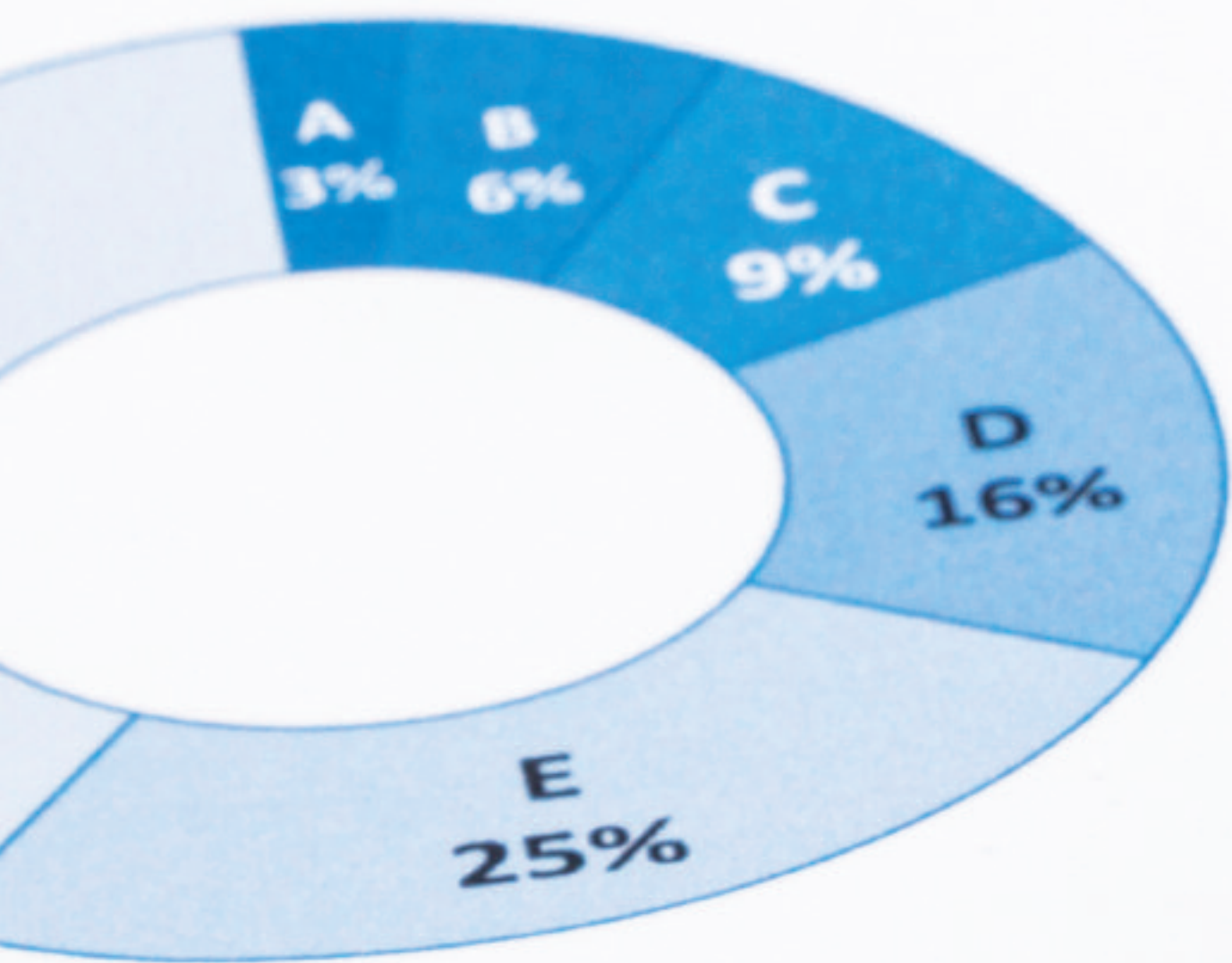


Annual Report 2016



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Letter from the CEO

It has been an eventful year for the Guarantee Fund. The Banking Law Commission completed its work on new legislation for the Fund and bank resolution in general, and delivered new draft chapters 19 and 20 for the Financial Institutions Act on 26 October 2016. The Fund monitored this work closely and provided information to the Commission on several occasions. A consultation response was submitted to the Ministry of Finance on 9 January 2017. Since the act is pivotal to the Fund's activities, it is considered important that the act is clear and comprehensible for the Fund, and that it gives unambiguous guidance with limited scope for differences of interpretation. Participation in international fora for deposit insurance and bank resolution gives the Fund's staff an important insight into best practice in other countries, which has been very useful when contributing to the new Financial Institutions Act.

The Fund has already begun adapting to the new act and its new role. In particular, the Fund has sharpened its focus on contingency planning. A contract was entered into with a call centre during the year to provide additional capacity for dealing with enquiries in the event of a bank crisis. The Fund's website was also updated. Work on making repayments more efficient in a crisis is continuing, and the repayment portal has been developed further so that it is now linked to banks' account and address databases. This gives a greater assurance of correct payments. The new draft legislation gives the Fund's staff additional administrative and asset management tasks relating to a new resolution fund and the existing Norwegian Investor

Compensation Scheme. Adaptation to the new legislation will continue in 2017, with the expectation that the new law will enter into force in 2018.

The Fund had equity of NOK 32.5 billion at the end of 2016, equivalent to 2.5 per cent of guaranteed deposits. Low risk and high liquidity are key criteria for the management of the Fund's capital, which is invested exclusively in very safe and liquid fixed-income instruments issued by highly-rated sovereign states. The Fund invests only in bonds with a maturity of up to three years. Interest rate risk is considered to be low, with only substantial changes in interest rates in a short period likely to have a major impact on investment results. The Fund's investments returned NOK 396 million in 2016. Asset management is closely monitored to ensure compliance with the Fund's statutes and the limits set by the Board. To further improve liquidity, it has been decided to establish a portfolio of Norwegian government bills in 2017.

There is reason to be optimistic on behalf of both the Fund and the banks. Norwegian banks are well-run, and the overhaul of legislation on capital adequacy has contributed to banks building up solid capital buffers. This contributes a reduced need for the Fund's capital for support measures or repayments of guaranteed deposits. In addition, the creation of a new resolution authority and resolution fund will help increase preparedness and the financial capacity to handle major bank crises, thus contributing to financial stability.

Idar Kreutzer
Managing Director



Report from the Board of Directors 2016

The Fund's objective and activities

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

All banks headquartered in Norway must be members of the Fund. The Ministry of Finance may also decree that other financial institutions headquartered in Norway must be members of the Fund. The Fund had 128 members headquartered in Norway at 31 December 2016.

Credit institutions headquartered in other EEA member states that accept deposits from the general public through branches in Norway are also entitled to become members of the deposit guarantee scheme if the scheme in the branch's home country is not considered to give the branch's depositors the same degree of protection as that afforded under Norwegian law. Branch membership is subject to the approval of the Financial Supervisory Authority of Norway (Finanstilsynet). Where branch members have a home-country guarantee of EUR 100,000 per depositor, the Fund currently covers the excess amount up to NOK 2 million. The Fund had six branch members at the end of 2016.

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

The Fund's most important function is to resolve situations where one or more banks encounter difficulties meeting their commitments. By way of preparation for such a situation, contingency plans are drawn up and kept up-to-date.

The deposit guarantee scheme is an important part of financial market regulation and contributes to depositor confidence and thus stable funding for banks. Guaranteed deposits totalled NOK 1,295 billion at 30 September 2016.

The Fund has built up considerable funds over time to enable it to manage potential crisis situations, both through annual fees from member banks and through the return on its investments. At 31 December 2016, the Fund had equity of NOK 32.5 billion, equivalent to 2.5 per cent of total guaranteed deposits at 30 September 2016. Under section 19-5 of the Financial Institutions Act, the Fund's own funds must at all times be at least equal to the sum of 1.5 per cent of aggregate guaranteed deposits held by members and 0.5 per cent of ordinary members' risk-weighted assets for capital adequacy purposes. Only guaranteed deposits are included in the calculation for branch members. The Fund exceeded the minimum statutory requirement by NOK 3.7 billion at 31 December 2016.

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

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

The Fund's performance in 2016

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

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

The Fund generated a profit of NOK 1,941 million in 2016, of which membership fees accounted for NOK 1,583 million. This compares with a profit of NOK 1,954 million in 2015. The profit for the year has been transferred to equity.

Income from asset management activities before costs and fees amounted to NOK 396 million, equivalent to a time-weighted return of 1.27 per cent.

Other operating revenue

Other operating revenue amounted to NOK 2 million, compared with NOK 1.8 million in 2015. This revenue consists primarily of interest on bank deposits and income from seminar and conference activities.

Operating expenses

Operating expenses totalled NOK 39.6 million, compared with NOK 37 million in 2015. There has been a gradual shift in the Fund's activities towards contingency planning in recent years, and additional resources have been allocated to this work. This is due mainly to existing and upcoming regulatory changes as a result of the implementation of the EU's Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD). Work on making repayments of guaranteed deposits more efficient continued in 2016 with further development of the repayment solution. The Fund's staff were strengthened with the recruitment of an analyst to carry out the new risk-based fee calculations and otherwise boost skills on the analytical side.

Liquidity

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

Investment strategy

The Fund invests in low-risk assets that are sufficiently liquid so it has the ability to meet the repayment deadline of one week specified in section 19-10 the Financial Institutions Act. Consequently, the Fund has chosen to invest solely in fixed-income instruments issued by highly-rated sovereign states.

The Fund's portfolio is to track the benchmark closely and is currently managed externally by Legal & General Investment Management (LGIM). In 2016, the benchmark comprised of liquid government bonds with maturities of one to three years rated AA or above. In the

investment strategy for 2017, the required credit rating for a number of countries has been lowered to AA-.

It has also been decided to invest a small part of the Fund in Norwegian government bills in 2017.

Bank of New York Mellon (BNYM) is the Fund's global custodian bank. BNYM also provides independent valuations of the Fund's investments.

Exposure to market, credit and liquidity risk

The Fund is exposed to market risk (including exchange and interest rate risk), credit risk and liquidity risk through its investments in foreign government bonds. In accordance with the Fund's objectives, securities holdings must meet stringent liquidity requirements, and investments may only be made in fixed-income instruments issued by sovereign states with high credit ratings. The portfolio is 100 per cent hedged against currency movements.

Crisis management and crisis prevention measures

The Fund was not involved in any crisis management activities in 2016.

The Fund has multiple roles. Its main role is to administer the deposit guarantee by managing capital paid in and earned. Another role, which has grown in importance as a result of a much shorter repayment deadline, is contingency planning. The Fund's staff have paid increased attention to improving operational procedures and preparedness in recent years, including developing and improving the solution for prompt repayment and performing analyses and stress-testing of banks to identify potential crisis situations. The digital repayment solution is based on reliable and efficient identification using BankID and aims to ensure that depositors are repaid within the one-week deadline.

Together with the Fund, Finanstilsynet carried out an inspection in 2016 of three banks' compliance with the Regulation on Requirements for Data Systems for Members of the Guarantee Fund. Under this regulation, banks are obliged to submit quality-assured data files to the Fund in crisis situations as a basis for the repayment of guaranteed deposits. The Fund has issued guidelines on the application of the regulation with supplementary

comments on the regulation's requirements. The Fund has also drawn up a checklist that banks can use as a covering letter when submitting these lists.

The Fund analyses member banks' financial status quarterly on the basis of the banks' own reporting. Key figures from the analyses are distributed to member banks and analysts each quarter. In the light of the Fund's analyses, some banks may be visited based on assessments of risk and vulnerability. Five banks were visited in 2016.

A contract was entered into with a call centre during the year to support the Fund by handling telephone enquiries in the event of a crisis. The Fund also developed a new website with more user-friendly and accessible information, and its logo and graphic identity were updated.

The Fund participated in a number of international meetings under the direction of the European Forum of Deposit Insurers (EFDI) and International Association of Deposit Insurers (IADI). Such meetings with other guarantee funds provide valuable knowledge-sharing opportunities. This is particularly important at the present time when major changes in the regulation of deposit guarantees and bank resolution are afoot both in the EU and elsewhere.

At the request of the Banking Law Commission, the Fund made proposals for new risk-based fee models for the deposit guarantee fund and the new resolution fund. The models were developed in accordance with applicable guidance from the European Banking Authority (EBA/GL/2015/10) and the EU (Commission Delegated Regulation (EU) 2015/63). The Fund worked with both the Single Resolution Board (SRB) and Finanstilsynet when developing the models.

New rules on the guarantee scheme and bank resolution
On 26 October 2016, the Banking Law Commission published its 30th report: "Innskuddsgaranti og krisehåndtering i banksektoren" [Deposit guarantee and crisis management in the bank sector], NOU 2016:23. The report forms part of the Commission's work on modernising and coordinating legislation in the financial field in line with relevant EU directives. The draft bill in the report is aligned with the requirements for national

rules under the EU's new Deposit Guarantee Schemes Directive (2014/49/EU) and Bank Recovery and Resolution Directive (2014/59/EU) and thus provides for their implementation in Norway.

Much of Norway's legislation in this area, found in chapters 19 and 21 of the Financial Institutions Act, already complies with the requirements of these directives. The most significant changes are new rules on contingency and crisis planning, options for writing down and converting own funds and liabilities in banks (bail-in) and the creation of a national resolution fund.

The Commission's report was sent out for consultation by the Ministry of Finance on 28 October 2016 with a response deadline of 9 January 2017.

The draft bill and its implications for the Fund
The deposit guarantee fund – organisation, responsibilities and duties

It is proposed that the Fund's existing capital is retained in a new deposit guarantee fund. The Fund will continue to be a separate legal entity. The draft bill specifies: "The Norwegian Banks' Guarantee Fund shall undertake asset management and administrative tasks for the deposit guarantee scheme and the deposit guarantee fund." It is also proposed that the Fund's staff take on additional asset management and administrative tasks for the new resolution fund and the existing Norwegian Investor Compensation Scheme. This would mean that the Fund's staff are responsible for the management and administration of three funds: the deposit guarantee fund, the resolution fund and the Norwegian Investor Compensation Scheme.

Resolution fund and crisis management under the new rules

It is proposed that a new fund should be set up to finance bank resolution activities. The aim of resolution is, first and foremost, to preserve financial stability and pave the way for continued provision of critical financial services, and to limit damaging effects on customer groups, cf. section 20-31 of the draft bill. Before such crisis measures can be instigated, all private solutions must first be exhausted. Contributions from the resolution fund may be made only if shareholders and creditors have incurred

losses and contributed to the recapitalisation of the company by writing down and converting own funds and liabilities with a value equivalent to at least 8 per cent of the sum of the company's own funds and liabilities, cf. section 20-38 of the draft bill. It is not proposed that a separate board should be established for the resolution fund. In the draft bill, the ultimate responsibility rests with the Ministry of Finance, which will be the resolution authority. The Ministry may then delegate this authority to Finanstilsynet. The resolution fund will not be a separate legal entity. In the draft bill, the resolution fund is to be managed and administered by the Norwegian Banks' Guarantee Fund. More specifically, the Fund is to perform administrative tasks that do not require a special decision by the resolution authority.

Financing the deposit guarantee fund

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

Cover and repayment of deposits

The deposit guarantee will remain NOK 2 million during a transition period through to the end of 2018. After that, in accordance with the principle of harmonisation, the Norwegian guarantee will be reduced to EUR 100,000. When the directive is incorporated into the EEA Agreement, the Norwegian authorities will argue in favour of maintaining this national level of cover beyond 2018.

The deadline for repayment of guaranteed deposits is set at seven working days in the directive, which is two

days longer than the current Norwegian requirement. No adjustment is therefore necessary for the Guarantee Fund. EU member states have been given until 2024 to adapt to the new shorter repayment period.

For some types of deposits, the cover in the proposed bill is better than under the current scheme. This is due to amendments to the DGSD introducing cover for temporary high balances for up to 12 months. This means that the coverage may be extended for a given period beyond the ordinary maximum amount. There is national leeway in this area, and the Banking Law Commission proposes the maximum cover permitted by the directive, which is for an unlimited amount for a period of 12 months. The minimum requirement in the directive is three months. Examples of deposits that come under this rule are those from the sale of private residential properties and various deposits that serve social purposes and are linked to particular life events of a depositor, such as marriage, separation and invalidity.

Fee for 2017

Due to a membership change shortly after the balance sheet date, with Nordea Bank Norge ASA converting from an ordinary member to a branch member, the minimum level of own funds will fall at the beginning of 2017. For 2017, the new branch member will pay a topping-up fee based solely on guaranteed deposits in excess of SEK 950,000. The calculations will be performed as soon as the necessary figures are available.

Based on membership at 31 December 2016, an ordinary fee of NOK 1,519 million has been calculated for 2017, which is lower than that calculated for 2016. This is because most banks increased their Tier 1 capital ratio despite growth in both guaranteed deposits and risk-weighted assets. They will therefore receive a larger discount on the gross fee than before. As a result of the conversion of Nordea Bank Norge ASA to a branch, the ordinary fee for 2017 will be reduced. The fee will be billed during the first quarter of 2017.

Membership changes

The Fund had 134 members at the end of 2016, of which 128 were headquartered in Norway and six were branch members. This is an increase of three members

from the end of 2015. Instabank ASA, Safe Deposit Bank of Norway AS and Maritime & Merchant Bank ASA were all established in 2016 and became new ordinary members of the Fund. Verdibanken ASA changed name to Easybank ASA.

Autumn Conference 2016

The annual Autumn Conference was held at Clarion Hotel & Congress Oslo Airport on 19-20 September and attracted a total of 260 participants. This was the 53rd conference in a row and had regulatory changes and the outlook for banks as its main theme.

Outlook for the Fund's portfolios

In 2017, the Guarantee Fund will be invested in Norwegian government bills and foreign government bonds with a high credit rating and a maturity of up to three years. The performance of the Fund's portfolios will depend first and foremost on central banks' monetary policy and investors' expectations thereof.

Since the Fund's investments are hedged to NOK, Norwegian interest rates have implications for the


Fund's return. The Norwegian economy still features weak growth following the collapse in oil prices two years ago, although there are some signs of improvement. Based on Norges Bank's projections, short-term rates in Norway will stay at current levels for the next two years. All in all, the Guarantee Fund expects a positive but low return on its investments in 2017.


Administrative matters

The Board of the Guarantee Fund consisted of six men and one woman in 2016. The Fund's CEO is the CEO of Finance Norway, Idar Kreutzer. The Fund has its offices at Hansteens gate 2 in Oslo. The Fund had 12 employees at the end of the year, six of whom were women. The Fund has an agreement on occupational health services. Sickness absence amounted to 2.55 per cent in 2016, down from 3.69 per cent in 2015.

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

Oslo, 7 March 2017


Ottar Ertzeid
Chairman


Jan-Frode Janson
Deputy Chairman



Pål Strand


Odd Nordli


Kristin Gulbrandsen


Morten Baltzen


Rolf Endre Delingsrud
(1st deputy member)


Idar Kreutzer
CEO

Income statement

All figures in thousands of NOK

	NOTE	2016	2015
Revenue			
Membership fees	1,2	1 583 215	1 552 609
Other operating revenue	13	2 038	1 790
Total revenue		1 585 254	1 554 399
Asset management			
<i>Fixed-income portfolio</i>			
Interest income		698 077	680 611
Other revenue/expenses	10	-840	-175
Gains and losses	11	-301 191	-244 180
<i>Income from fixed-income investments</i>		396 046	436 256
<i>Share portfolios</i>			
Shares		-19	-153
Gains and losses	12	-179	342
<i>Income from share investments</i>		-198	189
Income from asset management		395 848	436 445
Operating expenses			
Operating expenses	14	-39 643	-37 030
Profit/loss for the year		1 941 459	1 953 814
Appropriation of profit/loss			
Transferred to equity		1 941 459	1 953 814


Balance sheet


All figures in thousands of NOK


	NOTE	31.12.2016	31.12.2015
ASSETS			
Bank deposits	3	153 521	195 849
Bonds and bills	4	32 001 638	30 326 825
Bonds and bills lendend	4,15	150 530	367 852
Financial derivatives	5	378 064	443 554
Unsettled trades		172 723	649 452
Property, plant and equipment	7	288	120
Overfunded pension liabilities	9	2 507	1 747
Other receivables	6	19 247	29 456
Total assets		32 878 519	32 014 853
LIABILITIES AND EQUITY			
Equity	1	32 471 915	30 530 456
Financial derivatives	5	332 688	1 126 946
Unsettled trades		40 946	308 901
Other liabilities	8	22 640	38 841
Provisions for pension liabilities	9	10 330	9 709
Total liabilities		406 604	1 484 397
Total liabilities and equity		32 878 519	32 014 853


Oslo, 7 March 2017


31 December 2016



 Ottar Ertzeid
 Chairman



 Jan-Fredrik Janson
 Deputy Chairman



 Pål Strand


 Odd Nordli


 Kristin Gulbrandsen


 Morten Baltzersen


 Rolf Endre Delingsrud
 (1st deputy member)


 Idar Kreutzer
 CEO

Cash flow statement

All figures in thousands of NOK

	2016	2015
Profit/loss for the year	1 941 459	1 953 814
Depreciation and amortisation	108	119
Cash flow from operating activities	1 941 567	1 953 933
Investments in property, plant and equipment	-277	-65
Decrease (increase) in holdings of bonds and commercial paper	-1 435 843	-1 966 220
Decrease (increase) in accrued interest	-21 649	-20 547
Decrease (increase) in other receivables	486 938	1 170 704
Change in financial derivatives	-728 768	-1 479 621
Change in provisions for pension liabilities	-140	16
Increase (decrease) in other liabilities	-284 155	340 992
Net change in cash and cash equivalents	-42 327	-808
Cash and cash equivalents at 1 January	195 849	196 657
Cash and cash equivalents at 31 December	153 522	195 849

Cash and cash equivalents comprise bank deposits and cash.

Notes to the financial statements for the year ended 31 December 2016

General

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

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

Accounting policies for financial instruments

General

The Fund's holdings of securities and financial contracts are considered a trading portfolio and measured at fair value. Where available, the official closing price in the market is used for all types of securities. The Fund's securities holdings are valued on a daily basis by BNY Mellon Asset Servicing, which is the Fund's external supplier of investment support services. The primary sources of pricing are Interactive Data and SS&C Technologies. Secondary sources of pricing are Bloomberg, Thomson Reuters and Statpro Canada. The main source of pricing for foreign exchange contracts is WM FX Rates. The Fund performs regular checks on the pricing and valuations provided by its external suppliers.

Bonds

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

Forward exchange contracts

Forward exchange contracts and currency swaps are recognised at fair value, and unrealised gains/losses are included in the Fund's daily value. Financial derivatives are presented on a gross basis.

Currency conversion

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

Collateral

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

Guarantees

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

Other accounting policies

Revenue recognition

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

Pensions

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

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

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

The Fund also has obligations under the AFP Early Retirement Subsidy Act. Financial contributions to this scheme are recognised in the income statement as a defined-contribution scheme. Individual employers do not possess the information needed to calculate this liability at 31 December 2016, and so the scheme is treated as a defined-contribution scheme as required by generally accepted accounting practice. In practice, only the central administrator Fellesordningen for AFP has the data necessary to calculate the liability.

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

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

Estimates are used in the valuation of pension assets. The value is adjusted annually to reflect the actual return on these assets. Pension costs and liabilities include employer contributions.

See also Note 9.

Property, plant and equipment

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

Tax

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

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

Note 1**Own funds**

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

Minimum own funds in 2017

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

1.5 per cent of average guaranteed deposits	1 211 955 million	18 179 328
0.5 per cent of average risk-weighted assets	2 124 749 million	10 623 747
Minimum own funds		28 803 075
Equity at 31 December 2016		32 471 915
	Excess capital as at 1 January 2017	3 668 839

The ordinary fee for 2017 has been calculated as NOK 1,518,795 thousand and will be collected in the first quarter of 2017.

Due to a membership change shortly after the balance sheet date, with a major bank converting from ordinary membership to branch membership, the minimum level of own funds fell considerably at the beginning of 2017.

Minimum own funds in 2016

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

1.5 per cent of average guaranteed deposits	1 101 715 million	16 525 730
0.5 per cent of average risk-weighted assets	2 081 955 million	10 409 777
Minimum own funds		26 935 507
Equity at 31 December 2015		30 530 456
	Excess capital as at 1 January 2016	3 594 949

The fee calculated and collected for 2016 was NOK 1,582,917 thousand.

Minimum own funds in 2015

The statutory minimum level of own funds in 2015 is based on guaranteed deposits and risk-weighted assets averaged across the last two quarters of 2013 and the first two quarters of 2014.

1.5 per cent of average guaranteed deposits	1 028 489 million	15 427 334
0.5 per cent of average risk-weighted assets	1 978 497 million	9 892 485
Minimum own funds		25 319 820
Equity at 31 December 2014		28 576 642
	Excess capital as at 1 January 2015	3 256 822

The fee calculated and collected for 2015 was NOK 1,538,735 thousand.

The minimum size of own funds in 2015 was adjusted compared with the previous year's annual financial statements following an adjustment to guaranteed deposits for one bank.

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

	2016	2015
Equity at 1 January	30 530	28 576
Profit/loss for the year	1 941	1 954
Equity at 31 December	32 471	30 530

Note 2**Membership fees**

The membership fee for 2016 was calculated in accordance with the Financial Institutions Act and the Financial Institutions Regulation. The fee is calculated and collected annually. The ordinary fee was calculated as 0.1 per cent of guaranteed deposits plus 0.05 per cent of risk-weighted assets for capital adequacy purposes averaged across the end of the third and fourth quarters of 2014 and the first and second quarters of 2015. Members with a Tier 1 capital ratio in excess of 8.0 per cent at 31 December 2014 were granted a discount on the annual fee. The maximum discount is 35 per cent for a Tier 1 capital ratio of 16.75 per cent. Branch members pay only a percentage of guaranteed deposits. The regulation also requires a joining fee to be set.

Ordinary fees for 2016 came to NOK 1,582,918 thousand. In addition, joining fees totalling NOK 298 thousand were payable by Safe Deposit Bank of Norway AS, Monobank ASA, Instabank ASA and Maritime & Merchant Bank ASA.

	2016	2015
Ordinary fee	1 582 918	1 538 736
Joining fee	298	13 873
Total	1 583 215	1 552 609

Note 3**Bank deposits**

Tax withholding funds held in a separate account totalled NOK 933 thousand (NOK 874 thousand).

Of the Fund's bank deposits, NOK 23,546 thousand was in foreign currency, of which NOK 16,847 thousand was collateral for exposure through foreign exchange contracts.

At 31 December 2016, cash and bank deposits (excluding current accounts) amounted to 0.1 per cent of assets managed by the Fund (net asset value). The corresponding figure for 2015 was 0.1 per cent.

Note 4**Bonds and bills paper**

Debtor category	Cost	2016		Cost	2015	
		Fair value (incl. accrued interest and securities lent)*	Accrued interest		Fair value (incl. accrued interest and securities lent)*	Accrued interest
Government bonds (sovereign states)	32 470 984	32 152 168	325 403	26 970 358	30 694 676	303 753
Total	32 470 984	32 152 168	325 403	26 970 358	30 694 676	303 753

*) Securities lent are included in the fair value of the bonds at NOK 150,530 thousand in 2016 and NOK 367,852 thousand in 2015. See also Note 15.

The fair value including accrued interest and securities lent is NOK 318,816 thousand lower than cost.

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

Bonds and bills paper by country:

	2016	2015
Country/issuer	Fair value (incl. accrued interest and securities lent)	Fair value (incl. accrued interest and securities lent)
Australia	2 888 000	2 954 961
Canada	3 644 349	3 627 693
Finland	547 327	536 658
Netherlands	1 768 339	1 729 326
Singapore	648 465	604 003
UK	6 299 190	5 586 899
Switzerland	1 480 171	1 369 986
Sweden	1 156 264	1 133 951
Germany	6 436 482	6 133 161
US	6 406 074	6 160 476
Austria	877 507	857 562
Total	32 152 168	30 694 676

Accrued interest by country/issuer:

Country/issuer	2016	2015
Australia	33 239	55 324
Canada	13 955	15 267
Finland	6 335	4 820
Netherlands	20 298	20 809
Germany	76 390	71 327
Singapore	6 475	4 693
Sweden	34 530	15 164
Switzerland	32 825	31 378
UK	63 710	46 886
US	23 850	18 051
Austria	13 797	20 035
Total	325 403	303 753

Bonds by issuer credit rating at 31 December 2016 (in thousands of NOK):

Credit rating agency	AAA or equivalent	AA+ or equivalent	AA or equivalent	Total
S&P	18 022 070	7 830 908	6 299 190	32 152 168
Moody's	24 428 144	7 724 024	-	32 152 168
Fitch	24 428 144	1 424 834	6 299 190	32 152 168

The credit ratings presented here are the local-currency long-term credit rating at 31 December 2016 (source: Bloomberg).

Note 5**Financial derivatives**

	2016		2015	
	Asset	Liability	Asset	Liability
Forward exchange contracts	378 064	332 688	443 554	1 126 946
Total financial derivatives	378 064	332 688	443 554	1 126 946

Forward exchange contracts

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

	2016		2015	
Derivative category	Cost	Fair value	Cost	Fair value
Forward exchange contracts	0	45 376	0	-683 392
Total	0	45 376	0	-683 392

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

Forward contracts by currency:

Purchased currency	Sold currency	Net nom. volume	Fair value
NOK	AUD	2 883 564	71 110
NOK	CAD	3 679 543	-23 823
NOK	CHF	1 491 901	-2 725
NOK	EUR	9 664 343	18 756
NOK	GBP	6 261 769	23 470
NOK	SEK	1 184 772	-21 487
NOK	SGD	648 019	3 739
NOK	USD	6 491 598	-23 665
Total		32 305 510	45 376

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

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

	2016	2015
Coupons receivable – withholding tax receivable	16 501	12 384
Dividends receivable – withholding tax receivable	2 063	2 207
Other receivables	683	14 865
Total	19 247	29 456

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**

	2016	2015
	Tools, equipment, and computer hardware	Tools equipment, and computer
Cost at 1 January	1 699	1 633
Additions	277	65
Cost at 31 December	1 976	1 699
Accumulated depreciation at 1 January	1 488	1 369
Depreciation for the year	108	119
Accumulated depreciation at 31 December	1 596	1 488
Accumulated impairment losses at 1 January	91	91
Year's impairment losses		
Accumulated impairment losses at 31 December	91	91
Carrying amount at 31 December	288	120
Total property, plant and equipment	288	120

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

Furniture	20% of cost
Computer and other electronic equipment	1/3 of cost

Note 8**Other liabilities**

	2016	2015
Advance tax deductions, employer contributions	1 551	1 839
Other liabilities/accrued expenses	4 244	4 607
Cash collateral received	16 845	32 396
Total	22 640	38 841

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

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

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

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

Pension entitlements for salary above 12 G are financed through operations. Disability pensions for salary above 12 G are covered by insurance, but with no capital accumulation. The annual premium is included in pension costs.

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

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

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

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

Pension costs and liabilities include employer National Insurance contributions.

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

The impact of the new disability pension has been recognised in 2016. From 2017, disability rights are covered by insurance which gives full disability cover regardless of length of service. Previously, disability rights depended on length of membership, and rights earned were included in the pension liability. This scheme amendment reduced pension costs for 2016 by NOK 440 thousand.

The Fund is covered by the new AFP scheme in the private sector pursuant to the AFP Early Retirement Subsidy Act that entered into force in 2010. The Fund has a financial liability under this scheme. Individual employers do not possess the information needed to calculate this liability at 31 December 2016, and so the scheme is treated as a defined-contribution pension scheme as required by generally accepted accounting practice. In practice, only the central administrator Fellesordningen for AFP has the data necessary to perform a calculation of the AFP liability.

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

	2016	2015		2016	2015
Discount rate	2,60 %	2,50 %			
Expected return	3,60 %	3,30 %			
Expected wage growth	2,50 %	2,50 %			
Expected adjustment of basic amount (G)	2,25 %	2,50 %	No. of active members	7	7
Expected adjustment of pensions	0,00 %	0,00 %	No. of pensioners	10	10

Pension costs		2016			2015		
Recognised in income statement	Funded	Unfunded	Total	Funded	Unfunded	Total	
Present value of year's pension earnings (incl. employer NI)	1 834	502	2 336	2 032	476	2 508	
Interest expenses on accrued liability	663	255	918	617	209	826	
Expected return on pension assets	(543)	-	(543)	(469)	-	(469)	
Pension costs before actuarial gains and losses	1 954	757	2 711	2 180	685	2 865	
Amortisation of changes in estimates	114	-	114	226	-	226	
Scheme amendments (new disability pension)	(440)	-	(440)	-	-	-	
Administration expenses	38	-	38	39	-	39	
Net pension costs recognised for period	1 666	757	2 423	2 444	685	3 129	
Premium, AFP	166	-	166	131	-	131	
Premium, defined-contribution scheme	245	-	245	157	-	157	
Risk cover, disability pension, salaries above 12G	36	-	36	35	-	35	
Total pension costs and risk premiums	2 113	757	2 870	2 767	685	3 452	

Pension liabilities		2016			2015		
Balance sheet	Funded	Unfunded	Total	Funded	Unfunded	Total	
Estimated accrued pension liability (incl. employer NI)	25 622	10 865	36 487	26 884	10 270	37 154	
Estimated value of pension assets	23 927	-	23 927	23 776	-	23 776	
			-			-	
Net pension liabilities	1 695	10 865	12 560	3 108	10 270	13 378	
Actuarial gains and losses not recognised in income statement	(4 202)	(535)	(4 737)	(4 855)	(561)	(5 415)	
Net pension liabilities (assets)	(2 507)	10 330	7 823	(1 747)	9 709	7 962	
Recognised assets	2 507	-	-	1 747	-	-	
Recognised liabilities	-	10 330	-	-	9 709	-	

This year's changes in pension liabilities

Pension liabilities	2016	2015
Opening balance at 1 January	37 154	36 083
Rights earned this year	2 336	2 508
Interest expenses this year	918	826
Payments to retirees and payment of employer contributions on premiums	(1 929)	(1 638)
Actuarial gains and losses	(272)	(624)
Settlement and scheme amendments, former disability pension	(1 720)	-
Closing balance at 31 December	36 487	37 154

Year's change in pension assets

Pension assets	2016	2015
Estimated pension assets at 1 January	23 776	22 529
Actuarial gains and losses	293	(657)
Pension assets at 1 January less actuarial gains and losses	24 069	21 872
Expected return on pension assets	543	469
Premiums paid in	2 126	2 536
Pensions paid out	(1 493)	(1 062)
Settlement, former disability pension	(1 279)	
Administration and management expenses	(38)	(39)
Estimated pension assets at 31 December	23 927	23 776
Actual gross return on fund assets	-	-

Note 10**Other revenue and expenses**

	2016	2015
Interest income from bank deposits at BNYM	6	79
Interest expenses from bank deposits at BNYM	-525	-21
Interest income from cash collateral pledged by counterparties	151	34
Interest expenses from cash collateral pledged by counterparties	-472	-267
Total	-840	-175

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

	2016	2015
Realised gains/losses	3 055 981	-1 686 944
Unrealised gains/losses	-3 357 172	1 442 764
Gains and losses	-301 191	-244 180

(*) Breakdown of realised gains/losses:

	2016	2015
Bonds/bills paper	1 537 621	2 415 433
Currency derivatives	1 517 793	-4 102 551
Compensation under group lawsuits	572	387
Charges	-5	-213
	3 055 981	-1 686 944

() Breakdown of unrealised gains/losses:**

	2016	2015
Bonds/bills paper	-4 085 940	-36 857
Currency derivatives	728 768	1 479 621
	-3 357 172	1 442 764

Note 12**Income from share investments**

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

	2016	2015
Realised gains/losses	3	-26
Unrealised gains/losses	-182	368
Gains/losses	-179	342

Breakdown of realised gains/losses:

	2016	2015
Shares	0	3
Miscellaneous	3	-29
Charges	0	-1
	3	-26

Breakdown of unrealised gains/losses:

	2016	2015
Shares	-134	115
Miscellaneous interest	-48	253
	-182	368

Note 13**Other operating revenue**

	2016	2015
Interest on bank deposits	1 775	1 428
Compensation from group lawsuits	1	5
Foreign exchange gains	20	55
Net income from courses	242	302
Total	2 038	1 790

Note 14**Operating expenses**

	2016	2015
Salaries, fees and payroll costs	18 110	17 518
Administration and operating expenses	16 371	14 704
Costs, external asset managers	5 032	4 611
Depreciation and amortisation	108	119
Other financial expenses	21	79
	39 643	37 030

Details of employees and directors

Number of employees at 31 December 2016: 12	2016	2015
Total salaries and fees	13 145	12 081
National Insurance contributions	2 238	2 159
Pension costs	2 525	3 067
Payroll costs	202	211
	18 110	17 518

The following are included in salaries:	2016	2015
Chairman	50	50
Other Board members	195	180
CEO	200	200

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

Transactions with related parties

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

The company's transactions with related parties:	2016	2015
Salary, CEO	200	200
Agreement on assistance from Finance Norway*	4 375	4 375
Rent and overheads	2 168	2 069
Total	6 743	6 644

*) Fixed agreement on administrative assistance from Finance Norway

Auditor's fees etc.	2016	2015
Fees paid to Ernst & Young as auditor	128	135
Other assurance services**	39	30
	167	164

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

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

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

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

Investment strategy

In its investment strategy for 2016, the Board elected to allocate 100 per cent of the capital to foreign government bonds. The portfolio is managed externally by Legal & General Investment Management on an index-tracking basis. In the investment strategy for 2017, it has been decided to expand the investment universe to include Norwegian government bills.

The benchmark index is made up of highly rated foreign government bonds. The index is GDP-weighted and tailored to the Fund's requirements for low risk and high liquidity. The index is 100 per cent hedged to NOK and is supplied by Bloomberg Barclays Indices.

Risk limits

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

Operational risk

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

All risk limits are incorporated into a compliance system both locally at the external asset managers and centrally at Mid Office. Mid Office follows up any breaches of limits and the periodic reporting to management and the Board in addition to obtaining independent statements from the external auditor on procedures and control activities (ISAE 3402 and SOC 1).

BNYM is responsible for daily reporting, which includes financial statements, holdings and transactions. 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.

Liquidity risk

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

Foreign exchange risk

The Fund's securities holdings are denominated and traded in foreign currency, and are thus exposed to foreign exchange risk. The Fund's benchmark is hedged 100 per cent to NOK (monthly rebalancing). Forward exchange contracts and currency swaps are used to manage foreign exchange risk. The manager may only perform currency trades to hedge the Fund against foreign exchange risk. Exposure to all foreign currencies is monitored daily.

Foreign currency exposure at 31 December 2016	AUD	CAD	CHF	EUR	GBP	SEK	SGD	USD
Fixed income portfolio (excl. currency hedging)	463 356	573 411	177 819	1 063 247	588 455	1 249 159	108 737	754 114
Currency hedging	(462 985)	(573 248)	(176 016)	(1 063 407)	(588 526)	(1 249 354)	(108 783)	(754 298)
Net currency exposure	371	163	1 804	(160)	(71)	(195)	(47)	(185)

Counterparty risk and netting

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

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

Amount in millions of NOK	Amounts that may not be presented net in the balance sheet but are subject to a netting agreement						
	Gross value	Amounts offset in balance sheet	Carrying amount	Financial instruments	Cash collateral	Securities pledged as collateral	Amounts after permitted netting
Assets							
Financial derivatives	378	-	378	304	17		57
Securities pledged as collateral	151	-	151	28			123
Total assets	529	-	529	332	17	0	179
Liabilities							
Financial derivatives	333	-	333	304		28	0
Total liabilities	333	-	333	304	-	28	0

Interest rate risk

Duration is calculated for long positions in the bond market and is weighted according to market value at 31 December 2016 (source: Bloomberg). The duration is the effective repayment period of a bond and is a measure of sensitivity to interest rates. For 2016, the duration of the bond portfolio was 1.8, unchanged from 2015.

Taxation/withholding tax

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

Note 16

Guarantees

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

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

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

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

There were no events where the Fund had to cover losses on deposits in 2016, 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 Annual General Meeting of Bankenes sikringsfond

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 2016, 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 2016 and its financial performance 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 Managing Director (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, 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.

Oslø, 8 March 2017
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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

Independent auditor's report - Bankenes sikringsfond

The Bodies of the Guarantee Fund

Organisation

Following elections at the General Meeting on 31 March 2016, and the election of the Chairman and Deputy Chairman on 4 May 2016, the Board comprised the following:

- Ottar Ertzeid, Vice President, DNB Bank ASA, Chairman (up for election in 2018)
- Jan-Frode Janson, CEO, SpareBank 1 Nord-Norge, Deputy Chairman (up for election in 2017)
- Cato Holmsen, Head of Corporate & Institutional Banking, Nordea Bank Norge ASA (stepped down in autumn 2016)
- Odd Nordli, CEO, Aurskog Sparebank (up for election in 2018)
- Pål Strand, CEO, Sparebanken Øst (up for election in 2018)

Board members appointed by Norges Bank and Finanstilsynet:

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

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

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

1. Rolf Endre Delingsrud, CEO, Totens Sparebank (up for election in 2018)
2. Frank Johannesen, Director, Sparebanken Vest (up for election in 2018)
3. Steinar Haugli, CEO, SpareBank 1 Ringerike Hadeland (up for election in 2017)
4. Jan Kåre Eie, CEO, Flekkefjord Sparebank (up for election in 2017)
5. Trond Mellingsæter, Country Manager, Danske Bank (up for election in 2018)

Deputy member no. 1 attends all Board meetings.

Deputy members appointed by Norges Bank and Finanstilsynet:

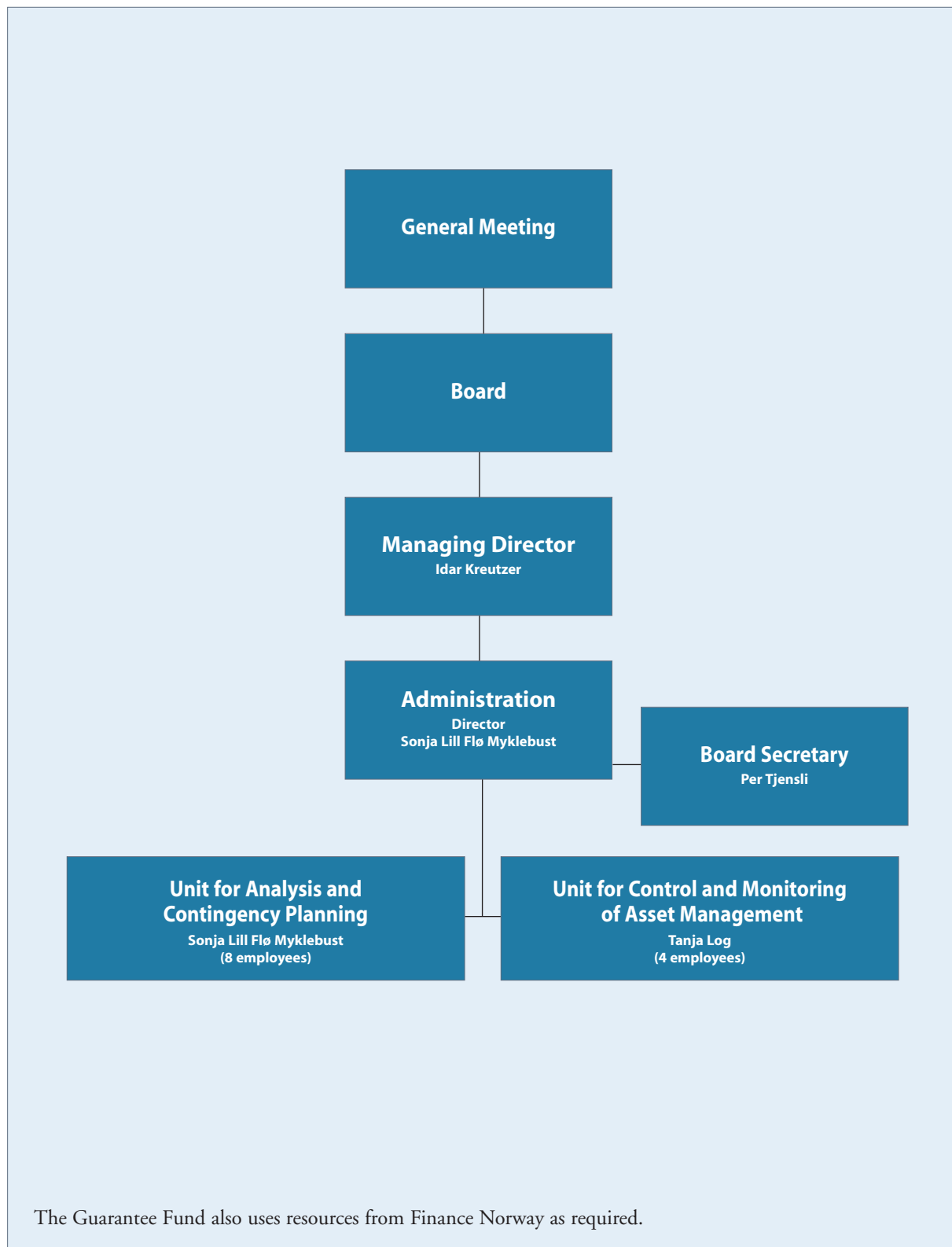
- Arild J. Lund, Director, Norges Bank
- Emil Steffensen, Deputy Director General, Banking and Insurance Supervision, Finanstilsynet

The following were elected members of the Nomination Committee:

- Dag Tjernsmo, CEO, Handelsbanken (up for election in 2017)
- Siri Berggreen, CEO, Lillestrøm Sparebank (up for election in 2018)
- Kaj-Martin Georgsen, Director, DNB Bank ASA (up for election in 2017)
- Kjell Jostein Bø, CEO, Voss Sparebank (up for election in 2017)
- Ole Laurits Lønnum, CEO, Landkreditt Bank AS (up for election in 2018)

Idar Kreutzer, CEO of Finance Norway, is the Managing Director of the Guarantee Fund.

The Guarantee Fund also utilises personnel from Finance Norway when expedient in accordance with the agreement between the Guarantee Fund and Finance Norway.

Organisation chart as of 31 December 2016

Members of the Norwegian Banks' Guarantee Fund as of 31 December 2016

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

Members headquartered in Norway

A

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

B

Bamble Sparebank
Bank Norwegian AS
Bank 1 Oslo Akershus AS
Bank2 ASA
Berg Sparebank
Bien Sparebank AS
Birkenes Sparebank
Bjugn Sparebank
Blaker Sparebank
BNbank ASA
Bud, Fræna og Hustad Sparebank

C

Cultura Sparebank

D

DNB Bank ASA
Drangedal Sparebank

E

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

F

Fana Sparebank
Flekkefjord Sparebank
Fornebu Sparebank

G

Gildeskål Sparebank
Gjensidige Bank ASA
Gjerstad Sparebank
Grong Sparebank
Grue Sparebank

H

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

I

Indre Sogn Sparebank
Instabank ASA

J

Jernbanepersonalets Sparebank
Jæren Sparebank

K

KLP Banken AS
Klæbu Sparebank
Komplett Bank ASA
Kragerø Sparebank
Kvinesdal Sparebank

L

Landkreditt Bank AS
Larvikbanken Brunlanes Sparebank
Lillesands Sparebank
Lillestrøm Sparebank
Lofoten Sparebank
Luster Sparebank

M

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

N

Nesset Sparebank
Netfonds Bank ASA
Nordea Bank Norge ASA

O

OBOSBanken AS
Odal Sparebank
Ofoten Sparebank
Opdals Sparebank
Orkdal Sparebank

P

Pareto Bank ASA

R

Rindal Sparebank
Rørosbanken Røros Sparebank

S

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

SpareBank 1 SR-Bank ASA

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

T

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

V

Valle Sparebank
Vang Sparebank
Vegårshei Sparebank
Vestre Slidre Sparebank
Vik Sparebank
Voss Sparebank
Voss Veksel- og Landmandsbank ASA

Y

yA Bank ASA

Ø

Ørland Sparebank
Ørskog Sparebank

Å

Åfjord Sparebank
Aasen Sparebank

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

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

Statutes of the Norwegian Banks' Guarantee Fund

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

Ch. I Membership and objectives

§ 1 Establishment and membership

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

§ 2 Objectives of the Fund

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

§ 3 Right to inspect members

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

Ch. II The Guarantee Fund's capital

§ 4 The Guarantee Fund's capital

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

§ 5 Membership levy

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

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

§ 6 Member guarantees

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

§ 7 Investment of the Guarantee Fund's assets

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

§ 8 Borrowings

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

Ch. III The Guarantee Fund's governing bodies

§ 9. General Meeting

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

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

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

(9) The Annual General Meeting reviews:

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

§ 10 Nomination Committee

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

§ 11 Board of Directors

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

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

§ 12 The functions of the board

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

§ 13 Audit

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

§ 14 Duty of Confidentiality

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

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

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

§ 15 The Deposit Guarantee

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

§ 16 Settlement under the Deposit Guarantee Scheme

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

§ 17 Support measures

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

§ 18 Conditions for support

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

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

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

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

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

§ 20 Report from the Board of Directors

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

§ 21 Financial statements

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

Ch. VI Amendment of the Statutes etc.

§ 22 Statutes

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



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Grafisk produksjon

Garder Grafisk

