

FOREIGN EXCHANGE RESERVES

Management of Norges Bank's foreign exchange reserves

1 | 2018

MAY 2018

REPORT FOR
FIRST QUARTER 2018



NORGES BANK

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Management of the foreign exchange reserves

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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.

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 2018 Q1

- The market value of the foreign exchange reserves was NOK 499.0bn at the end of 2018 Q1, a decline of NOK 15.3bn over the quarter.
- The return on the foreign exchange reserves was negative 1.0%, negative 2.2% on equity investments and negative 0.4% 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 from 2018 Q1

	Fixed income investments	Equity investments	Petroleum buffer portfolio	Foreign exchange reserves
<i>In billions of NOK</i>				
Market value (opening)	305.3	183.7	25.3	514.3
Market value (closing)	298.2	174.3	26.5	499.0
Change in market value	-7.1	-9.4	1.2	-15.3
Net transfers	1.5	0.0	1.7	3.2
Return in NOK	-8.6	-9.4	-0.5	-18.5

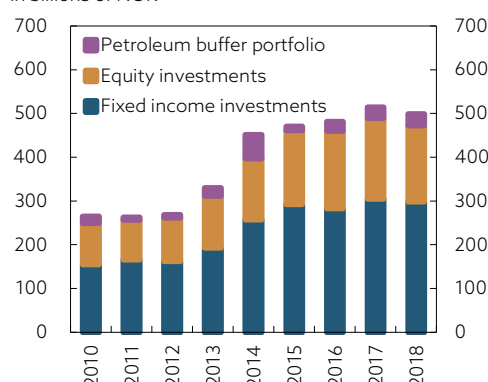
Table 2 Details of fixed income and equity investments for 2018 Q1

	Fixed income investments	Equity investments	Total
<i>In billions of NOK</i>			
Return in NOK	-8.6	-9.4	-18.0
Return in international currency	-1.1	-3.6	-4.7
Movements in the krone exchange rate	-7.5	-5.8	-13.3
<i>In percent</i>			
Return in international currency	-0.36	-2.20	-1.04
Relative return in international currency	0.01	-0.03	-
Return in NOK	-2.82	-5.11	-3.68
Expected relative volatility in NOK	0.10	0.08	-

Foreign exchange reserves

The market value of the foreign exchange reserves was NOK 499.0bn at the end of 2018 Q1. In all, the value decreased by NOK 15.3bn during the quarter. This primarily reflects a stronger krone, which resulted in a decrease in value equivalent to NOK 13.3bn. Decline in the equity market and higher yields generated a negative return equivalent to NOK 3.6bn and 1.1bn on equity and fixed income portfolios, respectively. During the quarter, a net inflow added the equivalent of NOK 3.2bn to the foreign exchange reserves.

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



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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 2018 Q1 was NOK 298.2bn, a decline of NOK 7.1bn since the end of 2017. This reflects a stronger krone, which accounted for a decrease in value of approximately NOK 7.5bn. In international currency terms, return was negative NOK 1.1bn, approximately negative 0.4%, which was equivalent to an excess return of one basis point.

During the quarter, US short-term yields rose markedly, while the rise in long-term yields was somewhat less pronounced. Continued solid economic developments and prospects for further increases in policy rates by the Federal Reserve have contributed to the change in the yield curve. Increased risk related to a possible trade conflict between China and the US has had a dampening effect on the rise in yields somewhat further out in the quarter. USD-denominated investments accounted for about 50% of the fixed income portfolio. The rise in short-term government bond yields resulted in the

negative contribution to total return from US dollar investments.

Despite wide swings during the quarter, both German and French government bond yield curves were relatively little changed at the end of Q1. This entailed a return on investments denominated in euro of close to zero. EUR-denominated investments accounted for about 34% of the fixed income portfolio.

Signals of a somewhat faster-than-expected rise in interest rates by the Bank of England contributed in particular to the rise in UK short-term yields in Q1. The movements in long-term yields were more moderate and the yield curve thus became flatter over the quarter. Higher yields resulted in a negative contribution to total return from sterling investments. As with sterling investments, investments in JPY accounted for about 8% of the fixed income portfolio at the end of Q1. There were minor movements in Japanese yields and the return was close to zero in Q1.

Table 3 Fixed income investments by currency at the end of Q1. Market value in billions of NOK

	Market value	Share	Duration	Yield
Total	298.2	100.00	3.54	1.22
EUR	101.5	34.05	3.79	-0.15
GBP	24.1	8.10	3.92	0.98
JPY	24.1	8.08	3.86	-0.11
USD	148.4	49.78	3.25	2.42

Table 4 Return on fixed income investments

	2018 Q1
<i>In international currency terms</i>	
Return (percent)	-0.36
Return (millions of NOK)	-1 106
<i>In NOK terms</i>	
Return (percent)	-2.82
Return (millions of NOK)	-8 595

Table 5 Relative return on fixed income investments

	2018 Q1
<i>In international currency terms</i>	
Relative return (percentage points)	0.01
Relative return (in millions of NOK)	36

Chart 2 Principal and coupon due per year at the end of Q1. In billions of NOK

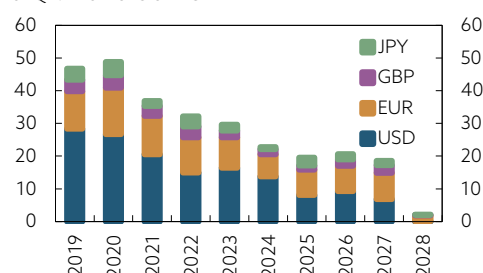


Chart 3 Return in international currency terms. Fixed income investments. Percent

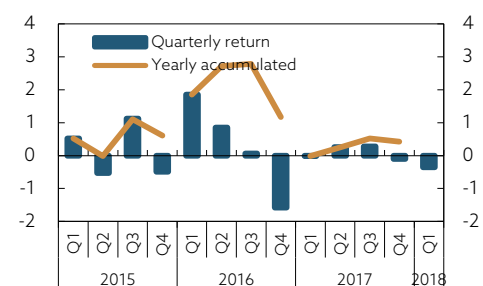
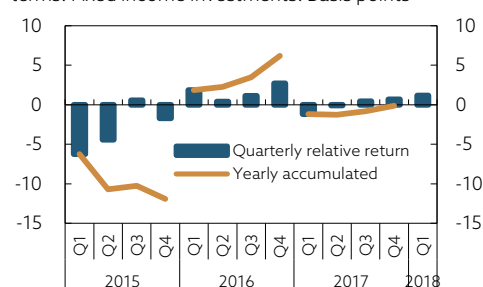


Chart 4 Relative return in international currency terms. Fixed income investments. Basis points



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 174.3bn at the end of 2018 Q1, a decline of NOK 14.3bn from 2017 Q4. This reflects a stronger krone, which accounted for a decrease in value of approximately NOK 5.8bn. In international currency terms, return was negative NOK 3.6bn, approximately negative 2.2%, which was equivalent to a negative excess return of 3 basis points.

At the end of Q1, approximately 62.7% of the equity portfolio was invested in North America, 24.3% in Europe and 12.9% in Asia. The return in Q1 was

affected by increasing uncertainty and higher volatility in global equity markets. Higher wage growth for US workers lifted inflation and interest rates were expected to be raised at a faster pace. Towards the end of Q1, the concern about increasing protectionism spread. The strong returns of technology companies over the quarter were partially reversed towards the end of the quarter. The fall in equity prices was cushioned by continued strong global economic growth.

European equities posted the lowest return in Q1, at negative 2.9%.

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Investments in North America and Asia also posted negative returns, at 2.0% and 1.7%, respectively. The telecommunications sector posted the

lowest return in Q1, at negative 6.3%, while the technology sector posted the highest return, 1.9%.

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Table 6 Equity investments excluding cash funds by industry at the end of 2018 Q1. In billions of NOK

	Market value	Share
Total	174.2	100.0
Oil and gas	10.8	6.2
Basic materials	7.6	4.3
Industrials	21.7	12.5
Consumer goods	20.7	11.9
Health care	20.3	11.7
Consumer services	19.4	11.2
Telecommunications	4.7	2.7
Utilities	4.3	2.5
Financials	38.7	22.2
Technology	25.9	14.9

Table 7 Equity investments excluding cash funds by currency at the end of 2018 Q1. In billions of NOK

	Market value	Share
Total	174.2	100.0
AUD	4.4	2.5
CAD	5.3	3.1
CHF	5.5	3.2
DKK	1.2	0.7
EUR	22.3	12.8
GBP	11.3	6.5
JPY	18.1	10.4
SEK	1.9	1.1
USD	104.1	59.7

Table 8 Return on equity investments

	2018 Q1
<i>In international currency terms</i>	
Return (percent)	-2.20
Return (millions of NOK)	-3 617
<i>In NOK terms</i>	
Return (percent)	-5.11
Return (millions of NOK)	-9 397

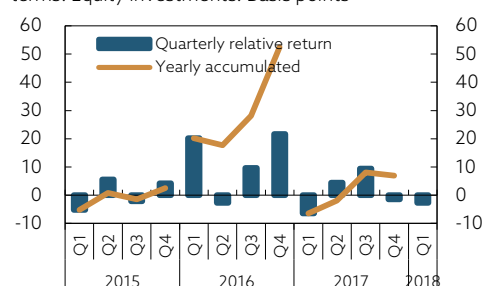
Chart 5 Return in international currency terms. Equity investments. Percent



Table 9 Relative return on equity investments

	2018 Q1
<i>In international currency terms</i>	
Relative return (percentage points)	-0.03
Relative return (in millions of NOK)	-54

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 2018 Q1, the market value of the petroleum buffer portfolio was NOK 26.5bn. During the quarter, NOK 10.7bn worth of foreign exchange reserves was transferred from the GPFG, including management fees equal to NOK 4.7bn. In addition, approximately

NOK 44.0bn worth of foreign exchange was purchased from the State's Direct Financial Interest (SDFI). Over the quarter, Norges Bank sold approximately NOK 53.0bn 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. For equity and fixed income investments, expected absolute volatility at the end of 2018 Q1 excluding exchange rate movements was 12.1% and 1.2%, respectively. This

corresponds to an expected annual fluctuation in value, excluding exchange rate movements, of approximately NOK 21bn and NOK 4bn, 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 are expected to fluctuate in value compared with the portfolio's benchmark index. At the end of Q1, expected relative volatility was 0.08 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

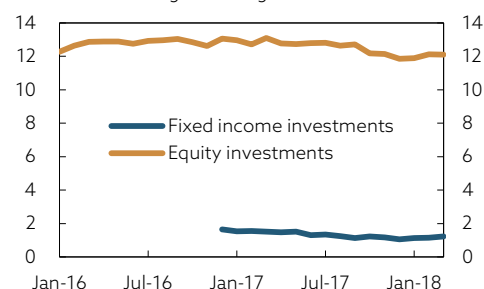
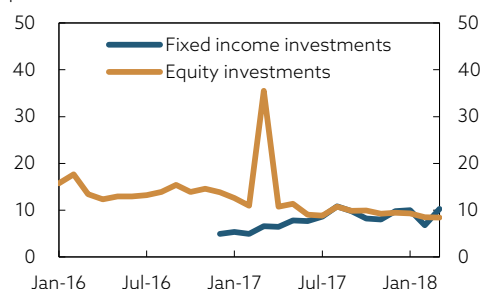


Chart 8 Relative volatility, including exchange rate movements. Foreign exchange reserves. Basis points



EXPECTED RELATIVE VOLATILITY

Under the Executive Board's principles for the foreign exchange reserves, maximum expected relative volatility is set at 0.5 percentage point for both fixed income and equity portfolios. 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 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. 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 Q1, 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 210m at the end of Q1. 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 the end of 2018 Q1, the IMF had drawn SDR 453m. A further SDR 5268m 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 end-2019, with the possibility of a one-year extension. At the end of 2018 Q1, 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 (Chart 11). In November 2016, a new borrowing agreement was signed under which Norway will provide the PRGT with an additional SDR 300m. At the end of 2018 Q1, no amounts had been drawn on the new borrowing agreement.

HOLDINGS OF SDRs The IMF has allocated SDRs 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 2018 Q1, holdings of SDRs were SDR 1499 (Chart 12).

Chart 9 IMF quota. In billions of SDRs

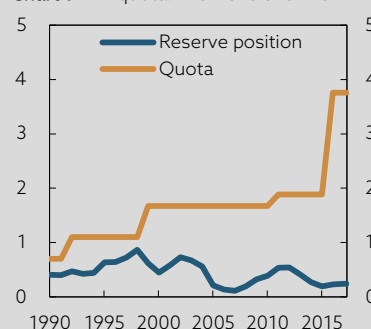


Chart 10 NAB. In billions of SDRs

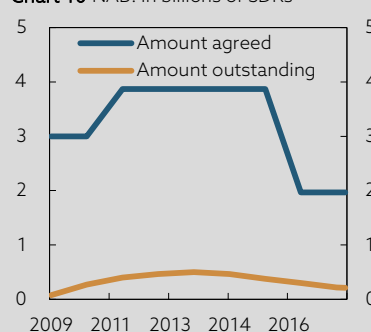


Chart 11 PRGT. In hundreds of millions of SDRs

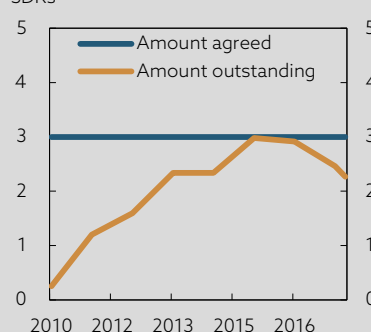
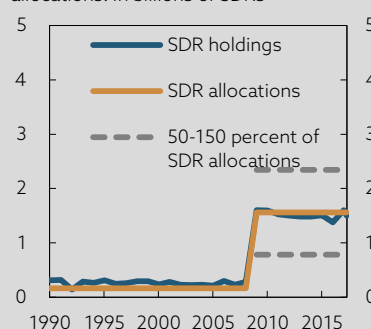


Chart 12 Holdings of SDRs and SDR allocations. In billions of SDRs



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 28 March 2018, SDR 1 = NOK 11.39.

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

Key figures

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Table 10 Market value of the foreign exchange reserves. In billions of NOK

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Market value of fixed income and equity investments	472.5	489.0	466.4	476.1	473.3
Change in market value	-16.5	22.6	-9.7	2.8	13.1
Net transfers	1.5	-1.5	0.4	-0.6	0.4
Return in NOK	-18.0	24.0	-10.1	3.4	12.7
<i>Return in international currency</i>	<i>-4.7</i>	<i>8.8</i>	<i>7.8</i>	<i>5.6</i>	<i>9.0</i>
<i>Change due to movements in the krone exchange</i>	<i>-13.3</i>	<i>15.2</i>	<i>-17.9</i>	<i>-2.2</i>	<i>3.7</i>
Market value of the petroleum buffer portfolio	26.5	25.3	12.9	25.2	21.8
Change in market value	1.2	12.4	-12.3	3.4	1.1
Net transfers	1.7	12.2	-11.3	3.6	1.0
<i>Foreign exchange purchases from the SDFI</i>	<i>44.0</i>	<i>36.3</i>	<i>29.4</i>	<i>35.8</i>	<i>39.1</i>
<i>Foreign exchange purchases in the market</i>	<i>-53.0</i>	<i>-38.5</i>	<i>-51.0</i>	<i>-48.5</i>	<i>-61.6</i>
<i>Transfers from the GPFG</i>	<i>10.7</i>	<i>14.4</i>	<i>10.4</i>	<i>16.3</i>	<i>23.4</i>
Return in NOK	-0.5	0.2	-1.0	-0.2	0.1
Market value of the foreign exchange reserves	499.0	514.3	479.3	501.3	495.1

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

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Return on fixed income investments	-0.36	-0.10	0.28	0.26	-0.01
Return on equity investments	-2.20	5.34	4.27	2.85	5.22
Return on the foreign exchange reserves¹	-1.04	1.87	1.69	1.17	2.00
Return on benchmark index for fixed income investments	-0.37	-0.11	0.27	0.26	0.00
Return on benchmark index for equity investments	-2.17	5.35	4.17	2.81	5.29
Relative return on fixed income investments	0.01	0.01	0.00	0.00	-0.01
Relative return on equity investments	-0.03	-0.01	0.09	0.04	-0.06

¹Excluding the petroleum buffer portfolio

Table 12 Return on the foreign exchange reserves in NOK terms. Percent

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Return on fixed income investments	-2.82	3.26	-3.28	0.20	0.72
Return on equity investments	-5.11	8.47	-0.03	1.67	6.00
Return on the foreign exchange reserves¹	-3.68	5.15	-2.13	0.72	2.75
Return on benchmark index for fixed income investments	-2.83	3.25	-3.29	0.20	0.73
Return on benchmark index for equity investments	-5.09	8.49	-0.12	1.62	6.07
Relative return on fixed income investments	0.01	0.01	0.00	0.00	-0.01
Relative return on equity investments	-0.03	-0.02	0.09	0.04	-0.07

¹Excluding the petroleum buffer portfolio

Table 13 Key figures at the end of 2018 Q1. Annualised data in international currency terms. Percent

	Past year	Past 3 years	Past 5 years	Past 10 years
Return on the foreign exchange reserves	3.72	3.12	5.02	5.23
<i>Fixed income investments</i>				
Return on fixed income investments	0.07	0.44	1.29	3.25
Return on benchmark index	0.05	0.43	1.31	2.74
Relative return	0.02	0.01	-0.02	0.51
Realised absolute volatility ¹	1.33	1.52	2.00	3.21
Realised relative volatility ¹	0.07	0.05	0.08	1.49
Information rate (IR) ²	0.33	0.10	-0.24	0.34
<i>Equity investments</i>				
Return on equity investments	10.48	7.77	11.55	8.18
Return on benchmark index	10.38	7.56	11.29	7.91
Relative return	0.10	0.21	0.26	0.27
Realised absolute volatility ¹	7.00	10.17	9.37	14.43
Realised relative volatility ¹	0.08	0.15	0.17	0.30
Information rate (IR) ²	1.21	1.35	1.56	0.90

¹ 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.

² 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).

Table 14 Claims on and liabilities to the International Monetary Fund (IMF) at the end of 2018 Q1. 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 ¹		-	42 810	-	42 810
Holdings of SDRs		-	-	17 097	17 097
Loans to the IMF – NAB	22 395	2 397	-	-	2 397
Loans to the IMF – Bilateral agreement	68 322	-	-	-	-
Loans to the IMF – PRGT	6 832	2 585	-	-	2 585
Claims on the IMF		4 982	42 810	17 097	64 889
<i>Financial liabilities</i>					
Krone liability to the IMF		-	40 042	-	40 042
Equivalent value of SDR allocations		-	-	17 822	17 822
Liabilities to the IMF		-	40 042	17 822	57 864
<i>Net positions with the IMF</i>					
Net positions with the IMF		4 982	2 769	-726	7 025

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

Income statement

Amounts in NOK millions	2018 Q1	2017 Q1	2017
<i>Net income/expense from financial instruments</i>			
Net income/expenses from:			
Equities	-6 035	9 445	29 033
Bonds	-1 162	18	1 618
Financial derivatives	83	-23	-92
Secured lending	74	27	163
Interest income/expense from deposits and short-term borrowing	2	-1	5
Tax expenses	-18	-24	-71
Other financial income/expenses	-7	-	-5
Net income/expense from financial instruments before foreign exchange gains/losses	-7 063	9 442	30 651
Foreign exchange gains/losses	-12 145	3 319	-1 507
Net income/expense from financial instruments	-19 208	12 761	29 144

Balance sheet

Amounts in NOK millions	31 Mar. 2018	31 Dec. 2017
<i>Financial assets</i>		
Deposits in banks	4 478	8 376
Secured lending	30 367	25 559
Unsettled trades	73	2 046
Equities	156 802	173 203
Equities lent	17 733	10 584
Bonds	292 238	299 357
Financial derivatives	20	2
Other financial assets	50	473
Total financial assets	501 761	519 600
<i>Financial liabilities</i>		
Secured borrowing	352	286
Unsettled trades	8 313	6 617
Financial derivatives	9	10
Other financial liabilities	286	292
Total financial liabilities	8 960	7 205
Net foreign exchange reserves	492 801	512 395

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 March 2018. 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

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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.

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Note 2 Income statement by portfolio

	Equity portfolio 2018 Q1	Fixed income portfolio 2018 Q1	Petroleum buffer portfolio 2018 Q1	Foreign exchange reserves 2018 Q1
Amounts in NOK millions				
<i>Net income/expense from financial instruments</i>				
Net income/expenses from:				
Equities	-6 035	-	-	-6 035
Bonds	-	-1 162	-	-1 162
Financial derivatives	-	83	-	83
Secured lending	14	3	57	74
Interest income/expense from deposits and short-term borrowing	-	2	-	2
Tax expense	-18	-	-	-18
Other financial income/expenses	-7	-	-	-7
Net income/expense from financial instruments before foreign exchange gains/losses	-6 046	-1 074	57	-7 063
Foreign exchange gains/losses	-3 350	-8 135	-660	-12 145
Net income/expense from financial instruments	-9 396	-9 209	-603	-19 208

Note 3 Balance sheet by portfolio

	Equity portfolio 31 Mar. 2018	Fixed income portfolio 31 Mar. 2018	Petroleum buffer portfolio 31 Mar. 2018	Foreign exchange reserves 31 Mar. 2018
Amounts in NOK millions				
<i>Financial assets</i>				
Deposits in banks	130	2 415	1 933	4 478
Secured lending	314	5 843	24 210	30 367
Unsettled trades	73	-	-	73
Equities	156 802	-	-	156 802
Equities lent	17 733	-	-	17 733
Bonds	-	292 238	-	292 238
Financial derivatives	3	-	17	20
Other financial assets	50	-	-	50
Total financial assets	175 105	300 496	26 160	501 761
<i>Financial liabilities</i>				
Secured borrowing	352	-	-	352
Unsettled trades	142	2 920	5 251	8 313
Financial derivatives	-	-	9	9
Other financial liabilities	286	-	-	286
Total financial liabilities	780	2 920	5 260	8 960
Net foreign exchange reserves	174 325	297 576	20 900	492 801