



THE NORWEGIAN BANKS' GUARANTEE FUND

Annual Report 2022





Contents 2022

Report from the Board 2022 page 4

Financial statements 2022

- Income statement page 10
- Balance sheet page 11
- Cash flow statement page 12
- Notes to the financial statements page 13

Independent auditor's report 2022 page 32

Governing bodies

- Board and management page 35
- Organisation chart page 35

What the deposit guarantee scheme covers page 36

Members at 31 December 2022 page 37

Statutes page 38

Report from the Board of Directors

The Norwegian Banks' Guarantee Fund (NBGF) – objective and activities

The NBGF's mandate

The NBGF's mandate and governance are set out in the Act on the Norwegian Banks' Guarantee Fund, the Financial Institutions Act and associated regulations.

The NBGF shall contribute to financial stability by administering the deposit guarantee scheme and managing the deposit guarantee fund. This means guaranteeing the availability of covered deposits and having the financial means to meet this commitment.

Being prepared for a critical situation is the NBGF's most important role – and crucial for confidence in the deposit guarantee scheme. If the Ministry of Finance decides to wind down a bank, covered deposits are to be made available to customers within seven working days. The NBGF either pays out covered deposits to customers or transfers them to another bank in consultation with the administrators of the failing bank. The NBGF may also contribute alternative measures to prevent a bank from failing.

All banks headquartered in Norway must be a member of the deposit guarantee scheme. Deposits at Norwegian branches of banks headquartered in another EEA member state are covered in the first instance by the home country's deposit guarantee scheme. In addition, these branches may also be a member of the Norwegian scheme ("Topping-Up-Member") if this provides better coverage than in their home country. In the event of a winding down and subsequent pay out on behalf of a Topping-Up-Member, NBGF will cover deposits which exceeds the coverage provided in the banks home country (up to the coverage limits set out in the Norwegian regulation).

The NBGF also manages the capital in the resolution fund for managing failing banks, and performs other administrative tasks relating to the resolution fund.

The NBGF's vision

The NBGF's vision is the common objective to which its activities must aspire. The Board has defined this vision as follows:

Everyone feels confident that their deposits are safe. The banks and the authorities have confidence in us.

The value of the deposit guarantee scheme depends entirely on depositors having confidence in the scheme and the scheme being considered credible. A credible deposit guarantee scheme contributes to financial stability and is of value to society as a whole.

The deposit guarantee scheme is funded through annual statutory contributions from member banks. It is essential that the NBGF manages contributions to the scheme responsibly and cost-effectively in line with its mandate.

The NBGF forms part of a wider system for dealing with failing banks. There is therefore a need for close collaboration both with banks and with the other players in the financial safety net for the NBGF to be prepared. The NBGF must have the confidence of banks and the authorities to succeed in this.

The NBGF has six strategic priorities

The NBGF has set the following priorities for the strategy period 2021-2023:

1. Crisis management, which is co-ordinated with the other players in the financial safety net
2. Safe and efficient reimbursement of covered deposits
3. Sufficient awareness of the scheme
4. Readily available and transparent calculation of contributions that reflects the liability of the deposit guarantee scheme
5. Liquidity solutions for all eventualities
6. Competent and cost-effective administration

What this entails and how the NBGF plans to proceed are set out in the strategy document, which can be downloaded from the NBGF's website.

Significant events in 2022

Decrease in covered deposits

Covered deposits totalled NOK 1,550 billion at the end of 2022, down 1.1 per cent from the year before. Covered deposits grew considerably during the pandemic, by 9.3 per cent in 2020 and 5.1 per cent in 2021.

The decrease in 2022 was a result of Bank Norwegian ASA and Nordea Direct Bank ASA merging with foreign banks and consequently exiting the Norwegian deposit guarantee scheme. Since these mergers, the banks in question have operated through branches in Norway. Deposits at Norwegian branches of banks headquartered in another EEA member state are covered in the first instance by the home country's deposit guarantee scheme. However, they may also be a member of the Norwegian scheme if it provides better coverage. Both the above mentioned branches have taken this option to become a Topping-Up- Member, which means that the NBGF cover deposits which exceeds the coverage provided in the banks home country (up to the coverage limits set out in the Norwegian regulation). In practice this means deposits between EUR 100,000 and NOK 2 million.

Adjusted for the above, covered deposits increased by 1.6 per cent in 2022, which is a lower rate of growth than in previous years. Norwegian households accounted for more than 80 per cent of these deposits. Data from Statistics Norway show that total household savings decreased substantially in 2022. This was a result of increased spending following the reopening of the economy and a sharp rise in prices.

Winding down of Optin Bank ASA

In December 2022, the final liquidating dividend for Optin Bank ASA was paid and the administrators' work entered the closing phase. The Ministry of Finance decided in June 2021 to wind down the bank under public administration as a result of the bank's financial position. This decision triggered the deposit guarantee for the first time since 2008, and customers with covered deposits at the bank was reimbursed by the NBGF well within the deadline of seven working days.

In the period following June 2021, the administrators liquidated Optin Bank's assets. The NBGF received full coverage in 2022 for its claim in respect of the repayment of covered deposits, and the amount was returned to the deposit guarantee fund.

When a bank is wound down, covered deposits have priority over other unsecured liabilities. This position for covered deposits, known as a super-preference, was introduced in Norway in 2019 and entails very strong protection against loss for the deposit guarantee scheme.

Even though the deposit guarantee scheme normally has good coverage for its claim, it may take time to wind down a bank. However, rules on the provisional distribution of assets mean that the deposit guarantee scheme can, on certain terms, receive full or partial coverage as soon as the administrators have funds available. The NBGF applied these rules and was able to return the money to the deposit guarantee fund in advance of the administrators' final liquidating dividend.

Digitalisation of the organisation

The NBGF works continuously on digitalising and automating its activities. Reliable and efficient solutions benefit depositors, banks and the NBGF alike.

The NBGF's digital payment solution was used to reimburse customers of Optin Bank. The solution was expanded in 2022 so that it can also be used to reimburse foreign depositors from Norwegian banks' cross-border activities. This is an improvement on the previous, more manual pay out solution.

In late 2021, we launched an online portal which greatly simplifies the calculation and collection of member banks' annual contributions to the deposit guarantee fund and resolution fund. The calculation of contributions requires large amounts of data. In 2022, the NBGF gained access to data from banks' existing periodic reporting to Statistics Norway, the Central Bank of Norway and the Norwegian Financial Supervisory Authority. The plan is for data to be transferred automatically to the online portal, and the long-term aim is for this to reduce the time spent by the NBGF and banks on submitting and checking data.

All banks must be able to transfer standardised customer lists to the NBGF in a crisis. These then provide the basis for the reimbursement of covered deposits. The NBGF developed and introduced a new module in the online portal in 2022 where banks can upload their customer lists and test for themselves whether they meet applicable requirements.

Transfer of funds to other deposit guarantee schemes

If a member bank ceases to be a member of the Norwegian deposit guarantee scheme and becomes a member of a deposit guarantee scheme in another EEA member state, the member's contributions to the Norwegian scheme during the 12 months preceding the end of the membership shall be transferred to the other deposit guarantee scheme. The Norwegian rules are in line with the Deposit Guarantee Schemes Directive. Mergers of Norwegian banks with foreign banks in 2022 triggered transfers of contributions under these rules. Because these transfers took place after the end of the financial year, the amounts have been recorded as a liability in the NBGF's balance sheet.

Results for 2022

Going concern assumption

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

Collection of risk-adjusted contributions

Banks and other financial institutions made total contributions of NOK 2,724 million to the deposit guarantee fund and the resolution fund in 2022, up 8.1 per cent on the comparable figure for 2021.

Mergers of Norwegian banks with foreign banks in 2022 triggered a requirement for the Norwegian deposit guarantee scheme to transfer previous contributions totalling NOK 92 million to the deposit guarantee schemes in Sweden and Finland. Together with other adjustments to contributions, this means that the amount recognised in the income statement for contributions from banks and other financial institutions is NOK 2,622 million, breaking down into NOK 1,110 million for the deposit guarantee fund and NOK 1,512 million for the resolution fund. The overall increase in recorded contributions from 2021 to 2022 was 4.1 per cent. With the transfers to Sweden and Finland not being made until 2023, the NOK 92 million has been recorded as a liability in the NBGF's balance sheet. See Notes 1 and 14 for details.

Section 19-10 of the Financial Institutions Act requires an annual contribution to the deposit guarantee fund of 0.08 per cent of member banks' total covered deposits. The equivalent requirement for the resolution fund set out in Section 20-51 of the same act is 0.1 per cent of total covered deposits.

Repayment of covered deposits

No banks were wound down under public administration in 2022, and so the NBGF made no repayments of covered deposits during the year.

Income from asset management

Asset management before costs and fees produced a loss of NOK 465.5 million, equivalent to a negative time-weighted return of 1.07 per cent, down from a negative 0.02 per cent in 2021. The NBGF's holdings of securities and financial contracts are treated as a trading portfolio and recognised in the balance sheet at fair value. The capital in the deposit guarantee fund and the resolution fund is invested in low-risk fixed-income securities. The rise in interest rates at the end of 2021 continued for much of 2022 and led to a further decline in bond prices. Higher interest income as a result of rising interest rates was not sufficient to offset the drop in prices in 2022.

Operating expenses

Operating expenses totalled NOK 71.9 million, compared with NOK 64.8 million in 2021. Depreciation and amortisation increased as a result of the recognition of intangible assets relating to the online portal and software for analysing and calculating contributions. There was also an increase in costs for the repayment portal due to the development of improved solutions for repaying depositors abroad, and payroll costs due to an additional employee. In addition, activity has picked up in several areas since the pandemic, and there was a general rise in inflation.

Other financial items

Other financial items amounted to a net expense of NOK 13.3 million in 2022, up from NOK 10.3 million in 2021. The increase was mainly a result of higher fees for credit facilities.

Profit/loss

The NBGF recorded a profit of NOK 2,071 million in 2022, compared with NOK 2,432 million in 2021. The profit for the year has been transferred to equity.

Financial position

Equity

At 31 December 2022, the NBGF had equity of NOK 45.6 billion, breaking down into NOK 25.2 billion at the disposal of the resolution authority and NOK 20.4 billion in the deposit guarantee fund.

At 31 December 2021, the NBGF had equity of NOK 43.6 billion, breaking down into NOK 24.1 billion at the disposal of the resolution authority and NOK 19.5 billion in the deposit guarantee fund.

Resolution fund

In line with changes to the Financial Institutions Act from 1 January 2019, a resolution fund was 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 constituted 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 2023, with effect for accounting purposes from 1 January 2023. The capital at the disposal of the resolution authority is managed in the name of the NBGF and presented as part of the NBGF's equity in the annual financial statements for 2022.

Minimum requirement for available financial means

Section 19-9 of the Financial Institutions Act requires the deposit guarantee fund to have available financial means corresponding to at least 0.8 per cent of total covered deposits. At 31 December 2022, the fund had available financial means corresponding to 1.31 per cent of total covered deposits at that time and thus exceeded the minimum requirement by NOK 8.0 billion.

Section 20-50 of the Financial Institutions Act requires the resolution fund to have available financial means corresponding to at least 1 per cent of total covered deposits. At 31 December 2022, the fund had available financial means corresponding to 1.63 per cent of covered deposits at that time and thus exceeded the minimum requirement by NOK 9.7 billion.

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 contributions and investment returns, together with funds received from the winding down of Optin Bank ASA. The NBGF has unused credit facilities of NOK 10 billion to increase the deposit guarantee scheme's available financial means.

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 2022, the resolution fund was invested in foreign government securities with a high credit rating and a remaining maturity of up to three years. The upper limit for modified duration was 1.3.

The deposit guarantee fund had the same investment strategy as the resolution fund in 2022 for investments in foreign government securities, but was also invested in fixed-income securities issued by the Norwegian government and Norwegian local authorities. For this group of issuers, the limit for remaining maturity was five years and the limit for modified duration was 1.3.

In 2023, the deposit guarantee fund and the resolution fund will be managed under the same investment strategy. This means that the resolution fund will also be invested in Norwegian government securities and may also be invested in fixed-income securities issued by Norwegian local authorities. Minor adjustments have been made to the investment universe for foreign government bonds, and bonds issued by a number of supranational organisations have been added. The limit for modified duration at fund level has been set at 1.3.

The funds managed by the NBGF may be invested only in securities with a risk weighting of 0, 20 or 50 per cent. The investment strategy further limits the investment universe to include only fixed-income securities issued by governments and government-related issuers that are members of the OECD or have their headquarters in an OECD member country. Based on risk weights derived from credit assessments and affiliation with the OECD, which is one of the standard setters for environmental, social and governance (ESG) investing, ESG risks are considered to be low for this type of issuer.

The NBGF will exclude issuers that are not approved for investment for the Norwegian Government Pension Fund Global (GPF). Norges Bank, which manages the GPF, has developed a framework for approving foreign issuers of government bonds which takes account of investment risks related to stability, sustainability and serviceability. This framework is to build on recognised ESG principles.

The NBGF will not invest in fixed-income securities issued by government or government-related issuers in exceptional cases where the Ministry of Finance has barred the Government Pension Fund Global from making such investments on the basis of the adoption of particularly large-scale UN sanctions or other international initiatives of a particularly large scale that target a specific country and where Norway has supported the initiatives.

The NBGF expects external managers and currency counterparties to have signed the FX Global Code, which is a set of principles for good practice in the foreign exchange market spanning ethics, governance, execution, settlement, risk management and compliance.

Exposure to market, credit and liquidity risk

The NBGF is exposed to market risk, credit risk and liquidity risk through its investments in foreign and Norwegian fixed-income securities. In line with the NBGF's mandate, the Board has laid down an investment strategy that reflects stringent requirements for the liquidity and credit quality of securities holdings. Investments in foreign fixed-income securities are hedged against currency movements.

Outlook for the deposit guarantee fund and the deposit guarantee scheme's guarantee liability

The size of the deposit guarantee fund will depend primarily on member banks' annual contributions. These contributions are statutory and reflect the size of covered deposits.

The investment strategy is presented above. Given that investments in foreign fixed-income 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 fund. The interest rate risk is low, and so a sharp rise in interest rates in a short period will have a limited negative impact on the value of the fund, but the return could still be negative at times. In the longer term, higher interest income will compensate for losses following a rise in interest rates.

The deposit guarantee fund is expected to continue to grow. Its guarantee liability has also increased in recent years as a result of the growth in covered deposits. This means that the deposit guarantee fund as a percentage of covered deposits has been almost unchanged since the resolution fund was split off from the deposit guarantee fund with effect from 1 January 2019.

The NBGF has prepared a separate report presenting more detailed analysis of the deposit guarantee scheme's guarantee liability. This report is available on the NBGF's website.

International collaboration

The global financial system is closely interconnected, and a financial crisis in one country can have consequences in others. Banks headquartered in Norway have activities abroad, and there are foreign banks operating in the Norwegian market.

For maximum contingency, the NBGF therefore depends on broad and effective collaboration with the organisations that run the deposit guarantee schemes in other countries. Historically, there have been long intervals between actual crises. This creates a need for regular testing of contingency plans and also makes it useful to learn from the experience of deposit guarantee schemes in other countries where the guarantees have been triggered. This exchange of experience is of mutual benefit and provides insights into best practice.

Regulatory developments are largely international. The EU is currently working on an update of the Deposit Guarantee Schemes Directive and other rules related to bank resolution. The European Banking Authority also made a number of changes to its guidelines in 2022. The NBGF participated in relevant working groups and provided input.

The NBGF participates in working groups set up by the International Association of Deposit Insurers (IADI), the European Forum of Deposit Insurers (EFDI) and the European Banking Authority (EBA). At the invitation of the Norwegian Ministry of Finance, the NBGF also attends relevant meetings of the European Commission's Expert Group on Banking, Payments and Insurance when matters concerning deposit insurance and bank resolution are discussed. There is also bilateral collaboration with other deposit guarantee schemes.

Administrative matters and organisation

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.

Diversity and inclusion

The NBGF aims to be a workplace with equal opportunities and diversity where all employees are respected for who they are regardless of gender, ethnicity, religion, beliefs, disability, sexual orientation, gender identity, gender expression, age and other material personal characteristics. There shall be room for expression of opinions, and employees must be able to express what they think about different aspects of the organisation. Suggestions, criticisms and other feedback are welcome as a basis for improvement and development. Employee appraisals are regularly carried out and actioned. Employee representatives and management meet regularly to discuss relevant topics.

Unlawful or unethical conduct harms the working environment, the individual and the organisation. It is therefore important that such matters are addressed and dealt with appropriately. Our whistleblowing procedure provides guidance in the event of any wrongdoing.

We wish to have qualified employees regardless of age, gender, disability, religion or beliefs, sexual orientation and ethnic background, and we will continue to work on awareness in our recruitment processes and internal skills development. We have a life phase policy which supports employees through the different phases of working life. Our premises meet the requirements of universal design. Employees are covered by various welfare schemes and an agreement on occupational health services. Sickness absence amounted to 4.0 per cent in 2022, up from 1.9 per cent in 2021.

Gender balance

The NBGF had 22 employees at the end of 2022. There was a fairly even balance between women and men. The table below shows that women accounted for 45 per cent of the workforce, which is on a par with the financial sector as a whole. The table also shows the breakdown between women and men for the Board, management team and other employees. The NBGF had no temporary or part-time staff in 2022.

Gender pay gap

Women earned 101 per cent of average pay at the NBGF in 2022, and men 99 per cent. The average pay calculated for 2022 includes benefits in kind and is for a full-time position. It does not include pension contributions or compensation for the discontinuation of the defined-benefit scheme. Women's average pay was thus 102 per cent of men's average pay. The equivalent figure for those covered by the collective agreement for the financial sector in 2022 was 85 per cent. Median pay for women at the NBGF was 93 per cent of median pay for men.

Gender balance at 31 December 2022

	Women	Men	Women	Men
Board members	3	4	43%	57%
All employees	10	12	45%	55%
Management team	2	2	50%	50%
Other employees	8	10	44%	56%

Environmental impact and working environment

The NBGF has no activities that impact on the external environment 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.

Insurance for the Board and CEO

The NBGF has not taken out directors' and officers' insurance for the members of the Board or the CEO for potential liability to the NBGF or third parties

Oslo, 27 March 2023

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Roar Hoff
(signed electronically)

Astrid Iversen
(signed electronically)

Øystein Løining
(signed electronically)

Stig Helberg
CEO
(signed electronically)

INCOME STATEMENT

All figures in thousands of NOK

NOTE

2022

2021

Revenue

Contributions to deposit guarantee fund	1	1 110 086	1 119 832
Contributions to resolution fund	1	1 511 754	1 399 754
Other operating revenue	2	289	355
Total revenue		2 622 129	2 519 941

Asset management

Fixed-income investments			
Interest income		507 532	670 288
Other income/expenses	3	4 718	-650
Gains and losses	4	- 977 792	- 682 168
Income from fixed-income investments		- 465 542	- 12 530
Income from asset management		- 465 542	- 12 530

Other financial items

Other financial income		1 873	976
Other financial expenses		- 15 139	- 11 234
Other financial items, net	5	- 13 265	- 10 257

Operating expenses

Operating expenses	6	- 71 889	- 64 836
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Profit/loss for the year		2 071 432	2 432 318
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Appropriation of profit/loss

Transferred to/from equity		2 071 432	2 432 318
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BALANCE SHEET

All figures in thousands of NOK

NOTE

31.12.2022

31.12.2021

ASSETS

Bank deposits	7	901 704	303 595
Bonds and bills	8	44 460 360	43 688 749
Bonds and bills pledged as collateral	8	0	294 940
Financial derivatives	9	860 687	244 567
Intangible assets	10	5 069	5 902
Property, plant and equipment	11	2 182	2 412
Other receivables	12	13 241	278 663
Total assets		46 243 242	44 818 828

LIABILITIES AND EQUITY

Equity	13	45 622 947	43 551 515
Financial derivatives	9	157 485	635 663
Unsettled trades		91 015	572 361
Other liabilities	14	367 300	53 819
Provisions for pension liabilities	15	4 495	5 470
Total liabilities		620 295	1 267 314
Total liabilities and equity		46 243 242	44 818 828

Oslo, 27 March 2023

31 December 2022

Endre Skjørestad
Chair
(signed electronically)

Torbjørn Hægeland
(signed electronically)

Trude Myklebust
(signed electronically)

Jøril Mæland
(signed electronically)

Roar Hoff
(signed electronically)

Astrid Iversen
(signed electronically)

Øystein Løining
(signed electronically)

Stig Helberg
CEO
(signed electronically)

Cash flow statement

All figures in thousands of NOK	2022	2021
Profit/loss for the year	2 071 432	2 432 318
Depreciation and amortisation	1 898	888
Cash flow from operating activities	2 073 331	2 433 205
Investments in intangible assets, property, plant and equipment	-835	-6 419
Decrease (increase) in holdings of bonds and bills	- 532 655	- 4 591 788
Decrease (increase) in accrued interest	55 985	17 248
Decrease (increase) in other receivables	265 423	- 262 847
Change in financial derivatives	- 1 094 298	1 768 301
Change in provisions for pension liabilities	- 975	- 799
Increase (decrease) in other liabilities	- 167 865	- 171 153
	<hr/>	<hr/>
Net change in cash and cash equivalents	598 109	- 814 252
	<hr/>	<hr/>
Cash and cash equivalents at 1 January	303 595	1 117 846
Cash and cash equivalents at 31 December	901 704	303 595
	<hr/>	<hr/>

Cash and cash equivalents comprise bank deposits and cash.

Unused credit lines totalled NOK 10,000 million at 31 December 2022 and had a term of more than one year.

Notes to the financial statements for the year ended 31 December 2022

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 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 NBGF has elected to apply the Accounting Act and generally accepted accounting practice. 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 2023. These provisions are not therefore fully reflected in the financial statements for 2022. See further discussion below.

The layout of accounts is tailored to the NBGF's current 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.

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 Norwegian Financial Supervisory Authority as resolution authority, but the NBGF is responsible for the management of the fund.

The NBGF has also been 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 continue to 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 2023 but take effect for accounting purposes from 1 January 2023. 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 2022 have been prepared in accordance with these transition rules.

For further information, see Note 13.

Accounting policies for financial instruments

General

Holdings of securities and financial contracts are treated as a trading portfolio and measured at fair value. Where available, the official closing price in the market is used for all types of securities.

Securities holdings are valued on a daily basis, mainly using the bid price. The NBGF performs regular checks on the pricing and valuations provided by its external suppliers.

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 London closing rate is used for both daily and period-end valuations.

Foreign exchange contracts

Foreign exchange forwards and swaps are recognised at fair value and presented on a gross basis.

Collateral

The NBGF requires collateral in the form of cash and 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 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 an asset pledged as collateral.

Guarantee liability

One of the NBGF's objects is to protect deposits held by 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. See Note 17 for further information.

Other accounting policies

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

Estimates

The preparation of the financial statements involves the use of estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates are based on the latest available reliable information and experience from similar assessments. Actual outcomes may differ from these estimates.

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 discussion in Note 1. 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.

Adjustments to collection and allocation of contributions

Adjustments to the collection and allocation of contributions between members for previous years due to corrections to the underlying data reported are taken into account when invoicing contributions for the following year. Where individual members have been undercharged, this is reflected in a receivable in the balance sheet at the end of the year. Similarly, any overcharging 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 are incurred.

Pensions

The NBGF has a number of pension schemes for its employees which satisfy the criteria for mandatory occupational pensions. The NBGF previously had a defined-benefit scheme which was discontinued with effect from 1 May 2019. 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 insurance company. The estimated accrued liability is compared with the value of funds paid in and earned. Where total assets exceed the estimated liability at the balance sheet date, the net value is recognised as an asset in the balance sheet. Where pension liabilities exceed pension assets, the net value is classified as a liability in the balance sheet. The 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 liabilities in the balance sheet. These liabilities are discussed in more detail in Note 15.

In addition, the NBGF 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 2022, and so the scheme is treated as a defined-contribution scheme in line with generally accepted accounting practice in Norway. 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 "Operating expenses" in the income statement. Pension costs and liabilities include employer National Insurance contributions.

See also Note 15.

Property, plant and equipment

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

Intangible assets

Intangible assets are recognised where the criteria for recognition are met. They are carried at cost less accumulated amortisation. Amortisation for the year is charged to the year's operating expenses and is included in this item.

The NBGF has recognised intangible assets in respect of a portal for members' reporting to the NBGF, and IT software for analysing and calculating contributions to the deposit guarantee fund and the resolution fund.

Tax

Under Section 2-30 of the Tax Act, the NBGF is exempt from tax.

Note 1

Contributions

Contributions to deposit guarantee fund

Contributions to the deposit guarantee fund for 2022 were calculated in accordance with Section 19-10 of the Financial Institutions Act. The total annual contributions correspond to 0.08 per cent of total covered deposits at the end of the third and fourth quarters of 2020 and the first and second quarters of 2021.

	2022	2021
Contributions to deposit guarantee fund	1 210 874	1 119 832
Transfers to other DGFs due to members leaving scheme *)	92 042	-
Corrections to contributions due to members leaving scheme **)	8 831	-
Corrections to previous years' contributions	85	-
Total	1 110 086	1 119 832

Contributions to resolution fund

Contributions to the resolution fund for 2022 were calculated in accordance with Section 20-51 of the Financial Institutions Act. The total annual contributions correspond to 0.1 per cent of total covered deposits at the end of the third and fourth quarters of 2020 and the first and second quarters of 2021.

	2022	2021
Contributions to resolution fund	1 513 588	1 399 790
Corrections to contributions due to members leaving scheme ***)	- 1 933	-
Corrections to previous years' contributions	100	- 35
Total	1 511 754	1 399 754

*) Pursuant to Section 19-5 of the Financial Institutions Regulations.

**) Pursuant to Section 19-10 of the Financial Institutions Act.

***) Pursuant to Section 20-51 of the Financial Institutions Act.

Note 2

Other operating revenue	2022	2021
Net income from courses	289	355
Total	289	355
Breakdown of net income from courses	2022	2021
Income from courses	1 199	1001
Costs related to courses	- 911	- 646
Total	289	355

Note 3

Other revenue and expenses

	2022	2021
Interest income from bank deposits	6 384	108
Interest expenses from bank deposits	- 170	- 634
Interest income from cash collateral pledged by counterparties	0	76
Interest expenses from cash collateral pledged by counterparties	- 1 496	- 200
Total	4 718	- 650

Note 4

Gains and losses on fixed-income securities

	2022	2021
Realised gains/losses	- 3 014 727	1 946 845
Unrealised gains/losses	2 036 935	- 2 629 012
Total gains/losses	- 977 792	- 682 168

Breakdown of realised gains/losses

	2022	2021
Bonds/bills	406 228	48 489
Foreign exchange derivatives	- 3 420 954	1 898 356
	- 3 014 727	1 946 845

Breakdown of unrealised gains/losses

	2022	2021
Bonds/bills	942 637	-860 712
Foreign exchange derivatives	1 094 298	- 1 768 301
	2 036 935	- 2 629 012

Note 5

Other financial items

Breakdown of other financial income	2022	2021
Interest income from bank deposits	1 783	188
Other financial income	77	780
Foreign exchange gains	13	8
	1 873	976

Breakdown of other financial expenses	2022	2021
Other financial expenses	15 090	11 198
Foreign exchange losses	49	36
	15 139	11 234

Note 6

Operating expenses

	2022	2021
Salaries, fees and other personell expenses	40 229	36 693
Administration and operating expenses	22 498	20 224
Costs, external asset managers	7 265	7 031
Depreciation and amortisation	1 898	888
	71 889	64 836

Details of employees and board members

Number of employees at 31 December 2022: 22	2022	2021
Total salaries and fees	29 128	26 446
National Insurance contributions	4 958	4 610
Pension costs	5 401	5 039
Other personell expenses	741	598
	40 229	36 693

The following are included in salaries and fees:	2022	2021
Chairman of the board	164	159
Other board members	523	508

Paid to CEO	2022	2021
Salary and holiday pay	2 502	2 418
Defined-contribution pension	165	157
Benefits in kind	30	27

The CEO did not receive any benefits in the form of bonuses, profit sharing or similar in 2022.

Auditor's fees etc.	2022	2021
Fees for statutory audit	210	195
Fees for other services from auditor	20	51
Fees for other assurance services *)	45	43
Fees for agreed-upon procedures regarding financial information **)	0	117
Total	275	405

*) Fees for auditor's statement on internal controls.

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

Note 7

Bank deposits

Tax withholding funds held in a separate account amounted to NOK 2,247 thousand at 31 December 2022, against NOK 2,126 thousand at 31 December 2021.

Total bank deposits included NOK 258,837 thousand in foreign currency at 31 December 2022 and NOK 69,885 thousand at 31 December 2021.

At 31 December 2022, cash and bank deposits (excluding current accounts) amounted to 1.63 per cent of assets managed by the NBGF (net asset value). The equivalent figure for 31 December 2021 was 0.51 per cent.

Unused credit facilities totalled NOK 10,000 million at 31 December 2022 and had a term of more than one year.

Note 8

Bonds and bills

Category	2022			2021		
	Cost	Fair value (incl. accrued interest) *)	Accrued interest	Cost	Fair value (incl. accrued interest) *)	Accrued interest
Treasury bills	3 952 025	3 975 515	-	3 030 182	3 030 127	-
Government bonds	39 938 755	40 331 819	159 996	41 401 229	40 938 375	216 818
Bonds from other public issuers	153 770	153 027	997	15 094	15 187	160
Total	44 044 550	44 460 360	160 993	44 446 505	43 983 689	216 978

The table includes securities pledged as collateral.

*) The market value of securities pledged as collateral was NOK 0 at 31 December 2022 and NOK 294,940 thousand at 31 December 2021. See also Note 16.

The fair value including accrued interest was NOK 415,810 thousand higher than cost at 31 December 2022 and NOK 462,816 thousand lower than cost at 31 December 2021.

Bonds and bills by country	2022		2021	
	Fair value (incl. accrued interest)		Fair value (incl. accrued interest)	
Country				
Australia	2 949 294		3 040 402	
Canada	3 009 724		3 149 484	
France	2 400 789		3 849 943	
Norway	4 128 541		3 045 314	
UK	6 053 793		6 141 303	
Germany	11 889 484		10 528 484	
USA	14 028 735		14 228 758	
Total	44 460 360		43 983 689	

Note 9

Financial derivatives

Debtor category	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	860 687	157 485	244 567	635 663
Total financial derivatives	860 687	157 485	244 567	635 663

Foreign exchange contracts

The only financial derivatives owned by the NBGF are forward foreign exchange contracts.

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

Derivative category	2022		2021	
	Cost	Fair value	Cost	Fair value
Foreign exchange derivatives	-	703 202	-	- 391 096
Total financial derivatives	-	703 202	-	- 391 096

Forward contracts by currency

Purchased currency	Sold currency	2022		2021	
		Net nom. volume	Fair value	Net nom. volume	Fair value
NOK	AUD	2 960 001	17 128	2 982 103	- 8 552
NOK	CAD	3 178 666	171 534	3 114 402	- 42 774
NOK	EUR	14 332 617	- 93 439	13 818 252	- 70 701
NOK	GBP	6 078 070	59 444	6 068 441	- 79 803
NOK	USD	14 460 667	548 535	14 147 645	- 188 707
USD	AUD	-	-	-	- 559
Total		41 010 021	703 202	40 130 843	- 391 096

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 10

Intangible assets

	2022	2021
	Intangible assets	Intangible assets
Cost at 1 January	6 102	-
Additions	396	6 102
Disposals	-	-
Cost at 31 December	6 498	6 102
Acc. amortisation at 1 January	200	-
Amortisation for the year	1 229	200
Disposals	-	-
Acc. amortisation at 31 December	1 429	200
Carrying amount at 31 December	5 069	5 902

Intangible assets are amortised on a straight-line basis at an annual rate of 1/5 of cost.

Note 11

Property, plant and equipment

	2022	2021
	Fixtures, fittings, hardware & improvements	Fixtures, fittings, hardware & improvements
Cost at 1 January	4 212	3 895
Additions	439	317
Disposals	-	0
Cost at 31 December	4 651	4 212
Acc. depreciation at 1 January	1 800	1 113
Depreciation for the year	669	687
Disposals	-	0
Acc. depreciation at 31 December	2 469	1 800
Carrying amount at 31 December	2 182	2 412

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

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

Note 12

Other receivables

	2022	2021
Amounts receivable from member banks	185	-
Prepayments	13 030	11 645
Claim on Optin Bank ASA under public administration for covered deposits *)	-	266 928
Sundry other receivables	26	91
Total	13 241	278 663

*) See Note 17.

Note 13

Equity

Breakdown of equity	Deposit guarantee fund	Resolution fund	Total equity
Equity at 31 December 2020	18 426 367	22 692 830	41 119 197
Profit/loss for the year	1 055 064	1 377 254	2 432 318
Equity at 31 December 2021	19 481 431	24 070 084	43 551 515
Profit/loss for the year	898 666	1 172 766	2 071 432
Equity at 31 December 2022	20 380 097	25 242 850	45 622 947

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 2022.

Minimum requirement for the deposit guarantee fund's available financial means

Section 19-9 of the Financial Institutions Act requires the deposit guarantee fund to have available financial means corresponding to at least 0.8 per cent of total covered deposits. The definition of available financial means is as set out in Article 2 of the Deposit Guarantee Schemes Directive (Directive 2014/49/EU).

The minimum requirement has been calculated on the basis of covered deposits at 31 December 2022 of NOK 1,549,893 million.

0.8% of total covered deposits	12 399 151	
Deposit guarantee fund's available financial means at 31 December 2022	20 359 605	
Available financial means over minimum requirement at 31 December 2022	7 960 454	

Resolution fund

New legislation created a resolution fund with effect from 1 January 2019 by placing 55 per cent of the NBGF's capital 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 2023.

<u>Changes in capital at disposal of resolution authority</u>	2022	2021
Value of capital at disposal of resolution authority at 1 January	24 070 084	22 692 830
Income from asset management	- 324 363	- 9 131
Contributions to resolution fund	1 511 754	1 399 754
Penalty interest on contributions to resolution fund	53	13
Fee for management and administration of resolution fund	- 14 678	- 13 381
Value of capital at disposal of resolution authority at 31 December	25 242 850	24 070 084

Minimum requirement for the resolution fund's available financial means

Section 20-50 of the Financial Institutions Act requires the resolution fund to have available financial means corresponding to at least 1 per cent of total covered deposits. The definition of available financial means is as set out in Article 2 of the Deposit Guarantee Schemes Directive (Directive 2014/49/EU).

The minimum requirement has been calculated on the basis of covered deposits at 31 December 2022 of NOK 1,549,893 million.

1.0% of total covered deposits	15 498 939	
Resolution fund's available financial means at 31 December 2022	25 242 850	
Available financial means over minimum requirement at 31 December 2022	9 743 911	

Note 14

Other liabilities

	2022	2021
Advance tax deductions, employer contributions	3 821	3 416
Trade payables	3 859	1 758
Accrued expenses	3 196	4 405
Amounts payable to other DGFs due to members leaving scheme *)	92 042	-
Corrections to contributions due to members leaving scheme **)	10 764	-
Cash collateral received	250 499	41 455
Guarantee liability in respect of Optin Bank ASA under public administration***)	-	9
Other liabilities	3 118	2 776
Total	367 300	53 819

*) Pursuant to Section 19-5 of the Financial Institutions Regulations.

**) Pursuant to Section 19-10 of the Financial Institutions Act.

***) See Note 17.

Note 15

Pension costs, pension liabilities and pension assets

Defined-benefit occupational pension scheme

The NBGF previously had a defined-benefit occupational 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 2022, 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 defined-benefit scheme. The scheme covers only active employees and provides for payments until reaching 67 or ceasing employment. Five employees were covered by this scheme at 31 December 2022, and the benefits are included in pension costs.

Pension liabilities and pension costs for 2022 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 above are covered by a defined-contribution occupational 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 covered by a disability pension. The premium for this cover 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 covered by 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 obligations

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

- Accrued rights to early retirement pension from the age of 62 for the NBGF's former CIO
- 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 2022, and so the scheme is treated as a defined-contribution pension scheme in line with generally accepted accounting practice in Norway.

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

	2022	2021		2022	2021
Discount rate	3,00 %	1,90 %			
Expected return	4,70 %	3,10 %			
Expected wage growth	3,50 %	2,75 %			
Expected adjustment of basic amount (G)	3,25 %	2,50 %	No. of active members	1	1
Expected adjustment of pensions	1,50 %	0,00 %	No. of pensioners	0	0

Pension costs	2022			2021		
Recognised in income statement	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of year's pension earnings (incl. employer NI)	277	-	277	248	-	248
Interest expenses on accrued liability	50	113	163	40	117	157
Expected return on pension assets	- 35	-	- 35	- 17	-	- 17
Pension costs before actuarial gains and losses	292	113	405	271	117	388
Amortisation of changes in estimates	-	37	37	-	34	34
Curtailement/settlement	-	-	-	-	-	-
Administration expenses	16	-	16	15	-	15
Net pension costs recognised for period	308	150	458	286	151	437
Premium, Fellesordningen for AFP	319	-	319	287	-	287
Defined-contribution pensions	2 417	-	2 417	2 175	-	2 175
Compensation for discontinued DBP	1 829	-	1 829	1 833	-	1 833
Insurance premium, disability pension incl. suppl. pension	632	-	632	534	-	534
Total pension costs and insurance premiums	5 505	150	5 655	5 115	151	5 266

Pension liabilities	2022			2021		
Balance sheet	Funded	Unfunded	Total	Funded	Unfunded	Total
Estimated accrued pension liability (incl. employer NI)	3 045	5 118	8 163	2 664	6 429	9 093
Estimated value of pension assets	3 105	-	3 105	2 800	-	2 800
Net pension liabilities (assets)	59	5 118	5 059	- 156	6 429	6 273
Actuarial gains and losses not recognised in income	2	- 566	- 564	215	- 1 018	- 803
Net pension liabilities (assets)	- 57	4 552	4 495	59	5 411	5 470
Recognised assets (net overfunding)		57			-	
Recognised liabilities		4 552			5 470	

Year's change in pension liabilities

Pension liabilities	2022	2021
Opening balance at 1 January	9 073	9 757
Rights earned during year	277	248
Year's interest expenses	163	157
Payments to retirees and employer NI on premiums	- 1 061	- 1 036
Actuarial gains and losses	- 289	- 53
Closing balance at 31 December	8 163	9 073

Year's change in pension assets

Pension assets	2022	2021
Estimated pension assets at 1 January	2 800	2 582
Actuarial gains and losses	- 86	16
Pension assets at 1 January plus actuarial gains and losses	2 714	2 598
Expected return on pension assets	35	17
Premiums paid in	371	200
Administration expenses	- 15	- 15
Estimated pension assets at 31 December	3 105	2 800
Actual gross return on fund assets	-	4,75 %

Note 16

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. The assets shall be managed in a responsible and ethical manner based on recognised ESG principles. Each of the funds shall be characterised by low risk, sufficient diversification and necessary liquidity. Within these constraints, the asset management shall seek good risk-adjusted return.

The NBGF invests in fixed income securities with low risk. 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 2022, the Board elected to allocate around 90 per cent of the capital to foreign government bonds and around 10 per cent to fixed-income securities issued by the Norwegian government and Norwegian local authorities.

Risk limits

Risk limits are determined by the Board. The Board sets upper limits for interest rate risk, country weights, hedging, counterparty risk, bank deposits and the share of Norwegian fixed-income securities issued by the Norwegian government and Norwegian local authorities.

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 for 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 for Investment Risk Management and Control. The Department for 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).

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

Foreign currency exposure at 31.12.2022

	AUD	CAD	EUR	GBP	USD
Fixed income portfolios (excl. currency hedging)	441 646	414 064	1 359 397	511 022	1 423 254
Currency hedging	- 440 544	- 414 055	1 370 619	- 508 276	- 1 414 771
Net currency exposure	1 102	29	- 11 222	2 746	8 383

Foreign currency exposure at 31.12.2021

	AUD	CAD	EUR	GBP	USD
Fixed income portfolios (excl. currency hedging)	476 179	451 683	1 376 757	514 261	1 614 781
Currency hedging	- 477 278	- 452 010	- 1 382 825	- 514 462	- 1 616 286
Net currency exposure	- 1 099	- 327	- 6 068	- 201	- 1 505

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.

The table below shows amounts that are covered by a netting agreement but presented gross in the balance sheet.

<i>Amounts in millions of NOK</i>	Grossvalue	Amounts offset in the balance sheet	Carrying amount	Financial instruments	Cash collateral	Securites pledged as collateral	Amounts after permitted netting
Assets							
Financial derivatives	861	-	861	157	250	296	156
Securities pledged as collateral	0	-	0	0	0	0	0
Total assets	861	-	861	157	250	296	156
Liabilities							
Financial derivatives	157	-	157	157	-	0	0
Total liabilities	157	-	157	157	-	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 2022. Duration shows the effective repayment period of a bond/bill and is a measure of sensitivity to interest rates. The portfolio's duration was 0.9 at the end of 2022, down from 1.1 at the end of 2021.

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 and local authority bonds. 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 17

Guarantee liability

One of the objects of the NBGF is to guarantee deposits held by members of the deposit guarantee scheme up to NOK 2 million per depositor per bank. In certain cases, 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 make covered deposits available as soon as possible and no later than seven working days after:

1. Finanstilsynet concludes that the institution is not in a position to repay deposits, or
2. The decision is taken to wind down the bank under public administration.

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

The NBGF repaid a few small covered deposits to customers of Optin Bank ASA in 2022 following the decision in 2021 to wind down the bank under public administration. The guarantee liability in respect of the winding down of Optin Bank is discussed in the section below.

There were no events in 2022 where the NBGF had to make guaranteed deposits available, nor have there been any such events since the balance sheet date.

Guarantee liability and recourse in respect of the winding down of Optin Bank ASA

It was decided on 23 June 2021 to wind down Optin Bank ASA under public administration, and the NBGF repaid covered deposits to the bank's customers. Covered deposits at the bank totalled NOK 266.9 million at the time of the decision. These included deposits up to NOK 2 million per depositor and deposits over NOK 2 million related to a specific life event made known to the NBGF. At 31 December 2022, NOK 266.9 million of these covered deposits had been repaid by the NBGF.

The NBGF filed a claim on Optin Bank for the full amount owing. The NBGF received a provisional distribution and final liquidating dividend from the administrators in the course of 2022, and there were no outstanding liabilities or receivables in respect of the winding down of Optin Bank at 31 December 2022.

INDEPENDENT AUDITOR'S REPORT

To the Ministry of Finance

Opinion

We have audited the financial statements of Bankenes sikringsfond, which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of Bankenes sikringsfond as at 31 December 2022 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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 the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

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 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

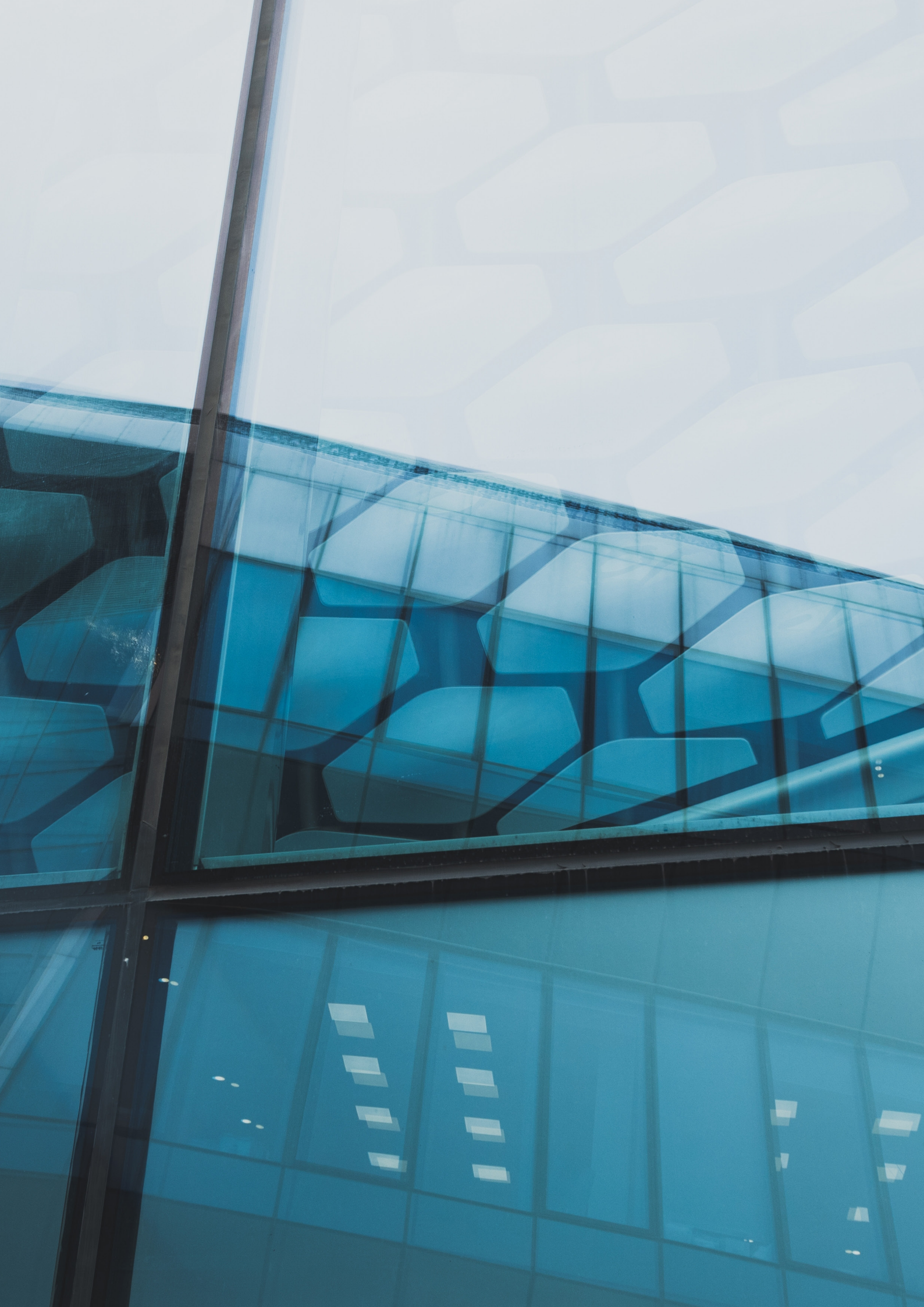
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 the board of directors 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.

Oslo, 31 March 2023
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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



Governing bodies

Board and management

The Board is the NBGF's supreme governing body and represents the NBGF externally. The Board had the following members in 2022:

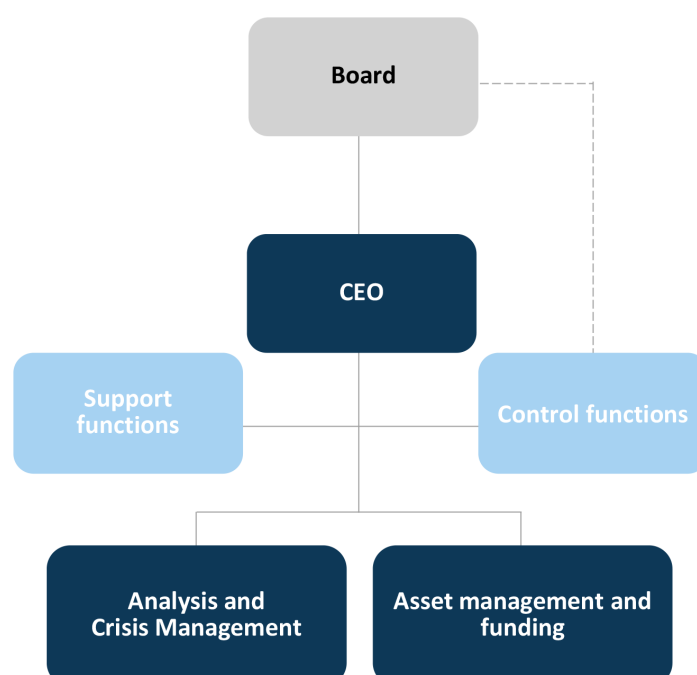
- Endre Skjørestad, Chair
- Torbjørn Hægeland
- Marie Meling (stepped down on 1 September 2022)
- Trude Myklebust
- Jøril Mæland
- Roar Inge Hoff
- Arvid Andenæs
- Astrid Iversen (joined on 1 September 2022)

Arvid Andenæs stepped down from the Board on 1 January 2023, and Øystein Løining joined the Board from the same date.

The NBGF's management comprises:

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

Organisation chart



What the deposit guarantee scheme covers

The deposit guarantee covers up to NOK 2 million per depositor per member bank.

If your deposit becomes unavailable, for example because the authorities have decided to wind down your bank under public administration, the Norwegian Banks' Guarantee Fund will make your deposit available within seven working days.

In some cases, the guarantee also covers deposits above NOK 2 million. This is where a deposit has been made within the past 12 months as a result of a specific life event, such as an insurance pay out or the sale of a home. Such deposits will be repaid within three months.

The deposit guarantee covers:

- Deposits in checking accounts and savings accounts
- Deposits in both Norwegian kroner and foreign currency
- Positive balances on credit cards
- The cash balance in a share savings account (but not shares and other securities)

The deposit guarantee does not cover:

- Investments in financial assets such as shares, fund units, bonds and certificates
- Deposits from customers of unknown identity
- Deposits resulting from transactions found by the courts to contravene legislation on money laundering and the financing of terrorism

All Norwegian banks are members of the deposit guarantee scheme. Membership is voluntary for branches of foreign banks.

Our website www.bankenessikringsfond.no makes it easy to find out what cover applies to your bank.

It also provides more information about the deposit guarantee and the Norwegian Banks' Guarantee Fund.

Members at 31 December 2022

The deposit guarantee scheme had 121 members at the end of 2022, of which 111 were headquartered in Norway and 10 were branch members. This is a net decrease of five members from the end of 2021. There were the following membership changes in 2022:

- SpareBank 1 Sørøst-Norge and SpareBank 1 Modum merged with effect from 1 April 2022, with SpareBank 1 Sørøst-Norge as the acquiring bank.
- Østre Agder Sparebank and Arendal og Omegns Sparekasse merged with effect from 15 August 2022, with Østre Agder Sparebank as the acquiring bank. The merged entity now operates under the name of Agder Sparebank.
- Romerike Sparebank and Blaker Sparebank merged with effect from 3 October 2022, with Romerike Sparebank as the acquiring bank. The merged entity now operates under the name of Romerike Sparebank.
- Nordea Direct Bank ASA was amalgamated into Nordea Bank Apb from 1 November 2022.
- The merger of Bank Norwegian ASA and Nordax Bank AB (publ) was completed on 30 November 2022. The merged entity joined the deposit guarantee scheme as a branch member from the same date under the name Bank Norwegian, a branch of Nordax Bank AB (publ).
- Etne Sparebank was amalgamated into Sparebanken Vest on 1 December 2022.

Member banks at 31 December 2022 are listed below. An updated list of members can be found on our website.

Members headquartered in Norway

A

Agder Sparebank
Andebu Sparebank
Aprila Bank ASA
Askim og Spydeberg Sparebank
Aurskog Sparebank

B

Bank2 ASA
Berg Sparebank
Bien Sparebank ASA
Birkenes Sparebank
Bjugn Sparebank
BN Bank ASA
Bolígbanken ASA

C

Cultura Sparebank

D

DNB Bank ASA
Drangedal Sparebank

E

Eidsberg Sparebank
Eika Kredittdbank AS
Etnedal Sparebank
Evje og Hornnes Sparebank

F

Fana Sparebank
Flekkefjord Sparebank

G

Gildeskål Sparebank
Grong Sparebank
Grue Sparebank

H

Haltdalen Sparebank
Haugesund Sparebank
Hegra 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
Lea Bank ASA
Lillesands 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
Opdals Sparebank
Optin Bank ASA, under offentlig administrasjon
Orkla Sparebank
Oslofjord Sparebank

P

Pareto Bank ASA

R

Rindal Sparebank
Romerike Sparebank
Romsdal Sparebank
Rørosbanken Røros Sparebank

S

Safe Deposit Bank of Norway AS
Sandnes Sparebank
Santander Consumer Bank AS
Sbanken ASA – datterselskap av DNB Bank ASA
Selbu Sparebank
Skagerrak Sparebank
Skudenes & Aakra Sparebank
Skue Sparebank
Sogn Sparebank
Soknedal Sparebank
SpareBank 1 Gudbrandsdal
SpareBank 1 Hallingdal Valdres
SpareBank 1 Helgeland
SpareBank 1 Lom og Skjåk
SpareBank 1 Nord-Norge

S

SpareBank 1 Nordmøre
SpareBank 1 Ringerike Hadeland
SpareBank 1 SMN
SpareBank 1 SR-Bank ASA
SpareBank 1 Søre Sunnmøre
SpareBank 1 Sørøst-Norge
SpareBank 1 Østfold Akershus
SpareBank 1 Østlandet
Sparebank 68 grader Nord
Sparebanken DIN
Sparebanken Møre
Sparebanken Narvik
Sparebanken Sogn og Fjordane
Sparebanken Sør
Sparebanken Vest
Sparebanken Øst
Spareskillingsbanken
Stadsbygd Sparebank
Storebrand Bank ASA
Strømmen Sparebank
Sunndal 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

Å

Åfjord Sparebank
Aasen Sparebank

Branch members

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

Bank Norwegian, en filial av Nordax Bank AB (publ)
BlueStep Finans AB, Filial Oslo
Danske Bank (norsk filial av Danske Bank A/S)
Handelsbanken (norsk filial av Svenska Handelsbanken AB)
Nordea Bank Apb, filial i Norge
Nordnet Bank
Resurs Bank AB, NUF
Skandinaviska Enskilda Banken AB Oslofilialen
Swedbank Norge
TF Bank Norge

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.

Bankenes sikringsfond

Postbox 1213 Vika

0110 Oslo

Norway

Telephone

+47 21 62 35 50

www.bankenessikringsfond.no

Graphic production

Kaja Krogh, Bankenes sikringsfond

