Norwegian Banks'
Guarantee Fund

Annual Report 2012

Contents – Annual Report 2012

Leader

The Norwegian economy returned strong growth throughout 2012. However, the public debt crisis and disappointing economic indicators in Europe are also fuelling uncertainty regarding growth prospects in Norway. High oil prices are maintaining high activity levels on the Norwegian shelf. Petroleum-related activities are also having major knock-on effects on Norway's mainland economy, with Norges Bank indicating that capacity utilisation is higher than normal.

Personal credit growth is outstripping income growth, in the process leading to higher household debt levels. The authorities have expressed concern about this development, as well as about sharply rising house prices.

Against such a backdrop, the banks' financial statements are showing satisfactory results. At the end of third quarter of 2012 the surplus represented 1.04 per cent of the average managed capital, compared with 0.88 per cent in the same period in 2011. This corresponds to respective returns on equity of 11.3 and 10.0 per cent for the two years. There were no crises in individual banks that triggered payments from the Guarantee Fund in 2012.

Despite misgivings from the finance industry, the authorities have adopted two key changes in the framework conditions for the Norwegian Banks' Guarantee Fund (hereafter referred to as the Guarantee Fund) with effect from 1 January 2013.

– The fee exemption that applies whenever the Fund's equity exceeds the statutory minimum capital level has been abolished.
– The deadline for repayment of guaranteed deposits in the event of the collapse of a bank has been reduced from three months to one week.

In accordance with changes in the Norwegian Guarantee Schemes Act, members must pay an annual fee to the Guarantee Fund. Previously payments were no longer due if the Guarantee Fund's capital exceeded the minimum size requirement for the Guarantee Fund.

The Guarantee Fund shall cover losses on deposits in accordance with the deposit guarantee, as soon as possible and no later than one week after a bank has been placed under public administration, or once Finanstilsynet has decided that a bank neither is, nor will be in a position to repay deposits.

The Guarantee Fund carried out an evaluation of the Data Regulation in order to help assess the practicality of the reduced payment deadline of one week. It was found that four days were needed to allow the banks to prepare satisfactory lists as a basis for repayment. This would then leave three days to make the actual payments. Based on the Guarantee Fund's evaluation, Finanstilsynet has submitted a new Data Regulation for review.

It should also be noted that the reduced payment deadline and the regulation stipulating payment of a full guarantee fund fee are both of importance for the Guarantee Fund's choice of asset management strategy. The Board concluded by highlighting the importance of maintaining more stringent liquidity requirements, together with more index-linked and streamlined management. Consequently, the Board has decided to close the Asset Management department and outsource management to an external supplier.

Further changes in legislation affecting the Guarantee Fund are to be expected in the near future. EU Guarantee Fund legislation is due to be reviewed and agreement is still to be reached between the Commission, Parliament and the Council of Ministers. A Crisis Management Directive is also being prepared, which among other things proposes the introduction of a bank winding-up fund. The above should be viewed in the context of the Guarantee Fund and its mandate. The directives are expected to be adopted in summer 2013.

From a Norwegian perspective the most important consideration concerning the future Norwegian Guarantee Schemes Act is the requirement to be able to maintain a NOK 2 million threshold for guaranteed deposits. The deposit guarantee has been harmonised at EUR 100,000 across the EU. New regulations will also be tabled governing risk-based fees and the size of the Fund and fees. While many countries currently have guarantee-based funds, over time the proposals only allow for 10 per cent of the funds to be guaranteed for commitments other than deposits. The introduction of a mandatory loan scheme between guarantee funds and winding-up funds in different countries has also been proposed. However, the Council of Ministers and Parliament have so far opposed this proposal for the guarantee funds. In Norway the Banking Law Commission will propose a number of legislative amendments in order to implement the new EU Directive.

The Guarantee Fund posted a surplus of NOK 1.5 billion in 2012. As no fee was payable by the members in 2012, the overwhelming majority of the Guarantee Fund's revenues for the year were generated through Asset Management. In 2013 members' payments will amount to NOK 1.5 billion.

At year-end the Guarantee Fund's equity stood at NOK 24.3 billion, compared with 22.8 billion the previous year. This equates to 2.7 per cent of the guaranteed deposits.

The banks are expected to be exposed to more stringent capital requirements in future. The Norwegian government has also announced that it is considering making changes to the taxation regime. This, together with full guarantee fund payments and a potential future winding-up fund fee, mean that the banks will face significant costs in the next few years.

Idar Kreutzer
Manager

Directors' report 2012

The Norwegian Banks' Guarantee Fund – object and activities

The Norwegian Banks' Guarantee Fund was established under a legislative amendment of 25 June 2004. The legislation entered into force on 1 July 2004 with the merger of the Commercial Banks' Guarantee Fund and the Savings Banks' Guarantee Fund. The Guarantee Fund's activities are regulated by the Norwegian Guarantee Schemes Act of 6 December 1996 No. 75.

Membership of the Guarantee Fund is mandatory for all savings banks and commercial banks headquartered in Norway. In addition, the King may decree that as well as banks, other credit institutions are required to be members of the Guarantee Fund. The Fund had 127 members with headquarters in Norway as of 1 January 2013.

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 considered to give the branch's depositors the same degree of protection as that under Norwegian legislation. Membership requires the approval of Finanstilsynet (the Financial Supervisory Authority of Norway). The Fund had seven branch members as of 1 January 2013.

The purpose of the Guarantee Fund is to hedge the deposits 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. With effect from 1 January 2011, the EU-wide deposit guarantee scheme has been fully harmonised at EUR 100,000, i.e. approximately NOK 740,000. This is not currently incorporated into the EEA Agreement. The Norwegian authorities are still actively working to retain the current deposit guarantee scheme. The deposit guarantee scheme is a crucial part of the regulation of the financial markets and helps create confidence and trust in the banking industry, thereby safeguarding financial stability. For branch members with a homeland guarantee of EUR 100,000 per depositor, the Fund covers the excess amount up to NOK 2 million.

The Guarantee 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 development of the guarantee fund institution is necessary in order to ensure satisfactory safeguards for customers, banks and society. The development process involves work on framework conditions and statutes etc. The Guarantee Fund is a member of the European Forum of Deposit Insurers (EFDI). The purpose of the forum is to contribute to the stability of the financial system by fostering European co-operation between deposit guarantee schemes.

To enable it to handle potential crisis situations, the Guarantee Fund has accumulated considerable funds over time, and as of 31 December 2012 the Fund's equity totalled NOK 24,321 million.

Pursuant to the Act of 14 December 2012 no. 84, amendments were made to the Norwegian Guarantee Schemes Act with the intention of further reinforcing the Guarantee Fund's equity and reducing the payment deadline for the deposit guarantee scheme. The amendments to the Norwegian Guarantee Schemes Act entered into force on 1 January 2013 and oblige member banks to pay an annual fee to the Guarantee Fund from 2013. The basis for calculating the fee has not been changed. The Guarantee Fund's deadline for the repayment of guaranteed deposits when a bank is not in a position to settle its obligations itself has been reduced from three months to one week.

The Guarantee Fund currently has three departments. One department is responsible for crisis prevention work in the form of analyses of member institutions using various standard and key figures, providing advisory services to smaller banks, organising courses, calculating and collecting membership fees and guarantees, and producing reports and information on the cover provided under the deposit guarantee scheme. The department is also responsible for managing crisis preparations, including the drawing up of crisis plans and implementation of contingency exercises. The Fund also has a department tasked with managing the Fund's assets. The purpose of the department is to secure an optimum risk-adjusted return on the assets. As well as implementing the strategic decisions adopted by the Board, the department has administrative responsibility in its own right and also selects and supervises external asset managers. Following the adaptation of the new investment strategy pursuant to changes in the Norwegian Guarantee Schemes Act, the department will be closed during 2013. The Fund also has a Middle Office, which supervises Asset Management, including controlling risk and investment limits with periodic reporting to the management and Board. This department will be responsible for the follow-up of external managers once the new investment strategy has been implemented.

Changes in the membership

At the end of 2012 the Guarantee Fund had 134 members, 127 of whom were headquartered in Norway and seven of whom were branch members. This is three fewer than at the previous year-end and is the result of a number of mergers. Skandinaviska Enskilda Banken AB (publ) Oslo Branch was included as a branch member on 26 October 2012. On the same date SEB Privatbanken ASA resigned as a member of the Norwegian Banks' Guarantee Fund. There were two mergers between savings banks in 2012. SpareBank 1 Hallingdal and Øystre Slidre Sparebank were merged on 23 November 2012 and took the new name SpareBank 1 Hallingdal Valdres. Holla og Lunde Sparebank and SpareBank 1 Telemark merged on 23 November 2012 and kept the name SpareBank 1 Telemark. Nordlandsbanken ASA merged with the parent bank DNB Bank ASA on 1 October 2012. Fokus Bank changed its name to Danske Bank on 15 November 2012.

The Guarantee Fund's performance in 2012

The financial statements have been prepared under the going concern assumption. The Fund's holding of securities is classed as a trading portfolio, and market value has been applied in the financial statements.

The Guarantee Fund posted a surplus of NOK 1,522 million in 2012, of which membership fees constituted NOK 0.4 million. The corresponding surplus for 2011 was NOK 875 million. It is proposed that the surplus for the year be allocated to equity.

The result of asset management operations before costs and fees was NOK 1,640 million, representing a time-weighted return of 7.2 per cent. A breakdown of the asset categories is given in the table below. The table shows results before management fees, and differs from the income statement in that the portfolios are grouped differently.

The shares asset category made the largest contribution in 2012, with a return of 16.6 per cent, while bonds contributed 4.3 per cent. Relative to its index, the Fund posted an additional return of NOK 111 million, or 0.5 per cent.

Other operating revenues

Other operating revenues totalled NOK 0.5 million in 2012, compared with NOK 0.6 million in 2011. The revenues were primarily generated through conference business, but also from dividends in accordance with group lawsuits.

Operating expenses

Total operating expenses for 2012 amounted to NOK 119.4 million. The corresponding figure for 2011 was NOK 57.0 million. The increase is primarily attributable to higher performance fees for external asset managers.

Asset management costs before performance fees and variable remuneration amounted to NOK 40.9 million in 2012. The corresponding figure for 2011 was NOK 37.9 million. This resulted in an ordinary asset management cost percentage of 0.15 in 2012, compared with 0.17 in the preceding year. Performance fees paid to external asset managers totalled NOK 58.6 million in 2012, compared with NOK 3.1 million in 2011. No provision has been recognised for variable remuneration for internal managers in 2012, compared with NOK 1.5 million in 2011. The total cost percentage for asset management, including performance fees and variable remuneration, was 0.37.

The statement of cash flow in the financial statements shows that the Guarantee Fund maintained satisfactory liquidity over the course of the year. The difference between the surplus for 2012 and the change in liquidity

31.12.2012	Absolute		Relative to index	
Asset category	Return (MNOK)	Return (%)	Excess return (MNOK)	Excess return (%)
Bonds	744	4,3 %	59	0,3 %
Shares	931	16,6 %	92	1.7 %
Tactical asset allocation	-36	-0,1 %	-40	-0,2 %
Total portfolio	**1640**	**7,2 %**	**111**	**0,5 %**

31.12.2012	Market value			Weight (%)		
Asset category	Guarantee Fund	Reference index	Difference	Guarantee Fund	Reference index	Difference
Bonds	18 215	18 046	172	74,9 %	74,5 %	0,4 %
Shares	6 006	6 056	-49	24,7 %	25,0 %	-0,3 %
Tactical asset allocation	112	121	-9	0,5 %	0,5 %	0,0 %
Total portfollio	**24 334**	**24 222**	**111**	**100 %**	**100%**	**0 %**

during the year is primarily attributable to the reinvestment of returns on investments.

Financial position

Managed capital at the year-end stood at NOK 24.3 billion, 75 per cent of which was invested in government fixed income securities. The table above shows the breakdown of asset categories (excluding operating assets), and the corresponding breakdown for the index.

Guarantee Fund fee in 2013

Following the amendment to Section 2-7, first para, of the Norwegian Guarantee Schemes Act, member banks shall pay an annual fee to the Guarantee Fund. Previously the fee was waived if the Guarantee Fund's capital exceeded the Guarantee Fund's minimum capital requirement. This fee exemption has been invoked several times in recent years, most recently in 2011 and 2012. Following the change there will no longer be a payment ceiling or size cap for the Guarantee Fund. The changes to legislation have been made so that the Guarantee Fund can contribute a greater share of guaranteed deposits in the future. The Board has noted that the industry is critical of the changes in legislation.

In the meeting of the Board of Directors of 25 January 2013, it was decided that fees would be collected from members for 2013 pursuant to Section 2-7, first para, of the Norwegian Guarantee Schemes Act.

Investment strategy

Management of the Guarantee Fund must balance various considerations. Good returns are required, but at low risk and good liquidity. The return target for 2012 has been set at 1.0 percentage point above the risk-free interest rate, of which 0.75 percentage points are expected to come from the overall allocation (the index), and 0.25 percentage points from active asset management. In 2012 asset categories were allocated in such a way that global government bonds and global shares accounted for 75 per cent and 25 per cent of assets respectively. The bond index comprises highly rated 1–10 year government bonds. The allocation represents the Fund's safe investment, which would be expected to rise in value in a crisis situation. At the year-end, the Value at Risk amounted to 6.0 per cent, while the framework set by the Board was 9 per cent.

The Fund operates a mixed asset management model comprising internal asset management combined with external asset managers. The arrangement is active, where managers are permitted to deviate from their index, within defined risk limits. At year-end, the Tracking Error was 1.3 per cent, while the limit set by the Board was 2.5 per cent.

Following the amendments to the Norwegian Guarantee Schemes Act that entered into force on 1 January 2013, the Guarantee Fund started work to adapt to a new long-term investment strategy under which the Fund will only invest in government bonds and commercial papers. The Board has further resolved that management will be performed externally and as pure index management.

Management results and risk

Management results are assessed relative to the risk taken, and the Fund uses various key figures for this purpose. The table below presents the most important key figures used and shows frameworks and targets, as well as actual figures for 2012 and for the period 2002–2012.

The premium on returns is broken down into the contribution from the index and the contribution from active asset management. The premium on returns in 2012 was higher than the target and the average for the period. The high return premium was attributable to strong returns from both shares and bonds.
The Sharpe Ratio is an expression of risk-adjusted return. This was high last year; higher than average for the whole period and the target, but lower than the index. When the Sharpe Ratio for the portfolio is hig-

Key figures	Fund 2012	Index 2012	Fund 02-12	Index 02-12	Dir.	Target/framework
Return premium	5,7%	5,2%	2,2%	2,0%	>	1,00%
- Index premium	5,2%	5,2%	2,0%	2,0%	>	0,75%
- Active premium	0,5%		0,2%		>	0,25%
Volatility (ex post)	2,3%	1,7%	5,0%	4,8%	<	5,5%
TE (ex post)	0,8%		1,5%		<	2,5%
VaR (ex post)	3,8%	2,9%	8,2%	7,8%	<	9,0%
Sharpe Ratio	2,51	3,01	0,44	0,41	>	0,25
IR	0,62		0,14		>	0,25
Consistency	75%		60%		>	50%
Skew	-1,4		-0,8		>	0
Liability correlation	0,5		0,3		<	0,1

(For definitions of terms, see the end of the Annual Report)

her than for the index, the contribution from active asset management is also generally positive, including when adjusted for risk. This was the case throughout the period, though the ratio was still not high enough relative to the target of an IR of 0.25.

A large number of risk frameworks have been introduced at portfolio level in order to reduce the concentration risk for different market risks. The frameworks have mainly been passed on locally to asset managers. The key figures above are used as a basis for the internal rating of asset managers.

Bank of New York Mellon (BNYM) has taken over the role as the Fund's global security deposit bank. BNYM is also responsible for independent performance measurements, valuations and compliance for all investments for the Fund's account. Middle Office monitors asset management both internally and externally. In 2013 the Guarantee Fund will switch from active management of shares and government bonds to index management of government bonds, which will simplify management and reduce risk in the Fund.

The Guarantee Fund's exposure to market risk, credit risk and liquidity risk

The Guarantee Fund is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk through investments in foreign and Norwegian government bonds, and shares. In accordance with the Guarantee Fund's objects, stringent demands are being made of liquidity in securities holdings, where investments may only be made in bonds issued by countries with high credit ratings.

Members' performance as of Q3 2012

The banks' (parent bank's) cumulative results for the first three quarters of 2012 came in at NOK 27.5 billion, which represents an increase of as much as 26.4 per cent (NOK 5.8 billion) compared with the same period in 2011. The result has increased despite stable net interest income in the same period. Net interest income in NOK rose by NOK 1.2 billion against the comparable prior-year period, but decreased as a percentage by 0.04 percentage points to 1.42 per cent of average managed capital.

The improvement in results is mainly attributable to increased gains on securities (including currency). Lending losses remain low, but have risen slightly compared with the same period in 2011 and now account for 0.25 per cent of gross lending. This represents an increase of 0.02 percentage points against the same period last year.

As of 30 September 2012 the return on equity had risen to 11.33 per cent, compared with 10.02 per cent the same time the previous year. The banks are continuing to reinforce their debt/equity ratios in accordance with Finanstilsynet's recommendations, and as of 30 September the tier 1 capital was 12.33 per cent, compared with 10.84 per cent as of 30 September 2011.
In order to shore up financing in the face of uncertainty in international markets, the banks increased their long-term financing and customer deposits during 2012.

Guaranteed deposits

The average guaranteed deposits for the previous settlement period (fee calculation for 2012) totalled NOK 847 billion, which represented 55.4 per cent of total deposits (guaranteed) at members (excl. topping-up, total deposits [guaranteed] as of 31 December 2010).

The fee calculation for 2013 shows that guaranteed deposits, as a percentage of total deposits, had risen by 1.4 percentage points to 56.8 per cent as of 31 December 2011. The average guaranteed deposits used as a basis for the calculations for 2013 have been estimated at NOK 906 billion. This corresponds to growth in average guaranteed deposits of 6.93 per cent.
As of 31 December 2012 the Fund accounted for 2.7 per cent of the guaranteed deposits. Please also refer to Note 1.

Crisis management and crisis prevention measures
The Guarantee Fund was not involved in any crisis management activities in 2012.

The work of the Department of Analysis mainly focuses on crisis prevention measures for member banks, and preparing crisis plans for any potential banking crisis. In 2012 a test was performed of the requirement to establish computer systems (the Data Regulation) for members of the Guarantee Fund. One bank from Terra Alliansen was selected with SDC as system supplier and one bank from SpareBank 1 Alliansen with Evry as system supplier. The main purpose of the test was to establish whether the banks and their system suppliers were in a position to supply satisfactory data on guaranteed deposits within five days, as required by the Regulation. A further objective of the test for the Guarantee Fund was to establish whether parts of the Fund's routines for crisis management functioned as intended. The test showed that the banks, together with their system suppliers, essentially satisfied the requirements of the Regulation. Nonetheless, the test revealed matters that the Guarantee Fund, Finanstilsynet and Norges Bank will continue to address, including further assessment of various methods for payments to deposit customers in a crisis, changes in the Data Regulation, etc.

As part of the Guarantee Fund's crisis prevention measures, the Fund visits a number of banks throughout the year. The visits focus on the smaller banks, and nine banks were visited in 2012.

Analysis and identification of banks that could find themselves in a crisis situation are important in relation to the potential to reduce risk for payment of the guarantee. Intervening at an early stage in a bank facing problems could limit the adverse effects that would otherwise occur if the bank were to be placed under public administration.

Framework conditions for the deposit guarantee scheme
In summer 2010, the European Commission presented a proposal for a new Deposit Guarantee Directive. The proposal will be adopted by means of the co-determination procedure, and the European Parliament and Council of Ministers and the Commission must therefore reach agreement on an identical rules treaty. This has been a drawn out process. Although the bodies appear to agree on the main features of a solution, there is still disagreement on some key points, particularly in connection with financial conditions and the length of the deadline of payment.
From a Norwegian perspective, the question of being able to retain the Norwegian deposit guarantee at NOK 2 million has been a key issue.

The authorities, with the support of the finance industry, have tried their best to persuade the European Parliament and Council of Ministers in this matter. It is still unclear, however, what the outcome will be.

Following the amendment to Section 2-11, first and second para, of the Norwegian Guarantee Schemes Act as of 1 January 2013, the deadline the Guarantee Fund has to repay guaranteed deposits when a bank is not in a position to settle its obligations itself has been reduced. The change was justified on the grounds that a reduction in the repayment deadline could reduce the negative repercussions for individuals in the event of a bank being unable to repay deposits, a move which would also boost the stability of the finance system. This would oblige the Guarantee Fund to cover losses on guaranteed deposits as soon as possible, and no later than one week after Finanstilsynet has decided that the bank neither is, nor will be, in a position to repay deposits, or the decision has been taken to place the bank under public administration. Previously the maximum repayment deadline was three months. As a result of this change in legislation, the Guarantee Fund will take further measures to increase its emergency preparedness.

Framework conditions for crisis management
The European Commission issued a draft Directive on crisis management in June 2012. The proposal can be broken down into four subject areas:
– Preventive measures, including more stringent supervisory requirements and a requirement for all institutions to devise a restructuring plan and that a winding-up plan shall be devised for all institutions.
– Provisions giving the authorities the opportunity to intervene at an early stage when problems arise.
– The authority and tools to be able to reorganise, divide up and wind up institutions.
– Financing of a publicly administered winding-up

fund. It has been proposed that such a fund be financed through fees and if necessary through loans between different countries' winding-up funds.

The draft Directive will be considered in the Council of Ministers and Parliament during the first half of 2013, after which the Directive is expected to be adopted relatively quickly.
This Directive is expected to be adopted in parallel with the Guarantee Fund Directive.

Together with the new Guarantee Fund Directive, the Crisis Management Directive will be used as a basis for the Banking Law Commission's new draft legislation.

Information activities and courses
The annual Autumn Conference was held at the Rica Nidelven Hotel in Trondheim between 16 and 18 September and attracted a total of 250 attendees including lecturers.

Outlook
As a result of the changes in the Norwegian Guarantee Schemes Act, the Guarantee Fund has elected to amend its investment strategy to allow the Fund to be invested solely in government bonds and commercial papers in future. Future management results will therefore depend on changes in the interest on these securities. The central banks are expected to continue to stimulate their respective national economies as long as they continue to struggle. The eurozone is forecast to produce weak growth or contract slightly in 2013, while growth in the USA is expected to be somewhat weaker than last year. US unemployment figures are not expected to fall to the level of 6.5 per cent signalled as necessary by the FED in order to be able to reduce the short interest rate this year. In overall terms, this raises the prospect of low interest rates in the USA and Europe throughout 2013.

The Norwegian economy remains buoyant, shored up by low interest rates, low unemployment and a booming oil and gas sector. However, it should also be noted that economic growth in Norway is expected to slow slightly this year.

The EU has set a target of implementing the new reform of capital and liquidity requirements, also known as "CRD IV", from 1 January 2014 and is actively endeavouring to achieve this.

Administrative matters
The Board of the Guarantee Fund comprises four men and three women. The Board is fully aware of society's expectations with regard to promoting gender equality in the Board and in the management of the Fund.

The Fund's Manager is the Managing Director of Finance Norway, Idar Kreutzer. The offices of the Guarantee Fund are located at Hansteens gate 2 in Oslo. At the end of the year the Fund employed 16 administrative staff, seven of whom were women. In the wake of the Guarantee Fund's amended investment strategy the number of employees will be reduced in 2013. The Guarantee Fund runs an occupational health service. Sickness absence in 2012 totalled 25 days, or 0.76 per cent.

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

Oslo, 7 March 2013

Finn Haugan
Chairman

Ottar Ertzeid
Deputy Chairman

Gunn Wærsted

Kate Henriksen

Odd Nordli

Morten Baltzersen

Kristin Gulbrandsen

Idar Kreutzer,
Manager

Income statement

All figures in NOK

	NOTE	2012	2011
Membership fees	**10**	438 972	0
Result of asset management activities			
Interest on bank deposits		3 959 797	5 252 518
Result, fixed income securities	**11**	694 033 497	997 261 518
Result, shares	**12**	942 630 628	-70 866 680
Net result of asset management		1 640 623 923	931 646 970
Other operating revenues	**13**	485 145	635 684
Other operating expenses	**14**	-119 424 397	-56 989 017
Result for financial year		1 522 123 643	875 293 636
Appropriation of result			
Transferred from/to the Guarantee Fund's equity		1 522 123 643	875 293 636

Balance sheet

	NOTE	31.12.2012	31.12.2011
ASSETS			
Bank deposits	**2**	779 738 088	539 589 366
Bonds and commercial papers	**3**	18 830 224 430	16 433 121 739
Shares	**4**	5 731 769 029	5 686 452 001
Property, plant and equipment	**5**	476 950	406 747
Over-financing of pension obligation	**9**	0	218 017
Other receivables	**6**	1 419 266 432	546 352 759
Accrued interest not yet due	**7**	180 038 195	214 363 760
Total assets		26 941 513 125	23 420 504 389
LIABILITIES AND EQUITY			
Other liabilities	**8**	2 607 635 742	609 255 757
Provisions	**9**	12 511 961	12 006 852
Total liabilities		2 620 147 703	621 262 610
Equity of Guarantee Fund	**1**	24 321 365 422	22 799 241 779
Total liabilities and equity		26 941 513 125	23 420 504 389

Oslo, 7 March 2013
31 December 2012

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Chairman

Ottar Ertzeid
Deputy Chairman

Gunn Wærsted

Kate Henriksen

Odd Nordli

Kristin Gulbrandsen

Morten Baltzersen

Idar Kreutzer
Manager

Notes to the financial statements 31 December 2012

General

Membership of the Norwegian Banks' Guarantee Fund is mandatory for all savings banks and commercial banks in Norway. The King may decree that in addition to banks, other credit institutions headquartered in Norway are also required to be members of the Guarantee Fund. 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 considered to give the branch's depositors the same degree of protection as that afforded under Norwegian law. The approval of Finanstilsynet (the Financial Supervisory Authority of Norway) is required before a branch member can join the Fund.

The financial statements of the Norwegian Banks' Guarantee Fund are set out in accordance with the provisions of the Norwegian Guarantee Schemes Act, the statutes of the Guarantee Fund, the Norwegian Accounting Act and generally accepted accounting practice in Norway. The format has been adapted to the activities of the Guarantee Fund.

Valuation policies for financial instruments

General

The Fund's holding of securities and financial contracts is valued as a trading portfolio and these holdings are recognised at market value. Where available, the official closing price in the market is used for all types of securities. The Fund's securities holding is valued on a daily basis by BNY Mellon Asset Servicing, which was the Fund's external supplier of investment support services in 2012 (back office, custody, risk, performance). The primary source for pricing is FT Interactive Data; thereafter, prices from Bloomberg and Reuters are used. The main source for the pricing of OTC (over the counter) contracts is Markit. All listed securities are priced at the official published closing prices. Bloomberg, Reuters, Statpro Canada and SS&C Technologies are used as secondary sources. The Norwegian Banks' Guarantee Fund performs regular controls of pricing and valuations provided by the Fund's external suppliers.

Shares

For daily pricing and valuation of listed shares at the period-end, the most recent official closing prices at the balance sheet date or the last day of trading before the balance sheet date are used (last price traded). In special cases, manual prices may be sought from brokers.

Bonds/commercial papers

The most recent official closing price (bid evaluation) for the cost is the norm for daily pricing and valuation of government bonds at the period-end. Where this is not available, manual prices are sought from recognised analysts and brokers or suppliers who specialise in providing prices for bonds.

Financial derivatives

Valuations are based on observed market values for instruments where these are available, and official closing prices (derivate contracts traded on a stock exchange). If the market value is not directly available, market values will be calculated on the basis of underlying market prices using mathematical models that are generally accepted for the purpose of pricing instruments of this type. The Guarantee Fund uses prices from the supplier (Markit) and all OTC derivatives are valued on a daily basis.

Options

Prices from Reuters are used to price options traded on stock exchanges. OTC options are valued by an external supplier (Markit).

Futures
Prices from Bloomberg and Reuters are used to price futures. Futures are settled each day based on the previous day's market movements. Value changes on futures contracts are recognised on an ongoing basis as realised profit/loss.

Forwards
Forwards are priced, recognised and settled on a daily basis until the contract's maturity date at market value, which in practice is unrealised profit/loss.

Interest rate swaps
Interest rate swaps are valued on a daily basis by an external supplier. Swaps are settled on a daily basis and recognised against unrealised profit/loss, and included in the value of the Fund. Prices of individual interest rate swaps can vary from supplier to supplier and regular checks are therefore made of the pricing.

Forward rate agreements
Forward rate agreements (FRAs) are recognised at market value and settled at the start of the period linked to the agreement.

Forward exchange contracts
The forward exchange contracts are recognised at market value and the unrealised result/value of contracts forms part of the Fund's daily value.

Currency conversion
Shares, bonds, commercial papers, cash and cash equivalents, receivables and liabilities are converted and valued on a daily basis. At period-end, items are valued using the exchange rate in force at the balance sheet date. WM Reuters 4 p.m. London closing rate is used for the daily valuation and at period-end.

Miscellaneous valuation policies

Accrual – recognition as income
Interest is recognised in the income statement as income when earned, in line with the general accounting principles provided for in the Norwegian Accounting Act. Prepaid income and costs incurred but not paid are accrued and recognised as liabilities in the balance sheet. Earned income not received is recognised in income and recorded as a receivable in the balance sheet. Dividends on shares are recognised in income on the ex-date and registered as a receivable until payment is confirmed.

Pensions
The Guarantee Fund has a defined benefit pension scheme for its employees. In a defined benefit pension scheme, the employer has an obligation to pay an employee's future pension in a specified amount. This group pension scheme is funded and administered by a life insurance company. The estimated accrued obligation is compared with the value of paid in and saved funds. Where the total pension fund assets exceed the estimated pension obligation at the balance sheet date, the net value is recognised as an asset in the balance sheet. Where the pension obligations exceed the pension fund assets, the net obligation is classified as a liability in the balance sheet.

The Guarantee Fund also has uncovered pension obligations that are financed through operations. Pension obligations in such agreements are recognised as a liability in the balance sheet with the exception of obligations resulting from the Norwegian CPA Early Retirement Subsidy Act. The current financial contributions to this scheme are recognised in the income statement as a defined contribution guarantee scheme. A working group appointed by the Norwegian Ministry of Finance has evaluated principles for accounting for the new AFP (early retirement scheme). The group has provisionally concluded that the current AFP premium will be recognised in the income statement and that the obligation will not be recognised in the balance sheet. The working group's evaluation is out to consultation. As of 31 December 2012, the individual enterprise does not have the necessary information to calculate the obligation. In practice, only Fellesordningen (the joint arrangement) for the AFP would have the data necessary to calculate the obligation.

Pension costs and pension obligations are calculated on an annual basis by an actuary. The calculation is based on a range of estimates in which returns on pension funds, future interest rates and inflation levels, wage increases, staff turnover and changes in the National Insurance base rate (G) all play a major role, in addition to life expectancy. Estimate changes as a result of changes to the aforementioned parameters crystallise as actuarial variances. Such estimate variances are recognised in the income statement over the average expected remaining period of service for active personnel insofar as the variance exceeds the higher of 10 per cent of the pension fund assets and 10 per cent of the pension obligations.

The pension obligation is calculated as the present value of those parts of future pension benefits that have been earned at the balance sheet date. The pension cost is based on assumptions made at the start of the period. The net pension cost for the year consists of the present value of accrued pension entitlements for the year, the interest expense on the obligation less the expected return on the pension fund assets, recognised estimate deviations and accrued employer's National Insurance contributions. Net pension costs for the period are included in "Other operating expenses" in the financial statements.

An estimated value is used to value pension fund assets. The value is adjusted annually relative to the actual return on the fund assets.

Pension costs and obligations include employer's National Insurance contributions.

Property, plant and equipment
Property, plant and equipment is 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 Norwegian Taxation Act, the Guarantee Fund is exempt from tax.

All figures in the Notes to the financial statements are in NOK, unless otherwise stated.

Note 1

The Guarantee Fund's equity and subordinated loan capital

The size or aggregate equity and subordinated loan capital of the Guarantee Fund is defined in Section 2-6 of the Norwegian Guarantee Schemes Act and shall, at all times, as a minimum be equal to the sum of 1.5 per cent of aggregate guaranteed deposits held by members plus 0.5 per cent of the sum of the measurement basis for the capital adequacy requirements for member institutions. In the case of topping-up members, the calculation only includes guaranteed deposits. Each year members pay a fee to the Guarantee Fund. If this is not sufficient to cover any shortfall, the members shall also furnish guarantees. Pursuant to the Act of 14 December 2012 no. 84, amendments were made to the Norwegian Guarantee Schemes Act intended to further strengthen the equity of the Norwegian Banks' Guarantee Fund. Following the amendment to Section 2-7, first para, of the Norwegian Guarantee Scheme Act member banks must pay an annual fee to the Norwegian Banks' Guarantee Fund. Previously the fee could be waived when the Fund's equity exceeded a certain size. In the meeting of the Board of Directors on 25 January 2013, it was decided that fees would be collected from members based on Section 2-7, first para, of the above Act.

Minimum size of the equity and subordinated loan capital in 2013

The statutory requirement for the equity and subordinated capital in 2013 is essentially based on the guaranteed deposits and the average measurement basis for the last two quarters of 2011 and the first two quarters of 2012.

1.5 per cent of average guaranteed deposits	905 852 mill.	13 587 784 723
0.5 per cent of average measurement basis	1 909 078 mill.	9 545 387 931
Minimum size of the equity and subordinated loan capital		23 133 172 655
Equity in the Guarantee Fund as of 31 December 2012		24 321 365 422
	Surplus as of 1 January 2013	1 188 192 767

The calculated fee for 2013 is NOK 1,534,542,671. The fee will be collected in November 2013.

Minimum size of the equity and subordinated loan capital in 2012

The statutory requirement for the equity and subordinated capital in 2012 is essentially based on the guaranteed deposits and the average measurement basis for the last two quarters of 2010 and the first two quarters of 2011.

1.5 per cent of average guaranteed deposits	847 128 mill.	12 706 922 329
0.5 per cent of average measurement basis	1 775 559 mill.	8 877 792 575
Minimum size of the equity and subordinated loan capital		21 584 714 904
Equity in the Guarantee Fund as of 31 December 2011		22 799 241 779
	Surplus as of 1 January 2012	1 214 526 875

Minimum size of the equity and subordinated loan capital in 2011

The statutory requirement for the equity and subordinated capital in 2011 is essentially based on the guaranteed deposits and the average measurement basis for the last two quarters of 2009 and the first two quarters of 2010.

1.5 per cent of average guaranteed deposits	819 111 mill.	12 286 663 399
0.5 per cent of average measurement basis	1 833 028 mill.	9 165 139 606
Minimum size of the equity and subordinated loan capital		21 451 803 005
Equity in the Guarantee Fund as of 31 December 2010		21 923 948 143
	Surplus as of 1 January 2011	472 145 138

Changes in the equity of the Fund were as follows (Figures in NOK million)

	2012	**2011**	**2010**	**2009**	**2008**
Equity as of 1 January	22 799	21 924	18 651	15 348	17 203
Change in equity during period	1 522	875	3 273	3 303	-1 855
Equity as of 31 December	24 321	22 799	21 924	18 651	15 348

Principle change in pension	2
Equity as of 1 January 2008	15 346

Note 2
Bank deposits
Figures shown here are the sum of bank deposits in operating accounts and tax withholding funds; in addition to bank deposits in accounts linked to the management of assets placed in both Norwegian and foreign banks.

Tax withholding funds in a dedicated account total NOK 955,383. Of the bank deposits, NOK 611,850,366 is invested in foreign currency.

As of 31 December 2012, the share of cash/bank deposits (excluding operating accounts) was 3 per cent of assets managed by the Guarantee Fund (Net Asset Value). Based on monthly measurements, the Guarantee Fund had on average 3.6 per cent of managed assets invested in cash in 2012. The corresponding figures for 2011 were 2.1 per cent and 3.2 per cent respectively.

The holding was converted at the rate of exchange as of 31 December 2012 and is broken down into the following currencies
(Amounts in NOK)

Currency	31.12.12	31.12.11
NOK	167 887 722	155 870 525
USD	491 134 832	312 866 006
AUD	20 417 263	18 241 677
EUR	46 262 141	-2 581 671
GBP	19 149 642	18 011 143
CAD	1 558 856	12 494 677
CHF	6 810 153	5 508 144
HKD	7 335 957	5 442 444
JPY	3 239 258	11 278 561
SEK	2 990 855	3 406 166
NZD	2 067 240	45 253
SGD	3 897 220	34 026
ILS	-	12 460
DKK	6 983 515	-1 040 045
PLN	3 433	0
MXP	-	0
ZAR	-	0
CZK	-	0
	779 738 088	539 589 366

Note 3
Bonds and commercial papers
(Amounts in NOK 1,000)

	2012		2011	
Debtor category	**Cost**	**Market value**	**Cost**	**Market value**
Government securities (public sector)				
Bonds	19 015 804	18 663 034	15 689 589	16 260 804
Commercial papers	-	-	170 641	172 318
Total	19 015 804	18 663 034	15 860 229	16 433 122
Other:				
Receivable from bond forwards		114 376		
Security pledged by counterparties		53 521		
Short interest rate swaps		-706		
Total bonds	19 015 804	18 830 225		

The market value is NOK 185,579,979 lower than cost.

The Guarantee Fund has a liquidity requirement for bond holdings. Liquidity of the bond holdings is measured on a monthly basis for each individual bond, for the individual portfolio and for the Fund as a whole. Requirements are also made in relation to the creditworthiness of the issuer (see Note 15 Risk management).

Bonds and commercial papers by country (Amounts in NOK 1,000)

	2012	2011
Country	**Market value**	**Market value**
Germany	2 934 535	3 386 932
USA	2 826 774	3 372 236
UK	3 555 972	2 441 123
France	383 734	2 147 596
Canada	2 211 411	1 264 222
Australia	1 513 163	994 025
Netherlands	1 041 577	659 321
Sweden	644 294	436 375
Switzerland	555 077	418 210
Denmark	332 953	297 455
Norway	575 109	291 482
Austria	-	286 200
Finland	320 881	261 254
Belgium	392 279	8
Hong Kong	125 915	51 514
Japan	815 917	-
Singapore	433 442	125 169
Total	18 663 034	16 433 122

As of 31 December 2012, the Guarantee Fund's bond holdings comprised solely government securities.

Bonds and commercial papers are held in the following currencies (Amounts in NOK 1,000)

	2012	2011
Currency	**Market value**	**Market value**
EUR	5 073 006	6 741 310
USD	2 826 774	3 372 236
GBP	3 555 972	2 441 123
CAD	2 211 411	1 264 222
AUD	1 513 163	994 025
SEK	644 294	436 375
CHF	555 077	418 210
DKK	332 953	297 455
NOK	575 109	291 482
SGD	433 442	125 169
HKD	125 915	51 514
JPY	815 917	-
Total	18 663 034	16 433 122

Duration by sector and type of security.

Debtor category	**2012**	**2011**
Government securities (public sector)	5,08	4,25
Bonds	5,08	4,30
Commercial papers	-	0,20

Duration is calculated for long positions in the bond market and is weighted according to market value as of 31 December 2012. The term "duration" is used here for the adjusted maturity (no. of years) of a bond, with the time it takes for all the cash flows of the bond to be received. Duration is also calculated in the Fund for interest rate derivatives and short positions in the bond market.

Bonds and commercial papers by issuer's creditworthiness as of 31 December 2012 (Amounts in NOK 1,000)

Credit rating agency	**Market value**
S&P	
AAA	14 244 329
AA+	3 210 508
AA	392 279
AA-	815 917
Total	18 663 034
Moody	
Aaa	16 945 188
Aa1	509 649
Aa3	1 208 197
Total	18 663 034
Fitch	
AAA	17 328 922
AA+	125 915
AA	392 279
A+	815 917
Total	18 663 034

The issuer's creditworthiness presented here is the local currency long-term credit rating as of 31 December 2012 (source: Bloomberg).

Note 4
Shares
(Amounts in NOK 1,000)
Summary

	2012		2011	
	Cost	**Market value**	**Cost**	**Market value**
Norwegian shares listed on Oslo Stock Exchange	5 444	5 355	81 691	68 086
Unlisted shares	366	366	366	366
Foreign shares listed on Oslo Stock Exchange	1 040	992	3 019	3 429
Foreign shares listed on foreign stock exchanges	5 369 141	5 725 057	5 201 893	5 614 571
Total	5 375 991	5 731 769	5 286 969	5 686 452

Amounts in NOK 1,000

In total, the market value/book value is NOK 355,915,860 higher than the cost of the shares.
As of 31 December 2012, the Fund had shareholdings in 731 shares issued by companies based in a total of 30 countries. The Fund had no shares in equity funds or combination funds. The Fund has a residual holding in two shares that are no longer listed. These shares have been written down, and no market value is any longer available for these shares.

Investments in shares are subject to the Fund's ethical guidelines (SRI – Social Responsible Investments). (See Note 15 Risk management.)

The holding of shares represented 25 per cent of assets managed by the Guarantee Fund as of 31 December 2012 (Net Asset Value).

15 largest shareholdings of foreign shares listed on foreign stock exchanges (Amounts in NOK 1,000)

Company name/share	**Currency**	**Cost**	**Market value**
Pfizer Inc	USD	86 191	110 149
Exxon Mobil Corp	USD	79 858	85 844
China Mobile Ltd	HKD	70 567	81 585
Nestle Sa	CHF	68 090	77 621
Microsoft Corp	USD	81 877	75 705
Sanofi	EUR	66 706	75 587
Mcdonald's Corp	USD	74 479	75 178
Johnson & Johnson	USD	67 109	70 176
Google Inc	USD	57 120	69 197
Chevron Corp	USD	60 307	68 519
Apple Inc	USD	58 500	68 311
Vodafone Group	GBP	75 352	67 602
Cisco Systems Inc	USD	67 634	66 544
Novartis Ag	CHF	59 260	65 023
3M Co	USD	58 714	60 251
Misc. (716 shares)	div	4 344 228	4 614 476
Totalt		5 375 991	5 731 769

Shareholdings by country (Amounts in NOK 1,000)

	2012	2011
Country	**Market value**	**Market value**
USA	2 981 751	2 926 500
UK	581 246	492 106
Switzerland	291 476	405 666
Japan	351 471	380 092
Germany	292 120	215 317
France	242 643	212 055
Canada	186 060	175 577
Hong Kong	137 797	163 567
Australia	77 747	144 873
Netherlands	164 512	112 986
Spain	65 532	100 243
Denmark	114 633	80 598
Sweden	78 279	69 979
Norway	5 362	68 094
Liberia	27 432	25 556
Belgium	10 733	21 666
Other (14 countries)	122 975	91 578
Total	5 731 769	5 686 452

Gross currency exposure on portfolios of foreign shares breaks down as follows (Amounts in NOK 1,000)

	2012	2011
Country	**Market value**	**Market value**
NZD	729	
USD	3 199 115	3 133 552
EUR	760 846	640 494
GBP	574 289	530 128
JPY	351 471	380 092
CHF	259 648	294 946
HKD	155 119	183 228
AUD	77 747	144 873
CAD	146 012	136 567
SEK	78 732	90 092
DKK	114 633	80 598
SGD	6 717	-
ILS	-	-
Total	5 725 057	5 614 57

Note 5
Property, plant and equipment

	2012	2011
	Furniture, computer equipment	**Furniture, computer equipment**
Cost 1 January	1 308 689	1 187 846
Purchases	244 574	120 843
Disposals		0
Loss on disposals		0
Depreciation written back		0
Cost 31 December	1 553 262	1 308 689
Accum. depreciation 1 January	901 943	792 614
Year's depreciation	174 370	109 329
Depreciation written back		
Accum. depreciation 31 December	1 076 312	901 943
Book value 31 December	476 950	406 747
Total property, plant and equipment	476 950	406 747

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

Furniture	20% of cost
Computer and other electronic equipment	33.3% of cost

Note 6
Other receivables
Summary

	31.12.2012	31.12.2011
Unsettled trades	1 061 594 216	326 057 811
Dividends	6 077 568	7 932 917
Other receivables related to portfolios	16 162 793	189 002 227
Currency derivatives, market value	314 086 238	1 127 397
Share derivatives, market value	3 571 235	1 995 014
Interest rate derivatives, market value	17 720 140	20 229 153
Other receivables	54 242	8 240
Total	1 419 266 433	546 352 759

Unsettled trades are quoted on a gross basis. Unsettled trades relate, in principle, to trades with a trading date in 2012 and settlement date in 2013. The Guarantee Fund had one open REPO contract as of 31 December 2012.

Financial instruments (See also Note 8)
The market value for most derivatives used by the Fund is calculated as an unrealised gain/loss at the balance sheet date. Standard derivative contracts traded on the stock market are used, such as futures, or options and OTC (Over the Counter) derivative contracts traded on the stock market, for example interest rate swaps, currency options or forward contracts. The Fund uses financial futures that are traded on the largest futures stock exchanges internationally (Euronext, CBOT, CME, LIFFE). Futures with underlying commodities are not used.

Currency derivatives (See also Note 8)

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Currency options			1 120 403	1 127 397
Spot contracts			-	-
Forward contracts		314 086 238	-	-
Total	-	314 086 238	1 120 403	1 127 397

Forward currency agreements (FX Forwards/FX Swaps) are used for currency hedging securities and other financial instruments that the Fund invests in. These contracts have short to medium terms of maturity. Spot contracts with a maturity of 1 to 4 days are also used. Since currency hedging is applied to the trading portfolio, it is not possible to determine in advance how many days or weeks the holding will remain unchanged. The currency exposure is regularly calculated in each portfolio and where this exceeds the set framework for each individual currency exposure, currency contracts are entered into to reduce the currency exposure for the individual currency below an acceptable (permitted) limit. Forward exchange contracts are also used in order to achieve excess returns. All of the forward exchange contracts are recognised at market value and the unrealised result/value of contracts is part of the Fund's daily value. In the Fund, the size of the currency contracts' notional market value (market value of underlying basis that is used to calculate the contract's value, i.e. unrealised profit/loss) and the unrealised profit/loss per counterparty are reported regularly.

Currency contracts by currency (Amounts in NOK 1,000)

	Nominal volume	**Market value**
EUR	7 067 287 809	-33 089 999
DKK	579 239 949	-3 871 101
CHF	1 130 785 599	-5 124 623
CNY	52 288 030	1 031 387
NOK	6 160 415 956	-15 910 020
HKD	459 408 386	3 842 712
SGD	460 368 432	3 271 533
NZD	107 074 087	-853 648
SEK	954 500 582	-17 754 694
JPY	894 178 757	35 288 514
GBP	4 506 117 317	-23 851 550
CAD	2 580 754 357	13 389 932
AUD	1 909 112 319	13 391 077
USD	18 383 514 830	344 326 716
Totalt	45 245 046 411	314 086 238

Share derivatives (See also Note 8)

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Share index futures	-	3 571 235	-	1 995 014
Total	-	3 571 235	-	1 995 014

Share derivatives are mainly used in the Fund to manage risk in relation to the benchmark. To this end, the global share indices (S&P, FTSE, TOPIX, DJ EURO STOXX) are used, which are rolled when due each quarter or traded as necessary. Share futures are also used to achieve excess returns.

Interest rate derivatives (See also Note 8)

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Futures bond index/bonds	-	8 671 086	-	18 416 551
Swaptions *)	2 498 162	4 040 845	3 165 436	1 812 602
Interest rate swaps	28 791	5 008 209	-	-
Total	2 526 953	17 720 140	3 165 436	20 229 153

*) Swaption is an option to receive interest rate swaps on the maturity date.

More than two-thirds of the assets in the Fund are invested in the interest rate market in government securities. Interest rate derivatives are used to manage risk relative to the benchmark. Interest rate derivatives are also used to take active positions with the aim of achieving excess returns. Options traded on stock exchanges are generally options with underlying interest rate futures (Short Term Interest Rate futures). OTC options in the category interest rate derivatives can be, for example, swaptions.

Other receivables related to portfolios

Category	Market value
Interest receivable (reclaim)	10 560 432
Dividend receivable (reclaim)	5 602 361
Total	16 162 793

Note 7
Accrued interest not yet due

Accrued interest not yet due of NOK 180,038,195 as of 31 December 2012 related to Norwegian and foreign commercial papers and bonds.

Accrued interest not yet due breaks down into the following countries and issuers
(Amounts in NOK)

Country/issuer	31.12.2012
Australia	13 882 928
Belgium	3 677 951
Canada	8 913 474
Denmark	1 354 832
Finland	4 489 526
France	3 060 374
Germany	51 355 760
Hong Kong	951 227
Japan	5 194 878
Netherlands	11 474 821
Norway	15 044 251
Singapore	2 091 541
Sweden	11 592 056
Switzerland	7 738 968
UK	29 495 300
USA	9 764 965
Austria	(44 658)
Total	180 038 195

Negative accrued interest not yet due relates to either short positions or is settled and recognised for certain types of contracts (interest rate derivatives).

Note 8
Other liabilities

	31.12.2012	31.12.2011
Unsettled trades (management)	637 498 173	178 480 023
Tax withholdings, employer's NI cont.	1 809 859	2 360 708
Bonus	713 125	1 500 000
Misc. other liabilities/accrued expenses	191 930 127	42 414 211
Interest rate derivatives	568 636 422	4 669 981
Currency derivatives	-	270 527 676
Short positions	385 890 294	109 303 157
Repo	821 157 743	-
Total	2 607 635 742	609 255 757

Unsettled trades (management) is quoted on a gross basis. Unsettled trades relate, in principle, to trades with a trading date in 2012 and settlement date in 2013. The Guarantee Fund had one open REPO contract as of 31 December 2012.

Financial instruments (See also Note 6)
The market value for most current derivative contracts used by the Fund is calculated as unrealised gain/loss at the balance sheet date.

Currency derivatives (See also Note 6)

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Currency options	-	-	-	-
Spot contracts *)	-	-	-	1 128 422
Forward contracts	-	-	-	-271 656 099
Total	-	-	-	-270 527 676

*) Forward contract with settlement within 3 working days of the trading date.

Share derivatives (See also Note 6)

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Share index futures	-	-	-	-
Share index options	-	-	-	-
Total	-	-	-	-

Interest rate derivatives (See also Note 6)

	2012		2011	
Derivatkategori	**Cost**	**Market value**	**Cost**	**Market value**
Futures interest rates *)	-	-33 794	-	-243 922
Interest rate swaps	-	706 416	-	-266 847
Bond forwards	-	-569 309 044	-	-4 159 211
Total	-	-568 636 422	-	-4 669 981

*) Short Term Interest Rate futures (STIR) are included in this category.

More than two-thirds of the assets in the Fund are invested in the interest rate market in government securities. Interest rate derivatives are used to manage the risk in the portfolios. Interest rate derivatives are also used to take active positions with the aim of achieving excess returns. Each individual mandate has limits as to which types of interest rate derivatives a manager can invest in.

Short positions

	2012		2011	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Shares	-	-	-	-72 054
Bonds	-395 492 381	-385 890 294	-	-109 231 104
Total	-395 492 381	-385 890 294	-	-

Short selling is used in the Guarantee Fund to a limited degree and its use can vary. There are both share and bond mandates that make use of short selling.

Misc. other liabilities/accrued expenses

Category	Market value
Collateral provided *)	146 744 512
Miscellaneous other liabilities/acc. exp.	45 185 615
Total	191 930 127

*) Collateral pledged, i.e. given to a counterparty as security. See also Note 6.

Note 9

Pension costs, pension obligations and pension fund assets

The Guarantee Fund has a defined benefit pension scheme for employees and retired personnel, which is covered under an agreement with a life assurance company. The pension benefits cover retirement pension and disability pension and supplement the benefits paid under the Norwegian National Insurance Scheme. A full pension requires an earnings period of 30 years and confers pension rights equivalent to the difference between 70 per cent of salary and the benefits paid under the Norwegian National Insurance Scheme. The pension scheme is in compliance with the Norwegian Mandatory Occupational Pensions Act. This agreement is referred to in the following as secured benefits. The retirement age is 67. The company is obliged to operate an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pension Schemes Act, and the pension scheme satisfies the requirements of this Act.Pension rights for salaries over 12 G are funded from operations. Disability pensions for salaries in excess of 12 G are secured by means of risk premium payments to an insurance company, but with no capital development. The annual premium makes up part of the pension cost. Pension agreements for which insurance cover has not been taken out, are referred to as unsecured pension obligations, and consist of the following:

- Pension obligations (except disability pensions) relating to salaries over 12 G are covered under a pension scheme funded from operations.
- Current pensions – agreed take-up of AFP early retirement under the old scheme and early retirement pension for a former head of department.
- Agreed early retirement pension from age 62 for the Investment Manager.
- At the time of uptake of early retirement pension the employee will be withdrawn from the company pension scheme but will be compensated for all reductions in earnings up until he or she reaches the ordinary retirement age. Compensation for losses in the group pension scheme is included as an unsecured obligation.
- Supplementary pensions for retired personnel. These benefits are only covered in part by the group pension agreement and the obligations relating to the unsecured benefits are included in the pension obligation.

The actuarial calculation is based on Norwegian Accounting Standard 6: Pension costs. The secured pension obligation is calculated on the exact date of employment and covers all employees with pension rights through membership of the existing group pension agreement. The pension obligation is calculated as the present value of the part of the aggregate estimated future pension benefits that have been earned at the balance sheet date based on defined economic and demographic assumptions (see table below). An estimated value is used to value pension fund assets.

Changes in the pension obligation and pension fund assets deriving from changes in the underlying assumptions and other actuarial variances are recognised in the income statement over the average expected remaining period of service for active personnel insofar as the variance exceeds the higher of 10 per cent of the pension fund assets and 10 per cent of the pension obligations. The actuarial variances also include conditions relating to the withdrawal of members upon retirement.
Pension costs and obligations include employer's National Insurance contributions.

Demographic assumptions of mortality based on K2005 are used to calculate the pension obligation. Economic assumptions are based on Norwegian Accounting Standard Board's guidance on pension assumptions as of 31 December 2012. Since 31 December 2012 the Guarantee Fund has elected to apply the discount rate established by reference to covered corporate bonds.

The Guarantee Fund is covered by the new AFP scheme in the private sector pursuant to the Norwegian AFP Early Retirement Subsidy Act that entered into force in 2010. The Fund has an economic obligation relating to this scheme. As of 31 December 2012, the individual enterprises do not have the information needed to calculate this obligation and as required by generally accepted accounting practice the scheme is recognised in the financial statements as a defined contribution pension scheme. In practice, only Fellesordningen (the joint arrangement) for the AFP would have the data necessary to perform a calculation of the AFP obligation

As of 31 December 2012, the Norwegian Banks' Guarantee Fund had closed the defined benefit occupational scheme for new employees with cover ceasing for the spouse's pension from the same date. The effect of the cessation of the spouse's pension has been taken into account in the actuarial calculation for 2012 and resulted in a reduction in the net pension obligation of NOK 383,409, which has been recognised in income as part of the pension cost for 2012.

Pension costs, pension obligations and pension fund assets

	2012	2011		2012	2011
Discount rate	3,90 %	2,60 %			
Expected return	4,00 %	4,10 %			
Expected wage growth	3,50 %	3,50 %			
Expected adjustment of G value	3,25 %	3,25 %	No. economically active	15	15
Expected reg. of pensions	0,20 %	0,10 %	No. of retired personnel	8	7

Pension cost		**2012**			**2011**	
Recognised in income statement	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Present value of year's pension earnings (incl. employer's NI cont.)	2 711 302	866 825	3 578 127	2 137 471	701 364	2 838 835
Interest expense on accrued obligation	636 972	271 260	908 232	867 531	402 397	1 269 928
Expected return on pension fund assets	(1 006 987)	-	(1 006 987)	(1 280 630)	-	(1 280 630)
Pension cost before actuarial variances	2 341 287	1 138 085	3 479 372	1 724 372	1 103 761	2 828 133
Amortisation of estimate variances	-	(653)	(653)	-	(18 504)	(18 504)
Curtailments and settlements	(383 409)	-	(383 409)	-	-	-
Administration costs	250 717	-	250 717	212 127	-	212 127
Net pension cost recognised in the income statement in period	2 208 595	1 137 432	3 346 027	1 936 499	1 085 257	3 021 756
Premium, Fellesordningen for AFP	114 773	-	114 773	36 550		36 550
Risk cover disability pension salary over 12G	35 385	-	35 385	25 122		25 122
Total pension cost and risk premium	2 358 753	1 137 432	3 496 185	1 998 171	1 085 257	3 083 428

Pension obligation		**2012**			**2011**	
Balance sheet	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Estimated accrued pension obligation (incl. employer's NI cont.)	22 277 667	9 782 592	32 060 259	25 764 316	10 907 604	36 671 920
Estimated value of pension fund assets	(23 475 000)	-	(23 475 000)	(24 493 900)	-	(24 493 900)
	-	-	-	-	-	-
Net pension obligations	(1 197 333)	9 782 592	8 585 259	1 270 416	10 907 604	12 178 020
Actuarial variance not recognised in income statement	1 514 042	2 412 660	3 926 702	-1 488 433	1 099 248	(389 185)
Net pension assets (-) and obligations	316 709	12 195 252	12 511 961	(218 017)	12 006 852	11 788 835
Recognised fund assets (net over-financing)	-			(218 017)		
Recognised liabilities		-	12 511 961		12 006 852	

Year's change in pension obligations

Pension obligations	**2012**	**2011**
Opening balance as of 1 January	36 671 920	33 379 016
Year's earnings	3 578 127	2 838 835
Year's interest expense	908 232	1 269 928
Payments to retirees and payment of employer's NI contribution on premium	(2 238 648)	(2 389 474)
Curtailment spouse's pension	(1 227 674)	-
Actuarial variances	(5 631 698)	1 573 615
Closing balance as of 31 December	32 060 259	36 671 920

Composition of pension fund assets

Pension fund assets	**2012**	**2011**
Estimated pension fund assets as of 1 January	24 493 900	23 051 900
Actuarial variances	(1 315 158)	(1 165 567)
Pension assets as of 1 January less actuarial variances	23 178 742	21 886 333
Expected return on pension fund assets	1 006 987	1 280 630
Premiums paid	1 467 019	2 621 394
Pensions paid out	(1 082 766)	(1 082 330)
Curtailment spouse's pension	(844 265)	-
Admin. expenses group scheme	(250 717)	(212 127)
Estimated pension fund assets as of 31 December	23 475 000	24 493 900
Actual gross return, fund assets	-	1 039 000

Note 10
Membership fees

The guarantee fee for 2012 was calculated in accordance with the provision of the Norwegian Guarantee Schemes Act and the Regulations on the calculation of the fee payable to the Norwegian Banks' Guarantee Fund. The guarantee fee is calculated on the basis of the average of guaranteed deposits (0.1 per cent) and the measurement basis for capital ratio (0.05 per cent) as of the end of the third and fourth quarter 2010 and first and second quarter 2011. Members with a tier 1 capital ratio in excess of 8.0 per cent as of 31 December 2010 are granted a discount on their annual fee. The maximum discount is 35 per cent for a tier 1 capital ratio of 16.75 per cent. Topping-up members pay only for guaranteed deposits.

The fee paid in 2012 relates to the inclusion of branch members, who in accordance with the Regulation shall pay a full ordinary fee for a minimum of 12 months and any joining fee established by the Norwegian Ministry of Finance.

Skandinaviska Enskilda Banken AB (publ) Oslofilialen	438 972
Sum	438 972

Note 11
Result portfolios of fixed income securities

	2012	2011
Interest income bonds/commercial papers	547 968 752	421 400 972
Dividend fund	0	34 220
Realised gains/losses (*)	470 991 028	249 932 011
Unrealised gains/losses (**)	-324 926 284	325 894 315
	694 033 497	997 261 518

(*) Specification of realised gains/losses

	2012	2011
Bonds/commercial papers	100 818 985	31 743 200
Interest rate and share derivatives		
Financial futures		
- Interest rates	1 710 615	-26 752 320
- Share index	-14 005 337	20 628 569
- Bonds	53 994 669	15 572 783
Options		
- Interest rates		309 788
- Bonds	-827 101	-1 901 209
- Share index	-7 424 022	14 666 610
- Swaption	-3 031 141	912 056
Interest rate swaps	-11 749 617	18 448 325
Bond forwards	-464 909	422 260
Currency derivatives		
Options	-1 120 403	-6 080 685
Forwards	461 151 783	694 320 633
Currency fluctuation effect	-100 788 368	-508 189 388
Miscellaneous	2 400 875	4 630 416
Charges	-9 674 999	-8 799 030
	470 991 028	249 932 008

The currency fluctuation effect is the sum of the part of both realised and unrealised gains/losses that are attributable to exchange rate fluctuations. With regard to financial instruments that are not issued in NOK, part of the result will always be derived from exchange rate fluctuations.

(**) Specification of unrealised gains/losses

	2012	2011
Bonds/commercial papers	-119 325 396	314 502 989
Interest rate and share derivatives		
Financial futures		
- Interest rates	210 129	-490 579
- Share index	6 533 855	-3 025 059
- Bonds	-9 745 465	18 620 224
Options		
- Interest rates		1 330 360
- Bonds		1 201 871
- Swaptions	3 084 493	-1 269 512
- Share index		4 361 288
Interest rate swaps	5 246 491	-3 869 174
Bond forwards	518 685	-309 878
Currency derivatives		
Options	40 920	2 858 237
Forwards	505 268 778	-678 311 960
Miscellaneous	18 382	0
Currency fluctuation effect	-716 777 155	670 295 510
	-324 926 284	325 894 315

Note 12
Result, share portfolios

	2012	2011
Share dividends	148 601 488	134 780 492
Realised gains/losses (*)	764 875 916	-4 707 696
Unrealised gains/losses (**)	29 153 224	-200 939 476
	942 630 628	-70 866 680

(*) Specification of realised gains/losses

	2012	2011
Shares	244 174 676	172 624 511
Short sales	16 265 586	85 603 795
Share derivatives		
Financial futures	132 289 839	-20 864 795
Currency derivatives		
Forward contracts	378 018 902	-82 849 520
Currency fluctuation effect	-6 610 511	-158 419 590
Miscellaneous *)	2 893 980	3 122 981
Charges	-2 156 557	-3 925 079
	764 875 916	-4 707 696

*) Income from lending of shares

The currency fluctuation effect is the sum of the part of both realised and unrealised gains/losses that are attributable to exchange rate fluctuations. With regard to financial instruments that are not issued in NOK, part of the result will always be derived from exchange rate fluctuations. Norwegian shares issued in NOK will not have currency fluctuation effects.

(**) Specification of unrealised gains/losses

	2012	2011
Shares	337 901 418	-497 057 001
Short sales	-33 590	33 590
Share derivatives		
Financial futures	-4 957 634	3 876 003
Currency derivatives		
Forward contracts	79 345 137	-38 930 1
Currency fluctuation effect	-383 102 106	331 138 081
	29 153 224	-200 939 476

Note 13
Other operating revenues

	2012	2011
Claims, compensation as per group lawsuit	174 670	485 162
Foreign exchange gains	497	0
Net income from courses	309 977	150 522
	485 145	635 684

Note 14
Other operating expenses

	2012	2011
Salaries, fees and payroll costs	20 688 406	18 611 635
Administration and operating costs	18 376 366	16 876 117
Costs external asset managers	80 185 256	21 391 937
Depreciation and amortisation	174 370	109 328
	119 424 397	56 989 017

Details of employees and representatives

No. of employees as of 31 December 2012: 16			**2012**	**2011**
Salaries, fees in total			13 849 375	12 075 204
of which paid in 2012:	Chairman	31 000		
	Other directors	103 500		
	Manager	200 004		
Variable remuneration, asset management			875 000	1 500 000
National Insurance contributions			2 423 018	2 260 539
Pension costs			3 253 384	2 561 405
Payroll costs			287 629	214 486
			20 688 406	18 611 635

The main principles for the remuneration system in the Norwegian Banks' Guarantee Fund are as follows:
The special rules on remuneration that are outlined only apply to employees in asset management. Other executive employees, or employees with control duties do not have variable remuneration and are not, therefore, included in this remuneration system. The variable remuneration is determined and distributed based in part on a mathematical model based on the preceding year's achieved excess return (adjusted for risk) for the internal asset management, and partly based on fulfillment of the individual discretionary criteria. The main changes in the model from 2010 relate to the adaptation of the requirements in the regulations on remuneration (which the Board has decided the Fund will comply with as long as this is appropriate). This applies in particular to the two-year requirement on earnings and the requirement for 50 per cent distribution of the remuneration where the other 50 per cent is made contingent on a payment period spread over three years. This part is adjusted according to the percentual return in the Fund. In the event of a negative return, this part is reduced, while it is increased for a positive return.

No special payments have been agreed in the event of the termination of or changes to the terms of employment or office of the Manager or Chairman of the Board.

Transactions with related parties
The company considers Finance Norway to be a related party since Idar Kreutzer is the Manager of the Guarantee Fund and Managing Director of Finance Norway. The Guarantee Fund buys services in the form of property rental, accounting services and other administrative services from Finance Norway.

The company's transactions with related parties:	**2012**
Salary, Manager:	200 004
Agreement on assistance with Finance Norway	4 375 000
Property rental, financial statements, salaries and similar	2 414 371
Total	6 989 375

Auditor's fee etc.	**2012**	**2011**
Statutory audit incl. VAT	195 000	257 125
Other certification services	29 300	0
Tax consultancy services incl. VAT	6 750	114 726
Other assistance	221 854	0
	452 904	371 851

Note 15
Risk management
Overarching guidelines for the investment strategy
Pursuant to the statutes, the Board of Directors determines the strategy and guidelines for the management of the Guarantee Fund's assets with the intention of securing satisfactory management, good returns, necessary liquidity and ethical management.

The Fund holds a varied portfolio of securities. The aim is to diversify the Fund's investments with a view to achieving the highest possible return at the lowest possible risk. The statutes impose certain restrictions on investments, one example being that the Fund is precluded from investing in equities, primary capital certificates or subordinated loan capital issued by its members, and moreover that the proportion of government bonds held must as a minimum make up one third of the Fund's assets.

Investment strategy
The Board has chosen to break down the capital into three asset categories: government bonds with a weight in index of 74.5 per cent, global shares with a weight in index of 25 per cent and tactical asset allocation with a weight in index of 0.5 per cent. The content of the index for the former and latter categories is the same, which means that the weight of government bonds in reality is 75 per cent of the index.

The government bonds index is made up of highly rated government bonds and is provided by Barclays. It is customised for the Fund based on GDP weights as well as fundamental and liquidity screening of countries and securities. The share index is based on MSCI World, where banking sectors are excluded and where companies are also excluded based on SRI considerations. Both indices are 100 per cent hedged to NOK.

The mandate for operationalisation of the investment strategy with the associated frameworks is delegated to the Manager, who in turn delegates this to the Investment Manager. The authority is valid for one year at a time.

Mandates
The number of mandates in force remained at six throughout 2012. Internal asset management is responsible for the overall mandate structure, and has concentrated its own management on two mandates; tactical allocation and global shares. External asset management is currently made up of two global government bond mandates (Wellington and Aviva) and two global share mandates (Storebrand and Nordea).

No investments are made in funds or investment companies. The liquidity and transparency requirements render such investments unsuitable.

Risk limits
Risk limits are determined by the Board of Directors. There are three levels of risk: risk limits at portfolio level, risk limits at fund level and risk limits at index level. The Board of Directors determines maximum limits for the different levels and defines many complementary risk limits with a view to reducing the concentration of various types of market risk, such as risks associated with credit, currency, interest rates, counterparties, shares, countries and liquidity. Limits are also set for absolute risk (VaR) and active risk (TE). Responsibility for utilisation of the risk limits in the respective levels lies with the Portfolio Manager, Investment Manager and Board of Directors respectively. Utilisation of risk limits is measured on a daily basis, and is monitored by Middle Office.

Operational risk
Large parts of the Fund's activities are outsourced to external suppliers with operations abroad. Recognised suppliers of investment support services are used. A system of controls and routines has been established in order to ensure effective controls that help reduce the operational risk. The Fund's Asset Management department is controlled by the Middle Office, which was established as an autonomous department in 2012 having previously reported to the Department of Analysis.

All risk limits are incorporated into the Compliance System both locally with external asset managers and centrally with BNYM. These limits are subject to daily monitoring both locally and centrally. Follow-up of violations of limits and periodic reporting to the administration and the Board of Directors is carried out by Middle Office. Middle Office obtains independent opinions from external auditors on routines and control activities (SAS70 and RS402).

In 2011, BNYM took over the independent control and reporting role that was previously carried out by JPM/Storebrand. At the same time Bloomberg AIM was implemented as the front office system for internal asset management. Bloomberg AIM will in full-scale implementation also contain data on all holdings related to external portfolios, which will enable consolidation and analyses at various levels. BNYM is responsible for daily reporting, which includes financial statements, compliance, risk and return on investment. The various managers forward their transaction data electronically to BNYM, which compiles and reports in a consolidated format. The managers and BNYM price securities independently, and these values are reconciled on a monthly basis. BNYM also reconciles all bank and custodian accounts.

Risk management and performance measurement

Risk management is performed at all aforementioned levels. The Portfolio Manager is the central decision-maker at portfolio level, while the Investment Manager allocates and concludes mandates and thereby has overall responsibility for active management, both risk and performance. A uniform stop-loss rule is practised at portfolio level tied up to the relative loss, measured since start-up. The aim is to limit the potential for loss in individual portfolios.

Measurement of the performance of the managers is based on developments in central key figures. Developments over time are viewed in relation to the applicable indices. Five key figures in particular are emphasised: Information Ratio (IR), skewness, consistency, liability score and the excess return contribution. IR is a measure of the performance of excess return relative to active risk (TE). The Fund's target IR is 0.25 or higher. Skewness measures whether a manager is exhibiting positive skewness in the distribution of the excess return over time. Consistency measures the frequency of value creation in the form of the number of months of positive excess return relative to the total number of months. In the interest of maintaining stability in the value creation, this measurement should exceed 50 per cent. The liability score measures the correlation between the excess return and credit premium in the banking sector, where the excess return should be uncorrelated or positively correlated with the credit premium in the banking sector. The excess return contribution measures the excess return relative to the available risk limit, where the ability of the manager to exploit this effectively is emphasised. These five key figures are weighted to create a total score, which in turn provides the basis for the rating of the manager, from A to D, A being the highest rating. Over time, the rating will determine whether the mandate is maintained, the goal being B or higher. Various attribution and factor analyses are also used to evaluate value creation over time. The aim is to determine whether risk-taking is balanced, i.e. that particular factors are not overemphasised.

Ethical management

The Guarantee Fund is not permitted to make investments where there is an unacceptable risk that the Fund might become party to unethical actions or omissions that contravene fundamental human rights or humanitarian principles or lead to gross corruption or environmental destruction. These principles are rooted in international conventions and in practice involve the negative screening of the investment universe with the aim of weeding out companies that are considered to be in breach of the ethical standards upon which these conventions are founded. The Fund does not publish the identities of the companies in question.

Liquidity risk

The Guarantee Fund makes requirements of liquidity in securities holdings in accordance with the purpose of the Fund. Liquidity in share and securities holdings is measured and evaluated on a monthly basis for each holding, each portfolio and for the Fund as a whole. Liquidity frameworks have been determined based on the degree of negotiability. The proportion of cash and liquid resources is monitored on a daily basis and the Fund uses reporting that shows future cash flows. The Guarantee Fund has an uncommitted secured credit facility with BNYM of USD 1,000,000,000, where drawings are secured against the Fund's securities.

Foreign currency risk

The majority of the Fund's securities holdings are denominated and traded in foreign currency. There is therefore a foreign currency risk. Foreign currency risk is defined as the risk that fluctuations in exchange rates can result in impairments and losses.

The Fund's portfolios are defined as trading portfolios. The Fund's benchmark is hedged 100 per cent against NOK. The individual mandates have limits that restrict the exposure to individual currencies. Forward exchange contracts and swaps are used to adjust the risk.

The index is based on 100 per cent hedging to NOK. The currency hedging practice in the portfolios differs for interest rate portfolios and share portfolios. For the former group currency is a source of active risk-taking. In the latter group, currency hedging is passive within defined fluctuation ranges, and as an overlay function carried out by BNYM.

Exposure to all foreign currency is calculated, monitored and controlled on a daily basis.

Counterparty risk

The Fund includes derivative contracts and these carry a counterparty risk. The Fund has entered into standardised international agreements with its counterparties, including supplementary agreements on collateral (ISDA Master Agreement with Credit Support Annex). For example, when a pre-defined exposure limit against a counterparty has been exceeded, collateral is required. This collateral is normally provided in the form of cash.

The Fund regularly monitors the credit rating/creditworthiness of its counterparties and data from short and long-term credit appraisals published by the large credit appraisal agencies (S&P, Moody, Fitch) is used. Exposure to counterparties for OTC contracts (including currency forwards) is monitored and controlled on a daily basis.

Securities lending

The Fund has entered into an agreement with BNYM for securities lending, with BNYM as the agent. The lending requires adequate collateral in the form of cash. Collateral received for securities lending is reinvested in short-term government fixed income securities in order to minimise gearing of the portfolio.

Taxation/withholding tax

The Guarantee 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 automatically covered by the tax agreements Norway has with individual countries. This means that the Fund has to use resources on mapping and clarifying the tax position in a number of countries.

The Guarantee Fund is aware of the provision in EU law which stipulates that where a state imposes withholding tax on a dividend paid to a foreign shareholder, this foreign shareholder will be in a position that is comparable to that of shareholders liable for domestic tax. This means that if the source country tax exempts domestic corporate shareholders from tax on dividends through an exemption method, the said exemption must also cover foreign corporate shareholders who receive dividends from domestic companies, regardless of how they are taxed in their homeland. It is important for the Guarantee Fund to improve the tax position in the countries where it feels discriminated against and that it considers on an ongoing basis whether requests for compensation should be prioritised where it is believed the Fund is unlawfully treated.

Statement of cash flow

	2012	2011
Profit for the year	1 522 123 643	875 293 63
Depreciation and amortisation	174 370	109 328
Contributed from year's activities	1 522 298 012	875 402 964
Investment in property, plant and equipment	-244 574	-120 843
Decrease (+)/increase (-) in holding of bonds and commercial papers	-2 397 102 691	-1 089 093 430
Increase (-)/decrease (+) in shareholdings	-45 317 028	-528 221 058
Decrease (+)/increase (-) in accrued interest not yet due	34 325 565	-78 101 116
Decrease (+)/increase (-) in other receivables	-872 913 674	-80 730 194
Decrease in provisions	723 126	-906 782
Decrease (-)/increase (+) in other liabilities	1 998 379 985	556 874 758
Net cash flow from operating activities	240 148 722	-344 895 701
Cash and cash equivalents as of 1 January	539 589 366	884 485 067
Cash and cash equivalents as of 31 December	779 738 088	539 589 366

Cash and cash equivalents include bank deposits and cash.

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To the Annual Shareholders' Meeting of Bankenes sikringsfond

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Bankenes sikringsfond, which comprise the balance sheet as at 31 December 2012, and the income statement, showing a profit of NOK 1 522 123 643 and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Bankenes sikringsfond as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 and the going concern assumption, and the proposal for the allocation of the profit 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 7 March 2013
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Key terms used in asset management

Time-weighted return is considered to be the ideal method of calculating return. The method is used to eliminate the effects of payments to and by the portfolio and allows returns to be compared across portfolios, portfolio managers and/or reference indexes. Time-weighted return is calculated by dividing up the calculation period into sub-periods, with each sub-period constituting the interval between two cash flows. The return for the individual sub-period is determined by dividing the closing value of the portfolio by the opening value of the sub-period. The return for the reporting period as a whole is determined by linking the rates of return for the individual sub-periods. The advantage of time-weighted returns is that the method gives the same outcome even if the cash flows differ widely in terms of size.

Value at Risk (VaR) and standard deviation are both measures of risk that describe the risk profile in portfolios or indexes. Standard deviation measures the spread in performance figures, both positive and negative. The Greek letter sigma is used as a symbol of this measure, 1 sigma being one standard deviation etc. VaR differs from standard deviation in that it measures only the risk of a negative outcome. It is shown as a percentage rate that indicates the area under the curve that is not assessed as VaR. A 95 per cent VaR means that 95 per cent of the area under the curve is to the right, and 5 per cent of the area is to the left. These percentage rates are linked directly to the probability of losing an amount equal to or greater than estimated VaR. The Guarantee Fund has chosen to use Monte Carlo simulation and a 95 per cent confidence level for calculating VaR ex ante, since this method takes account of non-linear and non-normally distributed risk.

Tracking Error (TE) is used as a risk measure indicating the relative risk between a portfolio and its index. TE expresses the standard deviation of the difference between the portfolio return and the benchmark return.

Information Ratio (IR) is a measure of the performance of a portfolio and measures the excess return (alpha) divided by Tracking Error. An IR of 0.5 or better is regarded as very satisfactory.

Alpha is a measure of the performance of a portfolio which shows the excess return relative to the index against which it is measured (its benchmark), expressed in NOK or as a percentage.

Sharpe Ratio is a measure of the performance of a portfolio or an index and describes the risk-adjusted return defined as return over and above the risk-free rate of return, divided by the standard deviation of the portfolio/index. The Sharpe Ratio of the portfolio should be greater than zero. Risk is consequently rewarded. When it is greater than the index, the effect of the active asset management has been positive.

Consistency is a measure of the performance of a portfolio where the number of months with an excess return (alpha) is measured in relation to the total number of months. In the interest of a stable excess return, consistency should exceed 50 per cent.

Skewness is a measure of the performance of a portfolio and measures the asymmetry in the distribution of alpha in order to show an asset manager's ability to protect the downside. The distribution of alpha should be greater on the upside than on the downside and thus the measure should be higher than 0.

Liability score is a measure of the performance of a portfolio and measures the correlation between the excess return and the credit premium in the European banking sector. The development in this credit premium has been chosen as a proxy for the liability of the Fund, whereby when the premium rises, this implies that the risk for disbursement rises, and vice versa. The correlation should be lower than 0.1, which implies that the excess return has been independent of the credit premium or negatively correlated.

Duration is a measure of duration and expresses the effective maturity of fixed income securities or portfolios. Duration is calculated by determining the present value of each coupon payment multiplied by the time to payment. The total of these present values is then divided by the market price.

Bodies of the Guarantee Fund

Organisation

Following elections at the General Meeting on 22 March 2012 and the election of the Chairman and Deputy Chairman at the subsequent Board meeting on 7 June 2012, the structure of the Board was as follows:

- Finn Haugan, CEO, Sparebank 1 SMN, Chairman (standing for election in 2013)
- Ottar Ertzeid, Group Executive Vice President, DNB Bank ASA, Deputy Chairman (standing for election in 2014)
- Gunn Wærsted, CEO, Nordea Bank Norge ASA (standing for election in 2013)
- Kate Henriksen, Divisional Director, Sparebanken Vest (standing for election in 2013)
- Odd Nordli, Manager, Aurskog Sparebank (standing for election in 2014)

Publicly-appointed Board members:

- Kristin Gulbrandsen, Executive Director, Norges Bank
- Morten Baltzersen, Director General, Finanstilsynet (the Financial Supervisory Authority of Norway)

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

The following were elected as deputy members (listed in numerical order):

1. Oddstein Haugen, CEO, Luster Sparebank (standing for election in 2013)
2. Jan-Frode Janson, Deputy CEO, Fokus Bank (SpareBank 1 Nord-Norge from 1 January 2013) (standing for election in 2014)
3. Harald Gaupen, CEO, SpareBank 1 Buskerud Vestfold (standing for election in 2013)
4. Rolf Endre Delingsrud, CEO, Totens Sparebank (standing for election in 2014)
5. Pål Strand, CEO, Sparebanken Øst (standing for election in 2014)

Deputy member no. 1 is convened to all Board meetings.

The Board also includes the following publicly-appointed deputy members:

- Arild J. Lund, Director, Norges Bank
- Emil Steffensen, Deputy Director General, Finanstilsynet

The General Meeting elected the following Nominating Committee:

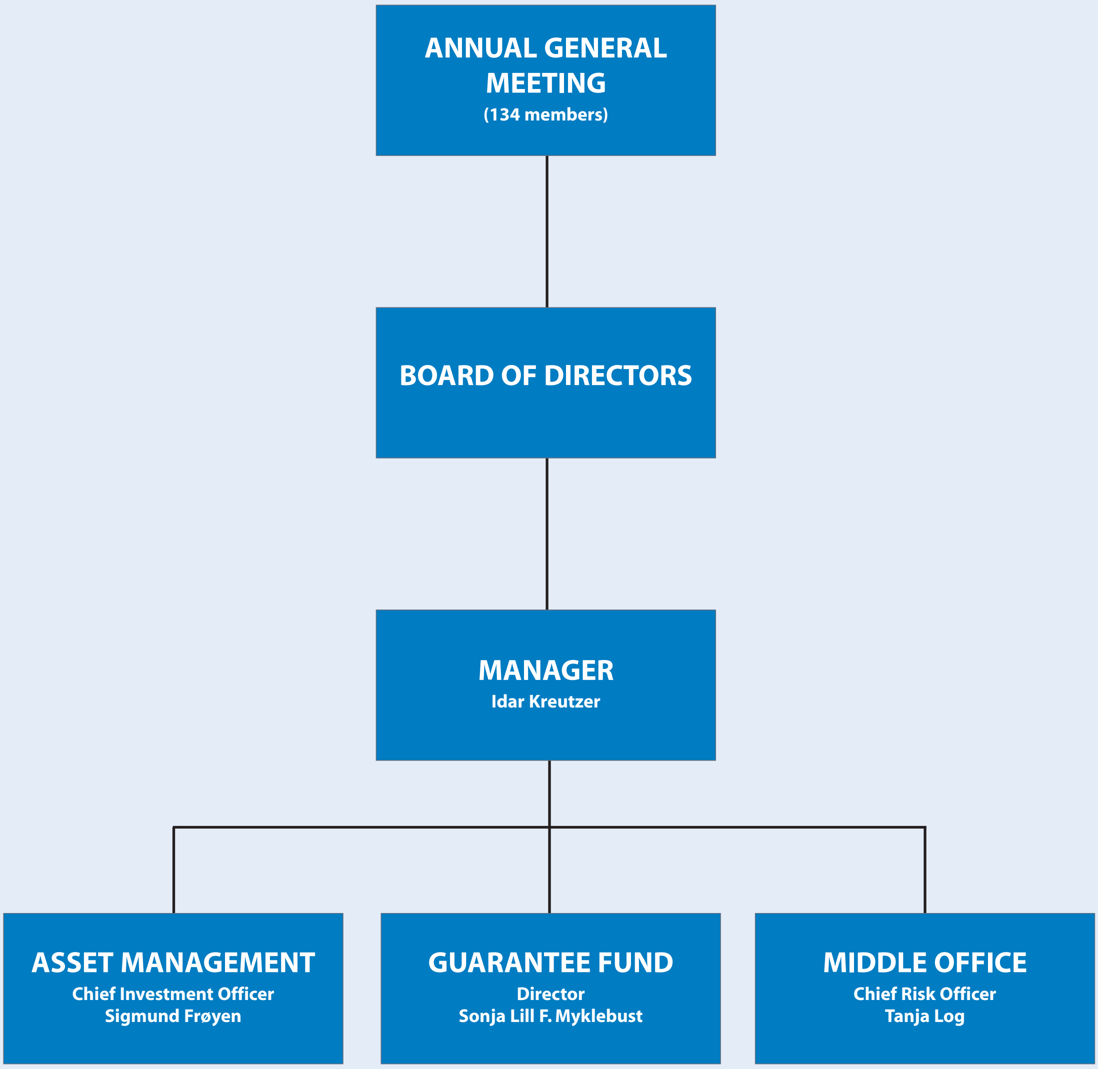
- Geir Bergvoll, Head of Mergers and Acquisitions, DNB Bank ASA, Chairman (standing for election in 2013)
- Trond Mellingsæter, CEO, Fokus Bank (standing for election in 2014, but to be replaced by a new member at the Annual General Meeting on 21 March 2013)
- Øivind Gaarder, Managing Director, Jernbanepersonalets Sparebank (standing for election in 2014)
- Knut Grinde Jacobsen, Managing Director, Haugesund Sparebank (standing for election in 2013)
- Truls Nergaard, CEO, Storebrand Bank ASA (standing for election in 2014)

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

Chief Investment Officer Sigmund Frøyen heads the Asset Management Department, which has six employees. Director Sonja Lill Flø Myklebust heads the Department of Analysis, which employs seven staff. Chief Risk Officer Tanja Log heads the Middle Office which has three employees.

In addition, the Guarantee Fund draws on the resources of Finance Norway if its workload so dictates.

Organisation plan as of 1 January 2013



The Guarantee Fund also uses resources from Finance Norway as needed.

Members of the Norwegian Banks' Guarantee Fund as of 1 January 2013

Members headquartered in Norway

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

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

C
Cultura Sparebank

D
DNB Bank ASA
Drangedal og Tørdal Sparebank

E
Eidsberg Sparebank
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
Hjartdal og Gransherad Sparebank
Hjelmeland Sparebank
Hol Sparebank
Høland og Setskog Sparebank
Hønefoss Sparebank

I
Indre Sogn Sparebank

J
Jernbanepersonalets Sparebank

K
Klepp Sparebank
KLP Banken AS
Klæbu Sparebank
Kragerø Sparebank
Kvinesdal Sparebank

L
Landkreditt Bank AS
Larvikbanken Brunlanes Sparebank
Lillesands Sparebank
Lillestrøm Sparebank
Lofoten Sparebank
Lom og Skjåk Sparebank
Luster Sparebank

M
Marker Sparebank
Meldal Sparebank
Melhus Sparebank

N
Nes Prestegjelds Sparebank
Nesset Sparebank
Netfonds Bank ASA
Nordea Bank Norge ASA

O
OBOS
Odal Sparebank
Ofoten Sparebank
Opdals Sparebank
Orkdal Sparebank

P
Pareto Bank ASA

R
Rindal Sparebank
Rørosbanken Røros Sparebank

S
Sandnes Sparebank
Santander Consumer Bank AS
Selbu Sparebank
Seljord Sparebank
Skudenes & Aakra Sparebank
Soknedal Sparebank
SpareBank 1 Buskerud – Vestfold
SpareBank 1 Gudbrandsdal
SpareBank 1 Hallingdal Valdres
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 Telemark
SpareBank 1 Østfold Akershus
Sparebanken Hedmark
Sparebanken Hemne
Sparebanken Møre
Sparebanken Narvik
Sparebanken Pluss
Sparebanken Sogn og Fjordane
Sparebanken Sør
Sparebanken Vest
Sparebanken Øst
Spareskillingsbanken
Spydeberg Sparebank
Stadsbygd Sparebank
Storebrand Bank ASA
Strømmen Sparebank
Sunndal Sparebank
Surnadal Sparebank
Søgne og Greipstad Sparebank

T
Terra Finans og Kredittbank AS
Time Sparebank
Tinn Sparebank
Tolga-Os Sparebank
Totens Sparebank
Trøgstad Sparebank
Tysnes Sparebank

V
Valle Sparebank
Vang Sparebank
Vegårshei Sparebank
Verdibanken ASA
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 2-2 of the Act)
BlueStep Finans AB, Oslo branch
Danske Bank (Norwegian branch of Danske Bank A/S)
Handelsbanken AB, NUF in Norway
Nordnet Bank, branch of Nordnet Bank AB
SkandiaBanken AB, NUF in Norway
Skandinaviska Enskilda Banken AB Oslo Branch
Swedbank Norway, 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 and affirmed by the Finanstilsynet on 9 September 2004. Amended at the general meetings of 19 April 2005, 26 April 2006 and 26 April 2007. Affirmed by the Ministry in letters dated 26 September 2006 and 16 May 2007.

Chapter I Membership and purpose

Section 1 Establishment and membership

(1) The Norwegian Banks' Guarantee Fund (hereafter called the Guarantee Fund) was established by Act of 25 June 2004 on Amendments to the Guarantee Schemes Act through the merger of the Savings Banks' Guarantee Fund and the Commercial Banks' Guarantee Fund. The amending act enters into force on 1 July 2004. The activities of the Fund are regulated by the Act on Guarantee Schemes for Banks and Public Administration etc., of Financial Institutions (Act no. 75 of 6 December 1996), hereafter called the Act.

(2) The Fund's registered office is in Oslo.

(3) Institutions entitled or obliged to be members of the Norwegian Banks' Guarantee Fund:

a. Saving banks and commercial banks with their head office in Norway shall be members of the Guarantee Fund.
b. The King may decide that other credit institutions with their head office in Norway shall be members of the Guarantee Fund.
c. Credit institutions with their head office in another EEA state which take deposits from the public through a branch in Norway are entitled to become members of the deposit-guarantee scheme if the deposit-guarantee scheme in the branch's home country cannot be considered to give the branch's depositors protection equal to that provided under the Act.
d. The King may decide that branches of credit institutions with their head office in a non-EEA state shall be members of the deposit-guarantee scheme.

(4) The King may lay down further rules concerning membership for branches of foreign credit institutions, cf. the Act section 2-2 third paragraph.

(5) The Guarantee Fund is a legal entity in its own right. No member has a proprietary right to any part of the Guarantee Fund.

Section 2 Purpose

(1) The purpose of the Guarantee Fund is to secure the deposit liabilities of its members, pursuant to section 15.

(2) In order to ensure that a member as mentioned in section 1, subsection (3) a and b, can fulfil its obligations or continue its activities, or have its activities transferred to another institution, the Fund may also grant support under the rules of section 17 and section 18.

Section 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 Guarantee Fund may investigate members' accounts and audit practice and appraise their conduct of business. In that connection the Fund may require a member to present any documents and information deemed necessary by the Fund.

Chapter II Capital of the Guarantee Fund

Section 4 The Guarantee Fund's capital

(1) The Guarantee Fund's aggregate capital shall at all times at least equal the sum of 1.5 per cent of total guaranteed deposits with the members plus 0.5 per cent of the sum of denominators of the capital adequacy requirements for members as mentioned in section 1, subsection (3) a and b. The capital shall be acquired through membership levy and guarantees as provided in sections 5 and 6. Derogation from these requirements may be done by regulation from the Ministry, unless otherwise regulated by law or regulations.

(2) For the purpose of calculating the guaranteed deposits with members pursuant to subsection 1, a basis shall be taken in an average of the members' deposits at the end of the third and fourth quarter of the calendar year two years prior to the year of payment and at the end of the first and second quarter of the calendar year prior to the year of payment. The sum of denominators of the capital adequacy requirements shall be calculated in the same way.

Section 5 Members' levy

(1) The members shall each year pay a levy to the Fund unless the Fund's equity according to the last annual accounts exceeds the minimum requirement under section 4. Derogation from these requirements may be done by regulation from the Ministry, unless otherwise regulated by law or regulations.

(2) The levy shall be calculated in accordance with the provisions of section 2-7 and section 2-9 of the Act with appurtenant regulations.

(3) The board shall by 1 May each year notify each member of the size of the levy to be paid. The deadline for remittance shall be established by the board.

(4) New members of the Fund that have carried on business prior to joining shall pay a levy in accordance with a special decision made by the Finanstilsynet.

Section 6 Members' guarantee

(1) To the extent that the Guarantee Fund's assets fall below the minimum required under section 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 payable under section 5. Calls for payments pursuant to guarantee liabilities in a single year may not exceed one-tenth of the Guarantee Fund's aggregate capital pursuant to section 4.

(2) The board undertakes distribution of the guarantee amounts. The distribution of the guarantee amounts shall be recalculated each year concurrently with the calculation of the Fund's aggregate capital pursuant to section 4.

(3) The board decides how the guarantee declarations furnished by the members shall be formulated and sees to it that the declarations are obtained.

(4) The board stipulates whether and how the guarantee liabilities shall be secured.

Section 7 Investment of the Guarantee Fund's assets

(1) The board shall, within the framework set out by the rules below, establish a strategy and guidelines for management of the Guarantee Fund's assets based on prudent management, satisfactory return on investments, the necessary liquidity and ethical management.

(2) Investment is subject to the following conditions:

a) At least one-third of the Fund's assets to be invested in Norwegian and foreign government and government-guaranteed bonds.
b) The Fund may not invest assets directly or indirectly in shares, primary capital certificates or other capital issued by any Norwegian bank or parent company of a financial group which includes a Norwegian bank, unless such investment is a support measure pursuant to section 2 12 of the Act.

Section 8 Borrowing

(1) The board may decide that the Fund shall raise loans if this is necessary for fulfilment of the Fund's purpose

Chapter III The Guarantee Fund's bodies

Section 9 General meeting

(1) The Guarantee Fund's highest authority is the general meeting. Except as otherwise decided by the King, each member of the Fund has one representative and one vote at the general meeting. A member institution may ask a representative who is entitled to attend on behalf of another member, to serve as a proxy.

(2) The ordinary general meeting is held once every year, and shall if possible be held by the end of June.

(3) The general meeting is convened by the board. Notice of the ordinary general meeting shall be given by letter sent to the members at least two weeks in advance of the meeting. The agenda for the general meeting shall be sent to the members at least one week in advance of the meeting. The general meeting may not make a final decision in matters other than those listed in the circulated agenda.

(4) Any proposal that a member wishes to be dealt with at the ordinary general meeting must be submitted in writing. Such proposals should be sent in good time before notice of the meeting is dispatched, and must have been received by the Fund three weeks in advance of the general meeting.

(5) An extraordinary general meeting shall be convened when decided by the board, or when at least ten members or members altogether representing more than 10 per cent of the members' aggregate total assets request such a meeting and specify the business they wish to be dealt with. Notice of an extraordinary general meeting shall be in writing, such that the notice can be expected to reach all members no later than eight calendar days in advance of the general meeting.

(6) The chairman of the board or, in his absence, the vice-chairman shall chair the general meeting. If neither is able to attend, an ad hoc chairman shall be elected by the general meeting. Minutes of the proceedings shall be kept for which the chairman shall be responsible. The minutes shall be approved and signed by the chairman and two other participants to be elected at the meeting.

(7) Unless otherwise specifically provided by these statutes, the general meeting adopts decisions by simple majority. In the event of a tied vote the chairman has the casting vote, except at elections where the decision is reached by drawing lots.

(8) The general meeting adopts statutes for the Guarantee Fund and may establish instructions for the board.

(9) The following items shall be dealt with at the ordinary general meeting:

a. Annual report.
b. Accounts and auditor's report.
c. Fixing of remuneration to the elected officers and auditor.
d. Election of board members with alternates.
e. Election of members of the election committee.
f. Other items to be dealt as listed by the board.
g. Members' proposals.

Section 10 Election committee

(1) At the general meeting an election committee shall be elected which shall prepare the elections to be held at the next ordinary general meeting. The board's elected members nominate members to the election committee.

(2) The election committee shall have five members who shall be elected for two years from among representatives of the member institutions. A member should preferably not be re-elected more than once. The general meeting nominates the chairman of the committee.

Section 11 The board

(1) The board has seven members. Five members and five alternates in numerical sequence are elected by the general meeting, preferably from among the chief executives of the member institutions. One member with an alternate shall be nominated by Norges Bank and one member with an alternate shall be nominated by Finanstilsynet (The Financial Supervisory Authority of Norway).

(2) The elected members and alternates are appointed for two years. When elections are held, importance shall be attached to achieving a balanced representation from member institutions of differing size and character. A member should preferably not be re-elected more than twice.

(3) The board appoints from among its members the chairman and deputy chairman for one year at a time.

(4) For a board decision to be valid at least four members must be present and in favour of the decision, unless otherwise provided by section 15 subsection (5), or section 17 subsection (3), below.

(5) Board meetings shall be held as often as the chairman deems necessary or when at least two board members so request. Notice of board meetings shall as far as possible be given in writing. The notice shall state the matters to be dealt with. The business manager shall circulate notice of board meetings on behalf of the board chairman.

(6) If deemed necessary for reasons of time, the board chairman may choose to submit a matter to the board on

the basis of written procedure. However, a decision cannot be made on this basis if a board member demands that the matter be dealt with at a board meeting. Decisions made on the basis of written procedure shall be presented and entered in the minutes at the first upcoming board meeting.

(7) Minutes, for which the chairman is responsible, shall be kept of the board's proceedings. Each member may request to have his vote recorded in the minutes. The minutes shall be signed by two board members and the business manager. A copy of the minutes shall be sent to the board members.

(8) The members of the board are entitled to remuneration for their work. The remuneration shall be fixed by the general meeting.

Section 12 The board's duties

(1) The board is in charge of the activities of the Guarantee Fund.

(2) The board shall inter alia:

a. Give notice of ordinary and extraordinary general meetings.
b. Make decisions regarding collection of levy and obtaining guarantee declarations etc in pursuance of section 5 subsections (3) and (4) and section 6 subsections (2), (3) and (4), of these statutes.
c. Establish a strategy and guidelines for management of the Guarantee Fund's assets in accordance with section 7 and make decisions regarding borrowing in accordance with section 8.
d. Engage a business manager for the Guarantee Fund, and establish the latter's instructions and remuneration.
e. Make decisions regarding implementation of the deposit guarantee or regarding support measures pursuant to sections 15, 16, 17 and 18 of these statutes.

(3) The board's power to commit the Guarantee Fund

a. The board chairman or at least two board members jointly may sign on behalf of the Fund.
b. The board may give the business manager limited authority to act on behalf of the Fund.

Section 13 Audit

(1) The general meeting shall appoint a state authorised auditor to perform the audit. The auditor shall present his report to the general meeting.

Section 14 Duty of confidentiality

(1) The Guarantee Fund's elected officers, employees and auditors shall sign a declaration of confidentiality in respect of information which comes to their knowledge in the course of their duties.

Chapter IV The Fund's deposit guarantee and support to member institutions

Section 15 Deposit guarantee

(1) The Guarantee Fund is bound to cover losses incurred by a depositor on deposits with a member institution. In these statutes deposit shall mean any credit balance on a nominative account, and any debt evidenced by a certificate of deposit issued to a named person, except deposits from other financial institutions. In these statutes deposits shall also include credit balances deriving from payment transfer orders or other ordinary banking services, as well as interest not fallen due.

(2) If a depositor's total deposits with the member institution in question exceed NOK 2 million, the Fund is not obliged to cover losses on that part of the total deposits that exceeds this amount. Whenever the member institution is authorised to set off deposits against liabilities, an individual depositor's total deposits shall be reduced by liabilities that have fallen due pursuant to other agreements. The King may decide by regulations that the limit on compulsory cover may be set at a level higher than NOK 2 million in the case of certain special types of deposit or in the case of deposits from particular depositors.

(3) The Fund is not bound to cover losses on:

a) deposits from mutual funds and other collective-investment under takings,
b) deposits carrying an unusually high rate of interest or other financial advantages when such advantages have contributed to aggravating the institution's financial situation.

(4) The Fund is not entitled to cover losses on:

a) deposits from companies in the same group as the member institution,
b) deposits consisting of the proceeds of a punishable act in respect of which a final and enforceable judgment has been handed down.

(5) Decisions to cover losses over and above the amount the guarantee fund is obliged to pay pursuant to subsections (2) and (3) require support from at least five board members.

Section 16 Settlement under the deposit guarantee

(1) The Fund shall cover losses on deposits pursuant to section 2-11 of the Act.

Section 17 Support measures

(1) In order to ensure that a member institution as mentioned in section 1 subsection (3) a and b can fulfil its obligations or continue its business, or in the event have its business transferred to another institution, the Fund may grant support by:

a) providing a guarantee or other support to secure deposits or cover losses that are not covered pursuant to section 15 above,
b) providing liquidity support, loans or guarantees for loans or fulfilment of other commitments,
c) supplying equity or providing an equity guarantee to enable the 1business to continue or be wound up,
d) covering losses incurred by creditors or certain groups of creditors as a result of a liquidity deficit or capital inadequacy.

(2) Support to a member institution may instead be given to the parent company of a financial group. The parent company shall in such case forward the support directly to the member institution.

(3) Decisions regarding support may only be made within the limits set out in section 19. When considering whether support shall be provided, the board shall attach particular weight to consideration of public confidence in the banking system

and to consideration of the Fund's financial position. The board shall also weigh the costs that would be associated with support measures against the costs that may accrue if the matter were to end in public administration and disbursement under the deposit guarantee. Any decision to grant support requires the backing of at least five board members, and the justification shall made clear in the minutes of the board of the Fund.

Section 18 Conditions for support

(1) The board decides whether and to what extent a member institution shall be given support as mentioned in section 17 above, and by what means.

(2) A member institution in receipt of support from the Fund shall implement such decisions and conditions as the Fund lays down to protect against losses. Such member institution shall make regular reports to the board of the Fund regarding the member institution's position and business in accordance with further rules laid down by the board of the Guarantee Fund.

(3) The board of the Fund may instruct a member institution in receipt of support from the Fund to initiate negotiations with a view to merging with another member institution or other financial institution, or to make changes in the member institution's management or its activities.

Section 19 Maximum limit for the Guarantee Fund's overall obligations

(1) The board may not make decisions pursuant to section 17 or section 18 unless the Fund's remaining capital subsequent to the support measure together with future receipts of annual levy and guarantee capital plus other supply of capital is assumed to be sufficient to cover the Fund's obligations under the deposit-guarantee scheme.

(2) As provided in section 2-12 subsection 6 of the Act, the Guarantee Fund may not, except when authorised by the Finanstilsynet, provide a guarantee or assume other commitments in connection with a deposit guarantee or support measure which in aggregate amount to more than twice the Fund's minimum capital pursuant to section 4.

Chapter V Annual report and accounts

Section 20 Annual report

(1) The annual report on the Guarantee Fund's activities shall be submitted to the general meeting by the board. It shall accompany the notice of the general meeting. The annual report shall be signed by each board member and countersigned by the Fund's business manager.

Section 21 Accounts

(1) The Guarantee Fund's accounts shall be presented for the calendar year. The net profit shall be added to the capital.

(2) The business manager shall submit draft audited annual accounts to the board by the end of March.

(3) The accounts shall be signed by each board member and countersigned by the Fund's business manager.

(4) The accounts shall accompany the notice of the ordinary general meeting.

Chapter VI Changes to the statutes etc.

Chapter VI Amendment of the statutes

Section 22 Statutes

(1) Any decision regarding changes to the statutes requires two-thirds of the votes cast. Such decision may not be implemented until it has been approved by the King.

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N-0202 Oslo

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