

Annual Report 2019





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Report from the Board of Directors 2019

The Fund's objective and activities

The Norwegian Banks' Guarantee Fund is an independent legal entity established by act of parliament. Its operations are governed by the Act on the Norwegian Banks' Guarantee Fund, the Financial Institutions Act and associated regulations.

The Fund administers and manages the deposit guarantee scheme in Norway and shall contribute to stability in Norwegian financial markets by protecting depositors through the deposit guarantee scheme.

The Fund shall ensure that the deposit guarantee scheme has a deposit guarantee fund and other financial means available for the rapid repayment of guaranteed deposits where a member bank is wound down under public administration, or for alternative measures to avoid a crisis in a member bank.

In addition, the Fund shall support the Financial Supervisory Authority of Norway (Finanstilsynet) in its role as resolution authority and manage the resolution fund, and it may also perform other administrative duties relating to the resolution fund.

Organisation of the Fund

In connection to the new rules for the Guarantee Fund on 1 January 2019, the Ministry of Finance appointed a new Board for the Fund from that date. The Board is now the Fund's supreme governing body. As a result of the new rules, it was no longer natural for the CEO to have links to the industry. In January 2020, the Board recruited Stig Helberg to serve as CEO with effect from 1 March 2020.

The Fund is organised into three units:

1. Unit for Analysis and Contingency Planning
2. Unit for Asset Management
3. Unit for Control and Monitoring of Asset Management

The Unit for Analysis and Contingency Planning is responsible for developing and maintaining procedures for crisis management and implementing risk-reducing measures. This work includes quarterly bank analyses/early warning reports, on-site visits, crisis exercises and developing alternative payment solutions. The unit also calculate and collect risk-based contributions for both the deposit guarantee fund and the resolution fund, and provide information about the deposit guarantee to the public and member banks.

The Unit for Asset Management manages the capital in the deposit guarantee fund and the resolution fund, and is also responsible for establishing alternative funding arrangements to the extent considered necessary.

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.

Financial position and performance in 2019

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

According to legislative changes entering into force on 1 January 2019 and the regulation issued pursuant to the Act on the Norwegian Banks' Guarantee Fund, 55 per cent of the Fund's equity on that date is to be transferred to a new resolution fund. The remaining 45 per cent constitutes the deposit guarantee fund. According to the transition rules, the transfer of the net value of assets and liabilities is to take place by 31 December 2020, with effect for accounting purposes from 1 January 2020. The capital at the disposal of the resolution authority and the deposit guarantee fund are to be presented together in the Guarantee Fund's equity until the transfer of assets and liabilities to the resolution fund is complete.

At 31 December 2019, the Guarantee Fund had an equity of NOK 38.2 billion, breaking down into NOK 21 billion at the disposal of the resolution authority and NOK 17.2 billion in the deposit guarantee fund. At 31 December 2018, the Guarantee Fund had an equity of NOK 35.5 billion.

Section 19-9 of the Financial Institutions Act requires the deposit guarantee fund to amount to at least 0.8 per cent of total guaranteed deposits. At 31 December 2019, the fund exceeded this minimum requirement by NOK 6.6 billion. Section 20-50 of the Financial Institutions Act requires the resolution fund to amount to at least 1 per cent of total guaranteed deposits. The capital at the disposal of the resolution authority exceeded this minimum requirement by NOK 7.9 billion at the same date.

The Guarantee 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 recorded a profit of NOK 2.7 billion in 2019 after a contribution from members of NOK 2.3 billion, breaking down into NOK 1.0 billion for the deposit guarantee fund and NOK 1.3 billion for the resolution fund.

This compares with a profit of NOK 1.6 billion in 2018.

The profit for the year has been transferred to equity.

Income from asset management activities before costs and fees amounted to NOK 0.6 billion, equivalent to a time-weighted return of 1.55 per cent, up from 0.79 per cent in 2018.

Other operating revenue

Other operating revenue amounted to NOK 2.7 million, compared with NOK 1.7 million in 2018. This revenue consists primarily of interest on bank deposits.

Operating expenses

Operating expenses totalled NOK 60.8 million, up from NOK 45.3 million in 2018. The Fund adjusted during the year to the legislative changes entering into force on 1 January 2019, including new areas of responsibility, increased complexity and additional duties. This required a general increase in both competence and capacity. Updating of payment methods, work on contingency planning and the phasing out of defined-benefit pensions also impacted on costs in 2019.

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 mainly due to the reinvestment of investment returns.

Investment strategy

The Fund invests in highly liquid low-risk assets so that it can meet the repayment deadline of seven working days. The deposit guarantee fund and the resolution fund were managed under a joint investment strategy in 2019. They were invested mainly in government bonds with a remaining maturity of one to three years from issuers rated AA or above. The remainder was invested in a portfolio of Norwegian treasury bills. In 2020, the deposit guarantee fund and the resolution fund will continue to be invested in highly-rated government bonds with a maturity of up to three years. The deposit guarantee fund will also be invested in short-term fixed-income securities issued by the Norwegian government and Norwegian local authorities.

The integration of environmental, social and governance issues will be a continuous process. These factors will be taken into account when making changes to the investment universe. In 2020, the Fund will require external managers and currency counterparties to have signed the FX Global Code.

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 fixed-income securities. In line with the Fund's objective, the Board has set stringent requirements for the liquidity and credit quality of its securities holdings. The portfolio of foreign government bonds is 100 per cent hedged against currency movements.

Organisation, crisis management and adjustment to new rules

The Fund put in considerable work during the year to adjust its organisation and operations to the legislative changes entering into force on 1 January 2019 to implement rules corresponding to the EU's Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD).

The Fund was not involved in any crisis events in 2019. The Fund's staff greatly enhanced the operational procedures for crisis management in 2019. This included improving the repayment portal and communication procedures, and further developing and improving analytical and early warning tools. The Fund also broadened its dialogue and collaboration with other guarantee funds and international institutions.

Work on providing information to the public and member banks focused during the year on adjusting to the new legislation. A new animation film and brochure on the deposit guarantee were produced to reflect the new rules. A communication agency was engaged to help ensure an effective information campaign, which was carried out in January 2019. The aim of the campaign was to increase awareness of the deposit guarantee among the general public. A new awareness survey was carried out in connection with these information activities in December 2019.

Membership changes

The deposit guarantee scheme had 130 members at the end of 2019, of which 122 were headquartered in Norway and eight were branch members. This is a net decrease of five members from the end of 2018. Nordic Corporate Bank ASA became an ordinary member in 2019, while DeBank ASA's membership ended when it converted into a financing company. Harstad Sparebank and Lofoten Sparebank merged under the name Sparebank 68 grader Nord, while Indre Sogn Sparebank, Vik Sparebank and Aurland Sparebank merged under the name Sogn Sparebank. Netfonds Bank ASA became part of Nordnet Bank AB (branch member in Norway), and Monobank ASA and BRA Bank ASA merged under the name BRA Bank ASA.

Autumn Conference 2019

The annual Autumn Conference was held at Quality Hotel Expo in Fornebu on 19-20 September and attracted a total of 250 participants. This was the 56th conference in a row and had regulatory changes and the outlook for banks as its main theme.

First year of collecting risk-based contributions

In 2019, the Fund collected risk-adjusted contributions to both the deposit guarantee fund and the resolution fund. The contribution to the deposit guarantee fund was calculated in accordance with Section 19-10 of the Financial Institutions Act, and the contribution to the resolution fund in accordance with Section 20-51 of the same act. A total contribution of NOK 2,276 million was collected. The annual contribution to the deposit guarantee fund is to be 0.08 per cent of member banks' total guaranteed deposits. The equivalent figure for the resolution fund is 0.1 per cent of total guaranteed deposits.

Outlook for the value of the deposit guarantee fund and the resolution fund

In 2020, the deposit guarantee fund and the resolution fund will continue to be invested in highly-rated foreign government bonds with a remaining maturity of up to three years. The deposit guarantee fund will also be invested

in Norwegian fixed-income securities. The value of the Guarantee Fund's portfolios 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 fixed-income securities, Norwegian interest rates will play a role in the Fund's returns. The coronavirus outbreak and slump in oil prices in early 2020 have led to considerable uncertainty among investors, and many central banks have cut their policy rates. The resulting decline in yields has made a positive contribution to the value of the funds.

The value of the funds will depend mainly on the size of contributions.

Administrative matters

The Board of the Guarantee Fund consisted of five women and two men in 2019. The Board made Sonja Lill Flø Myklebust acting CEO from 1 October 2019 before appointing Stig Helberg as CEO with effect from 1 March 2020. The Ministry of Finance appointed Endre Skjørestad to chair the Board with effect from 4 February 2020.

The Fund had 15 employees at the end of the year, eight of whom are women. The Fund is emphasizing the importance of good working environment that suits employees in all phases of life. Employee appraisals are carried out regularly and followed up appropriately. Employee representatives and management meet regularly to discuss relevant topics. Employees are covered by various welfare schemes and an agreement on occupational health services. Sickness absence amounted to 2.08 per cent in 2019, down from 2.64 per cent in 2018.

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.

The Fund has its offices at Hansteens gate 2 in Oslo.

Oslo, 30 March 2020

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

Marie Meling
(signed electronically)

Lisbet K. Nærø
(signed electronically)

Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Odd Nordli
(signed electronically)

Stig Helberg
CEO
(signed electronically)

Income statement

All figures in thousands of NOK

	NOTE	2019	2018
Revenue			
Contribution to deposit guarantee fund	1, 2	1 010 182	1 355 485
Contribution to resolution fund	1, 2	1 261 569	
Other operating revenue	12	2 663	1 690
Total revenue		2 274 413	1 357 175
Asset management			
<i>Fixed-income portfolio</i>			
Interest income		700 681	700 014
Other revenue/expenses	10	-523	-731
Gains and losses	11	-147 200	-421 639
<i>Income from fixed-income investments</i>		552 958	277 644
Income from asset management		552 958	277 644
Operating expenses			
Operating expenses	13	-60 849	-45 361
Profit/loss for the year		2 766 522	1 589 458
Appropriation of profit/loss			
Transferred to/from equity		2 766 522	1 589 458

Balance Sheet

All figures in thousands of NOK

	NOTE	31.12.2019	31.12.2018
ASSETS			
Bank deposits	3	771 032	141 282
Bonds and bills	4	37 196 310	34 886 234
Bonds and bills lent	4, 14	0	641 909
Financial derivatives	5	1 638 167	331 116
Unsettled trades		210 029	92 450
Property, plant and equipment	7	402	335
Net pension assets	9	229	3 331
Other receivables	6	35 384	12 507
Total assets		39 851 553	36 109 164
LIABILITIES AND EQUITY			
Equity	1	38 229 386	35 462 864
Financial derivatives	5	740 563	589 874
Unsettled trades		324 154	36 105
Other liabilities	8	550 544	8 563
Provisions for pension liabilities	9	6 906	11 758
Total liabilities		1 622 166	646 300
Total liabilities and equity		39 851 553	36 109 164

Oslo, 30 March 2020
31 December 2019

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

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Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Odd Nordli
(signed electronically)

Stig Helberg
CEO
(signed electronically)

Cash flow statement

All figures in thousands of NOK

	2019	2018
Profit/loss for the year	2 766 522	1 589 458
Depreciation and amortisation	208	146
Cash flow from operating activities	2 766 731	1 589 604
Investments in property, plant and equipment	-275	-269
Decrease (increase) in holdings of bonds and bills	-1 677 029	-1 978 087
Decrease (increase) in accrued interest	8 862	48 588
Decrease (increase) in other receivables	-140 456	392 977
Change in financial derivatives	-1 156 361	-69 565
Change in provisions for pension liabilities	-1 751	844
Increase (decrease) in other liabilities	830 029	-53 578
Net change in cash and cash equivalents	629 749	-69 487
Cash and cash equivalents at 1 January	141 282	210 770
Cash and cash equivalents at 31 December	771 032	141 282

Cash and cash equivalents comprise bank deposits and cash.

Notes to the financial statements for the year ended 31 December 2019

General

Banks headquartered in Norway must be members of the deposit guarantee scheme for banks. The Ministry of Finance may decree that financial 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 does not give the same degree of protection as that afforded under Norwegian law.

The financial statements for the Norwegian Banks' Guarantee Fund (NBGF) have been prepared in accordance with the Act on the Norwegian Banks' Guarantee Fund, the Accounting Act and generally accepted accounting practice in Norway. The provisions of the Act on the Norwegian Banks' Guarantee Fund, the Financial Institutions Act and associated regulations concerning the division of the guarantee fund and the creation of a resolution fund and a deposit guarantee fund are covered by transition arrangements running through to 31 December 2020. These provisions are therefore not fully reflected in the financial statements for 2019. See further discussion below.

The presentation of the financial statements are aligned with the NBGF's activities and will be amended to reflect the division of the fund and the management of capital in the resolution fund at the end of the transition period.

Dividing of the Norwegian Banks' Guarantee Fund and introduction of a new resolution fund

Changes to the Financial Institutions Act from 1 January 2019 require the creation of a resolution fund to be used to finance future resolution activities. The resolution fund is at the disposal of the Financial Supervisory Authority of Norway (Finanstilsynet) as resolution authority, but the NBGF is responsible for the management of the resolution fund. The NBGF may be given duties relating to the administration of the resolution fund. On inception, the fund is to receive 55 per cent of the capital of the Norwegian Banks' Guarantee Fund at 1 January 2019, based on the valuation at 31 December 2018. The resolution fund will subsequently be built up through contributions from banks and credit institutions. Under the transition rules, the transfer of assets and liabilities is to be completed by 31 December 2020 but take effect for accounting purposes from 1 January 2020. Assets and liabilities are to be divided on the basis of their values at 1 January 2019 and subsequent changes in value,

plus the contribution collected for the resolution fund, less costs for the administration of the fund. The capital at the disposal of the resolution authority is to be presented for accounting purposes as equity of the Norwegian Banks' Guarantee Fund until the transfer is complete. The Norwegian Banks' Guarantee Fund's financial statements for 2019 have been prepared in accordance with these transition rules. For further information, see Note 1.

Accounting policies for financial instruments

General

Holdings of securities and financial contracts are considered a trading portfolio and priced at fair value. The official closing price in each market is used when available. Securities holdings are valued on a daily basis by BNY Mellon Asset Servicing, which is the NBGF'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 foreign exchange contracts is WM FX Rates. Holdings of Norwegian treasury bills are valued daily by the Department of Investment Risk Management and Control based on transaction and holdings data VPS and prices from Oslo Børs. The NBGF performs regular checks on the pricing and valuations provided by its external suppliers. g og verdsettelse levert av fondets eksterne leverandører.

Bonds/bills

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

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.

Forward exchange contracts

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

Collateral

The NBGF 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 NBGF is to secure the deposits in members of the deposit guarantee scheme up to NOK 2 million per depositor per bank. The NBGF 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 NBGF has an established obligation.

Other accounting policies

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

Revenue recognition

Interest and contributions are recognised in the income statement as they are 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 NBGF has several pension schemes. Staff taken on before 1 January 2013 were covered by a defined-benefit scheme. This scheme was discontinued with effect from 1 May 2019, and only one employee remained in the scheme at 31 December 2019. This change is discussed in more detail in Note 9. Other staff are now covered by a defined-contribution scheme.

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

Under the defined-contribution scheme the employer has no obligations beyond annual contributions.

The NBGF 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 NBGF 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 2019, 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.

Net pension costs for the period are included in "Other operating expenses" in the income statement.

Pension costs and liabilities include employer National Insurance contributions.

See Note 9 for further 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 Norwegian Banks' Guarantee Fund is exempt from tax.

Note 1

Equity

Statement of equity	Deposit guarantee fund	Resolution fund	Total equity
Equity at 31 December 2017	33 873 406	-	33 873 406
Profit/loss for the year	1 589 458	-	1 589 458
Equity at 31 December 2018	35 462 864	-	35 462 864
Transfer of 55% of fair value at 1 January 2019	-19 499 380	19 499 380	-
Profit/loss for the year	1 213 425	1 553 098	2 766 522
Equity at 31 December 2019	17 176 908	21 052 478	38 229 386

The NBGF's own funds are defined in Section 4 of the Act on the Norwegian Banks' Guarantee Fund as capital contributed to the deposit guarantee fund. In accordance with the transition rules, the resolution fund is also presented as equity of the NBGF at 31 December 2019.

Deposit guarantee fund

Section 19-9 of the Financial Institutions Act requires the deposit guarantee fund to amount to at least 0.8 per cent of total guaranteed deposits.

Minimum requirement for size of deposit guarantee fund

The statutory minimum level is calculated on the basis of average guaranteed deposits for the last two quarters of 2018 and the first two quarters of 2019.

0.8 % of average guaranteed deposits incl. topping up	1 316 332 million	10 530 656
Deposit guarantee fund at 31 December 2019		17 176 908
Fund over minimum requirement at 31 December 2019		6 646 252

Resolution fund

The regulation issued pursuant to the Financial Institutions Act requires 55 per cent of the NBGF's capital at 1 January 2019 to be transferred to a resolution fund, based on the valuation at 31 December 2018. The remaining 45 per cent constitutes the deposit guarantee fund. Under the transition rules, the transfer of the net value of assets and liabilities is to take place by 31 December 2020. The capital to be allocated to the resolution fund is presented in the NBGF's equity. At the balance sheet date, the resolution fund at the disposal of the resolution authority amounts to 55 per cent of the equity of the NBGF at 1 January 2019 plus 55 per cent of the income from asset management for 2019, plus the contribution to the resolution fund recognised as revenue, and less costs for administration of the resolution fund. Section 20-50 of the Financial Institutions Act requires the resolution fund to amount to at least 1 per cent of total guaranteed deposits.

Statement of capital at disposal of the resolution authority

55 % of value-adjusted equity at 1 January 2019	19 499 380
55 % of income from asset management for 2019	304 141
55 % of income from asset management for 2019	1 261 569
Penalty interest on contributions to resolution fund for 2019	126
Fee for management and administration of resolution fund for 2019	-12 738
Value of capital at disposal of the resolution authority at 31 December 2019	21 052 478

Minimum requirement for size of resolution fund

The statutory minimum level is calculated on the basis of average guaranteed deposits for the last two quarters of 2018 and the first two quarters of 2019.

1.0 % of average guaranteed deposits incl. topping up	1 316 332 million	13 163 320
Capital at disposal of resolution authority at 31 December 2019		21 052 478
Fund over minimum requirement at 31 December 2019		7 889 158

Note 2

Contributions

Contribution to deposit guarantee fund

2019

The contribution to the deposit guarantee fund for 2019 was calculated in accordance with Section 19-10 of the Financial Institutions Act. The total annual contribution corresponds to 0.08 per cent of total guaranteed deposits at the end of the third and fourth quarters of 2017 and the first and second quarters of 2018. This is a change from the calculations for 2018. The new act and regulation no longer provide grounds for collecting joining fees from new members.

2018

The contribution for 2018 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 2016 and the first and second quarters of 2017. Members with a Tier 1 capital ratio above 8.0 per cent at 31 December 2016 were granted a discount on the annual fee. The maximum discount was 35 per cent for a Tier 1 capital ratio of 16.75 per cent. Branch members paid only a percentage of guaranteed deposits. A joining fee was also payable under the regulation issued under the previous Financial Institutions Act.

	2019	2018
Contribution to deposit guarantee fund	1 010 182	1 354 511
Joining fee for deposit guarantee fund	-	973
Total	1 010 182	1 355 485

Contribution to resolution fund

The contribution to the resolution fund for 2019 was calculated in accordance with Section 20-51 of the Financial Institutions Act. The total annual contribution corresponds to 0.1 per cent of total guaranteed deposits at the end of the third and fourth quarters of 2017 and the first and second quarters of 2018.

	2019
Contribution to resolution fund	1 261 569
Total	1 261 569

Adjustments to allocation of contribution

Adjustments to the allocation of the contribution for 2019 between institutions due to corrections of the underlying data reported will be made when invoicing the contribution for 2020. Where individual institutions have been undercharged, this is reflected as a receivable in the balance sheet at 31 December 2019. Similarly, where individual institutions have been overcharged, this is carried as a liability at the same date.

Note 3

Bank deposits

Tax withholding funds held in a separate account totalled NOK 1,674 thousand (NOK 1,199 thousand).

Total bank deposits included NOK 537,835 thousand in foreign currency at 31 December 2019 (NOK 11,301 thousand at 31 December 2018).

At 31 December 2019, cash and bank deposits (excluding current accounts) amounted to 1.5 per cent of assets managed by the NBGF (net asset value). The equivalent figure for 31 December 2018 was 0.1 per cent.

Note 4

Bonds and bills

Debtor category	2019			2018		
	Cost *)	Fair value (incl. accrued interest) *) **)	Accrued interest *)	Cost *)	Fair value (incl. accrued interest) *) **)	Accrued interest *)
Government bills	3 014 406	3 029 241	-	3 010 292	3 016 056	-
Government bonds	33 360 480	34 167 069	229 134	31 459 685	32 512 087	237 997
Total	36 374 886	37 196 310	229 134	34 469 978	35 528 143	237 997

*) Including securities lent

**) Fair value of securities lent was NOK 0 thousand in 2019, against NOK 641,909 thousand in 2018. See also Note 14.

The fair value including accrued interest was NOK 821,424 thousand higher than cost at 31 December 2019. At 31 December 2018, the fair value including accrued interest was NOK 1,058,165 thousand higher than cost.

The NBGF sets requirements for the liquidity of its bond holdings. Liquidity in bond holdings is measured monthly on security, portfolio and fund level. The NBGF also sets requirements for the creditworthiness of issuers.

Bonds and bills by country

Country	2019	2018
	Fair value (incl. accrued interest)	Fair value (incl. accrued interest)
Australia	2 295 764	2 175 872
Austria	728 825	685 408
Canada	2 748 662	2 670 527
Finland	427 511	416 542
France	4 444 522	4 245 267
Germany	6 418 823	6 056 467
Netherlands	1 448 576	1 358 084
Norway	3 029 241	3 016 056
Singapore	567 487	532 218
Sweden	881 737	899 188
Switzerland	1 140 860	1 119 610
UK	4 570 432	4 270 816
USA	8 493 869	8 082 088
Total	37 196 310	35 528 143

Bonds and bills by issuer credit rating at 31 December 2019 (amounts in thousands of NOK)

Credit rating agency	AAA or equivalent	AA+ or equivalent	AA or equivalent	Total
S&P	18 531 151	9 650 206	9 014 953	37 196 310
Moody's	27 025 020	1 156 336	9 014 953	37 196 310
Fitch	27 025 020	1 156 336	9 014 953	37 196 310

The credit ratings presented here are the local-currency long-term credit rating as at 31 December 2019 (source: Bloomberg).

Note 5

Financial derivatives

	2019		2018	
	Asset	Liability	Asset	Liability
Foreign exchange derivatives	1 638 167	740 563	331 116	589 874
Total financial derivatives	1 638 167	740 563	331 116	589 874

Forward exchange derivatives

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

	2019		2018	
	Cost	Fair value	Cost	Fair value
Foreign exchange derivatives	0	897 603	0	-258 758
Total	0	897 603	0	-258 758

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

Forward contracts by currency

2019				2018	
Purchased currency	Sold currency	Net nom. volume	Fair value	Net nom. volume	Fair value
NOK	AUD	2 341 107	17 091	2 219 692	47 529
NOK	CAD	2 797 085	49 218	2 682 460	50 212
NOK	CHF	1 168 809	18 013	1 103 262	-17 911
NOK	EUR	13 823 262	352 211	12 580 488	-196 912
NOK	GBP	4 638 403	67 758	4 252 360	-19 750
NOK	SEK	905 230	14 144	873 964	-25 954
NOK	SGD	580 730	14 571	521 824	-9 211
NOK	USD	8 749 402	364 596	8 084 393	-86 761
Totalt		35 004 027	897 603	32 318 443	-258 758

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

Note 6

Other receivables

	2019	2018
Coupons receivable – withholding tax receivable *)	7 963	9 899
Dividends receivable – withholding tax receivable *)	490	492
Undercharged contributions **)	25 810	-
Prepayments	1 035	2 100
Other receivables	86	17
Total	35 384	12 507

*) 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.

**) See also Note 2

Note 7

Property, plant and equipment

	2019 Fixtures and computer hardware	2018 Fixtures and computer hardware
Cost at 1 January	2 298	2 029
Additions	275	269
Disposals	1 250	-
Cost at 31 December	1 323	2 298
Acc. depreciation at 1 January	1 872	1 726
Depreciation for the year	208	146
Disposals	1 159	-
Acc. depreciation at 31 December	921	1 872
Acc. impairment losses at 1 Jan	91	91
Disposals	91	-
Acc. impairment losses at 31 Dec	0	91
Carrying amount at 31 December	402	335
Total property, plant and equipment	402	335

Operating assets are depreciated on a straight-line basis at the following rates:

Computer hardware	1/3 of cost
Fixtures	1/3 of cost

Note 8

Other liabilities

	2019	2018
Advance tax deductions, employer contributions	2 489	2 057
Trade payables	1 237	2 314
Other accrued expenses	2 655	2 448
Cash collateral received	516 292	-
Overcharged contributions *)	25 810	-
Other liabilities	2 061	1 745
Total	550 544	8 563

*) See also Note 2

Note 9

Pension costs, pension liabilities and pension assets

Defined-benefit occupational pension scheme

The NBGF previously had a defined-benefit pension scheme for all staff taken on before 1 January 2013. This scheme was discontinued with effect from 1 May 2019, and staff were transferred to the defined-contribution scheme. A total of six employees were transferred. Those over the age of 60 (one employee) remained in the defined-benefit scheme.

Employees transferred from the defined-benefit scheme to the defined-contribution scheme have been included in a special compensation scheme. The compensation scheme is based on length of service in the discontinued defined-benefit scheme and includes a one-off payment for earnings up to 30 April 2019 for those with a salary above 12 times the National Insurance basic amount (G). The scheme covers only active employees and provides for payments until reaching the age of 67 or ceasing employment. Five employees were covered by this scheme at 31 December 2019, and the benefits are included in pension costs.

The discontinuation of the defined-benefit scheme has resulted in unfunded pension rights for salaries above 12 G being recognised as revenue, and recognised overfunding of the funded defined-benefit scheme being expensed.

The effects on the income statement are based on actuarial calculations and conform to the Norwegian Accounting Standard NRS 6 "Pension costs". The pension curtailment/settlement was calculated with effect from 30 April 2019. The calculation of outstanding funded pension liabilities was based on the exact date of commencing employment. The pension liability has been 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. 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.

Defined-contribution occupational pension scheme

From 1 January 2013, the previous defined-benefit scheme was closed to new employees, who were instead 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 until 30 April 2019 were 5 per cent of salary up to 7.1 G and 8 per cent of salary between 7.1 G and 12 G. From 1 May 2019, all employees (except for one) are covered by the defined-contribution scheme, with the contribution rates increased to 7 per cent of salary up to 7.1 G and 20 per cent of salary between 7.1 G and 12 G.

The NBGF 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.

Disability pension

All employees are entitled to a disability pension. The premium is an insurance premium which is paid to an insurance company and there is no accumulation of capital. The annual premium is included in pension costs. Employees who were previously members of the defined-benefit scheme are entitled to a disability pension for salary above 12 G under a policy with an insurance company with no accumulation of capital. The annual premium is included in pension costs.

Remaining unfunded pension liabilities

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

– Accrued rights to early retirement pension from the age of 62 for the NBGF'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.

AFP scheme

The NBGF 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 2019, and so the scheme is treated as a defined-contribution pension scheme as required by generally accepted accounting practice. 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

	2019	2018		2019	2018
Discount rate	2,30 %	2,60 %			
Expected return	3,80 %	4,30 %			
Expected wage growth	2,25 %	2,75 %			
Expected adjustment of basic amount (G)	2,00 %	2,50 %	No. of active members	1	7
Expected adjustment of pensions	0,50 %	0,80 %	No. of pensioners	0	9

	2019			2018		
Pension costs						
Recognised in income statement	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of year's pension earnings (incl. employer NI)	994	189	1 183	1 704	610	2 314
Interest expenses on accrued liability	377	74	451	641	287	928
Expected return on pension assets	-451	-	-451	-735	-	-735
Pension costs before actuarial gains and losses	920	263	1 183	1 610	897	2 507
Amortisation of changes in estimates	297	-4 989	-4 692	228	21	249
Curtailment/settlement	4 140	-	4 140	-	-	-
Administration expenses	134	-	134	23	-	23
Net pension costs recognised for period	5 491	-4 726	765	1 861	918	2 779
Premium, Fellesordningen for AFP	272	-	272	224	-	224
Defined-contribution pensions	1 197	-	1 197	378	-	378
Compensation for discontinued DBP	1 316	-	1 316	-	-	-
One-off compensation for discontinued DBP	4 699	-	4 699	-	-	-
Risk premium, disability pension incl. suppl. pension	535	-	535	361	-	361
Total pension costs and risk premiums	13 510	-4 726	8 784	2 824	918	3 742

	2019			2018		
Pension liabilities						
Balance sheet	Funded	Unfunded	Total	Funded	Unfunded	Total
Estimated accrued pension liability (incl. employer NI)	2 093	7 661	9 754	30 666	13 042	43 708
Estimated value of pension assets	2 467		2 467	25 836	-	25 836
Net pension liabilities	-374	7 661	7 287	4 830	13 042	17 872
Actuarial gains and losses not recognised in income	145	-755	-610	-8 161	-1 284	-9 445
Net pension liabilities (assets)	-229	6 906	6 677	-3 331	11 758	8 427
Recognised assets (net overfunding)	229			3 331		
Recognised liabilities		6 906			11 758	

Year's change in pension liabilities

	2019	2018
Opening balance at 1 January	43 708	42 014
Rights earned during year	1 183	2 314
Year's interest expenses	451	928
Payments to retirees and payment of employer contributions on premiums	-1 697	-1 847
Curtailment/settlement	-39 135	-
Actuarial gains and losses	5 244	299
Closing balance at 31 December	9 754	43 708

Year's change in pension assets

Pension assets	2019	2018
Estimated pension assets at 1 January	25 836	25 759
Actuarial gains and losses	487	- 723
Pension assets at 1 January plus actuarial gains and losses	26 323	25 036
Expected return on pension assets	451	735
Premiums paid in	2 390	1 586
Curtailment/settlement	-24 992	-
Pensions paid out	-1 571	- 1 498
Administration and management expenses	-134	- 23
Estimated pension assets at 31 December	2 467	25 836
Actual gross return on fund assets	-	701

Note 10

Other revenue and expenses

	2019	2018
Interest income from bank deposits	756	742
Interest expenses from bank deposits	-210	-363
Interest income from cash collateral pledged by counterparties	45	276
Interest expenses from cash collateral pledged by counterparties	-1 114	-1 385
Total	-523	-731

Note 11

Gains and losses on fixed-income securities

	2019	2018
Realised gains/losses	-1 070 099	-1 149 667
Unrealised gains/losses	922 900	728 028
Total gains/losses	-147 200	-421 639

Breakdown of realised gains/losses	2019	2018
Bonds/bills	441 965	-610 508
Foreign exchange derivatives	-1 512 073	-539 118
Compensation under group lawsuits	8	76
Charges	-	-116
	-1 070 099	-1 149 667

Breakdown of unrealised gains/losses	2019	2018
Bonds/bills	-233 462	658 463
Foreign exchange derivatives	1 156 361	69 565
	922 900	728 028

Note 12

Other operating revenue

	2019	2018
Interest on bank deposits	2 034	1 157
Other financial income	266	109
Foreign exchange gains	5	12
Net income from courses	358	411
Total	2 663	1 690

Note 13

Operating expenses

	2019	2018
Salaries, fees and other personell expenses	32 011	21 871
Administration and operating expenses	22 789	17 715
Costs, external asset managers	5 821	5 599
Depreciation and amortisation	208	146
Other financial expenses	20	31
	60 849	45 361

Salaries, fees and other personell expenses

Number of employees at 31 December 2019: 15	2019	2018
Total salaries and fees	19 149	15 591
National Insurance contributions	4 126	2 603
Pension costs	8 385	3 468
Other personell expenses	350	209
	32 011	21 871

The following are included in salaries	2019	2018
Chairman of the Board	150	50
Other board members	480	225
CEO* (1 January to 30 September 2019)	150	200
Board adviser* (1 October to 31 December 2019)	50	-

*) Payments are to the same person, who fulfilled two different roles in 2019

Paid to acting CEO*

Salary and holiday pay	570
One-off payment	111
Defined-contribution pension	37
Compensation for discontinued DBP	142
Other	17

*) Employed by the NBGF throughout 2019 but served as acting CEO from 1 October to 31 December. These benefits relate to the period the employee served as acting CEO.

No special payments have been agreed in the event of termination or amendment of the terms of employment or office of the former CEO, acting CEO or Chairman of the Board. The former CEO did not receive any benefits in the form of bonuses, profit sharing or similar. The acting CEO received a one-off payment equivalent to 5 per cent of ordinary salary.

Transactions with related parties

The CEO of Finance Norway served as CEO of the NBGF until the end of September 2019. Finance Norway is considered to have been a related party during that period. The NBGF purchases services in the form of property rentals and other administrative services from Finance Norway. These amounts relate to the whole year.

Transactions with related parties	2019	2018
Fees, CEO	150	200
Fees, adviser	50	-
Agreement on assistance from Finance Norway*	4 375	4 375
Rent and overheads	3 092	2 397
Total	7 667	6 672

*) Standing agreement on administrative assistance from Finance Norway

Auditor's fees etc.	2019	2018
Fees paid to Ernst & Young as auditor	145	168
Other assurance services*	45	41
Agreed-upon procedures regarding financial information**	288	-
Total	479	209

*) Fees for auditor's statement on internal controls

**) Fees for auditor's review of contribution models

Note 14

Risk management

Overarching guidelines for the investment strategy

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

The NBGF 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.

Investment strategy

In its investment strategy for 2019, 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 internally by the Investment Management Department. The benchmark index for the NBGF's government bond portfolio is tailored to the NBGF'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).

Risk limits

Risk limits are determined by the Board. The Board sets upper limits for relative risk (tracking error), credit 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 NBGF's capital is monitored by the Department of Investment Risk Management and Control. All risk limits are incorporated into a compliance system both locally at the external asset manager and centrally in the Department of Investment Risk Management and Control. The Department of Investment Risk Management and Control 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 NBGF'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 NBGF's treasury bill portfolio, VPS Investorservice is used for transaction- and holdings reporting, while Oslo Børs is used for pricing of the securities held.

Foreign exchange risk

The NBGF'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 NBGF against foreign exchange risk. Exposure to all foreign currencies is monitored daily.

Foreign currency exposure at 31.12.2019

	AUD	CAD	CHF	EUR	GBP	SEK	SGD	USD
Fixed income portfolios (excl. currency hedging)	376,403	405,978	127,482	1,362,977	392,187	947,650	86,708	945,130
Currency hedging	-375,991	-405,497	-125,562	1,362,982	-392,319	-947,910	-86,626	-954,337
Net currency exposure	412	481	920	-5	-132	-260	82	-270

Foreign currency exposure at 31.12.2018

	AUD	CAD	CHF	EUR	GBP	SEK	SGD	USD
Fixed income portfolios (excl. currency hedging)	356,933	415,525	128,479	1,289,489	387,269	920,659	83,775	945,217
Currency hedging	-356,620	-415,458	-127,455	1,289,163	-387,329	-920,386	-83,652	-945,107
Net currency exposure	313	67	1,024	326	-60	273	123	110

Counterparty risk and netting

The NBGF enters into foreign exchange contracts with various counterparties, which results in counterparty risk. The NBGF 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 highly-rated bonds. The NBGF monitors the credit ratings/creditworthiness of its counterparties regularly, and exposure to counterparties is monitored and controlled on a daily basis.

Amounts that may not be presented net in the balance sheet, but are subject to a netting agreement

<i>Amounts in millions of NOK</i>	Gross value	Amounts offset in the balance sheet	Carrying amount	Financial instruments	cash collateral	Securities pledged as collateral	Amounts after permitted netting
Assets							
Financial derivatives	1638	-	1638	741	516	347	34
Securities pledged as collateral	0	-	0	0	0	0	0
Total assets	1638	-	1638	741	516	347	34
Liabilities							
Financial derivatives	741	-	741	741	-	0	0
Total liabilities	741	-	741	741	-	0	0

Interest rate risk

Duration is calculated for positions in the fixed-income market and is weighted according to market value at 31 December 2019 (source: MSCI BarraOne).

Duration shows the effective repayment period of a bond/bill and is a measure of sensitivity to interest rates. The NBGF's duration was 1.8 in 2019, compared with 1.7 in 2018.

Liquidity risk

The NBGF's investments consist of foreign government bonds, with an emphasis on the largest and most liquid markets, and Norwegian treasury bills. Liquidity is considered sufficient for the NBGF to fulfil its obligations.

Taxation/withholding tax

The NBGF is exempt from taxation in Norway but may be required to pay withholding tax on its investments abroad, for which it can then apply for a refund. The NBGF's tax status in Norway means that it is not always covered by the tax agreements Norway has with other countries. The NBGF must therefore assess and clarify its tax position before investing in new markets.

Note 15

Guarantees

The object of the NBGF is to protect deposits in members of the deposit guarantee scheme up to NOK 2 million per depositor per bank. In some situations, the guarantee also covers deposits in excess of NOK 2 million. These are deposits made in the past 12 months that relate to a specific life event, such as the sale of a home, an inheritance or an insurance payout. Such deposits are covered in full.

The NBGF is to cover losses on guaranteed deposits as soon as possible and no later than seven working days after:

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

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

There were no events where the NBGF had to cover losses on deposits in 2019, and no liabilities were recognised relating to the guarantee. Nor have there been any such events since the balance sheet date.

Note 16

Post balance sheet events

The outbreak of COVID-19 and decline in oil prices in early 2020 have led to considerable uncertainty among investors, and many central banks have cut their policy rates. The resulting decline in yields has made a positive contribution to the value of the funds.



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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Finance

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bankenes sikringsfond, which comprise the balance sheet as at 31 December 2019, 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 sikringsfond as at 31 December 2019 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 sikringsfond 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 sikringsfond'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 sikringsfond'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 sikringsfond 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,

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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 sikringsfond'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 sikringsfond'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 sikringsfond 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 sikringsfond's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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

Independent auditor's report - Bankenes Sikringsfond

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Governing bodies at 31 December 2019

Organisation

Under Section 1 (2) of the Act on the Norwegian Banks' Guarantee Fund, the Ministry of Finance appointed a new Board for the Fund with effect from 1 January 2019. The Board is now the Fund's supreme governing body and represents the Fund externally.

The previous full and deputy members of the Board and Nomination Committee therefore completed their service on 31 December 2018.

The Board has the following members:

- Kari Olrud Moen, Chair*
- Torbjørn Hægeland
- Marie Meling
- Trude Myklebust
- Jøril Mæland
- Odd Nordli
- Lisbet K. Nærø

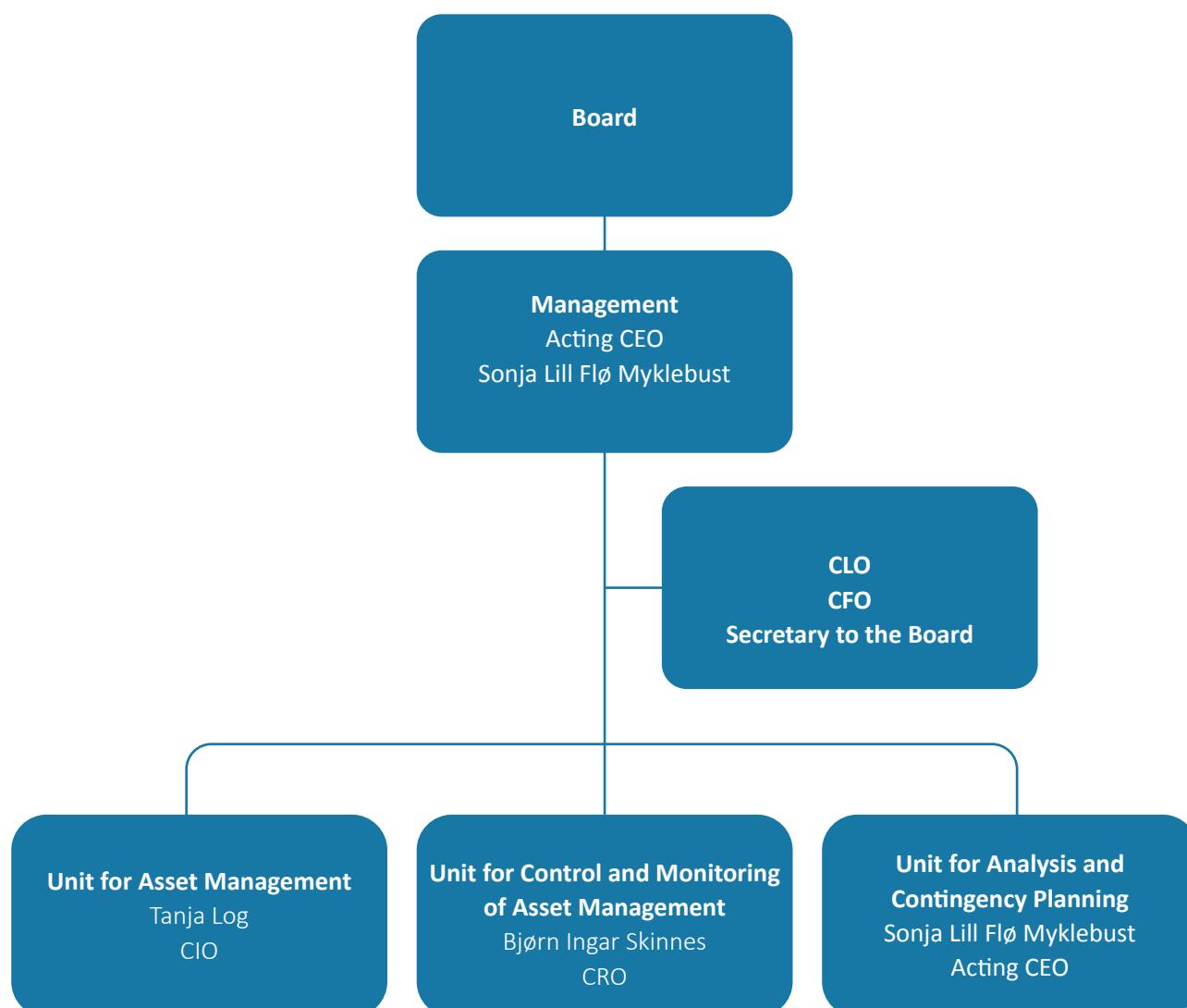
*Kari Olrud Moen stepped down as Chair on 24 January 2020.

The Ministry of Finance appointed Endre Skjørestad as Chair of the Guarantee Fund with effect from 4 February 2020.

Idar Kreutzer, CEO of Finance Norway, was the Fund's CEO until the end of September 2019. The Board made Sonja Lill Flø Myklebust acting CEO from 1 October 2019. The Fund can also utilise personnel from Finance Norway where necessary under an agreement concluded between the two. This agreement expires on 31 December 2020.

The Board appointed Stig Helberg as CEO with effect from 1 March 2020.

Organisation chart at 31 December 2019



Members of the deposit guarantee scheme at 31 December 2019

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

Members headquartered in Norway

A

Aasen Sparebank
Aasen Sparebank
Andebu Sparebank
Aprila Bank ASA
Arendal og Omegns Sparekasse
Askim & Spydeberg Sparebank
Aurskog Sparebank

B

Bank Norwegian AS
Bank2 ASA
BB Bank ASA
Berg Sparebank
Bien Sparebank ASA
Birkenes Sparebank
Bjugn Sparebank
Blaker Sparebank
BNbank ASA
BRAbank ASA

C

Cultura Sparebank

D

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

I

Instabank ASA

J

Jernbanepersonalets Sparebank
Jæren Sparebank

K

KLP Banken AS
Komplett Bank ASA
Kraft Bank ASA
Kvinesdal Sparebank

L

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

M

Maritime & Merchant Bank ASA
Marker Sparebank
Melhus Sparebank
MyBank ASA

N

Nidaros Sparebank
Nordic Corporate Bank ASA
Næringsbanken ASA

O

OBOS-Banken AS
Odal Sparebank
Ofoten Sparebank
Opdals Sparebank
Optin Bank ASA
Orkla Sparebank

P

Pareto Bank ASA

R

Rindal Sparebank
Romsdal 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
Sogn 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
Sparebank 68 grader Nord
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
Voss Sparebank
Voss Veksel- og Landmandsbank ASA

Ø

Ørland Sparebank
Ørskog Sparebank
Østre Agder Sparebank

Å

Åfjord Sparebank

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

BlueStep Finans AB (publ), filial Oslo
Danske Bank, norsk filial av Danske Bank AS
Handelsbanken, norsk filial av Svenska
Handelsbanken AB
Nordea Bank Abp, filial i Norge
Nordnet Bank, filial av Nordnet Bank AB
Resurs Bank AB, NUF
Skandinaviska Enskilda Banken AB Oslofilialen
Swedbank Norge, filial av Swedbank AB



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