Norwegian Banks' Guarantee Fund

Annual Report 2013

Contents – Annual Report 2013

Leader

The Norwegian economy is continuing to grow, albeit at a slower pace than one year ago. House price rises are slowing down, and having a knock-on effect on the construction market. Activity levels in other parts of the Norwegian economy remain relatively unchanged, though with slightly lower wage increases and continued high levels of household savings, other parts of the economy, in particular retail, are likely to encounter lower demand.

Household borrowing is continuing to grow by around 7 per cent per annum, i.e. well above wage increases, while credit institutions' lending to the corporate sector is increasing by 2 per cent. New, heightened capital requirements for the banking sector are ramping up banks' equity requirements, which the latter have endeavoured to satisfy in the last few years by maintaining a higher interest rate on lending than would otherwise have been the case. This has resulted in higher earnings and debt/equity ratios for the banks.

In general the banks' results continued to improve in 2013 with higher net interest and continuing low losses. In overall terms the banks' interest and lending-deposit interest rate margins only fluctuated slightly in 2013. Money market interest rates displayed a downward trend during the year, with the result that the margins on lending rates increased and deposit interest margins decreased. Statistics Norway's interest statistics show that the banks have a negative interest margin on deposits of around 0.5 percentage points.

This trend should also be viewed in the context of amended guidelines for the banking sector, where the new liquidity requirements currently being introduced and heightened capital requirements are hitting banks with low deposit to loan ratio. Deposit growth is outstripping lending growth, with the result that the bank's deposit cover is now more than 86 per cent. (Source: Statistics Norway parent banks including branches in Norway) I.e. deposits from customers are financing more than 86 per cent of lending to the same groups. Total customer deposits in the banks currently amount to almost NOK 2,000 billion, of which around 51 per cent is guaranteed by the Guarantee Fund.

The improvement in the banks' deposit to loan ratio in recent years is also attributable to the fact that credit institutions that issue covered bonds have assumed a significant tranche of home loans from the banks. The transition to financing via covered bonds has also helped to establish longer-term and more stable financing for the banking industry as a whole, which represents another welcome development for the Guarantee Fund.

Lower economic growth increases the risk of impaired ability to pay on the part of the banks' customers and subsequent attendant losses for the banks. However, to date The Financial Supervisory Authority of Norway and the Norwegian Banks' Guarantee Fund's visits have not revealed any increase in the number of customers experiencing payment problems. Losses on loans in 2013 were on a par with the previous year.

Financial stability is being aided by solid banks and the Guarantee Fund's equity, which amounted to NOK 26.4 billion at the end of 2013. This equates to 2.7 per cent of the guaranteed deposits. All funds are invested in highly secure and liquid sovereign bonds issued by governments with a high international rating.

During the year EU authorities reached political agreement on a number of important directives and regulations for the banking sector, including a new directive for bank deposit guarantee schemes. The proposed provision that the guaranteed amount should be EUR 100,000 per depositor is of significant importance for the Norwegian Banks' Guarantee Fund and depositors in Norwegian banks. Public sector deposits will no longer be covered by the Fund's guarantee. The introduction of a new, lower deposit guarantee in Norway will be ushered in by a transitional scheme.

The Bank Recovery and Resolution Directive, on which political agreement has also now been reached, will also be implemented in Norway as part of the EEA agreement. Implementation of the above will have an impact on the current Guarantee Fund and its organisation. The Banking Law Commission has been assigned to submit proposed new legal provisions.

Idar Kreutzer
Forretningsfører

Report from the Board of Directors 2013

The Norwegian Banks' Guarantee Fund – objects 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 126 members with headquarters in Norway as of 31 December 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 the Financial Supervisory Authority of Norway. The Fund had seven branch members as of 31 December 2013. There will be no more branch members after 2018 when deposit guarantee schemes will have been harmonised across all EU/EEA countries.

The purpose of the Guarantee Fund is to secure 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 840,000. This is currently not incorporated in to the EEA Agreement.

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 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 2013 total guaranteed deposits amounted to NOK 984.8 billion.

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. The New Deposit Guarantee Directive introduces requirements for closer collaboration between national guarantee schemes.

To enable it to manage potential crisis situations, the Guarantee Fund has accumulated considerable funds over time, and as of 31 December 2013 the Fund's equity totalled NOK 26.4 billion.

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. The amendments to the above Act entered into force on 1 January 2013 and oblige member banks to pay an annual fee to the Guarantee Fund, regardless of the size of the fund. The basis for calculating the fee has not been changed. 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).

The organisation and guidelines for the asset management were significantly amended in 2013 following changes to the Guarantee Fund's regulatory framework. Active asset management ceased in February 2013 and was replaced by indexed asset management performed by an external management firm. Staff in the internal asset management department left on 31 March 2013. The transition from active to indexed external asset management proved successful.

At the reporting date the Fund comprised two departments; the Analysis and Control Department and Mid Office. The former is responsible for developing and maintaining routines for crisis management, including alternative payment solutions, and implementing periodic contingency exercises. The department is also responsible for administration of the Fund, including calculation and collection of fees from members, and information acticvities regarding the scope of the deposit guarantee.

Mid Office is responsible for monitoring, controlling and reporting to management in accordance with investment frameworks, in addition to monitoring the external manager and custody bank.

The Guarantee Fund's performance in 2013

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 2,122 million in 2013, of which membership fees constituted NOK 1,535 million. The corresponding surplus for 2012 was NOK 1,522 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 639 million, representing a time-weighted return of 2.6 per cent. The bonds asset category contributed NOK 258 million, while shares generated a return of NOK 380 million, despite the shareholding being sold in February 2013.

Other operating revenues

Other operating revenues totalled NOK 0.4 million in 2013, compared with NOK 0.5 million in 2012. The revenues were primarily generated through conference business as well as from dividends in accordance with group lawsuits.

Operating expenses

Total operating expenses for 2013 amounted to NOK 52 million, compared with NOK 119 million in 2012. The decrease is primarily attributable to the closure of the Asset Management Department, and the transition from active to passive management using only one external manager. The above change 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 2013 and the change in liquidity during the year is primarily attributable to the reinvestment of returns on investments.

Investment strategy

Management of the Guarantee Fund must balance various considerations. Good returns are desirable, but at low risk, where the requirement for good liquidity of the Fund's securities holdings has precedence over return requirements. Following the amendments to the Norwegian Guarantee Schemes Act that entered into force on 1 January 2013, the Guarantee Fund has revised its investment strategy. Of particular importance is the requirement for sufficient liquidity to cover any liquidity requirements pursuant to a crisis situation. The new Guarantee Schemes Act establishes clear requirements for liquidity, where the settlement deadline under the deposit guarantee has been reduced to one week. As a result of the above, the Guarantee Fund has opted to invest exclusively in low-risk sovereign bonds.

These bonds are managed externally by Legal & General Investment Management using passive index management.

Since adopting a new investment strategy at the end of February 2013, funds have been exclusively invested in global sovereign bonds. The bond index comprises highly rated 1–3 year liquid sovereign bonds.

Bank of New York Mellon (BNYM) is the Fund's global security custody bank. BNYM is also responsible for independent valuations of all the Fund's investments. The Guarantee Fund's Mid Office monitors the asset 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 sovereign bonds. In accordance with the Guarantee Fund's objectives, stringent demands are made of the 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 2013.

The work of the Guarantee Fund mainly focuses on crisis prevention measures for member banks, and preparing contingency plans for any potential banking crisis.

As part of the Guarantee Fund's crisis prevention measures, the Guarantee Fund visits a number of banks throughout the year. The visits focus on the small, high-risk banks, and ten banks were visited in 2013. Analysis and identification of banks that could find themselves in a crisis situation are important xxx regard to reduce risk of pay outs.

As part of the development of contingency plans, in 2013 the Guarantee Fund implemented a pilot project with an external consultant to evaluate BankID as a payment solution for secured deposits. The purpose was to improve the efficiency of settlement procedures in the event a bank is placed under public administration. Based on a report from the external consultants, the Guarantee Fund has chosen to implement the main project in 2014, including implementation of a payment solution using BankID.

Framework conditions for the deposit guarantee scheme

The Deposit Guarantee Scheme Directive (DGSD)

Following lengthy negotiations ("trilogues") between the European Parliament, Council and Commission, on 17 December 2013 agreement was reached on a proposed joint text on the introduction of a new Deposit Guarantee Scheme Directive, which will replace the existing Directive from 1994 (amended in 2009). In accordance with plan the final text for the Directive will be adopted in April 2014. The Directive enters into force from the 20th day after publication in the Official Journal, and must then be implemented by the member countries within 12 months.

There are various transitional rules, the most important of which, from a Norwegian perspective, is the proposed provision that guarantee funds, which guaranteed an amount of more than EUR 100,000 as long ago as 2008; however, no higher than EUR 300,000, can retain this threshold until the end of 2018. In accordance with the proposed Directive text, after 2018 there will be no option to maintain a higher general guarantee than EUR 100,000. For some specific deposits there will be no amount limit for the cover. This will be the case for instance for deposits relating to private property transactions and particular life events including marriage, divorce, retirement, termination of employment, invalidity etc. This is defined in more detail in national legislation. These types of special deposits must be protected for a specific period (3–12 months). There is also an option for member countries to maintain or introduce schemes that protect pension funds in excess of EUR 100,000.

The scope of depositors included in the cover corresponds neatly with current Norwegian legislation, in that cover is provided for all individuals and businesses outside the financial sector, while all financial companies are excluded. Nonetheless, one important difference is that all public authorities, including local authorities, are exempted from the cover under the Directive. This provision must be implemented in accordance with the main rule of the Directive.

Guarantee deposits will be paid within seven working days of the bank being placed in public administration (or similar). The above has proven controversial in Europe, and transitional provisions have been prepared for the entire period leading up to 2024, when the above provision fully enters into force.

The Fund must be built up through annual payments to at least 0.8 per cent of guaranteed deposits within ten years of the Directive entering into force. The above has also awakened a great deal of controversy in the EU, but will not prove problematic in Norway, where, with 2.7 per cent cover, the Fund more than satisfies this requirement.

The Bank Recovery and Resolution Directive

On 12 December 2013 representatives from the European Parliament, Commission and Council of Ministers agreed on the basic principles of the new Bank Recovery and Resolution Directive. The Directive, which will affect EEA countries, will enter into force from 1 January 2015, while the "bail-in" provisions will be introduced from 1 January 2016.

The main principle is that the regulations should ensure that major, system-critical banks can be wound up without a threat to financial stability, at the same time as secured deposits and public funds (taxpayers) are protected.

Key to the Directive is the principle of bailing-in the bank's liabilities. This means that, apart from the owners, (creditors both bond owners and major depositors), will carry any losses of winding up or restructuring. This could involve the write-down of the liabilities or compulsory conversion of liabilities to equity. The bail-in provisions will cover shares, subordinated loans, bonds and some deposits. Secured deposits (less than EUR 100,000) are fully exempt from the bail-in provisions. Unsecured deposits from individuals and SMEs will have preference, with the result that these depositors will be the last to carry losses in a bail-in. In a bail in or other winding up solution, the Guarantee Fund could be required to make funds available corresponding to the amount it would have had to pay out to secured depositors under normal bankruptcy proceedings.

The Bank Recovery and Resolution Directive requires the establishment of national crisis resolution funds, capitalised by banks headquartered in the home country. These funds must contribute capital when neither the bank's equity nor creditor contributions are sufficient. As a minimum these funds must correspond to at least one per cent of guarantee deposits and be fully capitalised within a period of ten years.

In addition to provisions on bail-in and the establishment of national crisis resolution funds, the EU's Bank Recovery and Resolution Directive contains provisions on the use of a bridge bank (temporary public ownership of a crisis bank for restructuring and divestment), establishment of national crisis resolution authorities, and requirements for restructuring and resolution plans.

New priority provisions in the event a bank collapse will have a significant effect on all bank creditors. Currently, depositors and all other ordinary creditors have the same priority as all general receivables in bankruptcy, in that there are no preference rights. The new Bank Recovery and Resolution Directive establishes that the guaranteed deposits will have a priority right for cover in the event a bank enters ordinary insolvency. The Guarantee Fund will assume the preference right if the Fund covers the guaranteed deposits. In addition, all deposits above the amount threshold from ordinary depositors (individuals, SMEs) will subsequently have a preference right over other creditors.

The potential consequences of the above on the European banking industry are unclear, as the provisions on priority ranking will be new in all EU countries and Norway. Corresponding or similar priority provisions already exist in the USA, Switzerland and Australia. The Icelandic authorities introduced similar provisions as a matter of urgency when the financial crisis enveloped the country. This is believed to have limited depositors' (and the authorities') losses, however with correspondingly higher losses for other creditors, and attendant legal proceedings in the wake of the crisis.

Guarantee Fund fee in 2014

Following the amendment to Section 2–7 first paragraph of the Norwegian Guarantee Schemes Act, member banks shall pay an annual fee to the Guarantee Fund.

The fee for 2014 has been calculated to NOK 1,518 million, which is slightly lower than the calculated fee for 2013.

In the meeting of the Board of Directors of 29 November 2013, it was decided that fees would be collected from members for 2014 pursuant to Section 2-7, first paragraph, of the Norwegian Guarantee Schemes Act.

Changes in the membership

At the end of 2013 the Guarantee Fund had 133 members, 126 of whom were headquartered in Norway and seven of whom were branch members. This is one fewer than at the previous year-end. There were two mergers between savings banks in 2013. Bø Sparebank and Seljord Sparebank were merged on 4 October 2013 to form Sparebanken DIN. Nes Prestegjeld Sparebank and Hol Sparebank were merged on 15 October 2013 to become Skue Sparebank.

OBOSBanken AS (commercial bank) was established in 2013 and immediately joined the Guarantee Fund.

Information activities and courses

The annual Autumn Conference was held at Radisson Blu Royal Hotel Bryggen in Bergen between 22 and 24 September and attracted a total of 250 participants including lecturers. The 2013 Conference was the fiftieth consecutive autumn conference, where the main topic was regulatory changes and corporate management.

The Guarantee Fund also participates in and contributes to various industry forums connected to corporate management and accounting. This helps to raise expertise levels and to maintain contact with the members/industry.

Outlook

The Guarantee Fund's investment portfolios currently comprise sovereign bonds with high credit ratings and terms of up to three years. Changes in the value of the portfolio will be contingent on the performance of this market segment, where the central banks' interest rate policy represents a key framework condition. Despite a slight increase in growth, the international economy is still characterised by major regional differences. The Eurozone is experiencing weak growth generally but also significant differences between north and south. There is little to indicate any rapid improvement in capacity utilisation. In the USA, where the recovery has a firmer foothold, the Federal Reserve has signalled that it intends to reduce its extraordinary market bond purchases. This is the first step in the direction of the normalisation of market instruments. The UK economy is also expanding.

Growth in the Norwegian economy has slowed. Towards the end of last year Norges Bank signalled that expected future interest rate rises will be postponed slightly. Nonetheless, it appears likely that capacity utilisation in the Norwegian economy will remain at a near to normal levels.

There are still significant uncertainty regard to future economic international developments. Many organisations, including the IMF, expect growth to increase further in the next few years; however, the most important central banks have made it quite clear that they intend to adopt a cautious approach to setting interest rates. In light of the above, it is reasonable to expect continued expansive monetary policy internationally and, seen from a historical perspective, low interest rates moving forward.

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 11 administrative staff, seven of whom were women. The Guarantee Fund holds an occupational health service. Sickness absence in 2013 totalled 20 days, or 0.75 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 work-place were reported during the course of the year.

Oslo, 6 March 2014

Ottar Ertzeid
Chairman

Jan-Frode Janson
Deputy Chairman

Cato Holmsen

Odd Nordli

Oddstein Haugen

Kristin Gulbrandsen

Morten Baltzersen

Idar Kreutzer,
Manager

Income statement

All figures in NOK

	NOTE	2013	2012
Membership fees	1,10	1 534 542 671	438 972
Result of asset management activities			
Interest on bank deposits	2	3 450 273	3 959 797
Result, fixed income securities	11	255 254 421	694 033 497
Result, shares	12	379 925 235	942 630 628
Net result of asset management		638 629 929	1 640 623 923
Other operating revenues	13	350 314	485 145
Other operating expenses	14	-51 566 958	-119 424 397
Result for financial year		2 121 955 956	1 522 123 643
Appropriation of result			
Transferred from/to the Guarantee Fund's equity		2 121 955 956	1 522 123 643

Balance sheet

	NOTE	31.12.2013	31.12.2012
ASSETS			
Bank deposits	**2**	96 373 534	779 738 088
Bonds and commercial papers	**3**	25 995 732 668	18 830 224 430
Shares	**4**	184	5 731 769 029
Property, plant and equipment	**5**	255 295	476 950
Over-financing of pension obligation	**9**	2 072 890	0
Other receivables	**6**	139 192 261	1 419 266 432
Accrued interest not yet due	**7**	224 873 700	180 038 195
Total assets		26 458 500 531	26 941 513 125
LIABILITIES AND EQUITY			
Other liabilities	**8**	5 700 606	2 607 635 742
Provisions	**9**	9 478 547	12 511 961
Total liabilities		15 179 153	2 620 147 703
Equity of Guarantee Fund	**1**	26 443 321 377	24 321 365 422
Total liabilities and equity		26 458 500 531	26 941 513 125

Oslo, 6 March 2014
'31 December 2013

Ottar Ertzeid
Chairman

Jan-Frode Janson
Deputy Chairman

Cato Holmsen

Odd Nordli

Oddstein Haugen

Kristin Gulbrandsen

Morten Baltzersen

Idar Kreutzer
Manager

Notes to the financial statements 31.12.2013

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 chart of accounts 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 Fund's securities holdings are valued on a daily basis by BNY Mellon Asset Servicing, which is the Fund's external supplier of investment support services. The primary 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 (Notes 6,8,15)

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.

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

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 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 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 has a defined contribution pension scheme for staff employed after 1 January 2013. The employer has no obligations for this scheme other than paying annual contributions.

The Guarantee Fund also has unfunded 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 2013, the individual enterprises do not have the information needed to calculate this obligation and as required by generally accepted accounting practice the scheme is thus 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. 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 Schemes 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 paragraph, of the above Act.

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	973 468 million	14 602 020 503
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		24 250 012 002
Equity in the Norwegian Banks´ Guarantee Fund as of 31 December 2013		26 443 321 377
	Surplus as of 1 January 2014	2 193 309 376

The calculated fee for 2014 is NOK 1,518,164,956. The fee will be payable in November 2014.

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 2013		24 321 365 422
	Surplus as of 1 January 2013	1 188 192 767

The calculated and collected fee in 2013 was NOK 1,534,542,671.

Minimum size of equity and subordinated loan capital 2012
Statutory requriements for subordinated capital in 2012 are assentially based on the average of guaranteed deposits and the average calculation 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 million	12 706 922 329
0.5 per cent of average measurement basis	1 775 559 million	8 877 792 575
Minimum size of the equity and subordinated loan capital		21 584 714 904
Equity in the Norwegian Banks´ Guarantee Fund as of 31 December 2011		22 799 241 779
	Surplus as of 1 January 2012	1 214 526 875

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

	2013	**2012**	**2011**	**2010**	**2009**
Equity as of 1 January	24 321	22 799	21 924	18 651	15 348
Change in equity during period	2 122	1 522	875	3 273	3 303
Equity as of 31 December	26 443	24 321	22 799	21 924	18 651

Policy change pensions	2
Equity as of 1 January 2008	15 346

Note 2
Bank deposits
The figures presented here are the total of bank deposits in operating accounts and tax withholding funds, and bank deposits linked to the management of assets placed in both Norwegian and foreign banks.

Tax withholding funds in a dedicated account total NOK 636,084. NOK 60,445,610 of bank deposits is invested in foreign currency.

As of 31 December 2013, the share of cash/bank deposits (excluding operating accounts) was 0.2 per cent of assets managed by the Guarantee Fund (Net Asset Value). Based on monthly measurements, the Guarantee Fund had on average 0.8 per cent of managed assets invested in cash in 2013. The corresponding figures for 2012 were 3 per cent and 3.6 per cent respectively.

The holding was converted at the rate of exchange as of 31 December 2013 and is broken down into the following currencies:
Amounts in NOK

Currency	**31.12.2013**	**31.12.2012**
NOK	35 927 923	167 887 722
USD	29 174 089	491 134 832
AUD	29 298 824	20 417 263
EUR	60 391	46 262 141
GBP	9 354	19 149 642
CAD	218 402	1 558 856
CHF	133 505	6 810 153
HKD		7 335 957
JPY		3 239 258
SEK	42 740	2 990 855
NZD		2 067 240
SGD	1 508 306	3 897 220
DKK		6 983 515
PLN		3 433
	96 373 534	779 738 088

Interest on bank deposits	**2013**	**2012**
Interest on bank deposits	998 128	892 047
Interest from bank deposit portfolios	2 452 145	3 067 750
Total	3 450 273	3 959 797

Note 3
Bonds and commercial papers
(Amounts in NOK 1000)

	2013		2012	
Debtor category	**Cost**	**Market value**	**Cost**	**Market value**
Government securities (public sector)				
Bonds	25 074 031	25 995 733	19 015 804	18 663 034
Commercial papers	-	-	-	-
Total	25 074 031	25 995 733	19 015 804	18 663 034
Other:				
Receivable from bond forwards				114 376
Security pledged by counterparties				53 521
Short interest rate swaps			-	706
Total bonds	25 074 031	25 995 733	19 015 804	18 830 225

The market value is NOK 921,701,917 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 15 Risk management).

Bonds and commercial papers by country Amounts in NOK 1000

	2013	2012
Country	**Market value**	**Market value**
Australia	2 956 597	1 513 163
Canada	3 713 525	2 211 411
Denmark		332 953
Finland	577 602	320 881
France		383 734
Netherlands		1 041 577
Norway		575 109
Singapore	541 126	
United Kingdom	5 254 799	3 555 972
Switzerland	1 384 429	555 077
Sweden	1 161 001	644 294
Germany	5 164 036	2 934 535
USA	5 242 617	2 826 774
Other (4 countries)		1 767 554
Total	25 995 733	18 663 034

As of 31 December 2013, the Guarantee Fund's portfolio holdings comprised solely sovereign bonds.

Bonds and commercial papers are held in the following currencies (amounts in NOK 1000).

	2013	2012
Currency	**Market value**	**Market value**
AUD	2 956 597	1 513 163
CAD	3 713 525	2 211 411
CHF	1 384 429	555 077
DKK		332 953
EUR	5 741 638	5 073 006
GBP	5 254 799	3 555 972
HKD		125 915
JPY		815 917
NOK		575 109
SEK	1 161 001	644 294
SGD	541 126	433 442
USD	5 242 617	2 826 774
Total	25 995 733	18 663 034

Duration by sector and type of security

Debtor category	2013	2012
Government securities (public sector)	1,81	5,08
Bonds	1,81	5,08
Commercial papers	-	

Duration is calculated for long positions in the bond market and is weighted according to market value as of 31 December 2013 (source:Bloomberg). The duration is the effective repayment period of a bond, and a measure of sensitivity to interest rates.

Bonds and commercial papers by issuer's creditworthiness as of 31 December 2013 (amounts in NOK 1000)

Credit rating agency	Market value
S&P	
AAA	20 753 115
AA+	5 242 617
AA	
AA-	
Total	25 995 733
Moody	
Aaa	25 995 733
Aa1	
Aa2	
Total	25 995 733
Fitch	
AAA	25 995 733
AA+	
AA	
A+	
Total	25 995 733

The issuer's creditworthiness presented here is the local currency long-term credit rating as of 31 December 2013 (source: Bloomberg).

Note 4
Shares
(Amounts in NOK 1000)
Summary

	2013		2012	
	Cost	**Market value**	**Cost**	**Market value**
Norwegian shares listed on Oslo Stock Exchange	-	-	5 444	5 355
Unlisted shares	0,3	0,2	366	366
Foreign shares listed on Oslo Stock Exchange	-	-	1 040	992
Foreign shares listed on foreign stock exchanges	-	-	5 369 141	5 725 057
Total	0,3	0,2	5 375 991	5 731 769

Amounts in NOK 1000

In total, the market value/book value is NOK 163 (actual figure) lower than the cost of the shares.
As of 31 December 2013 the Fund had one unlisted share. The share is the company AGFA-Gevaert NV, which is a Belgian company, which is now unlisted.

The Norwegian Banks' Guarantee Fund sold the shareholding in the first quarter of 2013, following the adoption of a new investment strategy.

Note 5
Property, plant and equipment

	2013	2012
	Tools and equipment, computer equipment	**Tools and equipment, computer equipment**
Cost 1 January	1 553 262	1 308 689
Purchases	20 875	244 574
Cost 31 December	1 574 137	1 553 262
Accum. depreciation 1 January	1 076 312	901 943
Depreciation for the year	151 211	174 370
Accum. depreciation 31 December	1 227 523	1 076 312
Accum. impairments 1 January	0	0
Impairments for the year	91 320	0
Accum. impairments 31 December	91 320	0
Book value 31 December	255 295	476 950
Total property, plant and equipment	255 295	476 950

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

	31.12.2013	31.12.2012
Non-settled trades management	100 193 190	1 061 594 216
Dividends	-	6 077 568
Other receivables related to portfolios	29 440 692	16 162 793
Currency derivatives, market value	9 495 984	314 086 238
Share derivatives, market value	-	3 571 235
Interest rate derivatives, market value	-	17 720 140
Other receivables	62 395	54 242
Total	139 192 261	1 419 266 433

Non-settled trades management is quoted on a gross basis. Non-settled trades relate, in principle, to trades with a trading date in 2013 and settlement date in 2014.

Forward currency 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 exchange contracts is calculated as an unrealised gain/loss at the balance sheet date.

	2013		2012	
Derivative category	**Cost**	**Market value**	**Cost**	**Market value**
Spot contracts	-	-	-	-
Forward contracts	-	9 495 984	-	314 086 238
Total	0	9 495 984	0	314 086 238

Currency contracts by currency (Amounts in NOK 1000)

Currency	Nom. volume purchased	Nom. volume sold	Net nom. volume	Market value
AUDNOK	5 923 573	-2 841 553	3 082 020	79 697
CADNOK	7 352 105	-3 547 980	3 804 125	45 001
CHFNOK	2 681 496	-1 279 221	1 402 275	-17 587
EURNOK	12 800 003	-7 023 080	5 776 924	-66 569
GBPNOK	10 289 870	-5 000 362	5 289 508	-62 728
NOKSEK	2 220 997	-1 050 558	1 170 439	-16 097
SGDNOK	1 107 381	-523 840	583 541	9 483
USDNOK	10 309 654	-4 966 692	5 342 962	38 297
Total	52 685 080	-26 233 287	26 451 793	9 496

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 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 26.5 billion.

Other receivables related to portfolios

Category	Market value
Collateral received *)	0
Interest receivable (reclaim)	23 164 457
Dividend receivable (reclaim)	6 276 235
Total	29 440 692

*) Collateral received as security

Note 7
Accrued interest not yet due
Accrued interest not yet due of NOK 224,873,700 as of 31 December 2013 relates to foreign sovereign bonds.

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

Country/issuer	31.12.2013
Australia	20 919 607
Canada	16 202 134
Finland	8 335 004
Germany	60 129 839
Singapore	2 776 638
Sweden	17 684 647
Switzerland	24 245 601
United Kingdom	56 188 433
USA	18 391 798
Total	224 873 700

Note 8
Other liabilities

	31.12.2013	31.12.2012
Non-settled trades asset management	-	637 498 173
Withholdings, payroll tax	1 063 957	1 809 859
Bonus	-	713 125
Misc. other liabilities/accrued expenses	4 636 649	191 930 127
Interest rate derivatives	-	568 636 422
Short positions	-	385 890 294
Repo	-	821 157 743
Total	5 700 606	2 607 635 742

The Guarantee Fund changed its investment strategy in 2013. As of 31 December 2013 Other liabilities primarily relate to public charges and trade payables.

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 Company ensions Act. This agreement is referred to in the following as funded benefit s . 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.

The asset management department was closed in 2013, when severance agreements were entered into with the department's employees. This has resulted in a significant reduction in the Fund's pension obligations with the result that the total pension cost for 2013 was in fact a credit to income.

Retirement pension rights for salaries over 12 G are funded from operations. Disability pensions for salaries in excess of 12 G are funded 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 unfunded 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 Departmental Manager.
– Accrued rights to early retirement pension from the age of 62 for the Fund's former Investment Manager.
– The former Head of Depatment had an agreement for compensation for losses in the group 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 exit.

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 the Norwegian Accounting Standard Board's guidance on pension assumptions. 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 2013, 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

	2013	2012		2013	2012
Discount rate	4,10 %	3,90 %			
Expected return	4,40 %	4,00 %			
Expected wage growth	3,75 %	3,50 %			
Expected adjustment of G value	3,50 %	3,25 %	No. economically active	9	15
Expected reg. of pensions	0,60 %	0,20 %	No. of retired personnel	8	8

Pension cost		**2013**			**2012**	
Recognised in income statement	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of year's pension earnings (incl. employer's NI cont.)	1 632 624	508 331	2 140 955	2 711 302	866 825	3 578 127
Interest expense on accrued obligation	780 267	323 134	1 103 401	636 972	271 260	908 232
Expected return on pension fund assets	(881 938)	-	(881 938)	(1 006 987)	-	(1 006 987)
Pension cost before actuarial variances	1 530 953	831 465	2 362 418	2 341 287	1 138 085	3 479 372
Amortisation of estimate variances	-	(95 627)	(95 627)	-	(653)	(653)
Curtailments and settlements	(1 251 187)	(2 543 634)	(3 794 821)	(383 409)	-	(383 409)
Administration costs	353 281	-	353 281	250 717	-	250 717
Net pension cost recognised in the income statement in period	633 047	(1 807 796)	(1 174 749)	2 208 595	1 137 432	3 346 027
Premium, Fellesordningen for AFP	115 231	-	115 231	114 773	-	114 773
Premium defined contribution plan	21 799	-	21 799	-	-	-
Risk cover disability pension salary over 12G	28 745	-	28 745	35 385	-	35 385
Total pension cost and risk premium	798 822	(1 807 796)	(1 008 974)	2 358 753	1 137 432	3 496 185

Pension obligation		**2013**			**2012**	
Balance sheet	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Estimated accrued pension obligation (incl. employer's NI cont.)	20 647 480	7 892 072	28 539 552	22 277 667	9 782 592	32 060 259
Estimated value of pension fund assets	22 003 700	-	22 003 700	(23 475 000)	-	(23 475 000)
	-	-	-	-	-	-
Net pension obligations	(1 356 220)	7 892 072	6 535 852	(1 197 333)	9 782 592	8 585 259
Actuarial variance not recognised in income statement	(716 670)	1 586 475	869 805	1 514 042	2 412 660	3 926 702
Net pension assets (-) and obligations	(2 072 890)	9 478 547	7 405 657	316 709	12 195 252	12 511 961
Recognised fund assets (net over-financing)	2 072 890					
Recognised liabilities		9 478 547				12 511 961

Year's change in pension obligations

Pension obligations	2013	2012
Opening balance as of 1 January	32 060 259	36 671 920
Accrued entitlements for the year	2 140 955	3 578 127
Year's interest expense	1 103 401	908 232
Payments to retirees and payment of employer's NI contribution on premium	(2 426 109)	(2 238 648)
Curtailments and settlements	(7 077 063)	(1 227 674)
Actuarial variances	2 738 109	(5 631 698)
Closing balance as of 31 December	28 539 552	32 060 259

Composition of pension fund assets

Pension fund assets	2013	2012
Estimated pension fund assets as of 1 January	23 475 000	24 493 900
Actuarial variances	500 434	(1 315 158)
Pension assets as of 1 January less actuarial variances	23 975 434	23 178 742
Expected return on pension fund assets	881 938	1 006 987
Premiums paid	2 644 005	1 467 019
Pensions paid out	(1 144 396)	(1 082 766)
Curtailments and settlements	(4 000 000)	(844 265)
Admin. expenses group scheme	(353 281)	(250 717)
Estimated pension fund assets as of 31 December	22 003 700	23 475 000
Actual gross return, fund assets	-	1 344 564

Note 10
Membership fees

The guarantee fee for 2013 was 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. From 1 January 2013 this fee is calculated and collected each year in accordance with Section 2-7 of the Norwegian Guarantee Schemes Act. The guarantee fee is calculated on the basis of the average of guaranteed deposits (0.1 per cent) and the calculation basis for capital ratio (0.05 per cent) as of the end of the third and fourth quarter of 2011 and first and second quarter of 2012. Members with a tier 1 capital ratio in excess of 8.0 per cent as of 31 December 2011 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 received in 2013 applies to the ordinary fee from all member banks. No joining fee was paid in 2013.

Full fee 2013.	1 534 542 671
Total	1 534 542 671

Note 11
Result portfolios of fixed income securities

	2013	2012
Interest income bonds/commercial papers	528 938 628	547 968 752
Dividend fund	-236 308	0
Realised gains/losses (*)	-1 249 257 891	470 991 028
Change in unrealised gains/losses (**)	975 785 620	-324 926 284
	255 230 049	694 033 497

((*) Specification of realised gains/losses

	2013	2012
Bonds/commercial papers	-187 191 731	100 818 985
Interest rate and share derivatives		
* Financial futures		
- Interest rates	191 026	1 710 615
- Share index	38 228 433	-14 005 337
- Bonds	9 587 851	53 994 669
* Options		
- Interest rates		
- Bonds	0	-827 101
- Share index	0	-7 424 022
- Swaption	-2 413 221	-3 031 141
* Interest rate swaps	7 557 673	-11 749 617
* Bond forwards	481 238	-464 909
Currency derivatives		
* Options	0	-1 120 403
* Forwards	-1 655 363 387	461 151 783
Currency fluctuation effect	542 087 821	-100 788 368
Miscellaneous	859 355	2 400 875
Charges	-3 282 949	-9 674 999
	-1 249 257 891	470 991 028

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 change in unrealised gains/losses

	2013	2012
Bonds/commercial papers	-326 659 307	-119 325 396
Interest rate and share derivatives		
* Financial futures		
- Interest rates		210 129
- Share index		6 533 855
- Bonds		-9 745 465
* Options		
- Interest rates		
- Bonds		
- Swaptions	5 382	3 084 493
- Share index		
* Interest rate swaps	225	5 246 491
* Bond forwards	-39 118 212	518 685
Currency derivatives		
* Options		40 920
* Forwards	-195 200 957	505 268 778
Miscellaneous		18 382
Currency fluctuation effect	1 536 758 489	-716 777 155
	975 785 620	-324 926 284

Note 12
Result, share portfolios

	2013	2012
Share dividends	10 756 630	148 601 488
Realised gains/losses (*)	836 046 693	764 875 916
Change in unrealised gains/losses (**)	-466 878 088	29 153 224
	379 925 236	942 630 628

(*) Specification of realised gains/losses

	2013	2012
Shares	977 477 950	244 174 676
Short sales	0	16 265 586
Share derivatives		
* Financial futures	38 220 732	132 289 839
Currency derivatives		
* Forward contracts	150 443 025	378 018 902
Currency fluctuation effect	-327 934 154	-6 610 511
Miscellaneous *)	479 012	2 893 980
Charges	-2 639 872	-2 156 557
	836 046 693	764 875 916

*) Stock Loan Income

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 change in unrealised gains/losses

	2013	2012
Shares	-585 246 751	337 901 418
Short sales	0	-33 590
Share derivatives		
* Financial futures	-3 571 235	-4 957 634
Currency derivatives		
* Forward contracts	-109 389 297	79 345 137
Currency fluctuation effect	231 375 260	-383 102 106
Misc. interest	-46 064	
	-466 878 088	29 153 224

Note 13
Other operating revenues

	2013	2012
Claims, compensation as per group lawsuit	158 115	174 670
Foreign exchange gains	0	497
Net income from courses	192 199	309 977
	350 314	485 145

Note 14
Other operating expenses

	2013	2012
Salaries, fees and payroll costs	18 964 563	20 688 406
Administration and operating costs	20 098 159	18 376 366
Costs external asset managers	12 261 706	80 185 256
Depreciation and amortisation	242 531	174 370
	51 566 958	119 424 397

Details of employees and representatives

No. of employees as of 31 December 2013 : 11			2013	2012
Salaries, fees in total			12 915 710	13 849 375
of which paid in 2013:	Chairman	50 000		
	Other directors	185 000		
	Manager	200 004		
Variable remuneration, asset management			1 200 000	875 000
National Insurance contributions			3 047 385	2 423 018
Pension costs			1 592 237	3 253 384
Payroll costs			209 231	287 629
			18 964 563	20 688 406

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:	**2013**	
Salary, Manager:	200 004	
Agreement on assistance with Finance Norway	4 375 000	
Property rental, accounting, payroll and similar	2 664 881	
Total	7 239 885	

Auditor's fee etc.	**2013**	**2012**
Statutory audit incl. VAT	176 956	195 000
Other certification services	29 300	29 300
Tax consultancy services incl. VAT	318 462	6 750
Other assistance	154 008	221 854
	678 726	452 904

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 Guarantee Fund has a portfolio comprising low-risk global sovereign 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 sovereign bonds held must as a minimum make up one third of the Fund's assets.

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

The sovereign bonds index is made up of highly rated global sovereign 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 (VaR and ES), relative risk (TE), 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 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 violations of limits and periodic reporting to the administration and the Board of Directors is carried out by Mid Office. Mid Office obtains independent opinions from external auditors on routines and control activities (SAS70 and RS402).

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 places 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 is only authorised to perform currency trades is to hedge the Fund against foreign exchange risk. Exposure to all foreign currency is calculated, monitored and controlled on a daily basis.

Counterparty risk

The Fund enters into 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 normally provided in the form of highly rated sovereign bonds.

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

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.

Statement of cash flow

	2013	2012
Profit for the year	2 121 955 956	1 522 123 643
Depreciation and amortisation	242 531	174 370
Contributed from year's activities	2 122 198 486	1 522 298 012
Investment in property, plant and equipment	-20 875	-244 574
Decrease (+)/increase (-) in holding of bonds and commercial papers	-7 165 508 238	-2 397 102 691
Increase (-)/decrease (+) in shareholdings	5 731 768 845	-45 317 028
Decrease (+)/increase (-) in accrued interest not yet due	-36 349 544	34 325 565
Decrease (+)/increase (-) in other receivables	1 271 588 211	-872 913 674
Decrease in provisions	-5 106 304	723 126
Decrease (-)/increase (+) in other liabilities	-2 601 935 136	1 998 379 985
Net cash flow from operating activities	-683 364 554	240 148 722
Cash and cash equivalents as of 1 January	779 738 088	539 589 366
Cash and cash equivalents as of 31 December	96 373 534	779 738 088

Cash and cash equivalents include bank deposits and cash.

pwc

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 2013, and the income statement, showing a profit of NOK 2 121 955 956 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 2013, 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, 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, 6 March 2014
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

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

Bodies of the Guarantee Fund

Organisation
Following elections at the General Meeting on 21 March 2013, and the election of the Chairman and Deputy Chairman on 15 April 2013, the board comprised the following:

- Ottar Ertzeid, Group Executive, DNB Bank ASA, Chairman (up for election in 2014)
- Jan-Frode Janson, CEO (SpareBank 1 Nord-Norge (up for election in 2015)
- Cato Holmsen, Manager of Corporate & Institutional Banking, Nordea Bank Norge ASA (up for election in 2015)
- Kate Henriksen, Divisional Director, Sparebanken Vest (stepped down December 2013, to be replaced at the Annual General Meeting on 27 March 2014)
- Odd Nodli, CEO, Aurskog Sparebank (up 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 (up for election in 2015)
2. Harald Gaupen, CEO, SpareBank 1 Buskerud Vestfold (up for election in 2015)
3. Rolf Endre Delingsrud, CEO, Totens Sparebank (up for election in 2014)
4. Pål Strand, CEO, Sparebanken Øst (up for election in 2014)
5. Tone Lunde Bakker, Country Manager, Danske Bank (up for election in 2015)

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 Nominations Committee members:

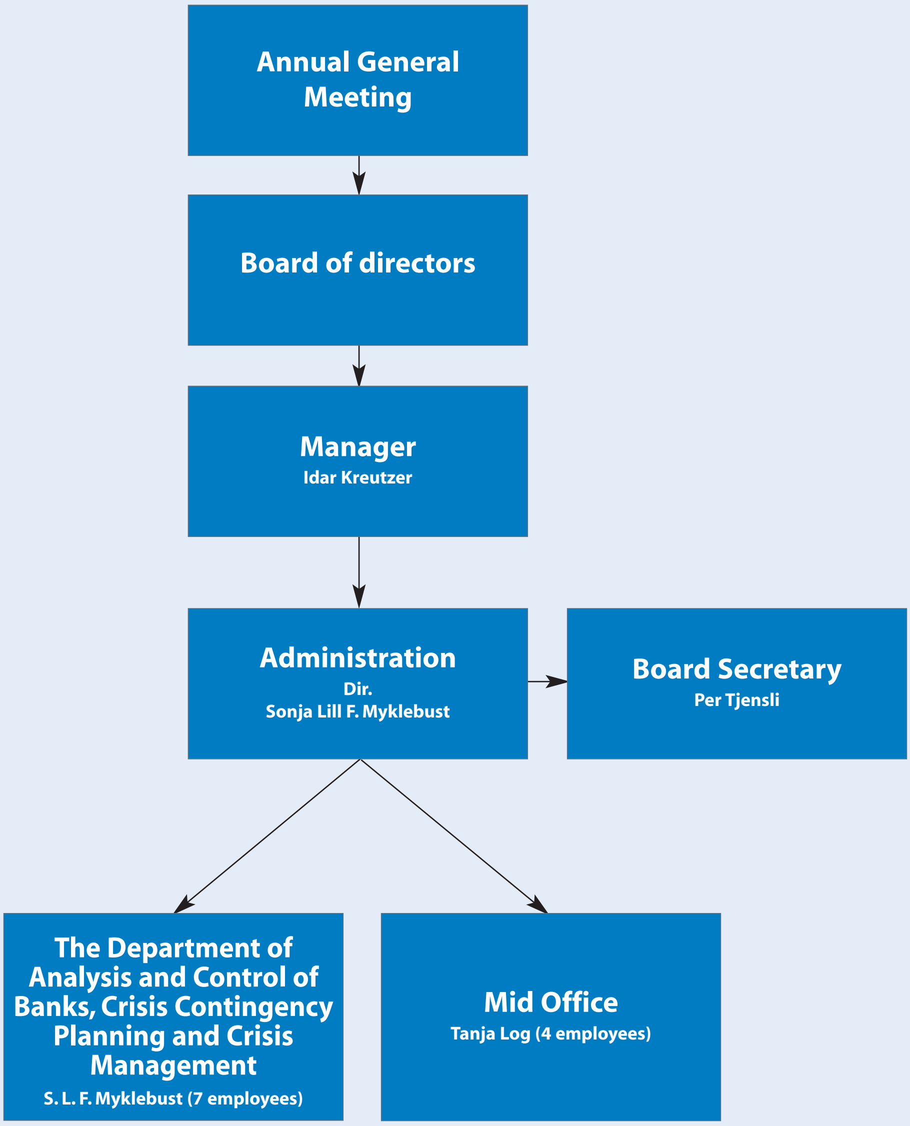
- Geir Bergvoll, Head of Mergers and Acquisitions, DNB Bank ASA, Chairman (up for election in 2015)
- Øivind Gaarder, Managing Director Jernbanepersonalets Sparebank (up for election in 2014)
- Knut Grinde Jacobsen, Managing Director, Haugesund Sparebank (up for election in 2015)
- Truls Nergaard, CEO, Storebrand Bank ASA (up for election in 2014)
- Dag Tjernsmo, CEO, Handelsbanken (up for election in 2015)

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 2013



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

Members of the Norwegian Banks' Guarantee Fund as of 31 December 2013

http://www.bankenessikringsfond.no/en/no/Main/Members/

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 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 og Tørdal 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
OBOS
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 Buskerud – Vestfold
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 Pluss
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. Section 2–2 of the Act)

BlueStep Finans AB, Filial Oslo
Danske Bank
(norsk filial av Danske Bank A/S)
Handelsbanken AB NUF i Norge
Nordnet Bank, filial av Nordnet Bank AB
SkandiaBanken AB NUF i Norge
Skandinaviska Enskilda Banken AB
Oslofilialen
Swedbank Norge, filial av 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 and 24 June 2013.

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 or continue its business, 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 parameters pursuant to the rules below, the board determines the strategy and guidelines for mana-

gement of the Guarantee Fund's assets in order to secure satisfactory management, good returns, 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.

Bankenes sikringsfond/Norwegian Banks' Guarantee Fund

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P.O. Box 2579 Solli
N-0202 Oslo

Telefon/Telephone:
+47 23 28 42 00
www.bankenessikringsfond.no

Grafisk produksjon
MacCompaniet as, Oslo