99

Report and Accounts 1999

Oslo 2000

NORGES BANK

Norges Bank (Central Bank of Norway)

Postal address:	Postboks 1179 Sentrum N-0171 Oslo, Norway
Telephone:	+47 22 31 60 00
Telegram:	Hovedbank
Telex:	56 71 369 nbank n
Telefax:	+47 22 41 31 05
Postal Giro:	501 5003
Registration no.:	0629/7
E-mail:	central.bank@norges-bank.no
Internet:	http://www.norges-bank.no

Central Bank Governor:	Svein Gjedrem
Deputy Central Bank Governor:	Jarle Bergo

Norges Bank's Printing Works and the Royal Norwegian Mint are located in Oslo and Kongsberg, respectively. Norges Bank has a further 13 regional branches/cashier offices in Norway.

This report was set, printed and bound at Reclamo AS, Oslo.
The text is set in 10 point Times and printed in offset
on Arctic Volum 115g paper.
Design: GRID Strategisk Design AS
Prepress and printing: Reclamo AS
Cover photograph: Scanpix, Heiko Junge
Other photographs: Scanpix pp. 5, 9, 17, 18, 21, 22, 25, 27, 30
Husmo foto: p. 7

Cover illustration:
The engraving of the new NOK 500 note

ISSN 6078-1185

Table of Contents

Economic developments and Norges Bank's operations

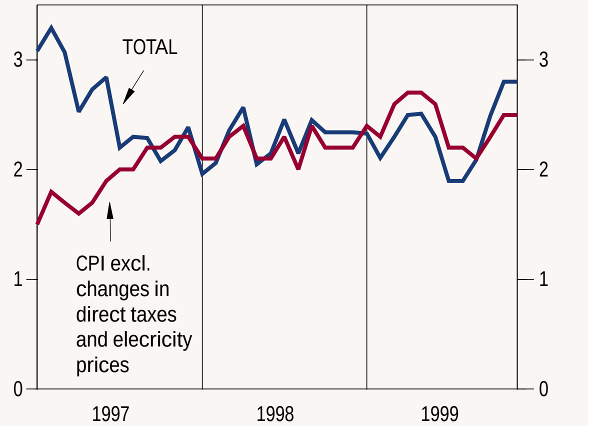
Chapter 1 Economic developments

The Norwegian economy

Lower growth

Growth in the Norwegian economy picked up in the second half of 1999 after a period of slower growth since the summer of 1998. Even though the slowdown was less pronounced than implied by developments at the start of the year, annual growth was still moderate and reached the lowest level recorded since the beginning of the 1990s. Mainland GDP grew by 0.8 per cent, whereas growth was 3.3 per cent in 1998. Growth was primarily fuelled by private and public consumption, while manufacturing investment declined. Growth in mainland demand thus slowed from 3.1 per cent in 1998 to 1.1 per cent in 1999. Traditional merchandise exports expanded moderately and at a slower pace than in the previous year. Fixed investment in the petroleum sector fell considerably in 1999 following two years of brisk growth. Employment growth stagnated in 1999 after having increased by nearly 250 000 over the last seven years. Manufacturing employment fell, while employment in service industries and the public sector continued to rise. The unemployment rate (LFS) remained unchanged on 1998 at 3.2 per cent. Annual wage growth eased from 6.2 per cent in 1998, which was the highest growth since 1988, to 4.9 per cent in 1999. Falling prices for imported consumer goods contributed to unchanged consumer price inflation of 2.3 per cent between 1998 and 1999, despite relatively strong wage growth the last two years. The year-on-year rise in consumer prices edged up towards the end of the year, reaching 2.8 per cent in December. Oil prices rose sharply through the year, and stood at more than NOK 200 per barrel in December, which is the highest level recorded since the Gulf War in 1990. The average price per barrel increased from NOK 96 in 1998 to NOK 142 in 1999. High oil prices resulted in a current account surplus of NOK 44 billion, following a deficit in 1998 for the first time in nine years.

Chart 1
Consumer prices (CPI). Total and excluding indirect taxes and electricity prices. 12-month rise. Per cent



Sources: Statistics Norway and Norges Bank

Fiscal slippage

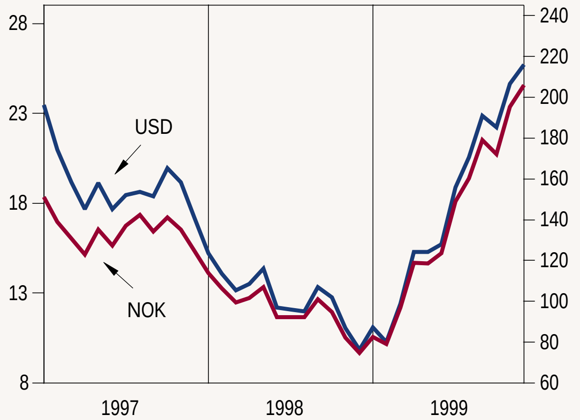
Fiscal policy contributed to curbing economic growth through the cyclical upturn in the 1990s, but the tightening effect was gradually reduced. In 1999, fiscal tightening corresponded to about ½ per cent of mainland GDP, as measured by the change in the non-oil, cyclically adjusted budget surplus net of interest payments. Public consumption grew by 2.5 per cent, while investment in the public sector fell by 4.5 per cent. As earlier in the 1990s, general government spending was considerably higher than the level adopted in the budget. This primarily reflected higher revenue and spending growth in the local government sector than assumed in the National Budget for 1999. The general government surplus increased from 3.8 per cent of GDP in 1998 to 4.1 per cent in 1999.

Underlying real spending growth in the central government budget was about 2 per cent in 1999, or one percentage point higher than in the approved budget. Spending growth was revised upwards in the Final Budget Bill, partly due to higher allocations to peacekeeping forces in Kosovo, activity-based funding of hospitals and higher expenditure in connection with the relocation of the National Hospital.

Continued growth in private consumption

The solid financial position of households was the main force underpinning demand and growth in the economy. Private consumption grew by 2.1 per cent, compared with an increase of 3.1 per cent in 1998. Spending on goods showed a moderate rise of 1.4 per cent in 1999. However, spending on services (excluding dwellings) rose by 3.9 per cent. This may indicate a change in consumption patterns. All in all, private consumption grew at a slower pace than household real disposable income, with the saving ratio increasing from 6.6 per cent in 1998 to 7.5 per cent in 1999. Wage growth and higher government transfers made the largest contribution to

Chart 2
Oil price. USD and NOK (right-hand scale) per barrel



Source: Norges Bank

income growth. Government transfers rose partly as a result of an increased sick pay and higher disbursements for rehabilitation benefits. Household financial wealth increased substantially through 1999. Following the negative trend in share prices on the Oslo Stock Exchange in the latter half of 1998, the all-share index advanced by as much as 46 per cent through the year, which resulted in sizeable capital gains. However, the all-share index on the Oslo Stock Exchange showed an average decline of close to 2 per cent between 1998 and 1999. Household net lending came to NOK 31.6 billion in 1999, or a good NOK 6 billion higher than the level for 1998.

Housing investment declined, but rose towards the end of the year

Housing investment showed a marked contraction in the first half of 1999, but edged up again towards the end of the year, reflecting the fall in interest rates through the first half of the year. Measured as an annual average, investment declined by 2.8 per cent compared with 0.6 per cent in 1998. The low level of residential construction was probably ascribable to high building costs as a result of labour shortages and the long processing time for local government building applications.

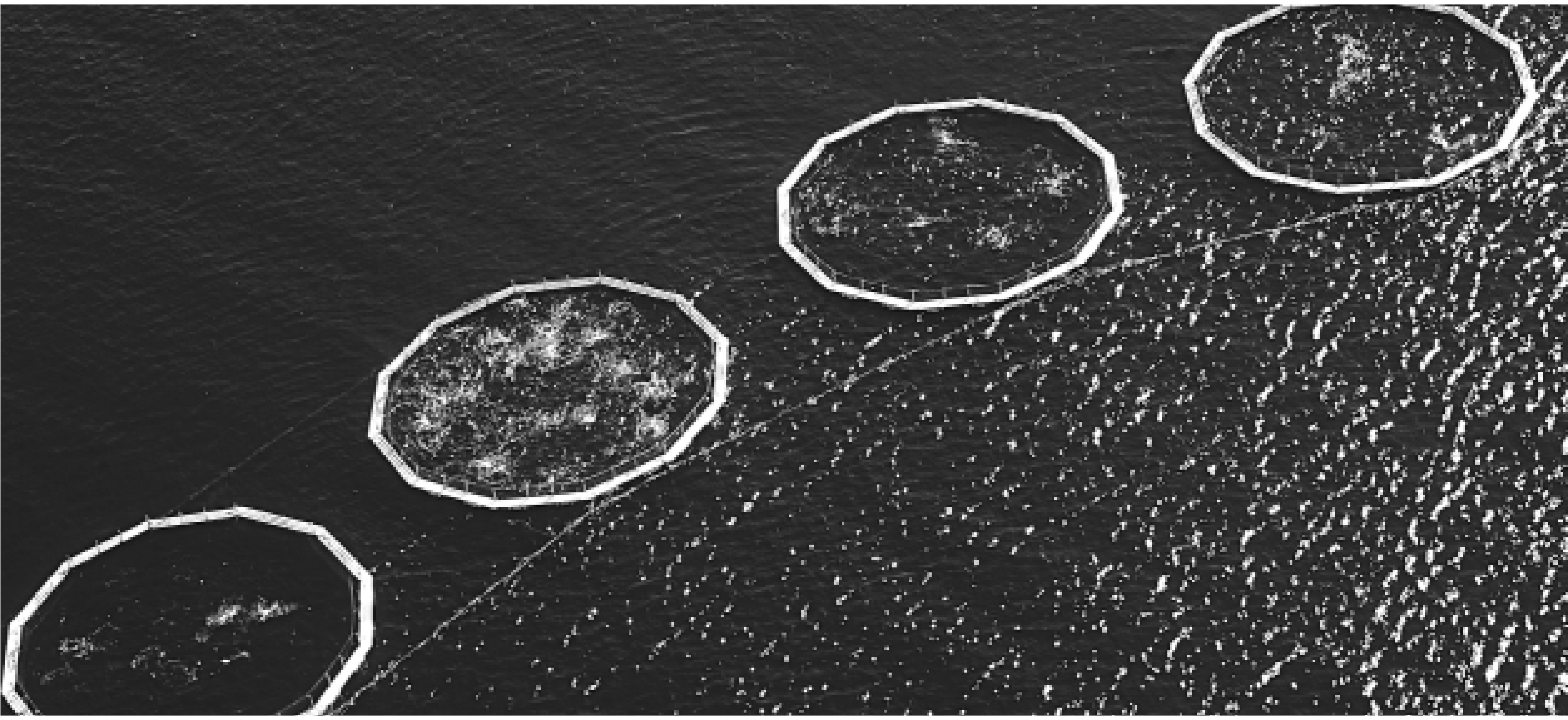
Marked fall in investment

After exhibiting brisk growth over several years, business investment contracted by 3.3 per cent in 1999, with manufacturing investment showing the steepest decline. The fall in investment in 1999 was probably due to weaker profitability in many mainland enterprises. Expectations of weaker cyclical trends at that time may also have contributed. Large investment projects, such as the new international airport at Gardermoen and the new National Hospital, have also contributed to the high investment level in recent years. The gradual completion of these projects in 1998 contributed to the fall in 1999.

Fixed investment in the petroleum sector declined by 14 per cent in 1999 in line with expectations. The contraction came after two years of sharp growth, with the level of investment peaking in 1998. The decline must also be seen in connection with the drop in oil prices in the autumn of 1998, which had a negative impact on expectations concerning oil prices and production.

Moderate growth in exports and fall in imports

The volume of traditional merchandise exports expanded at a brisk pace from 1992 to 1997, at an average annual rate of more than 6 per cent. Over the last two years, growth has moderated, declining to 2.6 per cent in 1999, compared with 3.4 per cent in 1998. Slower growth in these two years is partly due to the deterioration in cost competitiveness and weaker profit trends in the manufacturing sector. Exports of aluminium remained unchanged on the previous year. Fish exports showed a positive trend, expanding in volume by 5.8 per cent on the previous year. Traditional merchandise exports shifted slightly away from EU countries to-



wards Japan, South Korea and the US. The decline in exports to Germany and the UK was particularly pronounced. Prices for traditional export goods remained unchanged on 1998, after rising by 1 per cent in 1997.

The marked contraction in fixed investment in the mainland economy and the petroleum sector led to a decline in the volume of imports. Traditional merchandise imports decreased by 2.4 per cent, following 9.6 per cent growth in the previous year. International commodity prices continued to fall in the first half of 1999 before rising again in the latter part of the year. The fall in commodity prices exerted downward pressure on prices for traditional import goods, which fell by 2.2 per cent after rising by 1.3 per cent in the previous year. The fall in import prices must also be seen in connection with the appreciation of the krone exchange rate against trading partner currencies. The krone appreciated by 1.2 per cent from 1998, measured against the import-weighted exchange rate index, which comprises 44 countries.

Sharp rise in oil prices generated large current account surplus

Oil prices rose sharply in 1999 and the average spot price was NOK 205 per barrel in December, ie more than a twofold increase on March. The rise in oil prices must be seen in the light of the general compliance with OPEC's adopted production cuts. Norway has also declared that it supports OPEC's production limits. The value of Norwegian oil and gas exports rose by NOK 43.1 billion compared with the previous year. In 1999, production rose by 0.5 per cent on the previous year after falling by 3.5 per cent in 1998.

The current account showed a surplus of NOK 43.8 billion in 1999 following a deficit of NOK 16.3 billion in 1998. In the previous eight years Norway recorded substantial surpluses. The goods and services balance showed a surplus of NOK 69.4 billion, whereas the interest and transfers balance showed a deficit of NOK 25.6 billion. Net foreign assets increased by an estimated NOK 41.5 billion and were estimated at NOK 136.8 billion at year-end. In addition to the current account surplus, the change in net assets is influenced by valuation changes for assets and liabilities.

Employment stagnated

After rising by almost 250 000 from 1992 to 1998, employment growth stagnated in 1999. On average, employment was ½ per cent, or 10 800, higher than in the previous year. However, there were considerable differences across labour market sectors. Manufacturing employment fell by 8 400 on 1998, while employment in the public sector and service industries increased. Clear signs of growing regional and occupational disparities in employment and unemployment trends point to a tighter situation in many sectors than indicated by total unemployment.

A large share of employment growth in recent years has been offset by an increase in the supply of labour. In 1998, about 2 out of 3 employees were new labour force entrants. However, the sharp growth in the labour force came to a halt in 1999. Labour force participation remains at a very high level, and evidence suggests that labour force reserves are nearly exhausted. Labour force participation among women increased sharply through the period of expansion in the 1990s, with a continued rise in 1999, albeit at a slower pace.

As a result of the stagnation in the labour force and employment, unemployment was virtually unchanged from 1998 to 1999, after having fallen the previous five years. According to Statistics Norway's Labour Force Survey, unemployment averaged 3.2 per cent in 1999, ie the same rate as in the previous year.

Moderate price inflation and slower wage growth

Consumer prices rose by an average of 2.3 per cent from 1998 to 1999, ie the same rate recorded in the previous year. Price inflation was approximately in line with expectations at the beginning of the year. Underlying price inflation, ie excluding electricity prices and indirect tax changes, was 2.4 per cent. Price inflation showed fairly wide fluctuations and edged up towards the end of the year, reaching a year-on-year rate of 2.8 per cent in November and December. Prices for imported consumer goods continued to fall and contributed to restraining inflation again in 1999. Prices for services with wages as the dominant cost factor contributed to pushing up inflation.

The wage carry-over into 1999 was substantial. Annual wage growth came to 4.9 per cent in 1999, against 6.2 per cent the previous year.

Norges Bank places considerable emphasis on analysing price and cost developments. The central bank publishes a quarterly Inflation Report containing analyses and assessments of price movements and inflationary forces in the real economy. The Inflation Report focuses on the inflation outlook and includes estimates for price inflation over the next few years. Projections and assessments for economic developments over the next four-year period are included in the December Inflation Report. The Inflation Report provides an important basis for Norges Bank's conduct of monetary policy.

Chapter 2 Monetary policy

The political authorities issue the mandate for Norges Bank's conduct of monetary policy. The mandate is set out in the Exchange Rate Regulation that was adopted by Royal Decree of 6 May 1994. Section 2 of the Regulation states:

"The monetary policy to be conducted by Norges Bank shall be aimed at maintaining a stable krone exchange rate against European currencies, based on the range of the exchange rate maintained since the krone was floated on 10 December 1992. In the event of significant changes in the exchange rate, monetary policy instruments will be oriented with a view to returning the exchange rate over time to its initial range. No fluctuation margins are established, nor is there an appurtenant obligation on Norges Bank to intervene in the foreign exchange market".

In its annual budget submission to the Ministry of Finance submitted by Norges Bank in October, the central bank presented its interpretation of the Exchange Rate Regulation which serves as a basis for the conduct of monetary policy. The submission states:

"The first sentence in the Regulation shows that we have a managed float of the krone, based on the range of the exchange rate maintained since the krone was floated in December 1992. Instruments are to be oriented towards maintaining stability in the krone exchange rate against European currencies. Norges Bank has chosen to define the reference "European currencies" as the euro from 1 January 1999.

The Regulation does not stipulate a central rate with specific fluctuation margins. Norges Bank interprets the concept "the initial range" as a broad indication of a central rate around which the krone may fluctuate.

The second sentence in the Regulation refers to "significant changes" in the exchange rate in relation to the initial range. The concept "significant changes" is not quantified. "Significant" must therefore be given an economic content. A reasonable interpretation is that a "significant change" is a change that influences expectations concerning price and cost inflation to the extent that changes in the exchange rate become self-reinforcing.

The expressions "with a view to", "over time", "aimed at" and "based on" indicate that the Exchange Rate Regulation provides Norges Bank with scope for exercising discretion.

In exercising this discretion, Norges Bank focuses on the fundamental preconditions for achieving stability in the krone exchange rate. In order to achieve exchange rate stability against the euro, monetary policy instruments must be oriented in such a way

that price and cost inflation is brought down towards the level aimed at by the European Central Bank (ECB). At the same time, monetary policy must not in itself contribute to deflationary recessions, as this would undermine confidence in the krone".

Norges Bank does not have the instruments to fine-tune the krone exchange rate. The exchange rate will vary in the short term. Attempts at fine-tuning the krone exchange rate may undermine the credibility of monetary policy and thereby exchange rate stability over time. Norges Bank has therefore chosen to orient monetary policy instruments with a view to achieving the fundamental preconditions for exchange rate stability, as described above.

Norges Bank publishes a quarterly *Inflation Report*. The projections for developments in the Norwegian economy in these reports, combined with a continuous evaluation of the inflation outlook and money and foreign exchange market developments, form the basis for decisions concerning monetary policy instruments.

In 1999, the procedure for monetary policy decisions by Norges Bank's Executive Board was revised. In a press release of 16 June 1999, it was announced that the Executive Board would undertake a thorough evaluation of monetary policy once a month. Any decisions concerning interest rate changes or other important changes in the use of monetary policy instruments will normally be taken at these meetings. Decisions on any change in interest rates are announced the same day at 2 pm.

Use of instruments

Norges Bank has two monetary policy instruments – the interest rate on banks' deposits and loans in the central bank (the deposit rate and the overnight lending rate) and exchange market interventions.

Interventions affect the supply and demand for kroner in the foreign exchange market, but do not affect the fundamental preconditions for exchange rate stability over time. The experience of the 1990s has shown that in situations with mounting pressures on the krone, extensive interventions may lead to a game situation between the central bank and market participants, which intensifies the pressure on the krone. Norges Bank therefore uses interventions to a limited extent and only in situations where the risk of a game situation is deemed to be limited. In 1999, Norges Bank did not intervene to influence exchange rate developments.

The interest rate is of greater importance to the fundamental preconditions for exchange rate stability and is thus the most important monetary policy instrument. Changes in Norges Bank's key rates influence nominal market rates with various maturities. Market rates have an influence on the krone exchange rate, securities prices, house prices, demand for loans and investment. Changes in Norges Bank's interest rates may also shape expectations concerning future inflation and economic developments. The interest rate operates through all these channels to influence total demand, production, prices and wages.

The deposit rate and the overnight lending rate form a corridor for the shortest money market rates (see Chart 3). Within this corridor, interest rates are influenced by the liquidity in the banking system as a whole. Administered rates have empirically had a fairly strong impact on the shortest money market rates, ie overnight and weekly rates. Money market rates for somewhat longer maturities are not affected as directly through these channels. Expectations concerning the central bank's policy response pattern are important in this context as well as the general confidence in monetary policy and the level of interest rates at the short end of the market.

In 1999, Norges Bank reduced its key rates on five occasions by a total of 2.5 percentage points. The interest rate corridor narrowed from 8-10 per cent to 5.5-7.5 per cent through the year. The interest rate differential against the euro area was reduced from more than 4½ percentage points to around 2½ percentage points. The krone exchange rate appreciated from 8.86 against the euro at the beginning of 1999 to 8.08 at the end of the year. The first interest rate reductions were made when the krone exchange rate was markedly weaker than the exchange rate range defined in the Exchange Rate Regulation. At the beginning of 1999, the outlook for the Norwegian economy indicated that price and cost inflation would fall to the level aimed at by the euro area. At the same time, Norges Bank's analyses underlined the risk of a downturn that could weaken confidence in the krone. The objective of stability in the krone exchange rate over time therefore implied that it was appropriate to lower interest rates. The section below provides a more detailed description of the use of instruments and market developments in 1999.

Gradual decline in interest rates and stronger krone exchange rate

Signs of an overheating of the Norwegian economy with a pronounced rise in wage growth, low oil prices and international financial turbulence contributed to a sharp depreciation of the krone exchange rate in mid-1998. In a situation with strong pressures in the economy, there was a risk that the krone depreciation might be self-reinforcing. Norges Bank therefore increased its key rates considerably up to end-August 1998. When the euro was introduced as a common currency in 11 EU countries on 1 January 1999, the krone exchange rate against the euro was 8.86. At the same time, the three-month money market rate in Norway stood at 8 per cent, more than 4.5 percentage points higher than in the euro area.

High interest rates through the second half of 1998 and a tight central government budget for 1999 contributed to curbing pressures in the economy and strengthening the basis for stability in the krone exchange rate. The international growth outlook was also weak. At the beginning of 1999, Norges Bank's analyses indicated a gradual reduction in price and cost inflation. Against the background of a slight appreciation of the krone and the prospect of reduced pressures in the economy, Norges Bank deemed it appropriate to reduce key rates by 0.5 percentage point on 27 January.

After appreciating in January, the krone exchange rate remained relatively stable around NOK 8.65 against the euro. Oil prices remained low at about USD 10 per barrel. Continued strong pressures in the economy implied a relatively high level of interest rates, but increasing signs of a slowdown in economic growth in Norway provided room for a gradual reduction in interest rates. In the light of these developments, Norges Bank lowered its key rates by a further 0.5 percentage point on 3 March.

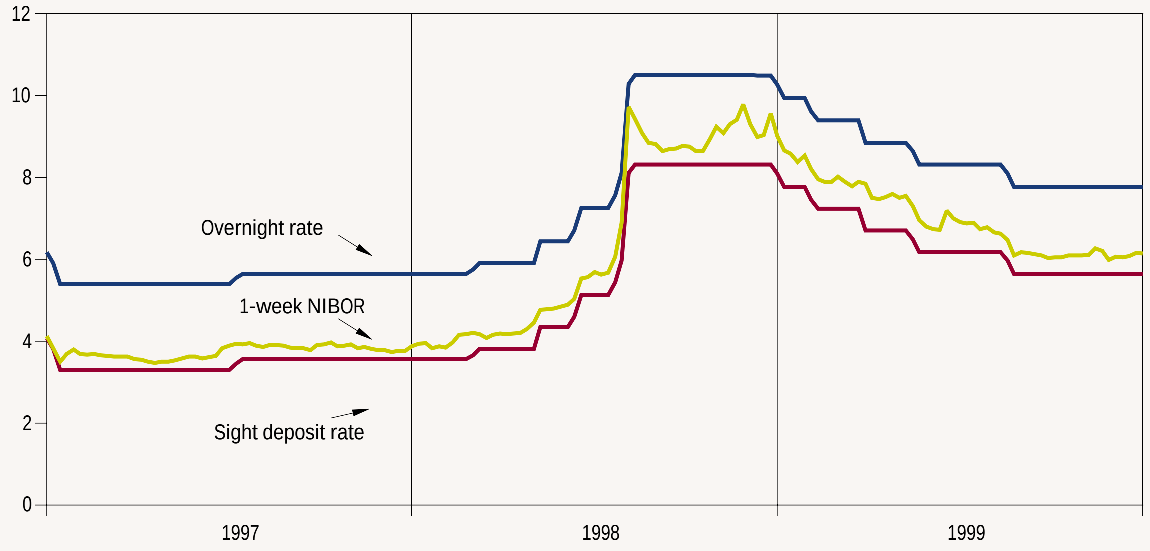
The interest rate reductions further underpinned the fundamental preconditions for stability in the krone exchange rate. In March and April, the krone exchange rate appreciated by almost 5 per cent against the euro, partly reflecting the increase in oil prices of more than 50 per cent during the same period and the depreciation of the euro against major currencies. In addition, there were signals that the income settlement would result in moderate pay increases in 1999. This fuelled market expectations of a substantial reduction in interest rates through the year.

Norges Bank's analyses of economic developments further reinforced these expectations. There were clear signs of slower growth in private consumption, imports were low and investment was expected to fall sharply. The projections pointed to close to zero growth in both 1999 and 2000, and it also appeared that it would take some time before growth picked up to a more normal level. Price and cost inflation was expected to fall gradually to the level aimed at by the euro area. The greatest uncertainty was associated with developments in the sheltered sector of the Norwegian economy where inflation pressures were still strong.

Against the background of the prospect of a gradual slowdown in the economy, accompanied by lower price and cost inflation, which would improve the basis for exchange rate stability, it was deemed appropriate to reduce interest rates. On 23 April, Norges Bank lowered its key rates by a further 0.5 percentage point. It was also stated that interest rates might be reduced further should new information confirm that the basis for exchange rate stability had improved.

The krone appreciated further against the euro up to

Chart 3
Short-term interest rates. Norges Bank's overnight lending and sight deposit rates and the 1-week Euro-krone rate. Nominal rate, per cent p.a. Weekly figures 1997-1999



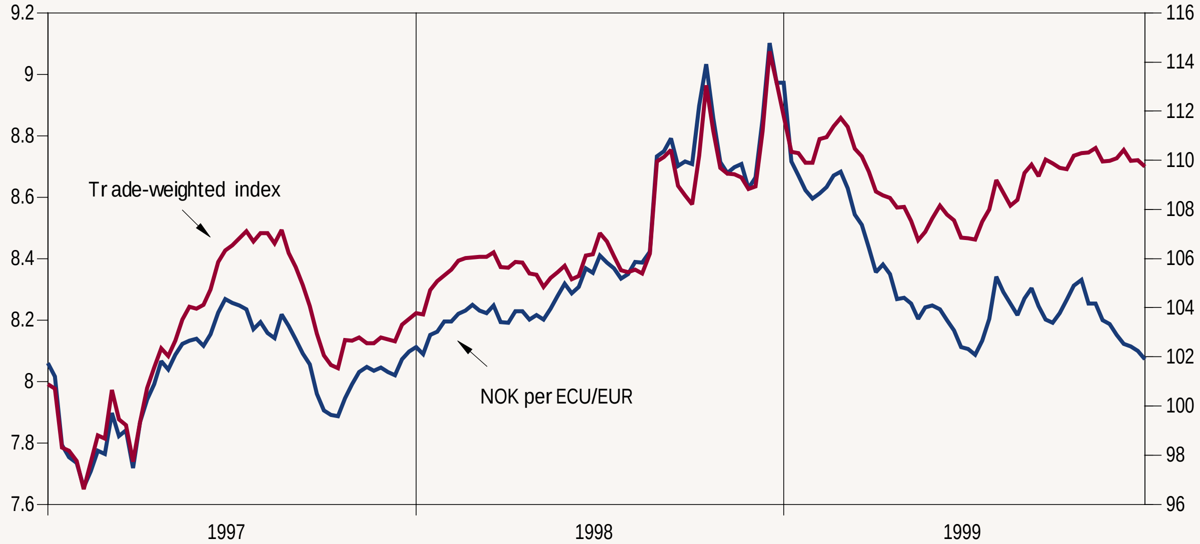
Source: Norges Bank

the summer of 1999. The economic outlook still indicated that somewhat lower interest rates would strengthen the basis for exchange rate stability. Norges Bank reduced its key rates on both 17 June and 23 September by 0.5 percentage point respectively. Later in the summer and in the autumn, the krone exchange rate hovered around 8.25 against the euro. The three-month money market rate declined steadily to the end of September when it reached 5.8 per cent.

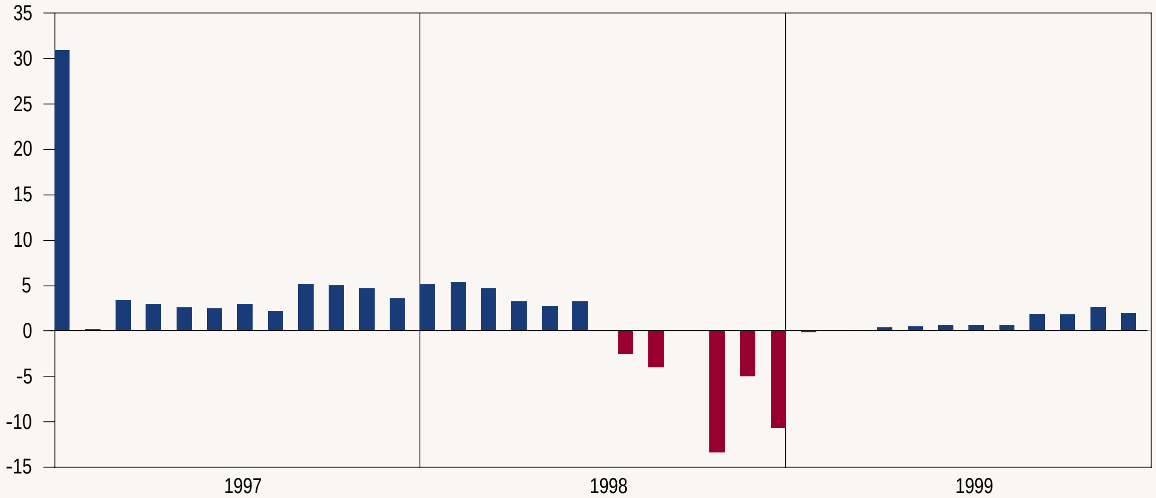
In the course of the nine months to end-September the deposit rate had been reduced by 2.5 percentage points. In the same period, the krone exchange rate against the euro appreciated by around 7 per cent, and in September had returned to the exchange rate range defined in the Exchange Rate Regulation. At the same time, there was a shift in the economic outlook. The risk of a deflationary downturn had subsided and international growth prospects had improved. Commodity prices increased, which could lead to higher imported inflation over time. High oil prices fuelled optimism in

Chart 4. The krone exchange rate and Norges Bank's foreign exchange transactions

a. The krone exchange rate against the euro (theoretical ECU before 1999) and the trade-weighted index. A rising curve denotes a stronger kone. Weekly figures 1997-1999



b. Norges Bank's exchange-market transactions, in billions of NOK Purchases (+) and sales (-). The figures include purchases for the Government Petroleum Fund. Monthly figures. 1997-1999



Source: Norges Bank

Norway. Domestic credit growth remained buoyant, while house prices continued to rise. Labour market reserves appeared to be exhausted with the economy operating at close to capacity limits. The expansion of the labour force came to a halt. Unemployment did not appear to be rising at the rate projected earlier. Norges Bank therefore judged that there was limited room for further interest rate cuts.

Norges Bank left its key rates unchanged from September to the end of 1999. The analyses in the December Inflation Report indicated that the consolidation of the Norwegian economy, after ten years of strong economic growth, could be less painful than expected. The risk of a pronounced downturn seemed to be fading. Economic growth was stronger than projected one year earlier. The spring wage settlement had contributed to reducing uncertainty and international developments through the year had been more favourable than expected. In the course of one year oil prices had risen by about USD 15 per barrel. Consumer price inflation turned out to be broadly in line with expectations, while inflation projections had been revised upwards somewhat for the next two to three years.

The estimates in the December Inflation Report indicated that mainland growth would approach the trend rate of growth in the year 2001. At the same time, price and cost inflation might then be in line with the level aimed at by the ECB. In the light of the outlook indicated by our analyses, interest rates seemed to be at or close to the trough level in this business cycle.

Foreign exchange transactions

Norges Bank intervened in the exchange market on one occasion only in 1999, ie on 13 January when the Bank bought NOK 88m.

In 1999, Norges Bank's gross purchases of foreign currency came to the equivalent of NOK 11 321m while gross sales came to NOK 88m.

On 25 March, Norges Bank announced that it would resume purchasing foreign currency in the market for the Government Petroleum Fund and the Government Petroleum Insurance Fund. Currency purchases were to be undertaken on a daily basis. The Bank introduced a practice whereby the planned daily currency purchases for the coming calendar month would be published on the last business day of each month at 10 am. The size of the currency purchases would be reviewed in connection with the presentation of the Revised National Budget for 1999 and the National Budget for 2000. In the period to mid-May, Norges Bank's daily purchases of foreign currency amounted to the equivalent of NOK 20m. In the period 15 May to 31 August, daily currency purchases increased to the equivalent of NOK 30m. From 1 September, daily purchases were increased to NOK 85m, and from 1 November to NOK 120m.

As Norges Bank expected a lower level of trading in the Norwegian foreign exchange market ahead of the changeover to the year 2000, Norges Bank did not purchase foreign currency for the Government Petroleum Fund and the Government Petroleum Insurance Fund in the period between 24 December and 31 December.

The agreement concerning direct transfers to Norges Bank of foreign exchange earnings received by the state through the SDFI (the State's Direct Financial Interest in petroleum activities) was continued in 1999.

Foreign currency equivalent to NOK 24.5bn was transferred from Norges Bank's international reserves to the Government Petroleum Fund in 1999. The transfers were made on 30 June (NOK 8.0bn), 30 September (NOK 13.5bn) and 30 November (NOK 3.0bn). In addition, foreign currency transfers equiva-

Table 1: Exchange rate movements 1997-1999. (22.10.1990=100)

	1997	1998	1999	
Indexed euro, Year-end	101.2	111.0	101.0	
(theoretical ECU before 1999), Average	100.3	105.8	104.0	
Maximum	103.7	115.6	110.8	
Minimum	95.4	100.9	100.6	
Fluctuation range	8.7%	14.6%	10.1%	
Trade-weighted index, Year-end	101.7	109.6	106.6	

Table 2: Norges Bank's exchange market interventions. In billions of NOK Figures for 1997, 1998 and 1999 include purchases for the Government Petroleum Fund.

	1996	1997	1998	1999	Q1	Q2	Q3	Q4
Purchases	90.7	67.8	25.0	11.3	0.1	1.5	2.1	7.6
Sales	0.0	1.3	35.9	0.1	0.1	0.0	0.0	0.0
Gross	90.7	69.1	61.0	11.4	0.2	1.5	2.1	7.6
Net	90.7	66.4	-10.9	11.2	0.0	1.5	2.1	7.6

lent to NOK 0.6bn were transferred from Norges Bank's international reserves to the Government Petroleum Fund.

Liquidity management

Bank liquidity refers to banks' total sight deposits in Norges Bank less any overnight loans. The volume of banks' liquidity influences the shortest money market rates. A shortage of liquidity normally leads to higher interest rates.

The banks' liquidity position changes from day to day, primarily as a result of incoming and outgoing payments over the central government's accounts in Norges Bank. Norges Bank's transactions in the foreign exchange market and changes in the circulation of notes and coins also have an influence on liquidity. In order to prevent a substantial impact on the shortest money market rates, Norges Bank counters swings in bank liquidity through its transactions in the money market. Norges Bank uses fixed-rate deposits to withdraw excess liquidity and uses fixed-rate loans, repos in bonds and notes, and in some cases currency swaps to provide liquidity. Chart 5 provides an illustration of bank liquidity before and after Norges Bank's liquidity transactions.

In April 1999, the regulation relating to repurchase agreements was revised to include all securities as eligible collateral for loans in Norges Bank in connection with repurchase agreements. In practice, only specific securities issued by Norges Kommunalbank were found to become eligible so that the effect on bidding was limited. The restrictions concerning the use of repurchase agreements meant that Norges Bank had to continue to make extensive use of unsecured fixed-rate loans in liquidity management. As an added incentive for banks to use repurchase agreements rather than unsecured fixed-rate loans, these loans were offered with a premium of 50 basis points in relation to the last repurchase agreement entered into. On 27 April, this premium was increased to 60 basis points.

On 1 September, a collateral requirement for fixed-rate loans in Norges Bank was introduced. At the same time, several additional types of securities were approved as collateral for overnight loans and fixed-rate loans in Norges Bank, including both Norwegian and foreign private interest-bearing securities. Subsequently, Norges Bank has not used repurchase agreements to manage liquidity.

In December 1999, section 21 of the Act relating to Norges Bank and the Monetary System was amended, stipulating that Norges Bank may enter into repurchase agreements in its market operations with others than banks.

Ahead of the transition to the new millennium, it was highly uncertain whether demand for notes would show an exceptional increase, and whether the banking system would be able to accommodate a possible surge in demand for notes. In order to reduce the uncertainty, Norges Bank issued a press release on 16 September 1999 stating that in connection with the turn of the millennium Norges Bank would supply sufficient liquidity, as it normally does through the year.

On Friday, 10 December, Norges Bank announced a

Chart 5
Banks' liquidity in 1999. Daily figures. In millions of NOK.

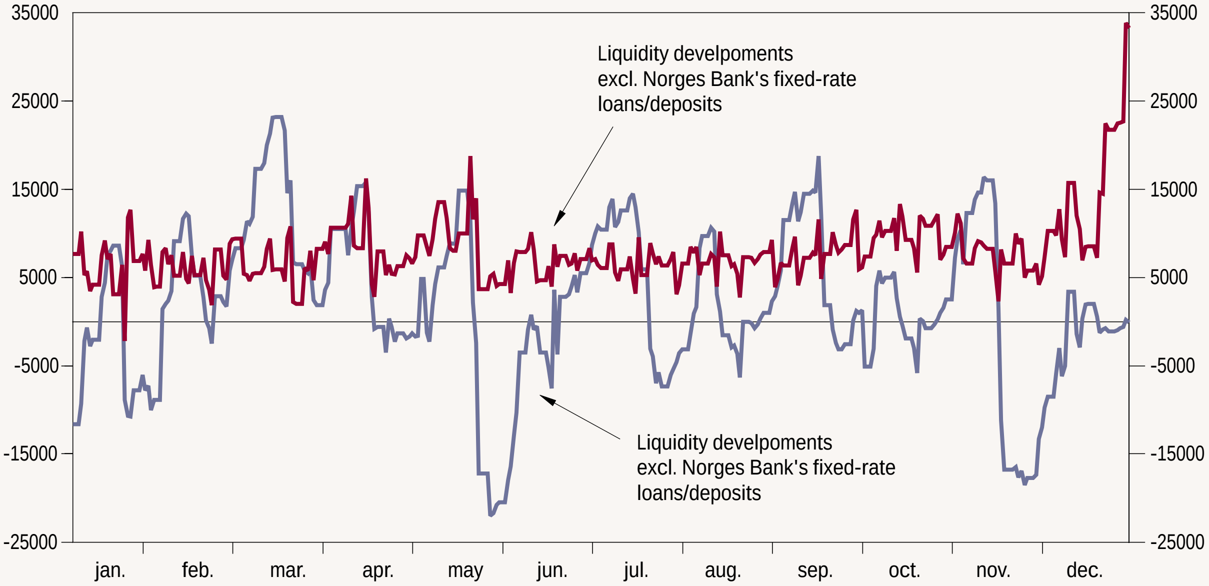
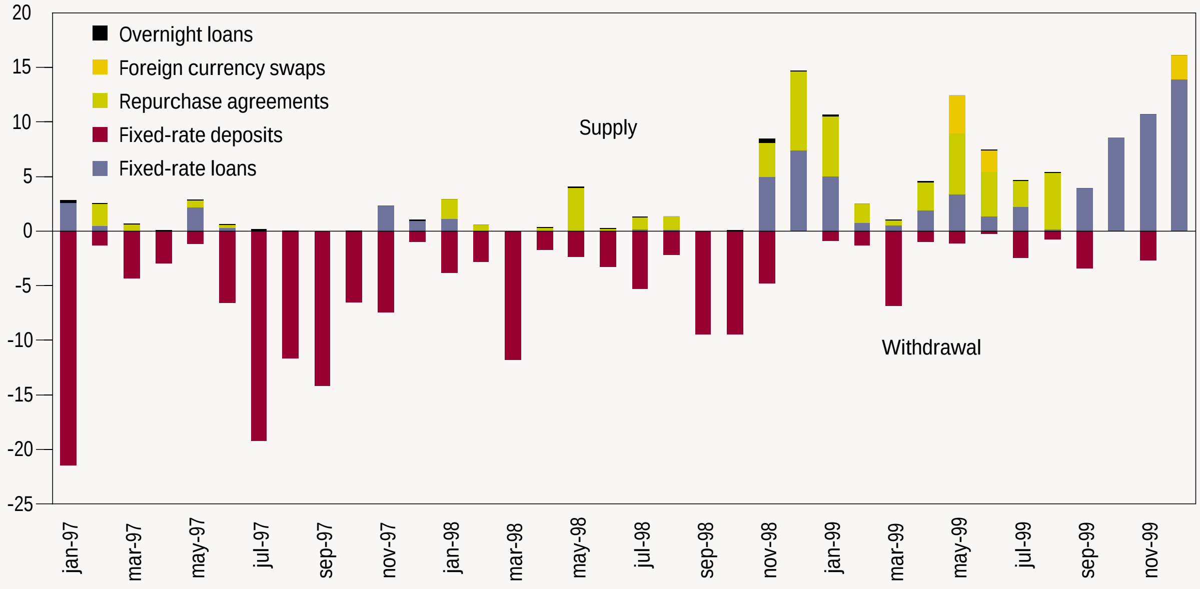


Chart 6
Central bank financing of the money market, Monthly figures 1997-99. In billions of NOK



Source: Norges Bank

plan for the provision of liquidity in connection with the year 2000. In the event of an exceptional increase in demand for liquidity, Norges Bank would suspend the limit on central bank overnight loans for the second borrowing period in December and for the first borrowing period in January. Norges Bank provided liquidity in the amount of close to NOK 33bn to the banking system around the turn of the millennium through two collateralised fixed-rate loans and one currency swap. There were no exceptional cash withdrawals around the turn of the year. As a result, there was no need to provide unsecured fixed-rate loans or to use the broadened access to overnight loans. Markets functioned smoothly after the turn of the year. Norges Bank thus withdrew some of the excess liquidity through one fixed-rate deposit in the first week of January 2000.

Government issues

In 1999 an auction calendar for government bonds and Treasury bills was published for both the first and the second half of the year. The calendar provides the dates of planned emissions, but deviations in the form of cancellations and ad hoc issues may occur.

Treasury bills were auctioned every month in 1999. New twelve-month Treasury bills were issued in 1998: in January, April, July and October. Departures from the auction calendar were made twice during the year in the light of the liquidity situation of the banking system. A Treasury bill was issued in June, to mop up the excess liquidity in the period June-November, and a bill was issued in November to withdraw excess liquidity up to May 2000. An overview of the Treasury bills auctioned, the amount and the interest rate is presented in Table 4.

Norges Bank subscribed for NOK 3bn worth of Treasury bills for market-making purposes, ie purchase

Table 3: Banks' sight deposits and overnight loans in Norges Bank. In billions of NOK

	Average deposits per day	Average loan quota per day	Average loans per day	Average drawings %
1997	8.16	4.18	0.07	1.68
1998	4.75	4.82	0.07	1.54
1999	7.97	13.12	0.05	0.36
Q1	6.35	10.62	0.08	0.75
Q2	7.95	10.45	0.07	0.64
Q3	7.01	10.34	0.03	0.26
Q3	10.62	21.06	0.02	0.08

and sale of Treasury bills in the secondary market. The central bank's holdings of some Treasury bills grew so small that the bank subscribed for a further NOK 2.5bn in all.

Before the Oslo Stock Exchange's new trading system began operating on 6 September 1999, only Norges Bank provided binding bid and offer prices for Treasury bills. Since then, other agents also regularly provide binding prices for bonds.

An overview of government bond auctions is provided in Table 5. No new government bonds were issued in 1999. All issues through the year were therefore increases of existing bonds.

In order to ensure marketability in the secondary market for government bonds, Norge Bank established a primary dealer system for the large, benchmark government bonds in August 1995. Since the Oslo Stock Exchange's new trading system started operating on 6 September 1999, the primary dealers have provided binding bid and offer prices. From the same date, the right of primary dealers to enter into repurchase agreements with Norges Bank for bonds in the loans covered by the Primary Dealer Agreement has been increased from NOK 100m to NOK 200m. At end-1999 there were 7 primary dealers (banks and stockbroking companies).

On 5 July 1999, Norges Bank signed an agreement with the Ministry of Finance on government debt and liquidity management. According to the agreement, Norges Bank is to provide the Ministry of Finance with advice on government debt policy, hold auctions in the primary market for government paper, and implement measures in the secondary market to ensure that government paper is highly liquid.

Table 4. Treasury bill auction results for 1999

Treasury bill	Maturity	Amount to market, nominal (NOK m)	Amount to Norges Bank, nominal (NOK m)	Weighted average interest rate
SS 57*)	07.01.99-15.12.99	3000	500	6.61
SS 57	01.02.99-15.12.99	3000	0	5.83
SS 55	03.03.99-16.06.99	2000	0	6.66
SS 58*)	14.04.99-15.03.00	4000	500	5.14
SS 58	05.05.99-15.03.00	2000	0	5.36
SS 58	09.06.99-15.03.00	2000	0	5.85
SS 59*)**)	15.06.99-17.11.99	5000	500	5.94
SS 60*)	07.07.99-21.06.00	4000	500	5.85
SS 60	11.08.99-21.06.00	3000	0	6.07
SS 59	08.09.99-17.11.99	4000	0	6.03
SS 61*)	07.10.99-20.09.00	4000	500	5.84
SS 61	04.11.99-20.09.00	5000	0	5.91
SS 62*)**)	17.11.99-18.05.00	4000	500	5.88
SS 58	08.12.99-15.03.00	4000	0	5.83

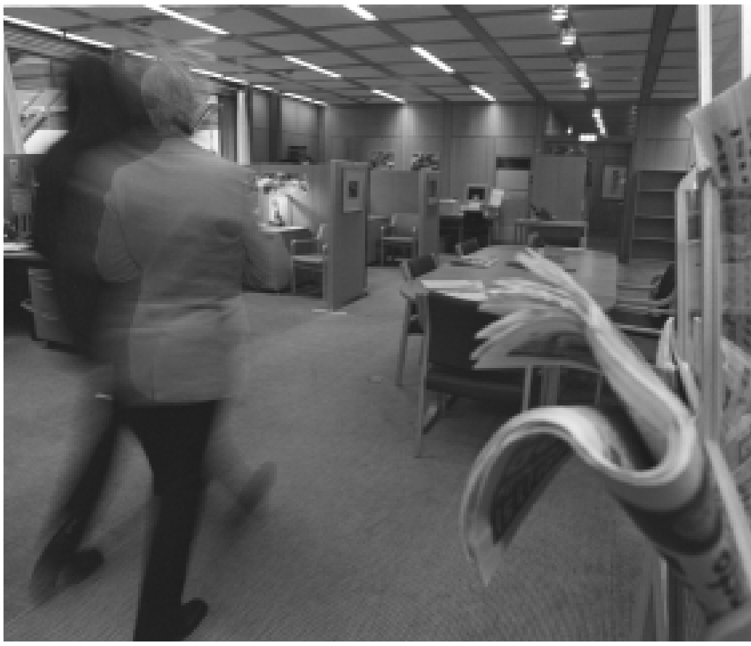
*) New issue **) Ad hoc issue

Table 5. Auctions of government bonds in 1999

Issue date	Issue type	Loan	Maturity	Issue volume to market (NOK m)	To Norges Bank (NOK m)	Total outstanding after issue (NOK m)
January	Increase	S468	15.05.2009	3000	0	17000
March	Increase	S465	30.11.2004	3000	0	27000
June	Increase	S468	15.05.2009	3000	0	20000
September	Increase	S468	15.05.2009	2600	0	23000
November	Increase	S465	30.11.2004	2000	0	29000

Chapter 3 Investment management in Norges Bank

Norges Bank manages the foreign exchange reserves internally. In addition, the Bank manages the Government Petroleum Fund on behalf of the Ministry of Finance, and the Government Petroleum Insurance Fund on behalf of the Ministry of Petroleum and Energy. Responsibility for the management of the foreign exchange reserves and the Government Petroleum Fund is primarily vested in Wing V, Norges Bank Investment Management. The Market Operations Department, in Wing I (Monetary Policy), manages the most liquid portion of the foreign exchange reserves (the liquidity portfolio). The Governor's Staff is responsible for advising on management strategy and benchmark portfolios.



Foreign exchange reserves

The market value of the foreign exchange reserves at year-end 1999 was NOK 153.5bn. At the same time, Norges Bank had sold foreign exchange forward for the equivalent of NOK 7.7bn, bringing net foreign exchange reserves to NOK 145.8bn. Of this amount, NOK 115.9bn was managed by Norges Bank Investment Management, and NOK 29.8bn by the Market Operations Department.

In accordance with the Executive Board's guidelines for foreign exchange reserves, the reserves have been divided into four sub-portfolios: an immunisation portfolio that matches government foreign currency debt and neutralises the currency and interest rate risk associated with this debt; a buffer portfolio for the Petroleum Fund, to accumulate foreign currency purchases for transfer to the Government Petroleum Fund at regular intervals; a liquidity portfolio, to be used for exchange market operations in connection with the conduct of monetary policy, and a long-term portfolio, which is to be available for interventions, but which is to be invested on the basis of longer term considerations. With the exception of the buffer portfolio, foreign exchange reserves are exclusively invested in fixed income instruments. In addition to the Executive Board's guidelines, the Governor has adopted guidelines for the four sub-portfolios, which specify how the portfolios are to be managed.

Management of the immunisation portfolio is determined by the composition of government foreign currency debt. In 1999 the return on the portfolio was 0.30 per cent higher than government debt servicing costs. The market value of the immunisation portfolio was NOK 8.1bn at end-1999. Of this, NOK 7.4bn was included in the foreign exchange reserves, while NOK 0.7bn consisted of Norwegian government securities in foreign currency. In 2004 the existing debt will be settled in its entirety.

The funds transferred to the buffer portfolio for the Petroleum Fund consist of transfers of foreign currency to Norges Bank from the State's Direct Financial Interest in petroleum activities (SDFI). Norges Bank also purchases foreign currency directly in the market to bring the combined amount up to the level to be allocated to the Government Petroleum Fund. Capital may also be transferred to the Petroleum Fund from the remaining foreign exchange reserves. In order to avoid unnecessary transaction costs, the buffer portfolio for the Petroleum Fund is managed using approximately the same guidelines as those used for the Petroleum Fund.

The liquidity portfolio represents the portion of foreign exchange reserves with the shortest time horizon. The portfolio must be large enough to meet most requirements for undertaking exchange market operations. The other reserves may also be used for interventions if conditions in the foreign exchange market so require. Pursuant to Norges Bank's guidelines, the lower limit for liquidity reserves was NOK 10bn and the upper limit NOK 50bn. In 1999 the liquidity portfolio amounted to around NOK 30bn.

The long-term portfolio has a longer duration and a wider country distribution than the liquidity portfolio. The management objective is to generate a high return in the long run. The strategic choices made for the long-term and the liquidity portfolios are defined through the construction of benchmark portfolios. These are constructed portfolios with a given country distribution and specific securities from the various submarket segments. A benchmark portfolio is used to manage and monitor risk exposure, and also serves as a point of reference for evaluating the actual return achieved on the reserves.

A limit has been set for how much the manager may deviate from the benchmark portfolio. This limit is a measure of total risk (tracking error). In practice this means that the difference in the returns on the actual portfolio and the benchmark portfolio will normally be small. The upper limit for tracking error is 0.5 percentage point for the liquidity portfolio and 1.0 percentage point for the long-term portfolio. In simplified terms, a tracking error of 1 percentage point means that the actual difference between the benchmark portfolio and the actual portfolio will lie between -2 and +2 percentage points in 19 out of 20 years.

The composition of the liquidity portfolio may deviate to only a limited extent from the benchmark portfolio. The modified duration of the benchmark portfolio is about 1.5. This means that the liquidity portfolio consists mainly of fixed income instruments with a maturity of 3 years or less, which have low interest-rate risk. The portfolio is primarily composed of government bonds, which feature a low credit risk and are highly liquid.

The performance of the liquidity portfolio has been measured since the second quarter. In terms of the currency distribution in the benchmark portfolio, the periodic return on the liquidity portfolio was 1.42 per cent in the last three quarters of the year. Measured in NOK, the periodic return was 3.16 per cent. It has thus outperformed the benchmark portfolio by 0.07 percentage point. The liquidity portfolio has tracked the benchmark portfolio very closely throughout the year.

At the end of 1999, the long-term portfolio amounted to NOK 94.6bn, and was managed in its entirety internally in Norges Bank. The return was –1.14 per cent measured against the currency basket that corresponds to the composition of the benchmark portfolio. Measured in NOK, the return was -1.77 per cent. This was 0.13 per cent higher than the return on the benchmark portfolio. Throughout the year, the actual portfolio has been very similar to the benchmark portfolio, but has also included securities that are not in the benchmark portfolio. These are securities denominated in foreign currency issued by governments, securities not issued by governments, but with either implicit or explicit government guarantees, and securities issued by international organisations with a high credit rating. This selection of non-benchmark securities was one of the reasons for the excess return in 1999. Another, more important, reason was that the managers have systematically taken advantage of price differences between government securities with virtually identical cash flows.

The Government Petroleum Fund

At the end of 1999, the market value of the Government Petroleum Fund's currency portfolio was NOK 222.3bn, after deduction of management fees to Norges Bank. The Bank is responsible for the operational management of the Government Petroleum Fund on behalf of the Ministry of Finance. This management responsibility is regulated by a separate agreement between Norges Bank

and the Ministry of Finance. The agreement stipulates that the Ministry of Finance is responsible for management costs, on the principle of full coverage of expenses.

During 1999, the Ministry of Finance transferred a total of NOK 24.5bn to the Fund's krone account, and the equivalent of this capital was transfered immediately to the currency portfolio. Three transfers were made, consisting of NOK 8bn on 30 June, NOK 13.5bn on 30 September and NOK 3bn on 30 November. The general rule is that the Ministry of Finance transfers capital to the Petroleum Fund on the last day of each quarter, but an exception was made for the fourth quarter of 1999 because of the risk associated with the operation of computer systems in connection with the transition to the year 2000. Transfers are based on estimates for central government accounts, and adjustments are made retroactively each year. In 1998 the accounts showed that an excess of NOK 3 018bn had been transferred. This was corrected at the end of the first quarter of 1999, by defining the amount as part of the transfer for 1999.

The Ministry of Finance has defined a benchmark portfolio of specific equities and fixed income instruments from the countries in which investment is allowed. The benchmark portfolio reflects the delegating authority's investment strategy for the Petroleum Fund. It serves as an important basis for managing the risk of the operational management, and for evaluating Norges Bank's management performance. The Ministry of Finance has set limits for the deviation of the actual portfolio from the benchmark portfolio.

In 1999, the regulation was amended with effect from 1 January, as a purely technical adaptation to the fact that the European currency unit, the ECU, was discontinued on that date. Similar changes were made in the composition of the fixed income benchmark portfolio for the Petroleum Fund. The introduction of the euro did not necessitate changes in either the regulation or the benchmark portfolio.

The regulation has also been amended with effect from 1 January 2000 to permit investment in equities in seven new countries (Greece, Turkey, Brazil, Mexico, South Korea, Taiwan and Thailand). So far, these countries have not been included in the benchmark portfolio. It has furthermore been stipulated that a separate equity portfolio composed of enterprises that have been evaluated according to environmental criteria is to be established . The Ministry of Finance is to stipulate the criteria, and provide Norges Bank with a list of enterprises in which investment may take place. This environmental portfolio will be established in the course of 2000.

The benchmark portfolio consists of an equity portfolio with a weight of 40 per cent and a fixed income portfolio with a weight of 60 per cent. In 1999 the equity portion of the benchmark portfolio consisted of the companies in the Financial Times/Standard&Poor's country indices for the 21 countries in which the purchase of equities is allowed. The index weights are distributed as follows: 50 per cent on Europe, 30 per cent on North America and 20 per cent on Japan and Oceania. Within each of these three regions, the market capitalisation weights of the individual countries are used.

In 1999, the fixed income portion of the benchmark portfolio consisted of the government bonds in Salomon Smith Barney's World Government Bond Index for the 18 countries in which purchase of fixed income instruments is allowed. The index weights are distributed on regions in the same way as for equities, while GDP weights are used for distribution by country within each region.

In 1999 the return on the Government Petroleum Fund was 12.44 per cent measured against the currency basket that corresponds to the composition of the benchmark portfolio. This is the measure of performance that best describes the international purchasing power of the Fund. The return on the Fund's equity portfolio was 34.81 per cent, whereas the return on the fixed income portfolio was negative, at –0.99 per cent.

Measured in NOK, the return was 13.85 per cent. This was 1.11 per cent higher than the return on the benchmark portfolio. The unusually high excess return was essentially attributable to the external active equity managers, who together made very good choices of individual enterprises within their investment universes. There was a very wide spread in equity returns in 1999, even within the same sector, and stock-picking thus had a major impact on performance.

A more detailed presentation of the management of the Fund in 1999 is to be found in the Annual Report of the Government Petroleum Fund.

The Government Petroleum Insurance Fund

The market value of the Government Petroleum Insurance Fund at year-end 1999 was NOK 10.0bn. The Fund is owned by the Ministry of Petroleum and Energy and its purpose is to underpin the government in its role of self-insurer of ownership interests in petroleum activities. The Fund is managed by Norges Bank. The return in 1999 was –1.05 per cent measured against the currency basket that corresponds to the composition of the Fund's benchmark portfolio. Measured in NOK, the return was -8.80 per cent. This was 0.20 per cent lower than the return on the benchmark portfolio. The underperformance occurred as a result of rebalancing to bring the portfolio into line with a new benchmark portfolio in January.

Chapter 4 Financial markets and financial institutions

Norges Bank is responsible for contributing to robust and efficient financial markets and payment systems, ie contributing to financial stability. Should a situation arise in which the financial system itself is at risk, Norges Bank will, in consultation with other authorities, evaluate the need for and, if necessary, introduce measures that can contribute to promoting confidence in the financial system.

The central bank's preventive efforts associated with financial stability consist of continuous monitoring of factors that influence financial stability, work on reducing risk in payment systems and making the systems more robust, and evaluation of the effect of monetary policy and other economic policy components on financial stability.

As a follow-up to the Storting's deliberations on the Smith Commission's report on various causal factors linked to the banking crisis, the Executive Board of Norges Bank discussed the Bank's role in the work on preventing financial crises. Against the background of this discussion, a letter describing Norges Bank's efforts to prevent financial crises was sent to the Ministry of Finance. The submission was discussed with the Ministry.

Monitoring financial stability

Since 1995, Norges Bank has produced reports that provide a summary presentation of the situation in the financial sector and the outlook for the sector. The work includes analyses of both developments in financial institutions, particularly banks and the relationship between macroeconomic developments and financial sector developments. Analyses of the financial position of households and enterprises are important elements of this work. The reports are made available to and discussed with the Ministry of Finance and the Banking, Insurance and Securities Commission. Since 1997, excerpts from these analyses have been published in *Economic Bulletin* nos 2 and 4 under the title "Financial Sector Outlook" ("Financial Sector Trends prior to June 1998).

Favourable results in banks in 1999

Commercial and savings banks recorded a noticeable improvement in results in 1999 compared with the previous year. This was primarily due to a pronounced increase in "other operating income" as a result of sharp advances in share prices in Norwegian and international stock markets in 1999. The improvement in other operating income was also ascribable to new accounting rules and one-off effects resulting from these. Higher net interest income and a slight reduction in operating expenses also contributed to higher profits.

The improvement in net interest income was primarily due to a higher interest margin in 1999 than in 1998, largely as a result of the rise in interest rates in autumn 1998. Net interest income was also influenced by a positive trend in the composition of balance sheets. Customer deposits grew more than lending in 1999, and the deposit to loan ratio therefore improved somewhat. Furthermore, foreign financing at the shortest end of the market was reduced. Both factors contributed to reducing banks' liquidity risk.

Higher credit risk

The volume of banks' non-performing loans and recorded losses remained very low in 1999. However, developments in the enterprise sector indicate that credit risk linked to this segment has increased. Strong growth in debt in recent years has increased financial exposure. Moreover, profitability has been squeezed in a number of industries as a result of higher costs and intensified competition.

The figures for the 1998 financial statements showed a pronounced rise in the number of enterprises with poor earnings and weak or negative equity, ie high-risk enterprises. High-risk enterprises therefore accounted for a higher share of financial institutions' loans to enterprises at the end of 1998. It appeared that financial institutions showed more caution in granting credit in 1999, as a smaller share of new loans were extended to enterprises classified in the high-risk group. Overall, however, credit risk in financial institutions increased.

The financial position of households has generally been solid. Indicators for both interest burden and debt burden imply that the majority of households had a better debt-servicing capacity in 1999 than in the early 1990s, despite the increase in interest expenses in 1998 and 1999.

Prices for existing dwellings have risen by about 8 per cent annually since 1994, and continued to rise through 1999. At the end of 1999, resale home prices deflated by the rise in the consumer price index were higher than the peak level recorded in 1988. During the 1990s, however, households have recorded a sharp increase in income, and when disposable income is used as the deflator the rise was less dramatic.

Unrest in international securities markets may have negative effects on Norwegian securities markets, and thus the earnings of some financial institutions, particularly insurance companies. Financial institutions will also be influenced to the extent turbulence has consequences for the real economy. The uncertainty in international financial markets was reduced somewhat in 1999. The situation in the crisis-hit countries in Asia improved, and current account deficits were reversed to surpluses. The greatest uncertainty with regard to financial stability internationally was considered to be the risk of a sharp fall in the US stock market. The risk of turbulence in international foreign exchange markets, triggered by growing imbalances in world trade, represented another element of uncertainty.

As a result of the positive trends in the banking system, financial strength (core capital ratio) was satisfactory at the end of 1999. The combined risk for banks is limited in the short run. However, the improved profits in commercial and savings banks were to a large extent due to one-off effects or factors that will not make the same contribution in the years ahead.

Chapter 5 Payment systems and means of payment

Financial unrest spreads through payment and settlement systems. These systems may also constitute a source of risk if banks credit customers before they themselves have received settlement from other banks. An important part of the work of preventing financial instability therefore consists of making these systems more robust. At the same time, they must be as efficient as possible, and both robustness and efficiency must be achieved at the lowest possible cost.

Norges Bank handles the settlement of inter-bank claims and debts and of cash positions from securities trading, and has responsibilities associated with government administration of the economy. The Bank is also responsible for issuing notes and coins, and for monitoring developments in payment service systems. In this connection, Norges Bank issues an Annual Report on Payment Systems. The report contains extensive statistical documentation of developments in the use and pricing of payment services.

Norges Bank's Settlement System

To reduce the risk and increase the efficiency of payment settlements in Norway, Norges Bank introduced a new settlement system, Norges Bank's Settlement System (NBO) in November 1997. The basic principle in NBO is that all transactions are settled continuously throughout the day in Norges Bank once a balance check has been carried out. Settlement takes place immediately if the bank in question has cover, or the transaction is placed in a queue or rejected if there is no cover.

In 1999, the average daily transaction volume of NBO was NOK 146bn, compared with NOK 60bn the previous year. In the period 1 January to 11 March, the average daily transaction volume was NOK 64bn, rising to NOK 167bn in the period from 12 March to year-end. This increase is largely attributable to the introduction on 12 March of a requirement that large transactions (over NOK100m) must be settled individually without advance netting (so-called gross settlement). From the same date, it became possible for banks to send gross transactions for automatic settlement in Norges Bank via the SWIFT part of the Norwegian Interbank Clearing System (NICS). Gross transactions sent in this way are transferred electronically from NICS to NBO and are therefore normally handled (settled or placed in a queue) immediately after being sent from the bank. Banks have thereby gained access to real time gross settlement. Gross transactions accounted for over 30 per cent of the total volume in 1998. In 1999 this share rose to almost 80 per cent, consisting mainly of gross transactions settled in real time.

Banks' right to borrow from and place deposits in Norges Bank was amended through circular no. 6/30 of July 1999 (cf. also circular no. 8/30 August 1999). The possibility of providing securities as collateral in Norges Bank was expanded by making more types of securities acceptable. The circular stipulates further that banks must now also provide full collateral for fixed-rate loans (in the same way as for overnight loans), which means that overall they have to deposit a larger quantity of securities in favour of Norges Bank. In the same circular, NBO's operating schedule was amended. The changes came into force on 1 September 1999.

The first two years' experience of the new settlement system has been very largely positive. Banks have adjusted to the system without major problems, and as a result there have seldom been queues or appreciable deviations from the operating schedule applying at any time.

International aspects of payment transfers

Settlement of foreign exchange transactions implies risk for the parties involved. The risk, which is called foreign exchange settlement risk, is due both to the time-consuming routines of the parties involved and to the fact that settlements take place across international time zones. Foreign exchange settlements connect banks worldwide in such a way that financial problems can easily spread from country to country. In 1998, the Bank for International Settlements (BIS) estimated the international turnover of foreign exchange contracts at USD 1 500bn daily. Norges Bank is participating in an international collaboration of central banks intended to focus on and reduce this risk. In 1999, an important part of this work involved monitoring the development of a global foreign exchange settlement system called Continuous Linked Settlement (CLS). CLS will substantially reduce foreign exchange settlement risk, because participants are assured of receiving the foreign exchange purchased at the same time as the foreign exchange sold is released to the purchaser. In 1999, Norges Bank also worked to make it possible for transactions in NOK to go through CLS. The Bank also took the initiative for a more detailed study of foreign exchange settlement risk in the Norwegian market. This work will continue in 2000.

The introduction of the euro as the common currency in the EU's economic and monetary union (EMU) has led to considerable changes in payment systems. On 4 January 1999, the central banks of the participating countries launched a joint system for cross-border interbank payments called TARGET. The system makes it possible for the central banks in question to carry out joint monetary policy operations in euros. Moreover, TARGET enables banks in all the EU countries to send payments in euros rapidly and securely between countries, which is a prerequisite for a smoothly functioning single market. Norges Bank is not linked to TARGET, and has therefore collaborated with the banking industry on efforts to find solutions that will assure Norwegian banks of the most efficient, secure solution possible for euro transactions. Such a solution may also be relevant for settlement of securities trades in euros.

Regulatory framework

The Norwegian Storting adopted the Act relating to Payment Systems in December 1999. The Act is essentially in accordance with the Banking Law Commission's proposals in NOU 1996: 24 – "Payment Systems etc.". Chapter 4 of the Act also implements the EEA Directive on Settlement Finality in Payment and Securities Settlement Systems. Before this Act was adopted, there was no specific regulation of payment systems in Norway. The systems were largely regulated by agreements between participants. The Act is intended to supplement, rather than replace, this self-regulation, and entered into force in April 2000,

The Act distinguishes between two types of payment systems: interbank systems and payment service systems. Systems based on mutual agreements on clearing, settlement and transfer of money between credit institutions are regarded as interbank systems. The purpose of the provisions on interbank systems is to help to ensure that the systems are organised so as to promote financial stability. Particular emphasis is to be placed on counteracting risk resulting from the illiquidity and insolvency of participants in the system. Payment service systems are systems based on standard conditions for transfer of money from or between customer accounts in banks and finance enterprises when the transfers are based on the use of payment cards, numerical codes or some other form of independent user ID issued to an indefinite circle of users. The purpose of the rules on payment service systems is to help to ensure that these systems are organised and operated so as to promote secure, efficient payment and rational, coordinated execution of payment services.

The Act makes it obligatory to obtain authorisation to establish and operate an interbank system, and Norges Bank has been given responsibility for the authorisation and supervision of these systems. The conditions of authorisation shall among other things promote clearly defined responsibilities in the systems, clear access criteria and measures to limit the risk of the participants. Norges Bank may make exceptions from the requirement of authorisation for systems that are of such a limited size that they are assumed not to be of any significance for financial stability.

The provisions of the Act regarding legal protection and security for clearing and settlement agreements apply to authorised interbank systems and to securities systems, pursuant to special approval by the Norwegian Banking, Insurance and Securities Commission. These agreements may be invoked according to their contents, even if insolvency proceedings are instituted against a participant in the system, when the order has been received by a clearing centre, a key counterparty, or the settlement bank, before insolvency proceeding have been instituted. The provisions reduce the risk associated with participation in payment and settlement systems, clarify the participants' obligations with respect to their transfer orders and contribute to harmonised rules and regulations within the EEA.

A requirement that notification of payment service systems be given to the Banking, Insurance and Securities Commission has been introduced. If the Commission decides that such systems are not organised or operated in compliance with the provisions of the legislation, it may order the institution operating the system to take the steps necessary to remedy the situation.

In 1998, the Nordic Council of Ministers appointed a Nordic task force to work for a joint Nordic interpretation and implementation of the Settlement Directive. The Norwegian participants in the group were from the Banking, Insurance and Securities Commission and Norges Bank. The task force completed its work in June 1999, and recommended that the Nordic countries opt for a similar Nordic collaboration in connection with the interpretation and implementation of relevant directives later.

Measures to reduce risk in securities settlement

Norges Bank is the settlement bank for cash settlements associated with securities transactions that are cleared in the Norwegian Central Securities Depository (VPS). In the interests of financial stability, Norges Bank wishes to contribute to low risk and high efficiency in securities settlement. In order to strengthen contact between the two institutions, it was decided in 1999 to hold regular meetings for mutual updating and exchange of information.

The passing of the Act relating to Payment Systems will mean greater legal protection for clearing and settlement agreements for securities. This will contribute to reducing the risk associated with securities settlement. The rules and regulations are discussed in more detail under "Regulatory framework" above.

In 1997 VPS commenced work on a project to develop a new securities settlement system (VPO). This work was shelved in autumn 1998 because VPS initiated a collaboration with the central securities depositories in Sweden and Denmark on a pilot project to study the possibility of a joint clearing and settlement system for the three countries (S4). In spring 1999 the boards of the three securities depositories decided to terminate the project. VPS has therefore continued developing its own systems.

Part of the work on a new securities settlement system consists of evaluating new solutions for the cash aspect of settlement. Several proposals have been developed through the work on S4 and VPO. In November 1999, Norges Bank and the Central Securities Depository initiated a joint study to decide which solutions should receive further work, and at the same time what technical adjustments need to be made.

Chapter 6 International cooperation

Cooperation with other central banks

The oldest formal cooperation among central banks takes place in the Bank for International Settlements (BIS) in Basle, which Norges Bank joined in 1931. The role of the BIS is to promote cooperation among central banks and provide agency and trustee functions for international financial transactions. The globalisation of capital and financial markets over the past decades has given the BIS a more important role as a consultative and coordinating body for central bank interests, and for surveillance and information in regard to market developments. Norges Bank's management participates in meetings in Basle on a regular basis in order to discuss international issues in the area of central banking.

As from 1 January 1999, the European Central Bank (ECB) is responsible for formulating and implementing monetary policy in EMU. Economic developments and monetary policy in the EU represent an important framework for Norwegian monetary policy. Norges Bank therefore seeks to maintain regular contact with the ECB and with central banks in the EU. Norges Bank also participates in various EFTA and EEA committees where issues relating to capital movements and financial services are discussed.

Within the framework of Nordic cooperation, the annual meeting of Nordic central bank governors was held in Sweden in 1999. The main topic was financial stability.

Norges Bank cooperates closely with the Nordic and Baltic central banks on matters relating to Norway's relationship to the International Monetary Fund (IMF). The Nordic and Baltic countries belong to the same IMF constituency.

Norges Bank participates daily in telephone conferences with the other central banks in Europe, North America and Japan. Information is exchanged about developments in monetary and exchange rate conditions and any exchange market interventions and interest rate changes on the part of central banks.

Credit agreements with other central banks

Norges Bank is a party to swap agreements with the Nordic central banks and those of the EU countries. The agreements give Norges Bank access to credits for use in interventions to support exchange rate management. Under the prevailing exchange rate regime, the agreements have not been activated, but it is nevertheless considered desirable to maintain the agreements.

On 1 January, 1999, the central banks of Denmark, Iceland, Norway and Sweden entered into a new agreement based on the same principles and with the same quantitative limits as under the former Nordic agreement. The central banks of Denmark, Norway and Sweden each have the right to draw up to EUR 2bn, whereas the amount for the central bank of Iceland is EUR 200m. Each central bank that is a party to the agreement undertakes to provide currency support up to an amount equivalent to EUR 1bn, and EUR 100m for the central bank of Iceland. Before the agreement is activated, the borrower country must have used its foreign exchange reserves and monetary policy instruments to a reasonable extent. The maturity for credit under the agreement is three months, with an option for a three-month extension. The agreement remains in force until it is terminated by one of the parties.

Bilateral agreements between Norges Bank and EU central banks have been effective since 1991. The agreements have been renewed annually. In autumn 1998, Norges Bank approached the ECB about the possibility of entering into a new swap agreement with the ECB to replace the agreements Norges Bank had entered into with the central banks of the countries that formed the euro area from 1 January 1999. The Governing Council of the ECB took a positive view and an agreement was concluded in December 1998. The total amount stipulated in the agreement was EUR 1 535m, i.e. the same amount applying under the agreements between Norges Bank and the central banks of the euro area countries. The agreement was renewed for twelve months with effect from 1 January 2000, but for practical reasons the amount was rounded off to EUR 1500m.

The agreement is based on the same principles as the former bilateral agreements. Norges Bank has undertaken to carry out interventions in a manner that is compatible with the ECB's monetary policy objectives, and will cooperate with the ECB in intervention policy vis-à-vis third country currencies. As in the case of the Nordic agreement, Norges Bank must use its foreign exchange reserves and monetary policy instruments to a reasonable extent before drawing on the agreement. Furthermore, it is stipulated that Norges Bank will not draw on the agreement as long as the krone is floating against the euro.

Norges Bank concluded new bilateral agreements with the Bank of England and the Bank of Greece which took effect on 1 January 1999. The amounts under the former agreements continue to apply. Norges Bank is permitted to draw up to EUR 290m in the Bank of England and EUR 25m in the Bank of Greece. Otherwise, the terms are the same as those provided for in the agreement with the ECB. The agreements have been renewed for twelve months, with effect from 1 January 2000.

The International Monetary Fund (IMF)

The supreme body of the IMF is the Board of Governors, on which Norway has been represented by the Governor of Norges Bank, Svein Gjedrem, and the Secretary General of the Ministry of Finance, Tore Eriksen, as alternate.

Day-to-day activities in the IMF are managed by an Executive Board composed of 24 members. The five Nordic and three Baltic countries comprise one constituency with a joint representative on the board. In 1999, Kai Aaen Hansen, an executive director of the Danish central bank, has been the Executive Board representative for the constituency. Olli-Pekka Lehmussaari, Finland, was alternate, assuming the position of board member from the beginning of 2000, while Åke Törnqvist, Sweden, took over as alternate.

The Nordic and Baltic countries also have a joint representative on the International Monetary and Financial Committee (IMFC) – formerly the Interim Committee – and the Development Committee, which meet biannually. The Danish Minister of Economic Affairs, Marianne Jelved, has been the constituency's representative on the IMFC.

The Nordic countries coordinate their positions on important IMF issues through the Nordic Financial Committee. The committee was chaired through 1999 by the Deputy Governor of the central bank of Iceland, Ingimundur Fridriksson. It has been decided to establish a high-level coordination committee – the Nordic-Baltic Monetary and Financial Committee. The new committee represents a continuation and strengthening of the present constituency cooperation. The committee chairman is Johnny Åkerholm, Permanent Under-Secretary of the Ministry of Finance, Finland. The Norwegian representatives are Tore Eriksen, Secretary General of the Ministry of Finance, and Jarle Bergo, Deputy Central Bank Governor. Alternates are Bjarne Stakkestad, Deputy Director General of the Ministry of Finance, and Anne Berit Christiansen, Director of the International Department, Norges Bank.

In 1999, Denmark was responsible for the daily coordination of the views of the constituency. This responsibility passed to Finland on 1 January 2000.

Report of the Executive Board

Report of the Executive Board

Pursuant to section 5 of the Act of 24 May 1985 on Norges Bank and the Monetary System, executive and advisory authority is vested in the Executive Board. It administers the Bank's activities and manages its resources. As stipulated in section 28, the Executive Board shall each year prepare an annual report and accounts for the year. The members of the Executive Board and the Supervisory Council are presented in Appendix B.

In 1999 the Executive Board held 26 meetings and reviewed 192 matters, 77 of which were related to the central bank's external activities. The remaining 115 items were related to the Bank’s administration and management.

The Executive Board has dealt with a broad range of issues, with particular focus on the central bank's responsibilities for monetary policy, financial stability and investment management. In line with normal practice, the Board also issued statements and submitted recommendations on the Government’s economic policy programme and monetary policy. The Executive Board has also considered applications for licences and authorisation, including merger applications from financial institutions and applications concerning changes in corporate structure, capital increases and reductions and the establishment of branches. A number of consultative statements have also been issued.

Financial stability

As part of the work to promote financial stability, two reports were prepared containing an overview of the situation in the financial sector including the outlook for future developments. The reports were discussed with the Ministry of Finance and the Banking, Insurance and Securities Commission. Excerpts have been published in the Bank's quarterly reports. Following up on the Smith Commission's report on the banking crisis, Norges Bank outlined its work on financial stability in a submission to the Ministry of Finance. Banks' operating profits in 1999 were solid, but developments in the enterprise sector point to higher credit risk in the future.

Turnover in Norges Bank's settlement system more than doubled because banks were permitted to send in individual transactions for automatic settlement in Norges Bank. A limit on the size of transactions eligible for netting was also introduced. This has been an important element in the development of a more robust settlement system. The Norwegian Storting adopted the Act relating to Payment Systems in December 1999. The Act gives Norges Bank licensing and supervisory authority for interbank systems. The thorough preparatory work in Norges Bank and the financial sector ensured a smooth transition to the year 2000.

Monetary policy

The Executive Board closely follows developments in the Norwegian and international economy in order to ensure the best possible decision-making basis for the use of monetary policy instruments. The Executive Board sets key rates with a view to achieving the fundamental preconditions for exchange rate stability. In order to achieve exchange rate stability against the euro, monetary policy instruments must be oriented in such a way that price and cost inflation is brought down to the level aimed at by the European Central Bank. At the same time, monetary policy must not in itself contribute to deflationary recessions, as this would undermine confidence in the krone.

On five occasions in 1999 the Executive Board decided to lower key rates by 0.5 percentage point, ie a total of 2.5 percentage points. See section on monetary policy for further details.

The Executive Board also places substantial emphasis on transparency and predictability in the use of instruments and, beginning in summer 1999, the dates were published for the Executive Board's monetary policy meetings and the use of monetary policy instruments. A press release is issued following each meeting, regardless of the decision taken.

Investment Management

Since 1998 Norges Bank has been responsible for the operational management of the Government Petroleum Fund on behalf of the Ministry of Finance. In addition to the Government Petroleum Fund, Norges Bank manages the Government Petroleum Insurance Fund and Norges Bank's foreign exchange reserves.

At end-1999, NOK 222 billion was placed in the Petroleum Fund and NOK 10 billion in the Government Petroleum Insurance Fund (cf section on the Government Petroleum Fund).

Equity management was also started internally in 1999. While the majority of investments in fixed income securities are managed by Investment Management employees, Norges Bank primarily uses external managers with special expertise in international equity markets to manage equity market investments. This requires that the Bank have its own expertise in active management in order to follow up the external managers.

The most important investment management functions were placed in a single wing of Norges Bank in 1999, thereby facilitating the control and coordination of activities. At the end of 1999, Norges Bank Investment Management had 79 employees.

Investment Management is a very important part of the Bank's activities in view of its size and nature. The Executive Board follows these activities and their developments very closely. It is important that management feature a high degree of professional expertise and integrity and that secure systems for control and risk management are in place.

A more detailed overview of the management of the Government Petroleum Fund in 1999 has also been published by Norges Bank as a separate annual report.

Resources

The Executive Board monitors the overall use of resources in the Bank. As in previous years, Norges Bank has reported on developments in the Bank's use of resources to the Ministry of Finance. An overview of staff levels in Norges Bank is provided in Table 9.

The two production units in Norges Bank, Norges Bank's Printing Works and the Royal Norwegian Mint, showed the largest reduction in personnel. "Plan for resource use and dimensioning of Norges Bank 1997-1999" has almost been completed in line with objectives. Norges Bank Investment Management remains an area of expansion and had authorised positions equivalent to 92 permanent man-years at the beginning of 2000. At end-1999, Investment Management had a total of 79 employees, compared with 41 in 1998. This also explains the slight increase in the total number of positions between 1998 and 1999.

Changing framework conditions and a shift in the demand for the Bank's services have also presented the Bank with substantial challenges and a need for restructuring. The Executive Board is concerned with making all parts of the Bank adaptable in response to the challenges faced by the Bank. In the area of cash handling, Norges Bank faced a crossroads in 1999. The choice lay between cultivating the Bank's role as an authority so that Norges Bank's responsibilities would be limited to those stipulated by law, and engaging in cash handling as a business activity on commercial terms in competition with other participants. On the basis of reports and assessments, the latter alternative has been chosen. Norges Bank has initiated work to establish its regional branches as profit centres, where prices for services and products are based on commercial principles.

In December 1999, the Norges Bank Act was amended to stipulate, that the production of notes and coin and other business activities can be spun off into separate companies. This will primarily affect the production units Norges Bank Printing Works and the Royal Norwegian Mint. This also allows the production of banknotes and coins to be outsourced. The Act also stipulates that the Bank may participate in employer associations.

Svein Gjedrem Jarle Bergo

Sigbjørn Johnsen Sylvi Røssland Sørfonn Torgeir Høien

Esther Kostøl Trond R Reinertsen

Espen Halvorsen
(employee representative)

Sonja Blichfeldt Myhre
(employee representative)

Report of the Executive Board on the Accounts for 1999

Report of the Executive Board on the Accounts for 1999

The issue of banknotes and coins is one of Norges Bank's main responsibilities. This means that Norges Bank at all times has non-interest-bearing debt. The offset to this is the Bank's interest-bearing claims on other participants. The monopoly on banknotes thus means that, prior to corrections for fluctuations in exchange rates and securities prices, the accounts of a central bank will normally show a profit (seigniorage). Moreover, Norges Bank's accounts are special in that the profit is largely determined by the monetary policy that has been conducted in the course of the accounting year rather than a given profit target.

Norges Bank's accounts for 1999 show a deficit of NOK 3 115m, compared with a profit of NOK 23 510m[1] in 1998.

This is in attributable to changes in prices for Norwegian and foreign securities resulting in a capital loss of NOK 8 155m in 1999, compared with a gain of NOK 2 367m in 1998. NOK 3 290m of this loss in 1999 is due to the changeover to valuation of securities at market value. In addition, exchange losses came to NOK 887m in 1999, compared with gains of NOK 15 352m in 1998.

Gold and securities have been valued in the accounts at fair value since 1 January 1999. Until the end of 1998, gold was valued at historical cost from 1973, and securities at the lower of market value or average acquisition for the total portfolio. The effects of the change in valuation policies and the revaluation of gold and securities in the amount of NOK 1 790m and NOK 3 290m respectively have been recorded under other equity. The effect of the change in policies on results in 1999 is also included under other equity (see note 21).

Interest income from foreign assets came to NOK 8 829m, ie NOK 2 005m less than in 1998.

Interest payments to the Treasury amounted to NOK 1 776m, of which NOK 311m represents the return on the immunisation portfolio[2]. Total interest payments to the Treasury came to NOK 4 277m in 1998.

In accordance with existing guidelines, Norges Bank transferred NOK 10 685m to the Treasury from the Transfer Fund.

Norges Bank’s foreign assets

Norges Bank’s foreign assets comprise international reserves and the investments of the Government Petroleum Fund.

International reserves

Norges Bank’s international reserves comprise foreign exchange reserves, gold and claims on the International Monetary Fund (IMF). The foreign exchange reserves consist of investments in interest-bearing securities, repurchase agreements and reverse-repurchase agreements for securities in foreign currency and deposits in international banks with high credit ratings. The investments are made in accordance with the guidelines adopted by the Executive Board and submitted to the Ministry of Finance. The guidelines stipulate limitations on credit exposure, interest-rate risk and currency risk.

Norges Bank’s international reserves are divided into separate portfolios according to purpose. The liquidity portfolio is used in ongoing exchange rate management and to influence liquidity or interest rates in the Norwegian money market. The long-term portfolio is to be available for interventions, but is also invested with a view to achieving the highest possible return subject to the applicable guidelines. The immunisation portfolio is coordinated with central government foreign debt to minimise interest rate and exchange rate risk. The buffer portfolio for the Petroleum Fund is built up quarterly for transfer to the Government Petroleum Fund. Capital is to be transferred at the lowest possible transaction costs. For this reason, this sub-portfolio comprises futures contracts on foreign equity indices in addition to interest-bearing securities. All sub-portfolios shall be available for monetary policy purposes if necessary.

Size and composition of international reserves

At 31 December 1999, international reserves amounted to NOK 167 187m[3], of which foreign exchange reserves amounted to NOK 153 464m. The distribution of international reserves in the individual main portfolios is shown in Table 1. The table also shows the value of futures and forward contracts reaching maturity after the turn of the year. The distribution of foreign exchange reserves on instruments is shown in note 2.

[1] If market value had been applied at the closing of the accounts, the profit in 1998 would have been NOK 25 755m.

[2] The immunisation portfolio is coordinated with the Government's foreign debt in order to eliminate exchange rate and interest rate risk. Foreign debt, measured in NOK, is included in the Treasury's sight deposit account.

[3] International reserves in the balance sheet, taking into account repurchase agreements and loans from the foreign sector, including accrued interest charges.

Table 1. Composition of international reserves at 31 December 1999 and 31 December 1998, measured in market values and current financial instruments. In millions of NOK

	Foreign exchange reserves							
	Liquidity portfolio	Long-term portfolio	Immuni-sation portfolio	Buffer portfolio	Foreign exchange reserves total	Gold reserves IMF	Inter-national reserves, total 1999	Inter-national reserves, total 1998
Total international reserves	37 570	94 564	7 417	13 913	153 464	13 723	167 187	146 778
Interest rate futures purchased	208	3 701			3 909			
Equity futures purchased	7 737			4 658	4 658 / 7 737			

The percentage distribution of Norges Bank's foreign currency reserves broken down by currency at end-1999 and end-1998 is shown in Table 2.

Table 2. The composition of foreign exchange reserves by currency. Per cent

Foreign currency	1999	1998
USD	27.2	20.3
CAD	1.3	1.9
JPY	12.9	13.7
DEM	-	27.8
GBP	13.0	11.6
FRF	-	5.0
ECU	-	7.3
ITL	-	8.1
Other currencies	3.3	4.3
EUR	42.3	-
Total	100.0	100.0

Changes in the value of foreign exchange reserves

Foreign exchange reserves[4] amounted to NOK 130.7bn at end-1998. In the course of 1999, foreign exchange reserves increased by NOK 22.7bn to NOK 153.4bn. Table 3 shows that the increase is mainly attributable to the amount of foreign exchange purchased for the Government Petroleum Fund, including purchases from the State's Direct Financial Interest in petroleum activities (SDFI), which exceeded transfers to the Petroleum Fund. This is due to the downward adjustment of the estimates for transfers to the Petroleum Fund towards the end of 1999, and an increase in the purchase of foreign exchange in preparation for larger transfers in 2000. Table 3 shows the change in foreign exchange reserves broken down by main items.

[4] International reserves less gold reserves and claims on the IMF.

Table 3. Changes in foreign exchange reserves in 1999. In billions of NOK

In billions of NOK	Changes 1999	Holdings
Foreign exchange reserves at 31 December 1998 (market value)		130.7
Foreign exchange purchases for the Petroleum Fund	11.2	
Foreign exchange purchases for the State's Direct Financial Interest in petroleum activities (SDFI)	28.2	
Interventions	-	
Transfers to the Government Petroleum Fund		
Foreign exchange purchases for supplying liquidity in connection with the year 2000	7.7	
Reduction of government foreign debt	- 0.4	
Change IMF	1.7	
Return	-1.2	22.7
Foreign exchange reserves at 31 December 1999 (market value)		153.4

Return on international reserves

Measured in NOK, the total return on reserves comprises interest income, capital losses/gains on securities holdings and losses/gains resulting from changes in exchange rates against the Norwegian krone.

As a result of the weakening of the Norwegian krone against the euro, which accounts for more than 40 per cent of the portfolio, total exchange losses on international reserves came to NOK 950m in 1999. These losses have no bearing on the international purchasing power of the reserves.

Bond yields rose in most international markets and contributed to capital losses on securities[5] of NOK 7 478m in 1999, compared with capital gains of NOK 4 780m in 1998.

Interest income on international reserves was NOK 8 100m in 1999, compared with NOK 10 476m in 1998. The change is mainly ascribable to bond coupon rates which, in general, were lower in 1999 than in 1998.

Table 4. Return on international reserves in 1999 and 1998. Market values. In millions of NOK

	Foreign exchange reserves					Gold reserves	Foreign exchange reserves total 1999	Foreign exchange reserves total 1998
	Liquidity portfolio	Long-term portfolio	Immunisation portfolio	Buffer portfolio	Foreign exchange reserves total			
Exchange rate and gold reserves valuations	-736	-604	-180	171	-1 349	535	-814	15 361
Securities valuations	-878	-6 652	-231	283	-7 478	0	-7 478	4 780
Current interest income	1 591	5 450	377	177	7 595	505	8 100	10 476
Total	- 23	-1 806	-34	631	-1 232	1 040	- 192	30 617

[5] Such a relationship exists because increased yields reduce the value of future cash flows.

The Government Petroleum Fund

Norges Bank is responsible for the operational management of the Government Petroleum Fund on behalf of the Ministry of Finance. The Government Petroleum Fund is placed in a separate account in the form of krone deposits in Norges Bank. Norges Bank invests this capital separately in the Bank's name in assets denominated in foreign currency. In 1999, the Fund was managed in accordance with the regulation for the management of the Government Petroleum Fund, pursuant to section 7 of Act no. 36 of 22 June 1990 relating to the Government Petroleum Fund.

The market value of the Petroleum Fund was NOK 171 786m at end-1998. An additional NOK 24 500m was transferred to the Government Petroleum Fund in 1999, broken down into transfers of NOK 8 000m, 13 500m and 3 000m on 30 June, 30 September and 30 November respectively. These amounts, combined with the return on capital, bring the market value of the Petroleum Fund up to NOK 222 278m at end-1999.

Table 5 shows changes in the composition of the Government Petroleum Fund in 1999 and comparable figures for 31 December 1998.

At end-1999, approximately 3/4 of the equity portfolio was invested by external managers who were required to follow an indexing strategy. This portion of the portfolio almost exactly replicates the benchmark portfolio and has generated approximately the same return. At the end of 1998 and in the first half of 1999, the management of a portion of the equity portfolio was invested by five external managers as active management mandates. These portfolios achieved a very high return relative to their benchmark portfolios, which resulted in an excess return on the Petroleum Fund relative to the benchmark portfolio defined by the Ministry of Finance.

The bond portfolio has almost exclusively been managed internally by Norges Bank. The actual portfolio has closely replicated the benchmark portfolio.

The market value of the return on the Government Petroleum Fund in 1999 was NOK 30 134m, of which NOK 2 630m is attributable to exchange gains following a weakening of the krone against most investment currencies other than the euro in 1999. The strengthening of the euro has a lesser impact on the Petroleum Fund than on foreign exchange reserves since a smaller portion of the Petroleum Fund's portfolio is invested in euros. Exchange gains have no effect on the international purchasing power of the Fund. Security gains for the Petroleum Fund in 1999 amounted to NOK 19 813m, including unrealised gains of NOK 17 337m at end-1999.

Table 5. Composition of the Government Petroleum Fund by quarter at market value (in millions of NOK), taking into account accrued management remuneration.

	31.12.98	31.03.99	30.06.99	30.09.99	31.12.99
Equity portfolio	69 531	68 705	73 463	80 260	93 120
Fixed income portfolio	102 255	103 371	109 268	119 255	129 158
Total	171 786	172 076	182 731	199 515	222 278

Table 6. Currency distribution of the Government Petroleum Fund

Currency	1999 (as a percentage)	1998 (as a percentage)
USD	28.0	28.1
CAD	1.7	1.6
JPY	17.7	17.4
Other currencies Asia and Oceania	2.5	2.5
DEM	-	12.0
GBP	11.7	10.1
FRF	-	6.3
ITL	-	5.3
Other European currencies	4.9	16.7
EUR	33.5	-
Total	100.0	100.0

Guarantees in connection with loans to Brazil
Under the auspices of the IMF, a financial package of USD 41.45bn was granted to Brazil in the autumn of 1998. The BIS was among the creditors. A prerequisite for the financing programme from the BIS was that Norges Bank, among others, was to provide a guarantee for the loan. Norges Bank's financial guarantee is in the amount of USD 50bn. Norges Bank may not provide this type of guarantee without a corresponding government guarantee. In June 1999 the Ministry of Finance was authorised to increase the guarantee to USD 52m in order to cover Norges Bank's relative share of any unpaid interest.

Use of the New Arrangements to Borrow (NAB) facility
Through the NAB facility, the IMF may, on certain terms, borrow from the central banks of 25 countries, including Norway, in order to increase the size of the financial resources the Fund can utilise to support countries facing a systemic crisis. The arrangement, which entered into force on 17 November 1998, was utilised in connection with the financial package for Brazil. NAB participants provided a total amount of SDR 9 117m to be made available to the IMF. There is an understanding between the NAB countries and the management of the IMF that the loans are to be temporary, pending the payment of the approved increase in quotas by member countries. Only about 1/3 of the total amount was used before the IMF repaid the NAB creditors in March 1999.

Norwegian Treasury bills and government bonds
All holdings and turnover figures in this section are stated in nominal values. Accounting values are shown in note 8.

Norges Bank’s holdings of Norwegian securities consist of negotiable bills and bonds issued by the Norwegian state. Treasury bills are used by the Bank for market-making purposes in the secondary market.

Norges Bank’s net purchases of Treasury bills in the secondary market amounted to NOK 1.3bn. Norges Bank purchased Treasury bills totalling NOK 3bn in the primary market. Since some of the Bank’s holdings had been reduced through sales in the secondary market, Norges Bank subscribed for NOK 2.5bn.

Market-making in government bonds is undertaken by primary dealers who, in accordance with an agreement with Norges Bank, quote indicative bid and offer prices for the five most traded government bonds. Primary dealers have the right to borrow bonds from Norges Bank. Under the agreement, primary dealers may purchase government bonds with an agreement to sell them back (repurchase agreements). Norges Bank’s holdings of government bonds are the basis for this borrowing facility. In connection with the introduction of the new trading system on the Oslo Stock Exchange on 6 September 1999, the borrowing agreement was expanded and Norges Bank subscribed for a further nominal amount of NOK 1.3bn in government bonds.

Commitments to Norwegian banks

Fixed-rate deposits (F-deposits)
In 1999 Norges Bank issued a total of 24 F-deposits, and portions of a F-deposit were repurchased on one occasion. The maturities for F-deposits ranged from 2 to 7 days. The interest rate on all F-deposits was set by ordinary auction. The daily average for F-deposits was NOK 1.7bn in 1999, compared with NOK 7bn in 1998. Norges Bank issued no F-deposits after 16 November 1999.

Intraday loans/overnight loans (D-loans)
The banks' D-loans are divided into loans during the day (intraday loans) and overnight loans. Overnight loans correspond to the previous D-loans. Banks are required to furnish collateral equivalent to 100 per cent of the loan for a D-loan from Norges Bank. For overnight loans, semi-monthly total drawing limits are also stipulated as a percentage of each bank's basis of measurement, ie total assets less overnight debt to Norges Bank. No interest or fees are charged on intraday loans.

On 1 September 1999, the number of securities which can be accepted as collateral for loans in Norges Bank was expanded to include Norwegian and foreign private interest-bearing paper. Following the introduction of secured F-loans, the same securities may be furnished as collateral for D-loans and F-loans from Norges Bank. As in 1998, banks made little use of the overnight borrowing facility.

Extraordinary loans (E-loans)
In connection with the introduction of real-time settlement for banks in 1997, an extraordinary borrowing facility for intraday loans for banks and branches, E-loans, was also introduced to provide for the execution of special payment settlements specified by Norges Bank. E-loans may be granted for cash withdrawals, for securities settlements, including settlements in the Norwegian Futures and Options Clearing House, for netting in the banks' joint clearing and liquidity information system (NICS), and for currency trading with Norges Bank. Prior to the introduction of a collateral requirement for F-loans on 1 September 1999, E-loans could also be used for redemption of F-loans. No security is required for E-loans, but a fee is charged to deter banks from drawing on this facility. E-loans must be repaid on the same day they are issued. The basis of measurement is the same as for F-loans. Norges Bank stipulates a total borrowing limit as a percentage of the basis of measurement.

Following the gradual implementation of the new settlement system, fees for E-loans were adjusted upwards to full rates, ie 0.05 per cent of the loan amount, with effect from 8 December 1998. The full rate corresponds to the amount charged when a bank exceeds its overnight borrowing limit.

A total of 47 E-loans were issued in 1999. The total amounted to just under NOK 1.4bn.

Loans to banks, repurchase agreements, fixed-rate loans and currency swaps

Norges Bank supplied liquidity primarily through repurchase agreements until secured F-loans were introduced on 1 September 1999. Norges Bank entered into 41 repurchase agreements with maturities ranging from 2 days to 2 weeks. The interest rate on the repurchase agreements was set by Dutch auction. Average outstanding repurchase agreements amounted to NOK 2.3bn in 1999, compared with NOK 1.7bn in 1998.

At times, repurchase agreements did not provide sufficient liquidity. As a result, Norges Bank auctioned 36 unsecured F-loans between 1 January and 31 August. Generally, the maturity on these loans was relatively short, ie 1 to 5 days. The rate was set on the basis of the last repurchase agreement plus a premium. The premium was 50 basis points until end-April, and was raised to 60 basis points thereafter. The premium and the increase in the premium were introduced as Norges Bank wished to provide an incentive to banks to bid on repurchase agreements rather than unsecured F-loans.

Norges Bank has supplied liquidity primarily through F-loans since secured F-loans were introduced on 1 September 1999. Between 1 September and end-1999, Norges Bank issued 25 F-loans with maturities ranging from 1 day to 3 weeks. The longest loan was issued in connection with Norges Bank's supply of liquidity over the turn of the millennium. Most of these loans had a maturityof between 2 and 5 days. The rate on secured F-loans is set by American (multi-price) auction. The daily average for F-loans (both secured and unsecured) was NOK 4.4bn in 1999, compared with NOK 1.2bn in 1998. In addition to F-loans and repurchase agreements, Norges Bank made use of currency swaps to supply liquidity to the market. The Bank entered into three currency swaps in the second quarter and one in connection with the transition to the new millennium.

In order to avoid any liquidity problems in connection with the new millennium, Norges Bank auctioned two secured F-loans. Norges Bank also supplied liquidity through currency swaps. As a result, the banking sector's total sight deposits in Norges Bank came to NOK 33.3bn, corresponding to the banks' total loans in the form of F-loans and outstanding currency swaps with Norges Bank. The substantial supply of liquidity contributed to dampening the rise in short money market rates which was caused by uncertainty in connection with the transition to the new millennium.

Norges Bank's Printing Works and the Royal Norwegian Mint

Norges Bank's two production units, the Royal Norwegian Mint (RNM) and Norges Bank’s Printing Works (NBPW), primarily design and produce Norwegian coins and banknotes for Norges Bank. Goods are also produced on a commercial basis. The combined operating expenses of the two production units (less joint costs and depreciation) were NOK 151.7m in 1999, of which NOK 64.8m was related to commercial activities. The total turnover for commercial activities was NOK 76.9m, ie a profit after joint costs and depreciation of NOK 3.2m in 1999 (see note 13 for further details regarding the production units’ operating income, operating expenses and profit).

The new 500-krone banknote was introduced in June 1999. The obverse of the note features an optically variable stripe to provide greater security against counterfeiting.

The production estimate for coins is declining, whereas it remains relatively stable for banknotes.

The Royal Norwegian Mint

129.7 million coins were issued in 1999. The replacement of the 1-krone and 5-krone coins has essentially been completed. A large number of 20-krone coins has been produced, partly due to the minting of a 20-krone coin commemorating the 700th anniversary of Akershus Fortress.

There has been a considerable amount of commercial activity, including deliveries of 111 000 silver medals. 7 500 gold and 50 000 silver coins were also produced in connection with the celebration of the year 2000.

Table 7. Production figures for circulation coins at the Royal Norwegian Mint

	1999	1998
Blanks	580 tons	1 156 tons
20-krone coins	6.2 million coins	5.0 milion coins
10-krone coins	1.1 million coins	1.1 million coins
5-krone coins (old series)	-	2.0 million coins
5-krone coins (new series)	24.3 million coins	45.7 million coins
1-krone coins (new series)	78.8 million coins	135.3 million coins
50-øre coins (new series)	25.3 million coins	29.6 million coins

Norges Bank’s Printing Works
Demand for banknotes in 1999 was high. The production volume was affected by the first issue of 22 million of the new 500-krone banknotes. The use of 100-krone banknotes has declined and production has been reduced accordingly. The design and development of a new 1000-krone note has begun. The banknote, the final note in Series VII, is planned for issue in 2001.

Table 8. Production figures for Norwegian banknotes, stamps and Norwegian passports in 1999 and 1998 (one package=500 notes)

	1999	1998
1000-krone notes	13 000 packages	6 000 packages
500-krone notes	43 700 packages	17 000 packages
200-krone notes	44 300 packages	52 000 packages
100-krone notes	33 800 packages	44 000 packages
50-krone notes	38 400 packages	45 200 packages
Norwegian passports	387 900	537 000
Personalised passports	68 590	-
Norwegian stamps	151 646 000	234 341 000
of which - intaglio	38 682 500	54 376 000
- offset	98 035 500	152 169 000
- stamps in booklets	14 928 000	27 796 000

Norges Bank's Printing Works has, in cooperation with the Ministry of Justice, developed a new passport system involving centralised input of personal data. Norges Bank's Printing Works was awarded a contract for the trial project of 130 000 passports. The contract continues into 2000. In addition, 387 900 normal blank passports were delivered in 1999. The production of stamps has been further reduced and will be discontinued in mid-2000.

Activities in the Chief Cashier’s Department

Gross expenses for handling and distribution of banknotes and coins at Norges Bank's 14 regional branches amounted to NOK 284m in 1999 including depreciation (less the share of central expenses at the Head Office). With an income of approximately NOK 102m, net expenses for this activity came to about NOK 182m in 1999.

Withdrawal of notes and coins
Pursuant to a regulation published in the Norwegian Legal Gazette, 13 July 1998, the following notes and coins ceased being legal tender in Norway from 13 July 1999:

All denominations of Series III banknotes produced in the period 1945 - 1954, all denominations of Series IV banknotes produced from 1949 to 1976; Series V banknotes in denominations of 10, 50 and 100 kroner produced in the period 1962-1985 and low-denomination banknotes from World War II in denominations of 1 and 2 kroner.

The previous 5-krone coin ceased being legal tender on 9 July 1999. These 5-krone coins may be redeemed in Norges Bank until 9 July 2010.

Commemorative coins
The UN coin was issued in accordance with the agreement of 10 February 1995 between Norges Bank, the UN and the British Royal Mint (BRM). The coins are part of an international programme being marketed by the BRM. The coins are produced at the RNM on order from the BRM. The project will be discontinued in 2000. Profits from the programme are transferred to the Ministry of Finance.

A silver commemorative coin was issued on 1 September to mark the new millennium. A total of 50 000 of these coins are being issued in proof quality. The nominal value of the coin is NOK 100 and is legal tender. The coins are produced at the RNM. Profits from the programme are transferred to the Ministry of Finance.

Commercial activities
Commercial activities in the Chief Cashier’s Department comprise various money-handling services for banks and the postal system, based on the principle of full cost coverage. The services include business settlement, coin sorting, stocking ATM dispensers with settlement and packaging notes and coins for post offices and bank branches.

Revenues from commercial activities totalled NOK 49m in 1999 against NOK 41m in 1998, ie an increase of 19.5% per cent.

Other revenues
In 1999, revenues from sales of rolls of coins and notes of ATM quality amounted to NOK 19m and NOK 24m respectively. The corresponding figures for 1998 were NOK 20m for rolls of coins and NOK 20m for notes of ATM quality.

The Bank's administration

Staff
At end-1999, Norges Bank had a total of 1 154 permanent employees and temporary employees, which is 11 positions less than at end-1998. Table 9 shows the distribution between full-time and part-time positions and short-term contracts in the main areas of the Bank.

mobility. An extensive management development programme was carried out in 1999.

Health, environmnent and safety
Bank employees participate in decision-making bodies and in central and local works councils. The Bank has arranged working environment courses for managers, safety delegates and members of works councils. Follow-up work on last year's working environment survey was continued at all regional branches.

The Bank has continued its efforts to achieve a more even distribution between men and women in all areas and job categories.

Table 9. Number of employees at Norges Bank at 31 December

	Permanent employees				Short-term		Total	
	Full-time		Part-time					
	1999	1998	1999	1998	1999	1998	1999	1998
Head office	565	550	81	79	11	10	657	639
Regional branches outside Oslo	296	298	69	77	1	1	366	376
Norges Bank's Printing Works and the Royal Norwegian Mint	122	138	9	11	0	1	131	150
Total	983	986	159	167	12	12	1154	1165

At year-end, 1 154 employees corresponded to 1093 person years. The increase in person years at the Head Office primarily reflects the development of the Investment Management department. Costs for temporary staff amounted to NOK 23.5m in 1999, against NOK 20.8m in 1998. This increase is primarily due to growth in the volume of commercial activities at regional branches.

Norges Bank has continued its restructuring programme in order to increase concentration on core activities and relevant support functions. Reductions following from the "Plan for resource use and dimensioning of Norges Bank 1997-1999" have almost been completed. The personnel measures adopted and resources available when restructuring possibilities do not exist were used by 20 employees in 1999, most of whom were employed in Norges Bank's Printing Works or the Royal Norwegian Mint.

The work of establishing the regional branches as individual profit centres is continuing, with plans for implementation on 1 July 2000.

Further education and training are encouraged through the provision of study grants, job rotation and skills development programmes with a view to enhancing the overall skills level and improving internal

Absenteeism was 6.2% per cent of the total number of working days in 1999. The corresponding figure for 1998 was 5.8% per cent.

Norges Bank's activities have an insignificant impact on the external environment in the form of pollution in excess of approved limits. Metals waste from coin production at the Royal Norwegian Mint is treated at a municipal treatment facility. The waste level remained within approved limits, with the exception of nickel, for which the limit was substantially reduced in 1999. Work is in progress to bring the level below the approved limits.

Working conditions
Norges Bank has long emphasised the importance of providing good working conditions. In addition to monthly salaries, the Bank offers its employees the following:

Norges Bank offers loans to its employees. The interest rate in 1999 was linked to the norm rate[6]. As of 1 April 2000, the interest rate will be equal to the norm rate plus 0.5%. Norges Bank also offers its employees certain banking services.

The employee insurance programme covers personal guarantees (including compulsory occupational

[6]The norm rate for loans on favourable terms for an employer, which in accordance with the Storting's tax resolution for the fiscal year 1999 is set at 5%.

injury and health insurance), accident insurance for especially exposed occupations, group life insurance, debt insurance and travel insurance for business travel. These expenses account for 2.2% of total personnel costs.

Norges Bank has its own pension fund for its employees. Benefits are equal to 2/3 of the employee's salary at the time of retirement. Benefits from the pension fund are coordinated with the National Insurance Scheme.

Most employees at Norges Bank have 26 days holiday.

The Bank owns two course and holiday facilities: Venastul, which is located in Ringebufjellet, is in operation all year round. In 1999, a total of approximately 8 300 guest-nights were recorded. Vindåsen, which is located in Tjøme, is only open during the summer. In 1999, it recorded approximately 3 000 guest-nights. Together with contributions to other associations and team clubs in Norges Bank, these costs accounted for 0.4% of total personnel expenses in 1999. The Bank has also granted interest and principal free loans of NOK 3.6m for the purchase of nine cottages to be run by regional branch employees.

Year 2000 upgrade of IT systems in Norges Bank

Substantial resources were necessary in 1999 to prepare the Bank's IT systems for the year 2000. NOK 25m was charged directly to the project accounts in 1999. In addition, personnel costs and consultancy fees were charged to the Bank's other operations. The project was initiated in 1997 and will be concluded in 2000. Total costs for the Year 2000 Project, including internal costs, are estimated at just over NOK 100m. Upgrades implemented in connection with the project have also updated systems which the Bank would have otherwise had to undertake in a few years.

Bankplassen Parkeringsanlegg A/S

In 1999 Norges Bank acquired 9 shares in Bankplassen Parkeringsanlegg A/S from the Municipality of Oslo, and now owns 100% of the company.

The parking facility's accounts for 1999 show a profit of NOK 4.5m. Including interest payments on loans in Norges Bank, the accounts show a surplus of NOK 0.5m. At 31 December 1999 the company's total assets amounted to NOK 115m. The company has negative equity of NOK 48m. The future running of this company is currently under evaluation. This includes the question of whether Norges Bank should maintain ownership of the company.

Distribution of profit

In accordance with the Norges Bank Act of 24 May 1985, the guidelines for the allocation and distribution of Norges Bank's profit were originally adopted by the Council of State on 7 February 1986. The guidelines have since been revised several times, most recently by Royal Decree of 17 January 1997, and now read as follows:

1. Of Norges Bank's profit, allocations shall be made to the Adjustment Fund until the Fund reaches levels corresponding to 10% per cent of the Bank's holdings of Norwegian securities and 20% per cent of the Bank's net foreign exchange reserves, excluding the immunisation portfolio and funds managed for the Goverment Petroleum Fund, other claims/commitments abroad or any other commitments considered by the Executive Board to carry a not insignificant currency risk.

   The immunisation portfolio shall correspond to that part of Norges Bank's foreign exchange reserves which is allocated to a separate portfolio. The return on this portfolio will be credited/debited to the Treasury in the accounts of the same year. The same applies to the Government Petroleum Fund portfolio.

   If the size of the Adjustment Fund exceeds the corresponding figures mentioned under point 1, first paragraph, the surplus shall be reversed to the profit and loss accounts.
2. Any surplus after provisions for or transfers from the Adjustment Fund shall be allocated to the Transfer Fund.
3. Every year in connection with the closing of the books, an amount corresponding to the average of gross allocations to the Transfer Fund in the three preceding years shall be transferred from the Transfer Fund to the Treasury.
4. Any deficits in Norges Bank's accounts shall be covered by transfers from the Adjustment Fund.

In accordance with the guidelines, the Executive Board proposes the following transfers and allocations:

NOK 124m shall be transferred to the Adjustment Fund for 1999. However, the Adjustment Fund has not reached the level set out in point 1 of the regulation. If the Adjustment Fund were to reflect the percentages in point 1 of the regulation, the allocation for 1999 would have had to come to NOK 3 318m.

As a result, no allocations have been made to the Transfer Fund pursuant to point 2.

In accordance with point 3 of the guidelines, NOK 10 685m will be transferred from the Transfer Fund to the Treasury.

In accordance with a letter from the Ministry of Finance, as a temporary measure Norges Bank may transfer the effect of a change in accounting policies for securities and gold, ie NOK 5 080m, other capital. This is done by recalculating the opening balance.

In accordance with the provisional arrangement, the Executive Board proposes that the effect on the result for 1999 ensuing from changes in accounting policies, ie net NOK 3 239m, be covered by other capital.

Profit and loss acount

All figures in thousands of NOK	Note	1999	1998
Foreign interest income			
Interest on bank deposits/loans	2	1 022 963	719 518
Interest income from Treasury bills	2	364	11 983
Interest on bearer bonds	2,5	7 315 838	9 688 252
Other interest income		477 193	402 561
Share divided, BIS	7	13 015	12 112
Total foreign interest income		**8 829 373**	**10 834 426**
Return on investments for Gouvernment Petroleum Fund	19	**30 295 484**	**21 571 499**
Foreign interest expenses:			
Interest on deposits/borrowings	2	716 475	346 914
Interest to foreign customers		42 741	44 612
Total foreign interest income		**759 216**	**391 526**
Net foreign interest income		**38 365 641**	**32 014 399**
Domestic interest income			
Interest on bearer bonds		508 366	706 652
Interest on negotiable notes and bills		181 772	139 669
Interest on loans to banks		432 181	206 644
Interest on other loans		30 000	20 065
Total domestic interest income		**1 152 319**	**1 073 030**
Domestic interest expenses:			
Interest to the treasury	15	1 775 782	4 277 443
Interest (return) to Government Petroleum Fund	19	30 295 484	21 571 499
Interest to public account holders	15	116 712	123 853
Interest to banks		661 238	659 551
Interest on tax-free allocations to funds		585	730
Other interest expenses		6 873	2 840
Total domestic interest expenses		**32 856 674**	**26 635 916**
Net domestic interest expenses		**31 704 355**	**25 562 886**
Net interest income, domestic and foreign		**6 661 286**	**6 451 513**
Valuation adjustments			
Net gains/loss (-) on foreign exchange	1,2	(887 332)	15 351 661
Net gains/loss (-) on foreign securities and financial instruments	1,2	(7 344 941)	2 534 578
Net gains/loss (-) on Norwegian securities	1	(809 838)	(167 230)
Net valuation adjustments		**(9 042 111)**	**17 719 009**
Net interest income and valuation adjustments		**(2 380 825)**	**24 170 522**
Operating income			
Fees and commission income		99 023	89 108
Sales income, production units	13	76 820	76 272
Other operating income		232 486	180 371
Total operating income		**408 329**	**345 751**
Operating expences			
Wages, salaries and other personell costs	17	513 931	484 049
Ordinary depreciation	11	116 168	114 585
Goods consumption, production units		85 127	97 772
Other operating expenses	13,14	426 943	309 585
Total operating expenses		**1 142 169**	**1 005 991**
Net operating expenses		**733 840**	**660 240**
Operating profit before allocations and loan losses		**(3 114 665)**	**23 510 282**
Allocations and loan losses	1	357	7
Profit/loss (-) for the year		**(3 115 022)**	**23 510 275**
Transfers			
Profit/loss (-) for the year		(3 115 022)	23 510 275
Transferred from the Adjustment Fund		0	2 977 949
Transfers from Other capital	21,22	3 371 763	83 679
Amount available		**256 741**	**26 571 903**
Allocated to «Other capital»	21,22	132 593	0
Allocated to Adjustment Fund	22	124 148	0
Allocated to Transfer Fund	20	0	26 571 903
Amount distributed		**256 741**	**26 571 903**

Balance sheet at 31.12.99

All figures in thousands of NOK

TOTAL ASSETS	Note	1999	1998
International reserves	1,2	**167 218 834**	**146 789 993**
Gold reserves	3	2 206 904	2 074 696
Special drawing rights on the International Monetary Fund		3 279 251	3 147 003
Reserve tranche position in the International Monetary Fund	4	6 836 795	9 243 720
Loans to the International Monetary Fund		1 337 865	1 522 662
Deposits and loans, foreign banks	6	48 255 324	14 249 930
Foreign Treasury notes and bills	5	155 460	946 197
Foreign bearer bonds	5	102 091 089	112 868 509
Accrued interest, earned		3 056 146	2 737 276
Investments for Government Petroleum Fund	19	**222 277 682**	**171 786 322**
Recorded value of Government Petroleum Fund's portfolio	19	222 277 682	167 643 768
Value added through market valuation	19		4 142 554
Other foreign assets		**37 955 625**	**12 192 961**
The International Monetary Fund	4	11 560 766	2 576 605
Shares in the BIS	7	24 700	24 700
Repurchase agreements	6	26 370 159	9 591 656
Norwegian securities	1,8	**10 771 925**	**9 761 537**
Treasury bills		1 591 695	1 717 156
Gouvernment bonds	8	9 180 230	8 044 381
Domestic lendings		**26 141 012**	**19 774 246**
Commercial banks		19 573 000	7 435 229
Savings banks		6 001 500	4 712 726
Other Norwegian sectors	9	566 512	7 681 791
Provisions for loans losses	1	0	(55 500)
Deposits in Noirwegian banks		**55 072**	**44 841**
Other domestic assets		**792 782**	**692 090**
Discounted bank drafts		4 503	1 123
Accrued interest, earned		361 169	345 444
Other assets	10	384 239	303 017
Stocks, production units	1	42 871	42 506
Fixed assets	1,11,12	**2 010 107**	**2 064 269**
TOTAL ASSETS		**467 223 039**	**363 106 259**

Oslo, 31 December1999/9 February 2000

Svein Gjedrem   Jarle Bergo   Sigbjørn Johnsen

Espen Halvorsen
(Emloyees' representative)

LIABILITIES AND CAPITAL	Note	1999	1998
Foreign debt		**38 925 030**	**13 325 506**
Foreign banks		62 042	96 767
Loans, foreign banks	6	26 370 159	9 593 058
Foreign customers' sight deposits		757 628	794 122
The International Monetary Fund	4	11 561 063	2 576 907
Other foreign liabilities	7	174 138	264 652
Equivalent value of SDR allocations		**1 846 359**	**1 795 307**
Government Petroleum Fund's assets	19	**222 277 682**	**171 786 321**
Government Petroleum Fund's krone account	19	222 277 682	167 643 767
Value added through market valuation	19		4 142 554
Notes and coins in circulation	14	**48 020 171**	**46 070 239**
Notes in circulation		44 607 985	42 837 935
Coins in circulation		3 412 186	3 232 304
Domestic sights deposits		**103 831 532**	**64 908 942**
Treasury		67 685 848	51 193 212
Central government registrars		123 373	156 492
Central government funds		92 440	3 736 270
Commercial banks		24 777 593	5 357 241
Savings banks		8 566 702	2 293 687
State banks		2 480 906	2 064 472
Other enterprises		2 590	4 757
Other state enterprises		91	87
Other domestic sectors	9	101 989	102 724
Deposits conserning tax-free allocations to funds		**6 206**	**9 945**
Other domestic liabilities		**21 219 885**	**30 998 803**
Borrowing from domestic banks	6	663 491	466 203
Domestic cheques		46	70
Accrued interest, payable		48 815	17 097
Other liabilities	16,17	965 105	287 878
Transfer Fund	20	19 542 428	30 227 555
Capital	22	**31 096 174**	**34 211 196**
Adjustment fund		27 339 238	27 215 090
Other capital	11,21	3 756 936	6 996 106
TOTAL LIABILITIES AND CAPITAL		**467 223 039**	**363 106 259**
Foreign exchange sold forward	1,18	7 736 565	3 273 621
Foreign exchange purchased forward	1,18	0	3 273 621
Derivatives sold	1,18	4	5 394 190
Derivatives purchased	1,18	8 567 321	1 462 722
Gouvernment Petroleum Fund, derivatives and currency sold	19	40 210	6 666 831
Gouvernment Petroleum Fund, derivatives and currency purchased	19	4 757 660	5 628 551
Allotted, unpaid shares in the BIS	7	303 718	283 736

Executive Board of Norges Bank

Sylvi Røssland Sørfonn Torgeir Høien Trond R Reinertsen Esther Kostøl

Sonja Blichfeldt Myhre
(Emloyees' representative)

Harald Haare
(Financial Director)

Notes to the accounts

Note 1. Accounting policies

General
The accounts are presented in accordance with laws and regulations and generally accepted accounting principles, taking into consideration the special conditions applying to a central bank. Norges Bank's accounts are adjusted to incorporate value-dating corrections. Securities trades are registered on the trade date. Income and expenses are recorded on an accruals basis.

Norges Bank has changed the valuation principle for gold and securities with effect from 1 January 1999. Beginning in 1999, these assets are valued at fair value, whereas gold was previously valued at historical cost price from 1973 and securities at the lower of average acquisition cost or market value. This change was made as a result of changes in Norwegian accounting legislation and accounting practices in other central banks. In accordance with an agreement with the Ministry of Finance, the effect of the change is allocated to other capital (see note 21). The profit and loss account for 1998 has not been restated. Reference is made to notes 2 and 19 in which the returns for 1998 on the foreign exchange reserves and the Government Petroleum Fund, respectively, based on the market value principle, are presented in separate columns.

Foreign currency
Assets and liabilities in foreign currency are translated into NOK at 31 December 1999 on the basis of market rates from WM/Reuters, London, at 4 pm. Income and expenses in foreign currency have been translated into NOK at the exchange rates prevailing at the time of the transaction.

Securities
The portfolio of foreign and Norwegian securities is valued at market value at 31 December 1999. The securities are classified as short-term, as they are to be available for intervention purposes.

Off-balance sheet financial instruments
Off-balance sheet financial instruments are contracts for future delivery of currency or securities at an agreed price. In the case of Norges Bank these comprise forward exchange contracts and financial futures.

Forward contracts are recorded at forward rates. Forward premiums/discounts and futures contracts are marked-to-market at 31 December 1999, and fluctuations in the market value are recorded in the profit and loss account under valuation changes.

Valuation of stocks at production units
Stocks of raw materials at production units are valued at the lower of average purchase price or fair value. Obsolescence is taken into account.

Goods in progress and finished goods are valued at full production cost, which includes direct and indirect variable fixed production costs.

Losses on loans/claims
Actual losses on loans/claims are charged to income. Estimated losses are charged to income on the basis of a concrete assessment of each loan. On the balance sheet, estimated losses are carried as a reduction of loans outstanding.

Fixed assets
On the balance sheet, fixed assets are entered at original cost plus write-ups and less write-downs and linear depreciation.

The Bank has a substantial collection of art, gifts and museum pieces such as medals, banknotes and coins. These have not been valued or recorded on the balance sheet.

Note 2. Foreign exchange reserves

Total international reserves amount to NOK 167 187. They include gold reserves and claims on the International Monetary Fund, which are not included in foreign exchange reserves. Foreign exchange reserves amount to NOK 153 464.

With effect from the 1999 accounting year, securities are valued at market value, whereas they were previously valued at the lower of market value or average acquisition cost. Assets are revalued in the opening balance on 1 January 1999. The effect of the revaluation, NOK 3 290m, is allocated to other capital. In addition to the accounts figures for 1998, an overview of net foreign exchange reserves based on market value at 31 December 1998 and the return for 1998, if market value has been used at the closing of the accounts, is provided for purposes of comparison.

Net foreign exchange reserves at 31 December 1999:

All figures in thousands of NOK	Accounts 1999 Market value	Market value 1998	Accounts 1998
Deposits and loans, foreign banks	48 255 325	14 249 930	14 249 930
Foreign Treasury bills	155 460	946 197	946 148
Foreign bearer bonds	102 091 089	112 868 509	109 913 672
Repurchase agreements	26 370 159	9 591 656	9 591 656
Accrued interest	3 056 154	2 737 276	2 737 276
- Interest earned on gold lending	-19 740	-9 746	-9 746
- Interest earned IMF	-42 305	-56 651	-56 651
- Borrowing, foreign banks	-26 370 159	-9 591 656	-9 591 656
- Accrued interest on borrowing, banks	-32 066	-11 905	-11 905
Gross foreign exchange reserves	**153 463 917**	**130 723 610**	**127 768 724**
- Forward foreign exchange purchases	0	3 273 621	3 273 621
- Forward foreign exchange sales	-7 736 565	-3 273 621	-3 273 621
Net foreign exchange reserves	**145 727 352**	**130 723 610**	**127 768 724**

Return on net foreign exchange reserves:

All figures in thousands of NOK	Accounts 1999 Market value	Market value 1998	Accounts 1998
Interest income from bank deposits/loans	1 022 963	719 518	719 518
- Interest from gold lending	-36 330	-36 631	-36 631
Interest income from Treasury bills	364	11 984	11 984
Interest income from bearer bonds	7 315 838	9 688 252	9 688 252
Interest expenses on bank borrowing	-716 475	-346 914	-346 914
Net interest income	**7 586 360**	**10 036 209**	**10 036 209**
Net valuation adjustments for foreign securities and financial instruments	-7 477 534	4 779 748	2 534 578
Income forward foreign exchange transactions	8 454	4 766	4 766
Net valuation adjustments for foreign exchange	-887 332	15 351 662	15 351 662
– Correction for SDR adjustments	-399 138	-647 462	-647 462
– Correction for adjustment of gold reserves	-3 210	-1 144	-1 144
– Correction for adjustment of domestic foreign exchange investment	-58 947	9 364	9 364
Net valuation adjustments	**-8 817 707**	**19 469 934**	**17 251 764**
Return on net foreign exchange reserves	**-1 231 347**	**29 533 143**	**27 287 973**

Note 3. Gold reserves

Gold reserves are marked at fair value with effect from 1999. Gold reserves were previously valued at historical cost. The revaluation of gold reserves to fair value took effect in the opening balance sheet at 1 January 1999. The effect of the valuation change, NOK 1 790m, is entered under other capital. Fair value is estimated at 20 per cent below market value as gold is traded in an illiquid market. The market price at 31 December 1999 was USD 290.25 per ounce of pure gold, ie a market price of NOK 75 000 per kg of gold. Therefore, the real value of gold has been set at NOK 60 000 per kilo.

At end-1999 just under 33 520.9 kg of the gold bars were placed in international banks as short-term loans. The market value of the gold on loan was NOK 2 514.1m

Reserves of gold bars have been reduced by 49.8 kg since end-1998. This is because the weight of gold bars on loan is not identical to the weight of that returned. The weight differential is settled at the market value of gold at the time it is returned.

Gold reserves consist of:	Weight in kg 31.12.99	Fair value at 31 December 1999 (NOKm)	Weight in kg 31.12.98	Fair value at 31 December 1998 (NOKm)	Book value at end-1998 (NOKm)
Bars	33 609.8	2 016.7	33 659.6	1 896.1	260.3
Coin	3 171.4	190.2	3 171.4	178.6	24.5
	36 781.2	**2 206.9**	**36 831.0**	**2 074.7**	**284.8**

*The weight given for coins are for the percentage of pure gold in the coins. The same market price has been employed for the bars.

Note 4. Reserve tranche position in the International Monetary Fund

In millions of NOK	1999	1998
Norway's quota in the IMF	18 397.6	11 820.3
The IMF's holdings of NOK	-11 560.8	-2 576.6
Reserve tranche position	6 836.8	9 243.7

The reserve tranche position in the IMF is classified as "International reserves". The Fund's holdings of NOK are posted under "Other foreign assets" as the item "The International Monetary Fund". The corresponding liability, including the Fund's working account, amounting to NOK 11 561.1m, is entered under "Foreign liabilities" as the item "International Monetary Fund".

Note 5. Foreign securities

In millions of NOK	1999	1998
Average acquisition cost		
Treasury bills	155.5	946.1
Bearer bonds	132 370.4	119 505.8
	132 525.9	**120 451.9**
Market value:		
Treasury bills	155.5	946.2
Bearer bonds	128 461.2	122 460.5
	128 616.7	**123 406.7**

Securities holdings include securities included in repurchase agreements (see note 6). Securities are marked at market value from 1999.

Norges Bank participates in a lending programme for securities in foreign currencies with several of the custodian institutions used by the Bank. Income from interest-bearing paper, NOK 13.2m, is recorded under "Foreign/Interest income" as "Interest on bearer bonds".

Note 6. Repurchase/reverse repurchase agreements

Repurchase agreements for securities in foreign currencies are included under "Borrowing from foreign banks". On the asset side the agreements are recorded under "Other foreign assets" as the item "Repurchase agreements". The book value, ie the transfer amount, of repurchase agreements is NOK 26 370.2m, and the market value of securities amounts to NOK 25 259.5m.

Reverse repurchase agreements for securities are recorded under "International reserves" as "Deposits with and loans to foreign banks". The book value of reverse repurchase agreements is NOK 4 634.1m.

Repurchase agreements for securities in NOK are included under "Other domestic liabilities". The book value, ie the transfer amount, of repurchase agreements is NOK 663.5m, and the market value of securities amounts to NOK 641.2m.

Note 7. Shares in the Bank for International Settlements (BIS)

Norges Bank has been allotted a total of 8 000 shares at 2 500 gold francs in the BIS. 4000 shares were allocated to the Fund in 1931, of which 25 per cent were paid in the same year. In 1970 Norges Bank was allotted a further 4 000 shares, of which 1 000 were bonus shares. The shares have been entered on the balance sheet at a value of NOK 24.7m. This amount corresponds to the value of 4 000 shares in 1931 (NOK 7.2m), plus the value of 3 000 shares in 1970 (NOK 17.5m).

Norges Bank has a conditional obligation to pay for the remaining 75% of shares in either gold francs or gold. Calculated on the basis of the price for gold on the London Stock Exchange at end-1999, the conditional liability amounts to NOK 326.6m. The portion of the conditional liability corresponding to the value of the shares at the time of allotment, ie NOK 22.9m, is recorded under the item "Other foreign liabilities". The remainder of the conditional liability, NOK 303.7m, is recorded as an off-balance sheet item. BIS share dividends received in 1999 amounted to NOK 13.0m.

Note 8. Norwegian securities

In millions of NOK	1999	1998
Acquisition cost		
Treasury bills	1 531.9	1 716.7
Norwegian government bonds	8 435.0	7 077.7
Norwegian government bonds in foreign currency	691.5	631.8
	10 658.4	**9 426.2**
Market value:		
Treasury bills	1 591.7	1 717.1
Norwegian government bonds	8 510.0	7 405.5
Norwegian government bonds in foreign currency	670.2	638.9
	10 771.9	**9 761.5**

Securities are marked at market value with effect from 1999. The market value was higher than the average acquisition cost at both end-1999 and end-1998. The change in accounting policy has resulted in a write-up of Norwegian securities from average acquisition cost to market value at 1 January 1999, a write-up of NOK 335.3m. The effect of the change in policy has been entered under other capital.

Note 9. Loans to other domestic sectors

Housing loans to the Bank's employees and pensioners amounted to NOK 510.4m. Other loans to the Bank's employees and pensioners came to NOK 42.7m. Deposits from staff and pensioners amounted to NOK 77.2m, and are recorded under "Domestic sight deposits" as the item "Other domestic sectors".

Note 10. Other domestic assets

Shares in Bankplassen Parkeringsanlegg A/S
In 1999 Norges Bank acquired 9 shares of Bankplassen Parkeringsanlegg A/S from the Municipality of Oslo, and now owns 100% of the company. In this connection, Norges Bank received NOK 25m from the municipality as final settlement for the advance paid by Norges Bank for a section of the parking facility in 1985. The shares are recorded at cost, NOK 50 000, ie the nominal value of the shares. Norges Bank has paid NOK 34m for its own parking places, and has also provided a subordinated loan of NOK 143.7m, of which NOK 16m was repaid to Norges Bank in 1997, 1998 and 1999. Bankplassen Parkeringsanlegg A/S had negative equity of NOK 48.1m at 31 December 1999. In 1999, NOK 4 million in interest income was received on the loan .

Note 11. Fixed assets

With effect from the 1994 accounting year, Norges Bank capitalises and depreciates fixed assets. In 1994, capitalisation of previously expensed fixed assets was regarded as revaluation, and the amount was recorded under other capital. Depreciation of revalued assets is deducted from other capital.

In thousands of NOK

	Transport machinery, computer equip.	Security system	Machinery, fixtures	Building with installations installations	Bank buildings	Plant under construction	Dwellings	Land	Total
Original cost at 1.1.	210 213	46 582	60 209	515 213	1 731 704	3 606	3 468	92 467	2 663 462
+ Transfers from plant under construction	1 851	978	164	513		(3 506)			0
+ Additions	16 457	4 113	3 187	3 543	0	33 449	0	2 302	63 051
- Disposals:	12 866	203	1 216	0	0	100	518	77	14 980
Acquisition cost at 31.12.	215 655	51 470	62 344	519 269	1 731 704	33 449	2 950	94 692	2 711 533
- Accumulated depreciation and write-downs	161 697	32 162	27 922	238 506	241 139	0	0	0	701 426
Book value at 31 December	53 958	19 308	34 422	280 763	1 490 565	33 449	2 950	94 692	2 010 107
Non-depreciated remainder of revalued assets	0	0	2 547	258 711	1 477 091	0	2 950	92 180	1 833 479
Ordinary depreciation for the year	23 819	5 822	6 273	40 122	40 132	0	0	0	116 168
Of which depreciation of revalued assets	0	1 231	1 498	39 013	39 844	0	0	0	81 586
Depreciation rate	20	15	10	5	2	0	0	0	

Note 12. Real estate

Norges Bank's properties at 31 December 1999 are specified below.

Branch	Address	Year built / purchased	Later building projects	Year completed	Gross area (sqm) incl. area let and staff flats
Bergen	Bradbenken 1 50% ownership	1989			6 305
Bodø	Dronningens g. 36	1951	Restoration	1993	1 405
Fredrikstad	Nygårdsgt. 17	1996	Restoration	1996	248
Fredrikstad	Nygårdsgt.17B Fredrikstad	1909	Restoration	1991	1 236
	Nygårdsgt.17C	1990	Restoration	1991	450
Hammerfest	Sørøygt.10	1962	Restoration	1995,1999	1 522
Haugesund	Strandgt.162	1938	Restoration	1975	2 500
Kristiansand	Dronningensgt.30	1877	Restoration and extension	1975	2 009
Larvik	Bredochsgt.4	1902	Restoration and extension	1985,1996	1 987
Lillehammer	Stortorget 1	1913	Restoration	1977,1990	1 700
Stavanger	Domkirkpl. 3	1964	Restoration	1991	3 254
	Site, about 5000m2	1999			
Tromsø	Bankgt. 9 and 11	1973			4 000
Trondheim	Peter Egges pl 2	1993			7 300
Vardø	Brodtkorbsgt.1	1961	Restoration	1986	1 450
Ålesund	Nedre Strandgt.2	1907	Restoration	1992	1 265
RNM, Kongsberg..	Hyttegt.1	1960	Restoration	1988	2 950
	"	1688	Restoration	1997	93
	"	1750	Restoration	1997	450
	"	1841	Restoration	1997	800
	"	1993		1994	175
Oslo,	Bankpl. 2	1978-86	New building / restoration		(corr.) 65 000
Oslo,	Bankpl.4	1899	**Previous headquarters		
	Bankplassen parking facility	1948			
Course and holiday centres:					
Venastul	Venabygd	1963	Restoration	1993	*2 000
Vindåsen	Sundane, Tjøme	1956	Restoration		
			Annex, restoration	1960,1993	1 067
Abroad:					
New York, staff flat	275 West 96th St	1984			140

There are staff flats at the regional branches in Stavanger, Hammerfest, Tromsø and Vardø on the bank premises.

* Incl. manager´s residence and parking facility.

** Leased to the government for 80 years, expiring on 21 November 2066 (Museum of Contemporary Art). Lease dated 21 November 1986. Deadline for notice of termination: 21 November 2065.

Rented properties.

In 1999 the Bank has had rental contracts on the following properties:

Address	Lease term	Area	Rent 1999
Bodø	One year	100 sqm	20 221
Kristiansund N	15.05.2003	486 sqm	401 000
Lillehammer	25 years beginning in 1990	3 908 sqm	5 055 942
Ålesund	01.02.99 – 31.01.2002		
	40 sqm	14 674	
RNM	31.12.2002	600 sqm	220 000
New York			
17 State St.	30.06.2002	330 sqm	NOK 726 090
25 Central Park West	30.11.2000	80 sqm	NOK 341 493
115 Farley Rd.	30.06.2000	280 sqm	NOK 469 903

Note 13. Norges Bank's Printing Works and the Royal Norwegian Mint

Norges Bank has two production units - Norges Bank's Printing Works (NBPW) and the Royal Norwegian Mint (RNM).

After apportionment of shared administrative costs, the commercial segment of activities in 1999 breaks down as follows:

All figures in thousands of NOK	NBPW		RNM	
	Total	Of which commercial segment	Total	Of which commercial segment
Operating income	31 204	31 204	45 742	45 742
Sale of fixed assets	100	50	67	25
Operating expenses	64 147	24 960	87 516	39857
Contributions		6 294		5 910
To cover:				
Depreciation		1 752		775
Estimated shared expenses		5 373		1 076
Profit/loss		**(831)**		**4 059**

The above figures are included in Norges Bank's accounts.

Note 14. Notes and coin

The Bank's cash holdings are deducted from the liability item "banknotes and coins in circulation".

Norges Bank is obligated to redeem notes and coin for a period of 10 years after they have ceased to be legal tender. In compliance with interpretations of drafts for the Act on Norges Bank and the Monetary System of 24 May, Norges Bank has continued to redeem banknotes after they have ceased to be legal tender. In 1999, reeemed/invalidated banknotes were charged to the accounts in the amount of NOK 35.7 million.

Norges Bank has issued the following commemorative coins in the period 1964 -1999:

10-krone 1964, 25-krone 1970, 50-krone 1978, 200-krone 1980, 100-krone 1982, 175-krone 1989, all in silver, as well as gold and silver coins in connection with the Winter Olympics in Lillehammer in 1994, the World Cycling Championship in 1993 and the Grieg Anniversary in 1993, a coin to mark the anniversary of the liberation of Norway in 1995, a coin to mark the 50th anniversary of the United Nations in 1995 and a commemorative millennium coin. At 31 December 1999, a total of approximately 5 million of these coins were in circulation, with a nominal value of about NOK 410m. This amount is not included in "Notes and coin in circulation". Norges Bank is obligated to redeem the coins at nominal value.

Note 15. Interest to the Treasury

For the share of "Treasury deposits" corresponding to the central government's foreign debt, the central government receives the accounting return on a matching, earmarked part of the foreign exchange reserves (immunisation portfolio). The return for 1999 amounted to NOK 311 million.

Interest of 4.25 per cent per annum was paid on the remaining share of the deposits from the Treasury in the period 1 January 1999 to 5 April 1999, 4.50 per cent per annum in the period 6 April 1999 to 30 June 1999, 3.75 per cent per annum in the period 1 July 1999 to 30 September 1999 and 3.50 per cent in the period 1 October 1999 to 31 December 1999, ie total interest earnings of NOK 1 775.8m. The same interest rates were paid on deposits from government account holders who receive interest on their deposits.

Note 16. Other liabilities

In connection with Norges Bank's presentation of accounts adjusted to incorporate value-dating corrections, there are discrepancies due to differences in the value dates of account debiting and crediting. These discrepancies are presented under the item "Other liabilities". At end-1999, this amounted to NOK 1.8m compared with NOK 8.8m in 1998.

Note 17. Salaries and pensions

The salaries for the Central Bank Governor and Deputy Governor in 1999 were set by the Ministry of Finance at NOK 980 000 and NOK 745 000 respectively. In addition, they have a company car at their disposal (benefits estimated at NOK 62 000 and NOK 64 000 respectively) and a free telephone.

The members of the Executive Board receive an annual remuneration of NOK 85 000.

Pension expenses

In 1999 the Bank's profit and loss account was debited NOK 7.5m net for amounts relating to special pensions, early retirement schemes and current pensions, including employer's contribution.

Pension liabilities relating to special pensions, early retirement pensions and current pensions that are not covered by the pension fund are estimated at NOK 50.8m. The liability is included on Norges Bank's balance sheet under the item "Other liabilities". Pension liabilities are arrived at by means of actuarial assessment, using a discount rate of 4 per cent.

Pension fund

Norges Bank's ordinary pension liabilities are paid out of the Bank's own pension fund, which is organised in the form of a foundation. The Bank guarantees pension fund payments. The pension fund has a premium fund amounting to NOK 873m at end-1999. The employer's contribution to the pension fund in 1999 was covered by capital from the pension premium fund.

The pension liability as at 31 December 1999 amounts to NOK 1 106.2m, according to an actuarial assessment made at 31 December 1999. In the actuarial assessment, the group pension basic amount (K-63) was used to compute pension liabilities. The discount rate used was 4 per cent.

The pension fund has a total of 2483 members distributed as follows: 963 drawing a pension, 1181 active members contributing to the fund and 339 former employees with deferred rights.

Pension liabilities calculated according to provisional accounting standards for pensions amounted to NOK 1 254.9m. The calculations are based on a 6.5 per cent discount rate, 2.5 per cent basic pension adjustment, 3 per cent future wage growth and standard turnover.

Pension Fund assets at real value exceed the calculated liability by NOK 724.6m. The benefit is not recorded in the balance sheet.

Note 18. Forward exchange contracts and derivatives

Norges Bank uses forward exchange and listed financial futures contracts as part of its interest-rate and risk management system for foreign exchange reserves. In addition, equity index futures are used in connection with the accumulation of capital for transfer to the Government Petroleum Fund.

Forward exchange contracts

Forward exchange contracts are agreements to purchase or sell foreign currency at a future date at a predetermined price. At 31 December 1999 currency had been bought and sold on forward contracts for a total of NOK 7 736.6m.

Derivatives

Financial futures

Financial futures contracts are agreements to purchase or sell a standard quantity of a financial instrument or foreign currency at a future date at a price set when the contract is concluded. At end-1999, listed futures contracts with a total market value of NOK 3 909.1m had been purchased.

No listed futures contracts had been sold at 31 December 1999. At end-1999, listed futures contracts with a total market value of NOK 4 658.2m had been purchased.

Securities with a market value of NOK 545.8m at end-1999 have been pledged as collateral for the initial margin. All contracts have a maturity of less than one year.

Note 19. The Government Petroleum Fund

At 31 December 1999, the Government Petroleum Fund had krone deposits in Norges Bank of NOK 222 278m. The equivalent of the amount in kroner is invested in foreign currency in an earmarked portfolio.

The Petroleum Fund's portfolio is allocated among the following instruments:

All figures in thousands of NOK	**Accounts (market value) 31.12.1999**	**Market value 31.12.1998**	**Accounts (lower value principle) 1998**
Bank deposits and loans to foreign banks	16 829 482	5 891 261	5 891 261
Foreign Treasury bills	610 848	492 432	492 384
Foreign bearer bonds	125 705 270	99 457 485	97 836 191
Foreign equities	93 115 188	66 767 019	64 245 807
Foreign lending	22 288 955	8 000 533	8 000 533
Accrued interest, earned	3 127 588	2 361 879	2 361 879
Accrued dividends, incl. withholding tax	87 557	115 851	115 851
Adjustment of futures contracts	-1 656	- 7 610	- 7 610
Loans, foreign banks	-39 330 224	- 11 215 049	- 11 215 049
Accrued interest, payable	0	-118	-118
Miscellaneous debt	-155 326	-77 362	-77 362
Total investment for Government Petroleum Fund	**222 277 682**	**171 786 321**	**167 643 767**

At 31 December 1998, the portfolio was valued at the lower of acquisition cost or market value, and the balance of the krone account, including accrued return, amounted to NOK 167 644m. Securities have been valued at market value with effect from the 1999 accounting year.

The change in valuation principles to market valuation of securities results in a portfolio market value of NOK 171 786.3m at 1 January 1999, ie an increase of NOK 4 142.5m.

In accordance with the applicable regulation, the return for 1999, NOK 30 134m, was transferred to the Government Petroleum Fund's NOK account at end-1999.

The return includes the effect of the change in the valuation principle at 1 January 1999, ie NOK 4 142.5m. This increase is due to unrealised securities gains in the total return for 1999.

For purposes of comparison, the return for 1998 based on market values at the closing of the accounts has been included. The return is broken down as follows:

All figures in thousands of NOK	**Market value 1999**	**Market value 1998**	**Accounts 1998**
Interest income	6 319 779	5 566 546	5 566 546
Dividends	1 150 698	705 588	705 588
Valuation adjustments for foreign exchange	2 630 182	13 149 314	13 149 314
Unrealised securities gains/losses	17 336 928	3 886 036	-60 969
Realised securities gains/losses	2 476 599	857 559	857 559
Brokers’ commissions	-12 789	-12 245	-12 245
Result forward exchange trading	-4 913	-4 158	-4 158
Gains futures	399 000	1 369 864	1 369 864
Total return on investments	**30 295 484**	**25 518 504**	**21 571 499**
Accrued management remuneration	-161 570	-77 362	-77 362
Net earned return	**30 133 914**	**25 441 142**	**21 494 137**

The Government Petroleum Fund's krone deposits in Norges Bank are composed of deposits and earned return from the Fund since its establishment in 1996 to end-1999.

In millions of NOK	**1996**	**1997**	**1998**	**1999**	**Total**
NOK account at 01.01	**0.0**	**47 538.8**	**113 313.0**	**167 643.7**	**0.0**
Total krone deposits	47 476.3	60 900.3	32 836.6	24 500.0	165 713.2
Value increase, return	62.5	4 873.9	21 494.1	30 133.9	56 564.4
NOK account at 31.12	47 538.8	113 313.0	167 643.7	222 277.6	222 277.6
Petroleum Fund's portfolio at 31 December at market value	**47 583.0**	**113 508.5**	**171 786.3**	**222 277.6**	**222 277.6**

Derivatives in the Government Petroleum Fund

At end-1999, listed equity index futures with a market value of NOK 105.5m had been purchased, and listed financial futures with a market value of NOK 4 611.9m purchased. Securities with a market value of NOK 368.7 have been pledged as collateral for the initial margin. All contracts have a maturity of less than one year.

Note 20. The Transfer Fund

The Transfer Fund was reclassified as liabilities in Norges Bank's balance sheet in 1999. This is due to the composition of the Transfer Fund, with annual allocations in accordance with guidelines for the transfer and application of Norges Bank's surplus, which are earmarked for transfer to the Government in the course of a three-year period.

Transfers from the Transfer Fund are effected in accordance with guidelines for the allocation and application of Norges Bank's surplus. One-third of the transfers to the Transfer Fund from 1996, 1997 and 1998 will be transferred from the Fund in 1999. This amounts to NOK 10 685.1m. NOK 10 685.1m will be transferred in 2001 and NOK 8 857.4m will be transferred in 2002. A share of any allocations to the Transfer Fund made in 2000 will also be transferred to the Treasury in 2002.

There will be no transfer to the Transfer Fund for 1999.

Note 21. Other capital

In accordance with an agreement with the Ministry of Finance, a new capital item, "Other capital", was established in 1999, which includes a previous revaluation fund. In addition to non-depreciated components of activated fixed assets expensed before 1994, the effect of the changes in the valuation principle in 1999 for gold and securities is also included in "Other capital". Pending the new guidelines for the application of Norges Bank's surplus, the effect of the change of principles in 1999 is included in "Other capital".

Other capital showed the following changes in 1999: (figures in 1000s of NOK)

Previous revaluation fund from 1998		1 916 010
Revaluation of gold from historic cost to fair value		1 789 919
Revaluation of Norwegian and foreign securities		3 290 177
Other capital at 1.1.1999		6 996 106
Changes in 1999		
Write-down of previously revalued assets in 1999	-81 586	
Neutralisation of revaluation on 1 January 1999 on Norwegian and foreign securities due to a price fall are included in "other capital"	-3 290 177	
The increase in the fair value of gold in 1999 is included in "Other capital"pending a decision on the regulation pertaining to the application of profits - the distribution regulation	+132 594	-3 239 170
At 31 December 1999, other capital amounts to		3 756 936

Note 22. Changes in capital in 1999

In 1999 substantial changes were made in the composition of Norges Bank's capital.
These changes are shown in the following table (all figures in 1000s of NOK)

	Adjustment Fund	Transfer Fund	Revaluation Fund	Other capital	Total
Accounts at 31 Dec. 1998	**27 215 090**	**30 227 555**	**1 916 009**	**0**	**59 358 655**
Changes 1 Jan. 1999:					
Revaluation Fund included in «Other capital»			- 1 916 009	+ 1 916 009	0
Changes in valuation of gold and securities				+ 5 080 096	+ 5 080 096
Transfer Fund reclassified as liability		- 30 227 555			- 30 227 555
Restated opening balance 1 Jan. 1999	**27 215 090**	**0**	**0**	**6 996 105**	**34 211 196**
Application of profit 1999					
Allocated to Adjustment Fund	124 148				+ 124 148
+ Transfers from «Other capital»				- 3 371 763	- 3 371 763
Included in «Other capital»				+ 132 593	+ 132 593
Closing balance at 31 Dec. 1999	**27 339 238**			**3 756 936**	**31 096 174**

To the Supervisory Council of Norges Bank

Auditors' Report for 1999

We have audited the annual report and accounts of Norges Bank for 1999, which show a loss for the year of NOK 3 115 022 thousand. We have also audited the information in the Executive Board's report on the financial statements and the proposal for covering the loss. The financial statements comprise the income statement, balance sheet and accompanying notes. These financial statements and the report on the financial statements are the responsibility of the Central Bank's Executive Board. Our responsibility is to express an opinion on these financial statements and on the other information, according to the requirements of the Norwegian Act on Auditors and Auditing.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors, instructions issued by the Supervisory Council and good Norwegian auditing practice. Good auditing practice requires that we plan and perform the audit so as to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by good auditing practice and our auditing instructions, our audit also includes a review of the management of Norges Bank's financial affairs and of its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

The central bank's accounting principles are based on the Norwegian Accounting Act and good accounting practice, taking account of the special considerations applying to a central bank. A more detailed presentation of these principles is to be found in the notes to the financial statements.

In our opinion

- the financial statements have been presented in accordance with laws and regulations, and present the financial position of the Bank as of 31 December 1999 and the results of its operations for the financial year in accordance with the accounting principles outlined in the previous paragraph.
- the management has fulfilled its duty of producing a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice
- the information in the Executive Board's report on the financial statements and proposal for covering the loss are consistent with the financial statements, and comply with the Act relating to Norges Bank and guidelines adopted in the Council of State and provided by the Ministry of Finance.

Oslo, 9 February 2000

Svenn Erik Forsstrøm State Authorised Public Accountant (Norway)	Mats Leonhard Pedersen State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

The Resolution of the Supervisory Board concerning the Accounts for 1999

Pursuant to Section 5, third paragraph, of the Act relating to Norges Bank and the Monetary System, the Supervisory Council adopted at its meeting of 17 February 2000 the following resolution, which with reference to Section 28, second paragraph, is to be sent to the Ministry of Finance for submission to the King and communication to the Storting:

1. The Supervisory Council has no comments to the Auditors' Report dated 9 February 2000.

2. The Supervisory Council Approves Norges Bank's accounts for 1999 as presented by the Executive Board, with the following allocations and transfers:

2.1 NOK 124m is to be transferred to the Adjustment Fund for 1999. However, the Adjustment Fund has not reached the size specified in point 1 of the guidelines.

2.2 With reference to point 2.1 above, no allocations are being made to the Transfer Fund pursuant to Section 2 of the guidelines.

2.3 Pursuant to point 3 of the guidelines, NOK 10 685m will be transferred to the Treasury from the Transfer Fund.

2.4 NOK 3 239m which is due to the change in accounting principles will be covered by means of other capital.

3. The Supervisory Council will forward the accounts, the Executive Board's report on the accounts, the auditors' report and the Supervisory Board's statement to the Ministry of Finance, for submission to the King and communication to the Storting.

Oslo, 17 February 2000

Mary Kvidal
Chairman of the Supervisory Council

Jens Marcussen
Deputy Chairman of the Supervisory Council

Resolution of the Supervisory Council concerning the minutes of the Meetings of the Executive Board

Pursuant to Section 5, third paragraph, of the Act relating to Norges Bank and the Monetary System, the Supervisory Council adopted at its meeting of 17 February 2000 the following resolution, which with reference to Section 28, second paragraph, is to be sent to the Ministry of Finance for submission to the King and communication to the Storting:

The Supervisory Council has examined the minutes of the meetings of the Executive Board for 1999, and has received all the information requested.

The Supervisory Council has no comments concerning the minutes which give grounds for a statement to the Ministry pursuant to Section 28, second paragraph, of the Norges Bank Act.

Oslo, 17 February 2000

Mary Kvidal
Chairman of the Supervisory Council

Jens Marcussen
Deputy Chairman of the Supervisory Council

Appendices

Appendices

Appendices

A. Tables
B. Norges Bank's Management, Administration and Personnel

Appendix A

Tables

Table 1. Norges Bank's balance sheet at 31 December 1998 and each month of 1999 by sector.

In millions of NOK

	31/12 1998	31/1 1999	28/2 1999	31/3 1999	30/4 1999
ASSETS					
Foreign assets	**321 882**	**313 110**	**336 919**	**335 646**	**343 264**
International reserves	142 045	138 083	142 332	139 157	140 121
Investments for Government Petroleum Fund	167 644	163 634	169 359	165 488	165 989
Other foreign assets	12 193	11 393	25 228	31 001	37 154
Claims on Norwegian institutions	**19 309**	**12 749**	**2 265**	**20**	**10 958**
Loans to private banks	19 295	12 780	2 290	57	10 977
Other assets in the form of deposits, securities, loans and overdrafts	69	24	30	18	36
Provisions for losses on loans to banks	(55)	(55)	(55)	(55)	(55)
Claims on central government	**9 744**	**11 080**	**9 720**	**9 355**	**10 322**
Bearer bonds	7 710	9 159	6 771	6 754	6 748
Other securities	1 717	1 595	2 694	2 322	3 234
Other assets	317	326	255	279	340
Claims on other Norwegian sectors	**842**	**855**	**864**	**910**	**914**
Securities and loans	534	549	552	557	553
Other assets	308	306	312	353	361
Stock, production units	**43**	**46**	**47**	**45**	**49**
Fixed assets	**2 064**	**2 055**	**2 046**	**2 038**	**2 033**
Valuation adjustment	**0**	**8 877**	**0**	**8 124**	**8 594**
Expenses	0	286	2 263	974	1 360
TOTAL ASSETS	**353 884**	**349 058**	**354 124**	**357 112**	**377 494**
LIABILITIES AND CAPITAL					
Foreign debt	**13 326**	**12 690**	**26 308**	**32 055**	**38 186**
IMF debt in NOK	2 577	2 627	9 679	9 242	9 561
Foreign debt	10 749	10 063	16 629	22 813	28 625
Notes and coins in circulation	**46 070**	**43 383**	**42 720**	**42 832**	**41 910**
Domestic deposits	**232 553**	**225 757**	**220 325**	**213 960**	**228 081**
Treasury	51 193	52 285	33 974	31 962	47 502
Government Petroleum Fund	167 644	163 634	169 359	165 488	165 989
Central government	3 893	3 837	3 808	3 821	2 817
Private banks	7 651	3 948	10 917	10 647	9 772
Other financial institutions	2 069	1 949	2 165	1 930	1 889
Other Norwegian sectors	103	104	102	112	112
Accrued interest to the Treasury	**0**	**151**	**274**	**378**	**533**
Other domestic liabilities	781	334	506	315	344
NOK value of SDRs in IMF	1 795	1 757	1 808	1 774	1 765
Valuations fund	**27 215**	**27 215**	**27 215**	**27 215**	**27 215**
Transfer fund [1)]	**30 228**	**30 228**	**30 228**	**30 228**	**30 228**
Other capital	**1 916**	**1 916**	**1 916**	**1 916**	**1 916**
Valuation adjustments	**0**	**0**	**472**	**0**	**0**
Revenues	**0**	**5 627**	**2 352**	**6 439**	**7 316**
TOTAL LIABILITIES AND CAPITAL	**353 884**	**349 058**	**354 124**	**357 112**	**377 494**
Off-balance sheet items, incl. Government Petroleum Fund					
Foreign exchange sold forward	6 409	852	1 367	4 810	927
Foreign exchange purchased forward	6 409	852	1 367	4 850	967
Derivates sold	8 926	3 040	3 328	6 037	5 880
Derivates purchased	3 956	3 280	3 296	3 525	1 504
Alloted, unpaid shares in BIS	284	284	284	284	284

1) The transfer fund was reclassified from equity capital to debt on 1 January 1999

31/5 1999	30/6 1999	31/7 1999	31/8 1999	30/9 1999	31/10 1999	30/11 1999	31/12 1999
363 502	**340 619**	**357 156**	**364 420**	**367 633**	**375 188**	**388 852**	**427 452**
155 215	134 383	140 592	144 833	138 246	144 644	152 421	167 219
167 499	174 312	178 079	180 405	194 285	197 521	203 861	222 278
40 788	31 924	38 485	39 182	35 102	33 023	32 570	37 955
13 325	**1 372**	**8 959**	**55**	**4 963**	**5 343**	**17 196**	**25 658**
13 341	1 389	8 993	75	4 991	5 361	17 219	25 574
39	38	21	35	27	37	32	84
(55)	(55)	(55)	(55)	(55)	(55)	(55)	0
11 216	**10 159**	**10 829**	**12 198**	**11 241**	**11 754**	**11 359**	**11 099**
6 751	6 971	6 926	8 262	8 192	8 135	8 184	9 180
4 170	2 934	3 587	3 520	2 615	3 104	2 835	1 592
295	254	316	416	434	515	340	327
845	**901**	**905**	**919**	**973**	**977**	**993**	**961**
556	560	570	576	580	588	573	567
289	341	335	343	393	389	420	394
51	**46**	**46**	**43**	**42**	**41**	**39**	**43**
2 028	**2 022**	**2 013**	**2 006**	**2 000**	**1 995**	**1 986**	**2 010**
7 199	**11 907**	**6 684**	**4 789**	**5 921**	**5 168**	**0**	**0**
1 822	2 268	5 197	8 028	8 888	12 561	16 395	0
399 988	**369 294**	**391 789**	**392 458**	**401 661**	**413 027**	**436 820**	**467 223**
41 926	**32 848**	**39 601**	**40 208**	**36 101**	**34 053**	**33 497**	**38 925**
10 104	9 891	10 639	10 627	11 006	11 385	10 553	11 561
31 822	22 957	28 962	29 581	25 095	22 668	22 944	27 364
42 139	**43 152**	**43 226**	**42 242**	**42 233**	**42 000**	**42 396**	**48 020**
245 454	**220 862**	**236 164**	**235 463**	**245 365**	**257 311**	**279 076**	**326 109**
66 164	30 369	45 802	45 553	38 852	46 791	65 556	67 686
167 499	174 312	178 079	180 405	194 285	197 521	203 861	222 278
2 924	2 760	2 801	2 770	2 722	1 965	1 925	216
6 971	11 578	7 193	4 505	7 362	9 000	5 225	33 344
1 803	1 724	2 183	2 126	2 037	1 945	2 395	2 483
93	119	106	104	107	89	114	102
737	**1 062**	**1 153**	**1 295**	**1 416**	**1 485**	**1 651**	**0**
1 127	268	369	376	2 132	1 375	1 363	1 684
1 939	1 759	1 784	1 799	1 808	1 827	1 850	1 846
27 215	**27 215**	**27 215**	**27 215**	**27 215**	**27 215**	**27 215**	**27 339**
30 228	**30 228**	**30 228**	**30 228**	**30 228**	**30 228**	**30 228**	**19 543**
1 916	**1 916**	**1 916**	**1 916**	**1 916**	**1 916**	**1 916**	**3 757**
0	**0**	**0**	**0**	**0**	**0**	**295**	**0**
7 307	**9 984**	**10 133**	**11 716**	**13 247**	**15 617**	**17 333**	**0**
399 988	**369 294**	**391 789**	**392 458**	**401 661**	**413 027**	**436 820**	**467 223**
13 445	2 795	1 510	1 987	6 254	366	4 168	7 777
2 523	3 059	1 862	4 125	6 671	990	4 410	40
18 286	14 156	12 939	16 137	7 310	6 137	8 438	0
3 331	3 023	5 189	7 763	10 739	16 828	14 136	13 285
284	284	284	284	284	284	284	304

Table 2. Norges Bank's Profit and Loss Account at 31 December, 1995-1999. In millions of NOK.

	1995	1996	1997	1998	1999
Foreign interest income					
Interest on bank deposits/loans	937,7	862,3	1 177,9	719,5	1 023,0
Interest on Treasury bills	408,3	458,3	162,8	12,0	0,4
Interest on bearer bonds	7 981,3	8 955,4	11 507,0	9 688,2	7 315,8
Other interest income	280,8	264,1	302,3	402,6	477,2
Share divided, BIS	10,7	10,8	11,2	12,1	13,0
Total foreign interest income	**9 618,8**	**10 550,9**	**13 161,2**	**10 834,4**	**8 829,4**
Return of investments for Government Petroleum Fund	**0,0**	**62,4**	**4 873,9**	**21 571,5**	**30 295,5**
Foreign interest expenses:					
Interest on deposits/borrowings	240,3	219,0	617,6	346,9	716,5
Interest to foreign customers	27,9	35,6	41,0	44,6	42,7
Total foreign interest income	**268,2**	**254,6**	**658,6**	**391,5**	**759,2**
Net foreign interest income	**9 350,6**	**10 358,7**	**17 376,5**	**32 014,4**	**38 365,7**
Domestic interest income					
Interest on bearer bonds	921,0	837,5	650,1	706,6	508,3
Interest on negotiable notes and bills	132,1	139,2	108,9	139,7	181,8
Interest on deposits with Norwegian banks	0,0	0,0	0,0	0,0	0,0
Interest on loans to banks	308,7	326,1	39,3	206,6	432,2
Interest on other loans	40,0	32,3	21,1	20,1	30,0
Total domestic interest income	**1 401,8**	**1 335,1**	**819,4**	**1 073,0**	**1 152,3**
Domestic interest expences:					
Interest to the Treasury	3 533,6	3 356,6	4 793,2	4 277,4	1 775,8
Interest to Government Petroleum Fund	0,0	62,4	4 873,9	21 571,5	30 295,5
Interest to public account holders	135,2	162,3	129,5	123,9	116,7
Interest to banks	258,0	347,3	590,2	659,6	661,2
Interest on tax-free allocations to funds	1,6	1,4	1,0	0,7	0,6
Other interest expenses	14,3	4,3	3,0	2,8	6,9
Total domestic interest expenses	**3 942,7**	**3 934,3**	**10 390,8**	**26 635,9**	**32 856,7**
Net domestic interest expenses	**2 540,9**	**2 599,2**	**9 571,4**	**25 562,9**	**31 704,4**
Net interest income, domestic and foreign	**6 809,7**	**7 759,5**	**7 805,1**	**6 451,5**	**6 661,3**
Valuation adjustments					
Net gains/loss (-) on foreign exchange	(3 853,9)	(4 423,8)	6 390,8	15 351,6	(887,3)
Net gains/loss (-) on foreign securities and financial instruments	3 014,4	1 827,2	453,2	2 534,6	(7 345,0)
Net gains/loss (-) on Norwegian securities	298,9	(22,7)	130,0	(167,2)	(809,8)
Net valuation adjustments	**(540,6)**	**(2 619,3)**	**6 974,0**	**17 719,0**	**(9 042,1)**
Net interest income and valuation adjustments	**6 269,1**	**5 140,2**	**14 779,1**	**24 170,5**	**(2 380,8)**
Operating income					
Fees and commission income	67,9	77,8	79,5	89,1	99,0
Sales income, production units	42,6	58,3	82,0	76,3	76,8
Other operating income	82,2	32,9	33,0	180,4	232,5
Total operating income	**192,7**	**169,0**	**194,5**	**345,8**	**408,3**
Operating expenses					
Wages, salaries and other personell costs	416,6	444,7	455,4	484,0	514,0
Ordinary depreciation	123,1	119,8	118,2	114,6	116,2
Large projects and investment	0,0	0,0	0,0	0,0	0,0
Goods consumption, production units	60,5	62,3	76,2	97,8	85,1
Other operating expenses	226,7	224,4	250,0	309,6	426,9
Redeemed, invaliated notes	19,7	12,4	12,9	0,0	0,0
Total operating expenses	**846,6**	**863,6**	**912,7**	**1 006,0**	**1 142,2**
Net operating expenses	**653,9**	**694,6**	**718,2**	**660,2**	**733,9**
Operating profit before loan losses	**5 615,2**	**4 445,6**	**14 060,9**	**23 510,3**	**(3 114,7)**
Loan losses	0,1	(0,7)	0,0	0,0	(0,3)
Profit/loss before extraordinary items	**5 615,3**	**4 444,9**	**14 060,9**	**23 510,3**	**(3 115,0)**
Extraordinary income	0,0	0,0	0,0	0,0	0,0
Extraordinary expenses	16,1	0,0	0,0	0,0	0,0
Net extraordinary items	**(16,1)**	**0,0**	**0,0**	**0,0**	**0,0**
Profit/loss for the year before transfer	**5 599,2**	**4 444,9**	**14 060,9**	**23 510,3**	**(3 115,0)**
Transfers					
Transferred from the Adjustment Fund	0,0	0,0	0,0	2 977,9	0,0
Transferred from the Transfer Fund 1)	7 239,2	4 236,5	3 811,0	3 400,6	0,0
Transferred from the Revaluation Fund	118,9	102,3	93,9	83,7	3 371,8
Amount available	**12 957,3**	**8 783,7**	**17 965,8**	**29 972,5**	**256,8**
Transferred to the Revaluation Fund	0,0	0,0	0,0	0,0	132,6
Transferred from the Treasury to the Transfer Fund 1)	7 239,2	4 236,5	3 811,0	3 400,6	0,0
Extraordinary transfers to the treasury	0,0	0,0	0,0	0,0	0,0
Allocated to Transfer Fund	4 718,4	0,0	5 483,5	26 571,9	0,0
Allocated to Adjustment Fund	999,7	4 547,2	8 671,3	0,0	124,2
Amount distributed	**12 957,3**	**8 783,7**	**17 965,8**	**29 972,5**	**256,8**

1) The transfer fund was reclassified from equity capital to debt on 1 January 1999

Table 3. Banks' loans and deposits in Norges Bank in 1999. Interest rates for fixed-rate loans and deposits

Month		Overnight loan quota	Overnight loans		Fixed rate loans		Fixed rate deposits		Sight-deposits
1999		% of basis of measurement	Loan potential In NOKm	Actual drawings In NOKm	Daily average	Nominal rate	Daily average	Nominal rate	Daily average In NOKbn
January	01.-15.	15	10 573	7	3 221	8.68	1 040	8.32	6 319
	16.-31.	15	9 912	306	6 772	8.60	708	8.33	6 344
February	01.-15.	15	10 573	4	1 333	7.88	2 089	7.66	6 246
	16.-28.	15	12 199	86	127	8.05	337	7.68	7 112
March	01.-15.	15	10 573	5	0	-	12 316	7.30	5 965
	16.-31.	15	9 912	64	954	7.55	1 796	7.24	6 679
April	01.-15.	15	10 561	211	0	-	1 955	7.23	10 101
	16.-30.	15	10 561	42	3 880	7.40	0	-	6 946
May	01.-15.	15	10 561	10	1 041	7.15	1 667	6.70	10 247
	16.-31.	15	9 901	31	5 539	7.15	625	6.70	7 126
June	01.-15.	15	10 561	9	2 262	7.15	0	-	6 490
	16.-30.	15	10 561	91	372	6.65	475	6.22	7 183
July	01.-15.	15	10 561	33	0	-	5 060	6.19	6 393
	16.-31.	15	9 901	10	4 268	6.65	0	-	6 306
August	01.-15.	15	10 561	8	393	6.05	1 550	6.22	7 221
	16.-31.	15	9 901	42	0	-	0	-	6 812
September	01.-15.	15	10 561	5	0	-	6 267	6.21	7 117
	16.-30.	15	10 561	58	7 790	5.75	533	6.19	8 404
Okctober	01.-15.	15	11 295	5	7 921	5.56	0	-	9 847
	16.-31.	15	10 589	5	9 091	5.55	0	-	9 547
November	01.-15.	15	11 295	6	267	5.57	5 393	5.66	8 393
	16.-30.	15	11 295	75	21 139	5.55	0	-	6 628
December	01.-15.	15	11 295	11	14 156	5.55	0	-	10 623
	16.-31.	100	70 592	5	13 595	5.62	0	-	18 330

Table 4. Norges Bank's overnight lending and sight deposit rates, 1998-1999

	Overnight lending rate		Sight deposit rate	
Period	Nominal	Effective	Nominal	Effective
16.07.97-18.03.98	5.50%	5.65%	3.50%	3.56%
19.03.98-24.05.98	5.75%	5.92%	3.75%	3.82%
25.05.98-28.06.98	6.25%	6.45%	4.25%	4.34%
29.06.98-05.07.98	6.50%	6.71%	4.50%	4.60%
06.07.98-11.08.98	7.00%	7.25%	5.00%	5.12%
12.08.98-20.08.98	7.50%	7.78%	5.50%	5.65%
21.08.98-24.08.98	9.00%	9.41%	7.00%	7.25%
25.08.98-27.01.99	10.00%	10.51%	8.00%	8.32%
28.01.99-02.03.99	9.50%	9.96%	7.50%	7.78%
03.03.99-23.04.99	9.00%	9.41%	7.00%	7.25%
26.04.99-16.06.99	8.50%	8.86%	6.50%	6.71%
17.06.99-22.09.99	8.00%	8.31%	6.00%	6.18%
23.09.99-	7.50%	7.76%	5.50%	5.65%

Table 5. Denominations of coins in circulation 1995-1999, annual average and at the end of each month of 1999. In millions of NOK. The figures are based on physical holdings at month- and year-end

	20-kroner 4)	10-kroner 5)	5-kroner 8)	1-kroner 7)	50-ører 6)	25-ører 2)	10-ører 3)	Copper 2)	Total 1)
1995	368.6	951.6	387.8	471.9	128.1	40.4	134.0	25.6	2 508.0
1996	531.8	1 019.5	400.8	492.0	133.8	40.3	132.4	25.6	2 776.2
1997	655.1	1 009.5	415.2	518.4	142.1	40.3	131.2	25.6	2 937.4
1998	778.7	1 029.5	440.3	561.0	150.3		130.5		3 090.2
1999	873.4	1 046.3	473.9	590.2	157.2		130.0		3 271.0
1999									
January	826.1	1 029.2	462.6	574.3	153.7		130.2		3 176.1
February	833.2	1 030.4	479.4	580.1	154.7		130.1		3 207.8
March	842.6	1 043.3	473.6	581.4	155.2		130.1		3 226.2
April	831.0	1 028.5	468.4	578.9	155.4		130.1		3 192.2
May	855.4	1 063.3	458.6	596.2	156.5		130.0		3 260.0
June	860.0	1 045.4	477.6	588.6	156.8		130.0		3 258.3
July	885.2	1 052.0	481.3	592.3	157.3		129.9		3 298.0
August	892.7	1 047.9	458.1	594.5	157.9		129.9		3 281.1
September	896.5	1 044.1	480.6	595.1	158.6		129.9		3 304.7
October	901.8	1 043.8	478.7	596.3	159.1		129.9		3 309.6
November	909.6	1 048.5	480.6	597.7	159.7		129.8		3 325.9
December	946.2	1 079.8	487.6	607.5	161.3		129.8		3 412.2

1) Excluding silver coins totalling NOK 6 743 000. and commemorative coins issued by Norges Bank from 1964-1996 (see note concerning banknotes and coin).

2) 1-øre. 2-øre. 5-øre and 25-øre coins are no longer legal tender. but were redeemed by Norges Bank until 13 July 1998.

3) As of 1 March 1993. the 10-øre coin is no longer legal tender. but will be redeemed by Norges Bank until 1 March 2003.

4) A new 20-krone coin was put into circulation on 1November 1994.

5) A new 10-krone coin was put into circulation on 15 September 1995. At the same time it was announced that the old 10-krone coin would cease to be legal tender from 15 September 1996. but will be redeemed by Norges Bank until 15 September 2006.

6) A new 50-øre coin was put into circulation on 16 September 1996. At the same time it was announced that the old 50-øre coin would cease to be legal tender from 16 September 1997. but will be redeemed by Norges Bank until 16 September 2007.

7) A new 1-krone coin was put into circulation on 15 September 1997. At the same time it was announced that the old 1-krone coin would cease to be legal tender from 5 September 1998. but will be redeemed by Norges Bank until 5 September 2008.

8) A new 5-krone coin was put into circulation on 15 September 1998. On 9 July 1999 it was announced that the old 5-krone coin would cease to be legal tender from 9 July 2000. but will be redeemed by Norges Bank until 9 July 2010.

Table 6. Denominations of notes in circulation 1995-1999, annual average and at the end of each month of 1999. In millions of NOK. The figures are based on physical holdings at month- and year-end

	1000-krone 1)	500-krone 2)	200-krone 3)	100-krone 5)	50-krone 6)	Total
1995	25 522.1	2 991.7	1 025.1	5 727.5	585	35 851.1
1996	25 985.4	3 465.2	1 771.2	4 961.6	629	36 812.2
1997	26 711.4	4 068.0	2 629.7	4 245.8	628.6	38 283.5
1998	27 772.9	4 875.1	3 649.5	3 473.3	716.6	40 487.3
1999	27 290.5	5 588.1	3 949.2	3 026.7	711.9	40 566.2
1999						
January	28 274.9	5 043.9	3 623.7	3 096.4	701.8	40 740.6
February	27 588.4	5 035.2	3 657.7	3 111.4	706.7	40 099.4
March	27 175.2	5 230.8	3 856.0	3 085.0	684.4	40 031.4
April	28 791.7	5 025.6	3 704.1	2 961.8	683.9	41 167.2
May	26 661.2	5 247.4	3 907.8	3 079.4	713.5	39 609.4
June	26 986.0	7 089.0	4 046.9	3 199.9	744.6	42 066.5
July	26 657.0	5 746.7	4 137.8	3 168.9	743.5	40 453.8
August	26 264.8	5 578.1	4 063.0	3 025.9	721.5	39 653.2
September	26 235.3	5 522.6	3 984.7	2 940.3	709.4	39 392.3
October	26 221.4	5 476.8	3 974.0	2 841.9	697.2	39 211.3
November	26 679.6	5 538.6	3 993.9	2 843.5	706.2	39 761.8
December	29 950.0	6 522.0	4 440.2	2 966.2	729.5	44 608.0

1) The 1000-krone note in Series V ceased to be legal tender on 1 August 1990. The note will be redeemed by Norges Bank until 1 August 2001.
2) The 500-krone note in Series V ceased to be legal tender on 21 June 1991. The note will be redeemed by Norges Bank until 21 June 2002.
3) A new 200-krone note, Series VII, was put into circulation on 1 November 1994.
4) A new 50-krone note, Series VII, was put into circulation on 20 January 1997. At the same time it was announced that the 50-krone note in Series VI ceased to be legal tender on 20 January 1998, but would be redeemed by Norges Bank until 20 January 2008.
5) A new 100-krone note, Series VII, was put into circulation on 15 September 1997. At the same time it was announced that the 100-krone note in Series VI ceased to be legal tender on 5 September 1998, but would be redeemed by Norges Bank until 5 September 2008.
6) A new 500-krone note, Series VII, was put into circulation on 7 June 1999.

Table 7. Notes destroyed 1995-1999. In millions of notes1)

	1000-krone	500-krone	200-krone	100-krone	50-krone	Total
1995	2.4	3.5	0.9	39.2	12.8	58.8
1996 2)	2.4	3.2	2.9	32.4	27.0	67.9
1997 2)	2.5	4.4	5.8	67.7	25.1	105.5
1998 3)	1.0	3.8	7.2	26.8	12.5	51.3
1999 3)	0.7	2.0	4.1	6.7	11.2	24.7

1) Excluding older series: Series III. IV and V (100-krone and 50-krone notes); Series III. IV and V (1000-krone and 500-krone notes).
2) The volume of 100- and 50-krone notes is attributable to the new Series VII.
3) The reduction is due to the decision not to destroy notes.

Table 8. Average life of notes 1995-1999. In years

	1000-krone	500-krone	200-krone	100-krone	50-krone
1995	10.6	1.7	5.5	1.5	0.9
1996	10.6	2.1	3.1	1.5	0.5
1997	10.7	1.8	2.3	0.6	0.5
1998 1)	28.2	2.6	2.5	1.3	1.1
1999 1)	39.4	5.6	4.8	4.5	1.3

Figures show the volume of notes in circulation in relation to the number destroyed in the year in question.
A new 200-krone note, Series VII, was put into circulation on 1 November 1994.
A new 50-krone note, Series VII, was put into circulation on 20 January 1997.
A new 100-krone note, Series VII, was put into circulation on 15 September 1997.
A new 500-krone note, Series VII, was put into circulation on 7 June 1999.
1) The reduction is due to the decision not to destroy notes.

Table 9. Inflow of notes to Norges Bank 1995-1999. In millions of notes

	1000-krone	500-krone	200-krone	100-krone	50-krone	Total
1995	34.2	51.6	46.5	362.6	24.9	519.8
1996	34.7	60.0	94.8	294.1	25.6	509.2
1997	33.0	71.1	144.8	241.0	27.6	517.5
1998	34.7	82.1	197.3	151.8	28.5	494.3
1999	35.6	97.6	214.3	147.6	29.8	524.9

The table shows numbers of notes delivered to Norges Bank for sorting and genuineness verification.

Table 10. Velocity of banknote circulation 1995-1999

	1000-krone	500-krone	200-krone	100-krone	50-krone	Total
1995	1.35	8.63	9.09	6.33	2.13	4.93
1996	1.33	8.66	10.71	5.93	2.04	4.90
1997	1.24	8.74	11.02	5.68	2.19	5.17
1998	1.25	8.38	10.78	4.37	1.99	4.71
1999	1.30	8.73	10.85	4.88	2.09	5.28

The table shows the average number of times notes pass through Norges Bank per year.

Table 11. Inflow of coins to Norges Bank 1995-1999. In millions of coins

	20-krone	10-krone	5-krone	1-krone	50-øre	Total
1995	35.3	151.2	77.9	377.9	56.4	698.7
1996	52.1	156.7	84.1	391.2	75.8	759.9
1997	64.7	162.0	89.7	443.1	78.6	838.1
1998	82.7	169.2	85.4	474.7	74.7	886.7
1999	86.9	161.6	96.4	422.0	64.7	831.6

The table shows the number of coins delivered to Norges Bank for sorting and genuineness verification.

Table 12. Velocity of coin circulation 1995-1999

	20-krone	10-krone	5-krone	1-krone	50-øre	Total
1995	1.92	1.59	1.01	0.80	0.22	0.76
1996	1.96	1.54	1.05	0.80	0.28	0.78
1997	1.98	1.60	1.08	0.85	0.28	0.82
1998	2.12	1.64	0.97	0.85	0.25	0.81
1999	1.99	1.54	1.02	0.71	0.21	0.72

The table shows the average number of times coins pass through Norges Bank per year.

Table 13. Coin production at the Royal Norwegian Mint 1989-1998 (1000 coins)1)

	20-krone	10-krone	5-krone	1-krone	50-øre	10-øre	Totalt
1989	-	4 200	-	6 600	11 400	81 400	103 700[2)]
1990	-	3 034	-	9 868	1 834	145 221	159 957
1991	-	5 068	500[3)]	15 060	2 810	69 400	92 838
1992	-	5 520[4)]	500	13 103	6 896	21 100[4)]	47 119
1993	-	3 803[4)]	522	11 246	8 068	2 200[4)]	25 839
1994	16 123	5 880[4)]	2 112	27 330	10 799	-	62 244
1995	19 892	56 825	1 009	12 883	6 835	-	97 444
1996	5 862	40 287	1 382	16 518	4 526[5)]	-	150 500
1996					81 930[6)]		
1997	1 049	1 229	1 742	145 425[7)]	24 089		173 558
1997				4 300[8)]			
1998	5 007	1 058	47 701	139 493[9)]	30 913		224 173
1999	6 171	1 059	21 970	75 174	25 314		129 688

1) The table shows figures for coins produced and delivered to Norges Bank, and cannot be used to indicate the number of coins minted with different years. Coin sets are included.
2) Incl. 100 000 175-krone commemorative coins.
3) All commemorative coins.
4) All bearing the year 1991.
5) Old 50-øre coins.
6) New 50-øre coins.
7) 1-krone coins, of which 4.3 million old issue.
8) Old 1-krone coins.
9) Of which 4.8 million produced in Canada.

Table 14.Banknote production at Norges Bank's Printing Works 1990-1999.
Number of packets, each containing 500 notes

	1000-krone	500-krone	200-krone	100-krone	50-krone
1990	62 302[1)]	-			-71 768
1991	10 000	18 604		51 600	33 800
1992	15 500	10 500		85 800	23 400
1993	4 400	0		61 400	24 800
1994	2 100	6 800	45 300[2)]	46 800	31 200
1995	0	10 500	62 800	49 400	41 200
1996	0	14 600	5 150	20 000[3)]	73 600[4)]
1997	0	4 200	0	109 210	12 200
1998	5 800	16 600	51 950	43 600	45 400
1999	12 950	43 699[2)]	44 340	33 800	38 400

1) All new series (Series VI)
2) New series (Series VII)
3) Series VII - introduced in 1997
4) 13 600 Series VI and 60 000 Series VII (introduced in 1997)

Table 15. Norges Bank's banknote series 1877-1999. Period of production

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
1000-krone note	1877-98	1901-45	1945-47	1949-74	1975-89	1990-	
500-krone note	1877-96	1901-44	-	1948-76	1978-85	1991-98	1999-
200-krone note	-		-		-		1994-
100-krone note	1877-98	1901-45	1945-49	1949-62	1962-77	1977-96	1997-
50-krone note	1877-99	1901-45	1945-50	1950-65	1966-84	1984-96	1996-
10-krone note	1877-99	1901-45	1945-53	1954-74	1972-85	-	-
5-krone note	1877-99	1901-44	1945-54	1955-63	-		-
Low denomination banknotes							
1-krone note	1917	1940-50					
2-krone note	1918	1940-50					

Series I ceased to be legal tender on 13 July 1988. Series II notes were invalidated in connection with the monetary reform in 1945 and are no longer redeemable in Norges Bank. Notes in Series III and IV and 10-krone, 50-krone and 100-krone notes in Series V ceased to be legal tender on 13 July 1989. The 1000-krone note in Series V ceased to be legal tender on 1 August 1991, as did Series V 500-krones note on 21 June 1992. 1- and 2-krone notes from the period 1917-1918 are no longer legal tender and are not redeemed by the Bank. 1- and 2-krone notes from the period 1940-1950 ceased to be legal tender on 13 July 1989.

Appendix B

Norges Bank's Management, Administration and Personnel

The Bank's governing bodies

The supreme bodies of the Bank are the Executive Board and the Supervisory Council.

The Executive Board is the executive and advisory body pursuant to the Act on Norges Bank and the Monetary System of 24 May 1985. It administers the Bank's activities and manages its resources. The Executive Board has seven members who are appointed by the King. The Central Bank Governor is Chairman of the Board and the Deputy Central Bank Governor is the Deputy Chairman, employed in full-time positions for a period of six years. The other five members are appointed for four-year terms. There are two staff representatives elected by employees on the Board when administrative matters are discussed. The Executive Board normally meets every other week.

The Supervisory Council ensures that the rules governing the Bank's activities are observed. It organises the auditing of the Bank, adopts the annual accounts and approves the budget on the proposal of the Executive Board. The Supervisory Council is composed of fifteen members elected by the Storting for a period of four years. The Storting appoints the Chairman and Deputy Chairman for a period of two years. The Supervisory Council usually meets four times a year.

Executive Board

Central Bank Governor Svein Gjedrem, Chairman

Deputy Central Bank Governor Jarle Bergo,
Deputy Chairman

Esther Kostøl (1998-2001)
Alternate: Eystein Gjelsvik

Torgeir Høien (1998-2001)
Alternate: Ingrid Oddveig Tveit

Sigbjørn Johnsen (1998-2001)
Alternate: Ottar Brage Guttelvik

Sylvi Røssland Sørfonn (2000-2003)
Alternate: Tore Johansen

Trond R. Reinertsen (2000-2003)
Alternate: Kari Olrud Moen

From the employees:
Espen Halvorsen
Sonja Blichfeldt Myhre
Alternate: Marit Aas Hoftvedt
Alternate: Arne Ege

Supervisory Council

Mary Kvidal (1998-2001), Chairman 2000-2001
Alternate: Steinar Frithjof Dreyer
Jens Marcussen (1998-2001), Deputy Chairman (2000-2001)
Alternate: Nils Olav Skilbred
Aslaug Mildred Sofie Eriksen (1998-2001)
Alternate: Odd Erik Hansgaard
Berit Hultmann (1998-2001)
Alternate: Frode S. Svendsen
Terje Ohnstad (2000-2003)
Alternate: Ragnhild Weiseth
Reidun Romfo (2000-2003)
Alternate: Rigmor Aasrud Jahren
Johan Solheim (2000-2003)
Alternate: Armand Bjørnholt
Veslemøy Rabe (2000-2003)
Alternate: Morten Steenstrup (2000-2003)
Alternate: Søren Fredrik Voie
Solveig Nordkvist Haugerud (2000-2003)
Alternate: Monica Mæland
Hakon Lunde (1998-2001)
Alternate: Dag Sandstå
Hans Hammond Rossbach (1998-2001)
Alternate: Olav Pedersen
Hanne Varhaug Søberg (200-2003)
Alternate: Bjørn Arild Gram
Per Aas (1998-2001)
Alternate: Trude Brosvik
Kåre Harila (2000-2003)
Alternate:

Audit Department
Svenn Erik Forsstrøm,
State Authorised Public Accountant
Mats Leonhard Pedersen,
State Authorised Public Accountant

The Bank's administration and organisation

Administration
According to the law, the Central Bank Governor is in charge of the Bank's administration and implementation of decisions adopted by the Executive Board. The Executive Board has also appointed a committee, the Administration Committee, which has decision-making authority in administrative matters (the Bank's own management). The committee consists of:

From management:
Svein Gjedrem, Governor
Jarle Bergo, Deputy Governor
Inger-Johanne Sletner, Executive Director

From the employees:
Espen Halvorsen
Sonja Blichfeldt Myhre

Organisation
The Bank's organisational structure is shown in the organisation chart on the last page. The section on the accounts contains a table showing the number of employees employed full-time, part-time and on a short-term basis at the head office, regional branches and production units at the end of 1999.

Management

Svein Gjedrem, Governor
Jarle Bergo, Deputy Governor
Bente Akselsen, Executive Director
Inger-Johanne Sletner, Executive Director
Bernt Nyhagen, Executive Director
Jan F. Qvigstad, Executive Director
Jon A. Solheim, Executive Director
Harald Bøhn, Executive Director
Knut N. Kjær, Executive Director

Legal Department

Bernt Nyhagen, Executive Director
Else M. Bøthun, Assistant Director

Governor's Staff

Harald Bøhn, Executive Director
Hans Petter Wilse, Staff Director
Kari Gjesteby, Director
Ole Jonny Oldertrøen, Assistant Director
Birger Vikøren, Assistant Director

Wing I - Monetary Policy

Jan F. Qvigstad, Executive Director

Market Operations Department
Morten Baltzersen, Director
Morten Jonassen, Assistant Director
Jannecke Smith-Sørensen, Assistant Director

Economics Department
Jon Nicolaisen, Director
Kristin Gulbrandsen, Assistant Director
Kåre Hagelund, Assistant Director (leave of absence)

International Department
Anne Berit Christiansen, Director
Anders Svor, Assistant Director

Research Department
Eilev S. Jansen, Director
Bent Vale, Head of Research
Øyvind Eitrheim, Head of Research

Statistics Department
Audun Grønn, Director
Trond Munkerud Johansen, Assistant Director
Vetle Hvidsten, Assistant Director

Wing II - Financial markets and payment systems

Jon A. Solheim, Executive Director
Asbjørn Fidjestøl, Acting Executive Director

Financial Analysis and Market Structure Department
Trond Eklund, Director

Financial Instruments and Payment Systems Department
Henning Strand, Director
Gunnvald Grønvik, Director (leave of absence)
Dag-Inge Flatraaker, Assistant Director

Banking Department
Helge Strømme, Director
Eline Vedel, Assistant Director

Chief Cashier's Department
Sylvi Johansen, Chief Cashier
Leif Veggum, Assistant Director

Wing III - Notes and coin

Bente Akselsen, Executive Director
Siri Caspersen, Assistant Director
Paal Espeli, Assistant Director

Norges Bank's Printing Works (Oslo)
Jan Erik Johansen, Director

The Royal Norwegian Mint (Kongsberg)
Jan Erik Johansen, Director

Wing IV - Central Bank Administration

Inger-Johanne Sletner, Executive Director

Administration Department
Kjell Dankertsen, Director

Health Services
Jean R. Campbell, M.D.

Personnel Department
Anne-Britt Nilsen, Director

Technology Department
Bjørn Helge Vatne, Director

Budget and Accounting Department
Harald Haare, Director

Information Department
Poul H. Poulsson, Information Director

Security Department
Arne Haugen, Head of Security

Wing V
Norges Bank Investment Management

Knut N. Kjær, Executive Director

Tactical Asset Allocation
Morten Jensen, Assistant Director

Fixed Income Management
Dag Løtveit, Assistant Director
Helge Eide, Assistant Director (leave of absence)
Ole Chr. Frøseth, Director (New York)

Middle Office
Sigbjørn Atle Berg, Director

Legal and Compliance
Marius Nygaard Haug, Assistant Director
Bjørn Taraldsen, Assistant Director

Settlement and Accounting
Carl Jacob Vogt, Assistant Director

IT
Ilse Bache, Head of Division

NORGES BANK

ORGANISATION CHART
May 2000