

MINUTES OF THE EXECUTIVE BOARD MEETING OF 26 OCTOBER 2016

Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel

Deputy members: Arne Hyttnes and Kristine Landmark

Employee representatives: Mona H. Sørensen and Henrik Borchgrevink (items 197-199)

Office of the Supervisory Council: Sverre-Erik Forsstrøm (items 194 and 197-206)

Deloitte AS: Henrik Woxholt (items 200-204)

Management: Yngve Slyngstad (items 197-207), Trond Grande (items 197-207), Dag Huse (items 200-201), Stephen Hirsch (item 202), Marius Nygaard Haug (item 205), Ole Christian Bech-Moen (item 206), Lise Lindbäck (item 206), Hege Gjerde (items 197-198 and 200-201), Merethe Riddervold (items 197-198, 200-202 and 205-206), Karsten Kallevig (items 199 and 203-204), Ivar Eriksen (items 199 and 203-204), Jan Thomsen (items 203-204), Lars Dahl (items 203-204), Ida Wolden Bache (item 192), Per Espen Lilleås (item 192), Ingrid Solberg (item 192), Therese Riiser Wålen (item 192), Kristin Gulbrandsen (items 192 and 194-195), Olav Bø (items 192-194), Torbjørn Hægeland (item 193), Sindre Weme (items 192-193), Henrik Andersen (item 193), Katrine Godding Boye (item 193), Ketil J. Rakkestad (item 193), Roger Rake (item 194), Ørjan Agdesteen (item 194), Leif Veggum (item 195), Birger Vikøren (items 193-208), Runar Malkenes (items 192-195 and 197-206), Ingunn Valvatne (items 198-206), Pål Haugerud (items 197-206), Bjarne Gulbrandsen (items 192-208)

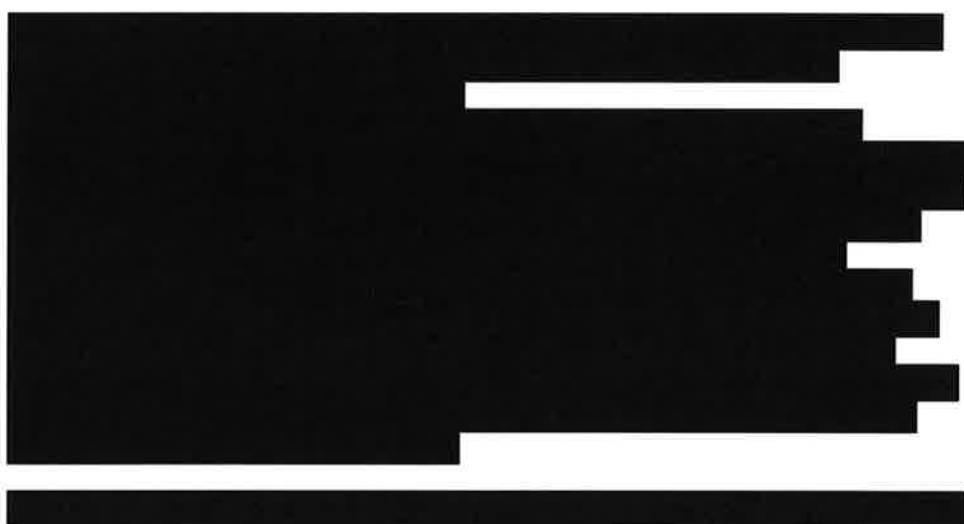
The following were distributed for information together with the discussion documents:

- Agenda for the Executive Board seminar of 25 October 2016
- Revision of the mandate for the Government Pension Fund Global – Changes to the regulation of real estate investments
Letter to the Ministry of Finance of 10 October 2016
- Government Pension Fund Global – Guidelines for observation and exclusion
Letter to the Council on Ethics of 18 October 2016
- Minutes of the Real Estate Investment Board meeting of 28 September 2016
Memo of 20 October 2016
- Supplementary Executive Board Report Q3
Report of 13 October 2016
- National report from the regional network – Phone survey 2/2016
- Market Focus 5-2016

192/2016 The current monetary situation

Discussion documents:

- Recommendation on Norges Bank's policy interest rate
HIGHLY CONFIDENTIAL memo from Monetary Policy of 20 October 2016
- Economic developments since 21 September 2016
Memo from Monetary Policy of 20 October 2016
- Report from the meeting between Norges Bank and the Ministry of Finance of 20 September 2016
HIGHLY CONFIDENTIAL memo from Monetary Policy of 20 October 2016
- Updated outlook 2/2016
CONFIDENTIAL memo from Monetary Policy of 20 October 2016
- Presentations from Monetary Policy



193/2016 Financial stability report for 2016

Discussion documents:

- Memo from Financial Stability of 20 October 2016

Torbjørn Hægeland and Katrine G. Boye presented the main elements of the report.

Against this background, the Executive Board exchanged views. The Executive Board approved the proposed "Executive Board's Assessment" and took note of the remainder of the report Financial Stability 2016. The report is to be published on 2 November and sent to the Supervisory Council for information.

194/2016 Financial risk and management of the foreign exchange reserves – Report for the third quarter of 2016

Discussion documents:

- Memo from Markets and Banking Services of 20 October 2016
- Memo from the Audit Committee of 24 October 2016
- Memo from the Risk and Investment Committee of 25 October 2016

Kristin Gulbrandsen presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the effect of the transfer fund and the framework for the management of the foreign exchange reserves. Egil Matsen presented the discussions on the Risk and Investment Committee.

The Executive Board took note of the report. The report is to be submitted to the Supervisory Council for information. An edited version of the report covering only the foreign exchange reserves is to be published on 4 November.

195/2016 Issue of commemorative coin in 2018 to mark 150 years of the Norwegian Trekking Association

Discussion documents:

- Memo from Markets and Banking Services of 11 October 2016

Kristin Gulbrandsen introduced the topic.

The Executive Board exchanged views, including on the cost of issuing commemorative coins. The Executive Board gave its approval for Norges Bank to mark 150 years of the Norwegian Trekking Association with the issue of a special-edition 20 krone circulation coin in 2018.

196/2016 Briefing on current issues in Central Banking Operations

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

197/2016 Minutes of the Executive Board meeting of 5 October 2016

The Executive Board approved the minutes of its meeting of 5 October 2016.

198/2016 NBIM operations report for the third quarter of 2016

Discussion documents:

- Memo from NBIM of 20 October 2016

Trond Grande presented the main elements of the report.

The Executive Board exchanged views and took note of the operations report for NBIM for the third quarter of 2016.

199/2016 NBREM operations report for the third quarter of 2016

Discussion documents:

- Memo from NBREM of 20 October 2016

Ivar Eriksen and Karsten Kallevig presented the main elements of the report.

The Executive Board exchanged views and took note of the operations report for NBREM for the third quarter of 2016.

200/2016 Government Pension Fund Global – Public report for the third quarter of 2016

Discussion documents:

- Memo from NBIM of 20 October 2016
- Memo from the Audit Committee of 24 October 2016
- Memo from the Risk and Investment Committee of 24 October 2016

Yngve Slyngstad and Trond Grande presented the main elements of the report. Deloitte confirmed that nothing had come to its attention during its review causing it to believe that the interim financial information had not in all material respects been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Egil Matsen and Karen Helene Ulltveit-Moe presented the discussions on the Risk and Investment Committee and the Audit Committee respectively, and the aspects that particularly drew the Committees' attention, including the new procedure for publishing provisional data after the end of a quarter. The Committees had received satisfactory answers to their questions, and their review had not brought anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and approved the public report on the management of the Government Pension Fund Global, including the interim financial statements for the investment portfolio, for the third quarter of 2016.

The report, including the signed version of the financial reporting for the GPFG for the third quarter of 2016, is to be sent to the Ministry of Finance. The report is to be published on NBIM's website on 28 October. The report is to be submitted to the Supervisory Council for information.

201/2016 NBIM performance and risk – Report for the third quarter of 2016

Discussion documents:

- Memo from NBIM of 20 October 2016
- Memo from the Risk and Investment Committee of 24 October 2016

Dag Huse presented the main elements of the report. Egil Matsen presented the discussions on the Risk and Investment Committee and the aspects that particularly drew its attention, including the different investment strategies' contributions to the fund's performance and risk. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on performance and risk at NBIM for the third quarter of 2016. The Supervisory Council is to be informed of the main elements of the report.

202/2016 NBIM compliance and control – Report for the third quarter of 2016

Discussion documents:

- Memo from NBIM of 20 October 2016
- Memo from the Audit Committee of 24 October 2016

Stephen Hirsch presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the follow-up of unwanted events and the status of work to improve the framework for the follow-up of service providers. The Committee also focused on a new instrument – tracking stocks – and the degree to which they come under the existing limits in the mandate. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on compliance and control at NBIM for the third quarter of 2016. The report is to be submitted to the Supervisory Council.

203/2016 NBREM performance and risk – Report for the third quarter of 2016

Discussion documents:

- Memo from NBREM of 20 October 2016
- Memo from the Risk and Investment Committee of 24 October 2016

Lars Dahl presented the main elements of the report. Egil Matsen presented the discussions on the Risk and Investment Committee and the aspects that particularly drew its attention, including the real estate portfolio's composition and expected long-term performance, and the role of greenfield projects in the portfolio. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on performance and risk at NBREM for the third quarter of 2016. The Supervisory Council is to be informed of the main elements of the report.

204/2016 NBREM compliance and control – Report for the third quarter of 2016

Discussion documents:

- Memo from NBREM of 20 October 2016
- Memo from the Audit Committee of 24 October 2016

Jan Thomsen presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the follow-up of unwanted events [and] expected developments in ICT security. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on compliance and control at NBREM for the third quarter of 2016. The report is to be submitted to the Supervisory Council.

205/2016 Background information on the Government Pension Fund Global – Letter to the Committee for the Review of the Norges Bank Act

Discussion documents:
- Memo from NBIM of 20 October 2016

In a letter to Norges Bank, the Committee for the Review of the Norges Bank Act asked for information and assessments as part of the Committee's work on mapping and examining the consequences that separating the management of the Government Pension Fund Global from Norges Bank might have in various areas.

Yngve Slyngstad and Trond Grande presented the discussion document.

The Executive Board took note of the draft letter to the Committee for the Review of the Norges Bank Act.

206/2016 The Government Pension Fund Global's equity share

Discussion documents:
- Memo from NBIM of 20 October 2016

In its letter of 12 February 2016, the Ministry of Finance asked Norges Bank to assess whether the relationship between expected return and risk for equities and bonds has changed since the equity share was last reviewed in 2006/07, and whether there is reason to adjust the equity share in the benchmark index for the Government Pension Fund Global.

Yngve Slyngstad presented the discussion document, with reference to the presentations and discussions on the matter at Executive Board seminars.

The Executive Board had a detailed discussion and gave its approval for the premises outlined for the Bank's further work on advising the Ministry of Finance on the equity share in the benchmark index for the fund. A draft letter to the Ministry based on these premises, a summary of the discussions at the Executive Board seminar of 25 October, and the Executive Board's input at the current meeting, is to be presented to the Board for final consideration at its meeting on 23 November.

207/2016 Briefing on current issues in investment management

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

208/2016 Any other business

There was no other business.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 197-199: