

FOREIGN EXCHANGE RESERVES

Management of Norges Bank's foreign exchange reserves

QUARTERLY REPORT

4 | 2015
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REPORT FOR
FOURTH QUARTER 2015



NORGES BANK

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MANAGEMENT OF THE FOREIGN EXCHANGE RESERVES

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MANAGEMENT OF
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Norges Bank's foreign exchange reserves shall be available for use as part of the conduct of monetary policy with a view to promoting financial stability and to meet Norges Bank's international commitments to the IMF and individual countries. The reserves are divided into a long-term portfolio, a money market portfolio and a petroleum buffer portfolio. Norges Bank Investment Management manages the long-term portfolio, while the money market portfolio and petroleum buffer portfolio are managed by Norges Bank Markets and Banking Services.

The foreign exchange reserves shall be invested so that at least SDR 10 billion, including the entire money market portfolio, can be used within a single trading day without having to realise any appreciable losses. The money market portfolio shall be between SDR 3.5 billion and SDR 4.5 billion and be invested in short-term fixed income instruments. The benchmark index for the money market portfolio is a composite of USD and EUR overnight money market indices and Treasury bill indices for the same currencies. The long-term portfolio shall be invested in equities and fixed income instruments. The benchmark index for the long-term portfolio is a composite of global equity and bond indices. The equity allocation in the strategic benchmark index is 40 percent.

The purpose of the petroleum buffer portfolio is to provide for an appropriate management of the government's need for converting foreign currency and NOK. The portfolio is intended to receive the government's cash flow from petroleum activities and manage any transfers to and from the GPFG. For a period, transfers to the GPFG have been less than expected, and the petroleum buffer portfolio has become larger than necessary. Through 2015, Norges Bank has gradually reduced the size of the portfolio by selling foreign exchange in the market. The petroleum buffer portfolio is invested in short-term fixed income instruments. No benchmark index has been set for the petroleum buffer portfolio.

Main points from 2015 Q4

- The market value of Norges Bank's foreign exchange reserves was NOK 470.1 billion at end-2015, an increase of NOK 11.0 billion during 2015 Q4.
- The petroleum buffer portfolio was NOK 8.7 billion at end-2015, a decrease of NOK 10 billion in Q4 and NOK 49 billion for 2015 as a whole.
- In international currency terms, the return on the foreign exchange reserves, excluding the petroleum buffer portfolio, was 2.06 percent. The return on equity investments was 6.78 percent, negative 0.59 percent on long-term fixed income investments and 0.01 percent on short-term fixed income investments. For 2015 as a whole, the foreign exchange reserves earned a return of 1.67 percent.
- The size and liquidity of the foreign exchange reserves are regarded as being sufficient to meet Norges Bank's commitments. Liquid investments amounted to NOK 291.0 billion at end-2015.

Size and composition

The market value of the foreign exchange reserves was NOK 470.1 billion at the end of 2015 Q4. The long-term portfolio was NOK 411.1 billion, the money market portfolio NOK 50.3 billion and the petroleum buffer portfolio NOK 8.7 billion. The value of the reserves increased by NOK 11.0 billion in Q4. A net capital outflow, in isolation, reduced the reserves by NOK 10.6 billion, while a weak krone increased the reserves' value in NOK terms by NOK 11.1 billion. Return in international currency terms contributed approximately NOK 10.5 billion in Q4. The total increase in the foreign exchange reserves through the year was NOK 18.6 billion.

Chart 1 Composition of the foreign exchange reserves. In billions of NOK

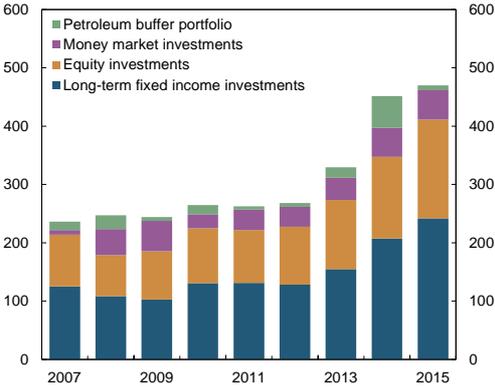


Table 1 Market value of the foreign exchange reserves in 2015. In billions of NOK

	2015 Q4	2015
Money market investments		50.3
Long-term fixed income investments		241.9
Equity investments		169.2
Petroleum buffer portfolio		8.7
Foreign exchange reserves		470.1
Total change during the period	11.0	18.6
Return	10.5	12.8
Movements in the krone exchange rate	11.1	53.7
Net transfers	-10.6	-47.9

Return

In 2015 Q4, the return on the foreign exchange reserves was 2.06 percent, up from negative 2.25 percent in Q3. The return on equity investments was 6.78 percent, negative 0.59 percent on long-term fixed income investments and 0.01 percent on short-term fixed income investments. For 2015 as a whole, the return on the foreign exchange reserves was 1.67 per cent, compared with 7.69 per cent in 2014.

Chart 2 Absolute return. Foreign exchange reserves. Percent

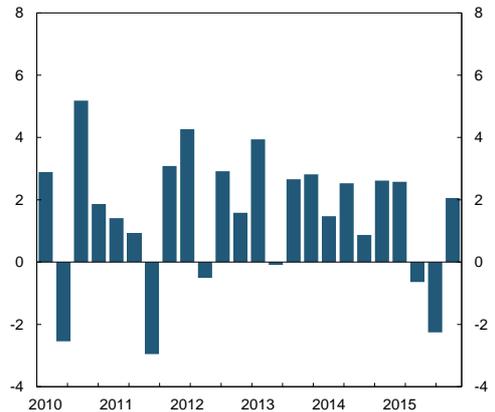


Table 2 Return in international currency terms. Percent

	2015 Q4	2015
<i>Return:</i>		
Money market investments	0.01	0.06
Long-term fixed income investments	-0.59	0.78
Equity investments	6.78	3.46
Foreign exchange reserves¹	2.06	1.67
<i>Relative return:</i>		
Money market investments	0.03	0.02
Long-term fixed income investments	-0.03	-0.15
Equity investments	0.04	0.03

¹ Excluding petroleum buffer portfolio.

Return in international currency terms

The foreign exchange reserves are invested in international financial instruments in foreign currency. The return on the foreign exchange reserves is measured primarily in terms of international currency, i.e. weighted composites of the currencies in the portfolios' benchmark indices. These composites are referred to as the foreign exchange reserves' currency baskets, and currently comprise nine currencies for equity and long-term fixed income investments. For money market investments, the currency basket comprises EUR and USD. Unless otherwise specified in the text, return is measured in terms of the foreign exchange reserves' currency baskets. The petroleum buffer portfolio, which is not held for the purpose of crisis management, is excluded from return reporting.

MONEY MARKET INVESTMENTS

The return on money market investments was 1 basis point during 2015 Q4, 3 basis points higher than the benchmark index. For 2015 as a whole, the return on the money market portfolio was 6 basis points.

Yields on short US government securities rose considerably from mid-October in advance of the FOMC meeting in mid-December. After the federal funds target range was raised, yields fell back somewhat on signals that increases further ahead would be modest and gradual. For the quarter as a whole, the 12-month yield ended around 30 basis points higher, while the three-month yield rose by around 18 basis points. Yields on short German government securities fell by 12 basis points in Q4, owing to further monetary easing by the ECB, which reduced the rate on its deposit facility to negative 0.30 percent.

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Chart 3 Absolute return. Money market investments. Basis points

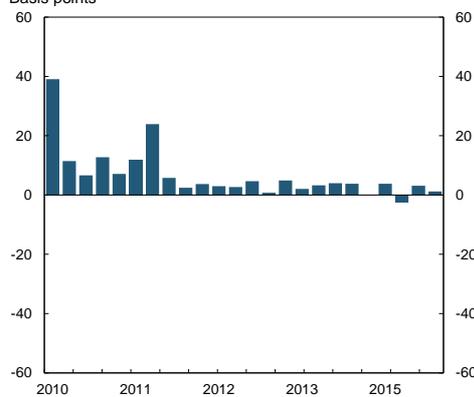
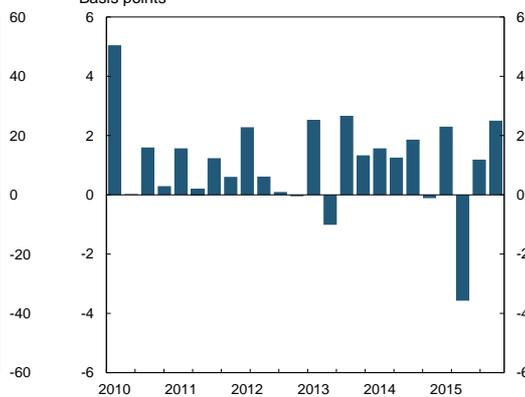


Chart 4 Relative return. Money market investments. Basis points



LONG-TERM FIXED INCOME INVESTMENTS

In 2015 Q4, the return on long-term fixed income investments was negative 0.59 percent. The return on bonds in USD was 0.14 percent, while the return on bonds in EUR was negative 1.49 percent. The return on bonds in JPY and GBP was 0.89 percent and negative 2.10 percent, respectively. Compared with the benchmark index, there was a negative excess return on long-term fixed income investments of 3 basis points, with the largest negative contribution made by investments in GBP. For 2015 as a whole, the return on long-term fixed income investments was 0.78 percent.

Chart 5 Absolute return. Long-term fixed income investments. Percent

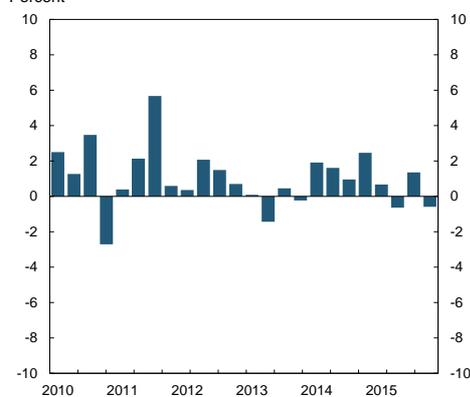
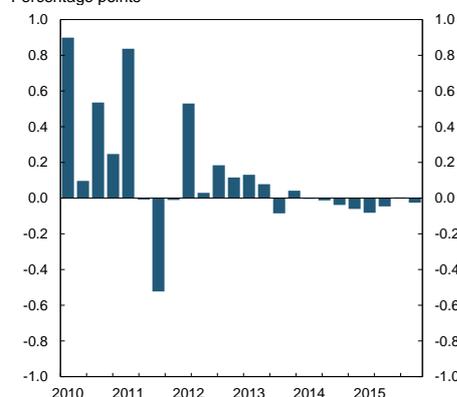


Chart 6 Relative return. Long-term fixed income investments. Percentage points



EQUITY INVESTMENTS

The return on equity investments was 6.78 percent in 2015 Q4. All regions posted positive returns, with 10.55 percent, 7.17 percent and 3.95 percent for Asia, the Americas and Europe, respectively. Equities in North America account for the largest share of equity investments, making a contribution of 4.43 percentage points in Q4.

All industry sectors posted increases in Q4. The technology sector posted the strongest performance, with an increase of 9.72 percent. US and European technology companies' solid returns reflected strong revenue growth, merger and acquisition activity and product and service innovation. The oil and gas sector posted a positive return of 1.61 percent. The relatively weak return reflected a marked decline in oil prices, which were at their lowest levels in six years. Both the demand and supply sides contributed to the price decline. Financial sector equities account for the largest share of the equity portfolio. The return on financial equities was 5.84 percent, which contributed 1.27 percentage points to the total return on equities.

Equity investments earned an excess return of 4 basis points compared with the benchmark index. Equities in finance and oil and gas made the largest contributions to the excess return. For 2015 as a whole, the return on equity investments was 3.46 percent.

Chart 7 Absolute return. Equity investments. Percent

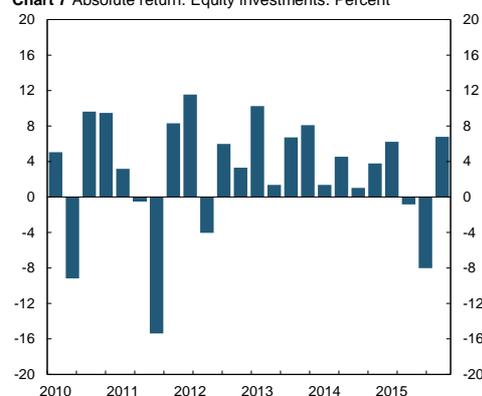


Chart 8 Relative return. Equity investments. Percentage points



Benchmark indices

The strategic benchmark index for equity investments is a tax-adjusted version of the FTSE All World Developed Market Index. The strategic benchmark index for long-term fixed income investments is based on Barclays Capital Global Aggregate Bond Index, but limited to sovereign bonds issued by the governments of France, Germany, Japan, the UK and the US and with a residual maturity of less than 10 years. The currency weighting of the index is 35 percent EUR, 45 percent USD, 10 percent GBP and 10 percent JPY. Fixed income securities comprise 60 percent of the strategic benchmark index for equity and long-term fixed income investments and equities comprise 40 percent.

The currency weighting of the strategic benchmark index for the money market portfolio is 75 percent USD and 25 percent EUR. The cash portion accounts for 10 percent and comprises the Merrill Lynch Overnight Index for USD and EUR. The securities portion comprises Barclays Capital Treasury bill indices: German Bubbill Index and US T-bills.

Risk management

The foreign exchange reserves' market risk is determined by the composition of investments and movements in equity prices, foreign exchange rates and interest rates. No single measure can fully capture market risk. In this report, market risk is measured by the standard deviation in the rate of return¹. This risk measure provides an estimate of how much the value of the portfolio can be expected to change in the course of a year. For equity and long-term fixed income investments, expected absolute volatility was 11.7 percent and 1.8 percent, respectively, at the end of 2015 Q4. For the money market portfolio, expected absolute volatility was approximately zero.

While absolute volatility provides an indication of how much the foreign exchange reserves are expected to fluctuate in value, relative volatility provides an indication of

¹ Also referred to as absolute volatility.

how much the portfolios can be expected to fluctuate in value compared with the portfolio's benchmark index.² At the end of Q4, expected relative volatility of equity and long-term fixed income investments was 0.16 and 0.04 percentage points, respectively. The expected relative volatility of the money market portfolio was 0.03 percentage points.

Chart 9 Expected absolute volatility excluding exchange rate movements. Foreign exchange reserves. Percent

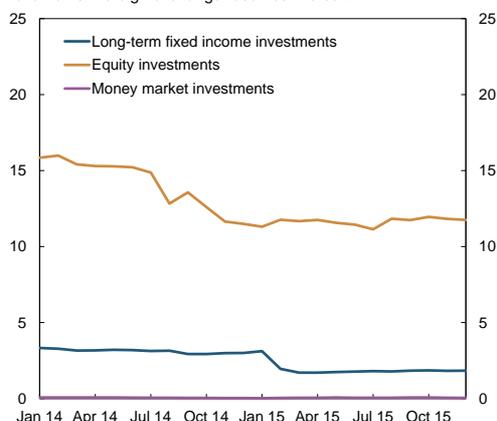
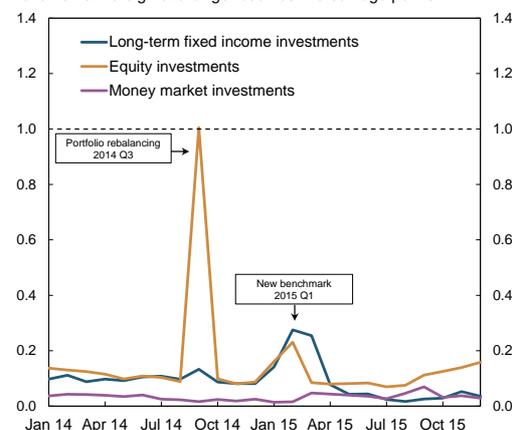


Chart 10 Expected relative volatility including exchange rate movements. Foreign exchange reserves. Percentage points



Credit and counterparty risk is defined as the risk of losses if issuers or counterparties default on payment obligations. Credit risk on the fixed income investments in the foreign exchange reserves is low. At the end of 2015 Q4, 91.0 percent of the portfolios was invested in government securities rated AA or higher. A considerable portion of fixed-income investments, 70 percent of Treasury bills and 45 percent of sovereign bonds, is issued by the US and has a AAA rating. At the end of Q4, NOK 144.5 billion was invested in US and German sovereign bonds, which are considered to be highly liquid investments.

Table 3 Fixed income investments in the foreign exchange reserves by credit rating. Percent¹

	AAA	AA	A	BBB	Lower	Total
Treasury bills	10.0	0.0	0.0	0.0	0.0	10.0
Sovereign bonds	54.0	27.0	9.0	0.0	0.0	90.0
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed income instruments	64.0	27.0	9.0	0.0	0.0	100.0

¹Percentage of the fixed income investments in the foreign exchange reserves.

Chart 11 Treasury bills by issuer. Percent

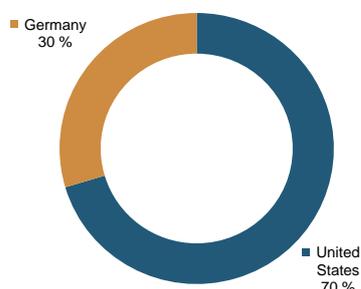
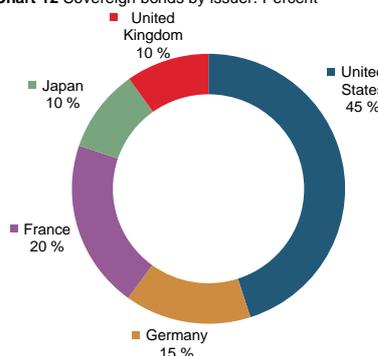


Chart 12 Sovereign bonds by issuer. Percent



² Under the guidelines for equities and long-term fixed income investments issued by the governor, the aim of management is to limit expected relative volatility to no more than 1.0 percentage point (100 basis points). In the guidelines for the money market portfolio, a limit of 1.0 percentage point has been set for expected relative volatility. Relative volatility of 1 percentage point means that the excess return on the portfolio is expected to be within the interval ± 1.0 percentage point in two out of three years.

International commitments

The foreign exchange reserves are held for the purpose of crisis management and shall be used as part of the conduct of monetary policy with a view to promoting financial stability to meeting Norges Bank's international commitments to the International Monetary Fund (IMF) and individual countries. At 31 December 2015, NOK 291 billion of the foreign exchange reserves is invested in liquid financial instruments that can be sold within a single trading day without having to realise any appreciable losses. The size and liquidity of the foreign exchange reserves are assessed to be sufficient to meet Norges Bank's international commitments.

Pursuant to the Norges Bank Act, Norges Bank shall meet the commitments ensuing from membership of the IMF. This membership entails a standing commitment to furnish foreign exchange for IMF loans to other member countries. Norges Bank's quota commitment and commitments under the various lending programmes indicate that the IMF may draw a maximum additional SDR 11.2 billion or NOK 137 billion. Table 4 summarises amounts related to the IMF recognised in the balance sheet at end-2015.

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Table 4 Claims on and liabilities to the International Monetary Fund (IMF) at 31 December 2015. In millions of NOK

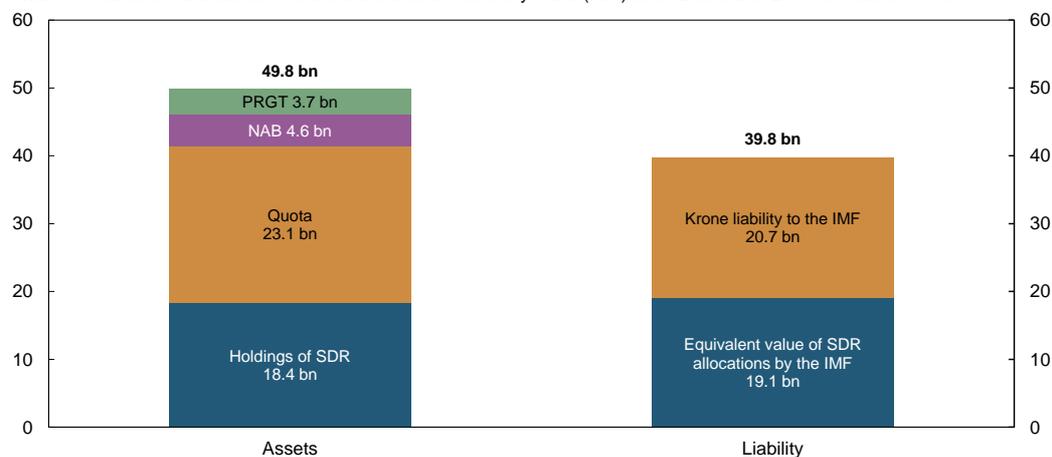
	Loan resource commitments ²	Recognised in the balance sheet			
		Lending programmes	Subscription ³	SDRs	Total amount recognised
<i>Financial assets</i>					
IMF subscription (quota) ¹	-	-	23 072	-	23 072
Holdings of SDRs	-	-	-	18 449	18 449
Loans to the IMF – NAB	47 411	4 619	-	-	4 619
Loans to the IMF – Bilateral agreement	73 486	-	-	-	-
Loans to the IMF – PRGT	3 674	3 656	-	-	3 656
Claims on the IMF	124 571	8 275	23 072	18 449	49 796
<i>Financial liabilities</i>					
Krone liability to the IMF	-	-	20 719	-	20 719
Equivalent value of SDR allocations	-	-	-	19 145	19 145
Liabilities to the IMF	-	-	20 719	19 145	39 864
Net positions with the IMF	124 571	8 275	2 353	-696	9 932

¹ The IMF allocates quotas to member countries which primarily reflect member countries' relative size in the world economy. The quota provides the basis for determining the member country's voting power in the IMF, the member's financial contribution to the IMF, the amount of financing the member can access in the event of balance of payments problems and the amount of SDRs the member is allocated.

² Commitments giving the IMF a borrowing facility with Norges Bank up to an agreed amount. Only the portion drawn is recognised in the balance sheet. Norges Bank's commitments to the IMF are in SDRs; amounts have been translated into NOK.

³ The net subscription is referred to as the reserve tranche position (RTP) comprising Norway's IMF quota less Norway's krone liability to the IMF, i.e. the net amount at the bottom of the column. Norges Bank may if necessary draw up to the full amount of Norway's RTP at any time.

Chart 13 Claims on and liabilities to the International Monetary Fund (IMF) at 31 December 2015. In billions of NOK



Overview – Norges Bank's commitments to the IMF at 31 December 2015

IMF subscription (quota)

Norway's quota has gradually increased over the past 20 years, with the last increase in March 2011 from SDR³ 1 672 million to SDR 1 884 million. Following the financial crisis, the amount drawn⁴ rose from SDR 113 million at end-2007 to SDR 545 million at end-2012. In recent years, the amount drawn has been reduced and at end-2015 amounted to SDR 192 million (Chart 14).

NAB

An expanded NAB⁵ agreement entered into force in 2011. Norges Bank's commitments under this lending programme are SDR 3 871 million. Amounts drawn outstanding at the end of 2015 Q4 were SDR 377 million.

When the IMF has a need for funds, it normally draws on quota commitments and the NAB. Norges Bank's total commitments under the quota and NAB are SDR 5 755 million. At the end of Q4, the IMF had drawn SDR 569 million. A further SDR 5 185 million may therefore be drawn under these arrangements.

Bilateral agreements

In 2012, Norges Bank provided the IMF with a borrowing facility under a bilateral borrowing agreement of SDR 6 000 million. The IMF will draw on the facility only in very special circumstances.

PRGT

In June 2010, the Ministry of Finance and the IMF signed an agreement under which Norway will furnish SDR 300 million in loan resources to the IMF's programme for low income countries (PRGT⁶). Norges Bank is the agent for the loan and administers the commitments. At end-2015, SDR 298 million had been drawn.

Holdings of SDRs

The IMF has allocated SDRs to member countries. Member countries may change their SDR holdings by using SDRs in transactions with the IMF or by purchasing from or selling to members who have voluntarily agreed to be a counterparty in SDR transactions. In 2009, Norges Bank entered into a new agreement with the IMF on the voluntary purchase and sale of SDRs, as long as holdings remain within 50-150 percent of SDR allocations. In 2009, SDR allocations increased from SDR 168 million to SDR 1 683 million. Thus, if other countries wish to sell SDRs, Norges Bank may have to increase holdings of SDRs to SDR 2 345 million. Purchases of SDRs are charged to the foreign exchange reserves. The agreement also gives Norges Bank the right to sell SDRs. At end-2015, holdings of SDRs were SDR 1 506 million (Chart 16).

Chart 14 IMF quota and reserve tranche position. In millions of SDRs

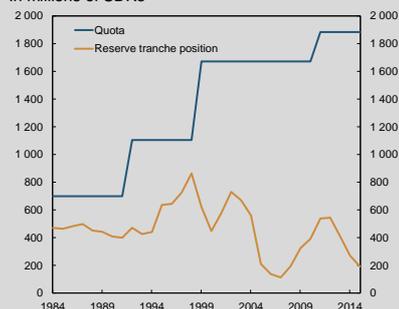


Chart 15 NAB. In millions of SDRs

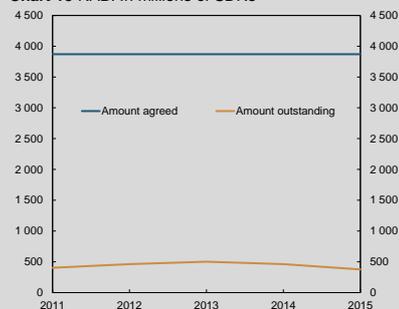
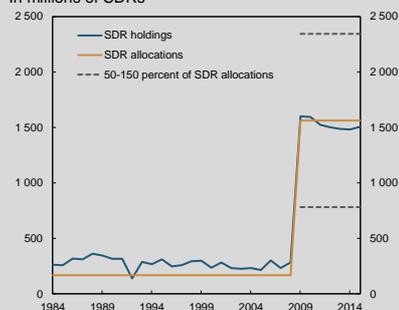


Chart 16 Holdings of SDRs and quota allocations. In millions of SDRs



³ Special Drawing Right (SDR). The SDR is an instrument the IMF can use to allocate international liquidity. The value of the SDR is based on a basket of four currencies: the US dollar (42 percent), euro (37 percent), Japanese yen (10 percent) and pound sterling (11 percent). At 31 December 2015, SDR 1 = NOK 12.25.

⁴ Amount drawn is equal to the reserve position.

⁵ New Arrangements to Borrow (NAB).

⁶ Poverty Reduction and Growth Trust (PRGT).

Key figures

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Market value of the foreign exchange reserves. In billions of NOK

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Money market investments	50.3	49.8	45.9	46.4	49.9
Long-term fixed income investments	241.9	236.9	217.3	220.7	207.3
Equity investments	169.2	154.3	154.2	157.3	140.0
Petroleum buffer portfolio	8.7	18.1	39.8	55.4	54.3
Foreign exchange reserves	470.1	459.1	457.3	479.7	451.5
Total change during the quarter	11.0	1.8	-22.4	28.2	75.9
Return	10.5	-6.8	-3.3	12.5	15.4
Change due to movements in the NOK exchange rate	11.1	32.9	-4.3	13.9	48.5
Net transfers	-10.6	-24.3	-14.9	1.8	12.0

Market value of the petroleum buffer portfolio. In millions of NOK

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Market value	8 665	18 091	39 839	55 367	54 252
Change during the quarter	-9 425	-21 748	-15 528	1 115	16 907
Return	20	-38	52	10	-50
Change due to movements in the NOK exchange rate	116	2 544	-498	861	6 417
Net transfers	-9 562	-24 254	-15 082	245	10 541
Purchases of foreign exchange from the SDFI	38 940	33 957	37 540	45 624	49 399
Sales of foreign exchange in the market	-35 502	-46 211	-40 622	-39 881	-13 757
Transfers to the GPFG	-13 000	-12 000	-12 000	-5 498	-25 100

Return in international currency terms. Percent

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<i>Portfolio:</i>					
Money market investments	0.01	0.03	-0.03	0.04	0.00
Long-term fixed income investments	-0.59	1.35	-0.64	0.67	2.46
Equity investments	6.78	-8.02	-0.83	6.22	3.78
Foreign exchange reserves¹	2.06	-2.25	-0.64	2.58	2.62
<i>Benchmark index:</i>					
Money market investments	-0.01	0.02	0.01	0.02	0.00
Long-term fixed income investments	-0.57	1.35	-0.59	0.75	2.52
Equity investments	6.74	-8.00	-0.88	6.27	3.75

¹Excluding petroleum buffer portfolio.

Return in NOK terms. Percent

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<i>Portfolio:</i>					
Money market investments	3.10	8.51	-1.48	4.44	15.50
Long-term fixed income investments	2.10	9.50	-1.63	4.37	16.61
Equity investments	9.67	-0.62	-1.82	10.12	18.11
Foreign exchange reserves¹	4.86	5.65	-1.68	6.43	17.00

¹Excluding petroleum buffer portfolio.

Key figures at 31 December 2015. Annualised. In international currency terms

	Past 1 year	Past 3 years	Past 5 years	Past 10 years ¹
<i>Foreign exchange reserves excl. the petroleum buffer portfolio:</i>				
Gross annual return (percent)	1.67	6.27	6.78	5.27
<i>Money market investments:</i>				
Portfolio return (percent)	0.06	0.10	0.18	-
Benchmark return (percent)	0.03	0.06	0.14	-
Excess return (percentage points)	0.02	0.04	0.04	-
Realised absolute volatility (percent) ²	0.04	0.04	0.07	-
Realised relative volatility (percentage points) ²	0.04	0.04	0.03	-
Information rate (IR) ³	0.61	1.18	1.27	-
<i>Long-term fixed income investments:</i>				
Portfolio return (percent)	0.78	2.19	4.02	4.13
Benchmark return (percent)	0.93	2.22	3.79	3.82
Excess return (percentage points)	-0.15	-0.03	0.23	0.31
Realised absolute volatility (percent) ²	2.61	2.75	2.95	3.58
Realised relative volatility (percentage points) ²	0.09	0.13	0.38	1.58
Information rate (IR) ³	-1.77	-0.25	0.59	0.20
<i>Equity investments:</i>				
Portfolio return (percent)	3.46	14.02	10.32	6.15
Benchmark return (percent)	3.44	13.76	10.14	6.11
Excess return (percentage points)	0.03	0.26	0.18	0.04
Realised absolute volatility (percent) ²	14.17	10.31	11.40	14.85
Realised relative volatility (percentage points) ²	0.09	0.16	0.16	0.41
Information rate (IR) ³	0.28	1.61	1.17	0.09

¹ Pertains only to equities and long-term fixed income investments.

² Realised volatility is a measure of the fluctuation in monthly return values, expressed here by the annualised empirical standard deviation of monthly return series. Absolute/relative volatility expresses risk related to absolute/relative return.

³ IR is a risk-adjusted return measure. IR is the ratio between excess return and the portfolio's realised relative market risk (measured by relative volatility).

Key figures for asset allocation. Foreign exchange reserves. Percent

	Limits	Actual 2015 Q4
<i>Money market portfolio</i>	Cash (percent)	> 10.0 percent
	Securities (percent)	< 90.0 percent
<i>Long-term portfolio</i>	Fixed income portfolio (percent)	> 50.0 percent
	Equity portfolio (percent)	< 50.0 percent

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Income statement

Amounts in millions of NOK	2015 Q4	2015 Q3	2015	2014
NET INCOME FROM FINANCIAL INSTRUMENTS				
Net income/expenses – gains/losses from:				
Equities and units	11 313	-9 359	10 221	18 640
Bonds and other fixed income instruments	-884	2 593	2 573	13 658
Financial derivatives	4	-9	-29	4
Secured lending	11	10	69	97
Interest income/expense from deposits and short term borrowing	1	1	-8	2
Tax expense	-2	-37	-42	-47
Other financial income/expenses	1	-	1	-
Net income from financial instruments before foreign exchange gains/losses	10 444	-6 801	12 785	32 354
Foreign exchange gains/losses	11 107	32 949	53 699	57 312
Net income from financial instruments	21 551	26 148	66 484	89 666

Balance sheet

Amounts in millions of NOK	31 Dec. 2015	30 Sep. 2015
FINANCIAL ASSETS		
Deposits in banks	23 006	14 116
Secured lending	23 304	68 054
Unsettled trades	9	4 226
Equities and units	164 213	147 757
Equities lent	5 108	6 974
Bonds and other fixed income instruments	267 466	259 876
Financial derivatives	9	2
Other financial assets	828	21
Total financial assets	483 943	501 026
FINANCIAL LIABILITIES		
Secured borrowing	827	946
Unsettled trades	14 686	39 981
Financial derivatives	-	2
Other financial liabilities	248	403
Total financial liabilities	15 761	41 332
Total foreign exchange reserves	468 182	459 694

Notes

Note 1 Accounting policies, significant estimates and critical accounting judgements

These financial statements and notes pertain solely to Norges Bank's foreign exchange reserves at 30 September 2015. Pursuant to Section 30, second paragraph, of the Norges Bank Act, the financial statements of Norges Bank have been prepared in accordance with the Accounting Act and the Regulation concerning annual financial reporting for Norges Bank, which has been laid down by the Ministry of Finance. The regulation requires that Norges Bank's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. For a description of accounting policies and methods of computation, see Norges Bank's annual financial statements for 2015. Financial reporting for Norges Bank's foreign exchange reserves does not include a statement of cash flows and a statement of changes

in equity and is thus not fully compliant with IFRS. Amounts in the financial statements are in Norwegian kroner (NOK) and are rounded off to the nearest million, minor rounding differences may occur.

NORGES BANK

FOREIGN EXCHANGE
RESERVES

4 | 2015

MANAGEMENT OF
NORGES BANK'S FOREIGN
EXCHANGE RESERVES

The preparation of the financial reporting for the Bank's foreign exchange reserves involves the use of estimates and judgements that may affect assets, liabilities, income and expenses. Estimates are based on best judgement; however, actual results may deviate from the estimates. For further information on significant estimates and critical accounting judgements, see Norges Bank's annual financial statements for 2015.

Note 2 Specification of the income statement by portfolio

	Long-term portfolio	Money market portfolio	Petroleum buffer portfolio	Total foreign exchange reserves 2015 Q4	Total foreign exchange reserves 2015
Amounts in millions of NOK					
NET INCOME FROM FINANCIAL INSTRUMENTS					
Net income/expenses – gains/losses from:					
Equities and units	11 313	-	-	11 313	10 221
Bonds and other fixed income instruments	-875	-9	-	-884	2 573
Financial derivatives	-	4	-	4	-29
Secured lending	8	3	-	11	69
Interest income/expense from deposits and short term borrowing	-1	2	-	1	-8
Tax expense	-2	-	-	-2	-42
Other financial income/expenses	1	-	-	1	1
Net income from financial instruments before foreign exchange gains/losses	10 444	-	-	10 444	12 785
Foreign exchange gains/losses	9 453	1 538	116	11 107	53 699
Net income from financial instruments*	19 897	1 538	116	21 551	66 484

* For the long-term portfolio, net income from financial instruments includes outstanding balances with the Government Pension Fund Global (GPF).

Note 3 Specification of the balance sheet by portfolio

	Long-term portfolio	Money market portfolio	Petroleum buffer portfolio	Total foreign exchange reserves
Amounts in millions of NOK				
FINANCIAL ASSETS				
Deposits in banks	40	16 480	6 486	23 006
Secured lending	827	14 737	7 740	23 304
Unsettled trades	9	-	-	9
Equities and units	164 213	-	-	164 213
Equities lent	5 108	-	-	5 108
Bonds and other fixed income instruments	240 911	26 555	-	267 466
Financial derivatives	3	1	5	9
Other financial assets	828	-	-	828
Total financial assets	411 939	57 773	14 231	483 943
FINANCIAL LIABILITIES				
Secured borrowing	827	-	-	827
Unsettled trades	9	7 444	7 232	14 686
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	248	248
Total financial liabilities	826	7 444	7 481	15 761
Total foreign exchange reserves*	411 103	50 329	6 750	468 182

* For the long-term portfolio, total portfolios include outstanding balances with the GPF.