

## Management of Norges Bank's money market portfolio Report for the fourth quarter of 2007 and for the year 2007

The money market portfolio, the most liquid portion of the foreign exchange reserves, is managed by Norges Bank Monetary Policy. The bulk of the portfolio has been invested in secured deposits during the period, and the remainder has been invested in unsecured deposits in approved banks. The value of the money market portfolio was NOK 8.0 billion<sup>1</sup> at end-2007.

Table 1: Return on the money market portfolio (excluding foreign exchange purchases for the Government Pension Fund - Global)

Total	Measured in terms of the benchmark currency basket		Measured in NOK		
	Actual portfolio	Benchmark portfolio	Actual portfolio	Benchmark portfolio	Excess return
2007 Q1	1.12	1.09	-0.39	-0.42	0.03
2007 Q2	1.16	1.12	-1.42	-1.44	0.02
2007 Q3	1.18	1.16	-4.67	-4.69	0.02
2007 Q4	1.15	1.11	2.71	2.67	0.04
2007	4.67	4.56	-3.85	-3.96	0.11

The fourth quarter return was 1.15 per cent measured in terms of the benchmark currency basket and 2.71 per cent measured in NOK. The return in NOK is estimated at NOK 223.5 million. The money market portfolio outperformed the benchmark<sup>2</sup> in the fourth quarter by NOK 3.4 million, equivalent to 0.04 percentage points.

For 2007, the return on the portfolio measured in terms of the benchmark portfolio's currency basket was 4.67 percentage points. The return in NOK is estimated at -3.85 percentage points, equivalent to NOK -239.9 million. The excess return compared with the benchmark portfolio was 0.11 percentage point, equivalent to NOK 8.2 million.

Management of the money market portfolio has complied with the guidelines laid down by the Executive Board and the Governor of Norges Bank at all times during 2007.

Management costs consist of Norges Bank Monetary Policy's operating expenses and its share of Norges Bank's overheads. The time spent is estimated at half a person-year on an annual basis. Operating costs amounted to NOK 0.2 million in the fourth quarter and NOK 0.8 million for 2007 as a whole. Overhead costs are also estimated at NOK 0.2 million in the fourth quarter and NOK 0.8 million for the year.

<sup>1</sup> In accordance with the Executive Board's guidelines, dated 8 February 2006, the value of the money market portfolio shall normally be between NOK 3 billion and NOK 10 billion.

<sup>2</sup> The benchmark index is to consist of 50 per cent euros and 50 per cent US dollars. The benchmark index is the Merrill Lynch LIBID overnight index