

FOREIGN EXCHANGE RESERVES

Management of Norges Bank's foreign exchange reserves

QUARTERLY REPORT

2 | 2016
AUGUST 2016

REPORT FOR
SECOND QUARTER 2016



NORGES BANK

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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 International Monetary Fund (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 10bn, 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 3.5bn and SDR 4.5bn 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 government bond indices.

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 in foreign currency and manage any transfers to and from the Government Pension Fund Global (GPF). 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 2016 Q2

- The market value of Norges Bank's foreign exchange reserves was NOK 466.6bn at the end of 2016 Q2, an increase of NOK 5.4bn during the quarter.
- In international currency terms, the return on the foreign exchange reserves, excluding the petroleum buffer portfolio, was 1.01%. The return on equity investments was 1.28%, 1.01% on long-term fixed income investments and 0.06% on short-term fixed income investments.
- The size and liquidity of the foreign exchange reserves are regarded as being sufficient for meeting Norges Bank's commitments. Liquid investments amount to SDR 24.5bn.

Size and composition

The market value of the foreign exchange reserves was NOK 466.6bn at the end of 2016 Q2. The reserves comprise the long-term portfolio, with NOK 400.8bn, the money market portfolio, with NOK 47.7bn and the petroleum buffer portfolio, with NOK 18.2bn. The value of the reserves increased by NOK 5.4bn during the quarter. The return in international currency and a weaker krone contributed NOK 4.8bn and NOK 2.6bn, respectively, while a net capital outflow in isolation reduced the reserves by NOK 2.0bn.

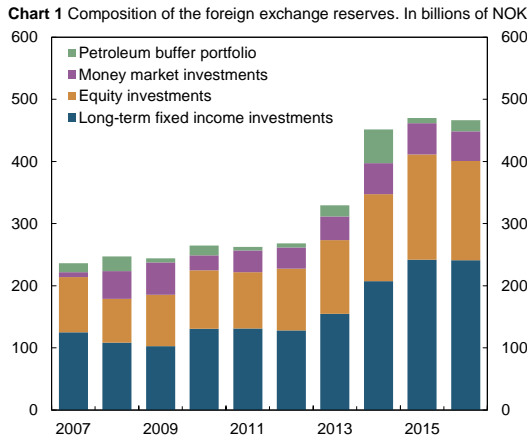


Table 1 Market value of the foreign exchange reserves at the end of 2016 Q2. In billions of NOK

2016 Q2	
Money market investments	47.7
Long-term fixed income investments	241.1
Equity investments	159.7
Petroleum buffer portfolio	18.2
Foreign exchange reserves	466.6
Total change during the period	5.4
Return ¹	4.8
Movements in the krone exchange rate	2.6
Net transfers	-2.0

¹ Net income from financial instruments before foreign exchange gains/losses (see income statement on page 12).

Return

In 2016 Q2, the return on the foreign exchange reserves was 1.01%, up from 0.36% in Q1. The return on equity investments was 1.28%, 1.01% for long-term fixed income investments and 0.06% for short-term fixed income investments.

Chart 2 Absolute return. Foreign exchange reserves. Percent

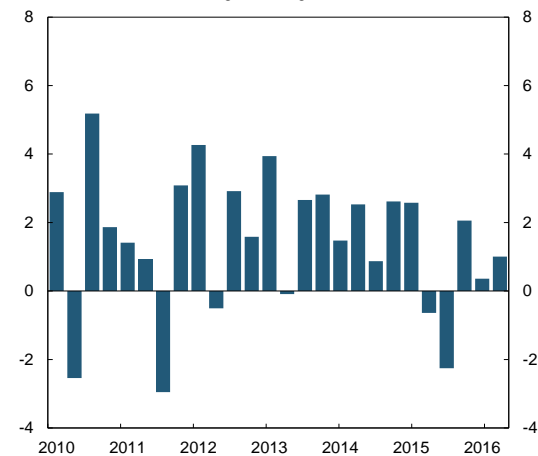


Table 2 Return in international currency terms. Percent

2016 Q2	
<i>Return:</i>	
Money market investments	0.06
Long-term fixed income investments	1.01
Equity investments	1.28
Foreign exchange reserves¹	1.01
<i>Relative return:</i>	
Money market investments	0.01
Long-term fixed income investments	0.00
Equity investments	-0.03

¹ Excluding petroleum buffer portfolio.

In Q2 the markets were dominated by political events, primarily relating to the UK referendum on EU membership. After a period of relatively tranquil markets at the beginning of the quarter, a flight to safety was seen after the UK electorate voted to leave the EU. The Japanese yen appreciated markedly, while the US dollar remained fairly stable. Demand for fixed income securities and less cyclically sensitive equities rose considerably.

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, ie 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 6 basis points in 2016 Q2, 1 basis point higher than the benchmark index.

Yields on US Treasury bills fell in Q2, with the yield on the 12-month Treasury bill ending the period approximately 15 basis points lower. Yields were generally unchanged early in the period, before increased risk appetite ensured an increase in yields towards the end of May. In June, yields fell markedly. The decline in yields was due to somewhat weaker US key data and an increased likelihood that the UK referendum would show a majority for leaving the EU. The outcome ensured increased uncertainty, with the market expecting a considerable postponement of the next increase in policy rates by the Federal Reserve.

Yields on German Treasury bills fell sharply in Q2, with the longest yields falling more than the shorter yields. Heightened uncertainty in connection with the UK referendum and increased expectations concerning monetary policy measures by the ECB through the period weighed on yields. For the quarter as a whole, the German six-month yield fell by 16 basis points.

Chart 3 Absolute return. Money market investments. Basis points

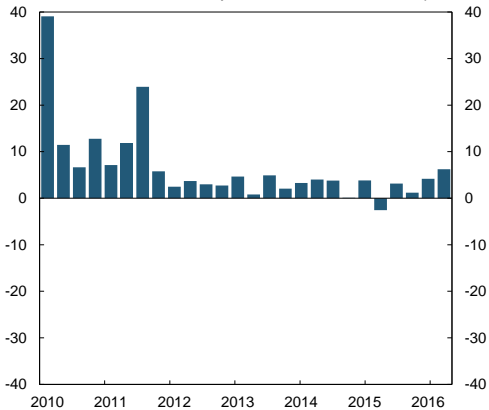
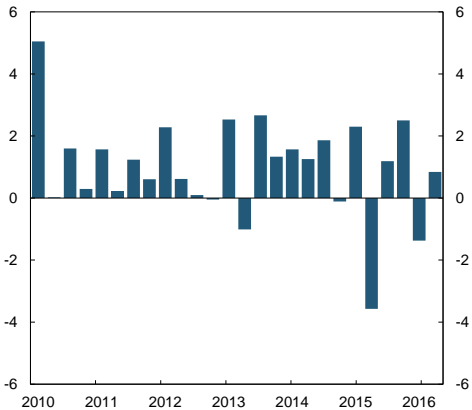


Chart 4 Relative return. Money market investments. Basis points



LONG-TERM FIXED INCOME INVESTMENTS

The return on long-term fixed income investments was 1.01% in 2016 Q2. The return on bonds in JPY was a solid 10.67%, owing to a sharp appreciation of the Japanese yen relative to the other long-term fixed income investments. The return on investments in USD and EUR was 1.73% and 1.05%, respectively. The return on investments in bonds in GBP was negative 4.63%, primarily as a consequence of a sharp depreciation of sterling in Q2. Long-term fixed income investments earned the same return as the portfolio's benchmark index in Q2.

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

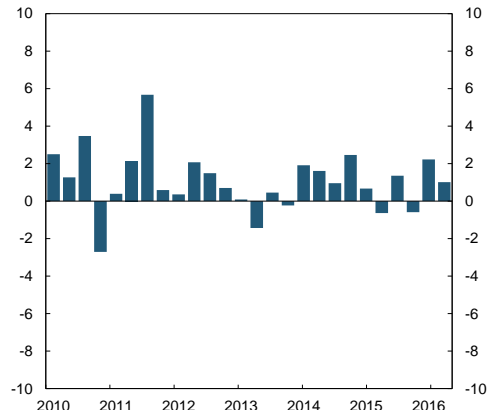
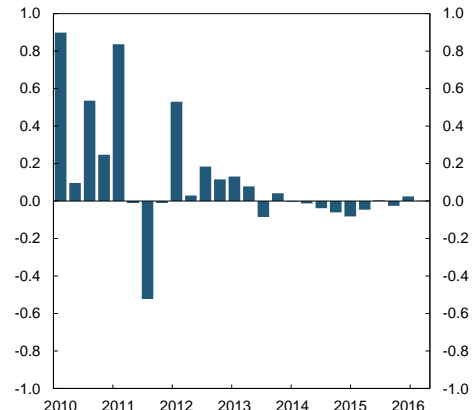


Chart 6 Relative return. Long-term fixed income investments. Percentage points



EQUITY INVESTMENTS

The return on equity investments was 1.28% in 2016 Q2. US equities posted the highest return in Q2, 2.53%. European equities posted a negative return, negative 1.81%, while Asian equities posted a return of 1.21%. The health and oil and gas sectors made the largest contributions, with returns for the quarter of 6.87% and 10.70%, respectively.

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Chart 7 Absolute return. Equity investments. Percent

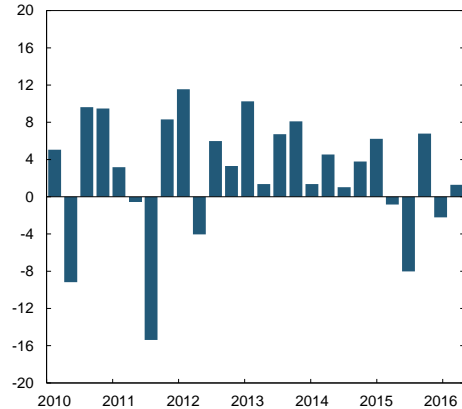
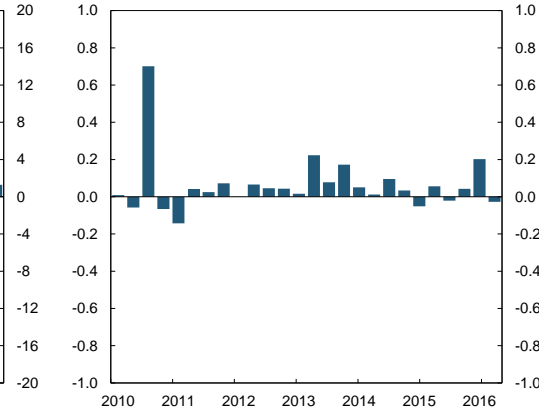


Chart 8 Relative return. Equity investments. Percentage points



The equity portfolio earned a negative excess return of 3 basis points, compared to the benchmark index. Management of the equity portfolio was also close to the index in Q2, but with some use of enhanced indexing strategies. These strategies made a negative contribution.

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% EUR, 45% USD, 10% GBP and 10% JPY. Fixed income securities comprise 60% of the strategic benchmark index for equity and long-term fixed income investments and equities comprise 40%.

The currency weighting of the strategic benchmark index for the money market portfolio is 75% USD and 25% EUR. The cash portion accounts for 10% and comprises the Merrill Lynch Overnight Index for USD and EUR. The securities portion comprises Barclays Capital Treasury bill indices: German Bubill 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, 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 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 12.8% and 1.9%, respectively, at the end of 2016 Q2, approximately unchanged on the previous quarter. For the money market portfolio, expected absolute volatility was approximately zero. During the quarter, there was little change in absolute volatility for the foreign exchange reserves as a whole.

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 Q2, expected relative volatility of equity and long-term fixed income investments was 0.13 and 0.03 percentage point, respectively. The expected relative volatility of the money market portfolio was 0.08 percentage point.

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

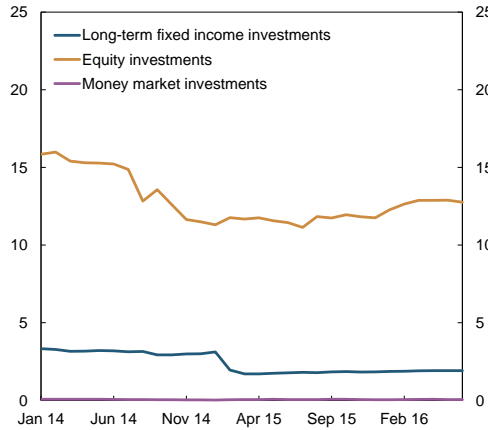
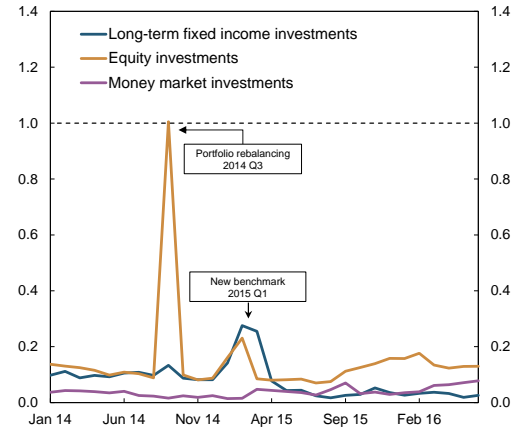


Chart 10 Expected relative volatility including exchange rate movements. Foreign exchange reserves. Percentage points



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 2016 Q2, 90.5% was invested in government securities rated AA or higher. A considerable portion of fixed income investments; 64% of Treasury bills and 45% of sovereign bonds, is issued by the US and has a AAA rating. At the end of Q2, NOK 142.3bn 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 at the end of Q2 by credit rating. Percent

	AAA	AA	A	BBB	Lower	Total
Treasury bills	8.7	0.0	0.0	0.0	0.0	8.7
Sovereign bonds	54.5	27.2	9.5	0.0	0.0	91.3
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed income instruments	63.2	27.2	9.5	0.0	0.0	100.0

Chart 11 Treasury bills by issuer. Percent

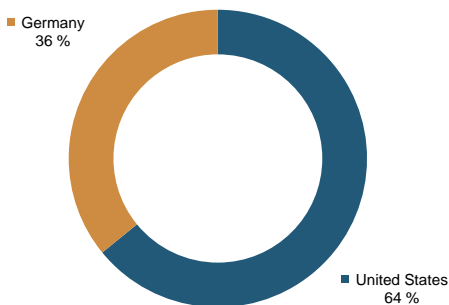
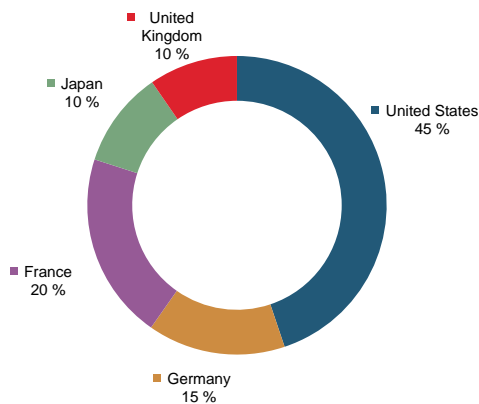


Chart 12 Sovereign bonds by issuer. Percent



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 and to meet Norges Bank's international commitments to the International Monetary Fund (IMF) and individual countries.

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. Table 4 summarises amounts related to the IMF recognised in the balance sheet at the end of 2016 Q2. The size and liquidity of the foreign exchange reserves are assessed to be sufficient to meet Norges Bank's international commitments (see page 9).

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Table 4 Claims on and liabilities to the International Monetary Fund (IMF) at 30 June 2016. In millions of NOK

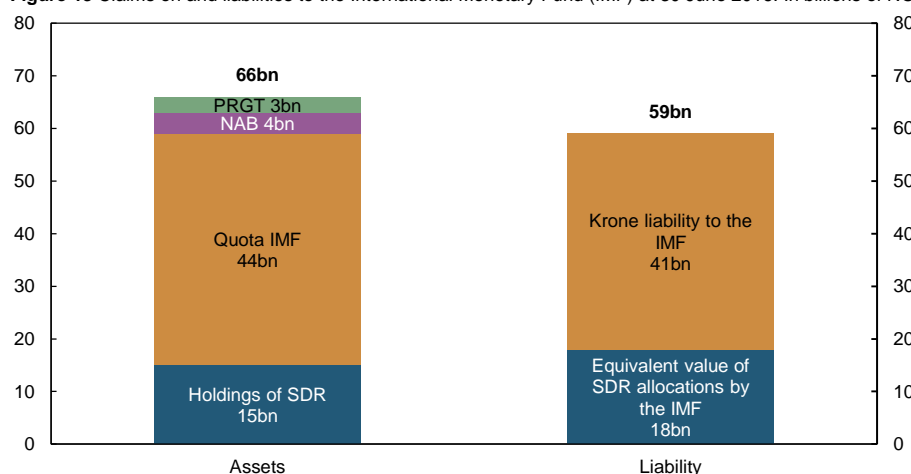
	Loan resource commitments ²	Recognised in the balance sheet			
		Drawn on commitments	Subscription ³	SDRs	Total amount recognised
<i>Financial assets</i>					
IMF subscription (quota) ¹	-	-	43 873	-	43 873
Holdings of SDRs	-	-	-	14 861	14 861
Loans to the IMF – NAB	22 978	4 059	-	-	4 059
Loans to the IMF – Bilateral agreement	70 103	-	-	-	-
Loans to the IMF – PRGT	3 505	3 451	-	-	3 451
Claims on the IMF		7 510	43 873	14 861	66 244
<i>Financial liabilities</i>					
Krone liability to the IMF	-	-	41 186	-	41 186
Equivalent value of SDR allocations	-	-	-	18 264	18 264
Liabilities to the IMF			41 186	18 264	59 450
Net positions with the IMF		7 510	2 686	-3 403	6 793

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.

Figure 13 Claims on and liabilities to the International Monetary Fund (IMF) at 30 June 2016. In billions of NOK



Overview– Norges Bank's commitments to the IMF at 30 June 2016

IMF subscription (quota)

In 2010, the IMF approved the 14th General Review of Quotas, which entailed a doubling of member countries' IMF quota subscriptions. The payment was made on 17 February 2016, increasing Norway's quota to SDR³ 3 755m.

The amount drawn⁴ rose following the financial crisis, but in recent years has fallen again. At the end of 2016 Q2, the amount drawn totalled SDR 230m (Chart 14).

NAB

On the same date Norges Bank paid its quota increase, Norway's loan resource commitments under the NAB⁵ were reduced by approximately the same amount. This did not involve any transactions. Norges Bank's commitments under this lending programme were reduced to SDR 1 997m (Chart 15). Total outstanding drawings were SDR 347m at the end of 2016 Q2.

When the IMF has a need for funds, it normally draws on quota commitments and the NAB. Following the quota increase, owing to a reduction of commitments under the NAB in the same amount, Norges Bank's total commitments to the IMF are virtually unchanged. Commitments under the quota and NAB are SDR 5 722m. At the end of Q2, the IMF had drawn SDR 577m. A further SDR 5 144m 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 6 000m. 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 300m 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 the end of 2016 Q2, SDR 295m had been drawn (Chart 16).

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 168m to SDR 1 563m. Thus, if other countries wish to sell SDRs, Norges Bank may have to increase holdings of SDRs to SDR 2 345m. 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 Q2, holdings of SDRs were SDR 1 272m (Chart 17).

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

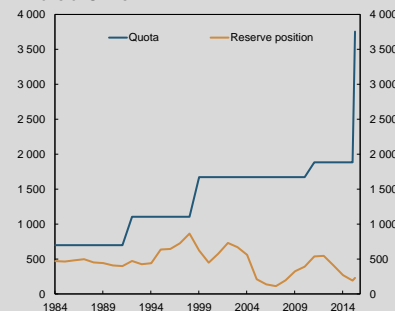


Chart 15 NAB. In millions of SDRs

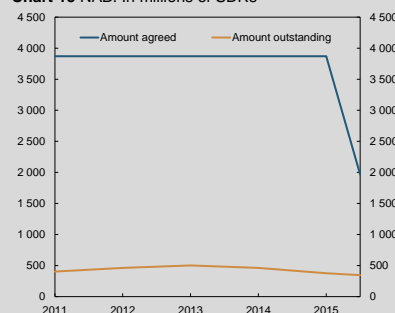


Chart 16 PRGT. In millions of SDRs

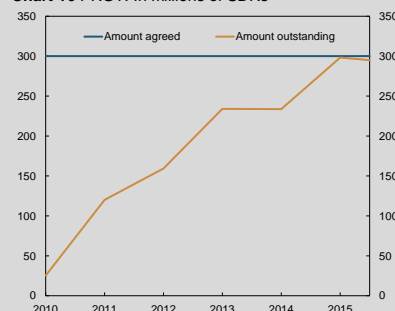
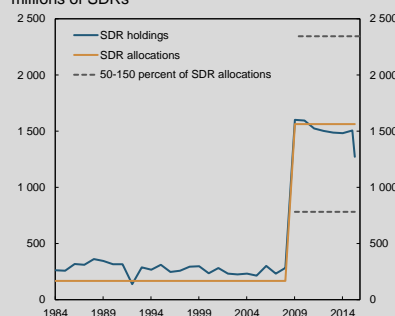


Chart 17 Holdings of SDRs and SDR allocations. In millions of SDRs



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%), euro (37%), Japanese yen (10%) and pound sterling (11%). At 30 June 2016, SDR 1 = NOK 11.68.

⁴ Amount drawn is equal to the reserve tranche position.

⁵ New Arrangements to Borrow (NAB).

⁶ Poverty Reduction and Growth Trust (PRGT).

Key figures

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Table 5 Market value of the foreign exchange reserves. In billions of NOK

	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Money market investments	47.7	47.3	50.3	49.8	45.9
Long-term fixed income investments	241.1	236.8	241.9	236.9	217.3
Equity investments	159.7	156.5	169.2	154.3	154.2
Petroleum buffer portfolio	18.2	20.6	8.7	18.1	39.8
Foreign exchange reserves	466.6	461.3	470.1	459.1	457.3
Total change during the quarter	5.4	-8.8	11.0	1.8	-22.4
Return	4.8	-0.5	10.5	-6.8	-3.3
Changes due to movements in the NOK exchange rate	2.6	-20.3	11.1	32.9	-4.3
Net transfers	-2.0	11.9	-10.6	-24.3	-14.9

Table 6 Return in international currency terms. Percent

	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<i>Portfolio:</i>					
Money market investments	0.06	0.04	0.01	0.03	-0.03
Long-term fixed income investments	1.01	2.22	-0.59	1.35	-0.64
Equity investments	1.28	-2.21	6.78	-8.02	-0.83
Foreign exchange reserves¹	1.01	0.36	2.06	-2.25	-0.64
<i>Benchmark index:</i>					
Money market investments	0.05	0.06	-0.01	0.02	0.01
Long-term fixed income investments	1.01	2.20	-0.57	1.35	-0.59
Equity investments	1.31	-2.41	6.74	-8.00	-0.88

¹ Excluding petroleum buffer portfolio.

Table 7 Return in NOK terms. Percent

	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<i>Portfolio:</i>					
Money market investments	0.60	-5.37	3.10	8.51	-1.48
Long-term fixed income investments	1.76	-2.57	2.10	9.50	-1.63
Equity investments	2.03	-6.79	9.67	-0.62	-1.82
Foreign exchange reserves¹	1.74	-4.42	4.86	5.65	-1.68

¹ Excluding petroleum buffer portfolio.

Table 8 Key figures for asset allocation. Foreign exchange reserves at 30 June 2016. Percent

Risk	Limits	Actual 2016 Q2	
<i>Money market portfolio</i>	Cash	> 10.0%	51.7
	Securities	< 90.0%	48.3
<i>Long-term portfolio</i>	Fixed income portfolio	> 50.0%	60.2
	Equity portfolio	< 50.0%	39.8

Table 9 Key figures at 30 June 2016. Annualised. In international currency terms

	Past year	Past 3 years	Past 5 years	Past 10 years ¹
<i>Foreign exchange reserves excl. petroleum buffer portfolio:</i>				
Gross annual return (percent)	1.12	5.42	5.71	5.42
<i>Money market investments:</i>				
Portfolio return (percent)	0.15	0.11	0.16	-
Benchmark return (percent)	0.12	0.08	0.13	-
Excess return (percentage points)	0.03	0.04	0.03	-
Realised absolute volatility (percent) ²	0.04	0.04	0.07	-
Realised relative volatility (percentage points) ²	0.05	0.04	0.04	-
Information rate ³	0.62	0.88	0.96	-
<i>Long-term fixed income investments:</i>				
Portfolio return (percent)	4.03	3.76	4.16	4.63
Benchmark return (percent)	4.03	3.85	4.10	4.34
Excess return (percentage points)	0.01	-0.10	0.06	0.30
Realised absolute volatility (percent) ²	1.87	2.41	2.95	3.56
Realised relative volatility (percentage points) ²	0.03	0.11	0.31	1.58
Information rate ³	0.18	-0.88	0.19	0.19
<i>Equity investments:</i>				
Portfolio return (percent)	-2.72	9.52	9.53	5.68
Benchmark return (percent)	-2.91	9.29	9.29	5.60
Excess return (percentage points)	0.19	0.23	0.24	0.08
Realised absolute volatility (percent) ²	14.79	10.86	11.83	14.93
Realised relative volatility (percentage points) ²	0.21	0.16	0.16	0.41
Information rate ³	0.90	1.38	1.55	0.20

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. Absolute/relative volatility expresses risk related to absolute/relative return.

³ Information rate (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).

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Income statement

Amounts in millions of NOK	2016 Q2	2016 Q1	2016 YTD	2015 Total
NET INCOME FROM FINANCIAL INSTRUMENTS				
Net income/expenses – gains/losses from:				
Equities and units	1 842	-5 402	-3 560	10 221
Bonds and other fixed income instruments	2 892	4 876	7 768	2 573
Financial derivatives	-8	2	-6	-29
Secured lending	37	23	60	69
Interest income and expense from deposits and short-term borrowing	-	-	-	-8
Tax expense	-17	-28	-45	-42
Other financial income/expenses	4	1	5	1
Net income from financial instruments before foreign exchange gains/losses	4 750	-528	4 222	12 785
Foreign exchange gains/losses	2 648	-20 329	-17 681	53 699
Net income from financial instruments	7 398	-20 857	-13 459	66 484

Balance sheet

Amounts in millions of NOK	30 Jun. 2016	31 Mar. 2016
FINANCIAL ASSETS		
Deposits in banks	18 533	24 019
Secured lending	61 110	55 650
Unsettled trades	2 374	3 474
Equities and units	155 112	147 862
Equities lent	4 786	9 383
Bonds and other fixed income instruments	261 178	264 126
Financial derivatives	7	7
Other financial assets	2 464	680
Total financial assets	505 564	505 201
FINANCIAL LIABILITIES		
Secured borrowing	927	830
Unsettled trades	36 565	38 203
Financial derivatives	0	1
Other financial liabilities	0	3 839
Total financial liabilities	37 492	42 873
Total foreign exchange reserves	468 072	462 328

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 June 2016. 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

2 | 2016

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	Total foreign exchange reserves
Amounts in millions of NOK	2016 Q2	2016 Q2	2016 Q2	2016 Q2	2016
NET INCOME FROM FINANCIAL INSTRUMENTS					
Net income/expenses – gains/losses from:					
Equities and units	1 842	-	-	1 842	-3 560
Bonds and other fixed income instruments	2 873	19	-	2 892	7 768
Financial derivatives	-2	-6	-	-8	-6
Secured lending	16	17	4	37	60
Interest income and expense from deposits and short-term borrowing	-	1	-1	-	1
Tax expense	-17	-	-	-17	-45
Other financial income/expenses	4	-	-	4	5
Net income from financial instruments before foreign exchange gains/losses	4 716	31	3	4 750	4 222
Foreign exchange gains/losses	2 648	255	-255	2 648	-17 681
Net income from financial instruments*	7 364	286	-252	7 398	-13 459

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

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	30 Jun. 2016	30 Jun. 2016	30 Jun. 2016	30 Jun. 2016
FINANCIAL ASSETS				
Deposits in banks	414	8 003	10 116	18 533
Secured lending	927	43 099	17 083	61 110
Unsettled trades	2 374	-	-	2 374
Equities and units	155 112	-	-	155 112
Equities lent	4 786	-	-	4 786
Bonds and other fixed income instruments	238 171	23 008	-	261 178
Financial derivatives	1	-	6	7
Other financial assets	1 928	-	536	2 464
Total financial assets	403 713	74 110	27 741	505 564
FINANCIAL LIABILITIES				
Secured borrowing	927	-	-	927
Unsettled trades	2 036	26 410	8 119	36 565
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	-	-
Total financial liabilities	2 963	26 410	8 119	37 492
Total foreign exchange reserves*	400 750	47 700	19 622	468 072

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