liabilities		79	385	829
Pension liabilities		49	61	49
Subordinated debt	3,4	2 048	1 803	1 764
Total liabilities		409 630	449 578	437 159
Share capital		3 145	3 145	3 145
Additional Tier 1 capital		994	994	994
Retained earnings		7 630	6 186	8 063
Total comprehensive income for the period		253	1 092	
Total equity	9	12 022	11 417	12 202
Total liabilities and equity		421 652	460 995	449 361

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000 000)

	1 January - 30 September 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	253	253
Total other comprehensive income	0	0	0	0
Interest paid on Tier 1 capital	0	0	(15)	(15)
Issued additional Tier 1 capital	0	0	0	0
Dividends for 2015	0	0	(417)	(417)
Equity as of 30 September 2016	3 145	994	7 883	12 022

	1 January - 30 September 2015			
	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2015	2 145	0	6 191	8 336
Profit for the period	0	0	1 092	1 092
Total other comprehensive income	0	0	0	0
Interest paid on Tier 1 capital	0	0	(5)	(5)
Issued additional Tier 1 capital	0	994	0	994
Issue of share capital	1 000	0	0	1 000
Dividends for 2014	0	0	0	0
Equity as of 30 September 2015	3 145	994	7 278	11 417

	1 January—31 December 2015			
	Share capital	Additional Tier 1 capital	Retained earnings	Total equity
Equity as of 1 January 2015	2 145	0	6 191	8 336
Profit for the period	0	0	1 870	1 870
Total other comprehensive income	0	0	12	12
Interest paid on Tier 1 capital	0	0	(10)	(10)
Issued additional Tier 1 capital	0	994	0	994
Issue of share capital	1 000	0	0	1 000
Dividends for 2014	0	0	0	0
Equity as of 31 December 2015	3 145	994	8 063	12 202

STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000 000)

	January- September 2016	January- September 2015	2015
Cash flows from operating activities			
Interest received	3 751	4 195	5 616
Interest paid	(3 815)	(2 969)	(3 175)
Fees and commissions paid	(22)	(22)	(30)
Receipts from repurchase of issued securities	13	4	6
Cash payments to employees and suppliers	(113)	(104)	(146)
Income taxes paid	(829)	(422)	(404)
Net disbursement of loans to customers	(6 829)	(1 277)	(7 298)
Net (increase)/decrease in deposits with credit institutions	(7 136)	(18 776)	(20 789)
Net (increase)/decrease in notes, bonds and other interest-bearing securities	19 924	6 283	19 049
Net (increase)/decrease in other assets	(17)	(1)	(123)
Net increase/(decrease) in other liabilities	(4)	(16)	(7)
Net cash flows from operating activities	4 925	(13 104)	(7 302)
Cash flows from investing activities			
Net (purchase)/sales of property and equipment	(13)	(38)	69
Net cash flows from investing activities	(13)	(38)	69
Cash flows from financing activities			
Proceeds from issuance of commercial paper	0	3 758	3 758
Repayment of commercial paper	0	(3 855)	(3 855)
Proceeds from issuance of debt securities	64 104	58 974	68 644
Repayment of debt securities	(63 807)	(91 935)	(116 443)
Proceeds from issuance of additional Tier 1 capital	0	994	994
Interest paid on Tier 1 capital	(20)	(7)	(14)
Proceeds from issuance of subordinated debt	1 991	0	0
Repayment of subordinated debt	(1 758)	0	0
Dividends paid	(417)	0	0
Proceeds from issuance of share capital	0	1 000	1 000
Net cash flows from financing activities	93	(31 072)	(45 917)
Net cash flows	5 005	(44 214)	(53 149)
Effects of foreign exchange differences	(5 336)	44 333	53 163
Net cash flows after foreign exchange differences	(331)	118	13
Cash and cash equivalents at 1 January	34	21	21
Net change in cash and cash equivalents	(331)	118	13
Cash and cash equivalents at end of period	(297)	139	34
<i>Deposits with credit institutions without agreed time to maturity</i>	<i>0</i>	<i>503</i>	<i>34</i>
<i>Loans from credit institutions without agreed time to maturity</i>	<i>(297)</i>	<i>(364)</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 30 September 2016 are prepared in accordance with IAS 34 *Interim Financial Reporting*, and follow the same accounting policies as presented in the annual financial statements for 2015.

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)

	July- September 2016	January- September 2016	July- September 2015	January- September 2015	2015
Deposits with credit institutions	(4)	(13)	1	4	5
Instalment loans	1 244	3 658	1 251	3 927	5 117
Notes, bonds and other interest-bearing securities	13	332	558	1 555	1 884
Financial derivatives	151	140	(448)	(1 312)	(1 509)
Total interest income	1 404	4 117	1 361	4 174	5 496
Loans from credit institutions	0	1	0	6	7
Senior securities issued	2 445	6 074	2 261	7 028	9 415
Financial derivatives	(1 630)	(3 550)	(1 299)	(4 076)	(5 595)
Subordinated debt	15	49	8	22	27
Total interest expenses	832	2 575	970	2 980	3 854
Net interest income	572	1 542	391	1 194	1 642

NOTE 2

Net unrealised gain/(loss) on financial instruments

(Amounts in NOK 1 000 000)

	July- September 2016	January- September 2016	July- September 2015	January- September 2015	2015
Instalment loans	(681)	(830)	724	(224)	(271)
Notes, bonds and other interest-bearing securities	92	369	(85)	(38)	(331)
Financial derivatives	36	2 171	(5 757)	(10 258)	(17 172)
Loans from credit institutions	0	0	0	0	0
Senior securities issued	279	(2 760)	5 471	10 848	18 775
Subordinated debt	18	(20)	86	98	115
Net unrealised gain/(loss) on financial instruments	(256)	(1 070)	439	426	1 116

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 amounting to NOK 256 million in the third quarter result from a tightening of credit spreads for Senior securities issued and a widening of USD-NOK basis swap spreads. Unrealised losses on fixed rate loans to customers are caused by interest rate changes and have a corresponding gain for accompanying derivatives as part of the line item Financial derivatives in the above table.

NOTE 3

Categorisation of financial instruments

(Amounts in NOK 1 000 000)

	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	22 332	5 560	0	0	0	16 772	0
Instalment loans	263 103	164 137	0	0	0	98 966	0
Notes, bonds and other interest-bearing securities	122 059	120 314	0	0	29	1 716	0
Financial derivatives	13 801	0	11 174	2 627	0	0	0
Total financial assets	421 295	290 011	11 174	2 627	29	117 454	0
Loans from credit institutions	3 869	0	0	0	0	0	3 869
Senior securities issued	369 895	222 660	0	0	0	0	147 235
Financial derivatives	33 657	0	33 492	165	0	0	0
Subordinated debt	2 048	2 048	0	0	0	0	0
Total financial liabilities	409 469	224 708	33 492	165	0	0	151 104

	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	23 757	5 241	0	0	0	18 516	0
Instalment loans	251 090	154 339	0	0	0	96 751	0
Notes, bonds and other interest-bearing securities	161 089	151 275	0	0	89	9 725	0
Financial derivatives	24 843	0	22 107	2 736	0	0	0
Total financial assets	460 779	310 855	22 107	2 736	89	124 992	0
Loans from credit institutions	13 277	0	0	0	0	0	13 277
Senior securities issued	399 402	235 647	0	0	0	0	163 755
Financial derivatives	34 618	0	34 379	239	0	0	0
Subordinated debt	1 803	1 803	0	0	0	0	0
Total financial liabilities	449 100	237 450	34 379	239	0	0	177 032

	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	19 428	2 190	0	0	0	17 238	0
Instalment loans	256 815	159 525	0	0	0	97 289	0
Notes, bonds and other interest-bearing securities	149 944	146 687	0	0	69	3 188	0
Financial derivatives	22 831	0	21 016	1 815	0	0	0
Total financial assets	449 018	308 402	21 016	1 815	69	117 716	0
Loans from credit institutions	7 167	0	0	0	0	0	7 167
Senior securities issued	390 107	231 332	0	0	0	0	158 775
Financial derivatives	37 207	0	36 435	772	0	0	0
Subordinated debt	1 764	1 764	0	0	0	0	0
Total financial liabilities	436 245	233 096	36 435	772	0	0	165 942

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

For further information about fair value measurement methods and analyses of value changes, see Note 11 in the Annual Report 2015. Financial instruments measured at fair value in KBN's Statement of financial position as of 30 September 2016 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	5 560	0	5 560
Instalment loans	0	97 241	66 895	164 137
Notes, bonds and other interest-bearing securities	84 051	32 323	3 940	120 314
Financial derivatives	0	10 192	3 609	13 801
Total financial assets measured at fair value	84 051	145 316	74 444	303 812
Loans from credit institutions	0	0	0	0
Senior securities issued	0	152 502	70 158	222 660
Financial derivatives	0	17 127	16 530	33 657
Subordinated debt	0	0	2 048	2 048
Total financial liabilities measured at fair value	0	169 629	88 736	258 365

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 2015	58 830	5 967	72 702	1 764	(27 421)
Purchase	0	6 255	(1 140)	0	294
Sale	0	0	0	0	0
Issue	21 832	0	24 427	2 051	0
Settlement	(18 091)	(7 042)	(19 884)	(1 787)	3 726
Transfer into Level 3	863	5 786	0	0	0
Transfer out of Level 3	(1 775)	(5 686)	0	0	0
Gain/(loss) recognised in the period	5 236	(1 340)	(5 947)	20	10 480
Carrying amount at 30 September 2016	66 895	3 940	70 158	2 048	(12 921)

Holdings amounting to approximately NOK 4 billion have been transferred from Level 2 to Level 1 in the third quarter of 2016. There are net transfers of NOK 1.1 billion 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 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 is determined using 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 change in the credit spread for financial assets (increase) and liabilities (decrease) in Level 3 at 30 September 2016:

	30 September 2016
Instalment loans	(249)
Notes, bonds and other interest-bearing securities	(6)
Financial derivatives	(3)
Senior securities issued	(277)
Subordinated debt	(24)
Total	(559)

NOTE 5

Instalment loans

(Amounts in NOK 1 000 000)

	30 September 2016	30 September 2015	31 December 2015
Principal amount	261 251	248 353	254 422
Accrued interest	1 234	1 241	945
Fair value adjustment	619	1 496	1 448
Total instalment loans	263 103	251 090	256 815

NOTE 6

Senior securities issued

(Amounts in NOK 1 000 000)

	30 September 2016	30 September 2015	31 December 2015
Senior securities issued (nominal amounts) as at 1 January	400 894	391 285	391 285
New issuance	64 103	59 395	68 644
Redemptions	(61 236)	(92 311)	(113 583)
Amortisation	(2 571)	375	(2 860)
Translation differences	(22 754)	43 839	57 408
Senior securities issued (nominal amounts) as at end of period	378 437	402 583	400 894
Accrued interest	2 503	2 718	3 017
Fair value adjustment	(11 045)	(5 899)	(13 805)
Total senior securities issued	369 895	399 402	390 107

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 2016	30 September 2015	31 December 2015
Domestic			
Issued by other borrowers	6 393	2 480	14 754
Foreign			
Issued by public bodies ¹	102 403	109 729	87 978
Issued by other borrowers	13 262	48 880	47 212
Total notes, bonds and other interest-bearing securities	122 059	161 089	149 944

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 2016	30 September 2015	31 December 2015
Under 1 year	58 534	69 033	81 576
1-5 years	60 871	83 868	68 368
Over 5 years	2 654	8 188	0
Total notes, bonds and other interest-bearing securities	122 059	161 089	149 944

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 30 September 2016

Time to maturity	< 1 year				> 1 year				Total
	A-1	A-2	A-3	Not rated	A	AA	AAA	Not rated	
Sovereigns and central banks	12 510	0	0	0	0	8 326	6 334	0	27 170
Multilateral development banks	7 374	0	0	0	0	1 396	7 512	0	16 283
Regional authorities	16 519	0	0	4 634	793	15 592	16 322	4 350	58 210
Financial institutions	264	0	0	0	0	0	0	0	264
Securitisation	0	0	0	0	0	10	15	0	25
Covered bonds	17 234	0	0	0	0	0	2 874	0	20 108
Total	53 901	0	0	4 634	793	25 324	33 057	4 350	122 059

NOTE 9

Primary capital

(Amounts in NOK 1 000 000)

30 September 2016 30 September 2015 31 December 2015

<i>Common equity Tier 1 capital</i>			
Share capital	3 145	3 145	3 145
Retained earnings	7 630	6 186	6 193
Profit for the period included in Tier 1 capital	253	1 092	1 870
Pension funds above pension commitments	0	0	0
Deferred tax asset*	0	0	0
Intangible assets	(139)	(114)	(124)
Dividends payable	(308)	(328)	(417)
Adjustments in common equity Tier 1 capital based on regulatory filters	95	(35)	(281)
Share of nulled unamortised estimate differences	0	0	0
Total common equity Tier 1 capital	10 676	9 946	10 385
Other approved Tier 1 capital	994	994	994
Total Tier 1 capital	11 670	10 940	11 379
<i>Supplementary capital</i>			
Ordinary subordinated debt	2 000	1 571	1 571
Total supplementary capital	2 000	1 571	1 571
Total primary capital	13 670	12 511	12 950

*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)

	30 September 2016			30 September 2015	31 December 2015
	Carrying amount	Risk- weighted assets	Minimum capital requirements	Minimum capital requirements	Minimum capital requirements
Credit risk					
Sovereigns and central banks	27 171	0	0	0	0
Regional governments and local authorities	317 860	53 544	4 284	4 111	4 195
<i>Of which are Norwegian municipalities</i>	263 062	53 410	4 273	4 100	4 184
Public sector entities	6 977	0	0	0	0
Multilateral development banks	16 284	0	0	0	0
Financial institutions	30 906	6 406	512	680	561
<i>Of which counterparty exposure on derivatives</i>	8 292	1 883	151	159	203
Claims secured by residential property	42	42	3	3	4
Covered bonds	20 108	2 011	161	349	343
Other assets	17	17	1	1	1
Securitisation	25	14	1	3	2
Credit Valuation Adjustment	164	2 054	164	151	175
Total credit risk	419 552	64 087	5 127	5 299	5 282
Market risk	0	0	0	0	0
Operational risk—Basic Indicator Approach		2 814	225	255	225
Minimum capital requirements		66 901	5 352	5 553	5 507
Total capital ratio			20.43%	18.02%	18.81%
Tier 1 capital adequacy ratio			17.44%	15.76%	16.53%
Common equity Tier 1 capital adequacy ratio			15.96%	14.33%	15.09%