

FOREIGN EXCHANGE RESERVES

Management of Norges Bank's foreign exchange reserves

4 | 2017

FEBRUARY 2018

REPORT FOR
FOURTH QUARTER 2017



NORGES BANK

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Management of the foreign exchange reserves

NORGES BANK

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MANAGEMENT OF
NORGES BANK'S FOREIGN
EXCHANGE RESERVES

The foreign exchange reserves shall be available for transactions in the foreign exchange market as part of the conduct of monetary policy or with a view to promoting financial stability and to meet Norges Bank's international commitments. The reserves are divided into an equity portfolio, a fixed income portfolio and a petroleum buffer portfolio. Norges Bank Investment Management manages the equity portfolio, while the fixed income portfolio and petroleum buffer portfolio are managed by Norges Bank Markets and ICT.

The foreign exchange reserves may be invested in cash deposits, Treasury bills and sovereign bonds, and equities listed on a regulated and recognised exchange. The fixed income portfolio's benchmark index is a market value-weighted index of all nominal government bonds with a residual maturity of between one month

and 10 years issued by France, Germany, Japan, the UK and the US. The equity portfolio's benchmark index is a tax-adjusted global equity index for medium and large-sized companies limited to nine currencies. The strategic equity allocation of the total equity and fixed income portfolio is 35%.

The petroleum buffer portfolio is intended to receive the government's cash flow from petroleum activities in foreign currency and any transfers from the Government Pension Fund Global (GPF). The purpose of the portfolio is to provide for an appropriate management of the Government's need for converting foreign currency and NOK. 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 2017 Q4

- The market value of the foreign exchange reserves was NOK 514.3bn at the end of 2017, an increase of NOK 35.0bn over the quarter.
- The return of the foreign exchange reserves was 1.9% in Q4, 5.3% on equity investments and negative 0.1% on fixed income investments.
- The size and liquidity of the foreign exchange reserves are regarded as sufficient for meeting Norges Bank's commitments.

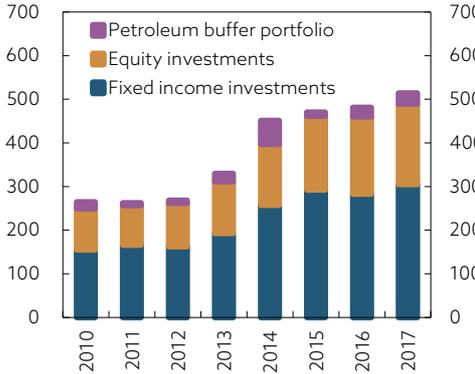
Table 1 Key figures

	2017 Q4				2017 full year				
	Fixed income investments	Equity investments	Petroleum buffer portfolio	Foreign exchange reserves	Fixed income investments	Equity investments	Petroleum buffer portfolio	Foreign exchange reserves	
<i>In billions of NOK</i>									
Market value	305.3	183.7	25.3	514.3	-	-	-	-	-
Change during the period	8.2	14.3	12.4	35.0	22.2	6.5	4.6	33.4	
Return in NOK	9.7	14.3	0.2	24.3	2.3	27.7	-0.8	29.2	
Return in international currency	-0.3	9.2	-	-	1.3	29.9	-	-	
Movements in the NOK rate	10.0	5.2	-	-	1.0	-2.2	-	-	
Net transfers	-1.5	0.0	12.2	10.7	19.9	-21.2	5.5	4.2	
<i>In percent</i>									
Return in international currency	-0.10	5.34	-	1.87	0.42	18.86	-	6.90	
Relative return in international currency	0.01	-0.01	-	0.00	0.00	0.07	-	0.02	
Return in NOK	3.26	8.47	-	5.15	0.80	16.86	-	6.51	
Expected relative volatility in NOK	0.10	0.09	-	-	-	-	-	-	

Foreign exchange reserves

The market value of the foreign exchange reserves was NOK 514.3bn at the end of 2017. In all, the value increased by NOK 35.0bn during the quarter. This primarily reflects a weaker krone, which resulted in an increase in value equivalent to NOK 15.2bn, and a solid return on equities equivalent to NOK 9.2bn. During the quarter, a net inflow added NOK 12.2bn to the petroleum buffer portfolio, while a net outflow reduced fixed income investments by NOK 1.5bn.

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



INTERNATIONAL CURRENCY

The foreign exchange reserves are held for the purpose of crisis management. Movements in the krone exchange rate will affect Norges Bank's equity, but not the Bank's ability to meet commitments in foreign currency. Therefore, unless stated otherwise, return will henceforth be measured in international currency. The petroleum buffer portfolio, which is not held for the purpose of crisis management, is excluded from the measurement of return.

Fixed income investments

The market value of the fixed income investments at the end of 2017 Q4 was NOK 305.3bn, an increase of NOK 8.2bn since the end of Q3. This reflects a weaker krone, which accounted for an increase in value of approximately NOK 10.0bn. In international currency terms, return was negative NOK 0.3bn, approximately negative 0.1%, which was equivalent to an excess return of one basis point.

US short-term government bond yields rose markedly during the quarter, while long-term yields were little changed. The change in the yield curve reflects the continued monetary policy normalisation by the Federal Reserve. USD-denominated investments accounted for about 50% of the fixed income portfolio. Current interest income made a positive contribution to the return, while the rise in short-term government bond yields resulted in the negative contribution to total return from US dollar investments.

Investments denominated in EUR accounted for about 34% of the fixed income portfolio and earned a return in EUR of close to zero for the quarter. There were relatively wide swings in German and French government bond

yields during the quarter, but there were only minor changes in government bond yield curves in the quarter overall. The ECB's extension of its asset purchase programme resulted in a fall in European yields in early Q4, and solid key figures led to a rise towards year-end.

Continued uncertainty regarding Brexit and the ongoing negotiations between the UK and the EU led to a fall in UK long-term yields in Q4. Somewhat better-than-expected key figures and an anticipated policy rate increase by Bank of England in November may explain why there was no appreciable decline in short-term yields. The return on sterling investments made a small, albeit positive, contribution to the total return. As with sterling investments, investments in JPY accounted for about 8% of the fixed income portfolio at the end of Q4. There were minor movements in Japanese yields and the return was close to zero in Q4.

For the full year 2017, the return on fixed income investments in international currency terms was 0.42%.

Table 2 Fixed income investments by currency at the end of Q4. Market value in billions of NOK

	Market value	Share	Duration	Yield
Total	305.3	100.0	3.5	1.0
USD	152.7	50.0	3.3	2.0
EUR	103.7	34.0	3.7	-0.3
GBP	24.4	8.0	3.9	0.6
JPY	24.4	8.0	3.7	-0.1

Chart 2 Principal and coupon due per year at the end of Q4. In billions of NOK

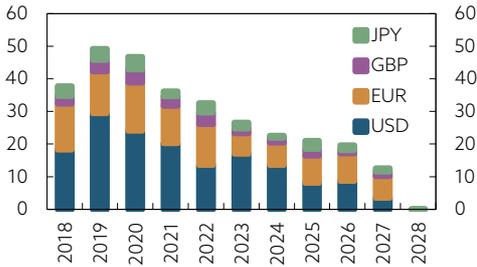


Table 3 Return on fixed income investments

	2017 Q4	2017 Full year
<i>In international currency terms</i>		
Return (percent)	-0.10	0.42
Return (millions of NOK)	-328	1 266
<i>In NOK terms</i>		
Return (percent)	3.26	0.80
Return (millions of NOK)	9 686	2 296

Chart 3 Return in international currency terms. Fixed income investments. Percent

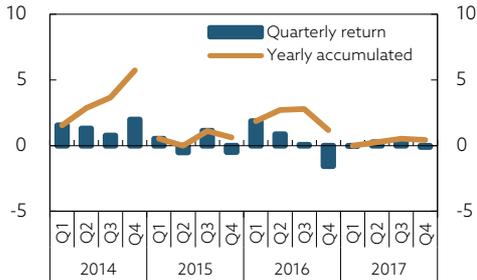
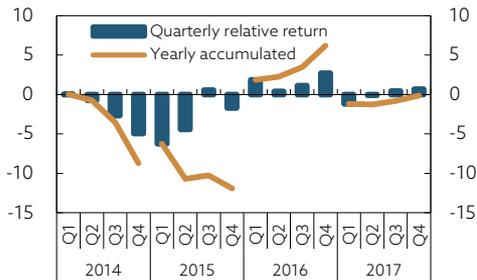


Table 4 Relative return on fixed income investments

	2017 Q4	2017 Full year
<i>In international currency terms</i>		
Relative return (percentage points)	0.01	0.00
Relative return (in millions of NOK)	22	-1

Chart 4 Relative return in international currency terms. Fixed income investments. Basis points



BENCHMARK INDEX

The benchmark index for fixed income investments is provided by Bloomberg and is a market value-weighted index of all nominal government bonds with a residual maturity of between one month and 10 years issued by France, Germany, Japan, the UK and the US. The currency weighting in the fixed income index is 50% USD, 34% EUR, 8% GBP and 8% JPY.

Equity investments

The market value of the equity investments was NOK 183.7bn at the end of 2017 Q4, an increase of NOK 14.3bn from Q3. The return in international currency increased the market value by NOK 9.2bn and a weaker krone increased the value of the portfolio by a further NOK 5.2bn.

in equity prices across regions and sectors. Global cyclical equities continued to perform well in Q4, partly owing to a very strong showing in the technology sector.

The return on equity investments was 5.3% in Q4, about 1 basis point lower than the benchmark index. At the end of Q4, approximately 62.6% of the portfolio was invested in North America, 24.5% in Europe, and 12.9% in Asia. The return in Q4 was driven by a sharp rise

Asian equities posted the highest return in Q4, at 7.8%, while the return on North American and European equity investments was 6.1% and 2.2%, respectively. The technology sector posted the highest return in Q4, 8.6%, while the electricity and water supply sector posted the weakest return in the quarter, negative 0.7%.

For 2017 as a whole, the equity portfolio posted one of its best annual returns, 18.9%, or approximately NOK 29.9bn. Over the past five years, the annual

return on equity investments has been 14.3%, which alone accounted for a NOK 92.5bn increase in the value of the foreign exchange reserves.

Table 5 Equity investments excluding cash funds by industry at end-2017 Q4. In billions of NOK

	Market value	Share
Total	183.6	100.0
Oil and gas	11.9	6.5
Basic materials	8.3	4.5
Industrials	23.0	12.5
Consumer goods	21.8	11.9
Health care	21.4	11.7
Consumer services	20.2	11.0
Telecommunications	5.1	2.8
Utilities	4.7	2.5
Financials	41.2	22.5
Technology	26.0	14.2

Table 6 Equity investments excluding cash funds by currency at end-2017 Q4. In billions of NOK

	Market value	Share
Total	183.6	100.0
USD	109.2	59.5
EUR	23.3	12.7
GBP	12.3	6.7
JPY	18.8	10.3
CAD	5.8	3.1
DKK	1.3	0.7
CHF	6.0	3.3
SEK	2.0	1.1
AUD	4.9	2.6

Table 7 Return on equity investments

	2017 Q4	2017 Full year
<i>In international currency terms</i>		
Return (percent)	5.34	18.86
Return (millions of NOK)	9 175	29 899
<i>In NOK terms</i>		
Return (percent)	8.47	16.86
Return (millions of NOK)	14 348	27 704

Chart 5 Return in international currency terms. Equity investments. Percent

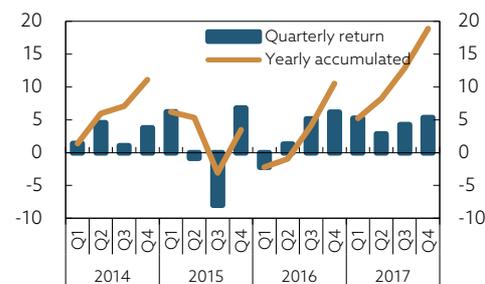


Table 8 Relative return on equity investments

	2017 Q4	2017 Full year
<i>In international currency terms</i>		
Relative return (percentage points)	-0.01	0.07
Relative return (in millions of NOK)	-26	86

Chart 6 Relative return in international currency terms. Equity investments. Basis points



BENCHMARK INDEX

The benchmark index for equity investments is a tax-adjusted version of the FTSE All-World Developed Market Index, limited to euro area countries, the US, Japan, the UK, Canada, Australia, Switzerland, Sweden and Denmark.

Petroleum buffer portfolio

At the end of 2017 Q4, the market value of the petroleum buffer portfolio was NOK 25.3bn. During the quarter, NOK 14.4bn worth of foreign exchange reserves was transferred from the GPF. In addition, approximately NOK 36.3bn

worth of foreign exchange was purchased from the State's Direct Financial Interest (SDFI). Over the quarter, Norges Bank sold approximately NOK 38.5bn worth of foreign exchange.

Financial risk

The foreign exchange reserves are invested in foreign currency, while Norges Bank's liabilities are mainly denominated in NOK. This means that movements in the krone exchange rate will have a major impact on Norges Bank's earnings in NOK terms. A stronger krone will reduce the krone value of the foreign exchange reserves, while a weaker krone will increase the krone value. For the purpose of crisis management, however, the krone value of the foreign exchange reserves will be of secondary importance. Excluding changes in the krone value, the financial risk associated with the foreign exchange reserves comprises market, credit and counterparty risk.

The foreign exchange reserves' market risk is determined by the composition of investments and movements in equity prices, interest rates and credit spreads. No single measure can fully capture market risk. In this report, market risk is measured by the standard deviation in the rate of return (absolute volatility). 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 fixed income investments, expected absolute

volatility at the end of 2017 Q4 excluding exchange rate movements was 11,9% and 1,0%, respectively. This corresponds to an expected annual fluctuation in value, excluding exchange rate movements, of approximately NOK 22bn and NOK 3bn, respectively.

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 how much the portfolios can be expected to fluctuate in value compared with the portfolio's benchmark index. At the end of 2017, expected relative volatility was 0.09 and 0.10 percentage point for equity and fixed income investments, respectively.

Credit and counterparty risk is defined as the risk of losses if issuers or counterparties default on payment obligations. The credit risk on bond and Treasury bill investments in the foreign exchange reserves is low. According to credit ratings assigned by Fitch, the US and German governments are rated AAA, the UK and French governments are rated AA, and the Japanese government is rated A.

Chart 7 Absolute volatility, excluding exchange rate movements. Foreign exchange reserves. Percent

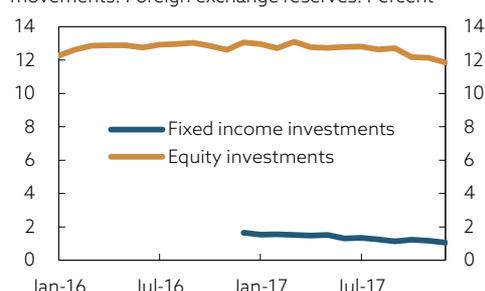


Chart 8 Relative volatility, including exchange rate movements. Foreign exchange reserves. Basis points



EXPECTED RELATIVE VOLATILITY

Under the guidelines for equities and fixed income investments issued by the governor, maximum expected relative volatility is set at 0.5 percentage point. Relative volatility of 50 basis points means that the excess return on the portfolio is expected to be within the interval ± 0.5 percentage point in two out of three years.

International commitments

Pursuant to the Norges Bank Act, Norges Bank is obliged to 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. See page 8 for an

overview of Norges Bank's commitments to the IMF. The size and liquidity of the foreign exchange reserves are assessed to be sufficient to meet Norges Bank's international commitments.

OVERVIEW OF NORGES BANK'S COMMITMENTS TO THE IMF

QUOTA In 2010, the IMF approved the 14th General Review of Quotas, which entailed a doubling of member countries' IMF quota subscriptions. Norway's quota increased to SDR 3755m.¹ At the end of 2017, the amount drawn² totalled SDR 243m (Chart 9).

NAB At the same time as the quota increase, Norway's loan resource commitments under the NAB (New Arrangements to Borrow) were reduced by approximately the same amount. Norges Bank's commitments under this lending programme were reduced to SDR 1967m (Chart 10). Total outstanding drawings were SDR 218m at the end of 2017. When the IMF has a need for funds, it normally draws on quota commitments and the NAB. Commitments under the quota and NAB are SDR 5721m. At end-2017, the IMF had drawn SDR 460m. A further SDR 5261m may thus be drawn under these arrangements. Following the quota increase, the NAB plays a more traditional role as support for quota-based financing.

BILATERAL AGREEMENTS In 2012, Norges Bank provided the IMF with a borrowing facility under a bilateral borrowing agreement of SDR 6000m, to be drawn on only in very special circumstances. This agreement expired in November 2016 and was never drawn on. On 21 April 2017, on behalf of the Ministry of Finance, Norges Bank signed a new bilateral agreement with the IMF for the same amount. The agreement applies until the end of 2019, with the possibility of a one-year extension. At year end-2017, no amounts had been drawn on the new borrowing agreement.

PRGT In June 2010, the Ministry of Finance and the IMF signed an agreement under which Norway will furnish SDR 300m in loan resources to the IMF's programme for low income countries (Poverty Reduction and Growth Trust). Norges Bank is the agent for the loan and administers the commitments. This facility is now fully drawn, and under the agreement from 2010, only repayments will be made. In November 2016, a new borrowing agreement was signed under which Norway will provide the PRGT with an additional SDR 300m. At year-end 2017, no amounts had been drawn on the new borrowing agreement.

HOLDINGS OF SDRs The IMF has allocated SDR's to member countries. Member countries may change their SDR holdings by purchasing from or selling to members who have voluntarily agreed to be a counterparty in SDR transactions. In 2009, Norges Bank entered into an agreement with the IMF on the voluntary purchase and sale of SDRs, as long as holdings remain within 50%-150% of SDR allocations. In 2009, SDR allocations increased from SDR 168m to SDR 1563m. Thus, if other countries wish to sell SDRs, Norges Bank may have to increase holdings of SDRs to SDR 2345m. Purchases of SDRs are charged to the foreign exchange reserves. The agreement also gives Norges Bank the right to sell SDRs. At the end of 2017, holdings of SDRs were SDR 1605 (Chart 11).

Chart 9 IMF quota and reserve tranche position. In billions of SDRs

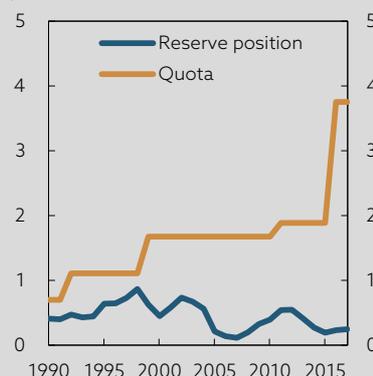


Chart 10 NAB. In billions of SDRs

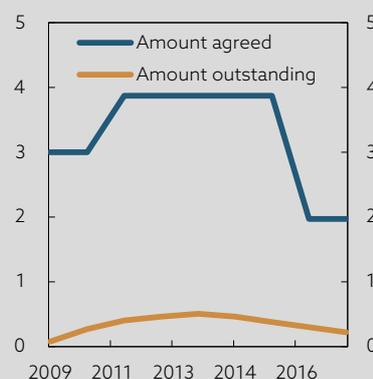
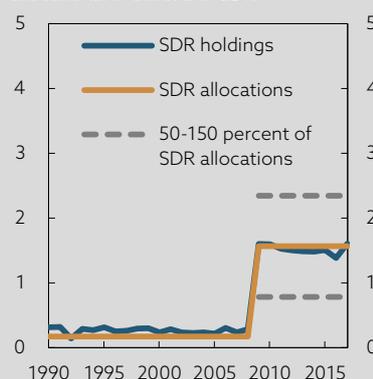


Chart 11 Holdings of SDRs and SDR allocations. In billions of SDR



¹ 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 five currencies: USD (42%), EUR (31%), JPY (8%), GBP (8%) and CNY (11%). At 29 December 2017, SDR 1 = NOK 11.66

² The amount drawn is equal to Norway's reserve position in the IMF

Key figures

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Table 9 Market value of the foreign exchange reserves. In billions of NOK

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
Market value of fixed income and equity investments	489.0	466.4	476.1	473.3	-
Change in market value	22.6	-9.7	2.8	13.1	28.7
Return in NOK	24.0	-10.1	3.4	12.7	30.0
<i>Return in international currency</i>	8.8	7.8	5.6	9.0	31.2
<i>Change due to movements in the krone exchange</i>	15.2	-17.9	-2.2	3.7	-1.2
Net transfers	-1.5	0.4	-0.6	0.4	-1.3
Market value of the petroleum buffer portfolio	25.3	12.9	25.2	21.8	-
Change in market value	12.4	-12.3	3.4	1.1	4.6
Return in NOK	0.2	-1.0	-0.2	0.1	-0.8
Net transfers	12.2	-11.3	3.6	1.0	5.5
<i>Foreign exchange purchases from the SDFI</i>	36.3	29.4	35.8	39.1	140.5
<i>Foreign exchange purchases in the market</i>	-38.5	-51.0	-48.5	-61.6	-199.6
<i>Transfers from the GPFPG</i>	14.4	10.4	16.3	23.4	64.5
Market value of the foreign exchange reserves	514.3	479.3	501.3	495.1	-

Table 10 Return on the foreign exchange reserves in international currency terms. Percent

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
Return on fixed income investments	-0.10	0.28	0.26	-0.01	0.42
Return on equity investments	5.34	4.27	2.85	5.22	18.86
Return on the foreign exchange reserves¹	1.87	1.69	1.17	2.00	6.90
Return on benchmark index for fixed income investments	-0.11	0.27	0.26	0.00	0.42
Return on benchmark index for equity investments	5.35	4.17	2.81	5.29	18.79
Relative return on fixed income investments	0.01	0.00	0.00	-0.01	0.00
Relative return on equity investments	-0.01	0.09	0.04	-0.06	0.07

¹ Excluding the petroleum buffer portfolio

Table 11 Return on the foreign exchange reserves in NOK terms. Percent

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
Return on fixed income investments	3.26	-3.28	0.20	0.72	0.80
Return on equity investments	8.47	-0.03	1.67	6.00	16.86
Return on the foreign exchange reserves¹	5.15	-2.13	0.72	2.75	6.51
Return on benchmark index for fixed income investments	3.25	-3.29	0.20	0.73	0.80
Return on benchmark index for equity investments	8.49	-0.12	1.62	6.07	16.79
Relative return on fixed income investments	0.01	0.00	0.00	-0.01	0.00
Relative return on equity investments	-0.02	0.09	0.04	-0.07	0.07

¹ Excluding the petroleum buffer portfolio

Table 12 Key figures at the end of 2017 Q4. Annualised data measured in international currency. Percent

	Past year	Past 3 years	Past 5 years	Past 10 years
Return on the foreign exchange reserves	6.90	4.36	6.05	4.81
<i>Fixed income investments</i>				
Return on fixed income investments	0.42	0.73	1.38	3.37
Return on benchmark index	0.42	0.75	1.38	3.00
Relative return	0.00	-0.02	0.00	0.37
Realised absolute volatility ¹	1.14	1.80	2.00	3.24
Realised relative volatility ¹	0.05	0.06	0.08	1.52
Information rate (IR) ²	-0.03	-0.35	0.00	0.24
<i>Equity investments</i>				
Return on fixed income investments	18.86	10.78	14.26	6.92
Return on benchmark index	18.79	10.57	13.98	6.71
Relative return	0.07	0.21	0.28	0.21
Realised absolute volatility ¹	3.18	10.02	9.17	14.73
Realised relative volatility ¹	0.09	0.15	0.16	0.31
Information rate (IR) ²	0.75	1.34	1.68	0.67

¹Realised volatility is a measure of the fluctuation in monthly return values, expressed here by the annualised empirical standard deviation. Absolute/relative volatility expresses risk related to absolute/relative return

²IR 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)

Table 13 Claims on and liabilities to the International Monetary Fund (IMF) at end-2017. In millions of NOK

	Loan resource commitments ²	Recognised in the balance sheet			Total amount
		Drawn on commitments	Subscription ³	SDRs	
<i>Financial assets</i>					
IMF subscription (quota) ¹	-		43 815		43 815
Holdings of SDRs	-			18 729	18 729
Loans to the IMF - NAB	22 923	2 539			2 539
Loans to the IMF - Bilateral agreement	69 934				
Loans to the IMF - PRGT	6 993		2 882		2 882
Claims on the IMF	-	5 421	43 815	18 729	67 965
<i>Financial liabilities</i>					
Krone liability to the IMF	-		40 981		40 981
Equivalent value of SDR allocations	-			18 240	18 240
Liabilities to the IMF	-		40 981	18 240	59 221
Net positions with the IMF	-	5 421	2 834	489	8 744

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, ie the net amount at the bottom of the column

Financial reporting

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Income statement

Amounts in NOK millions	2017 Q4	2016 Q4	2017 Full year	2016 Full year
<i>Net income/expense from financial instruments</i>				
Net income/expenses from:				
Equities	10 905	11 790	29 033	14 705
Bonds	-291	-3 702	1 618	3 868
Financial derivatives	-	13	-92	18
Secured lending	33	25	163	120
Interest income/expense from deposits and short-term borrowing	2	-4	5	-2
Tax expenses	-6	-4	-71	-76
Other financial income/expenses	-	-	-5	5
Net income/expense from financial instruments before foreign exchange gains/losses	10 643	8 118	30 651	18 638
Foreign exchange gains/losses	13 653	15 730	-1 507	-19 854
Net income/expense from financial instruments	24 296	23 848	29 144	-1 216

Balance sheet

Amounts in NOK millions	31 Dec. 2017	31 Dec. 2016
<i>Financial assets</i>		
Deposits in banks	8 376	22 596
Secured lending	25 559	26 774
Unsettled trades	2 046	250
Equities	173 203	166 758
Equities lent	10 584	10 437
Bonds	299 357	272 321
Financial derivatives	2	2
Other financial assets	473	1 956
Total financial assets	519 600	501 094
<i>Financial liabilities</i>		
Secured borrowing	286	2 412
Unsettled trades	6 617	18 542
Financial derivatives	10	-
Other financial liabilities	292	-
Total financial liabilities	7 205	20 954
Net foreign exchange reserves	512 395	480 140

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 31 December 2017. 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 2017. 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.

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 2017.

NORGES BANK

QUARTERLY REPORT
4 | 2017

MANAGEMENT OF
NORGES BANK'S FOREIGN
EXCHANGE RESERVES

Note 2 Income statement by portfolio

Amounts in NOK millions	Equity portfolio 2017 Q4	Fixed income portfolio 2017 Q4	Petroleum buffer portfolio 2017 Q4	Foreign exchange reserves 2017 Q4
<i>Net income/expense from financial instruments</i>				
Net income/expenses from:				
Equities	10 905	-	-	10 905
Bonds	-	-291	-	-291
Financial derivatives	10	-10	-	-
Secured lending	10	4	19	33
Interest income/expense from deposits and short-term borrowing	-	2	-	2
Tax expense	-6	-	-	-6
Other financial income/expenses	-	-	-	-
Net income/expense from financial instruments before foreign exchange gains/losses	10 919	-295	19	10 643
Foreign exchange gains/losses	3 428	10 052	173	13 653
Net income/expense from financial instruments	14 347	9 757	192	24 296

Note 3 Balance sheet by portfolio

Amounts in NOK millions	Equity portfolio 31 Dec. 17	Fixed income portfolio 31 Dec. 17	Petroleum buffer portfolio 31 Dec. 17	Foreign exchange reserves 31 Dec. 17
<i>Financial assets</i>				
Deposits in banks	63	3 867	4 446	8 376
Secured lending	286	4 856	20 417	25 559
Unsettled trades	88	1 958	-	2 046
Equities	173 203	-	-	173 203
Equities lent	10 584	-	-	10 584
Bonds	-	299 357	-	299 357
Financial derivatives	2	-	-	2
Other financial assets	74	-	399	473
Total financial assets	184 300	310 038	25 262	519 600
<i>Financial liabilities</i>				
Secured borrowing	286	-	-	286
Unsettled trades	-	4 794	1 823	6 617
Financial derivatives	-	-	10	10
Other financial liabilities	292	-	-	292
Total financial liabilities	578	4 794	1 833	7 205
Net foreign exchange reserves	183 722	305 244	23 429	512 395