

Annual Report 2017





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Letter from the CEO

2017 was a good year for the Norwegian banking industry. Most banks reported satisfactory earnings, as a result of lower losses and higher margins than in 2016. Retained earnings have helped boost their financial strength, and strong banks serve to reduce the overall risk to the Fund.

Over the past year, attention has been paid to the development of the consumer loan market. Growth in these loans is higher than aggregate credit growth, and new banks are being formed to enter this market. Some of these banks have little diversification in their funding structure, with a high share of guaranteed customer deposits. In isolation, this increases the Fund's risk. The downturn in the housing market in 2017 followed a period with strongly rising prices and so a build-up of debt. The correction in housing prices has been mild to date, and what we are currently seeing is a normalisation of an overheating market. The new mortgage regulations have led to more restrictive lending practices, but debt has continued to grow. The Fund's staff closely monitors risk at banks through analytical work.

On 21 June 2017, the Ministry of Finance published Bill 159 L "Act on the Norwegian Banks' Guarantee Fund and Act on the Amendment of the Financial Institutions Act etc. (Deposit Guarantee and Bank Resolution)". The bill implements the Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD) adopted by the EU in spring 2014. The new DGSD largely continues the rules from previous directives already implemented in Norwegian law, but depositor protection has been further enhanced. In the aforementioned bill, this means first and foremost that temporary high balances as a result of special life events will be covered beyond the ordinary limit of NOK 2 million for up to 12 months from the deposit being made, which is a substantial improvement in the deposit guarantee. The bill had its first hearing on 6 March 2018, and the Parliament voted unanimously in favour of the new Guarantee Fund Act and amendments to the Financial Institutions Act etc. The government is still working with the EU on retaining the NOK 2 million guarantee beyond 2018 once Norway's transitional period comes to an end.

The aim of introducing a new recovery and resolution regime is to prevent bank crises and manage any that do still arise more appropriately and effectively. One instrument for achieving this is the creation of a new Resolution Fund. Under the aforementioned bill, the administration and management of the Resolution Fund will be delegated by the Resolution Authority to the staff of the Guarantee Fund. The Resolution Authority may also delegate other tasks to the Guarantee Fund. The existing fund is to be split into two, with 45 per cent remaining in the Guarantee Fund and 55 per cent going to the Resolution Fund.

The Fund had equity of NOK 33.9 billion at the end of 2017, equivalent to 2.7 per cent of guaranteed deposits, up from 2.5 per cent at the end of 2016. Low risk and high liquidity are key criteria when deciding on the management of the Fund's capital, which is invested in very safe and liquid fixed-income instruments issued by highly-rated sovereign states. Interest rate risk is considered to be low, with only substantial changes in interest rates in a short period likely to have a major impact on investment results. The Fund's investments returned NOK 69 million in 2017. Asset management is closely monitored to ensure compliance with the Fund's statutes and the limits set by the Board.

The Fund is working on aligning its operations with the new legislation to ensure compliance as soon as it comes into force. Based on the bill approved on 6 March 2018, we would anticipate an overall increase in contributions to the two funds relative to today's contributions to the Guarantee Fund.

Idar Kreutzer
CEO



Report from the Board of Directors 2017

The Fund's objective and activities

The objective of the Norwegian Banks' Guarantee Fund is to secure the deposit obligations of members to their customers through the deposit guarantee. The Fund was formed through the merger of the former Commercial Banks' Guarantee Fund and Savings Banks' Guarantee Fund under new legislation entering into force on 1 July 2004. The Fund's activities are currently regulated by the Financial Institutions Act, which entered into force on 1 January 2016, and the Fund's statutes.

All banks headquartered in Norway must be members of the Fund. The Ministry of Finance may also require that other financial institutions headquartered in Norway and entitled to accept deposits must be members of the Fund. The Fund had 124 members headquartered in Norway as at 31 December 2017.

Credit institutions headquartered in other EEA member states that accept deposits from the general public through branches in Norway are also entitled to become members of the deposit guarantee scheme if the scheme in the branch's home country is not considered to give the branch's depositors the same degree of protection as that offered under Norwegian law. Branch membership is subject to the approval of the Financial Supervisory Authority of Norway (FSA). Where branch members have a home-country guarantee of EUR 100,000 per depositor, the Fund currently covers the excess amount up to NOK 2 million. The Fund had seven branch members at the end of 2017.

The Fund is an independent legal entity. None of its members own any part of the Fund. Bankruptcy or composition proceedings cannot be brought against the Fund.

The Fund's most important function is to safeguard bank deposits and so contribute to financial stability. By way of preparation for such a situation, contingency plans are drawn up and kept up-to-date.

The deposit guarantee scheme is an important part of financial market regulation and contributes to depositor

confidence and stable funding for banks. Guaranteed deposits totalled NOK 1,231 billion as at 30 September 2017.

The Fund has built up considerable funds over time to enable it to manage potential crisis situations, both through annual fees from member banks and through the return on its investments. At 31 December 2017, the Fund had equity of NOK 33.9 billion, equivalent to 2.7 per cent of total guaranteed deposits as at 30 September 2017. Under section 19-5 of the Financial Institutions Act, the Fund's own funds must at all times be at least equal to the sum of 1.5 per cent of members' aggregate guaranteed deposits and 0.5 per cent of ordinary members' risk-weighted assets for capital adequacy purposes. Only guaranteed deposits are included in the calculation for branch members. The Fund exceeded the minimum statutory requirement by NOK 7.2 billion as at 31 December 2017.

The Fund has two units. The Unit for Analysis and Contingency Planning is responsible for developing and maintaining procedures for crisis management. This includes developing alternative payment solutions and conducting periodic contingency exercises. The unit is also responsible for the administration of the Fund, including calculating and collecting fees from members, and distributing information on the scope of the deposit guarantee.

The Unit for Control and Monitoring of Asset Management is responsible for ensuring compliance with the Board's asset management strategy and instructions, monitoring external managers and custodian banks, and reporting on performance and compliance with applicable limits.

The Fund's performance in 2017

The annual financial statements have been prepared on a going-concern basis. The Board confirms that the Fund is a going concern.

The Fund's holdings of securities and financial contracts are treated as a trading portfolio and recognised in the financial statements at fair value.

The Fund generated a profit of NOK 1,401 million in 2017, of which membership fees accounted for NOK 1,370 million. This compares with a profit of NOK 1,941 million in 2016. The profit for the year has been transferred to equity.

Income from asset management activities before costs and fees amounted to NOK 69 million, equivalent to a time-weighted return of 0.21 per cent.

Other operating revenue

Other operating revenue amounted to NOK 2.4 million, compared with NOK 2 million in 2016. This revenue consists primarily of interest on bank deposits and income from seminar and conference activities.

Operating expenses

Operating expenses totalled NOK 39.8 million, compared with NOK 39.6 million in 2016. There has been a gradual increase in the Fund's work on contingency planning in recent years, and additional resources have been allocated to this work. This is partly a result of the change in the law in 2013 cutting the repayment deadline from 90 days to five working days. Over the past years, the Fund has prepared to adapt the EU directives. See under "New rules on the guarantee scheme and bank resolution" below for further information.

Liquidity

The Fund's cash position was satisfactory during the year, cf. the cash flow statement. The difference between the profit for the year and the change in cash and cash equivalents was due to the reinvestment of investment returns.

Investment strategy

The Fund's investments in low-risk assets are sufficiently liquid to meet the repayment deadline of one week. The Fund has chosen to invest solely in fixed-income instruments issued by highly-rated sovereign states. Most of the Fund is invested in global government bonds with maturities of one to three years rated AA or above. The remainder is invested in a portfolio of highly liquid Norwegian treasury bills. The Fund's assets are managed by external managers on an index-oriented basis.

Exposure to market, credit and liquidity risk

The Fund is exposed to market risk, credit risk and liquidity risk through its investments in foreign government bonds and Norwegian treasury bills. In line with the Fund's objective, its securities holdings must satisfy stringent requirements for liquidity and credit quality. The portfolio of foreign government bonds is 100 per cent hedged against currency movements.

New rules on the guarantee scheme and bank resolution

In spring 2014, the EU adopted a revised Deposit Guarantee Schemes Directive (DGSD) based on the previous directives from 1994 and 2009, and a new Bank Recovery and Resolution Directive (BRRD). Both directives are EEA-relevant and will be implemented in Norwegian law. The BRRD was incorporated into the EEA Agreement on 9 February 2018.

In 2009, the Ministry of Finance commissioned the Banking Law Commission to assess the need to revise the Norwegian rules on deposit guarantees and crisis management. In line with the mandate from the ministry, this work included making recommendations on the implementation of expected EEA rules corresponding to the two new EU directives. The commission's report (NOU 2016:23) was published on 26 October 2016 and sent out for consultation. Based on the report and the consultation responses received, the Ministry of Finance published Bill 159 L (2016-2017) "Act on the Norwegian Banks' Guarantee Fund and Act on the Amendment of the Financial Institutions Act etc. (Deposit Guarantee and Bank Resolution)" with proposed new legislation to implement the two EU directives. The bill had its first hearing in the Parliament on 6 March 2018 and was unanimously approved. The second hearing is scheduled for 15 March 2018. The proposed legislation means that the deposit guarantee will be retained and enhanced. It also includes rules to ensure sound management of troubled banks and credit institutions, and these entail a number of changes for the Fund in terms of its organisation, duties and responsibilities. It is not yet known when the new legislation will enter into force.

Financing the new Guarantee Fund

The main source of funding for the Fund will still be contribution from member banks. Under the bill

approved on 6 March 2018, the total annual contribution will be 0.08 per cent of guaranteed deposits. The basic contribution from each individual bank will be risk-adjusted, with the result that some banks contribute more than 0.08 per cent and some less. Under the existing act, an extraordinary fee may be collected in certain circumstances where so decided by the Ministry of Finance. This is retained in the new legislation, but it is now explicitly stated that an additional contribution of up to 0.5 per cent of guaranteed deposits may be collected per year if the deposit guarantee scheme's capital is not sufficient to cover repayments of guaranteed deposits. No target level or ceiling is set for the size of the Fund. The bill provides for annual contributions to the Fund.

Crisis management and crisis prevention measures

The Fund was not involved in any crisis management activities in 2017.

The Fund has multiple roles and mandates. Its main role is to administer the deposit guarantee by having procedures for rapid repayment of deposits, providing information to the public, analysing and assessing banks' risks, calculating and collecting contributions, and managing its assets. Another role that has grown in importance in recent years is contingency planning. The Fund's staff have greatly improved operational procedures relating to crisis management. Rapid technological advances mean that evaluation of alternative repayment methods will be a priority going forward.

Together with the Fund, the FSA carried out an inspection in 2017 of selected banks' compliance with the Regulation on Requirements for Data Systems for Members of the Guarantee Fund. Should one or more banks be placed under public administration, they must submit quality-assured data files to the Fund as a basis for the repayment of guaranteed deposits. The Fund has issued guidelines on the application of the regulation with supplementary comments on the regulation's requirements. The Fund has also drawn up a checklist that banks can use when submitting these data files to ensure completeness. The Fund analyses member banks' financial status quarterly on the basis of the banks' own

reporting. Key figures from the analyses are distributed to member banks and analysts each quarter. To further assess banks' risks and vulnerability, visits are made to selected banks. Six banks were visited in 2017.

The Fund is a member of the European Forum of Deposit Insurers (EFDI) and International Association of Deposit Insurers (IADI) and regularly attends international meetings. This helps to build knowledge and relations with other countries' guarantee funds. The implementation of the new legislation based on the two EU directives will increase the need for co-ordination across national borders.

Membership changes

The Fund had 131 members at the end of 2017, of which 124 were headquartered in Norway and seven were branch members. This is a net decrease of three members from the end of 2016 and is the result of six mergers in the savings bank sector and the formation of three new banks that became ordinary members in 2017: MyBank ASA, DeBank ASA and BB Bank ASA. Nordea Bank Norge ASA converted from ordinary to branch membership on 2 January 2017. As a result, both member contributions and minimum own funds are decreased.

Autumn Conference 2017

The annual Autumn Conference was held at Quality Hotel Expo in Fornebu on 21-22 September and attracted a total of 280 participants. This was the 54th conference in a row and had regulatory changes and the outlook for banks as its main topic.

EFDI International Conference 2017

The Fund hosted the European Forum of Deposit Insurers (EFDI) general assembly and conference in Oslo in September. Around 120 people attended the international conference, which was opened by FSA's Director General Morten Baltzersen and Director Sonja Lill Flø Myklebust from the Fund. This is the first time the Fund has hosted the EFDI's general assembly and conference.

Fee for 2018

An ordinary fee of NOK 1,354 million has been calculated for 2018, which is slightly lower than that

calculated for 2017 despite growth in both guaranteed deposits and member banks' risk-weighted assets. The reason for the reduced fee is that most banks have increased their Tier 1 capital ratios. They will therefore receive a larger discount on the gross fee than before. The contribution will be invoiced during the first quarter of 2018.

Outlook for the Fund's capital

In 2018, the Guarantee Fund will be invested in foreign government bonds with a high credit rating and a maturity of up to three years, and a highly liquid portfolio of Norwegian treasury bills. The value of the Fund's capital will therefore depend on the return on these investments. Since the Fund hedges its investments in foreign government bonds against currency movements and invests in Norwegian treasury bills, Norwegian interest rates will play a role in the Fund's performance.

Membership fees from member banks will make a positive contribution to the Fund's capital.

Administrative matters

The board of the Guarantee Fund consisted of six men and one woman in 2017. The Fund's CEO is the CEO of Finance Norway, Idar Kreutzer. The Fund has its offices at Hansteens gate 2 in Oslo. The Fund had 14 staff at the end of the year, eight of whom were women. The Fund has an agreement on occupational health services. Sickness absence amounted to 1.56 per cent in 2017, down from 2.55 per cent in 2016.

The Fund's activities have no impact on the external environment, be it in the form of noise or emissions, and the working environment is deemed to be satisfactory. No injuries or accidents in the workplace were reported during the year.

Oslo, 8 March 2018

 Ottar Ertzeid Chairman	 Jan-Frode Janson Deputy Chairman	 Pål Strand	 Odd Nordli
 John A. Sætre	 Morten Baltzersen	 Arild J. Lund Deputy for Kristin Gulbrandsen	
 Rolf Endre Delingsrud (1st deputy member)		 Idar Kreutzer CEO	

Income statement

All figures in thousands of NOK

	NOTE	2017	2016
Revenue			
Membership fees	1,2	1 370 260	1 583 215
Other operating revenue	13	2 372	2 038
Total revenue		1 372 632	1 585 254
Asset management			
<i>Fixed-income portfolio</i>			
Interest income		695 592	698 077
Other revenue/expenses	10	-513	-840
Gains and losses	11	-626 924	-301 191
Income from fixed-income investments		68 155	396 046
<i>Share portfolios</i>			
Dividends		178	-19
Gains and losses	12	278	-179
Income from share investments		456	-198
Income from asset management		68 611	395 848
Operating expenses			
Operating expenses	14	-39 752	-39 643
Profit/loss for the year		1 401 492	1 941 459
Appropriation of profit/loss			
Transferred to equity		1 401 492	1 941 459

Balance sheet

All figures in thousands of NOK

	NOTE	31.12.2017	31.12.2016
ASSETS			
Bank deposits	3	210 770	153 521
Bonds and bills	4	33 097 709	32 001 638
Bonds and bills lent	4,15	500 936	150 530
Financial derivatives	5	251 237	378 064
Unsettled trades		463 487	172 723
Property, plant and equipment	7	212	288
Net pension assets	9	3 382	2 507
Other receivables	6	34 447	19 247
Total assets		34 562 178	32 878 519
LIABILITIES AND EQUITY			
Equity	1	33 873 406	32 471 915
Financial derivatives	5	579 561	332 688
Unsettled trades		90 038	40 946
Other liabilities	8	8 208	22 640
Provisions for pension liabilities	9	10 965	10 330
Total liabilities		688 772	406 604
Total liabilities and equity		34 562 178	32 878 519

Oslo, 8 March 2018

31 December 2017

 Ottar Ertzeid Chairman	 Jan-Frode Janson Deputy Chairman	 Pal Strand	 Odd Nordli
 John A. Sætre	 Morten Baltzersen	 Arild J. Lund Deputy for Kristin Gulbrandsen	
 Rolf Endre Delingsrud (1st deputy member)		 Idan Kreutzer CEO	

Cash flow statement

All figures in thousands of NOK

	2017	2016
Profit/loss for the year	1 401 492	1 941 459
Depreciation and amortisation	130	108
Cash flow from operating activities	1 401 621	1 941 567
Investments in property, plant and equipment	-53	-277
Decrease (increase) in holdings of bonds and bills	-1 485 294	-1 435 843
Decrease (increase) in accrued interest	38 818	-21 649
Decrease (increase) in other receivables	-305 965	486 938
Change in financial derivatives	373 699	-728 768
Change in provisions for pension liabilities	-238	-140
Increase (decrease) in other liabilities	34 659	-284 155
Net change in cash and cash equivalents	57 248	-42 327
Cash and cash equivalents at 1 January	153 522	195 849
Cash and cash equivalents at 31 December	210 770	153 522

Cash and cash equivalents comprise bank deposits and cash.

Notes to the financial statements for the year ended 31 December 2017

General

Banks headquartered in Norway must be members of the Norwegian Banks' Guarantee Fund. The Ministry of Finance may decree that credit institutions other than banks headquartered in Norway must be members. Credit institutions headquartered in other EEA member states but accepting deposits from the general public through branches in Norway may become members if the deposit guarantee scheme in the branch's home country is not deemed to give the branch's depositors the same degree of protection as that afforded under Norwegian law. The approval of the Financial Supervisory Authority of Norway (Finanstilsynet) is required before a branch can become a member of the Fund.

The financial statements for the Norwegian Banks' Guarantee Fund have been prepared in accordance with the Financial Institutions Act, the Fund's statutes, the Accounting Act and generally accepted accounting practice in Norway. The format has been adapted to the activities of the Fund.

Accounting policies for financial instruments

General

The Fund's holdings of securities and financial contracts are considered a trading portfolio and measured at fair value. Where available, the official closing price in the market is used for all types of securities. The Fund's securities holdings are valued on a daily basis by BNY Mellon Asset Servicing, which is the Fund's external supplier of investment support services. The primary sources of pricing are Interactive Data and SS&C Technologies. Secondary sources of pricing are Bloomberg, Thomson Reuters and Statpro Canada. The main source of pricing for forward exchange contracts and currency swaps is WM FX Rates. Holdings of Norwegian treasury bills are valued daily by the Fund's Middle Office based on transaction data from the asset manager and prices from the Oslo Stock Exchange. The Fund performs regular checks on the pricing and valuations provided by its external suppliers.

Bonds/bills

The standard for daily pricing and period-end valuations of government securities is the official closing price (bid price). Where this is not available, manual prices are obtained from recognised analyst and brokerage firms or suppliers specialising in providing prices for bonds and bills.

Forward exchange contracts

Forward exchange contracts and currency swaps are recognised at fair value. Financial derivatives are presented on a gross basis.

Currency translation

Bonds, bills, cash and cash equivalents, receivables and liabilities are translated into NOK and valued on a daily basis. At period-end, items are translated using the exchange rate at the reporting date. The WM Reuters 4 pm London closing rate is used for both daily and period-end valuations.

Collateral

The Fund requires collateral in the form of cash and other securities when trading in financial derivatives. Where cash collateral received is not legally separate from other cash, it is recognised in the balance sheet as an asset with a corresponding liability to the provider of the collateral. Collateral received in the form of other securities is recognised if the collateral is sold or used as security for other counterparties or if the counterparty breaches the terms of the underlying contract. Collateral pledged to counterparties is derecognised applying the same principles as for collateral received. If the recipient of the collateral has the right to sell the collateral or re-pledge this as security, the asset is classified separately in the balance sheet as a lent asset.

Guarantees

The object of the Fund is to secure the deposits of its members up to NOK 2 million per depositor per bank. The Fund will recognise a liability relating to this deposit guarantee when there is a specific event in which one or more banks are placed under public administration and the Fund has an established obligation.

Other accounting policies

Revenue recognition

Interest is recognised in the income statement as it is earned, in line with the general accounting principles in the Accounting Act. Prepaid revenue and expenses incurred but not paid are accrued and recognised as liabilities in the balance sheet. Revenue earned but not received is recognised in income and recorded as a receivable in the balance sheet. Dividends from shares are recognised in the income statement on the ex-dividend date and recorded as a receivable until payment, including withholding tax, is confirmed.

Pensions

The Fund has a defined-benefit pension scheme for staff hired before 1 January 2013. In a defined-benefit scheme, the employer has an obligation to pay specified future pension benefits. This group pension scheme is administered by a life insurance company. The estimated accrued liability is compared with the value of funds paid in and earned. Where total assets exceed the estimated liability at the balance sheet date, the net value is recognised as an asset in the balance sheet. Where pension liabilities exceed pension assets, the net value is classified as a liability in the balance sheet.

The Fund has a defined-contribution pension scheme for staff hired after 1 January 2013. The employer has no obligations under this scheme beyond annual contributions.

The Fund also has unfunded pension obligations that are financed through its operations. The obligations under these agreements are recognised as a liability in the balance sheet. These liabilities are discussed in more detail in Note 9.

The Fund also has obligations under the AFP Early Retirement Subsidy Act. Financial contributions to this scheme are recognised in the income statement as a defined-contribution insurance scheme. Individual employers do not possess the information needed to calculate this liability at 31 December 2017, and so the scheme is treated as a defined-contribution scheme as required by generally accepted accounting practice. In practice, only the central administrator Fellesordningen for AFP has the data necessary to calculate the liability.

Pension costs and pension liabilities for the defined-benefit schemes are calculated on an annual basis by an actuary. The calculation is based on a range of financial and actuarial assumptions including wage growth, staff turnover, the National Insurance basic amount (G) and life expectancy. The gross liability is discounted to present value using the interest rate on high-quality corporate bonds. Changes to estimates as a result of changes to the economic assumptions are recognised as actuarial gains and losses. Actuarial gains and losses are recognised in the income statement over the average expected remaining period of service for active personnel if the gain or loss exceeds the higher of 10 per cent of pension assets and 10 per cent of pension liabilities.

The pension liability is calculated as the present value of estimated future pension benefits considered for accounting purposes to have been earned at the balance sheet date. The pension cost is based on assumptions made at the start of the period. Net pension costs for the period are included in "Other operating expenses" in the income statement.

Estimates are used in the valuation of pension assets. The value is adjusted annually to reflect the actual return on these assets.

Pension costs and liabilities include employer contributions.

See Note 9 for more information

Property, plant and equipment

Property, plant and equipment are recognised in the financial statements at cost less accumulated depreciation. Depreciation for the year is charged to the year's operating expenses and is included in this item.

Tax

Under section 2-30 of the Tax Act, the Fund is exempt from tax.

All figures in the notes to the financial statements are stated in thousands of NOK unless otherwise specified.

Note 1**Own funds**

Section 19-5 of the Financial Institutions Act states that the Guarantee Fund's own funds shall at all times be at least equal to the sum of 1.5 per cent of aggregated guaranteed deposits held by members and 0.5 per cent of the sum of ordinary members' risk-weighted assets for capital adequacy purposes. Only guaranteed deposits are included in the calculation for branch members. Each year, members pay a fee to the Fund. If this is not sufficient to cover any shortfall, the members shall also provide guarantees.

Minimum own funds in 2018

The statutory minimum level of own funds in 2018 is based on guaranteed deposits and risk-weighted assets averaged across the last two quarters of 2016 and the first two quarters of 2017.

1.5 per cent of average guaranteed deposits	1 190 691 million	17 860 365
0.5 per cent of average risk-weighted assets	1 768 356 million	8 841 779
Minimum own funds		<u>26 702 144</u>
Equity at 31 December 2017		<u>33 873 406</u>
	Excess capital at 1 January 2018	<u>7 171 262</u>

The ordinary fee for 2018 has been calculated as NOK 1,353.7 million and will be collected in the first quarter of 2018.

Minimum own funds in 2017

The statutory minimum level of own funds in 2017 is based on guaranteed deposits and risk-weighted assets averaged across the last two quarters of 2015 and the first two quarters of 2016.

1.5 per cent of average guaranteed deposits	1 211 955 million	18 179 328
0.5 per cent of average risk-weighted assets	2 124 749 million	10 623 747
Minimum own funds		<u>28 803 075</u>
Equity at 31 December 2017		<u>32 471 915</u>
	Excess capital at 1 January 2017	<u>3 668 839</u>

Due to a membership change, with a major bank converting from ordinary membership to branch membership, the minimum level of own funds and fee fell considerably at the beginning of 2017. The fee calculated for 2017 was NOK 1,518.8 million. The fee billed for 2017 was NOK 1,369.8 million.

Minimum own funds in 2016

The statutory minimum level of own funds in 2016 is based on guaranteed deposits and risk-weighted assets averaged across the last two quarters of 2014 and the first two quarters of 2015.

1.5 per cent of average guaranteed deposits	1 101 715 million	16 525 730
0.5 per cent of average risk-weighted assets	2 081 955 million	10 409 777
Minimum own funds		<u>26 935 507</u>
Equity at 31 December 2017		<u>30 530 456</u>
	Excess capital at 1 January 2016	<u>3 594 949</u>

The fee calculated and billed for 2016 was NOK 1,582.9 million.

The fund's equity has moved as follows (figures in millions of NOK):

	2017	2016	2015
Equity at 1 January	32 472	30 530	28 577
Profit/loss for the year	1 401	1 941	1 954
Equity at 31 December	33 873	32 472	30 530

Note 2**Membership fees**

The membership fee for 2017 was calculated in accordance with the Financial Institutions Act and the Financial Institutions Regulation. The fee is calculated and collected annually. The ordinary fee was calculated as 0.1 per cent of guaranteed deposits plus 0.05 per cent of risk-weighted assets for capital adequacy purposes averaged across the end of the third and fourth quarters of 2015 and the first and second quarters of 2016. Members with a Tier 1 capital ratio in excess of 8.0 per cent at 31 December 2015 were granted a discount on the annual fee. The maximum discount is 35 per cent for a Tier 1 capital ratio of 16.75 per cent. Branch members pay only a percentage of guaranteed deposits. The regulation also requires a joining fee to be set.

Ordinary fees for 2017 came to NOK 1,369,756 thousand. In addition, joining fees totalling NOK 504 thousand were payable by MyBank ASA, DeBank ASA and BB Bank ASA.

	2017	2016
Ordinary fee	1 369 756	1 582 918
Ordinary fee	504	298
Total	1 370 260	1 583 215

Note 3**Bank deposits**

Tax withholding funds held in a separate account totalled NOK 1,096 thousand (NOK 933 thousand).

Of the Fund's bank deposits, NOK 4,187 thousand was in foreign currency.

At 31 December 2017, cash and bank deposits (excluding current accounts) amounted to 0.1 per cent of assets managed by the Fund (net asset value), which is the same as at 31 December 2016.

Note 4**Bonds and bills**

Debtor category	2017			2016		
	Cost *)	Fair value (incl. accrued interest *)**)	Accrued interest *)	Cost *)	Fair value (incl. accrued interest *)**)	Accrued interest *)
Treasury bills	2 962 339	2 965 934	-	-	-	-
Government bonds	30 190 255	30 632 710	286 585	32 470 984	32 152 168	325 403
Total	33 152 593	33 598 644	286 585	32 470 984	32 152 168	325 403

*) Including securities lent

**) Fair value of securities lent was NOK 500,936 thousand in 2017, against NOK 150,530 thousand in 2016. See also Note 15.

The fair value including accrued interest and securities lent was NOK 446,051 thousand higher than cost at 31 December 2017. At 31 December 2016, the fair value including accrued interest and securities lent was NOK 318,816 thousand lower than cost.

The Fund sets liquidity requirements for its bond holdings. The liquidity of bond holdings is measured on a monthly basis for each individual bond, for each individual portfolio and for the Fund as a whole. The Fund also sets requirements for the creditworthiness of issuers.

Bonds and bills by country:

	2017	2016
Country	Fair value (incl. interest and securities lent)	Fair value (incl. interest and securities lent)
Australia	2 086 636	2 888 000
Canada	2 482 888	3 644 349
Finland	308 200	547 327
France	3 959 037	-
Netherlands	1 238 182	1 768 339
Norway	2 965 934	-
Singapore	476 916	648 465
UK	4 391 314	6 299 190
Switzerland	1 064 594	1 480 171
Sweden	813 375	1 156 264
Germany	5 524 061	6 436 482
US	7 599 705	6 406 074
Austria	615 802	877 507
Total	33 598 644	32 152 168

Accrued interest by country/issuer:

Country/issuer	2017	2016
Australia	15 823	33 239
Canada	9 834	13 955
Finland	3 963	6 335
France	37 751	-
Netherlands	15 728	20 298
Germany	3 963	76 390
Singapore	46 569	6 475
Sweden	15 244	34 530
Switzerland	23 897	32 825
UK	71 507	63 710
US	33 929	23 850
Austria	8 376	13 797
Total	286 585	325 403

Bonds and bills by issuer credit rating at 31 December 2017 (in thousands of NOK):

Credit rating agency	AAA or equivalent	AA+ or equivalent	AA or equivalent	Total
S&P	16 652 586	8 595 707	8 350 351	33 598 644
Moody's	24 252 291	996 002	8 350 351	33 598 644
Fitch	24 252 291	996 002	8 350 351	33 598 644

The credit ratings presented here are the local-currency long-term credit rating at 31 December 2017 (source: Bloomberg).

Note 5**Financial derivatives**

	2017		2016	
	Asset	Liability	Asset	Liability
Foreign exchange derivatives	251 237	579 561	378 064	332 688
Total financial derivatives	251 237	579 561	378 064	332 688

Foreign exchange derivatives

The only type of financial derivatives owned by the Guarantee Fund are foreign exchange derivatives. These are used to hedge the portfolio's currency exposure. The fair value of foreign exchange derivatives is recorded as an unrealised gain/loss at the balance sheet date.

	2017		2016	
Derivative category	Cost	Fair value	Cost	Fair value
Foreign exchange derivatives	0	-328 323	0	45 376
Total	0	-328 323	0	45 376

Foreign exchange derivatives are used only for financial hedging of currency exposure in the bond portfolio.

Forward contracts by currency:

Purchased currency	Sold currency	Net nom. volume	Fair value
NOK	AUD	2 018 992	-65 053
NOK	CAD	2 513 118	-52 506
NOK	CHF	1 078 222	-7 194
NOK	EUR	11 784 278	-100 458
NOK	GBP	4 320 592	-72 504
NOK	SEK	802 305	-11 767
NOK	SGD	470 923	-5 478
NOK	USD	7 683 770	-13 363
Total		30 672 199	-328 323

Nominal volume denotes exposure in NOK. Exposure is allocated between the currency pairs in which the Fund hedges the portfolio.

Note 6**Other receivables****Summary**

	2017	2016
Coupons receivable – withholding tax receivable	31 974	16 501
Dividends receivable – withholding tax receivable	487	2 063
Other receivables	1 986	683
Total	34 447	19 247

Withholding tax receivable on coupons mainly relates to current coupons on Swiss government bonds. Withholding tax receivable on dividends relates to the share portfolio that was closed in 2013.

Note 7**Property, plant and equipment**

	2017	2016
	Tools, equipment, inventory and computer hardware	Tools, equipment, inventory and computer hardware
Acquisition cost at 1 January	1 976	1 699
Additions	53	277
Acquisition cost at 31 December	2 029	1 976
Accumulated depreciation at 1 January	1 596	1 488
Depreciation for the year	130	108
Accumulated depreciation at 31 December	1 726	1 596
Accumulated impairment losses at 1 January	91	91
Year's impairment losses		
Accumulated impairment losses at 31 December	91	91
Carrying amount at 31 December	212	288
Total property, plant and equipment	212	288

The Fund's operating assets are depreciated on a straight-line basis at the following rate:

Computer and other electronic equipment 1/3 of cost

Note 8**Other liabilities**

	2017	2016
Advance tax deductions, employer contributions	1 774	1 551
Other liabilities/accrued expenses	6 434	4 244
Cash collateral received		16 845
Total	8 208	22 640

Note 9**Pension costs, pension liabilities and pension assets**

The Fund has a defined-benefit pension scheme for employees and retired personnel, which is covered under an agreement with a life assurance company. The pension benefits cover retirement pension and disability pension and supplement the benefits paid under the Norwegian National Insurance Scheme. A full pension requires a minimum of 30 years of pensionable service and confers pension rights equivalent to the difference between 70 per cent of salary and estimated benefits from the Norwegian National Insurance Scheme. The scheme is compliant with the Occupational Pensions Act. This agreement is referred to in the following as funded benefits. The retirement age is 67.

From 1 January 2013, the defined-benefit scheme was closed to new employees. New employees are now included in a defined-contribution scheme where the annual premium represents the pension cost for the year. The contribution rates for the defined-contribution scheme are 5 per cent of salary up to 7.1 times the National Insurance basic amount (G) and 8 per cent of salary between 7.1 G and 12 G.

The Fund is obliged to operate an occupational pension scheme in accordance with the Mandatory Occupational Pensions Act, and its pension schemes satisfy the requirements of the act.

Pension entitlements for salaries above 12 times the National Insurance basic amount (G) are financed through operations. Disability pensions for salaries above 12 G are covered by insurance, but with no capital accumulation. The annual premium is included in pension costs.

Pension agreements with no insurance coverage are referred to as unfunded pension liabilities and mainly consist of the following:

- Pension liabilities (except disability pensions) relating to salaries above 12 G are financed through operations.
- Accrued rights to early retirement pension from the age of 62 for the Fund's former investment manager.
- A former department manager has an agreement on compensation for losses in the group scheme in the period from 62 to 67 years.

The actuarial calculation is based on Norwegian Accounting Standard 6: "Pension costs". The funded pension liability is calculated on the exact date of starting employment and covers all employees with pension rights through membership of the existing group pension agreement. The pension liability is calculated as the present value of total estimated future pension benefits earned at the balance sheet date based on specific economic and demographic assumptions (see table below). Estimates are used in the calculation of pension assets.

Changes in pension liabilities and assets due to changes in the underlying assumptions and other actuarial gains/losses are recognised in the income statement over the average expected remaining period of service for active personnel insofar as the gain or loss exceeds the higher of 10 per cent of pension assets and 10 per cent of pension liabilities. Actuarial gains and losses also include changes due to the withdrawal of members on leaving employment.

Pension costs and liabilities include employer National Insurance contributions.

Demographic assumptions of mortality based on the K2013BE standard are used to calculate the pension liability. Economic assumptions are based on the Norwegian Accounting Standards Board's guidance on pension assumptions.

The Guarantee Fund is covered by the new AFP scheme in the private sector pursuant to the AFP Early Retirement Subsidy Act that entered into force in 2010. The Fund has a financial liability under this scheme. Individual employers do not have the information needed to calculate this liability at 31 December 2017, and as required by generally accepted accounting practice the scheme is treated as a defined-contribution pension scheme. In practice, only the central administrator Fellesordningen for AFP has the data necessary to perform a calculation of the AFP liability.

Pension costs, pension liabilities and pension assets in the defined-benefit scheme

	2017	2016		2017	2016
Discount rate	2,30 %	2,60 %			
Expected return	4,00 %	3,60 %			
Expected wage growth	2,50 %	2,50 %			
Expected adjustment of basic amount (G)	2,25 %	2,25 %	No. of active members	7	7
Expected adjustment of pensions	0,40 %	0,00 %	No. of pensioners	10	10

Pension costs		2017			2016		
Recognised in income statement	Funded	Unfunded	Total	Funded	Unfunded	Total	
Present value of this year's pension earnings (incl. employer NI)	1 433	504	1 937	1 834	502	2 336	
Interest expenses on accrued liability	651	281	932	663	255	918	
Expected return on pension assets	(598)	-	(598)	(543)	-	(543)	
Pension costs before actuarial gains and losses	1 486	785	2 271	1 954	757	2 711	
Amortisation of changes in estimates	90	-	90	114	-	114	
Scheme amendments (new disability pension)	-	-	-	(440)	-	(440)	
Administration expenses	26	-	26	38	-	38	
Net pension costs recognised for period	1 602	785	2 387	1 666	757	2 423	
Premium, AFP	191		191	166		166	
Premium, defined-contribution scheme	347		347	245		245	
Risk cover, disability pension, salaries above 12G	42		42	36		36	
Total pension costs and risk premiums	2 182	785	2 967	2 113	757	2 870	

Pension liabilities		2017			2016		
Balance sheet	Funded	Unfunded	Total	Funded	Unfunded	Total	
Estimated accrued pension liability (incl. employer NI)	29 460	12 554	42 014	25 622	10 865	36 487	
Estimated value of pension assets	25 759		25 759	23 927	-	23 927	
Net pension liabilities	3 701	12 554	16 255	1 695	10 865	12 560	
Actuarial gains and losses not recognised in income statement	(7 083)	(1 589)	(8 672)	(4 202)	(535)	(4 737)	
Net pension liabilities (assets)	(3 382)	10 965	7 583	(2 507)	10 330	7 823	
Recognised assets (net overfunding)	3 382			2 507			
Recognised liabilities		10 965			10 330		

This year's change in pension liabilities

Pension liabilities	2017	2016
Opening balance at 1 January	36 487	37 154
Rights earned this year	1 937	2 336
Interest expenses this year	932	918
Payments to retirees and payment of employer contributions on premiums	(1 951)	(1 929)
Actuarial gains and losses	4 609	(272)
Settlement and scheme amendments, former disability pension		(1 720)
Closing balance at 31 December	42 014	36 487

This year's change in pension assets

Pension assets	2017	2016
Estimated pension assets at 1 January	23 927	23 776
Actuarial gains and losses	585	293
Pension assets at 1 January plus actuarial gains and losses	24 512	24 069
Expected return on pension assets	598	543
Premiums paid in	2 171	2 126
Pensions paid out	(1 496)	(1 493)
Settlement, former disability pension		(1 279)
Administration and management expenses	(26)	(38)
Estimated pension assets at 31 December	25 759	23 927
Actual gross return on fund assets	-	1 409

Note 10**Other revenue and expenses**

	2017	2016
Interest income from bank deposits	140	6
Interest expenses from bank deposits	-228	-525
Interest income from cash collateral pledged by counterparties	166	151
Interest expenses from cash collateral pledged by counterparties	-591	-472
Total	-513	-840

Note 11**Income from fixed-income investments**

	2017	2016
Realised gains/losses	-1 066 052	3 055 981
Unrealised gains/losses	439 129	-3 357 172
Gains and losses	-626 924	-301 191

Breakdown of realised gains/losses:

	2017	2016
Bonds/bills	-578 250	1 537 621
Foreign exchange derivatives	-488 037	1 517 793
Compensation under group lawsuits	391	572
Charges	-157	-5
	-1 066 052	3 055 981

Breakdown of unrealised gains/losses:

	2017	2016
Bonds/bills	812 828	-4 085 940
Foreign exchange derivatives	-373 699	728 768
	439 129	-3 357 172

Note 12**Income from share investments**

The share portfolio was closed in 2013, and gains/losses on shares relate to currency fluctuations and impairments in respect of tax claims, and payments from group lawsuits.

	2017	2016
Realised gains/losses	364	3
Unrealised gains/losses	-86	-182
Gains/losses	278	-179

Breakdown of realised gains/losses:

	2017	2016
Miscellaneous	282	3
Compensation from group lawsuits	82	0
	364	3

Breakdown of unrealised gains/losses:

	2017	2016
Shares	-161	-134
Miscellaneous interest	75	-48
	-86	-182

Note 13**Other operating revenue**

	2017	2016
Interest on bank deposits	1 293	1 775
Compensation from group lawsuits	678	1
Foreign exchange gains	38	20
Net income from courses and seminars	362	242
Total	2 372	2 038



Note 14**Operating expenses**

	2017	2016
Salaries, fees and payroll costs	18 744	18 110
Administration and operating expenses	15 508	16 371
Costs, external asset managers	5 349	5 032
Depreciation and amortisation	130	108
Other financial expenses	21	21
	39 752	39 643

Details of employees and directors

Number of employees at 31 December 2017: 14	2017	2016
Total salaries and fees	13 636	13 145
National Insurance contributions	2 301	2 238
Pension costs	2 609	2 525
Payroll costs	198	202
	18 744	18 110

The following are included in salaries:	2017	2016
Chairman	50	50
Other board members	161	195
CEO	200	200

No special payments have been agreed in the event of termination or amendment of the terms of employment or office of the CEO or Chairman of the Board. The CEO does not receive benefits in the form of bonuses, profit-sharing or similar.

Transactions with related parties

The company considers Finance Norway to be a related party since Idar Kreutzer is CEO of both the Guarantee Fund and Finance Norway. The Guarantee Fund purchases services in the form of property rentals and other administrative services from Finance Norway.

The company's transactions with related parties:	2017	2016
Remuneration, CEO	200	200
Agreement on assistance from Finance Norway*	4 375	4 375
Rent and overheads	2 318	2 168
Total	6 893	6 743

*) Fixed agreement on administrative assistance from Finance Norway

Auditor's fees etc.	2017	2016
Fees paid to Ernst & Young as auditor	139	128
Other assurance services**	40	39
	179	167

***) Auditor's statement on internal controls.

Note 15**Risk management****Overarching guidelines for the investment strategy**

Pursuant to the Fund's statutes, the Board of Directors determines the strategy and guidelines for the management of the Fund's assets with the intention of securing satisfactory management, necessary liquidity and ethical investment.

The Fund invests in low-risk government securities. The intention of this investment strategy is to have a liquid portfolio that holds its value well in a crisis situation where there may be a need for liquidity. The statutes impose certain restrictions: for example, the Fund is precluded from investing in shares, primary capital certificates or subordinated loan capital issued by its members, and government and government-guaranteed bonds must make up at least one-third of the Fund's assets.

Investment strategy

In its investment strategy for 2017, the Board elected to allocate around 90 per cent of the capital to foreign government bonds and around 10 per cent to Norwegian treasury bills. The portfolio of foreign government bonds is managed externally by Legal & General Investment Management on an index-tracking basis. The portfolio of Norwegian treasury bills is managed by DNB Asset Management and Danske Capital.

The benchmark index for the Fund's government bond portfolio is tailored to the Fund's requirements for low risk and high liquidity. It consists of foreign government bonds of good credit quality and is hedged 100 per cent to NOK (monthly rebalancing). The benchmark for the Fund's treasury bill portfolio consists of Norwegian treasury bills.

Risk limits

Risk limits are determined by the Board of Directors. The Board sets upper limits for relative risk (tracking error), credit risk, liquidity risk, counterparty risk and bank deposits.

Operational risk

A system of controls and procedures has been established in order to ensure an effective control environment that helps reduce operational risk. The management of the Fund's capital is monitored by the Unit for Control and Monitoring of Asset Management (Middle Office).

All risk limits are incorporated into a compliance system both locally at the external asset managers and centrally in the Middle Office. The Middle Office follows up any breaches of limits, reports periodically to management and the Board, and obtains independent statements from the external auditor on procedures and control activities (ISAE 3402 and SOC 1).

BNYM is responsible for daily reporting, which includes financial statements, holdings and transactions for the Fund's government bond portfolio. The manager forwards the transaction data electronically to BNYM, which compiles and reports in a consolidated format. The manager and BNYM price securities independently, and these values are reconciled on a monthly basis. BNYM also reconciles all bank and custodian accounts. With the Fund's treasury bill portfolio, the Middle Office receives reports on transactions, holdings and pricing of securities directly from the manager. These are reconciled by the Middle Office against VPS Investorservice (transactions and holdings) and Oslo Børs (prices).

Liquidity risk

In accordance with its objects, the Fund sets requirements for the liquidity of its securities holdings. The liquidity of bond holdings is evaluated on a monthly basis for each holding and for the Fund as a whole. The percentage of cash and liquid assets is monitored on a daily basis.

Foreign exchange risk

The Fund's government bond holdings are denominated and traded in foreign currency and are thus exposed to foreign exchange risk. Foreign exchange forwards and swaps are used to manage foreign exchange risk. The manager may only perform currency trades to hedge the Fund against foreign exchange risk. Exposure to all foreign currencies is monitored daily.

Foreign currency exposure at 31 December 2017	AUD	CAD	CHF	EUR	GBP	SEK	SGD	USD
Fixed income portfolio (excl. currency hedging)	326 226	393 301	132 656	1 208 860	396 880	831 834	77 927	941 693
Currency hedging	-326 053	-393 197	-129 149	-1208 796	-396 989	-814 054	-77 874	-941 986
Net currency exposure	173	104	3 507	64	-109	17 780	53	-293

Counterparty risk and netting

The Fund enters into foreign exchange contracts with various counterparties, which results in counterparty risk. The Fund has entered into standardised international agreements with its counterparties (ISDA Master Agreement with Credit Support Annex). For example, when a pre-defined exposure limit for a counterparty has been exceeded, collateral is required. This collateral is provided in the form of cash and bonds with high credit rating.

The Fund regularly monitors the credit ratings/creditworthiness of its counterparties, and exposure to counterparties is monitored and controlled on a daily basis.

Amount in millions of NOK	Amounts that may not be presented net in the balance sheet but are subject to a netting agreement						
	Gross value	Amounts offset in balance sheet	Carrying amount	Financial instruments	Cash collateral	Securities pledged as collateral	Amounts after permitted netting
Assets							
Financial derivatives	251	-	251	242	0	0	9
Securities pledged as collateral	501	-	501	337	0	0	164
Total assets	752	-	752	580	0	0	173
Liabilities							
Financial derivatives	580	-	580	242		337	0
Total liabilities	580	-	580	242	-	337	0

Interest rate risk

Duration is calculated for positions in the fixed-income market and is weighted according to market value at 31 December 2017 (source: Bloomberg).

Duration shows the effective repayment period of a bond/bill and is a measure of sensitivity to interest rates. The Fund's duration was 1.7 in 2017, compared with 1.8 in 2016.

Taxation/withholding tax

The Fund is exempt from taxation in Norway but may have a duty to pay withholding tax on its investments abroad. The Fund's tax status in Norway means that it is not always covered by the tax agreements Norway has with other countries. The Fund must therefore assess and clarify its tax position before investing in new markets.

Note 16

Guarantees

The object of the Guarantee Fund is to secure the deposit obligations of its member banks, whereby deposits of up to NOK 2 million per depositor per bank are guaranteed in the event that a member is unable to meet its commitments. The Fund is to cover losses on deposits as soon as possible and no later than one week after:

1. The Financial Supervisory Authority of Norway (Finanstilsynet) has concluded that the institution is not in a position to repay deposits, and
2. The bank has been placed under public administration.

More detailed rules on settlement and deadline extensions are set out in the Financial Institutions Act.

The Fund's most important function is to manage situations in which one or more banks encounter difficulties in meeting their commitments. By way of preparation for such a situation, contingency plans are drawn up and kept up-to-date. The Fund has entered into an agreement with Finance Norway on additional resources in the event of a crisis. One of the Fund's units is responsible for preventive work in the form of analyses of member banks and bank visits.

There were no events where the Fund had to cover losses on deposits in 2017, and no liabilities were recognised relating to the guarantee. Nor have there been any such events since the balance sheet date.



Statautoriserede revisorer
Ernst & Young AS
Dronning Eufemias gate 6, NO-0181 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 978 389 387 MVA
Tlf: +47 24 90 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Bankenes Sirkingsfond

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bankenes Sirkingsfond, which comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of Bankenes Sirkingsfond as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Bankenes Sirkingsfond in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in Bankenes Sirkingsfond's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Bankenes Sirkingsfond's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate Bankenes Sirkingsfond or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and



practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bankenes Sirkingsfond's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Bankenes Sirkingsfond's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Bankenes Sirkingsfond to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to ensure that Bankenes Sirkingsfond's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 9 March 2018
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Governing bodies

Organisation

Following elections at the General Meeting on 30 March 2017, and the election of the Chairman and Deputy Chairman on 27 April 2017, the Board comprised the following:

- Ottar Ertzeid, Vice President, DNB Bank ASA, Chairman (up for election in 2018)
- Jan-Frode Janson, CEO, SpareBank 1 Nord-Norge, Deputy Chairman (up for election in 2019)
- John A. Sætre, Head of Personal Banking, Nordea Bank AB (publ) Norwegian branch (up for election in 2019)
- Odd Nordli, CEO, Aurskog Sparebank (up for election in 2018)
- Pål Strand, CEO, Sparebanken Øst (up for election in 2018)

Board members appointed by Norges Bank and Finanstilsynet:

- Kristin Gulbrandsen, Executive Director, Norges Bank
- Morten Baltzersen, Director General, Finanstilsynet

The Chairman and Deputy Chairman are elected for one year at a time.

The following were elected as deputy members to be called on in numerical order:

1. Rolf Endre Delingsrud, CEO, Totens Sparebank (up for election in 2018)
2. Frank Johannesen, CEO, Sparebanken Vest (up for election in 2018)
3. Steinar Haugli, CEO, SpareBank 1 Ringerike Hadeland (up for election in 2019)
4. Jan Kåre Eie, CEO, Flekkefjord Sparebank (up for election in 2019)
5. Trond Mellingsæter, Country Manager, Danske Bank (up for election in 2018)

Deputy member no. 1 attends all Board meetings.

Deputy members appointed by Norges Bank and Finanstilsynet:

- Arild J. Lund, Director, Norges Bank
- Emil Steffensen, Deputy Director General, Banking and Insurance Supervision, Finanstilsynet

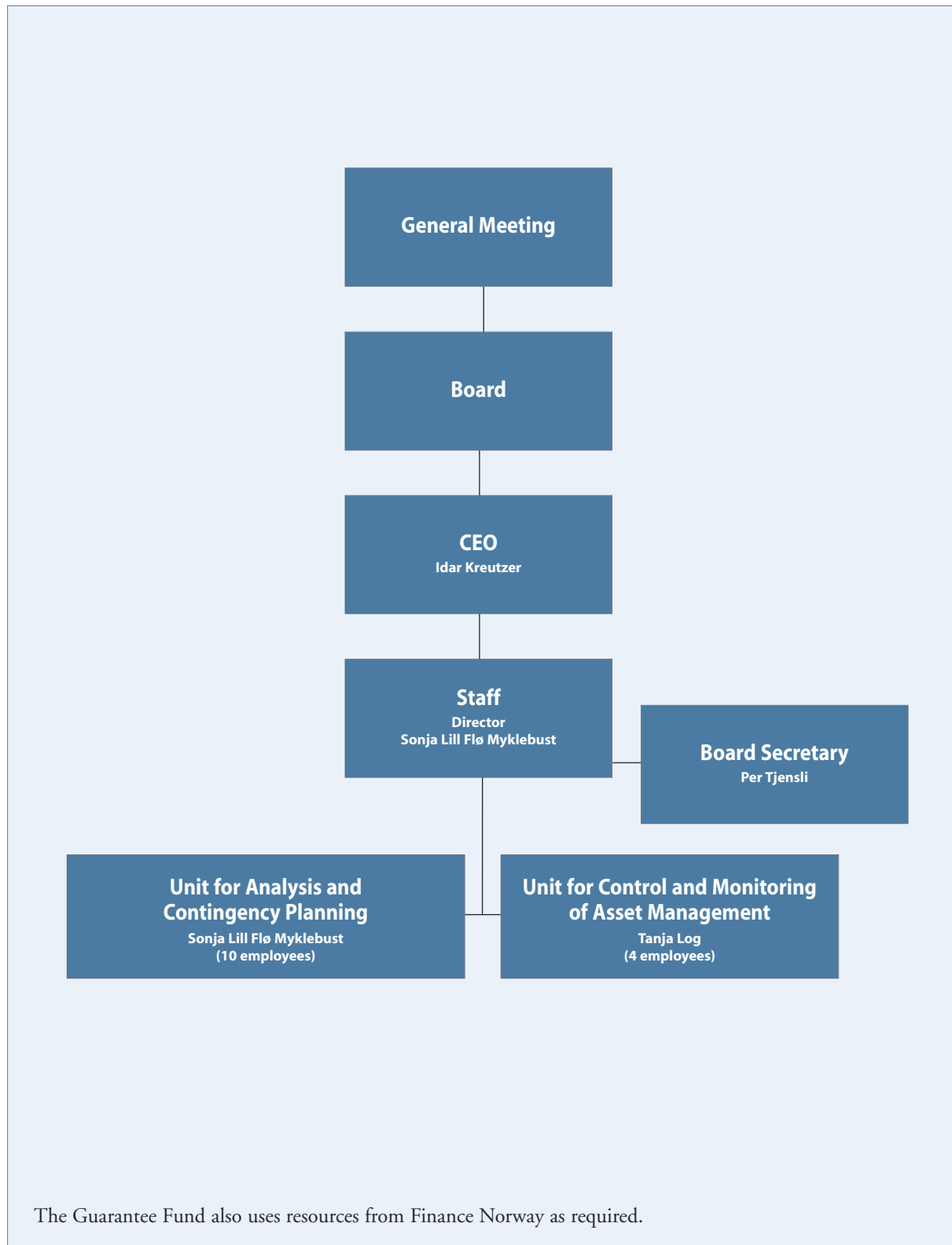
The following were elected members of the Nomination Committee:

- Dag Tjernsmo, CEO, Handelsbanken (up for election in 2019)
- Kaj-Martin Georgsen, Director, DNB Bank ASA (up for election in 2019)
- Siri Berggreen, CEO, Lillestrøm Sparebank (up for election in 2018)
- Ole Laurits Lønnum, CEO, Landkreditt Bank AS (up for election in 2018)
- Bente Haraldson Syre, CEO, Haugesund Sparebank (up for election in 2019)

Idar Kreutzer, CEO of Finance Norway, is the Fund's CEO.

The Fund also utilises personnel from Finance Norway where necessary under an agreement concluded between the two.



Organisation chart at 31 December 2017

Members of the Norwegian Banks' Guarantee Fund at 31 December 2017

<http://www.bankenessikringsfond.no/medlemsliste/category885.html>

Members headquartered in Norway

A

Andebu Sparebank
Arendal og Omegns Sparekasse
Askim og Spydeberg Sparebank
Aurland Sparebank
Aurskog Sparebank

B

BB Bank ASA
Bank Norwegian AS
Bank2 ASA
Berg Sparebank
Bien Sparebank ASA
Birkenes Sparebank
Bjugn Sparebank
Blaker Sparebank
BNbank ASA
Bud, Fræna og Hustad Sparebank

C

Cultura Sparebank

D

DeBank ASA
DNB Bank ASA
Drangedal Sparebank

E

Easybank ASA
Eidsberg Sparebank
Eika Kredittbank AS
Etne Sparebank
Etnedal Sparebank
Evje og Hornnes Sparebank

F

Fana Sparebank
Flekkefjord Sparebank
Fornebu Sparebank

G

Gildeskål Sparebank
Gjensidige Bank ASA
Grong Sparebank
Grue Sparebank

H

Haltdalen Sparebank
Harstad Sparebank
Haugesund Sparebank
Hegra Sparebank
Helgeland Sparebank
Hemne Sparebank
Hjartdal og Gransherad Sparebank
Hjelmeland Sparebank
Høland og Setskog Sparebank
Hønefoss Sparebank

I

Indre Sogn Sparebank
Instabank ASA

J

Jernbanepersonalets Sparebank
Jæren Sparebank

K

KLP Banken AS
Klæbu Sparebank
Komplett Bank ASA
Kvinesdal Sparebank

L

Landkreditt Bank AS
Larvikbanken – din personlige sparebank
Lillesands Sparebank
Lillestrøm Sparebank
Lofoten Sparebank
Luster Sparebank

M

Maritime & Merchant Bank ASA
Marker Sparebank
Melhus Sparebank
Monobank ASA
MyBank ASA

N

Neset Sparebank
Netfonds Bank ASA

O

OBOSBanken AS
Odal Sparebank
Ofoten Sparebank
Opdals Sparebank
Orkla Sparebank

P

Pareto Bank ASA

R

Rindal Sparebank
Rørosbanken Røros Sparebank

S

Safe Deposit Bank of Norway AS
Sandnes Sparebank
Santander Consumer Bank AS
Sbanken ASA
Selbu Sparebank
Skagerrak Sparebank
Skudenes & Aakra Sparebank
Skue Sparebank
Soknedal Sparebank
SpareBank 1 BV
SpareBank 1 Gudbrandsdal
SpareBank 1 Hallingdal Valdres
SpareBank 1 Lom og Skjåk
SpareBank 1 Modum
SpareBank 1 Nord-Norge
SpareBank 1 NordVest
SpareBank 1 Ringerike Hadeland
SpareBank 1 SMN
SpareBank 1 SR-Bank ASA

SpareBank 1 Søre Sunnmøre
SpareBank 1 Østfold Akershus
SpareBank 1 Østlandet
Sparebanken DIN
Sparebanken Møre
Sparebanken Narvik
Sparebanken Sogn og Fjordane
Sparebanken Sør
Sparebanken Telemark
Sparebanken Vest
Sparebanken Øst
Spareskillingsbanken
Stadsbygd Sparebank
Storebrand Bank ASA
Strømmen Sparebank
Sunndal Sparebank
Surnadal Sparebank
Søgne og Greipstad Sparebank

T

Tinn Sparebank
Tolga- Os Sparebank
Totens Sparebank
Trøgstad Sparebank
Tysnes Sparebank

V

Valdres Sparebank
Valle Sparebank
Vik Sparebank
Voss Sparebank
Voss Veksel- og Landmandsbank ASA

Y

yA Bank ASA

Ø

Ørland Sparebank
Ørskog Sparebank
Østre Agder Sparebank

Å

Åfjord Sparebank
Åsen Sparebank

Branch members (cf. section 19-2 of the Financial Institutions Act)

BlueStep Finans AB, Oslo branch
Danske Bank (Norwegian branch of
Danske Bank A/S)
Handelsbanken (Norwegian branch
of Svenska Handelsbanken AB)
Nordea Bank AB (publ), Norwegian branch
Nordnet Bank, branch of Nordnet Bank AB
Skandinaviska Enskilda Banken AB,
Oslo branch
Swedbank Norge, branch of Swedbank AB

Statutes of the Norwegian Banks' Guarantee Fund

Adopted at the first General Meeting of the Norwegian Banks' Guarantee Fund on 22 June 2004. Ratified by the Norwegian Ministry of Finance on 9 September 2004, and subsequently amended at the Annual General Meetings of 19 April 2005, 26 April 2006, 26 April 2007, 21 March 2013, 27 March 2014, and 30 March 2016. Ratified by the Ministry of Finance in letters dated 26 September 2006 and 16 May 2007, as well as by the Financial Supervisory Authority of Norway (on the delegated authority from the Ministry of Finance) in letters dated 24 June 2013, 28 May 2014, and 25 April 2016.

Ch. I Membership and objectives

§ 1 Establishment and membership

- (1) The Norwegian Banks' Guarantee Fund (hereafter the "Guarantee Fund" or the "Fund") was established pursuant to the Act of 25 June 2004 on Amendments to the Bank Guarantees Act through the merger of the Commercial Banks' Guarantee Fund and the Savings Banks' Guarantee Fund. The amended legislation came into force on 1 July 2004. The new Financial Institutions Act came into force on 1 January 2016. The activities of the Guarantee Fund are now regulated by the Financial Institutions Act (hereafter the "Act").
- (2) The Fund is headquartered in Oslo.
- (3) Institutions entitled or required to join the Norwegian Banks' Guarantee Fund:
 - a. Banks headquartered in Norway must be members of the Guarantee Fund.
 - b. The Ministry of Finance (hereafter the "MoF") may, by means of statutory regulations, determine that other financial institutions headquartered in Norway shall become members of the Guarantee Fund, and may determine specific regulations covering such members.
 - c. Credit institutions headquartered in other EEA states but receiving deposits from the general public through branches in Norway may become members of the deposit guarantee scheme if the deposit guarantee scheme in the branch's home country is not deemed to give the branch's depositors the same degree of protection as that afforded under Norwegian legislation.
 - d. The MoF may decide that branches of credit institutions headquartered in states outside the EEA are also required to join the deposit guarantee scheme.
- (4) The MoF may issue statutory regulations regarding branches' membership of the Guarantee Fund, including regulations enabling the Fund to examine the branches' financial statements and audits, and assess their management practices, cf. Section 19-2(3) of the Act.

§ 2 Objectives of the Fund

- (1) Through the deposit guarantee scheme, the Guarantee Fund shall secure its members' deposit liabilities by means of the deposit guarantee, cf. § 15.
- (2) In order to ensure that a member as mentioned in § 1(3)(a)(b) can fulfil its obligations or continue its operations, and, if necessary, have the business transferred to another institution, the Fund can also provide support in accordance with the rules set out in §§ 17 and 18.
- (3) The Fund is a separate legal entity. No member has a proprietary right to any part of the Fund. The Fund cannot open bankruptcy or composition proceedings.

§ 3 Right to inspect members

- (1) The Guarantee Fund may impose on members such reporting obligation as is necessary to enable the Fund to calculate annual membership levy.
- (2) The Fund may examine members' financial statements and audit practice, and assess their management practices. To this end the Fund can demand that a member presents any documents or information that the Fund deems necessary.

Ch. II The Guarantee Fund's capital

§ 4 The Guarantee Fund's capital

- (1) The Guarantee Fund's total capital must, at all times, equal no less than the sum of 1.5 per cent of the total amount of guaranteed deposits held by members, plus 0.5 per cent of the total basis for the calculation of members' capital adequacy (risk weighted assets), as stated in § 1(3)(a)(b). The Fund's capital is procured through levies and guarantees in accordance with §§ 5 and 6.
- (2) Calculation of members' total guaranteed deposits, as mentioned in sentence 1 above, is based on an average of the members' deposits at the end of the third and fourth quarter of the calendar year two years before the payment year, and the first and second quarter of the calendar year one year before the payment year. The same method is used to calculate the total risk weighted assets.

§ 5 Membership levy

- (1) Each year members pay a levy to the Guarantee Fund.
- (2) The levy is calculated in accordance with Sections 19-6 and 19-8 of the Act and associated regulations.
- (3) The board must notify individual members of the size of the levy to be collected. The deadline for payment is to be determined by the board.

- (4) The levy payable by any new members of the Fund that were operational before joining, is determined by the MoF on a case by case basis.

§ 6 Member guarantees

- (1) To the extent that the Guarantee Fund's assets fall below the minimum required in § 4, the shortfall shall be covered by guarantees from its members. The amount guaranteed by each member shall be calculated on a pro rata basis in the same way as the levy set out in § 5. Calls for payments pursuant to guarantee liabilities in a single year may not exceed one-tenth of the Fund's aggregate capital, cf. § 4.
- (2) The Fund's board allocates the guarantee amounts and determines how the guarantee liability shall be secured. The allocation of guarantee amounts shall be recalculated if the board so decides and when the MoF so requires.
- (3) The board determines the wording of guarantee declarations from the members and ensures that the declarations are obtained.

§ 7 Investment of the Guarantee Fund's assets

- (1) Within the frameworks pursuant to the rules below, the board determines the strategy and guidelines for management of the Guarantee Fund's assets in order to ensure prudent management, necessary liquidity and ethical management.
- (2) Investments must be made within the following parameters.
 - a. A minimum of two-thirds of the Fund's assets must be invested in Norwegian and foreign government and government-guaranteed bonds.
 - b. The Fund may not invest assets directly or indirectly in shares, equity certificates or other subordinated capital instruments issued by Norwegian banks or in a parent company of a financial group that includes Norwegian banks, unless such investments are a support measure pursuant to Section 19-11 of the Financial Institutions Act.

§ 8 Borrowings

- (1) The board may decide that the Fund should borrow funds if this is deemed necessary to fulfil its objectives.

Ch. III The Guarantee Fund's governing bodies

§ 9. General Meeting

- (1) The Fund's supreme authority is the General Meeting. Unless otherwise determined by the MoF, each member institution has one representative and

one vote at the General Meeting. A member institution can appoint as its proxy a representative of another member institution entitled to attend the meeting.

- (2) The General Meeting is held once a year, when possible by the end of June.
- (3) The Annual General Meeting is convened by the board. Notice of the General Meeting is issued by means of a letter sent to the member institutions no later than 14 days before the meeting. The agenda of items to be considered by the General Meeting must be in the hands of the member institutions no later than one week before the meeting. The General Meeting may not make any final decision on items other than those included in the agenda.
- (4) Any proposal which a member institution wishes to have considered by the General Meeting must be submitted in writing. Such proposals should be submitted long before the meeting is convened, and must be received by the Fund no later than three weeks before the General Meeting.
- (5) An Extraordinary General Meeting is held when the board deems it necessary, or when at least ten member institutions or member institutions which together represent more than 10 per cent of the total assets which member institutions have under management so demand. Those requesting an Extraordinary General Meeting must indicate at the same time which issues they wish the meeting to consider. Notice of an Extraordinary General Meeting must be issued in writing, so that it can be expected to have been received by all member institutions no later than eight calendar days before the meeting takes place.
- (6) The General Meeting is chaired by the board's chair, and in the absence of the board's chair by its deputy chair. Should both the above be absent, the General Meeting elects the meeting chair. The meeting chair is responsible for ensuring that minutes are kept of the General Meeting. The minutes must be approved and signed by the meeting chair and two other participants who are elected by the meeting.
- (7) Unless otherwise expressly stated in the Statutes, the General Meeting passes resolutions with a simple majority. In the event of a tie, the meeting chair has the casting vote, except for votes where decisions are made by the drawing of lots.
- (8) The General Meeting adopts the Guarantee Fund's Statutes, and can issue instructions to the board.

(9) The Annual General Meeting reviews:

- a. The Report of the Board of Directors
- b. The financial statements and the auditor's report
- c. Establishment of remuneration paid to elected representatives and the auditor
- d. Election of board members and deputy members
- e. Election of members of the Nomination Committee
- f. Other items that the board has tabled for consideration
- g. Proposals from member institutions.

§ 10 Nomination Committee

- (1) A Nomination Committee is elected at the General Meeting and prepares nominations for the next Annual General Meeting. Members of the Nomination Committee are proposed by elected board members.
- (2) The Nomination Committee consists of five members, who are elected for a term of two years from among the representatives of member institutions. Members should preferably be re-elected only once. The General Meeting appoints the committee's chair.

§ 11 Board of Directors

- (1) The Board of Directors consists of seven members. Five members and five deputy members are elected in numbered sequence by the General Meeting, preferably from among the CEOs of member institutions. One member and deputy member are appointed by Norges Bank (central bank of Norway) and one member and deputy member by the Financial Supervisory Authority of Norway.
- (2) Board members and deputy board members are elected for a term of two years. The election of members should reflect the need to achieve a balanced representation from member institutions of varying asset sizes and business models. A member should preferably be re-elected only twice.
- (3) The board elects a chair and deputy chair from among its own members for one year at a time.
- (4) Unless otherwise specified in § 15(5) or § 17(3) below, at least four board members must be present and unanimous in their decision for a board resolution to be adopted.
- (5) Board meetings are held as often as the chair deems necessary or when at least two board members so request. Wherever possible board meetings should be convened in writing. Notice of the meeting must state the items to be deliberated. The Fund's business manager convenes the meeting on behalf of the board chair.

- (6) If deemed necessary due to time restraints, the board chair can opt to submit a matter to the board for written consideration. Resolutions may nonetheless not be adopted with respect to matters considered in writing if a board member requests that the item be considered at a board meeting. Resolutions made with respect to matters considered in writing must be presented to and recorded in the minutes at the next board meeting.
- (7) The Chair of the Board is responsible for ensuring that minutes are kept of the board's proceedings. Each board member may request to have his/her vote recorded in the minutes. The minutes are signed by two board members appointed by the board, and by the Fund's business manager. A copy of the minutes shall be sent to the board members.
- (8) The board members receive remuneration for their work, as established by the General Meeting.

§ 12 The functions of the board

- (1) The board manages the Guarantee Fund's activities.
- (2) The board shall:
 - a. Convene Annual and Extraordinary General Meetings.
 - b. Make decisions on the collection of levies and obtaining of guarantee declarations etc. in accordance with §5(3)(4) and §6(2)(3) of the Statutes.
 - c. Establish the strategy and guidelines for management of the Guarantee Fund's assets in accordance with § 7 and make decisions on borrowings in accordance with § 8.
 - d. Employ a business manager for the Guarantee Fund, and issue instructions for the latter's conduct and remuneration.
 - e. Make decisions on the implementation of the deposit guarantee scheme or on support measures, in accordance with §§ 15, 16, 17 and 18 of the Statutes.
- (3) The board's authority to commit the Guarantee Fund:
 - a. The Fund is bound by the signature of the board chair or at least two board members jointly.
 - b. The board may grant the business manager limited authority to act on behalf of the Fund.

§ 13 Audit

- (1) The General Meeting elects a certified public accountant to perform auditing services. The auditor issues his report to the General Meeting.

§ 14 Duty of Confidentiality

- (1) Elected representatives, public officials and the auditors of the Guarantee Fund

shall issue a declaration on the duty of confidentiality regarding any matters of which these parties may become aware in their official capacities.

Ch. IV The Fund's deposit guarantee and support for member institutions

§ 15 The Deposit Guarantee

- (1) The Fund has a duty to cover any losses that a depositor incurs with respect to deposits made with a member institution, unless otherwise stated in Section 19-9 of the Act. Here deposits are deemed to be each credit balance on named accounts, and liabilities in accordance with the deposit certificate of the named individual, with the exception of deposits from other financial institutions. In this context deposits are also deemed to include balances in connection with payment transfers or other normal bank services, and interest not yet due.
- (2) If a depositor has total deposits that exceed NOK 2 million in the relevant member institution, the Fund is not obliged to cover losses on that part of the overall deposit that exceeds this amount. If the member institution is permitted to offset deposits and liabilities, the depositor's total deposits are reduced by the amount of any liabilities, which have fallen due, that he or she may have in respect of other agreements. The MoF may issue statutory regulations allowing the ceiling for compulsory coverage of losses on certain special types of deposit or of deposits from specific depositors to be set at a higher level than that stipulated in this paragraph's first sentence.
- (3) The Fund is not obliged to cover losses on:
 - a. deposits from mutual funds and other collective investment enterprises
 - b. deposits with an unusually high interest rate or other financial benefits when such benefits have contributed to a deterioration of the institutions' financial situation.
- (4) The Fund is not permitted to cover losses on:
 - a. deposits from companies in the same group as the member institution
 - b. deposits comprising the proceeds of a criminal act for which a legally binding judgement has been handed down.
- (5) To pass decisions to cover losses in excess of the amount the Guarantee Fund is obliged to cover in accordance with paragraphs 1 and 2 above, require the approval of at least five board members.

§ 16 Settlement under the Deposit Guarantee Scheme

- (1) The Fund shall cover losses on deposits in accordance with Section 19-10 of the Act.

§ 17 Support measures

- (1) In order to enable member institutions as stated in § 1(3)(a)(b) to fulfil their obligations or continue in operation, or, if necessary, have their business transferred to another institution, the Fund can grant support by:
 - a. issuing guarantees or providing other support in order to secure or cover losses on deposits that cannot be covered in accordance with § 15 above
 - b. providing liquidity support, providing loans or guarantees for borrowings or the fulfilment of other obligations
 - c. injecting equity or issuing equity guarantees in order to ensure that the business can continue or be wound up covering losses incurred by all, or specific groups of, creditors as a result of inadequate liquidity or capital adequacy
 - d.
- (2) Support granted under Section 19-11 of the Act may, instead, be granted to the parent company of a financial group. In such cases the parent company must immediately pass on the support to the member institution.
- (3) Resolutions with respect to support can only be made within the parameters established under § 19. In assessing whether support should be granted, the board must place particular emphasis on maintaining public confidence in the banking system, and to the Fund's finances. This includes comparing the costs of using support measures with the costs that would have been incurred if the matter were to end in public administration and settlement in accordance with the deposit guarantee scheme. To pass a decision of support requires the approval of at least five board members, where the reasons for approval must be documented in the Fund's board minutes.

§ 18 Conditions for support

- (1) The Fund's board decides whether and to what extent a member institution is granted support as stated in § 17 above, and the manner in which this is extended.
- (2) A member institution which has received support or guarantees from the Fund shall implement the instructions issued by the Fund's board in order to secure against losses. The member institution shall provide regular reports to the Fund's board with respect to the member's position and operations, as specifically determined by the Fund's board.

- (3) The Fund's board may require a member institution receiving support from the Fund to enter into negotiations on a merger with another member institution or other financial institution, or that amendments be made to the member institution's management or business.

§ 19 Maximum limit for the Guarantee Fund's total liabilities

- (1) The board may not pass a decision in accordance with § 17 and § 18 unless the Fund's residual capital after the support measure along with future receipts of the annual levy and guarantee capital, as well as other available capital, are deemed to be sufficient to meet the Fund's liabilities under the deposit guarantee scheme.
- (2) Pursuant to Section 19-11(7) of the Act, the Guarantee Fund may not, without the consent of the MoF, issue any guarantee or incur other liabilities in connection with the deposit guarantee or support measures that, taken together, make up more than twice the Fund's minimum capital, as set out in § 4.

Ch. V Report from the Board of Directors and financial statements

§ 20 Report from the Board of Directors

- (1) The Report from the Board of Directors on the activities of the Guarantee Fund is presented to the General Meeting by the board. It should be enclosed with the notice convening the General Meeting. The Report form the Board of Directors is signed by the entire board and initialled by the Fund's business manager.

§ 21 Financial statements

- (1) The Guarantee Fund's financial statements are prepared for the calendar year. Any surplus is added to the Fund's capital.
- (2) The business manager shall submit a draft of the audited financial statements to the board before the end of March.
- (3) The financial statements shall be signed by the entire board and initialled by the business manager.
- (4) The financial statements are enclosed with the notice convening the Annual General Meeting.

Ch. VI Amendment of the Statutes etc.

§ 22 Statutes

- (1) A decision to amend the Statutes require two-thirds of the votes cast. The decision may not be implemented until it has been approved by the MoF.



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Bankenes sikringsfond/Norwegian Banks' Guarantee Fund

Postboks/Postal address:

P.O. Box 2579 Solli

N-0202 Oslo

Telefon/Telephone:

+47 23 28 42 42

www.bankenessikringsfond.no

Grafisk produksjon

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