Norwegian Banks'
Guarantee Fund

Annual Report 2014

Contents – Annual Report 2014

Leader

Towards the end of 2014 sentiment in the Norwegian economy turned following the dramatic fall in the oil price from around USD 110 to USD 50 per barrel. The marked fall was attributable to a number of factors, including weak growth prospects in the European and Chinese economies and an increased oil supply due to US shale oil production, which allayed fears that sanctions between Russia and the West could restrict access to oil.

Concerns that the low oil price would have knock-on effects for the Norwegian economy and thus curb future growth influenced Norges Bank's decision to set the key policy rate at a record-low 1.25 per cent in December. In doing so, the Central Bank stressed the importance of combating the risk of a pronounced slowdown in the Norwegian economy, even though lower interest rates could result in house prices and household debt continuing to outstrip growth in household income.

Despite the more modest development of key sentiment indicators, the above has not yet had a major impact on actual economic performance. Activities have remained buoyant and vacancies low. On the other hand, the general situation is currently more unstable than for some time, which will be of importance for the banks should developments in the oil market fuel lower activities and higher vacancies. One fear is that the above, combined with continued strong pressure in the housing market, could reduce household demand.

Over the last year significant attention has been paid to competition in the banking market. Initially the banks established measures to boost earnings as part of initiatives to reinforce equity in order to satisfy new capital requirements. The above was achieved by increasing revenues and cutting costs, while losses have also remained at extremely low levels. Here it was emphasised that competition in the banking market was not functioning particularly well, and that the authorities has initiated analyses and measures with a view to boosting competition. The Norwegian Competition Authority is currently carrying out an analysis of the competitive environment in the housing market and will subsequently look more closely at small and medium sized enterprises. As the banks have made progress with their initiatives to satisfy the new capital requirements, so margin pressure and competition has been further ramped up.

In overall terms the banks continued to post improved results in 2014. This was mainly due to higher net interest income (which in turn was largely attributable to reduced expenses for market financing). Low cost increases and continuing low losses also contributed to the improved performance. In addition, some banks made significant gains on the sale of Nets Holding in 2014.

Financial stability is being aided by solid banks and the Guarantee fund's equity, which amounted to NOK 28.6 billion at the end of 2014. This equates to 2.66 per cent of the guaranteed deposits. All funds are invested in highly secure and liquid government bonds with governments with a high international rating.

The Guarantee Fund has initiated wide-ranging measures to develop more efficient payment solutions in order to be able to repay guaranteed deposits within a deadline of one week – in practice five working days – if a bank is placed in administration. Here, one particular focus area has been establishing a payment solution via portals with adequate security and safety levels. These initiatives are continuing in 2015.

The Banking Law Commission has initiated extensive measures to implement the EU's Bank Recovery and Resolution and Deposit Guarantee Directives in Norwegian law. A number of key topics need to be clarified in this context, including: in the first instance, whether to continue the established systems and structures for crisis contingency planning and payment solutions for guaranteed deposits that have been built up in the Guarantee Fund and by the authorities; and subsequently, whether the already paid-in funds can be utilised to build up the new fund structure.

Idar Kreutzer
Manager

Report from the Board of Directors 2014

The Norwegian Banks' Guarantee Fund – object and activities

The Norwegian Banks' Guarantee Fund was established by a statutory amendment that entered into force on 1 July 2004 through 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 125 members with headquarters in Norway as of 31 December 2014.

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 31 December 2014.

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.

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 deposit guarantee scheme is an important part of the regulation of the financial markets and helps create confidence among depositors, thereby safeguarding financial stability. For branch members with a home country guarantee of EUR 100,000 per depositor, the Guarantee Fund currently covers the excess amount up to NOK 2 million. As of 30 September 2014, total guaranteed deposits amounted to NOK 1,030 billion.

It is important that the guarantee fund institution is constantly enhanced in order to secure satisfactory safeguards for customers, banks and society. This includes work on framework conditions and statutes, in addition to meetings and talks with international funds. 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 cooperation between deposit guarantee schemes. The New Deposit Guarantee Directive introduces requirements for closer collaboration between national guarantee schemes. The Guarantee Fund participated in a number of forums organised by EFDI in 2014, including general and working group meetings. The Guarantee Fund joined the International Association of Deposit Insurers (IADI) in 2014 in order to ensure that the Fund is represented in important arenas where guarantee fund issues are discussed across national boundaries and to be able to draw on international experiences.

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 settlement deadline for the deposit guarantee scheme. In accordance with the amendments, member banks are obliged to pay a fee to the Guarantee Fund each year, regardless of the size of funds. The Guarantee Fund's deadline for settlement of guaranteed deposits when a bank is not in a position to discharge its obligations itself has been reduced from three months to one week (five working days).

To enable it to manage potential crisis situations, the Guarantee Fund has built up considerable funds over time, and as of 31 December 2014 the Fund's equity totalled NOK 28.6 billion, which equated to 2.66 per cent of total guaranteed deposits.

At the reporting date the Fund comprised two departments; The Department of Analysis and Control of Banks, Crisis Contingency Planning and Crisis

Management and Mid Office. The former is responsible for developing and maintaining routines for crisis contingency planning, including developing alternative payment solutions, and implementing periodic contingency exercises. The unit is also responsible for administration of the Fund, including calculation and collection of fees from members, and dissemination of information concerning the scope of the deposit guarantee. Mid Office is responsible for securing compliance with the board's adopted management strategy and instructions, following up the external index manager and depository bank, and reporting results and established frameworks.

The Guarantee Fund's performance in 2014

The annual financial statements have been prepared on the going concern assumption. The board confirms that the conditions for the going concern assumption are satisfied. The Guarantee Fund's holding of securities and financial contracts is valued as a trading portfolio and these holdings are recognised at market value.

The Guarantee Fund posted a surplus of NOK 2,133 million in 2014, of which membership fees constituted NOK 1,518 million. The corresponding surplus for 2013 was NOK 2,122 million. The surplus for the year is to be transferred to equity.

The result of asset management operations before costs and fees was NOK 653 million, representing a time-weighted return of 2.4 per cent.

Other operating revenues

Other operating revenues totalled NOK 1.2 million in 2014, compared with NOK 1.3 million in 2013. Revenues primarily related to interest on bank deposits, compensation from lawsuits and course activities.

Operating expenses

Total operating expenses for 2014 amounted to NOK 39 million, compared with NOK 52 million in 2013. The reduction is primarily attributable to the transition from active to passive asset management using only one index manager. The above switch has significantly reduced both internal and external costs in connection with asset management.

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 2014 and the change in liquidity during the year is primarily attributable to the reinvestment of returns on investments.

Investment strategy

The Guarantee Fund invests in low-risk assets with the requisite liquidity to be able to maintain the payment deadline of one week pursuant to § 2–11 of the Norwegian Guarantee Schemes Act. Consequently, since March 2013 the Fund has exclusively invested in foreign government bonds.

The Fund's assets are to be index-managed, and are currently externally managed by Legal & General Investment Management (LGIM). The bonds index comprises liquid government bonds with terms of 1 to 3 years with a credit rating of AA or better.

Bank of New York Mellon (BNYM) is the Fund's global security depository bank. BNYM is also responsible for independent valuations of all the Fund's investments. The Guarantee Fund's Mid Office monitors management.

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

The Guarantee Fund is exposed to market risk (including currency risk and interest rate risk), credit risk and liquidity risk through investments in foreign government bonds. In accordance with the Guarantee Fund's objects, stringent demands are made of liquidity in securities holdings, where investments may only be made in bonds issued by countries with high credit ratings. The portfolio is 100 per cent currency-hedged.

Crisis management and crisis prevention measures

The Guarantee Fund was not involved in any crisis management activities in 2014.

The Guarantee Fund has gradually sharpened its focus on crisis-preparedness and contingency arrangements, which is naturally also reflected in the Fund's resource utilisation. Extra expertise has been added to this area through recruitment. The efficiency of processes has been improved by using extra IT support and digitisation of processes. The above changes were necessary in order to enable the business to adapt to changes in the Norwegian Guarantee Schemes Act as of 1 January 2013, and the two new EU Directives that were adopted in 2014 (the BRR and DGS Directives).

The Guarantee Fund's contingency measures include the preparation and maintenance of contingency procedures. In 2014 a project was implemented to develop and improve the efficiency of payment procedures by using BankID to identify customers. Here the intention was to guarantee payments to customers in the event of a crisis in one or more banks within a time frame of one week. In collaboration with Finanstilsynet, in 2014 an exercise was implemented involving four banks relating to compliance with the *«Regulation on Requirements for Establishment of IT Systems for Members of Guarantee Fund»* (OF-2008-09-22-1080). The requirements embedded in the Regulation are intended to ensure that the banks submit quality-assured data files to the Guarantee Fund as a basis for payment of guaranteed deposits in crisis situations. In addition, detailed bank analyses and bank visits are performed during the year. The visits focus on the most exposed banks. A total of six banks were visited in 2014.

New framework conditions for the guarantee fund scheme and crisis management in the EU

The Deposit Guarantee Fund Scheme (DGSD) – and the Bank Recovery and Resolution Directive (BRRD) – were adopted by the European Parliament on 15 April and by the European Council on 6 May 2014. Both directives were published in the Official Journal on 12 June 2014. The directives are based on the exercise of supranational authority through EBA (the European Banking Authority).

Following last autumn's agreement between the Finance Ministers of the EEA EFTA and EU on principles for adapting the schemes of the three European financial authorities of the EEA, negotiations are currently ongoing between EEA EFTA countries and the EU on terms for incorporating these schemes into the EEA agreement. Pending the completion of this work, it is currently unclear when the Deposit Guarantee Scheme and Bank Recovery and Resolution Directives will be incorporated into the EEA agreement.

The Deposit Guarantee Scheme Directive (DGSD)

The deposit guarantee cover amount in the EU is EUR 100,000. Norway has been working to adapt the text of the Directive to make it possible to maintain a coverage level of NOK 2 million per depositor per bank. With this Directive text now in place, Norway will not be able to continue a level of cover that is higher than the EU limit indefinitely. The Directive has an option for a transitional period for guarantee schemes with guarantee amounts of more than EUR 100,000 (until the end of 2018).

In accordance with the Directive text, special deposits of more than EUR 100,000 (for example deposits in connection with private property transactions and particular life events such as marriage, divorce, retirement, redundancy, invalidity etc.) will be protected. There is also an option for member countries to maintain or introduce schemes that protect pension funds in excess of EUR 100,000. The extent to which Norway will implement these exception conditions has not yet been clarified.

The scope of depositors included by the cover in accordance with the new EU Directive dovetails neatly with current Norwegian legislation. All individuals and businesses outside the financial sector are covered, while all financial companies are excluded. Nonetheless, one important difference is that all public authorities, including local authorities, are exempted from the cover.

According to the Directive, the Fund must be built up through annual payments corresponding to at least 0.8 per cent of guaranteed deposits within ten years of the Directive entering into force.

The Directive allows the deposit guarantee fund to be used for early intervention, if this would be expected to result in lower costs for the Fund than by compensating the depositors in cases where a bank is to be placed under public administration (normal bankruptcy). This is very similar to the current Norwegian regulatory framework.

The Bank Recovery and Resolution Directive
The Bank Recovery and Resolution Directive is intended to ensure that banks can be wound up without a threat to financial stability, that secured deposits and public funds (taxpayers) are protected, and that bank functions that are deemed to be critical for society are continued. The bank's investors and creditors – shareholders, bondholders and major depositors – will be the primary bearers of losses in restructuring and recapitalisation, or if applicable on winding up. Key to the Directive is the principle of bailing-in the bank's liabilities. This means that the relevant authorities can convert parts of the liabilities to equity subject to more detailed guidelines and/or write-down parts of the bank's obligations if a bank encounters financial difficulties. Bail-in can be used as a tool in both winding up and recapitalisation of a bank. A depositor-preference principle is to be introduced that will apply regardless of whether the bank is restructured or wound up in accordance with ordinary insolvency arrangements, so that guaranteed deposits (and the deposit guarantee scheme) have first-ranking priority. Other deposits from ordinary customers will be ranked second, with all other unsecured creditors ranking third, ahead of subordinated loans etc.

The introduction of bail-in and depositor-preference is expected to impact the bank's financing costs, choice of capital structure, strategy for the transfer of mortgage companies, deposit margins and access to major deposit customers etc.

The Directive requires the establishment of national crisis management authorities and a national crisis management fund, which will be used to guarantee the failed bank's assets and liabilities and extend loans to the failed institution. As a minimum the crisis solution funds must correspond to at least one per cent of guaranteed deposits (within ten years). National authorities can elect to set a higher target level. In order to achieve the target the institutions have to pay annual fees to the Fund. The fee is calculated based on the institution's liabilities (excluding subordinated capital and secured deposits), adjusted for the institution's risk profile. There is an option for 30 per cent of the contributions to be in the form of payment obligations.

Guarantee Fund fee in 2015
Following the amendment to § 2–7 first para of the Norwegian Guarantee Schemes Act, member banks shall pay an annual fee to the Guarantee Fund.

The fee for 2015 has been calculated as NOK 1,540 million, which is slightly up on the fee for 2014. The fee will be collected during the second half of 2015.

Changes in the membership
At the end of 2014 the Guarantee Fund had 132 members, 125 of whom were headquartered in Norway and seven were branch members. This is one fewer than at the previous year-end.

Sparebanken Pluss and Sparebanken Sør merged on 1 January 2014. OBOS was removed from the membership on 7 July 2014, when all deposit activities were transferred to OBOS-banken AS (existing member).

Komplett Bank ASA was established in 2014 and immediately joined the Guarantee Fund.

Autumn Conference 2014
The annual Autumn Conference was held at Clarion Hotel & Congress Oslo Airport, Gardermoen on 8 and 9 September, and was attended by a record 285 participants. The 2014 Conference was the 51st consecutive such event and mainly focused on the consequences of the new framework conditions for the banks.

Outlook
The Guarantee Fund's investment portfolios currently comprise government bonds with high credit ratings and terms of up to three years. The portfolio performance will be contingent on changes in this market segment, which is itself extensively impacted by the central banks' monetary policy.

We expect global growth to increase slightly in 2015, albeit with major differences in growth expectations between the various regions in which the Guarantee Fund is invested. The largest differences are expected between the USA and the eurozone. We expect to see a normalisation of monetary policy in the USA and thus prospects of increased interest rates. Expectations of low growth and low inflation in the eurozone have resulted in further measures from the European Central Bank. The programme to buy back government bonds launched by the Central Bank in January 2015 has triggered a further fall in interest rates, and a rising share of national debts in the eurozone countries is now being traded at negative interest rates.

The Fund's return is impacted by Norwegian interest rate levels due to the fact that the Guarantee Fund's investments are hedged in NOK. Following recent falls in the oil price the outlook for the Norwegian economy has weakened, and interest rates have fallen. In overall terms we expect a positive, though low, return from the Guarantee Fund's investments in 2015.

Administrative matters

The board of the Guarantee Fund comprises six men and one woman. 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 12 administrative staff, eight of whom were women. The Guarantee Fund runs an occupational health service. Sickness absence in 2014 totalled 20 days, or 0.71 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, 5 March 2015

Ottar Ertzeid Chairman	Jan-Frode Janson Deputy Chairman	Cato Holmsen
Odd Nordli	Pål Strand	Kristin Gulbrandsen
Morten Baltzersen	Idar Kreutzer Manager	

Income statement

All figures in NOK

	NOTE	2014	2013
Revenues			
Membership fees	**1,2**	1 518 543 535	1 534 542 671
Other operating revenues	**12**	1 240 341	1 348 442
Total revenues		1 519 783 876	1 535 891 113
Result of asset management activities			
Result securities portfolio			
Interest income		692 844 710	531 415 144
Dividend fund		0	-236 308
Gains and losses	**10**	-40 369 529	-273 472 271
Result fixed-income securities		*652 475 181*	*257 706 565*
Result share portfolios			
Share dividends		-188 768	10 756 630
Gains and losses	**11**	104 560	369 168 605
Result shares		*-84 208*	*379 925 235*
Net result of asset management		652 390 973	637 631 800
Operating expenses			
Operating expenses	**13**	-38 854 405	-51 566 958
Result for financial year		2 133 320 444	2 121 955 956
Appropriation of result			
Transferred to the Guarantee Fund's equity		2 133 320 444	2 121 955 956

Balance sheet

	NOTE	31.12.2014	31.12.2013
ASSETS			
Bank deposits	**3**	196 656 787	96 373 534
Bonds and treasury bills	**4**	28 706 905 764	26 220 606 368
Financial derivatives	**5**	648 649 630	335 556 547
Unsettled transactions		1 828 632 312	100 193 190
Shares		0	184
Property, plant and equipment	**7**	172 977	255 295
Over-financing of pension obligation	**9**	1 298 173	2 072 890
Other receivables	**6**	20 978 546	29 503 087
Total assets		31 403 294 190	26 784 561 094
LIABILITIES AND EQUITY			
Equity of Guarantee Fund	**1**	28 576 641 821	26 443 321 377
Financial derivatives	**5**	2 811 662 440	326 060 562
Other liabilities	**8**	5 746 128	5 700 606
Provisions	**9**	9 243 801	9 478 547
Total liabilities		2 826 652 369	341 239 716
Total liabilities and equity		31 403 294 190	26 784 561 093

Oslo, 5 March 2015

31 December 2014

Ottar Ertzeid
Chairman

Jan-Frode Janson
Deputy Chairman

Cato Holmsen

Odd Nordli

Pål Strand

Kristin Gulbrandsen

Morten Baltzersen

Idar Kreutzer
Manager

Statement of cash flow

	2014	2013
Surplus for the year	2 133 320 443	2 121 955 956
Depreciation and amortisation	141 421	242 531
Contributed from year's activities	2 133 461 864	2 122 198 486
Investment in property, plant and equipment	-59 104	-20 875
Decrease (+)/increase (-) in holding of bonds and commercial papers	-2 428 970 121	-7 165 508 238
Increase (-)/decrease (+) in shareholdings	184	5 731 768 845
Decrease (+)/increase (-) in accrued interest not yet due	-55 836 344	-36 349 544
Decrease (+)/increase (-) in other receivables	-2 350 582 267	1 271 588 211
Decrease in provisions for pension liabilities	539 971	-5 106 304
Decrease (-)/increase (+) in other liabilities	2 801 729 068	-2 601 935 136
Net cash flow from operating activities	100 283 252	-683 364 554
Cash and cash equivalents as of 1 January	96 373 534	779 738 088
Cash and cash equivalents as of 31 December	196 656 787	96 373 534

Cash and cash equivalents include bank deposits and cash.

Notes to the financial statements 31 December 2014

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 Guarantee 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 Guarantee Fund's securities portfolios are valued each day by the Bank of New York Mellon (BNYM) Asset Servicing, which is the Fund's external supplier of investment support services. 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 WM FX Rates. 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 Guarantee Fund performs regular controls of pricing and valuations provided by the Fund's external suppliers.

Bonds

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.

Forward exchange contracts

Forward exchange contracts and currency swaps are recognised at market value and the unrealised result/value of contracts forms part of the Fund's daily value.
The Guarantee Fund has recognised derivatives gross since 2014. The comparative figures have been amended accordingly.

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 pm London closing rate is used for the daily valuation and at period-end.

Miscellaneous valuation policies

Accruals – income recognition
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. Accrued income not received is recognised in income and recorded as a receivable in the balance sheet. Dividends from shares are recognised in income on the ex-date and registered as a receivable until payment, including withholding tax, is confirmed.

Pensions
The Guarantee Fund has a defined benefit pension scheme for staff employed before 1 January 2013. 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 assurance 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 operates a defined contribution pension scheme for staff employed after 1 January 2013. The employer has no obligations for this scheme other than annually paid contributions.

The Guarantee Fund also has uncovered pension obligations that are financed through operations. Pension obligations for such agreements are recognised as a liability in the balance sheet. These obligations are discussed in more detail in Note 9.

The Guarantee Fund also has obligations relating to the Norwegian AFP Early Retirement Subsidy Act. The current financial contributions to this scheme are recognised in the income statement as a defined contribution guarantee scheme. As of 31 December 2014, 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 calculate the obligation.

Pension costs and pension obligations for the defined benefit schemes 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. Only guaranteed deposits are included in the calculation for branch members. 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.

Minimum size of equity and subordinated loan capital 2015
Statutory requriements for subordinated capital in 2015 are assentially based on the average of guaranteed deposits and the average calculation basis for the last two quarters of 2013 and the first two quarters of 2014.

1.5 per cent of average guaranteed deposits	1 029 751 million	15 446 262 965
0.5 per cent of average measurement basis	1 978 497 million	9 892 485 390
Minimum size of the equity and subordinated loan capital		25 338 748 355
Equity in the Norwegian Banks´ Guarantee Fund as of 31 December 2014		28 576 641 821
	Surplus as of 1 January 2015	3 237 893 466

The calculated fee for 2015 is NOK 1,539,852,315. The fee will be payable in second half of the year 2015.

Minimum size of equity and subordinated loan capital 2014
Statutory requriements for subordinated capital in 2014 are assentially based on the average of guaranteed deposits and the average calculation basis for the last two quarters of 2012 and the first two quarters of 2013.

1.5 per cent of average guaranteed deposits	973 692 million	14 605 384 730
0.5 per cent of average measurement basis	1 929 598 million	9 647 991 499
Minimum size of the equity and subordinated loan capital		24 253 376 229
Equity in the Norwegian Banks´ Guarantee Fund as of 31 December 2013		26 443 321 377
	Surplus as of 1 January 2014	2 189 945 148

The calculated and collected fee in 2014 was NOK 1,518,295,195

The minimum size of equity and subordinated capital in 2014 has been changed from the previous year's annual report following an adjustment to guaranteed deposits in individual bank.

Minimum size of equity and subordinated loan capital 2013
Statutory requriements for subordinated capital in 2013 are assentially based on the average of guaranteed deposits and the average calculation 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 million	13 587 784 723
0.5 per cent of average measurement basis	1 909 078 million	9 545 387 931
Minimum size of the equity and subordinated loan capital		23 133 172 655
Equity in the Norwegian Banks´ Guarantee Fund as of 31 December 2012		24 321 365 422
	Surplus as of 1 January 2013	1 188 192 767

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

	2014	**2013**
Equity as of 1 January	26 443	24 321
Result for financial year	2 133	2 122
Equity as of 31 December	28 576	26 443

Note 2
Membership fees

The Guarantee Fund fee for 2014 has been calculated in accordance with the provisions of the Norwegian Guarantee Schemes Act and the Regulations on the Calculation of the Fee Payable to the Norwegian Banks' Guarantee Fund. Since 1 January 2013 this fee has been calculated and collected each year in accordance with § 2-7 of the Norwegian Guarantee Schemes Act. The Guarantee Fund fee is calculated on the basis of the average of guaranteed deposits (1 per cent) and the calculation basis for capital adequacy ratio (0.5 per cent) as of the end of the third and fourth quarter of 2012 and first and second quarter of 2013. Members with a tier 1 capital ratio in excess of 8.0 per cent as of 31 December 2012 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. Branch members pay only for guaranteed deposits. The joining fee is established in line with official regulations.

In 2014 the full fee was NOK 1,518,295,193. In addition, OBOSBanken AS and Komplett Bank ASA paid joining fees of respectively NOK 50,301 and NOK 198,041.

	2014	2013
Full fee	1 518 295 193	1 534 542 671
Joining fee	248 342	0
Total	1 518 543 535	1 534 542 671

Note 3
Bank deposits

Tax withholding funds in a dedicated account total NOK 898,000. Of the bank deposits, NOK 98,827,098 is invested in foreign currency.

As of 31 December 2014, the share of cash/bank deposits (excluding operating accounts) was 0.3 per cent of assets managed by the Guarantee Fund (Net Asset Value). The corresponding figure for 2013 was 0.2 per cent.

Note 4
Bonds and commercial papers

	2014			2013		
Debtor category	**Cost**	**Market value (incl. accrued interest)**	**Accrued interest not yet due**	**Cost**	**Market value (incl. accrued interest)**	**Accrued interest not yet due**
Government bonds (sovereign states)	24 988 232 423	28 706 905 764	282 202 976	25 074 030 750	26 220 606 368	224 873 700
Total	24 988 232 423	28 706 905 764	282 202 976	25 074 030 750	26 220 606 368	224 873 700

The market value is NOK 3,436,470,365 higher 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 14 Risk management).

Bonds and commercial papers by country.

	2014	**2013**
Country	**Market value (incl. accrued not yet due interest)**	**Market value (incl. accrued interest not yet due)**
Australia	3 649 865 052	2 977 516 609
Canada	4 345 968 114	3 729 727 357
Finland	0	585 937 313
Singapore	679 558 373	601 255 470
United Kingdom	5 770 753 634	5 257 575 669
Switzerland	1 527 191 854	1 402 113 460
Sweden	1 286 558 060	1 185 246 946
Germany	5 706 516 717	5 220 224 289
USA	5 740 493 960	5 261 009 256
Total	28 706 905 764	26 220 606 368

Accrued interest not yet due breaks down into the following countries and issuers

Country/issuer	**2014**	**2013**
Australia	48 943 562	20 919 607
Canada	19 171 660	16 202 134
Finland	-	8 335 004
Singapore	5 158 333	2 776 638
United Kingdom	54 084 130	56 188 433
Switzerland	28 511 122	24 245 601
Sweden	16 884 293	17 684 647
Germany	91 369 309	60 129 839
USA	18 080 567	18 391 798
Total	282 202 976	224 873 700

The market value of bonds (including accrued interest) broken down the issuer's creditworthiness as of 31 December 2014 (amounts in NOK 1000):

Credit rating agency	AAA or equivalent	AA+ or equivalent	AA or equivalent	Total
S&P	22 966 412	5 740 494		28 706 906
Moody's	22 936 152	5 770 754		28 706 906
Fitch	22 936 152	5 770 754		28 706 906

The issuer’s creditworthiness presented here is the local currency long-term credit rating as of 31 December 2014 (source: Bloomberg).

Note 5
Financial derivatives

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward contracts	648 649 630	2 811 662 440	335 556 547	326 060 562
Total financial derivatives	648 649 630	2 811 662 440	335 556 547	326 060 562

Forward exchange contracts
The only type of financial instruments owned by the Guarantee Fund are forward exchange contracts. These are used to currency-hedge the portfolio. The market value of forward contracts is calculated as an unrealised gain/loss at the balance sheet date. Entered forward contracts normally have a term of one month.

	2014		2013	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Forward exchange contracts	0	-2 163 012 810	0	9 495 984
Total	0	-2 163 012 810	0	9 495 984

Forward exchange contracts by currency.

Currency purchased	Currency sold	Net nom. volume	Market value
NOK	AUD	3 574 939 588	-193 864 572
NOK	CAD	4 575 009 255	-306 636 149
NOK	CHF	1 527 307 473	-102 540 881
NOK	EUR	5 668 920 821	-387 299 415
NOK	GBP	5 695 900 372	-512 393 485
NOK	SEK	1 273 016 355	-55 268 032
NOK	SGD	655 326 878	-51 510 656
NOK	USD	5 656 050 862	-553 499 620
Total		28 626 471 604	-2 163 012 810

Spot contracts are defined as contracts with a term of 1–4 days, while forwards are contracts with a term of more than 4 days. The nominal volume is deemed to be the exposure to NOK. Exposure is allocated to the currency pairs used by the Guarantee Fund to hedge the portfolio, where the net exposure is for purchases of NOK 28.6 billion.

Note 6
Other receivables
Summary

	2014	2013
Coupon receivables – withholding tax repayable	17 876 076	23 164 457
Dividend receivables – withholding tax repayable	2 299 340	6 276 235
Other receivables	803 130	62 395
Total	20 978 546	29 503 087

Withholding tax repayable on coupons relates in its entirety to Swiss government bonds acquired in 2014. Withholding tax repayable on dividends relates to the remainder of the share portfolio that was wound up in 2013.

Note 7
Property, plant and equipment

	2014	2013
	Tools and equipment, computer equipment	**Tools and equipment, computer equipment**
Cost 1 January	1 574 137	1 553 262
Purchases	59 104	20 875
Cost 31 December	1 633 241	1 574 137
Accum. depreciation 1 January	1 227 523	1 076 312
Depreciation for the year	141 421	151 211
Accum. depreciation 31 December	1 368 944	1 227 523
Accum. impairments 1 January	91 320	0
Impairments for the year		91 320
Accum. impairments 31 December	91 320	91 320
Book value 31 December	172 977	255 295
Total property, plant and equipment	172 977	255 295

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 8
Other liabilities

	2014	2013
Tax withholdings, employer's NI cont.	1 454 340	1 063 957
Misc. other liabilities/accrued expenses	4 291 788	4 636 649
Total	5 746 128	5 700 606

Note 9
Pension costs, pension obligations and pension fund assets
The Guarantee Fund operates 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 complies with the Norwegian Mandatory Occupational Pensions Act. This agreement is referred to in the following as secured benefits. The retirement age is 67.

Effective 1 January 2013 the defined benefit scheme was closed to new employees. New employees are included in a defined contribution scheme where the annual premium represents the pension cost for the year. The company is obliged to operate an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pension Schemes Act, and the pension schemes satisfy 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 accumulation. The annual premium comprises part of the pension cost.

Pension agreements for which insurance cover has not been taken out are referred to as unsecured pension obligations, and mainly 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.
– Accrued rights to early retirement pension from the age of 62 for the Fund's former Manager.
– The former Departmental Manager had an agreement for compensation for losses in the collective scheme in the period from 62 to 67 years.
  This obligation is recognised as an unsecured 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 K2013 are used to calculate the pension obligation. Economic assumptions are based on Norwegian Accounting Standard Board's Guidance on Pension Assumptions.

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 2014, 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.

Pension costs, pension obligations and pension fund assets in the defined benefit scheme

	2014	2013		2014	2013
Discount rate	2,30 %	4,10 %			
Expected return	3,20 %	4,40 %			
Expected wage growth	2,75 %	3,75 %			
Expected adjustment of G value	2,50 %	3,50 %	No. economically active	9	9
Expected reg. of pensions	0,00 %	0,60 %	No. of retired personnel	8	8

Pension cost		2014			2013	
Recognised in income statement	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Present value of accrued pension benefits for the year (incl. employer´s NI)	1 390 560	388 078	1 778 638	1 632 624	508 331	2 140 955
Interest expense on accrued obligation	847 954	305 406	1 153 360	780 267	323 134	1 103 401
Expected return on pension fund assets	(952 026)	-	(952 026)	(881 938)	-	(881 938)
Pension cost before actuarial variances	1 286 488	693 484	1 979 972	1 530 953	831 465	2 362 418
Amortisation of estimate variances	-	(41 961)	(41 961)	-	(95 627)	(95 627)
Curtailments and settlements	-		-	(1 251 187)	(2 543 634)	(3 794 821)
Administration costs	305 488	-	305 488	353 281	-	353 281
Net pension cost recognised in the income statement in period	1 591 976	651 523	2 243 499	633 047	(1 807 796)	(1 174 749)
Premium, Fellesordningen for AFP	110 865		110 865	115 231		115 231
Premium defined contribution plan	116 310		116 310	21 799		21 799
Risk cover disability pension salary over 12G	19 580		19 580	28 745		28 745
Total pension cost and risk premium	1 838 731	651 523	2 490 254	798 822	(1 807 796)	(1 008 974)

Pension obligation		2014			2013	
Balance sheet	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Estimated accrued pension obligation (incl. employer´s NI cont.)	26 893 267	9 189 349	36 082 616	20 647 480	7 892 072	28 539 552
Estimated value of pension fund assets	22 529 000	-	22 529 000	22 003 700	-	22 003 700
				-	-	-
Net pension obligations	4 364 267	9 189 349	13 553 616	(1 356 220)	7 892 072	6 535 852
Actuarial variance not recognised in income statement	(5 662 440)	54 452	(5 607 988)	(716 670)	1 586 475	869 805
Net pension assets (-) and obligations	(1 298 173)	9 243 801	7 945 628	(2 072 890)	9 478 547	7 405 657
Recognised fund assets (net over-financing)	1 298 173			2 072 890		
Recognised liabilities		9 243 801			9 478 547	

Year's change in pension obligations

Pension obligations	**2014**	**2013**
Opening balance as of 1 January	28 539 552	32 060 259
Accrued entitlements for the year	1 778 638	2 140 955
Interest expense for the year	1 153 360	1 103 401
Payments to retirees and payment of employer's NI contribution on premium	(2 131 659)	(2 426 109)
Curtailments and settlements	-	(7 077 063)
Actuarial variances	6 742 725	2 738 109
Closing balance as of 31 December	36 082 616	28 539 552

Change in pension assets during the year

Pension fund assets	**2014**	**2013**
Estimated pension fund assets as of 1 January	22 003 700	23 475 000
Actuarial variances	306 893	500 434
Pension assets as of 1 January less actuarial variances	22 310 593	23 975 434
Expected return on penison fund assets	952 026	881 938
Premiums paid	716 265	2 644 005
Pensions paid out	(1 144 396)	(1 144 396)
Curtailments and settlements		(4 000 000)
Administration and operating costs	(305 488)	(353 281)
Estimated pension fund assets as of 31 December	22 529 000	22 003 700
Actual gross return, fund assets	-	768 736

Note 10
Result portfolios of fixed-income securities

	2014	**2013**
Realised gains/losses	-417 381 559	-1 249 257 891
Unrealised gains/losses	377 012 030	975 785 620
Gains and losses	-40 369 529	-273 472 271

(*) Specification of realised gains/losses

	2014	**2013**
Bonds/commercial papers	1 036 258 574	354 896 090
Interest rate and share derivatives	0	53 633 000
Currency derivatives	-1 453 621 361	-1 655 363 387
Miscellaneous	0	859 355
Charges	-18 772	-3 282 949
	-417 381 559	-1 249 257 891

(**) Specification of unrealised gains/losses

	2014	2013
Bonds/commercial papers	2 549 520 824	1 210 099 182
Interest rate and share derivatives	0	-39 112 605
Currency derivatives	-2 172 508 794	-195 200 957
	377 012 030	975 785 620

Note 11
Result, share portfolios

	2014	2013
Realised gains/losses	144 332	836 046 693
Unrealised gains/losses	-39 772	-466 878 088
Gains/losses	104 560	369 168 605

(*) Specification of realised gains/losses

	2014	2013
Share dividends	316 709	649 543 796
Share derivatives	0	38 220 732
Currency derivatives	0	150 443 025
Miscellaneous *)	0	479 012
Charges	-172 377	-2 639 872
	144 332	836 046 693

*) Stock Loan Income

(**) Specification of unrealised gains/losses

	2014	2013
Share dividends	-155 617	-353 871 491
Share derivatives	0	-3 571 235
Currency derivatives	0	-109 389 297
Misc. interest	115 845	-46 064
	-39 772	-466 878 088

Note 12
Other operating revenues

	2014	2013
Interest on bank deposits	516 347	998 128
Claims, compensation as per group lawsuit	264 977	158 115
Foreign exchange gains	74 171	-
Net income from courses	384 846	192 199
Total	1 240 341	1 348 442

Note 13
Other operating expenses

	2014	2013
Salaries, fees and payroll costs	15 371 874	18 964 563
Administration and operating costs	18 968 092	20 098 159
Costs external asset managers	4 341 210	12 261 706
Depreciation and amortisation	141 421	242 531
Other financial expenses	31 809	0
	38 854 405	51 566 958

Details of employees and representatives

No. of employees as of 31 December 2014: 12	2014	2013
Salaries, fees in total	11 138 632	12 915 710
Variable remuneration, asset management	0	1 200 000
National Insurance contributions	1 796 704	3 047 385
Pension costs	2 249 246	1 592 237
Payroll costs	187 292	209 231
	15 371 874	18 964 563

The following items are included in salaries	2014	2013
Chairman	50 000	50 000
Other Directors	167 500	185 000
Manager	200 004	200 004

No special remuneration has 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. No benefits are paid to the Manager or Chairman in the form of bonuses, profit-sharing or similar.

Transactions with related parties
The company considers Finance Norway to be a related party since Idar Kreutzer is 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:	2014	2013
Salary, Manager:	200 004	200 004
Agreement on assistance from Finance Norway*	4 375 000	4 375 000
Property rental, financial statements, salaries and similar	2 360 262	2 664 881
Total	6 935 266	7 239 885

*) Fixed agreement concerning administrative assistance from Finance Norway

Auditor's fees etc.	2014	2013
Fees paid to Ernst & Young (auditor)	112 500	0
Fees paid to PwC (former auditor)	21 094	176 956
Other certification services**	30 000	29 300
Other assistance (PwC)	0	154 008
	163 594	360 264

**) Remuneration for other certification services comprises fees for internal control confirmation to the auditor, i.e PwC in 2013 and Ernst & Young i 2014

Note 14
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, necessary liquidity and ethical management.

The Guarantee Fund has a portfolio comprising low-risk global government bonds. The intention is to have a liquid portfolio that maintains a strong value in a crisis situation in which liquidity requirements could arise. 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 comprise one third of the Fund's assets.

Investment strategy
The Board has elected to allocate 100 per cent of the capital to global government bonds. These bonds are managed externally by Legal & General Investment Management using passive index management.

The government bonds index is made up of highly rated global government bonds and is provided by Barclays. These are GDP-weighted and tailored to suit the Fund's requirements for low risk and good liquidity. The index is 100 per cent hedged to NOK.

Risk limits
Risk limits are determined by the Board of Directors. The board provides maximum frameworks connected to absolute risk (Value at Risk and Expected Shortfall), relative risk (Tracking Error), credit risk, liquidity risk, counterparty risk and maximum bank deposits at the depository bank.

Operational risk
A system of controls and routines has been established in order to ensure effective controls that help reduce the operational risk. The Guarantee Fund's management is controlled by the Unit for control and follow up of management (Mid Office).

All risk limits are incorporated into the Compliance System both locally with external asset managers and centrally with Mid Office Follow-up of breaches of frameworks and periodic reporting to the administration and board is performed by Mid Office. Mid Office obtains independent statements from the external auditors on routines and control activities (ISAE 3402).

BNYM is responsible for daily reporting, which includes financial statements, holdings and transactions. The manager forwards the transaction data electronically to BNYM, which compiles and reports in a consolidated format. The manager and BNYM price securities independently, and these values are reconciled on a monthly basis. BNYM also reconciles all bank and custodian accounts.

Liquidity risk
In accordance with the Fund's objects, the Guarantee Fund makes demands concerning the liquidity of the Fund's security holdings. Liquidity in securities holdings is evaluated on a monthly basis for each holding and for the Fund as a whole. The percentage of cash and liquid assets is monitored on a daily basis.

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

Foreign currency exposure 31.12.2014	AUD	CAD	CHF	EUR	GBP	SEK	SGD	USD
Portfolio holdings (excl. currency hedge)	620 946 693	722 122 652	218 796 443	668 520 352	531 644 678	1 379 078 777	123 240 771	829 707 312
Currency hedge	(615 074 425)	(753 991 756)	(215 741 307)	(666 722 062)	(530 715 073)	(1 385 636 786)	(124 920 871)	(827 481 507)
Net currency exposure	5 872 268	(31 869 104)	3 055 136	1 798 290	929 606	(6 558 009)	(1 680 100)	2 225 805

Counterparty risk
The Fund includes currency contracts with various counterparties 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 provided in the form of highly rated government bonds and cash.

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

Interest rate risk
Duration is calculated for long positions in the bonds market and is weighted according to market value as of 31 December 2014 (source:Bloomberg).
The duration is the effective repayment period of a bond, and a measure of sensitivity to interest rates. For 2014 the term of the bonds was 1.9, while the corresponding figure for 2013 was 1.8.

Taxation/withholding tax
The Guarantee Fund is exempt from taxation in Norway. 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.

Note 15
Guarantees
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. The Guarantee Fund shall cover losses on deposits as soon as possible, and no later than one week after:

1. Finanstilsynet has decided that the bank is not in a position to repay deposits, or
2. the decision has been taken to place the bank in public administration:
   Further rules on payment and deadlines for prolongation are laid down in the Guarantee Schemes Act.

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 Guarantee Fund does not have sufficient staff to be able to manage crisis situations itself. Consequently, a mandatory agreement has been established with Finance Norway to secure access to extra resources the event of a crisis. In its daily activities the Fund has a department that is responsible for preventative 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 on the cover provided under the deposit guarantee scheme.

There were no incidents that required the Guarantee Fund to cover losses on deposits in 2014 or 2013, and no liabilities have been recognised in respect of the guarantee. There have also not been any such events since the end of the reporting period.

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting ofthe Annual Shareholders'
Meeting of
Bankenes Sikringsfond

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 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Manager's responsibility for the financial statements

The Board of Directors and the manager are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the manager 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 Bankenes Sikringsfond'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 Bankenes Sikringsfond'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.

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Opinion

In our opinion, the financial statements of Bankenes Sikringsfond have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of Bankenes Sikringsfond as at 31 December 2014 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 Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the resultand the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and the manager have fulfilled their duty to ensure that Bankenes Sikringsfond's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, April 20, 2015
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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

Bodies of the Guarantee Fund

Organisation

Following elections at the General Meeting on 27 March 2014, and the election of the Chairman and Deputy Chairman on 24 April 2014, the board comprised the following:

- Ottar Ertzeid, Executive Vice President, DNB Bank ASA, Chairman (up for election in 2016)
- Jan-Frode Janson, CEO (SpareBank 1 Nord-Norge, Deputy Chairman (up for election in 2015)
- Cato Holmsen, Manager of Corporate & Institutional Banking, Nordea Bank Norge ASA (up for election in 2015)
- Odd Nordli, CEO, Aurskog Sparebank (up for election in 2016)
- Pål Strand, CEO, Sparebanken Øst (up for election in 2016)

Publicly-appointed board members:

- Kristin Gulbrandsen, Executive Director, Norges Bank
- Morten Baltzersen, Director General, Finanstilsynet (Norwegian 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, Manager, Luster Sparebank (up for election in 2015)
2. Harald Gaupen, CEO, SpareBank 1 BV (up for election in 2015). Replaced at Annual General Meeting of 25 March 2015 when he resigned from his position at SpareBank 1 BV.
3. Rolf Endre Delingsrud, CEO, Totens Sparebank (up for election in 2016)
4. Tone Lunde Bakker, Country Manager, Danske Bank (up for election in 2015)
5. Frank Johannesen, Senior Vice President Finance and Risk Management, Sparebanken Vest (up for election in 2016)

Deputy member no. 1 attends 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

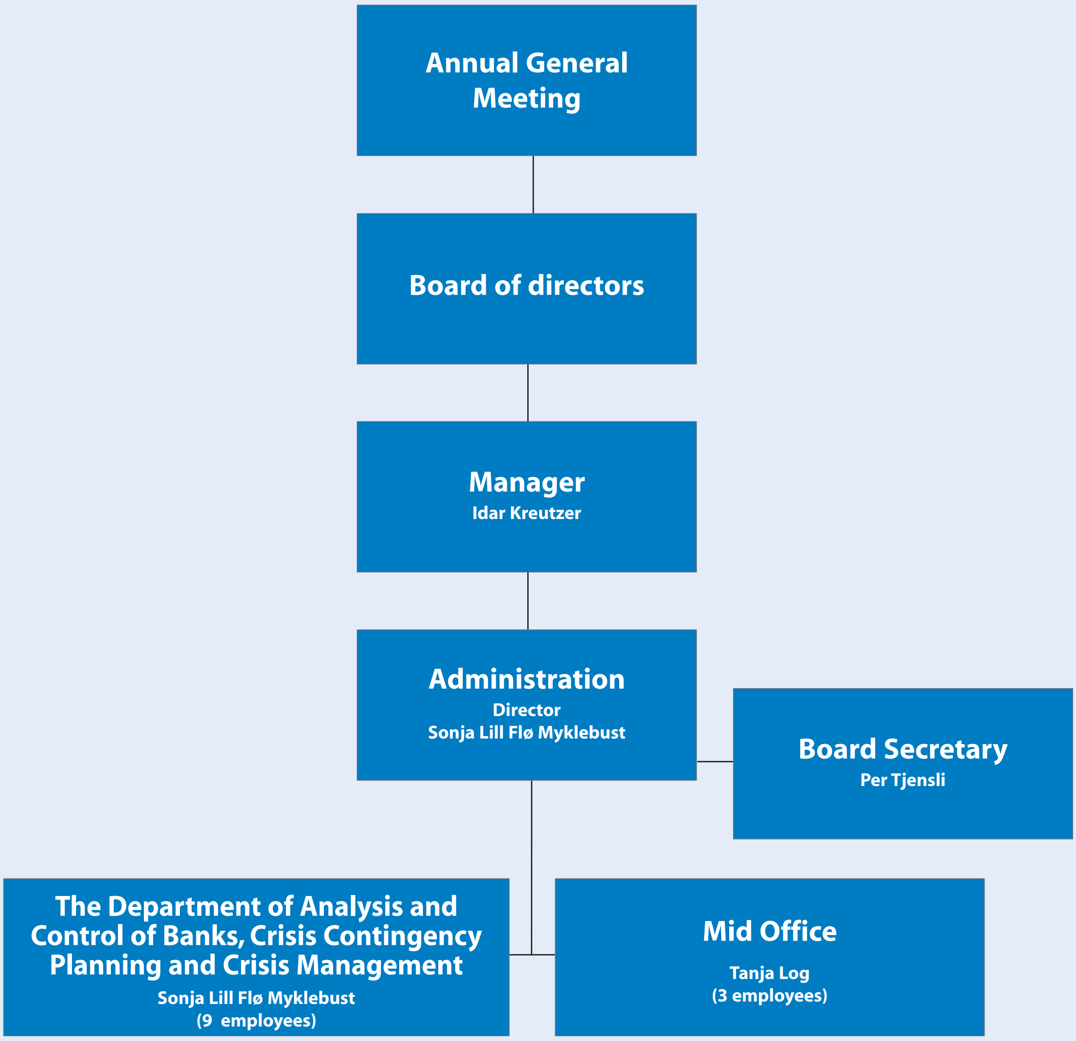
The General Meeting elected the following Nomination Committee:

- Geir Bergvoll, Head of Mergers and Acquisitions, DNB Bank ASA, Chairman (up for election in 2015). Will be replaced at the Annual General Meeting of 25 March 2015 as he has resigned from his position at DNB Bank ASA.
- Knut Grinde Jacobsen, Managing Director, Haugesund Sparebank (up for election in 2015)
- Truls Nergaard, CEO, Storebrand Bank ASA (up for election in 2016)
- Dag Tjernsmo, CEO, Handelsbanken (up for election in 2015)
- Siri Berggreen, CEO, Lillestrøm Sparebank (up for election in 2016)

Idar Kreutzer, Managing Director of Finance Norway, is the Manager of the Guarantee Fund.
Director Sonja Lill Flø Myklebust manages the Guarantee Fund.

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

Organisation chart as of 31 December 2014



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

Members of the Norwegian Banks' Guarantee Fund as of 31 December 2014

http://www.bankenessikringsfond.no/no/Hoved/Medlemmer/

Members headquartered in Norway

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

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

C
Cultura Sparebank

D
DNB Bank ASA
Drangedal Sparebank

E
Eidsberg Sparebank
Eika Kredittbank AS
Etne Sparebank
Etnedal Sparebank
Evje og Hornnes Sparebank

F
Fana Sparebank
Flekkefjord Sparebank
Fornebu Sparebank

G
Gildeskål Sparebank
Gjensidige Bank ASA
Gjerstad Sparebank
Grong Sparebank
Grue Sparebank

H
Haltdalen Sparebank
Harstad Sparebank
Haugesund Sparebank
Hegra Sparebank
Helgeland Sparebank
Hjartdal og Gransherad Sparebank
Hjelmeland 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
Luster Sparebank

M
Marker Sparebank
Meldal Sparebank
Melhus Sparebank
Modum Sparebank

N
Nesset Sparebank
Netfonds Bank ASA
Nordea Bank Norge ASA

O
OBOSBanken AS
Odal Sparebank
Ofoten Sparebank
Opdals Sparebank
Orkdal Sparebank

P
Pareto Bank ASA

R
Rindal Sparebank
Rørosbanken Røros Sparebank

S
Sandnes Sparebank
Santander Consumer Bank AS
Selbu Sparebank
Skudenes & Aakra Sparebank
Skue Sparebank
Soknedal Sparebank
SpareBank 1 BV
SpareBank 1 Gudbrandsdal
SpareBank 1 Hallingdal Valdres
SpareBank 1 Lom og Skjåk
SpareBank 1 Nord-Norge
SpareBank 1 NordVest
SpareBank 1 Nøtterøy - Tønsberg
SpareBank 1 Ringerike Hadeland
SpareBank 1 SMN
SpareBank 1 SR-Bank ASA
SpareBank 1 Søre Sunnmøre
SpareBank 1 Østfold Akershus
Sparebanken DIN
Sparebanken Hedmark
Sparebanken Hemne
Sparebanken Møre
Sparebanken Narvik
Sparebanken Sogn og Fjordane
Sparebanken Sør
Sparebanken Telemark
Sparebanken Vest
Sparebanken Øst
Spareskillingsbanken
Spydeberg Sparebank
Stadsbygd Sparebank
Storebrand Bank ASA
Strømmen Sparebank
Sunndal Sparebank
Surnadal Sparebank
Søgne og Greipstad Sparebank

T
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. § 2–2 of the Act)

BlueStep Finans AB, Oslo branch
Danske Bank (Norwegian branch of Danske Bank A/S)
Handelsbanken (Norwegian branch of Svenska Handelsbanken AB)
Nordnet Bank, branch of Nordnet Bank AB
SkandiaBanken AB, NUF in Norway
Skandinaviska Enskilda Banken AB Oslofilialen
Swedbank Norway, branch of Swedbank AB

Statutes of the Norwegian Banks' Guarantee Fund

Adopted at the Founding General Meeting of the Norwegian Banks' Guarantee Fund on 22 June 2004. Ratified by the Norwegian Ministry of Finance on 9 September 2004, and subsequently amended at the Annual General Meetings of 19 April 2005, 26 April 2006, 26 April 2007 and 21 March 2013. Ratified by the Ministry in letters dated 26 September 2006, 16 May 2007, 24 June 2013 and 28 May 2014.

Chap. I Membership and objects

§ 1 Establishment and membership

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

(2) The Fund is headquartered in Oslo.

(3) Institutions entitled or obliged to join the Norwegian Banks' Guarantee Fund:

a. Membership of the Guarantee Fund is mandatory for savings banks and commercial banks headquartered in Norway.
b. The King may decree that other credit institutions headquartered in Norway must also join the Guarantee Fund.
c. Credit institutions headquartered in EEA states that receive deposits from the general public through branches in Norway may join 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.
d. The King may decree that branches of credit institutions headquartered in states outside the EEA are also required to join the deposit guarantee scheme.

(4) The King may determine more detailed rules on membership for branches of foreign credit institutions, cf. Section 2–2 third para of the Guarantees Schemes Act.

(5) The Guarantee Fund is an independent legal subject. No member has proprietary rights to any part of the Guarantee Fund.

§ 2 Objects

(1) The object of the Guarantee Fund is to secure the deposit obligations of members under the deposit guarantee pursuant to Section 15.

(2) In order to ensure that a member mentioned in Section 1 third para letters a and b can fulfil its obligations, and if necessary have the business transferred to another institution, the Fund can also provide support in accordance with the rules of Section 17 and Section 18.

§ 3 Right of inspection at members

(1) The Guarantee Fund can impose reporting duties on members as deemed necessary in order to calculate the annual fee.

(2) The Guarantee Fund can examine members' financial statements and auditing issues and assess their management. To this end the Fund can demand that a member presents any documents or information that the Fund deems necessary.

Chap. II The Guarantee Fund's equity

§ 4 The Guarantee Fund's equity and subordinated loan capital

(1) The Guarantee Fund's aggregate equity and subordinated loan capital must at all times, as a minimum, equal the sum of 1.5 per cent of aggregate guaranteed deposits held by members plus 0.5 per cent of the aggregate measurement bases for the capital adequacy requirements for members as stated in Section 1 third para letters a and b. The equity is procured through fees and guarantees in accordance with Sections 5 and 6.

(2) In accordance with the first para, the total guaranteed deposits for members is calculated using an average of members' deposits at the end of the third and fourth quarter of the calendar year two years before the payment year, and the first and second quarter of the calendar year one year before the payment year. The total of the calculation bases for the capital adequacy ratio requirements is calculated in a similar way.

§ 5 Membership fees

(1) Each year members pay a fee to the Guarantee Fund.

(2) The fee is calculated in accordance with the provisions of Section 2–7 and Section 2–9 of the Act and associated regulations.

(3) The board must notify individual members of the size of the fee to be collected by 1 May each year. The deadline for payment is determined by the board.

(4) New members of the Fund that were in business before becoming members pay a fee in accordance with the special resolution adopted by the Ministry of Finance.

§ 6 Member guarantees

(1) To the extent that the Guarantee Fund's assets do not equate to the minimum size as determined in Section 4, the shortfall is covered by the issuance of guarantee declarations from the members. The guarantee amount for each member is calculated on a pro rata basis in the same way as the fee obligation in accordance with Section 5. In accordance with the guarantee obligation, demands for settlement for an individual year may not exceed one-tenth of the minimum requirement for the Guarantee Fund's total equity and subordinated capital pursuant to Section 4.

(2) The board is responsible for allocating the guarantee amounts. The allocation is re-calculated each year at the same time as calculation of the Fund's total equity and subordinated capital in accordance with Section 4.

(3) The board determines the wording of the guarantee declarations from the members and ensures that the declarations are obtained.

(4) The board determines whether and how the guarantee obligation should be secured.

§ 7 Investment of the Guarantee fund's Assets

(1) Within the frameworks pursuant to the rules below, the board determines the strategy and guidelines for management of the Guarantee Fund's assets in order to secure satisfactory management, necessary liquidity and ethical management.

(2) Investments must be made within the following parameters.

a. A minimum of one-third of the Fund's assets must be invested in Norwegian and foreign government and government-guaranteed bonds.
b. The Fund may not invest funds directly or indirectly in shares, equity capital instruments or other subordinated capital issued by Norwegian banks or in a parent company of a financial group that includes Norwegian banks, unless this is effected through support measures in accordance with Section 2–12 of the Guarantee Schemes Act.

§ 8 Borrowings

(1) The board can decide that the Fund should take out borrowings if this is deemed necessary to fulfil the Fund's objects.

Chap. III Bodies of the Guarantee Fund

§ 9 General Meeting

(1) The Fund's ultimate decision-maker is the general meeting. Unless otherwise decreed by the King, each member institution has one representative and one vote at the general meeting. A member institution can appoint a representative of another member institution entitled to attend the meeting as a proxy.

(2) The Annual General Meeting is held once a year, wherever possible by the end of June.

(3) The general meeting is convened by the board. Notice of the Annual General Meeting is issued by means of a letter sent to the member institutions no later than 14 days before the general meeting. The agenda of items to be considered by the Annual General Meeting must be in the hands of the member institutions no later than one week before the Annual General Meeting. The general meeting may not make any final decision on items other than those included on the agenda.

(4) Proposals that a member institution wishes to have considered by the Annual General Meeting must be submitted in writing. Such proposals should be issued well ahead of convening of the meeting, and be received by the Fund no later than three weeks before the general meeting.

(5) An Extraordinary General Meeting is held when the board deems such necessary, or when at least ten member institutions or member institutions that together represent more than 10 per cent of the member institutions' total assets demands such, and at the same time indicating which items they wish to have reviewed. Notice of the convening of Extraordinary General Meetings must be issued in writing, so that notification is deemed to have been received by all member institutions no later than eight calendar days before the general meeting.

(6) The general meeting is chaired by the board chairman, and in the absence of the board chairman by the deputy chairman. Should both the above be absent, the general meeting elects the meeting chair. The meeting chair is responsible for ensuring that minutes are kept of the general meeting. The minutes must be approved and signed by the meeting chair and two other meeting participants who are elected by the meeting.

(7) Unless otherwise expressly stated in the Statutes, the general meeting passes resolutions with a simple majority. In the event of a tied vote, the meeting chair has the casting vote, except for election where the decision is made by the drawing of lots.

(8) The general meeting adopts Statutes for the Guarantee Fund and can establish rules of instruction for the board.

(9) The Annual General Meeting reviews:

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

§ 10 Nomination Committee

(1) A Nomination Committee is elected at the general meeting and performs preparatory work for nominations for the next Annual General Meeting. Members of the Nomination Committee are proposed by elected board members.

(2) The Nomination Committee consists of five members, who are elected for two years at a time from representatives of the member institutions. Members should preferably only be re-elected once. The general meeting appoints the committee chair.

§ 11 Board of Directors

(1) The Board of Directors consists of seven members. Five members and five deputy members are elected in numbered sequence by the general meeting, preferably from CEOs of the member institutions. One member and deputy member are appointed by Norges Bank and one member and deputy member by Finanstilsynet.

(2) The elected board members and deputy board members are elected for a term of two years. The election of members should reflect the desire to achieve balanced representation from member institutions of varying sizes and natures. A member should preferably only be re-elected twice.

(3) The board elects a chair and deputy chair from its own members for one year at a time.

(4) Unless otherwise specified in Section 15 fifth para or Section 17 third para below, at least four board members must be present and vote for the resolution for a board resolution to be adopted.

(5) Board meetings are held as often as the chair deems necessary and when at least two board members demand such. Wherever possible board meetings should be convened in writing. The notice of the meeting must state the items to be reviewed. The Manager convenes the meeting on behalf of the board chair.

(6) If deemed necessary on time grounds, the board chair can opt to submit a case to the board for written review. Resolutions may nonetheless not be adopted by written review if a board member demands that the item be reviewed in a board meeting. Resolutions made by written review must be presented to and minuted at the next board meeting.

(7) The board chair is responsible for ensuring that minutes are kept of the board's deliberations. Each board member may demand that his/her vote be recorded in the minutes. The minutes are signed by two board members appointed by the board, and by the Manager. A copy of the minutes is sent to the board members.

(8) The board members receive remuneration for their work, as established by the general meeting.

§ 12 The functions of the board

(1) The board manages the Guarantee Fund's activities.

(2) The board shall:

a. Convene Annual and Extraordinary General Meetings.
b. Make decisions on the collection of fees and obtaining of guarantee declarations etc. in accordance with Section5 third para and fourth para and Section6 second, third and fourth para of the Statutes.
c. Establish the strategy and guidelines for management of the Guarantee Fund's assets in accordance with Section 7 and make decisions on borrowings in accordance with Section 8.
d. Employ a Manager for the Guarantee Fund, and establish the latter's rules of conduct and remuneration.
e. Make decisions on the implementation of the deposit guarantee or on support measures in accordance with Sections 15, 16, 17 and 18 of the Statutes.

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

a. The Fund is bound by the signature of the board chair of at least two board members jointly.
b. The board may grant the Manager limited authority to act on behalf of the Fund.

§ 13 Audit

(1) The general meeting elects a state-approved public accountant to perform audit assignments. The auditor issues his report to the general meeting.

§ 14 Duty of confidentiality

(1) Elected representatives, employees and the auditors of the Guarantee Fund shall issue a declaration on the duty of confidentiality regarding any matters of which these parties may have become aware through their position.

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

§ 15 The deposit guarantee

(1) The Guarantee Fund undertakes to cover losses that a depositor incurs on deposits in a member institution. Here deposits are deemed to be each credit balance on named accounts, and liabilities in accordance with named deposit certificates of the named individual, with the exception of deposits from other financial institutions. In this context deposits are also deemed to include balances in connection with payment transfers or other normal bank services, and interest not yet due.

(2) If a depositor has aggregate deposits that exceed NOK 2 million in the relevant member institution, the Fund is not obliged to cover losses on that part of the aggregate deposit that exceeds this amount. If the member institution is permitted to offset deposits and liabilities, aggregate deposits are reduced by the individual depositor's due liabilities in accordance with other agreements. The King may establish regulations ordaining that the threshold for mandatory cover be established at an amount higher than NOK 2 million for particular types of deposits or for deposits from particular depositors.

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

a. deposits from securities funds and other collective investment enterprises
b. deposits with an unusually high interest rate or other economic benefits when such benefits have contributed to a deterioration of the institutions' financial situation.

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

a. deposits from companies in the same group as the member institution
b. deposits comprising dividends from an illegal act on which a legal judgement has been issued.

(5) Resolutions to cover losses in excess of the amount the Guarantee Fund is obliged to cover in accordance with the first and second para above require the approval of at least five board members.

§ 16 Settlement under the deposit guarantee scheme

(1) The Fund shall cover losses on deposits in accordance with Section 2–11 of the Act

§ 17 Support measures

(1) In order to enable member institutions as stated in Section 1 third para letters a and b to fulfil their obligations or continue in business, or if necessary have their business transferred to another institution, the Fund can grant support by:

a. pledging guarantees or providing other support in order to secure or cover losses on deposits that are not covered in accordance with Section 15 above
b. providing support contributions, loans or guarantees for borrowings or fulfillment of other obligations
c. injecting equity or pledging equity guarantees in order to ensure that the business can continue or be wound up.
d. covering losses incurred by all, or specific groups of, creditors as a result of inadequate liquidity or gearing

(2) Support for member institutions may instead be given to the parent company of the financial group. In such cases the parent company must immediately pass on the support to the member institution.

(3) Support resolutions can only be made within the parameters established under Section 19. In assessing whether support should be granted, the board must accord significant importance to maintaining public confidence in the banking system, and to the Fund's finances. This includes comparing the costs of using support measures with the costs that would have been incurred if the case were to be placed in public administration and settlement in accordance with the deposit guarantee. A support resolution requires the approval of at least five board members, where the reasons for approval must be documented in the Fund's board minutes.

§ 18 Conditions for support

(1) The Fund's board decides whether and to what extent a member institution is granted support as stated in Section 17 above, and the manner in which this is extended.

(2) The member institutions that receive support from the Fund must implement the measures that the Fund's board establishes in order to secure against losses. The member institution must regularly report to the Fund's board on its position and business subject to further rulings of the board of the Guarantee Fund.

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

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

(1) The board may not adopt resolutions in accordance with Section 17 and Section 18 unless the Fund's residual equity after the support measure together with future collections of the annual fee and guarantee capital and other available capital are deemed to be sufficient to secure the Fund's liabilities in accordance with the Deposit Guarantee Scheme.

(2) As discussed in Section 2–12 sixth para of the Act, the Guarantee Fund may not without the consent of the Ministry pledge a guarantee or incur other liabilities in connection with the deposit guarantee or support measures that together make up more than twice the Fund's minimum capital in accordance with Section 4.

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

§ 20 Report from the Board of Directors

(1) The Report from the Board of Directors on the activities of the Guarantee Fund is presented to the general meeting by the board. It should be enclosed with the notice of convening of the general meeting. The Report from the Board of Directors is signed by the entire board and initialled by the Manager.

§ 21 Financial statements

(1) The Guarantee Fund's financial statements are prepared for the calendar year. Surpluses are added to equity.

(2) The Manager should submit a draft of the audited financial statements to the board before the end of March.

(3) The financial statements should be signed by the entire board and initialled by the Manager.

(4) The financial statements are enclosed with the notice of convening of the Annual General Meeting.

Chap. VI Amendment of the Statutes etc.

§ 22 Statutes

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

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Garder Grafisk