

Annual Report 2020



Contents

CEO's foreword	Page 4
Report from the Board of Directors 2020	Page 5
Financial statements	
• Income statement	Page 8
• Balance sheet	Page 9
• Cash flow statement	Page 10
• Notes to the financial statements	Page 11
Auditor's report	Page 28
Governing bodies	
• Governing bodies	Page 30
• Organisation chart	Page 31
Members at 31 December 2020	Page 32
Statutes	Page 33

CEO's foreword

The Norwegian Banks' Guarantee Fund (NBGF) is responsible for Norway's deposit guarantee scheme. The deposit guarantee means that everyone can feel safe having money in the bank.

The coronavirus pandemic dominated 2020, and the Norwegian economy experienced a downturn without parallel in the post-war period. A wide-ranging fiscal and monetary policy measures have nevertheless helped curb the rise in unemployment and cushion the loss of income for both households and firms.

Overall, the banks have coped well during the pandemic and been in a position to maintain a supply of credit. Increased defaults on loan payments, low interest rates and continued measures to limit infections mean that there is still uncertainty about banks' earnings. The banks have substantially increased their financial strength in recent years in line with higher capital requirements. In general, they are therefore well-positioned to handle this uncertainty.

It is developments in the individual bank's earnings and funding that affect the NBGF's guarantee liability. Different parts of the bank market may perform differently. In isolation, strong growth in specialised consumer loan banks has increased our risk in recent years. Covered deposits make up a substantial share of the funding for some of these banks. The volume of consumer loans is now in decline, while the share of non-performing consumer loans is rising. According to the Financial Institutions Act the individual bank's annual contribution to the deposit guarantee fund is to reflect "the member's share of the deposit guarantee scheme's overall guarantee liability".

This risk-adjustment of contributions is an important element of the deposit guarantee scheme.

Overall, banks saw substantial growth in deposits in 2020. Covered deposits at member banks increased by almost 9 per cent from September 2019 to September 2020. Most of this can probably be attributed to consumers having reduced opportunities to spend money as a result of the infection control measures. At the same time, this growth is a sign of confidence in the banks and in the safety of covered deposits. The financial system, of which the deposit guarantee scheme is part, has continued to function during a deep economic downturn.

The deposit guarantee reduces the risk of large numbers of depositors wanting to withdraw their money simultaneously. If one bank is affected by a run on deposits, this may spread to other banks. In such a situation, banks may have problems fulfilling their role in the financial system even if they are financially sound, and economic activity in Norway could then suffer. The overall aim of the deposit guarantee is therefore to contribute to financial stability.

Our vision is for everyone to feel confident that their deposits are safe. Our website at www.skringsfondet.no provides more information on what this means and on our plans for the future.

Stig Helberg
CEO

Report from the Board of Directors 2020

The NBGF's objective and activities

The NBGF's mandate and operations are defined in the Act on the Norwegian Banks' Guarantee Fund, the Financial Institutions Act and associated regulations. The NBGF administers and manages the Norwegian deposit guarantee scheme and has the main object of guaranteeing deposits at member banks. In so doing, the NBGF is to contribute to financial stability. Its most important task is always to be ready to handle situations where one or more member banks have problems meeting their commitments. The NBGF may provide alternative measures to ensure continued operation of a member bank or make repayments to depositors if a member bank is wound down under public administration.

The deposit guarantee scheme, as well as the NBGF's operations, are financed through statutory contributions from member banks. Banks headquartered in Norway are required to be members, while those headquartered in other EEA countries may choose to be members. Whether membership is compulsory or voluntary, the NBGF has a duty to its members to deploy the capital contributed to the scheme in accordance with its mandate, responsibly and cost-effectively.

The NBGF is to ensure that the deposit guarantee scheme has a deposit guarantee fund and other financial means available so that repayments to depositors can be made or alternative measures taken.

In addition, the NBGF is to 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.

Collection of risk-adjusted contributions

Contributions to the deposit guarantee fund for 2020 were calculated in accordance with Section 19-10 of the Financial Institutions Act, and contributions to the resolution fund in accordance with Section 20-51 of the same act. A total contribution of NOK 2,375 million was collected. The annual contribution to the deposit guarantee fund is to be 0.08 per cent of member banks' total covered deposits. The equivalent figure for the resolution fund is 0.1 per cent of total covered deposits.

Financial position and performance in 2020

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

Under the changes to the Financial Institutions Act from 1 January 2019, a resolution fund has been formed by placing 55 per cent of the NBGF's equity on that date at the disposal of the resolution authority. 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 2021, with effect for accounting purposes from 1 January 2021. The capital at the disposal of the resolution authority is to be managed in the name of the NBGF and presented as part of the NBGF's equity until the transfer of assets and liabilities is complete.

At 31 December 2020, the NBGF had equity of NOK 41.1 billion, breaking down into NOK 22.7 billion at the disposal of the resolution authority and NOK 18.4 billion in the deposit guarantee fund. The deposit guarantee fund amounted to 1.24 per cent of covered deposits at 30 September 2020, and the resolution fund 1.54 per cent. At 31 December 2019, the NBGF had 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.

Section 19-9 of the Financial Institutions Act requires the deposit guarantee fund to amount to at least 0.8 per cent of total covered deposits. At 31 December 2020, 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 covered deposits. The capital at the disposal of the resolution authority exceeded this minimum requirement by NOK 7.9 billion at the same date.

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

The NBGF recorded a profit of NOK 2,890 million in 2020, compared with NOK 2,767 million in 2019. Contributions from banks and financial institutions totalled NOK 2,375 million, breaking down into NOK 1,055 million for the deposit guarantee fund and NOK 1,320 million for the resolution fund. Income from asset management before costs and fees amounted to NOK 579 million, equivalent to a time-weighted return of 1.51 per cent, down from 1.55 per cent in 2019. The profit for the year has been transferred to equity.

Operating expenses

Operating expenses totalled NOK 64.4 million, up from NOK 60.8 million in 2019. The NBGF continued to adjust during the year to the legislative changes entering into force on 1 January 2019, including new areas of responsibility and increased complexity. This has required an increase in both competence and capacity. Continuous improvement of payment methods, automation of the collection and quality assurance of data for calculating contributions, and a move to new offices also impacted on costs in 2020.

Liquidity

The NBGF'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 mainly to the reinvestment of investment returns.

The NBGF established credit facilities of NOK 5 billion during the year to increase the funds available to the deposit guarantee scheme.

Investment strategy

The NBGF manages the deposit guarantee fund and the resolution fund. The capital in the two funds is to be invested in liquid, low-risk assets. In 2020, the resolution fund and the deposit guarantee fund were invested in foreign government securities with a high credit rating and a remaining maturity of up to three years. Under the investment strategy, the deposit guarantee fund is also to be invested in short-term fixed income securities issued by the Norwegian government and may also be invested in fixed income securities issued by Norwegian local authorities. The deposit guarantee fund was not invested in securities issued by Norwegian local authorities in 2020.

Environmental, social and governance issues are prioritised in the management of the funds and will be taken into account when making changes to the investment universe. The NBGF expects external managers and currency counterparties to have signed the FX Global Code.

Exposure to market, credit and liquidity risk

The NBGF 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 NBGF's mandate, 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.

Outlook for the deposit guarantee fund and the resolution fund

The investment strategy for the deposit guarantee fund and the resolution fund will be maintained in 2021. The capital in the deposit guarantee fund and the resolution fund will be invested in foreign government securities with a high credit rating and a remaining maturity of up to three years. In addition, the deposit guarantee fund will be invested in short Norwegian fixed income securities.

The interest rate risk in the funds is low, and so a sharp rise in interest rates in a short period would not have a significant negative effect on their value. Given that all investments in foreign government securities are hedged to Norwegian kroner, and the deposit guarantee fund also has investments in Norwegian fixed income securities, Norwegian interest rates will impact on the value of the funds. Given current interest rate levels, investment income will probably be lower in 2021 than in 2020. Higher interest rates in Norway will gradually contribute to higher returns on the funds. The size of the funds will depend mainly on the size of contributions.

Development of new model for calculating contributions

The NBGF is working on a consultation paper with proposals for changes to the current model for calculating contributions. The consultation paper will be circulated during the first half of 2021 so that member banks and other parties can comment. The plan is to apply the new model for calculating contributions to the deposit guarantee fund from 2022 onwards.

Review of the Deposit Guarantee Schemes Directive

The European Commission is currently conducting a review of the EU's Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD). As part of this, the Commission is carrying out a consultation to gather views and experience from stakeholders and users of the rules.

The DGSD is not currently included under the EEA Agreement, but the contents of the directive have essentially been implemented in Norway through the Financial Institutions Act and the Act on the Norwegian Banks' Guarantee Fund.

The aim of the review is to develop more effective rules for managing bank crises. Depositors are to be assured of equal treatment and good protection, and this includes a possible joint European Deposit Insurance Scheme (EDIS) within the European Banking Union.

International collaboration

The NBGF plays an active role in various international fora in work on further developing the deposit guarantee scheme and crisis management, including the International Association of Deposit Insurers (IADI), the European Forum of Deposit Insurers (EFDI), the European Banking Authority (EBA) and the EU's working group on deposit guarantees and bank resolution.

Administrative matters and organisation

The NBGF's Board is appointed by the Ministry of Finance. The Board is the NBGF's supreme governing body and represents the NBGF externally. The NBGF's management is headed by the CEO, who is appointed by the Board and approved by the Ministry.

The Board consisted of four women and three men in 2020. The Ministry of Finance appointed Endre Skjørestad as Chair from 4 February 2020 following the departure of Kari Olrud Moen. The board appointed Stig Helberg as CEO with effect from 1 March 2020.

The NBGF's staff are organised into Department of Analysis and Contingency Planning, which is responsible for preparedness, payments, bank analysis, models and communication, and Department of Investment Management and Funding. There are also various support and control functions.

In the event of a crisis, all employees are part of pre-defined teams for crisis management, analysis, communications, payments and funding.

To ensure adequate resources in an emergency, the NBGF has entered into framework/co-operation agreements with external parties in areas such as legal advice, communications and IT security. In 2020, the NBGF improved and updated its contingency planning, including its policy and manual for preparedness, role cards, procedures and templates.

The NBGF was not involved in any crisis events in 2020.

The NBGF had 19 employees at the end of the year, nine of whom are women.

The NBGF is emphasising the importance of a 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 1.1 per cent in 2020, down from 2.1 per cent in 2019.

The NBGF moved into new premises at Dronning Mauds gate 10 in Oslo on 1 October.

The NBGF'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, 22 March 2021

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

Marie Meling
(signed electronically)

Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Roar Hoff
(signed electronically)

Arvid Andenæs
(signed electronically)

Stig Helberg
CEO
(signed electronically)

Income Statement

All figures in thousands of NOK

	NOTE	2020	2019
Revenue			
Contribution to deposit guarantee fund	1, 2	1 055 048	1 010 182
Contribution to resolution fund	1, 2	1 320 109	1 261 569
Other operating revenue	12	9	358
Total revenue		2 375 166	2 272 108
Asset management			
Fixed-income portfolio			
Interest income		724 331	700 681
Other income/expenses	10	-1 199	-523
Gains and losses	11	-143 636	-147 200
Income from fixed-income investments		579 496	552 958
Income from asset management		579 496	552 958
Other financial items			
Other financial income	13	1 669	2 305
Other financial expenses	13	-2 072	-20
Other financial items		-403	2 285
Operating expenses			
Operating expenses	14	-64 448	-60 829
Profit/loss for the year		2 889 810	2 766 522
Appropriation of profit/loss			
Transferred to/from equity		2 889 810	2 766 522

Balance Sheet

All figures in thousands of NOK

	NOTE	31.12.2020	31.12.2019
ASSETS			
Bank deposits	3	1 117 846	771 032
Bonds and bills	4	39 409 149	37 196 310
Financial derivatives	5	1 404 582	1 638 167
Unsettled trades		0	210 029
Property, plant and equipment	7	2 783	402
Net pension assets	9	0	229
Other receivables	6	15 816	35 384
Total assets		41 950 176	39 851 553
LIABILITIES AND EQUITY			
Equity	1	41 119 197	38 229 386
Financial derivatives	5	27 377	740 563
Unsettled trades		110 161	324 154
Other liabilities	8	687 172	550 544
Provisions for pension liabilities	9	6 269	6 906
Total liabilities		830 979	1 622 166
Total liabilities and equity		41 950 176	39 851 553

Oslo, 22 March 2021
31 December 2020

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

Marie Meling
(signed electronically)

Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Roar Hoff
(signed electronically)

Arvid Andenæs
(signed electronically)

Stig Helberg
CEO
(signed electronically)

Cash flow statement

All figures in thousands of NOK

	2020	2019
Profit/loss for the year	2 889 810	2 766 522
Depreciation and amortisation	338	208
Cash flow from operating activities	2 890 149	2 766 731
Investments in property, plant and equipment	-2 719	-275
Decrease (increase) in holdings of bonds and bills	-2 207 747	-1 677 029
Decrease (increase) in accrued interest	-5 092	8 862
Decrease (increase) in other receivables	229 597	-140 456
Change in financial derivatives	-479 601	-1 156 361
Change in provisions for pension liabilities	-407	-1 751
Increase (decrease) in other liabilities	-77 364	830 029
Net change in cash and cash equivalents	346 814	629 749
Cash and cash equivalents at 1 January	771 032	141 282
Cash and cash equivalents at 31 December	1 117 846	771 032

Cash and cash equivalents comprise bank deposits and cash.

The Norwegian Banks' Guarantee Fund had unutilised credit facilities of NOK 5,000 million at 31 December 2020 with maturity of more than one year.

Notes to the financial statements for the year ended 31 December 2020

General

Banks headquartered in Norway must be members of the deposit guarantee scheme. 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 Financial Institutions Act, 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 transfer of assets and liabilities managed by the NBGF under the previous Chapter 19 of the Financial Institutions Act and the creation of a resolution fund are covered by transition arrangements running through to 31 December 2021. These provisions are therefore not fully reflected in the financial statements for 2020. See further discussion below. The presentation of the financial statements are aligned with the NBGF's activities and will be amended to reflect the transfer of assets and liabilities managed by the NBGF under the previous Chapter 19 of the Financial Institutions Act and the management of capital in the resolution fund at the end of the transition period.

In the annual financial statements for 2020, other financial income and other financial expenses have been split out and reported on separate lines in the income statement. These items were previously included in other operating revenue and other operating expenses. The prior-year figures have been restated accordingly.

Creation of a resolution fund

Changes to the Financial Institutions Act from 1 January 2019 resulted in the creation of a resolution fund to be used to finance future crisis management 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 received 55 per cent of the capital of the NBGF 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 financial institutions and returns on its capital. Under the transition rules, the transfer of assets and liabilities is to be completed by 31 December 2021 but take effect for accounting purposes from 1 January 2021. Assets and liabilities are to be divided on the basis of their values at 1 January 2019 and subsequent changes in value, plus the contributions 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 NBGF until the transfer is complete. The NBGF's financial statements for 2020 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 NBGF's Department of Investment Risk Management and Control based on transaction and holdings data VPS Investorservice and prices from Bloomberg and Eikon. Prices from Nordic Bond Pricing are used at month-end. The NBGF 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). 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.

Foreign exchange contracts

Foreign exchange contracts and currency swaps are recognised at fair value. 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 NBGF's object 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 wound down 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. Contributions are calculated per calendar year, cf. further information in Note 2. 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 as income and recorded as a receivable in the balance sheet.

Adjustments to collection and allocation of contributions

Adjustments to the collection and allocation of the contribution between members for previous years due to corrections to the underlying data reported are taken into account when invoicing the contribution for the following year. Where individual members have underpaid, this is reflected as a receivable in the balance sheet at the end of the year. Similarly, any overpayment is carried as a liability at the same date.

Costs for credit facilities

Upfront fees for credit facilities are amortised over the term of the facility. Commitment fees are expensed as they incur.

Pensions

The NBGF has several pension schemes for its employees which all satisfy the criteria for mandatory occupational pensions. The NBGF previously had a defined-benefit scheme which was discontinued with effect from 1 May 2019. Only one employee remains in that scheme. Other staff are covered by a defined-contribution scheme.

Defined-contribution pension scheme

In a defined-contribution scheme, the NBGF does not promise future pension benefits of a certain size, but makes an annual contribution to employees' pension savings. The eventual pension depends on the size of the contributions and the annual return on pension savings. The NBGF has no further obligations beyond payment of the contribution each year. No provisions for accrued pension liabilities are made under such schemes. Defined-contribution pension schemes are expensed directly.

Defined-benefit pension scheme

In a defined-benefit scheme, the employer has an obligation to pay specific future pension benefits. This 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.

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 2020, 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 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
Profit/loss for the year	1 249 459	1 640 352	2 889 810
Equity at 31 December 2020	18 426 367	22 692 830	41 119 197

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 2020.

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 guaranteed deposits at the end of the third quarter of 2020, namely NOK 1,476,131 million.

0.8% of guaranteed deposits incl. topping up	11 809 045
Deposit guarantee fund at 31 December 2020	18 426 367
Fund over minimum requirement at 31 December 2020	6 617 322

Resolution fund

A resolution fund was established with effect from 1 January 2019 by law amendments, placing 55 per cent of the NBGF's capital on that date at the disposal of a resolution authority. 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 2021 but take effect for accounting purposes from 1 January 2021. Assets and liabilities are to be divided on the basis of their values at 1 January 2019 and subsequent changes in value, plus the contributions collected for the resolution fund, less costs for the administration of the fund. The capital to be transferred to the resolution fund is presented in the NBGF's equity at 31 December 2020. 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	2020	2019
Value of capital at disposal of the resolution authority at 1 January	21 052 478	19 499 380
Income from asset management	333 472	304 141
Contribution to resolution fund	1 320 109	1 261 569
Penalty interest on contributions to resolution fund	6	126
Fee for management and administration of resolution fund	-13 235	-12 738
Value of capital at disposal of the resolution authority at 31 December	22 692 830	21 052 478

Minimum requirement for size of resolution fund

The statutory minimum level is calculated on the basis of guaranteed deposits at the end of the third quarter of 2020, namely NOK 1,476,131 million.

1.0% of guaranteed deposits incl. topping up	14 761 306
Capital at disposal of the resolution authority at 31 December 2020	22 692 830
Capital over minimum requirement at 31 December 2020	7 931 524

Note 2

Contributions

Contribution to deposit guarantee fund

The contribution to the deposit guarantee fund for 2020 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 averaged across the end of the third and fourth quarters of 2018 and the first and second quarters of 2019.

	2020	2019
Contribution to deposit guarantee fund	1 052 636	1 010 182
Corrections to previous years' contributions	2 412	-
Total	1 055 048	1 010 182

Contribution to resolution fund

The contribution to the resolution fund for 2020 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 averaged across the end of the third and fourth quarters of 2018 and the first and second quarters of 2019.

	2020	2019
Contribution to resolution fund	1 317 009	1 261 569
Corrections to previous years' contributions	3 100	-
Total	1 320 109	1 261 569

Note 3

Bank deposits

Tax withholding funds held in a separate account totalled NOK 1,893 thousand.

The equivalent figure for 31 December 2019 was NOK 1,674 thousand.

Total bank deposits included NOK 756,235 thousand in foreign currency at 31 December 2020, and NOK 537,835 thousand at 31 December 2019.

At 31 December 2020, cash and bank deposits (excluding current accounts) amounted to 2.4 per cent of assets managed by the NBGF (net asset value). The equivalent figure for 31 December 2019 was 1.5 per cent.

The NBGF had unutilised credit facilities of NOK 5,000 million at 31 December 2020 with maturity of more than one year.

Note 4

Bonds and bills

Debtor category	2020			2019		
	Cost	Fair value (incl. accrued interest)	Accrued interest	Cost	Fair value (incl. accrued interest)	Accrued interest
Treasury bills	3 184 740	3 189 361	-	3 014 406	3 029 241	-
Government bonds	35 818 424	36 219 788	234 226	33 360 480	34 167 069	229 134
Total	39 003 164	39 409 149	234 226	36 374 886	37 196 310	229 134

The fair value including accrued interest was NOK 405,985 thousand higher than cost at 31 December 2020. At 31 December 2019, the fair value including accrued interest was NOK 821,424 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	2020	2019
	Fair value (incl. accrued interest)	Fair value (incl. accrued interest)
Australia	2 817 116	2 295 764
Austria	-	728 825
Canada	2 742 156	2 748 662
Finland	-	427 511
France	3 733 317	4 444 522
Germany	8 789 141	6 418 823
Netherlands	-	1 448 576
Norway	3 189 361	3 029 241
Singapore	-	567 487
Sweden	-	881 737
Switzerland	-	1 140 860
UK	5 243 287	4 570 432
USA	12 894 771	8 493 869
Total	39 409 149	37 196 310

Bonds and bills by issuer credit rating at 31 December 2020

Credit rating agency	AAA or equivalent	AA+ or equivalent	AA or equivalent	AA- or equivalent	Total
S&P	17 537 774	12 894 771	8 976 604	-	39 409 149
Moody's	30 432 545	-	3 733 317	5 243 287	39 409 149
Fitch	27 690 389	2 742 156	3 733 317	5 243 287	39 409 149

The credit ratings presented here are the local-currency long-term credit rating as at 31 December 2020 (source: Bloomberg).

Note 5

Financial derivatives

2020			2019	
Debtor category	Asset	Liability	Asset	Liability
Foreign exchange derivatives	1 404 582	27 377	1 638 167	740 563
Total	1 404 582	27 377	1 638 167	740 563

Foreign exchange contracts

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

2020			2019	
Derivative category	Cost	Fair value	Cost	Fair value
Foreign exchange derivatives	-	1 377 205	-	897 603
Total	-	1 377 205	-	897 603

Foreign exchange contracts by currency

2020				2019	
Purchased currency	Sold currency	Net nom. volume	Fair value	Net nom. volume	Fair value
NOK	AUD	2 825 673	-12 146	2 341 107	17 091
NOK	CAD	2 898 383	119 160	2 797 085	49 218
NOK	CHF	-	-	1 168 809	18 013
NOK	EUR	12 918 305	348 711	13 823 262	352 211
NOK	GBP	5 415 141	115 341	4 638 403	67 758
NOK	SEK	-	-	905 230	14 144
NOK	SGD	-	-	580 730	14 571
NOK	USD	13 451 207	802 141	8 749 402	364 596
AUD	GBP	-	237	-	-
CAD	EUR	-	168	-	-
EUR	USD	-	1 675	-	-
GBP	USD	-	1 917	-	-
Total		37 508 710	1 377 205	35 004 027	897 603

Nominal volume denotes exposure in NOK. Exposure is allocated between the currency pairs in which the NBGF hedges the portfolio. Nominal volume is not specified for contracts where NOK is neither bought nor sold.

Note 6

Other receivables

	2020	2019
Coupons receivable – withholding tax receivable *)	-	7 963
Dividends receivable – withholding tax receivable *)	-	490
Undercharged contributions	377	25 810
Prepayments	15 396	1 035
Other receivables	44	86
Total	15 816	35 384

*) 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

	2020 Fixtures, computer hardware, improvements to rented premises	2019 Fixtures, computer hardware, improvements to rented premises
Cost at 1 January	1 323	2 298
Additions	2 719	275
Disposals	147	1 250
Cost at 31 December	3 895	1 323
Acc. depreciation at 1 January	921	1 872
Depreciation for the year	338	208
Disposals	147	1 159
Acc. depreciation at 31 December	1 113	921
Acc. impairment losses at 1 Jan	-	91
Disposals	-	91
Acc. impairment losses at 31 Dec	-	-
Carrying amount at 31 December	2 783	402
Total property, plant and equipment	2 783	402

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

Computer hardware	1/3 of cost
Fixtures	1/5 of cost
Improvements to rented premises	1/15 of cost

Note 8

Other liabilities

	2020	2019
Advance tax deductions, employer contributions	3 216	2 489
Trade payables	15 929	1 237
Accrued expenses	4 296	2 655
Cash collateral received	661 308	516 292
Overcharged contributions	-	25 810
Other liabilities	2 423	2 061
Total	687 172	550 544

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. At 31 December 2020 one employee remains 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. The scheme covers only active employees and provides for payments until reaching age 67 or ceasing employment. Five employees were covered by this scheme at 31 December 2020, and the benefits are included in pension costs.

The discontinuation of the defined-benefit scheme resulted in unfunded pension rights for salaries above 12 times the National Insurance basic amount (G) being recognised as revenue, and recognised overfunding of the funded defined-benefit scheme being expensed in the financial statements for 2019.

Pension liabilities and pension costs for 2020 for the employee still in the defined-benefit scheme have been calculated in accordance with Norwegian Accounting Standard NRS 6 "Pension costs".

Defined-contribution occupational pension scheme

All employees (except for the one) are covered by a defined-contribution pension scheme, with contribution rates of 7 per cent of salary up to 7.1 G and 20 per cent of salary between 7.1 G and 12 G.

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, and has a financial liability under this scheme. Individual employers do not possess the information needed to calculate this liability at 31 December 2020, and so the scheme is treated as a defined-contribution pension scheme in line with generally accepted accounting practice.

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

	2020	2019		2020	2019
Discount rate	1,70 %	2,30 %			
Expected return	2,70 %	3,80 %			
Expected wage growth	2,25 %	2,25 %			
Expected adjustment of basic amount (G)	2,00 %	2,00 %	No. of active members	1	1
Expected adjustment of pensions	0,00 %	0,50 %	No. of pensioners	0	0

	2020			2019		
Pension costs						
Recognised in income statement	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of year's pension earnings (incl. employer NI)	214	-	214	994	189	1 183
Interest expenses on accrued liability	48	167	215	377	74	451
Expected return on pension assets	-48	-	-48	-451	-	-451
Pension costs before actuarial gains and losses	214	167	381	920	263	1 183
Amortisation of changes in estimates	-	-	-	297	-4 989	-4 692
Curtailment/settlement	-	-	-	4 140	-	4 140
Administration expenses	15	-	15	134	-	134
Net pension costs recognised for period	229	167	396	5 491	-4 726	765
Premium, Fellesordningen for AFP	256	-	256	272	-	272
Defined-contribution pensions	1 853	-	1 853	1 197	-	1 197
Compensation for discontinued DBP	1 825	-	1 825	1 316	-	1 316
One-off compensation for discontinued DBP	-	-	-	4 699	-	4 699
Risk premium, disability pension incl. suppl. pension	611	-	611	535	-	535
Total pension costs and risk premiums	4 774	167	4 941	13 510	-4 726	8 784

	2020			2019		
Pension liabilities						
Balance sheet	Funded	Unfunded	Total	Funded	Unfunded	Total
Estimated accrued pension liability (incl. employer NI)	2 381	7 376	9 757	2 093	7 661	9 754
Estimated value of pension assets	2 582	-	2 582	2 467	-	2 467
Net pension liabilities	201	7 376	7 577	-374	7 661	7 287
Actuarial gains and losses not recognised in income	(201)	-1 107	-1 308	145	-755	-610
Net pension liabilities (assets)	-	6 269	6 269	-229	6 906	6 677
Recognised assets (net overfunding)				229		
Recognised liabilities		6 269			6 906	

Year's change in pension liabilities

Pension liabilities	2020	2019
Opening balance at 1 January	9 754	43 708
Rights earned during year	214	1 183
Year's interest expenses	215	451
Payments to retirees and payment of employer NI on premiums	-804	-1 697
Curtailment/settlement	-	-39 135
Actuarial gains and losses	378	5 244
Closing balance at 31 December	9 757	9 754

Year's change in pension assets

Pension assets	2020	2019
Estimated pension assets at 1 January	2 467	25 836
Actuarial gains and losses	82	487
Pension assets at 1 January plus actuarial gains and losses	2 549	26 323
Expected return on pension assets	48	451
Premiums paid in	-	2 390
Curtailment/settlement	-	-24 992
Pensions paid out	-	-1 571
Administration and management expenses	-15	-134
Estimated pension assets at 31 December	2 582	2 467
Actual gross return on fund assets	-	345

Note 10**Other revenue and expenses**

	2020	2019
Interest income from bank deposits	396	756
Interest expenses from bank deposits	-1 250	-210
Interest income from cash collateral pledged by counterparties	458	45
Interest expenses from cash collateral pledged by counterparties	-802	-1 114
Total	-1 199	-523

Note 11

Gains and losses on fixed-income securities

	2020	2019
Realised gains/losses	-214 995	-1 070 099
Unrealised gains/losses	71 359	922 900
Total gains/losses	-143 636	-147 200

Breakdown of realised gains/losses

	2020	2019
Bonds/bills	811 960	441 965
Foreign exchange derivatives	-1 026 957	-1 512 073
Compensation under group lawsuits	1	8
	-214 995	-1 070 099

Breakdown of unrealised gains/losses

	2020	2019
Bonds/bills	-408 242	-233 462
Foreign exchange derivatives	479 601	1 156 361
	71 359	922 900

Note 12

Other operating revenue

	2020	2019
Net income from courses	8	358
Other operating revenue	1	-
Total	9	358

Note 13

Other financial items

Breakdown of other financial income

	2020	2019
Interest income from bank deposits	943	2 034
Other financial income	701	266
Foreign exchange gains	25	5
	1 669	2 305

Breakdown of other financial expenses

	2020	2019
Other financial expenses	2 053	5
Foreign exchange losses	19	15
	2 072	20

Note 14

Operating expenses

	2020	2019
Salaries, fees and other personell expenses	32 143	32 011
Administration and operating expenses	25 657	22 789
Costs, external asset managers	6 309	5 821
Depreciation and amortisation	338	208
	64 448	60 829

Salaries, fees and other personell expenses

Number of employees at 31 December 2020: 19	2020	2019
Total salaries and fees	23 257	19 149
National Insurance contributions	3 807	4 126
Pension costs	4 753	8 385
Other personell expenses	326	350
	32 143	32 011

The following are included in salaries:

	2020	2019
Chairman of the Board	155	150
Other board members	497	480
CEO	-	150
Board adviser	200	50
Other fees	32	-

Paid to CEO *)	2020	2019
Salary and holiday pay	1 949	-
Defined-contribution pension	123	-
Other	15	-

*) Benefits for the period from 1 March to 31 December 2020

The CEO did not receive any benefits in the form of bonuses, profit sharing or similar in 2020

Paid to acting CEO *)	2020	2019
Salary and holiday pay	383	570
One-off payment	-	111
Defined-contribution pension	25	37
Compensation for discontinued DBP	95	142
Other	3	17

*) Benefits in 2019 for the period from 1 October to 31 December 2019
Benefits in 2020 for the period from 1 January to 29 February 2020)

No special payments have been agreed in the event of termination or amendment of the terms of employment or office of the CEO, acting CEO or Chairman of the Board.

Auditor's fees etc.	2020	2019
Fees for statutory audit	189	145
Fees for other services from auditor	91	-
Fees for other assurance services *)	42	45
Fees for agreed-upon procedures regarding financial information **)	164	288
Total	485	479

*) Fees for auditor's statement on internal controls

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

Note 15

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 2020, 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 by Legal & General Investment Management and DNB Asset Management. The portfolio of Norwegian treasury bills is managed internally by the NBGF's Investment Management Department.

Risk limits

Risk limits are determined by the Board. The Board sets upper limits for interest rate risk, country weights, hedging, 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 reports, which include accounts, 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 Nordic Bond Pricing 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 contracts are used to manage foreign exchange risk. The manager may only perform currency trades to hedge against foreign exchange risk. Exposure to foreign currencies are monitored daily.

Foreign currency exposure at 31.12.2020

	AUD	CAD	EUR	GBP	USD
Fixed income portfolios (excl. currency hedging)	427,468	408,057	1,190,393	448,402	1,508,934
Currency hedging	-427,829	-406,500	-1,187,953	-446,422	-1,504,762
Net currency exposure	-361	1,557	2,439	1,980	4,172

Foreign currency exposure 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	-126,562	1,362,982	-392,319	-947,910	-86,626	-954,337
Net currency exposure	412	481	920	-5	-132	-260	82	-207

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 (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 regularly monitors the credit ratings/creditworthiness of its counterparties, 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	1405	-	1405	27	660	610	107
Securities pledged as collateral	0	-	0	0	0	0	0
Total assets	1405	-	1405	27	660	610	107
Liabilities							
Financial derivatives	27	-	27	27	-	0	0
Total liabilities	27	-	27	27	-	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 2020 (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 1.1 in 2020, compared with 1.8 in 2019.

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 16

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 wound down under public administration.

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

Overall, the banks have coped well during the coronavirus pandemic. Increased defaults on loan payments, low interest rates and continued measures to limit infections mean that there is still uncertainty about banks' earnings. However, the banks have substantially increased their financial strength in recent years in line with higher capital requirements. In general, they are therefore well-positioned to handle this uncertainty.

There were no events where the NBGF had to cover losses on deposits in 2020, and no liabilities were recognised relating to the guarantee. Nor have there been any such events since the balance sheet date.



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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 2020, 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 2020 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

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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 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.

Kjetil Rimstad, 26 March 2021
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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

Governing bodies at 31 December 2020

The Board is the NBGF's supreme governing body and represents the NBGF externally.

The Board had the following members in 2020:

- Kari Olrud Moen, Chair (stepped down on 24 January 2020)
- Endre Skjørestad, Chair (from 4 February 2020)
- Torbjørn Hægeland
- Marie Meling
- Trude Myklebust
- Jøril Mæland
- Odd Nordli
- Lisbet K. Nærø

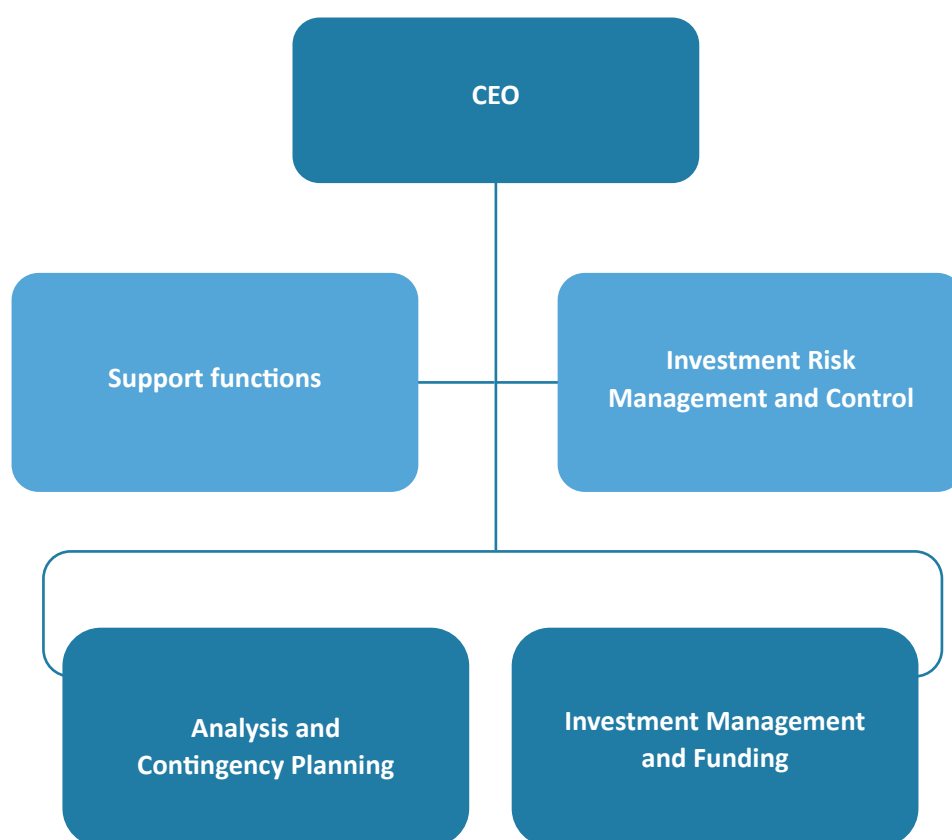
In accordance with Section 3 of the Act on the Norwegian Banks' Guarantee Fund, the Ministry of Finance appointed a new Board for the NBGF with effect from 1 January 2021. The Board has had the following members from that date:

- Endre Skjørestad, Chair
- Torbjørn Hægeland
- Marie Meling
- Trude Myklebust
- Jøril Mæland
- Roar Inge Hoff
- Arvid Andenæs

The NBGF's management comprises:

- Stig Helberg, Chief Executive Officer
- Sonja Lill Flø Myklebust, Executive Director
- Tanja Log, Chief Investment Officer
- Tor Runshaug Foss, Chief Legal Officer

Organisation chart at 31 December 2020



Membership changes in 2020

The deposit guarantee scheme had 127 members at the end of 2020, of which 118 were headquartered in Norway and nine were branch members. This is a net decrease of three members from the end of 2019. BB Bank ASA and TF Bank AB merged and continued under the name BB-TF Bank Norge NUF, simultaneously becoming a branch member of the deposit guarantee scheme. Ofoten Sparebank and Sparebank 68 grader Nord merged under the name Sparebank 68 grader Nord. Skue Sparebank and Hønefoss Sparebank merged under the name Skue Sparebank. BRA Bank ASA and Easybank merged with Easybank as the acquiring company but continued under the name of BRA Bank ASA. Gjensidige Bank ASA changed name to Nordea Direct Bank ASA.

Members of the deposit guarantee scheme at 31 December 2020

An updated list of member companies can be found on our website.

Members headquartered in Norway

A

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

B

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

C

Cultura Sparebank

D

DNB Bank ASA
Drammen Sparebank

E

Eidsberg Sparebank
Eika Kreditbank AS
Etne Sparebank
Etnedal Sparebank
Evje og Hornnes Sparebank

F

Fana Sparebank
Flekkefjord Sparebank
Fornebu Sparebank

G

Gildeskål Sparebank
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

I

Instabank ASA

J

Jernbanepersonalets Sparebank
Jæren Sparebank

K

KLP Banken AS
Komplett Bank ASA
Kraft Bank ASA
Kvinnesdal 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
Nordea Direct Bank ASA
Nordic Corporate Bank ASA
Næringsbanken ASA

O

OBOSBanken AS
Odal 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 Sørre 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
Sunddal 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
Aasen Sparebank

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

BB-TF Bank Norge NUF
BlueStep Finans AB, Oslo branch
Danske Bank (Norwegian branch of Danske Bank A/S)
Handelsbanken (Norwegian branch of Svenska Handelsbanken AB)
Nordea Bank Abp, Norwegian branch
Nordnet Bank, branch of Nordnet Bank AB
Resurs Bank AB, NUF
Skandinaviska Enskilda Banken AB, Oslo branch
Swedbank Norge, branch of Swedbank AB

Statutes for the Norwegian Banks' Guarantee Fund

Laid down by the Ministry of Finance on 14 December 2020, cf. Regulation No. 2145 of 19 December 2018 pursuant to Section 1 of the Act on the Norwegian Banks' Guarantee Fund.

§ 1. Statutory basis etc.

The Norwegian Banks' Guarantee Fund is an independent legal entity established by act of parliament. The entity's business is regulated by the Act on the Norwegian Banks' Guarantee Fund of 23 March 2018 and the Financial Institutions Act of 10 April 2015, and associated regulations.

§ 2. Name

The name of the entity is Bankenes sikringsfond – the Norwegian Banks' Guarantee Fund. The entity shall be registered with the Norwegian Register of Business Enterprises.

§ 3. Registered office

The Norwegian Banks' Guarantee Fund shall have its registered office in Oslo.

§ 4. Own funds

The Norwegian Banks' Guarantee Fund's own funds consist of capital contributed to the deposit guarantee fund.

§ 5. Investment management

(1) The Board shall set an investment strategy and guidelines for the management of the capital in the deposit guarantee fund and the resolution fund.

(2) The capital shall be managed in a responsible and ethical manner based on recognised environmental, social and governance principles. The overall portfolio for each fund shall be characterised by low risk, sufficient diversification and necessary liquidity. Within these constraints, the aim shall be a good risk-adjusted return.

(3) The capital may not be invested directly or indirectly in shares, primary capital certificates, other equity capital or convertible debt issued by Norwegian banks or in the parent companies of financial groups that include Norwegian banks, unless as part of measures under Section 19-11 of the Financial Institutions Act.

§ 6. Powers and composition of the Board

(1) The Board is the supreme governing body of the Norwegian Banks' Guarantee Fund and represents the Norwegian Banks' Guarantee Fund externally. The Chair alone or any two other members of the Board together may sign for the Norwegian Banks' Guarantee Fund.

(2) The Board shall have seven members appointed by the Ministry of Finance. Alternate members may be appointed. The Ministry may appoint replacements and in special cases amend the composition of the Board. Full and alternate members of the Board are appointed for a term of two years. The Board's fees are set by the Ministry of Finance.

(3) The Chair is appointed by the Ministry of Finance.

(4) The Board may issue rules of procedure for its work.

(5) The Board shall review the Norwegian Banks' Guarantee Fund's goals, strategies and risk profile at least annually. The Norwegian Banks' Guarantee Fund's most important risks shall be prioritised in this annual review. The review shall cover general guidelines and systems for risk management and internal control. The Board shall discuss internal control with the auditor, including any weaknesses identified by the auditor and suggested improvements.

(6) The Board issues rules of procedure and sets the remuneration for the Chief Executive Officer.

§ 7. Board meetings

(1) Board meetings shall be held at least four times a year, or more often if the Chair deems this necessary or if at least two other members of the Board so request. Where necessary, meetings may be held digitally or as a teleconference.

(2) Notice of meeting shall be given in writing. The notice of meeting shall specify the matters to be considered. The Chief Executive Officer calls meetings on behalf of the Chair.

(3) Where deemed necessary, the Chair may choose to put a matter to the Board for written consideration only. A decision may not be made on the basis of written consideration only if any one member of the Board requests that the matter is considered at a meeting. Decisions reached on the basis of written consideration only shall be presented and minuted at the next meeting.

(4) The Board's proceedings are to be led by the Chair. Where the Chair does not attend a meeting, the Board shall elect a person to lead the proceedings.

(5) The Board's proceedings are to be minuted. If the Board's decision is not unanimous, the minutes must state who voted for and against. If a member of the Board or the Chief Executive Officer does not agree with a decision or its rationale, he or she may request that this is minuted. The minutes shall be signed by all members participating in the proceedings and by the Chief Executive Officer.

(6) A valid decision requires at least four members of the Board to be in attendance. Decisions are made by a simple majority. In the event of a tie, the Chair has the casting vote.

§ 8. Emergency powers in extraordinary situations

(1) In extraordinary situations where there is neither time nor opportunity to gather the Board physically or digitally, the Chair may take necessary decisions on behalf of the Board to safeguard the interests of Norwegian Banks' Guarantee Fund, including deciding on alternative measures under Section 19-11 of the Financial Institutions Act.

(2) Where these powers are used, the Board shall be informed as soon as practically possible of the decision that has been taken, and of the reasons why it was not possible to hold a meeting first.

§ 9. Management

(1) The management of the Norwegian Banks' Guarantee Fund's activities shall be headed by a Chief Executive Officer appointed by the Board and approved by the Ministry.

(2) The Chief Executive Officer prepares matters for consideration by the Board. The Board may issue instructions on the matters to be put before the Board and on the Chief Executive Officer's duties and obligations to the Board.

(3) The Chief Executive Officer shall ensure that instructions are issued specifying employees' duties and responsibilities, as well as reporting and administrative procedures.

§ 10. Annual report and annual financial statements

(1) The Norwegian Banks' Guarantee Fund shall prepare and publish an annual report and annual financial statements. The annual report and annual financial statements shall cover both the deposit guarantee fund and the resolution fund. The Chief Executive Officer shall submit draft audited annual financial statements to the Board by the end of March of the following year.

(2) The annual report and annual financial statements shall be signed by the Board and the Chief Executive Officer by 30 June of the following year and submitted to the Ministry of Finance, Finanstilsynet, Norges Bank and the Brønnøysund Register Centre.

§ 11. Auditing

The external auditor of the Norwegian Banks' Guarantee Fund is appointed by the Ministry of Finance, which also sets the auditor's fees.

§ 12. Amendment of the Statutes

The Ministry of Finance may amend these Statutes at any time and may issue written exemptions from its provisions in specific cases. The Board of the Norwegian Banks' Guarantee Fund may submit proposals for amendments to the Statutes.



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