MINUTES OF THE EXECUTIVE BOARD MEETING OF 21 SEPTEMBER 2016

Present:

Executive Board:

Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg,

Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker

and Steinar Juel

Alternates:

Arne Hyttnes and Kristine Landmark

Employee

representatives:

Mona H. Sørensen and Henrik Borchgrevink (items 176-178)

Office of the

Supervisory Council:

Svenn-Erik Forsstrøm (items 172-174)

Management:

Ida Wolden Bache (items 167-169), Torbjørn Hægeland (items 167-170), Sindre Weme (items 167-169), Kristine Høegh-Omdal (items 167-169), Per Espen Lilleås (items 167-169), Ingrid Solberg (items 167-169), Kristin Gulbrandsen (items 167-170 and 177), Olav Bø (items 167-169), Runar Malkenes (items 167-169), Therese Riiser Wålen (items 167-169), Knut Sandal (item 170), Anna Grinaker (item 170), Leif Veggum (item 170), Mads Kristensen (items 172-174), Renate Haugen (item 174), Helge Mothes (items 172-174), Karsten Kallevig (items 172-175), Trond Grande (items 172-175), Karsten Kallevig (items 172-175), Stephen Hirsch (items 174), Merethe Riddervold (items 172-173), Pål Haugerud (items 172-174), Birger Vikøren (items 172-175), Bjarne Gulbrandsen (items 167-178), Olav Mundal

(items 167-174 and 176-178)

The following were distributed for information together with the discussion documents:

- Report from the meeting between NBIM and the Ministry of Finance Memo from NBIM of 15 September 2016
- NBIM Monthly Board Report August 2016
- Minutes of the Risk and Investment Committee meeting of 5 September 2016

167/2016 Advice to the Ministry of Finance on the countercyclical capital buffer

Discussion documents:

- Advice on the countercyclical buffer for the third quarter of 2016
 HIGHLY CONFIDENTIAL memo from Financial Stability of 20 September 2016
- Background information Charts distributed at meeting

Jon Nicolaisen provided an update on the basis for the Bank's advice.

In its discussions, the Executive Board attached importance to the persistent rise in household debt ratios and high property price inflation in recent years being signs that financial imbalances have built up. Over the past year, corporate credit growth has been moderate and household credit growth has edged down. House prices have risen sharply recently. High house price inflation may lead to higher growth in household borrowing, increasing household sector vulnerabilities, with a higher risk of an abrupt decline in demand and bank loan losses further ahead. In isolation, this suggests that the countercyclical capital buffer could be raised. On the other hand, continued weak growth in the Norwegian economy may dampen credit growth in both the household and corporate sector. In addition, there has been some increase in banks' loan losses. In such a situation, a higher countercyclical capital buffer will increase the risk of banks tightening their supply of credit to the corporate sector.

On the basis of an overall assessment, the Executive Board decided to advise the Ministry of Finance to keep the buffer rate unchanged at 1.5%.

168/2016 Draft monetary policy report with financial stability assessment 3/16

Discussion documents:

Monetary Policy Report 3/16
 HIGHLY CONFIDENTIAL memo of 20 September 2016

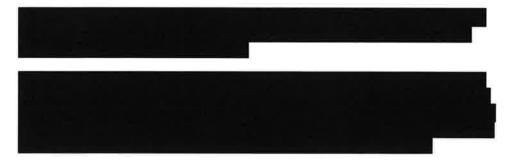
Jon Nicolaisen presented a number of adjustments to the report following its consideration by the Executive Board on 14 September 2016.

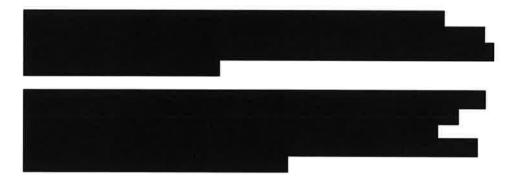
The Executive Board discussed the economic outlook, the monetary policy stance and the basis for the countercyclical buffer at the banks. The Executive Board approved the proposed "Executive Board's Assessment". The assessment is to be published in Monetary Policy Report 3/16.

169/2016 The current monetary situation

Discussion documents:

- Norges Bank's policy rate Meeting of 22 September 2016
 HIGHLY CONFIDENTIAL memo from Monetary Policy of 20 September 2016
- Economic developments since 23 June 2016
 Memo from Monetary Policy of 15 September 2016
- Report from the meeting between Norges Bank and the Ministry of Finance of 21 June 2016
- Background information Charts distributed at meeting





170/2016 Draft letter to the Ministry of Finance on emergency cash reserves

Discussion documents:

- Memo from Financial Stability of 15 September 2016

Torbjørn Hægeland presented the discussion document and the draft letter agreed between staff at Finanstilsynet and Norges Bank.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance recommending that banks' responsibility for emergency cash reserves is clarified in a regulation.

The Governor was authorised to finalise the letter to the Ministry in consultation with Finanstilsynet in the light of the Executive Board's remarks.

171/2016 Briefing on current issues in Central Banking Operations

The Governor gave a briefing on current issues in Central Banking Operations.

172/2016 Government Pension Fund Global – Implementation of revised management model

Discussion documents:

- Memo from NBIM of 15 September 2016

In a letter of 24 June 2016, the Ministry of Finance asked for Norges Bank's input on a number of matters concerning the mandate for the Government Pension Fund Global and the regulation of real estate investments, the composition of the benchmark index, the calculation of relative risk, and how the mandate should be updated to reflect the changes.

Yngve Slyngstad and Trond Grande presented the discussion document and a draft letter. Egil Matsen discussed the need for changes to the mandate and presented the Risk and Investment Committee's discussions at its meeting of 5 September.

The Executive Board exchanged views and approved the letter's key message. The Governor was authorised to finalise the letter based on the Executive Board's discussions. Should it be found necessary to make more extensive changes than envisaged, the letter is to be resubmitted to the Executive Board.

173/2016 Unlisted real estate investments – Job description and investment mandate for the CEO of NBREM

Discussion documents:

- Memo from NBIM of 20 September 2016

The investment mandate and job description for the CEO of Norges Bank Real Estate Management (NBREM) are to be approved by the CEO of NBIM and submitted to the Executive Board for information in the event of changes.

Yngve Slyngstad presented the changes to the investment mandate and job description.

The Executive Board exchanged views and took note of the changes to the investment mandate and job description for the CEO of NBREM.

174/2016 NBIM audit reports

Discussion documents:

- Memo from Internal Audit of 15 September 2016

Mads Kristensen presented the key elements of the audit reports. Karen Helene Ulltveit-Moe referred to the Audit Committee's position on the matter and briefly presented its consideration of the audit reports.

The Executive Board exchanged views and took note of Internal Audit's summary of the audit reports.

175/2016 Briefing on current issues in investment management

Yngve Slyngstad gave a briefing on current issues in investment management.

176/2016 Minutes of the Executive Board meeting of 14 September 2016

The Executive Board approved the minutes of its meeting of 14 September 2016.

177/2016 Basis for new procurement process for IT operations

Discussion documents:

- Memo from Markets and Banking Services' ICT Unit of 14 September 2016

Kristin Gulbrandsen and Helge Mothes presented the discussion document.

The Executive Board exchanged views and noted that a procurement process for IT operations is starting up on the following basis:

 An operating agreement and data centre agreement are to be entered into with a company based on the necessary security requirements

- Dedicated infrastructure is to be established in physically separated server rooms, with special requirements for physical security and separation of Norges Bank's settlement system (NBO)
- The IT operating platform is to be modernised with enhanced security standards
- The Bank is to build up in-house expertise to improve management, control and contingency planning in relation to IT operations

178	/201	6 4	Anv	other	bus	iness

	control and contingency planning in relation to 11 operations
6	Any other business
	There was no other business.
	Executive Board members:
	Executive Board alternates:

Employee representatives in respect of items 176-178: