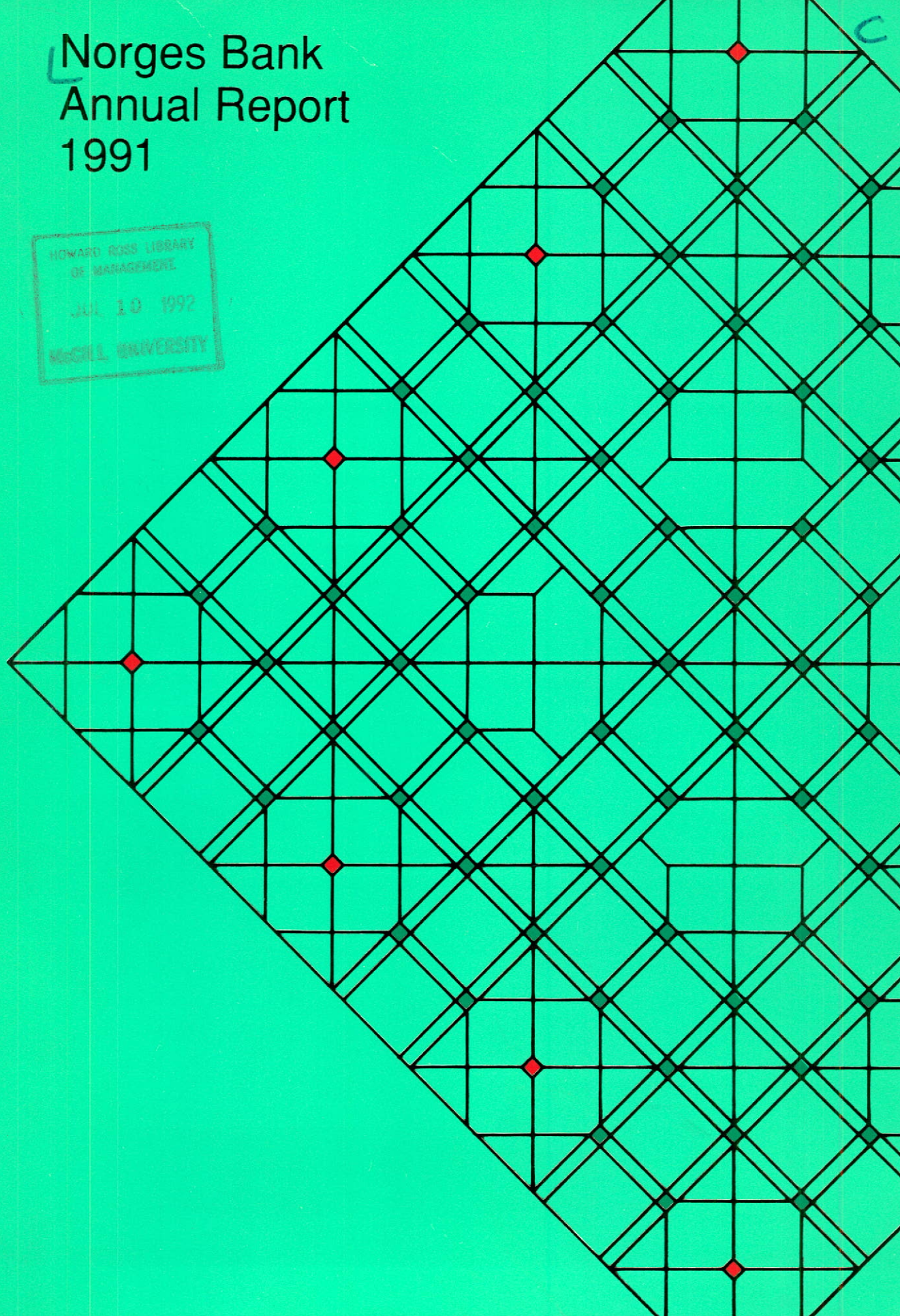
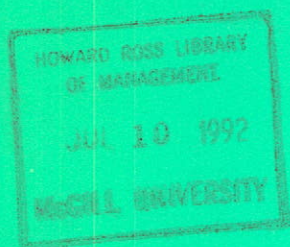


# Norges Bank Annual Report 1991



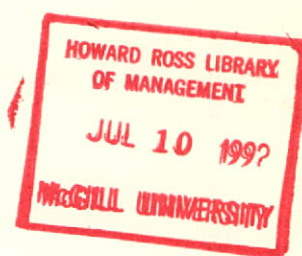




# Norges Bank

(Central Bank of Norway)

## Report and Accounts 1991



Oslo 1992

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1992





# Norges Bank's operations in the foreign exchange, money and capital markets in 1991

## Foreign exchange market

Following the revision of the exchange rate regime in October 1990 the krone exchange rate has remained stable against the theoretical ecu. In 1991 the average krone exchange rate was 0.3% weaker than the central value of 7.9940 kroner per ecu. The exchange rate fluctuated by small margins between 8.0000 and 8.0315 NOK per ecu, as measured by daily averages.

### Stable krone exchange rate

The effective krone exchange rate, measured on the basis of the IMF's competitive weights, showed somewhat larger fluctuations. In the first half of the year the effective rate fell by a good 4.2%. This was mainly due to the appreciation of the US dollar in this period. In the second half-year this development was partly reversed and the effective krone exchange rate weakened by 0.8% over the year as a whole.

The stability of the krone exchange rate against the ecu can be ascribed in part to the lower inflation rate and the improvement in the external economy. Growing confidence in Norway's exchange rate policy and central bank intervention operations also played a part. The volume of intervention operations, measured by the sum of sales and purchases, increased from NOK 54.2bn in 1990 to NOK 58.9bn in 1991. Net sales of foreign exchange corresponded to NOK 19.0bn in 1991 compared with net purchases of NOK 4.2bn in the previous year. The interventions were not as frequent as in 1990, particularly in the first quarter. On average intervention operations were made on half of the year's operating days. In 1990 the figure was 70%.

When Norges Bank sells foreign exchange to the banks in order to maintain a stable exchange rate, it reflects a shortage of foreign exchange in the private sector. In 1991 Norges Bank's net sales of foreign exchange approached NOK 19bn despite a surplus of about NOK 35bn on Norway's current account. Other Norwegian sectors' foreign net lending was thus larger than the

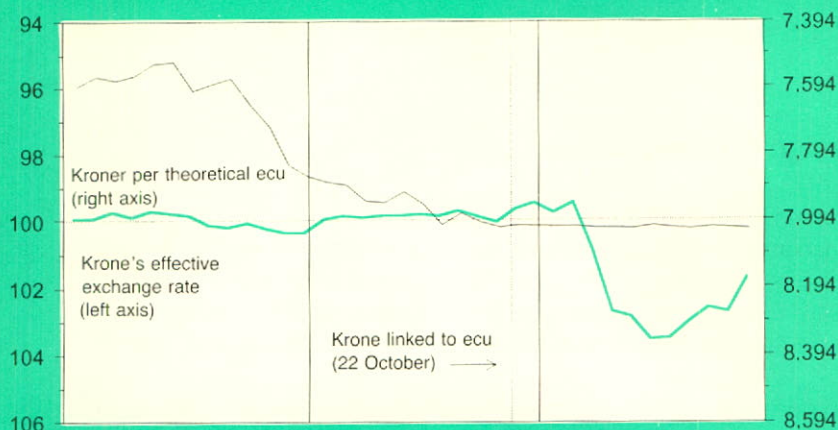
**Table 1**  
**Norge Bank's interventions in response to krone fluctuations**

		1989	1990	1991	1st qtr	2nd qtr	3d qtr	4th qtr
Spot (USD millions)	Sales	3 419	4 402	3 100	312	763	456	1 569
	Purchases	5 056	3 918	6 003	144	1 779	1 050	3 030
Forward (USD millions)	Sales	0	263	0	0	0	0	0
	Purchases	0	0	0	0	0	0	0
Net intervention amount (NOK millions)		-11 739	4 205	-18 977	1 120	-6 948	-3 997	-9 152

**Chart 1 Exchange rate index and Norges Bank's exchange rate interventions**

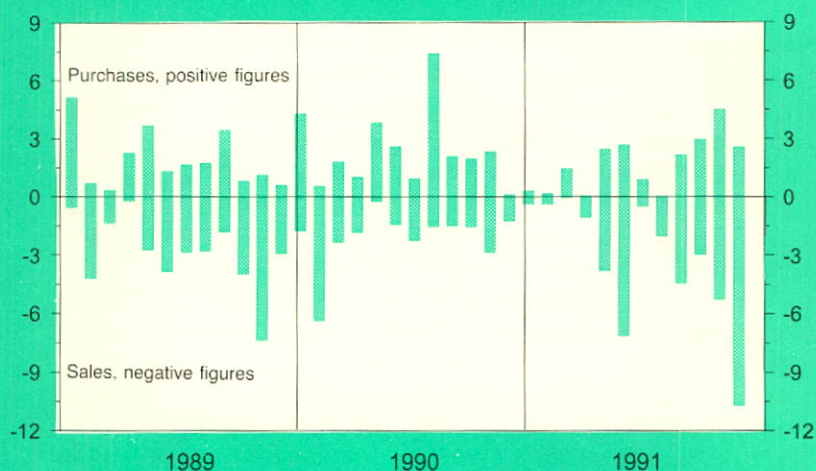
The krone exchange rate against the theoretical ecu and the krone's effective exchange rate

(Rising curve denotes stronger krone)



Norges Bank foreign exchange interventions in millions of kroner. Monthly figures.

(Positive figures denote net foreign currency purchases, negative figures denote net sales)



current account surplus. Among other things the banks reduced their foreign currency debt by an estimated NOK 30bn. The decrease was due both to a deliberate reduction of foreign currency borrowings by the banks but also the greater degree of caution exercised by foreign investors with regard to lending to Norwegian banks as a result of the Norwegian banking crises. Furthermore households, municipalities and the non-financial sector reduced their net foreign debt. In the course of the year Norway's net foreign debt was reduced from almost 14% of GDP to about 9% of GDP.

#### Central Bank overnight lending rate lowered

The Norwegian foreign exchange market was stable during the first months of the year, with only small net interventions up to the end of April. Money market rates edged downwards and Norges Bank lowered its overnight lending rate on four occasions, from 10.5% to 9.5% (0.3 percentage point on 18



March, 0.2 on 11 April, 0.25 on 29 April and 0.25 on 28 May). Despite a concurrent fall in the ecu rate, the interest rate differential against the theoretical ecu narrowed. In May the interest rate differential averaged 0.1 percentage point which was the lowest level of the year. In May it was announced that a Norwegian mortgage company would cease coupon payments on own bonds. This contributed to a further weakening of confidence in the Norwegian banking and financial system. Combined with the low interest rate differential, this led to interventions of close to NOK 6bn in support of the krone in May and June. Sweden and Finland's decision to link their currency to the ecu had little impact on the value of the Norwegian krone.

The krone exchange rate remained stable in the first part of the summer. In August the German central bank raised its official interest rate which was followed by an appreciation in the value of the Deutsche Mark. The problems in the Finnish economy led to a depreciation of the Finnish markka. Over longer periods the interest rate on the Danish krone was higher than on the Norwegian krone which partly explains the increased outflow of capital. Furthermore, the large loss estimates for the leading Norwegian banks were published. Market participants' behaviour reflected their concern over the difficulties in connection with the EEA negotiations, the outcome of municipal elections and expectations of an expansionary fiscal policy stance. In order to dampen the pressure against the krone the overnight lending rate was raised from 9.5% to 10.0% on 19 September.

Towards the end of the year large interventions in support of the krone became necessary. A number of factors had a negative impact. In mid-October it was announced that the share capital in Christiania Bank was lost, and Den norske Bank announced an upward revision of their loss estimates.

The problems in Finland and Sweden, with devaluation in Finland and a steep increase in the marginal rate on bank borrowings from the Swedish central bank, also had an impact. The interest rate differential between Norwegian and Swedish krone widened by a large margin. This contributed to a substantial outflow of currency from Norway in the beginning of December. Later in the month the German central bank decided to raise its official interest rate by 0.5 percentage point. Several EC countries followed suit, with an associated increase in the ecu rate. Towards the end of the year the interest rate differential between the Norwegian krone and the ecu was close to zero. Norges Bank sold foreign exchange for a total of NOK 8.2bn in December.

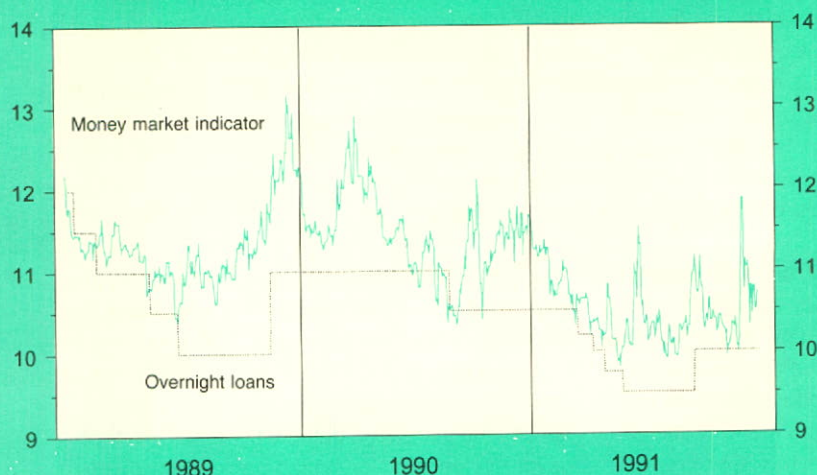
## **The dismantling of currency fixing on the Oslo Stock Exchange**

The public fixing of exchange rates on the Oslo Stock Exchange was discontinued from 30 August 1991. This brought to an end a tradition which had started in 1819. The use of a physical marketplace for public exchange rate fixing was initiated at a time when the foreign exchange market and information systems were much less advanced than today. It was therefore necessary for the largest market participants to come together to establish "realistic" (impartial) and "fair" exchange rates. A decreasing share of the total volume was traded at the official exchange rates. As result of market developments and the advances in information technology the largest foreign exchange banks now almost continually quote exchange rates in relation to NOK. As a result the need for publicly fixed exchange rates receded. The new

## **Krone comes under pressure towards the end of the year**

## **The end of a tradition**

**Chart 2 Money market rates 1989–1991. Norges Bank overnight lending rate and the euro-krone rate (average one week – three months). Nominal rates, per cent per annum**



Stock Exchange Act of 1988 confined the Oslo Stock Exchange to a securities exchange, and responsibility for public exchange rate fixing was transferred to Norges Bank as from 1989.

#### **Norges Bank computes foreign exchange rates**

Norges Bank participates in daily telephone conferences with central banks in western Europe, North America and Japan, exchanging information about foreign exchange rates among other things. On the basis of this information Norges Bank can compute exchange rates in NOK for the same currencies that were fixed on the Oslo Stock Exchange. The exchange rates should be considered accurate and impartial since they are based on rates provided by central banks in various countries at the same time.

The Ministry of Finance approved on 19 August a proposal put forward by Norges Bank to dismantle the public fixing of exchange rates and replace it with a system whereby Norges Bank quotes representative market rates based on information collected from other central banks.

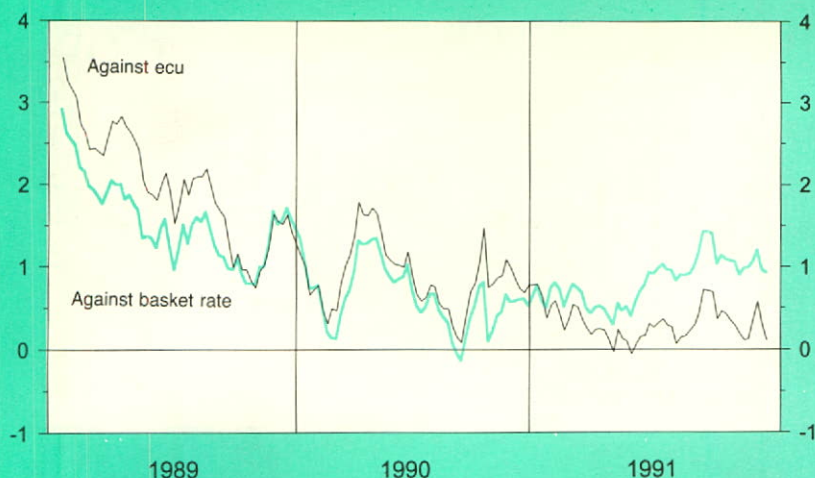
#### **Money market**

#### **Decrease in money market rates**

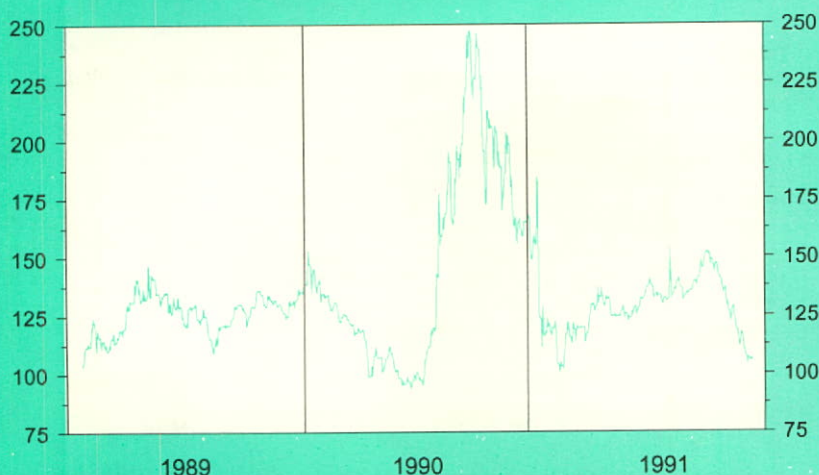
Norges Bank's money market indicator, which is an average of the nominal money market rates for maturities from one week to three months, fell in the first five months of 1991. The decline in money market rates was partly due to a stable foreign exchange market and falling ecu rates. The sharp decrease in the sterling rate was the main reason behind the lower ecu rates. The three-month theoretical ecu rate fell from 10.75% in mid-January to 9.75% in mid-May. Domestic factors, such as falling consumer price growth, favourable current-account figures and a moderate wage settlement also contributed to the decline in rates. The average for the money market indicator in May was 10.2%, representing a decrease of 1.15 percentage points on January. In order to prevent the central bank's overnight lending rate from setting the floor for money market rates, the central bank lowered the overnight lending rate, as mentioned, on four occasions from 10.5% to 9.5% in the period up to 28 May. The banks' deposit rates in Norges Bank were reduced from 8.5% to 8.25% on 29 April and to 8% on 28 May.



**Chart 3a Interest rate differential NOK — ecu and NOK — basket rate (three-month euro-krone rate) 1989-1991. Nominal rates, per cent per annum**



**Chart 3b Oil price, spot Brent Blend. NOK p/b, 1989-1991**

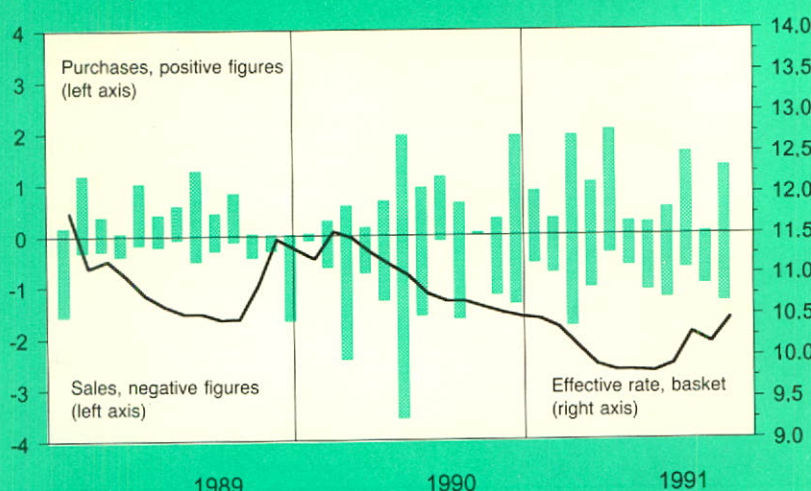


The problems in the Norwegian financial industry had an impact on interest rates in the second half of the year. In an increasingly uncertain environment, market participants demanded a higher rate of return on krone positions in certain periods. As mentioned Norges Bank raised the overnight lending rate from 9.5% to 10.0% on 19 September in response to this situation. Towards the end of the year the effects of the devaluation pressures against the Finnish markka and the difficulties facing the Swedish krone spilled over into the Norwegian market and drove up money market rates. At the beginning of December the money market indicator peaked at 11.9%. Later that month the German central bank and other European central banks raised their official lending rates. This entailed an increase in the theoretical ecu rate and contributed to keeping Norwegian money market rates at a higher level. For the year 1991 the money market indicator averaged 10.6%, compared with 11.5% in 1990.

**Interest rates edge upwards in the second half-year**



**Chart 4 Norges Bank's turnover of Treasury notes in the secondary market. In millions of kroner. 1989-1991.**



**Table 2**  
**Norges Bank's transactions in Treasury notes in the secondary market**  
**(in millions of kroner)**

	Purchases	Sales	Gross	Net
1987	4 810	4 774	9 584	36
1988	20 438	21 474	41 912	-1 036
1989	6 197	4 929	11 126	1 268
1990	6 520	15 349	21 869	-8 829
1991	11 615	12 398	24 013	-783

### Interest rate differential against the ecu edges downwards in 1991

Following the unilateral linkage of the krone's international value to the theoretical ecu on 22 October 1990, the interest rate differential narrowed up to the middle of 1991. From November 1990 to May 1991 the interest rate differential (monthly average) narrowed by 0.9 percentage point to 0.1 percentage point respectively. Towards the end of the year the differential widened and the average for the past four months was 0.4 percentage point. For the year as a whole the interest rate differential averaged 0.3 percentage point, against 0.9 percentage point in 1990.

### The oil price

The spot price of crude oil (Brent Blend) fell from USD 28.4 per barrel in January to USD 17.7 per barrel at the end of the year. The oil price fell steeply at beginning of the year after the swift military victory over Iraq had allayed fears of a more long-term oil supply shortage. In Norwegian kroner the oil price averaged NOK 129.50 per barrel in 1991 against NOK 149 in 1990. In the Supplementary Budget Bill for 1991 an oil price of NOK 126 per barrel was assumed.

## Treasury notes

Norges Bank's trade in Treasury notes in the secondary market increased by a small margin between 1990 and 1991. Excluding trade with the National Insurance Fund and the Post Office Savings Bank, Norges Bank increased its gross turnover from NOK 21.9bn to NOK 24.1bn in 1991. Net sales of Treasury notes came to NOK 0.6bn. The yield differential between Treasury notes and interbank placements with the same maturity was reduced somewhat in the course of the year. The market for Treasury notes became more liquid when Norges Bank increased the volume that the bank was willing to buy or sell before a change in prices. Uncertainty and reduced confidence in private financial institutions may also have contributed to the increased preference for investments free of credit risk.

### Secondary market

In 1991 four new notes with twelve-month maturities were issued to replace the notes that had matured. The notes featured a coupon rate set by the Ministry of Finance. The overall issue volume was NOK 27.1bn, to which private participants subscribed NOK 1.7bn. Norges Bank subscribed NOK 2bn to the remainder and other central authorities NOK 23.4bn. The weak participation on the part of private participants may be ascribable to the excessively large difference between the coupon rate on these notes and alternative money market instruments with twelve month maturities.

### New issues

The coupon rate was 10.4% (January issue), 9.9% (April issue), 9.7% (July issue) and 9.9% (October issue).

## Liquidity management

Since 1986 the banks have relied heavily on central bank financing. In 1991 the banks borrowed an average of NOK 62bn per day, against NOK 65bn the previous year. Norges Bank uses various instruments to regulate liquidity in the banking system. The main lending facilities are the overnight lending facility (D-loans), and the fixed rate lending facility (F-loans). D-loans are provided automatically when the banks draw on their current account in Norges Bank within the stipulated quotas. The interest rate on the overnight loans is set by Norges Bank. Loans on special terms (S-loans) are given to banks that do not satisfy the conditions required to raise sufficient financing by ordinary channels. This form of lending has gained increased significance as a result of the large losses sustained by Norwegian financial institutions.

### Composition of central bank financing

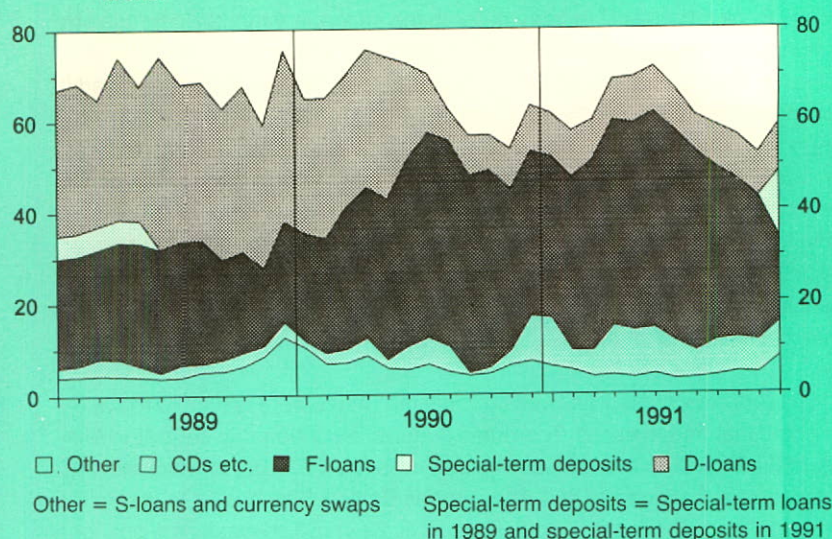
**Table 3**  
Average composition of central bank financing (in billions of kroner)

	D-loans	F-loans	Special-term deposits/loans	S-loans	Market instruments	Total
1989	34.1	24.1	2.1	3.8	4.3	68.4
1990	18.9	36.5	—	3.3	6.7	65.4
1991	9.6	38.8	1.2	4.5	7.9	62.0
1st qtr	9.5	38.4	—	2.3	9.5	59.7
2nd qtr	9.7	46.0	—	2.5	11.7	70.0
3rd qtr	8.9	42.7	—	4.3	6.4	62.3
4th qtr	10.1	28.2	4.9 <sup>1)</sup>	8.9	4.0	56.1

<sup>1)</sup> Special-term deposit on 2 December 1991 of NOK 15.1bn



**Chart 5 Central bank financing of the money market. Holdings. In billions of kroner**



The composition of central bank financing has changed in recent years. In 1990 liquidity policy was revised with an increase in the use of F-loans with maturities of up to one year and a decrease in the use of overnight lending. The objective of the revision was inter alia to stabilise a larger share of borrowing costs over a longer period. Furthermore, since the interest rate on fixed-rate loans is set by auction, an increased share of fixed-rate loans augments the impact of the banks' interest rate expectations on interest rate formation in the market. In 1989 overnight lending accounted for approximately half of total financing, whereas this form of lending fell to 15% in 1991. The share of fixed-rate lending accounted for 63% of total financing in 1991. The use of market instruments has increased from 6% in 1989 to 13% in 1991.

#### New deposit arrangement

In 1991 a new arrangement was implemented whereby Norges Bank would place subsidised or so-called special-term deposits with the banks. On the approval of the Ministry of Finance the arrangement was adopted at Norges Bank's Executive Board meeting of 6 November. The arrangement was subsequently approved by the Storting (the Norwegian legislative assembly) with

**Table 4  
Banks' access to central bank overnight loans**

	Average daily lending quota (NOK bn)	Average loans per day (NOK bn)	Average utilisation (per cent)
1989	38.1	34.1	90
1990	21.9	18.9	86
1991	13.1	9.6	73
1st qtr	13.7	9.5	69
2nd qtr	12.9	9.7	76
3rd qtr	12.0	8.9	75
4th qtr	13.7	10.1	74



no reservations. The special-term deposits, which yield a lower interest rate than the market rate, were introduced as part of the authorities' measures to strengthen banks' earnings. The arrangement is expected to reduce the banks' interest payments to the central bank by about NOK 1bn this year. The first deposit was made with effect from 2 December 1991. The deposit amount of a total of NOK 15bn was made on application using the calculation base stipulated in the regulations governing the measurement of banks' capital adequacy. The special-term deposit was given with a six-month maturity at 4% interest.

In addition to its lending facilities, Norges Bank uses market instruments to control liquidity. The most frequently used instrument is certificates of deposit which the central bank buys and sells from individual banks. Currency swaps are also used in liquidity management whereby Norwegian kroner are swapped against foreign currency for a specified period.

The large losses sustained by Norwegian financial institutions have made it more difficult for banks to raise sufficient foreign currency loans in international markets. As a short-term solution to the problem, individual banks were given access to foreign currency loans through Norges Bank. Formally the transactions were effected through the supply of special-term loans in NOK, which were used by the individual banks to swap currency for a specified period. S-loans used in this manner do not affect liquidity in the Norwegian money market.

#### **Increased need for special-term loans**

Up to the end of 1990 the quotas for overnight loans and fixed-rate loans were set each month. Effective from January 1991, the calendar month was divided into two loan periods in order to increase the flexibility of liquidity control. At the same time the banks were given interest on their current deposits in Norges Bank. This interest rate sets the floor for the shortest money market rates. The switch to the use of the banks' capital base (excluding equity and subordinated debt) as the basis for the measurement for the banks' overnight lending quotas entailed that the banks' financial strength, not their size, thus became the decisive factor for the determination of the banks' lending quota in central bank.

#### **Changes in lending arrangements**

Effective from 1 August 1991, a special deposit arrangement was introduced for banks with overnight loans. The deposits yield interest from the first day of entry and yielded the same interest rate as the credit balance on the banks' current account. The deposit arrangement was introduced in order to provide the banks with overnight loans with a short-term instrument that would allow them to satisfy the liquidity requirement pursuant to the Act relating to banks.

Effective from the fourth quarter of 1991, the basis of measurement for overnight loans and fixed-rate loans was widened by among other things including general loss provisions in excess of 1% of the banks' gross lending in the banks' capital base. At the same time the multiplier used to calculate the upper limit for each bank's total fixed-rate loans was reduced from 400% to 350% of the calculation base.

Norges Bank wanted to increase its use short-term fixed-rate loans to some extent instead of certificates of deposit or currency swaps as a source of short-term liquidity supply. Short-term fixed-rate loans are loans with maturities of less than one month. In this connection the procedures applied when issuing F-loans were simplified by allowing Norges Bank to set the lower limit

**Table 5**  
**Norges Bank's F-loans (fixed-rate loans) to banks**

Issue date	Number of days	Weighted average		Allotted amount (NOK m)
		Nominal <sup>1)</sup>	Effective <sup>2)</sup>	
1991				
4 January	178	11.78	12.14	2 015
17 January	29	11.30	11.91	5 007
1 February	90	11.50	12.01	4 007
18 February	178	11.02	11.33	6 011
1 March	185	11.18	11.49	4 008
18 March	88	10.85	11.31	6 003
21 May	87	10.27	10.68	6 001
21 May	181	10.31	10.58	6 006
14 June	91	10.23	10.63	6 030
1 July	366	10.51	10.51	4 010
16 July	91	10.43	10.85	3 975
16 August	185	10.46	10.73	4 021
17 September	182	10.68	10.96	6 003
17 September	30	10.31	10.81	5 584
1 October	366	10.81	10.81	4 001
18 November <sup>3)</sup>	14	10.00	10.50	9 038

<sup>1)</sup> Actual annual simple interest.

<sup>2)</sup> Annual return based on compound interest, on the assumption that the reinvestment bears equal interest

<sup>3)</sup> The interest rate on this loan was fixed by Norges Bank

for the loan amounts stipulated in the bids. This excludes a number of banks but nevertheless liquidity is supplied to more banks than through the use of certificates of deposit and currency swaps.

## Issuance of fixed-rate loans

The increased use of special-term loans and the introduction of the subsidised deposit arrangement required a reduction in regular central bank financing towards the end of the year. As a result no fixed-rate loans were issued in December. Nor were any short-term fixed-rate loans issued. In 1991 a total of fifteen fixed-rate loans were issued with maturities ranging between one to twelve months. Norges Bank set both the interest rate on and size of a loan issued on 18 November, pending the implementation of the special-term deposit arrangement at the beginning of December.

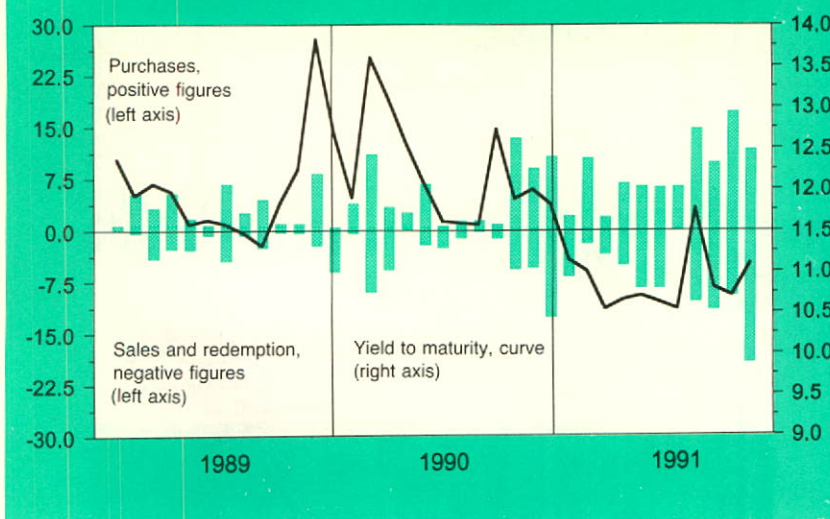
The average stock of fixed-rate loans was NOK 38.8bn in 1991, whereas the daily average for D-loans was NOK 9.6bn. Norges Bank's sales and purchases of certificates of deposit came to a good NOK 104.5bn in 1991.

**Table 6**  
**Norges Bank transactions in certificates of deposit (in millions of NOK)**

	Sales	Purchases	Net	Redeemed at maturity	Holdings at 31.12
1987	2 572	0	2 572	2 187	890
1988	12 023	685	11 338	9 525	2 703
1989	33 860	0	33 860	29 738	6 825
1990	54 155	5 730	48 425	45 225	10 025
1991	103 505	1 050	102 455	111 280	1 200



**Chart 6 Norges Banks's transactions in certificates of deposit. (In billions of kroner. 1989-1991)**



## Capital markets

The turnover in the Norwegian bond market has shown strong growth in recent years. In 1991 the turnover on the Oslo Stock Exchange came to NOK 424bn against NOK 297bn in the previous year. On 13 February the government announced the issue of new government bond in the amount of NOK 12bn with a coupon rate of 10% and a fixed maturity date on 28 February 1996. Of the total issue NOK 6bn was reserved for Norges Bank and the National Insurance Fund, while the remainder was issued by auction. The lowest accepted price was 98.9 corresponding to a yield to maturity of 10.29%. The bond was quoted on the Oslo Stock Exchange on 1 March. The new bond issue contributed to improving liquidity in the government paper sector, and was the highest-traded bond on the Oslo Stock Exchange in 1991.

Norges Bank's trade in government bonds with banks, the public and foreign investors for a gross value of NOK 20.6bn. Net purchases of government bonds came to NOK 1.5bn. Gross turnover was NOK 8.1bn 1990.

At the end of 1991 foreign holdings of Norwegian bonds stood at NOK 24bn against 21.7bn at the end of last year. Net non-resident purchases of bonds issued by private mortgage companies came to NOK 3.7bn, whereas non-resident holdings of government paper decreased by NOK 1.4bn. The increase in holdings of mortgage company bonds was most marked in the second quarter and was not severely affected by this sector's problems later in the year.

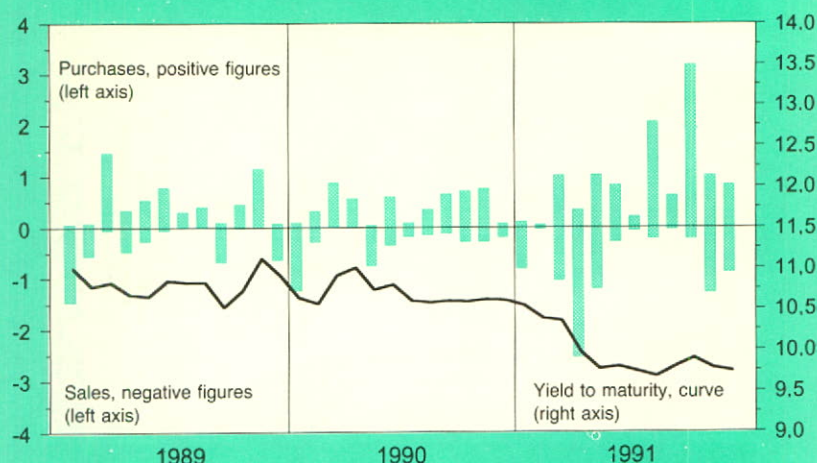
Effective from 1 March Norges Bank role as market-maker for government bonds was altered. Norges Bank had been an active market-maker for twelve to fifteen bonds. In order to rationalize its market-maker role, the government bonds were divided into two groups: One group for central loans, initially comprising seven loans, but reduced to five loans in the course of the year because two bonds matured, and one group of six loans which had not been

**Increased turnover in the bond market and issuance of a new government bond**

**Foreign holdings of Norwegian bonds**

**Norges Bank no longer market-maker for small loans**

**Chart 7 Norges Bank's transactions in government bonds. In billions of kroner. 1989-1991**



traded as actively in the market. In the group of central loans the difference between the bid and offer prices was reduced at the same time that the prices were applied to larger volumes. For the other bonds the difference between bid and offer prices increased and the binding volume was reduced. In May the holdings of these bonds were sold to the National Insurance Fund, and Norges Bank confined its participation to setting bid prices for these bonds. In connection with the change in the central bank's market-maker role for government bonds, it was decided that only one brokerage firm (compared with two previously) would be charged with conducting Norges Bank's transactions in the market.

On 25 October the banks' liquidity requirement was reduced from 8 to 6% as part of the authorities' rescue package in support of the banking system. The reduction made it possible for the banks to sell government paper which were being held in order to satisfy the previous liquidity requirement. The banks' sales of government paper were not substantial. This was probably due to the fact that Norges Bank increased the volume that the banks were willing to hold before the bid price was changed. This signalled that an interest rate increase was not desirable in connection with the reduction of the liquidity requirement.

## Bond yields

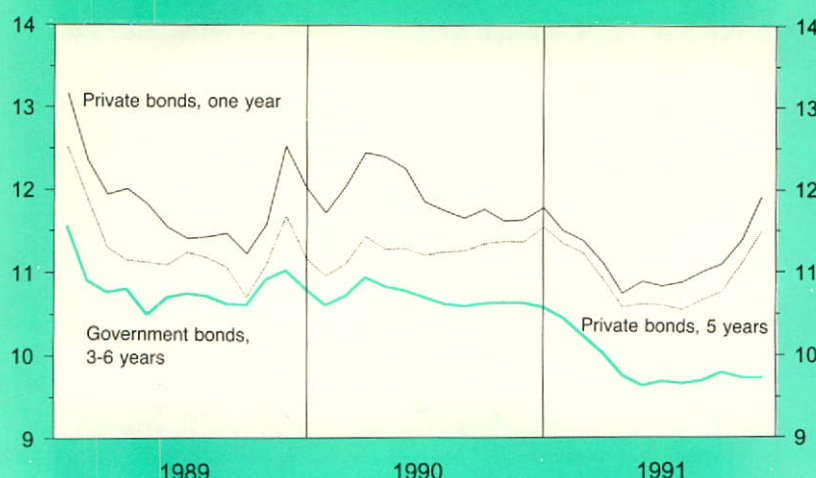
For *government bonds* with a residual maturity of three to six years the average yield fell by about 1 percentage point from 10.6 to 9.6% in the course of the first five months of the year. A share of the decrease was partly due to the

**Table 7  
Norges Bank's trade in government bonds in the secondary market. In millions of kroner**

	Purchases	Sales	Net	Gross
1987	10 611	12 092	-1 481	22 703
1988	8 069	8 366	-297	16 435
1989	5 840	4 277	1 563	10 117
1990	5 131	2 985	2 146	8 116
1991	10 981	9 590	1 391	20 571



**Chart 8 Yield to maturity on government bonds and private bonds 1989-1991, percent per annum.**



fact that the new government bond which has the lowest yield was included in this group. For bonds with maturities of more than six years the yield fell from 10.6% to 9.8% in the same period. The yield decrease should be seen in connection with the fall in money market rates and the decline in yields on foreign bonds. During the second half of the year the yield on government bonds was more even. The yield on bonds in the group three to six years was 9.7% at the end of the year.

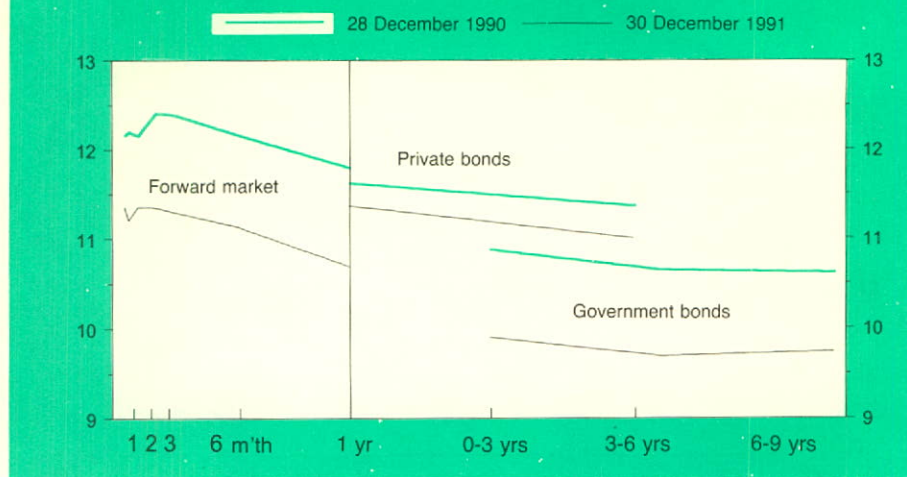
The yield on *bonds issued by private mortgage companies* was less stable. In the first half of the year the decrease in the yield on these bonds was about the same as for government bonds. Since some of the mortgage companies were facing liquidity problems and confidence in the Norwegian financial system weakened in the second half of the year, investors demanded a higher yield on mortgage company bonds. At the beginning of the year the difference between the yield on government bonds and bonds issued by mortgage companies with residual maturities of five years was 0.7 percentage point. At the end of the year the difference was 1.3 percentage points after having peaked at 2.3 percentage points on 2 December.

The yield spread between Norwegian and foreign bonds was very narrow in 1991. In certain periods the yield on Norwegian government bonds (three to

**Table 8**  
**Average yield to maturity in the bond market**

	Government 0-3 yrs	Government 3-6 yrs	Government 6 yrs or more	Private 1 yr	Private 5 yrs resid.
1989	10.9	10.8	10.9	11.8	11.2
1990	11.0	10.7	10.7	11.9	11.2
1991	10.1	9.9	10.0	11.2	11.0
1st qrt	10.5	10.4	10.5	11.6	11.4
2nd qrt	10.0	9.8	9.9	10.9	10.7
3rd qrt	9.8	9.7	9.7	10.9	10.6
4th qrt	9.9	9.8	9.8	11.5	11.2

**Chart 9 Yield curve in the money and capital market. Yield to maturity, percent per annum.**



six years) was lower than an estimated government bond yield (five years) for the theoretical ecu. On average the difference was close to zero.

#### Problems in financial institutions drive up bond yields

The yield increase on mortgage company bonds was primarily ascribable to the problems facing Norwegian financial institutions in general and to a lesser extent the situation in the mortgage company sector. In this situation market participants seem to have attached greater importance to the fact that mortgage companies, unlike the large share of the banking sector, had not received financial support or approval of support arrangements from the authorities. The decline in bond purchases contributed to a steep fall in prices and a low turnover. Some brokerage firms withdrew as members of panels that were market-makers for certain bonds.

Against this background Norges Bank decided on 26 November to issue a statement in the form of a press release informing that Norges Bank in certain cases could provide liquidity loans to mortgage companies if financing failed for reasons not directly linked to an individual mortgage company. This contributed to stabilising the situation, and the yield increase was partly reversed, and the need for such liquidity loans did not arise.

#### Norges Bank as market-maker

In the autumn of 1991 the Oslo Stock Exchange presented plans concerning the introduction of trade in interest rate futures and interest rate options, with government bonds as the underlying instrument. If the use of such derivatives as hedging instruments are to gain some prominence, the underlying securities must feature good liquidity and price fluctuations. In this connection it was asserted that Norges Bank accounted for an excessively large turnover before prices are changed which entailed a high degree of price stability. It was argued that a market-maker panel composed of stockbrokers could be charged with market-making for government bonds. Norges Bank emphasized the importance of a reasonably stable yield development, and argued that in unstable situations it was uncertain whether the brokerage firms would be in position to maintain continually its market-maker role without Norges Bank's intervention. However, the aim is to have a bond market that function independently of the central bank's active participation. Various options that would entail a change in the present market-maker arrangement for the most liquid bonds are therefore being assessed.



# Norges Bank's international reserves

## Administration of reserves

Norges Bank's Executive Board lays down the guidelines for the management of the foreign exchange reserves in the form of interest rate risk, credit exposure limits and currency distribution. The guidelines are reviewed each year and submitted to the Ministry of Finance.

The Market Operations Department is responsible for the day-to-day management of the reserves, acting on the advice of the bank's Investment Committee. The Investment Committee normally meets four times a year, and is chaired by the Deputy Governor. It draws representatives from the Market Operations Department, Economics Department and the Research Department.

The choice of currency distribution and investment instruments is based on considerations of safety, return and liquidity. Being the central bank of Norway, Norges Bank must also take into account the exchange rate collaboration with the monetary policy authorities of other countries.

The foreign exchange reserves are invested in the US, Japanese and European money and capital markets. Norway's linkage of the krone to the European currency unit, the ECU, prompted a reappraisal of the currency composition of the reserves. The European markets were given greater emphasis than previously, partly because the Deutsche Mark and the ECU have become equally important intervention currencies as the US dollar.

Norges Bank's investments in USD are done mainly by the Bank's representative Office in New York City, based on Head Office guidelines. The importance of the US dollar as an intervention currency makes the liquidity of investments in the US market a vital consideration. Norges Bank invests in US Treasury bills, repurchase agreements and other short-term money market instruments.

Investments in the Japanese yen and important EC currencies are done by the Head Office in Oslo. Part of the reserves are invested in fixed- or variable-rate bonds, issued by supranational organisations such as the World Bank, by OECD member states or by government-guaranteed corporations. The remainder of the reserves is placed on deposit with large international banks holding a high credit rating or in repurchase agreements with investment banks against security in notes guaranteed by the central government.

## Size and composition of reserves

At year-end the gross international reserves — defined as the sum of foreign exchange reserves, the gold holding, claims on the IMF and interest accrued but not yet due — totalled NOK 81.1bn, against NOK 92.3bn one year previously. Although the gross reserves fell by 12% in 1991 the net reserves — defined as gross reserves adjusted for forward positions and minus foreign

**Norges Bank lays down guidelines**

**The Investment Committee**

**Safety, return and liquidity**

**Increased share of European currencies**

**The US dollar**

**Other currencies**

**Slight reduction in net reserves**

krone deposits with Norges Bank — showed a modest decline. Net reserves are not affected by changes in forward currency positions.

Table 10 shows the size and composition of the reserves as at 31 December 1991.

**Table 10.**  
**Norges Bank's international reserves at 31 December 1991 (in billions of NOK)**

1. Gold and claims on the IMF	6.49
2. Interest accrued, not yet due	1.69
3. Foreign exchange reserves	72.73
4. Gross international reserves (1+2+3)	80.41
5. Net forward foreign currency position	6.16
6. Foreign krone deposits with Norges Bank	0.24
7. Net international reserves	86.33

Adjusting the reserves (item 3 above) for forward positions (item 5 above) gives net reserves. At year-end, net international reserves came to NOK 78.39bn, against NOK 80.5bn one year previously. This corresponds to the value of six months' imports to Norway. Table shows the currency distribution of the net foreign exchange reserves.

**Table 11.**  
**Net international reserves: currency distribution (in per cent)**

US dollar (USD)	17.5
Japanese yen (JPY)	8.6
Deutsche mark (DEM)	20.2
Pound sterling (GBP)	18.0
Ecu (ECU)	15.8
French franc (FRF)	15.6
Netherlands guilder (NLG)	4.0
Unspecified	0.3

The relative share of European currencies rose in 1991. EC currencies' share of the net international reserves was 73.6% at year-end, i.e. an increase from 56% at the end of 1990. The increase has been particularly large in the case of FRF and GBP. Concurrently the combined share of USD and JPY has dropped from 44% to 26%.



## Changes in reserves

The changes in gross international reserves are shown in table 12.

**Table 12.**  
**Changes in Norges Bank's international reserves (in billions of NOK)**

Gross international reserves at 1 January 1991	92.3
Net spot exchange-rate interventions	-18.6
Net currency swap interventions	-10.2
Interest revenues	+7.7
Gain on foreign securities	+0.7
Agio gain	+2.6
Central government borrowing abroad	+7.5
State self-insurance fund (petroleum)	-0.4
Other foreign currency trading	-1.2
Gross international reserves at 31 December 1991	80.4

In 1991 the reserves declined by NOK 18.6bn as a result of Norges Bank's foreign currency sales designed to hold the krone exchange rate at the desired level.

At the end of 1990 Norges Bank had a net forward foreign currency debt to Norwegian banks corresponding to NOK 4bn. By end-1991 this had been replaced by a net forward foreign currency claim worth NOK 6.2bn, resulting in a reduction of NOK 10.2bn in the reserves.

Between 1990 and 1991 the return rose by NOK 1.7bn. Figures for the two years are as follows (in millions of NOK):

	1990 <sup>1)</sup>	1991
Current interest revenues	7,554	7,695
Price gain, securities	-915	664
Return	6,639	8,359

<sup>1)</sup> Accounting routines for entering current interest income were changed in 1991. 1990 figures are in accordance with the 1991 standard.

The price changes in securities include actual gains only.

Bond yields fell in all Norges Bank's investment markets. The absence of growth in the world economy and low inflation were the main causes of the drop in yields. GNP in the USA, France and the United Kingdom showed little expansion in 1991, and slowed both in Germany and Japan.

Central bank lending rates in the USA, United Kingdom and Japan were lowered on several occasions in 1991, leading to lower money market rates in these countries. The German central bank, on the other hand, raised its lending rates several times.

Reduced income as a result of falling money market rates in the USA and Japan was more than offset by increased interest income in Europe. As mentioned, a larger share of the reserves was invested in European currencies due to higher European rates.

**Spot interventions for exchange rate management purposes**

**Currency swap interventions to manage liquidity in the Norwegian money market**

**Current interest income and gain on foreign securities**

**Lower bond yields**

**Fall in US, UK and Japanese signal rates, rise in German rates**

**Lower money market rates in the USA and Japan more than offset by high European rates**

**Substantial price gain**

A substantial price gain on the international securities portfolio was recorded in 1991. This was due to a fall in the bond rate concurrent with an increase in Norges Bank's interest rate exposure in most markets.

**Agio gain**

The agio gain in 1991 is entered in an amount of NOK 2.6bn. Between end-1990 and end-1991 the Japanese yen appreciated by more than 10% against NOK. Most of the gain refers to the yen portfolio. Because of the krone's linkage to the ecu, movements in the krone exchange rate against EC currencies have been minimal.

Another factor behind the agio gain was dollar sales to reduce the dollar share in the securities portfolio. The dollar sales were effected at higher dollar rates than at the start of 1991.

**Central government borrowing abroad**

In 1991 the government issued two new bonds, of USD 1bn and ECU 1bn respectively, on the international market. Two other government loans, of JPY 60bn and USD 500m, matured in the same year. The new loans, less redemption of old loans and current debt-servicing, resulted in an increase in the reserves corresponding to NOK 7.5bn.

**The Government  
Self-insurance Fund  
(Petroleum)**

This fund provides self-insurance for the government in regard to production of oil and gas on the Norwegian continental shelf. The fund is administered by Norges Bank. The fund's resources are invested in foreign currencies, not included in the Bank's ordinary international reserves. In 1991 the fund purchased foreign exchange from Norges Bank totalling NOK 400m. A corresponding amount was charged to the government krone account with Norges Bank.



# Regulatory, supervisory and control functions

## Foreign exchange regulations

Norges Bank is authorised, pursuant to the Currency Control Act of 14 July 1950 and Ministry of Finance regulations of 22 June 1990, to lay down the foreign exchange provisions to apply at any given time. The current provisions were adopted by Norges Bank on 27 June 1990 and entered into force on 1 July 1990 when the bulk of the remaining foreign exchange regulations were dismantled. Some amendments were made to the foreign exchange regulations in 1991.

In April 1991 the foreign exchange regulations were amended to allow Norges Bank to impose coercive fines for violation of the disclosure obligation pursuant to the Currency Control Act. Concurrently Norges Bank was authorised to provide information about foreign payments to the customs authorities, in the same way that it had provided such information to the tax authorities.

In December 1991 the restrictions on municipal and county municipal limited liability companies' right to engage in foreign currency transactions were lifted. They were previously barred from raising loans in foreign currency and from furnishing guarantees for such loans. Municipalities and county municipalities remain barred from engaging in such transactions.

As a result of the deregulation which took effect on 1 July 1990, there are now no restrictions on capital investment and borrowing abroad. Pursuant to Norges Bank's foreign exchange regulations, Norwegian companies and private individuals are free to purchase financial services abroad except the following: (i) life insurance, which may not be purchased abroad and (ii) foreign securities, the purchase and sale of which must be done through a Norwegian stockbroker. However, share purchases by Norwegian companies in the form of direct investment may on application to Norges Bank be granted dispensation from the foregoing requirement provided that each investment is notified to Norges Bank on the required form.

All payments between residents and non-residents shall be reported to Norges Bank where they form the basis for balance-of-payments statistics. Foreign payments made through a Norwegian bank shall be reported by the bank on behalf of the customer, whereas payments made via an account opened abroad, or via a netting arrangement with a foreign company, shall be reported by the Norwegian company or private individual in question. A resident who opens an account with a non-resident bank is required, using the specified form, to submit to Norges Bank a declaration of consent to disclosure, and to report transactions and the account position on a regular basis. (For private accounts for personal use a report must be submitted once a year.)

Travellers entering or leaving Norway with Norwegian and/or foreign banknotes and coin in an amount equivalent to more than NOK 25,000 are required to notify the Customs Administration using the specified form.

**Norges Bank lays down the foreign exchange provisions**

**Norges Bank empowered to impose coercive fines**

**Municipal joint-stock companies may now raise loans in foreign currency**

**Free access to financial services abroad, except life insurance and dealer/broker services**

**Reporting obligation for all foreign payments. Notification requirement for accounts opened abroad**

**Notification requirement applies to import and export of large amounts of cash**



The current provisions are set out in "Foreign Exchange Regulations 91", issued by Norges Bank in April 1991 both in English and Norwegian editions.

## **Foreign exchange control**

### **Supervision put on a new track**

There is a close link between foreign exchange control and foreign exchange statistics. The two areas largely draw on the same information base and often share the same focal areas of interest. Thus, increasing the resources devoted to tracing foreign accounts in order to obtain improved statistics will be very important for the work on foreign exchange control. The removal of foreign exchange regulation has changed the way foreign exchange control is organised. For example, the removal of those parts of the regulation which were primarily related to tax control has prompted greater co-ordination between the tax authorities and Norges Bank. Similarly, the customs authorities require wider access to Norges Bank's information on foreign payments. This was one reason why Norges Bank's secrecy obligation vis-à-vis the Directorate of Customs was removed.

### **Closer collaboration with Tax and Customs Directorates**

Against this background a number of meetings were held with representatives of the Directorate of Taxes and the Directorate of Customs. Co-operative arrangements were discussed and the participants exchanged information. Norges Bank has compiled an informative memorandum for use by the staff of the two Directorates. A report form has also been prepared for use by the Directorates' inspectors and auditors in connection with their on-site inspections. The form is to be used to notify Norges Bank about matters of potential interest to the foreign exchange authorities. In this phase the three agencies became better acquainted. Moreover, they have collaborated in a number of concrete cases.

### **Sanction procedures to be clarified**

As part of the effort to strengthen the information base for foreign exchange control and statistics, Norges Bank was, as mentioned above, empowered to impose coercive fines in the event of violations of the reporting obligation pursuant to section 7 of the Currency Control Act. The procedure to be followed in such cases is now being given a fixed structure. The new procedure will be implemented once the Ministry of Finance has taken a decision on Norges Bank's approach regarding which agency shall be used for collection purposes.

### **Special control projects**

As mentioned above, an effort has been made to gain a better overview of resident accounts held abroad. As an example, more than 4,000 owners of property abroad have been contacted, revealing a large number of unreported accounts. Furthermore, a number of hotels, travel agencies and airlines have been contacted to uncover foreign exchange transactions in breach of the foreign exchange regulations. The enquiry revealed that the regulations were largely complied with.

### **Day-to-day control**

In 1991 the Control Group at the Lillehammer Branch checked (in writing) 2,920 foreign payments, and made a substantial number of checks by telephone. The tightening of the reporting and notification obligation in the new foreign exchange regulations requires regular monitoring of both private individuals' and firms' foreign transactions. Monitoring of firms' accounts and payment arrangements abroad has been appreciably strengthened: all trans-

actions undertaken between accounts abroad and a Norwegian bank, to which there is no "counter-item" in firms' or persons' own reports to Norges Bank, will now be checked. This process will bring to light accounts and settlement arrangements abroad which are not reported to Norges Bank.

## **Supervision of financial markets and financial institutions**

### **Issuance regulations**

Norges Bank is responsible for advance approval of loans raised through the issue of certificates and bonds. This includes verifying that loans are in accordance with the issuance regulations, cf. Norges Banks's circular no. 15 of 1 November 1990. After quota regulation was removed in respect of all borrowing purposes, the issuance regulations contain mainly provisions designed to secure a transparent and efficient certificate and bond market and to meet certain tax and statistical requirements. A proposal for amendments to the issue regulations is being considered by the Ministry of Finance.

**Advance control in connection with certificate and bond issues**

**Ministry of Finance considers amendment proposal**

### **Foreign exchange activity of financial institutions**

The regulation of financial institutions' foreign exchange activities was amended by Norges Bank's regulations of 27 June 1990. These regulations were described in detail in Norges Bank report on 1990.

According to the new body of rules, only financial institutions with a foreign exchange licence are entitled to carry on foreign exchange activities, and these are divided into two groups: foreign exchange banks and exposure-regulated financial institutions. Only commercial banks, savings banks, the Post Office Savings Bank and the Postal Giro can qualify as foreign exchange banks, whereas mortgage companies and finance companies can qualify as exposure-regulated financial institutions. Exposure-regulated financial institutions are not entitled to engage in payment transmission in regard to payments between residents and non-residents or in foreign currency between residents, but are otherwise free to engage in the same activities as foreign exchange banks.

**Two types of authorisation: as foreign exchange bank and as exposure-regulated financial institution**

Financial institutions which wished to maintain some form of foreign exchange authorisation were to notify Norges Bank in writing by 1 October 1990. The table below gives an overview of financial institutions with authorisation to carry on foreign exchange activities before and after the introduction of the new body of rules, and a breakdown between foreign exchange banks and exposure-regulated financial institutions by group of institution (bank, mortgage company and finance company).

**Authorised financial institutions in the foreign currency field**

Table 13 gives an overview of financial institutions licensed to engage in foreign exchange activities. The figures are not adjusted for mergers.



**Table 13.**  
**Financial institutions authorised to engage in foreign exchange activities**

Type	31.12.90	31.12.91
Foreign exchange banks	49	49
Of which:		
— commercial banks	21	19
— savings banks	26	28
— Postal Giro & Post Office Savings Bank	2	2
Exposure-regulated financial institutions	30	33
Of which:		
— commercial banks	0	1
— savings banks	11	10
— mortgage companies	9	9
— finance companies	10	13

### Limits on net position in individual currencies and on overall foreign currency exposure

According to the rules of section 14-15 of the foreign exchange regulations, net positions in each individual currency shall be kept within a maximum of 10% of capital. Furthermore, the aggregate foreign currency position — a measure of total currency exposure risk — shall be kept within a maximum of 20% of capital. On 25 September Norges Bank made a technical amendment to the rules such that the foreign currency position limits are now fixed with reference to the capital adequacy statement (form 700) which is submitted to the Banking, Insurance and Securities Commission and Norges Bank each quarter.

### Some rules in need of clarification

Norges Bank clarified some of the rules in the foreign exchange regulations in circular no. 14 of 28 November 1991:

- Banks which keep accounts in Norwegian kroner for non-residents must have the requisite licence. Banks which keep such accounts without having such licence must, by 1 March 1992, inform Norges Bank whether they intend to apply for authorisation as a foreign exchange bank or exposure-regulated financial institution or wind up such accounts.
- Foreign exchange banks and exposure-regulated financial institutions with limited foreign exchange activities may upon application be authorised to submit limited currency position reports.
- Travel currency traded by agents (cf. chapter 16 of the foreign exchange regulations, section 14-3, first and second paragraphs).

### Work on currency position reports from the institutions

In conjunction with the revamping of the body of rules governing financial institutions' foreign exchange activity, the existing currency position reports were replaced by two new reports: currency position reports 1 and 2. The new reporting arrangement was described in Norges Bank's annual report on 1990. A continual effort is made to ensure that the intentions behind the regulation and reporting are complied with by the financial institutions. These efforts include:

- supervising the financial institutions' compliance with the rules on foreign currency positions.
- modifying and checking the reporting arrangement to ensure that it provides an accurate picture of institutions' foreign currency exposure.



## Norges Bank and the solidity of financial institutions

Since the first quarter of 1991 the Banking, Insurance and Securities Commission and Norges Bank have collaborated on obtaining special statements of selected profit-and-loss and balance-sheet items on a quarterly basis from banks, finance companies and mortgage companies. The statements provide a basis for analyses of the financial market. Norges Bank maintains a risk-indicator system for the individual bank's financial strength, for internal use, and prepares internal reports on the development in financial sector results and capital adequacy.

Norges Bank provides liquidity loans to banks in the form of overnight loans (D-loans), fixed-rate loans (F-loans), loans on special terms (S-loans), bank certificates (i.e. CD's), deposits on special terms and conversion deposits. The regulations governing banks' borrowing facility with Norges Bank set out general rules for the maximum amount a bank can borrow from the central bank. According to the regulations banks in a weak financial position or banks in breach of the regulations may have their borrowing facility further reduced or suspended.

At the start of 1991, eight banks had special restrictions imposed on their F-loan quotas and two suffered suspension of this facility. During 1991 special restrictions were imposed on one additional bank and four suffered suspension. Most of the restrictions were subsequently lifted; in the case of the suspended banks all suspensions were lifted as a result of mergers with larger banks. At the end of 1991 only one bank was subject to special F-loan restrictions, while this loan facility was suspended in the case of one bank.

Banks which are subject to a special restriction on or suspension of their F-loan facility are normally also subject to restriction on daily D-loan borrowings. Such restriction is also imposed for a limited period on banks which heavily exceed their half-monthly D-loan quota. Restriction of daily D-loan borrowings does not normally entail reduction of the half-monthly D-loan quota. In 1991, four banks incurred restrictions on daily borrowing because they overstepped the half-monthly quota.

Norges Bank provides S-loans to meet specific liquidity needs. Both the number and size of S-loans showed a large increase from 1990 to 1991, as a result of substantial financial and liquidity problems facing a number of financial institutions. In 1991 loans on special terms were granted to 11 banks, to the Savings Banks Guarantee Fund and to one mortgage company. At year-end the quota for S-loan drawings was NOK 26.7bn, of which NOK 14.5bn had been utilised. The bulk of S-loans have been provided without specific security and on market terms. Because of the problems afflicting the Norwegian financial market some Norwegian banks found it difficult to obtain sufficient foreign currency financing on the international market. As a stop-gap measure, some banks were allowed to obtain foreign currency financing through Norges Bank. This was done by allotting S-loans in kroner which were then exchanged by the individual bank for foreign currency for a specified period.

The Government Bank Insurance Fund was established by special legislation in 1991. In accordance with the act Norges Bank appoints a non-voting adviser to participate in the Fund's board meetings. Furthermore, the central bank governor is to state his opinion on the Fund's resolutions concerning support to the banks or their guarantee funds. Norges Bank is also assigned

**Norges Bank monitors developments in financial institutions through reports and the risk indicator**

**Bank borrowing from Norges Bank subject to limits and can be suspended**

**Restrictions imposed on several banks' F-loan quotas**

**Restrictions imposed on daily D-loan borrowings**

**Liquidity support in the form of special loans (S-loans)**

**Norges Bank and the Government Bank Insurance Fund**

the role of manager of and secretariat to the Government Bank Insurance Fund.

#### **Norges Bank represented on the boards of the Guarantee Funds and on banks' boards**

Norges Bank appoints one member to the board of the Savings Banks Guarantee Fund and the board of the Commercial Banks Guarantee Fund respectively. In 1991 Norges Bank was also represented on the boards of Sparebanken Nord-Norge and Norion Bank (Norion Bank under public administration).

#### **Norion Bank under public administration**

On 30 October 1989, Norion Bank was placed under public administration and is in the process of being wound up. Norges Bank's claim on Norion Bank in administration amounts to NOK 183.5m. The claim comprises the D-loans and F-loans Norion Bank had incurred at the time it was put in administration in addition to settlement transactions in the payments transmission system. Dividend payments are now put at about 65%, which means that the loss may prove somewhat lower than the loss provision of NOK 73.5m entered in Norges Bank's accounts for 1989 and 1990.

### **Interest rate monitoring**

#### **Quarterly reports from banks, life insurance companies and mortgage companies**

Up to the autumn of 1985, the level of lending rates charged by life insurance companies and commercial and savings banks was set in an "interest rate declaration" by the Minister of Finance. This system was replaced by an arrangement whereby the Ministry of Finance and Norges Bank monitor interest rates on a continual basis. As part of this process, Norges Bank obtains each quarter interest rate reports from all private banks and life insurance companies, and, as from end-1988, from private mortgage companies. Interest and commission rates are reported as weighted averages at end-quarter for specified categories of loans and deposits. On the basis of these reports, Norges Bank makes an overview showing the interest rate trend for banks, life insurance companies and for mortgage companies, but also for each of the bank groups. About two months after end-quarter a report on the interest rate trend is sent to the Ministry of Finance. The results are published inter alia in the tabular annex of the Economic Bulletin.



# Notes and Coin

In 1989 a liability item of NOK 937.0m, which refers to the central bank's liability for notes that have not been redeemed and that have expired as legal tender, was entered as income in the Bank's accounts. These notes are redeemable by the central bank for a period of 10 years following their invalidation. The redemption of such notes represents an expenditure for the Bank for the year in question. In the accounts for 1991 the value of redeemed notes came to NOK 87.8m. This amount has been entered as expenditure.

**Redemption of invalidated legal tender**

At end-1991 the value of notes in circulation was NOK 32,179.6m. The average for the year was NOK 28,608.5m, i.e. an increase of 3.1% over the previous year. Since 1987 the volume of notes in circulation has increased by 9.9%, i.e. by an annual average of 1.9%.

**Weak increase in the volume of notes**

The 1,000-kroner note's share of the total volume of notes in circulation expanded by 2.6 percentage points and accounted for 70.1% of the total at end-1991. Edition V, featuring a portrait of Henrik Ibsen, was declared invalid as from 1 August 1991. The central bank is required to redeem notes for a period of 10 years after this date.

**1000-kroner note featuring Henrik Ibsen no longer legal tender**

A new 500-kroner note in edition VI, showing the portrait Edvard Grieg, was put into circulation on 31 May 1991. The 500-kroner note in edition V, with the portrait of Niels Henrik Abel, will cease to be legal tender on 21 June 1992 but will be redeemed by the central bank for a period of ten years. The new note is dimensioned for use in ATMs, and is expected to be used more widely than its predecessor. Between its introduction in May 1991 and year-end the volume of 500-kroner notes in circulation increased by NOK 452.6m to NOK 1116.7m, and accounts for 3.5% of the total value of notes in circulation.

**New NOK 500 note takes a larger share of notes in circulation**

The value of NOK 100 notes in relation to the value of total notes in circulation fell from 27.8% at end-1990 to 24.6% in 1991. The figure for the NOK 50 note remained stable at 1.8%.

**Lower share of NOK 100 notes**

On 20 March 1991 the Executive Board decided to initiate the planning of a 200-kroner note. It is planned to have this note, which will partly replace the 100-kroner notes in circulation, introduced in the first half of 1994.

**200-kroner note due in 1994**

The volume of coin in circulation averaged NOK 2,041.1m, ie an increase of 4.0% over 1990.

**Circulation of coin up**

At year-end the 10-kroner coin accounted for 45.7% of the total value of coins in circulation, i.e. an increase of 0.7 percentage point over the previous year.

All five-kroner coins produced in 1991 had a special jubilee stamp, on the occasion of Norges Bank's 175th anniversary. A total edition of 0.5 million pieces was put into circulation. A further 20,000 pieces were produced in proof quality.

**Jubilee five-kroner coin**

A large number of 10-øre coins are stored at home, contributing to the poor circulation of these coins. On 10 July 1991 the Executive Board of Norges Bank decided that the 10-øre coin should be withdrawn by proclamation in

**10-øre coin to be withdrawn**



March 1992, and cease to be legal tender as from March 1993. Norges Bank will exchange the coin for ten years after that time.

#### **Medals and coin sets**

Part of the activity of the Royal Mint has been sectioned off as commercial operations. This applies inter alia to production of medals and coin sets. In 1991 the Royal Mint produced 20,000 coin sets of the one- and five-krone coins in proof quality.

#### **1994 Winter Olympics coin programme**

On 8 November Norges Bank and the LOOC (Lillehammer Olympics Organising Committee) signed an agreement for the production, marketing and sale of a coin programme in connection with the 1994 17th Winter Olympics in Lillehammer. Twelve different coins in silver and four in gold will be produced. The silver coins will be in two sizes, with a nominal value of NOK 100 and NOK 50. The gold coins will have a nominal value of NOK 1,500. A maximum of 1,994,000 pieces will be struck for sale worldwide. Of these, a maximum of 120,000 will be gold coins. The production period will span 1991, 1992, and 1993.

#### **Distribution and circulation of notes and coin**

One of Norges Bank's main functions is the issue, distribution and handling of notes and coin. The production units, head office, 12 regional branches and one cash office are responsible for this operation, which also involves quality sorting and checking for counterfeits.

In the autumn of 1990 the restructuring of the production units at the Royal Mint was completed. The Royal Mint's production is now based on semi-manufactures in the form of rolled-out metal sheets.

#### **Continued increase in the flow of notes to Norges Bank**

The rise in the flow of notes to Norges Bank from post offices and banks continued in 1991. The inflow in 1991 was 487.2 million notes, 13.7% more than in 1990. This brought the increase over the past five years to 91.7%. The increased inflow results among other things from easier access to ATMs. Circulation has quickened, especially in the case of the 100-krone note which is the most widely used denomination for ATMs. Most regional branches have fully automated, high-capacity banknote sorting systems and are able to handle the increased inflow.

In 1991 too the toll road system with coin machines increased the inflow of coins to the Bank. Most regional branches have installed automated coin packaging machines, which have increased the efficiency of coin handling.

#### **Commercial services**

Norges Bank provides a number of services against payment with a view to promoting an efficient payment system in areas where the bank is competitive. These include counting of night-safe deposits, packaging of notes and coin directly to bank branches and post offices, coin sorting and settlement in respect of coin machines for customers such as the state telephone company and toll road stations.

# International Co-operation

## The International Monetary Fund (IMF)

The IMF's supreme body is the Board of Governors, on which Norway is represented by Norges Bank Governor Hermod Skånland. Arne Øien, Secretary General at the Ministry of Finance, has been alternate member since 22 March 1991. The Executive Board is composed of 22 members responsible for the daily running of the Fund. The five Nordic countries are jointly represented on both the Executive Board and the advisory bodies: the Interim Committee and Development Committee. On 1 November 1991 Head of Division Ingimundur Fridriksson, Iceland, succeeded Head of Department Markus Fogelholm as Executive Director for the Nordic countries, and Director Jon A. Solheim, Norway, succeeded Ingimundur Fridriksson as his alternate.

The Nordic countries coordinate their position on important Fund matters in the Nordic Committee on Financial Questions, on which Norway is represented by Norges Bank Deputy Governor Kjell Storvik. Daily contact between Nordic central bank staff is also an important part of the coordination process. Finland's central bank is currently responsible for coordinating the Nordic countries' stance on IMF matters. Norges Bank is the IMF's liaison body in Norway.

## Norges Bank's technical assistance to central banks in other countries.

In 1991 Norges Bank provided technical assistance in various forms to central banks in a number of central and eastern European countries, among others Hungary, Czechoslovakia, Romania and the CIS. Assistance has been provided by short staff visits from Norges Bank to the respective central banks in order to provide counsel and other expertise concerning areas such as administration, monetary policy, statistics and payment systems. In most cases the Fund has covered both travel expenses and remuneration of visiting staff in eastern Europe. Norges Bank has been responsible for one project in Hungary relating to payment systems, which was funded by the Ministry of Foreign Affairs. Norges Bank also provided short-term training programmes at Norges Bank for central bank staff from these countries.

The three Baltic states, Estonia, Latvia and Lithuania, have applied for membership in the IMF, and are expected to accede before the annual meetings in 1992. They will probably be represented on the Fund's governing bodies as part of the Nordic group.

Since autumn 1991 Norges Bank has been working in collaboration with the other Nordic central banks on a technical assistance project in favour of the new central banks in the Estonia, Latvia, and Lithuania. The programme is part of the technical assistance provided by the IMF to the three states. The Nordic countries are prepared to contribute up to 10 man-years to this programme.

**Co-operation with IMF on assistance to central banks in central and eastern Europe**



## **Nordic co-operation**

### **Preparation of IMF matters**

The Nordic Committee on Financial Questions (NFU), composed of representatives of the central bank and finance or economics ministries of the five Nordic countries, held three meetings in 1991. The Committee primarily considered issues to be reviewed by the spring Interim Committee and at the annual meeting of the IMF in the fall, but also fundamentals related to Fund activities.

### **Stock exchange co-operation among the Nordic countries**

Furthermore, the Committee gave its opinion on a report relating to stock exchange co-operation among the Nordic countries. The report was elaborated by the Nordic working group on consultation and information, commissioned by the high-level committee on economic and financial affairs. The Committee recommends the implementation of the working group's proposal to harmonise the regulation governing stock exchange activity with EC regulations.

The Committee also discussed its own role in future Nordic co-operation. The Committee agreed to continue its activities relating to financial matters, with due reference to the prevailing circumstances. Nordic co-operation on technical assistance to the Baltic states was also discussed.

## **Co-operation with other central banks and the Bank for International Settlements (BIS)**

### **Swap agreements with EC central banks**

Norges Bank has for a number of years has been party to reciprocal credit agreements with the Federal Reserve Bank and the other Nordic central banks. The agreement with the Federal Reserve Bank is part of a body of agreements on reciprocal credit between the Federal Reserve Bank and 14 other central banks in addition to the BIS. The purpose of the Nordic agreement is to provide foreign exchange support to Nordic countries facing balance of payments difficulties. Before such support is granted, the country must have drawn on its own foreign exchange reserves to a reasonable extent. Norway has not made use of these credit agreements.

With effect from 1 January 1991, Norges Bank entered into swap agreements governed by uniform conditions with each of the Community central banks. These agreements were approved by the Storting in April 1991. The agreement have provided Norges Bank with access to short-term funds for foreign exchange intervention purposes up to the equivalent of ECU 2bn, or about NOK 16bn. Norges Bank's Annual Report for 1990 gives further information relating to the arrangements. Norges Bank did not make use of the agreements in 1991. The agreements are renewed for one year from 1 January 1992.

## **Norges Bank's work on EC-related issues**

### **Communication and exchange of information with the EC on several levels**

Since 1984 Norges Bank and the Ministry of Finance have held annual meetings with the chairman of the EC Monetary Committee in order to exchange information on monetary and foreign exchange policy issues. A similar arrangement has been set up between Norges Bank and the Committee of EC Central Bank Governors which provides for regular consultations on matters of common interest. Furthermore, contact had been established on an annual



basis between senior government officials and officers at the Ministry of Finance and Norges Bank and EC Commission officials in order to exchange information about economic developments in Norway and the EC.

With the unilateral linkage of the krone to the ecu on 19 October, the consultation arrangements with the EC were broadened. Minister of Finance Sigbjørn Johnsen met with the chairman of the EC Council of Finance Ministers, Italy's Minister of Finance Carli, in December 1990. In February 1991 the Minister of Finance held discussions with central EC Commissioners. Central Bank Governor Hermod Skånland represented Norges Bank at the first, and Deputy Governor Kjell Storvik represented the Bank at the second meeting.

Central Bank Governor Hermod Skånland is a member of the liaison committee on European questions which is headed by the Prime Minister. Norges Bank also participates in several ministerial committees set up to consider issues relating to the movement of capital and financial services, and which have issued recommendations on such matters in connection with the EEA negotiations.

**Contact broadened after the linkage of the krone to the ecu**

**Norges Bank as participant in several committees concerned with the Norwegian economy and the EC single market**



Norges Bank's Accounts for 1991  
Comments of the Supervisory Council  
on the Minutes of the Meetings of the  
Executive Board





# Accounts of Norges Bank for 1991

## Report by the Executive Board on the Accounts for 1991

The profit for the year was NOK 8,714m compared with NOK 3,192m in 1990.

The improvement in the profit for the year is primarily ascribable to exchange rate gains of NOK 2,593m on foreign currency, whereas in 1990 exchange rate losses came to NOK 2,167m.

### International reserves

Norges Bank's foreign exchange reserves have been placed in accordance to the guidelines adopted by the Executive Board and submitted to and approved by the Ministry of Finance. In 1991 the Executive Board adopted new guidelines for the currency distribution of reserves, with increased shares of EC currencies.

The percentage distribution of Norges Bank's net foreign exchange reserves by currency at end-1991 and end-1990 is shown in the table below:

Currency	1991	1990
US dollar	17.5%	27.0%
Deutsche Mark	20.2%	20.0%
Japanese yen	8.6%	16.5%
Ecu	15.8%	12.3%
Pound sterling	18.0%	9.9%
French franc	15.6%	8.3%
Unspecified	4.3%	6.0%

The level of international reserves was consistently higher in 1991 than in 1990, except at year-end when the level was lower than at end-1990, due to fairly large interventions in support of the krone.

Norges Bank's total earnings on foreign exchange reserves came to NOK 10,950m in 1991, compared with NOK 4,472m in 1990.

In 1991 exchange rate gains accounted for NOK 2,593m of total earnings, which is mainly ascribable to almost a 10% appreciation of the yen against the krone and in part due to dollars sold in an effort to reduce the dollar's share of the portfolio. The conversion was made at exchange rates which were higher than the rates prevailing at the beginning of 1991. The dollar exchange rate varied widely over the year, but was at about the same level at end-1991 as at the beginning of 1991.

Interest income on investments and price gains on securities accounted for the remaining share of total earnings. Interest income and price gains on securities came to NOK 8,357m.

## **Loans to banks**

Norges Bank's total lending to banks was lower in 1991 than in 1990. The decrease is mainly due to the introduction of a new deposit arrangement whereby Norges Bank places deposits at subsidised rates with the banks. This new source of liquidity has partly replaced the supply of liquidity to the banks via the overnight and fixed-rate lending facilities. At year-end such deposits amounted to NOK 15,092m.

In connection with the difficult situation in the banking industry, the share of loans on special terms has risen sharply.

Norges Bank's stock of CDs was reduced by NOK 4,625m in 1991.

Norges Bank's overall engagement with the banks remained virtually unchanged between 1990 and 1991.

Norges Bank did not sustain losses on its engagements in 1991.

## **Notes and coin**

In 1989 Norges Bank posted income from invalid, expired notes/coin in the amount of NOK 937m. The notes/coin can be redeemed in Norges Bank for a period of 10 years from their invalidation. Notes redeemed, in the amount of NOK 88m, have been entered under extraordinary costs in 1991. In 1990 notes were redeemed in the amount of NOK 64m.

As from and including 1992 new invalidations will be entered once the redemption period has expired.

## **Other activities**

Norges Bank entered into an agreement with the LOOC (the Lillehammer Olympic Organising Committee) concerning the coin programme for the Olympic Games in Lillehammer in 1994. The programme is limited to the production of 1,994,000 coins, of which a maximum will be 120,000 gold coins. The programme provides for 12 different silver coins, six with a nominal value of NOK 100, six with a nominal value of NOK 50, and four different gold coins with a nominal value of NOK 1500. The programme was launched in Scandinavia on 6 December 1991 with an invitation to the public to subscribe to the whole series or only to the silver coin series. The programme cannot be launched outside Scandinavia until the Albertville Olympic Games are concluded, ie in February/March 1992. The coins will be marketed internationally by a Swiss firm.



## Administration

At the end of 1991, 1,294 persons were employed by Norges Bank. The table below shows the number of people employed full-time and part-time. The table also shows the number of people employed at the head office, regional branches and production units.

Unit/Division	Employed			Total
	Full-time	Part-time	Short-term	
Head office incl. Oslo	582	60	19	661
Branches outside Oslo	367	72	10	449
The Printing Works and the Royal Mint	155	19	10	184
Total	1 104	151	39	1294

### The Bank's buildings

#### — Head Office

There were no changes in the Bank's properties in 1991.

#### — Regional branches

The Bank's premises in Halden were sold in 1991.

The regional branch in Fredrikstad was rebuilt and renovated in 1991.

The ongoing rebuilding and renovation of the regional branches in Kristiansund S. and Ålesund will be completed in 1992.

The work on the new building in Trondheim is well under way. In 1991 NOK 18.1m was devoted to the construction work. In 1992 construction costs will come to an estimated NOK 90-100m.

In the 1992 budget NOK 18.7m is appropriated to the renovation of the regional branch in Bodø, which will start in 1992.

### Working environment

Norges Bank continued its efforts in the area of the Bank's working environment in 1991 in accordance with the provisions of the Act relating to the working environment. Courses and seminars have been held and preventive measures and active measures to improve the working environment have been initiated. The Health Services Department of the Bank represented by a physiotherapist and a doctor has visited a number of the regional branches. They have also acted as internal consultants on problems relating to the working environment.

In 1991 the Bank started its work on internal control of the working environment, in accordance with a regulation pursuant to the Royal Decree of 22 March 1991.

## Year-end adjustments

The guidelines for the allocation and distribution Norges Bank's surplus were adopted by the King in Council on 7 February 1986. The guidelines state the following:

1. Of Norges Bank's surplus, other foreign claims, currency deposits in Norwegian banks, foreign exchange bought forward, Norwegian bearer bonds and any other engagements which the Executive Board considers to carry a not insignificant currency risk shall be allocated to the Adjustment Fund so that the Fund constitutes 20% of the Bank's foreign exchange reserves.
2. Any surplus after allocation to the Adjustment Fund shall be allocated to the Transfer Fund.
3. Each 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.

In accordance with the guidelines the Adjustment Fund has been reduced by NOK 1,015.1m and the Executive Board recommends the following distribution of Norges Bank's profits for 1991:

In accordance with section 3 of the guidelines, NOK 4,524.7m shall be transferred to the Treasury from the Transfer Fund.

The rest of the year's profit — NOK 9,728.9m — shall be allocated to the Transfer Fund.

**Profit and loss account** (in whole 1 000 kroner)

	Note	1991	1990
<b>Interest income, etc.</b>			
<i>Foreign:</i>			
Interest on bank deposits		1 966 872	2 345 288
Discount on treasury bills		985 717	1 149 354
Interest on bearer bonds		4 422 797	2 762 464
Other interest income		316 120	374 258
Share dividend, BIS	12	7 272	7 279
Gross foreign interest income, etc.		7 698 778	6 638 643
<i>Domestic:</i>			
Interest on bearer bonds		919 948	1 435 154
Interest on negotiable debt certificates		1 167 941	829 164
Discount on treasury bills		53 885	69 262
Interest on fixed-term deposits	13	197 896	202 735
Interest on forward transactions, foreign currency		28 564	106 618
Interest on loans to banks	15	5 667 863	6 660 710
Interest on other loans		69 052	73 954
Gross domestic interest income		8 105 149	9 377 597
<b>Interest expenses</b>			
<i>Domestic:</i>			
Interest to the Treasury	2	8 798 474	9 492 561
Interest to public account holders	2	716 569	574 974
Interest to banks		9 064	—
Interest on deposits of tax-free allocations to funds		25 773	40 944
Other interest expenses		15 431	10 511
Gross domestic interest expenses		9 565 311	10 118 990
<b>Net domestic interest expenses</b>		<b>1 460 162</b>	<b>741 393</b>
<b>Net interest income, domestic and foreign</b>		<b>6 238 616</b>	<b>5 897 250</b>
<b>Valuation adjustments</b>			
Net foreign exchange gain/loss	1	2 592 830	—2 166 985
Net gain/loss on securities	1	1 402 878	256 329
Net valuation adjustments		3 995 708	—1 910 656
<b>Net interest income and valuation adjustments</b>		<b>10 234 324</b>	<b>3 986 594</b>
<b>Operating income</b>			
Charge and commission income	3	71 609	71 718
Sales income, production units	3	29 020	27 797
Other operating income	3	20 823	33 793
Total operating income	3,4	121 452	133 308
<b>Operating expenditure</b>			
Wages, salaries and other personnel costs	3,4,23	448 130	438 948
Major works and investments	3,4	101 966	113 984
Goods consumption, production units	3,4	31 135	53 646
Other operating costs	3,4	223 176	233 597
Total operating expenses	3,4	804 407	840 175
Net operating expenses	3,4	682 955	706 867
<b>Operating profit before loan losses</b>		<b>9 551 369</b>	<b>3 279 727</b>
Loan losses	1	0	23 500
<b>Profit before extraordinary items</b>		<b>9 551 369</b>	<b>3 256 227</b>
Extraordinary expenses	1,5	837 539	64 097
<b>Profit for the year before transfers</b>		<b>8 713 830</b>	<b>3 192 130</b>
<b>Transfers</b>			
Transferred from the Adjustment Fund		1 015 090	1 987 396
Transferred from the Transfer Fund	22	4 524 709	5 690 602
<b>Amount available</b>		<b>14 253 629</b>	<b>10 870 128</b>
Transferred to the Treasury from the Transfer Fund	22	4 524 709	5 690 602
Set aside to the Transfer Fund	22	9 728 920	5 179 526
Set aside to the Adjustment Fund		0	0
<b>Amount distributed</b>		<b>14 253 629</b>	<b>10 870 128</b>



**Balance sheet at 31 December** (in whole 1 000 kroner)

<b>ASSETS</b>	<b>Note</b>	<b>1991</b>	<b>1990</b>
<b>International reserves:</b>	<b>6</b>	<b>80 411 582</b>	<b>92 325 705</b>
Gold	7	284 788	284 788
SDRs	8	2 699 019	2 651 626
Reserve position in the International Monetary Fund	9	3 409 303	3 427 613
Loans to the International Monetary Fund		95 863	94 297
Deposits with foreign banks	10	22 106 499	27 073 773
Foreign treasury bills		9 873 653	16 649 591
Foreign bearer bonds	1,11	40 252 654	40 713 056
Interest accrued, not yet due	1,11	1 689 803	1 430 961
<b>Other foreign assets</b>		<b>2 587 612</b>	<b>2 471 728</b>
The International Monetary Fund	9	2 562 912	2 447 028
Shares in the BIS	12	24 700	24 700
<b>Deposits with Norwegian banks</b>		<b>16 589 991</b>	<b>2 016 383</b>
Postal Giro		146 805	269 675
Commercial banks	13	10 487 973	871 973
Savings banks	13	5 955 213	874 735
<b>Norwegian debt certificates</b>	<b>1,14</b>	<b>8 772 368</b>	<b>11 975 800</b>
Treasury notes		2 472 368	1 050 465
Other certificates		6 300 000	10 925 335
<b>Norwegian bearer bonds</b>	<b>1,14</b>	<b>5 446 908</b>	<b>11 427 848</b>
Central government		5 428 132	11 404 081
Local government		866	1 934
State banks		337	623
Private mortgage companies		17 173	20 027
Other domestic sectors		400	1 183
<b>Domestic loans</b>		<b>46 018 907</b>	<b>56 624 220</b>
Commercial banks	15	29 635 149	32 761 448
Savings banks	15	14 421 260	23 684 511
Private mortgage companies	16	1 810 000	0
Other Norwegian sectors	17	630 707	746 786
Overdrafts, private non-personal enterprises		0	3 747
Overdrafts, other current accounts		95 291	1 228
Provision for loan losses	1	-573 500	-573 500
<b>Other domestic assets</b>		<b>2 595 311</b>	<b>2 898 040</b>
Discounted bank drafts		455 921	431 171
Accrued interest, not yet due		1 420 630	1 937 782
Other debtors	18	546 687	353 088
Stocks, production units	1	172 073	175 999
<b>Real estate</b>	<b>1,19</b>	<b>—</b>	<b>—</b>
<b>TOTAL ASSETS</b>		<b>162 422 679</b>	<b>179 739 724</b>

Oslo, 31 December 1991/12 February 1992

Hermod Skånland

Kjell Storvik

Juul Bjerke

Anne-Lise Hilmen

 Oddmund Hansen  
(staff representative)

<b>LIABILITIES AND CAPITAL</b>	<b>Note</b>	<b>1991</b>	<b>1990</b>
<b>Foreign debt</b>		<b>2 828 578</b>	<b>2 667 666</b>
Foreign banks		107 008	143 467
Foreign customers' sight deposits		132 708	30 945
The International Monetary Fund	9	2 562 991	2 447 078
Other foreign liabilities		25 871	46 176
<b>Calculated value of SDR allocations</b>	<b>20</b>	<b>1 433 417</b>	<b>1 409 998</b>
<b>Notes and coin in circulation</b>		<b>34 303 921</b>	<b>32 682 390</b>
Notes in circulation		32 179 653	30 635 959
Coin in circulation		2 124 268	2 046 431
<b>Domestic sight deposits</b>		<b>87 418 129</b>	<b>110 442 989</b>
Treasury		75 815 153	101 743 284
Public treasurers		7 384 820	6 361 480
Central government trust fund		1 658 536	901 685
Social security administration		136 296	1 060
Local government administrations		2 694	3 986
Commercial banks		481 259	7 130
Savings banks		59 066	36 481
State banks		1 125 588	350 159
Other private finance companies		8	12 256
Life insurance companies		3 442	4 806
Postal Service (incl. Postal Giro)		216 084	393 465
Private mortgage companies		191 620	58 116
Private, non-personal enterprises		13 625	3 185
Other state enterprises		211 750	434 791
Other Norwegian sectors		118 188	131 105
<b>Deposits referring to tax-free allocations to funds</b>		<b>300 759</b>	<b>583 065</b>
<b>Other domestic liabilities</b>		<b>546 084</b>	<b>550 946</b>
Domestic cheques		1 670	3 055
Interest accrued, not yet due	19	440	0
Other creditors	21	543 974	547 891
<b>Capital and reserves</b>		<b>35 591 791</b>	<b>31 402 670</b>
Adjustment Fund		22 299 308	23 314 399
Transfer Fund	22	13 292 483	8 088 271
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>162 422 679</b>	<b>179 739 724</b>
<b>Not included in this balance sheet:</b>			
Guarantee liabilities		0	23 249
Foreign currency sold forward	24	10 696 418	4 758 946
Foreign currency purchased forward	24	16 854 908	801 040
Allotted, unpaid shares in the BIS	12	272 663	300 490

#### Norges Bank's Executive Board

Dagfinn Høybråten

Arnulf Ingebrigtsen

Eivind Reiten

Thomas Deaton  
(staff representative)

Siri Caspersen  
Assistant Director



## Notes to the accounts

### Note 1. Accounting principles

#### A. Foreign currency

Assets and liabilities in foreign currency are converted to Norwegian kroner as at 31 December 1991 in accordance with exchange rates Norges Bank publishes daily on the basis of information from other central banks. Revenues and costs in foreign currency are converted to Norwegian kroner at the exchange rate prevailing at the time of the transaction.

#### B. Securities

The valuation of the Bank's holdings of foreign and Norwegian securities has been changed from actual value to the lowest value of the purchase cost and the actual value. The change in valuation principle entailed extraordinary expenses of NOK 750m in 1991.

#### C. Valuation of holdings of raw materials at production units

Holdings of raw material at the production units are valued at average purchase price. Semi-manufactures are valued at cost price. Cost price comprises direct materials and direct wages, and the share of indirect production costs.

#### D. Fixed assets

All procurement of fixed assets, such as buildings, machinery and fixtures, are entered under operating costs.

#### E. Losses on loans and guarantees

Actual and estimated losses are entered as expenditure based on a concrete assessment of each engagement. On the balance sheet actual and estimated losses are entered as a reduction of loans outstanding.

#### F. Extraordinary items

Items of special importance, of an unusual nature or which are not expected to occur frequently or on a regular basis are classified as extraordinary. All three criteria must be satisfied for classification as extraordinary. In the event of changes in accounting principles, substantial changes in the result are entered under extraordinary items.

### Note 2. Interest payable to the government and public account holders

Deposits from the public treasurers, the central government and social security administration yield interest at 10.5% per annum from 1 January 1991 to 30 June 1991, and interest at 9.5% per annum from 1 July 1991 to 31 December 1991.

The periodisation of interest rates on deposits from the public treasurers was changed in 1991. The previous periodisation was based on system-related factors. The change made in 1991 entailed an increase of NOK 242m in interest expenditure.

### Note 3. Operating income and costs distributed on the Head Office, regional branches, the Printing Works and the Royal Mint.

Figures in NOKm	Head Office	Regional branches	Printing Works	Royal Mint	Total
Frees and commission income	32.2	39.4	—	—	71.6
Sales income at the production units	—	—	15.3	13.7	29.0
Other operating income	14.5	6.3	—	0.1	20.9
Total operating income	46.7	45.7	15.3	13.8	121.5
Wages and salaries	169.9	95.0	23.6	18.0	306.5
Employers' national insurance contrib.	33.9	15.3	4.1	3.1	56.4
Other personnel costs	62.5	20.1	0.3	2.4	85.3
Total personnel costs	266.3	130.4	27.9	23.5	448.1
Major works and investments	49.6	34.6	9.6	8.2	102.0
Other operating costs	—	—	13.7	17.4	31.1
Redeemed invalidated bills	151.2	59.3	2.2	10.5	223.2
Total operating costs	467.1	224.3	53.4	59.6	804.4
Net operating costs	420.4	178.6	38.1	45.8	682.9

The item "Income from production units" shows income from production of passports, postage stamps, job-printing, medals and coin sets. Gains deriving from sale of capital assets are entered under the item



"Other operating income". Property sales came to NOK 1.1m in 1991 compared with 19.1m in 1990.

The item "Other personnel costs" comprises expenditure on pensions, holiday pay, training, hired manpower, cafeteria and welfare.

The item "Major works and procured equipment" refers to major construction works, major machinery and EDP investments and special projects.

The item "Other operating expenses" comprises purchases needed for the daily running of the Bank, i.e. smaller items and material, EDP expenditures and commission and transaction costs, in addition to inventory costs at the production units.

The reserve equipment entered as expenditure in previous years were activated in 1991, which has entailed a reduction of the year's operating costs by NOK 10.3m.

#### Note 4. Net operating costs and investments over the past 5 years

Figures in NOKm	1991	1990	1989	1988	1987
Operating income	121.5	133.3	160.0	150.5	81.1
Personnel costs	448.1	439.0	446.1	434.1	402.3
Major works and procured equipment	102.0	113.7	160.7	112.4	409.8
Goods consumption at the production units	31.1	53.7	35.7	26.9	32.2
Other operating costs	223.2	233.8	225.9	183.3	189.7
Total operating costs	804.4	840.2	868.4	756.7	1034.0
Net operating costs	682.9	706.9	708.4	606.2	952.9
<i>Investments debited</i>					
<i>interim accounts:</i>					
Alteration and new buildings at regional branches	—	—	—	—	0.3
Sundry	—	—	—	—	0.5
Total	—	—	—	—	0.8
Net operating and investment costs	682.9	706.9	708.4	606.2	953.2

#### Notes 5. Extraordinary items

In whole 1000 kroner	
<i>Extraordinary costs:</i>	
Redeemed invalidated notes	87 765
Reduction of gains on securities, ref. note 1B	749 774
Total extraordinary costs	837 539

Redeemed invalidated notes are entered under the item "Extraordinary costs" as from and including 1991. The accounts from 1990 have been adjusted accordingly and are thus directly comparable with accounts for the year under review.

#### Notes 6. International reserves

In billions of kroner	
International reserves at 1 January 1991	92.3
<i>Changes in 1991:</i>	
Spot exchange rate interventions, net	-18.6
Currency swap positions against NOK, net	-10.2
Interest income	7.7
Gains on foreign securities	0.7
Valuation adjustments at end-period	3.3
Extraordinary valuation adjustments	-0.7
Govt. foreign borrowing	7.5
Govt. self-insurance fund (petroleum)	-0.4
Other currency sales	-1.2
International reserves at 31 December 1991	80.4

#### Note 7. Gold holding

The book value of the gold holding is calculated on the basis of the official gold price (SDR 35 per ounce) converted to Norwegian kroner at the central rate for the SDR in 1973, i.e. NOK 6.87145 per SDR. This corresponds to NOK 7,732.27 per kilogram.

The gold holding comprises:		Book value (in millions of NOK)
	kilogram	
Bars	26,754.1	206.9
Coins	10,077.5	77.9
		284.8

The official fixing on 31 December 1991 in London was USD 353.40 per ounce (NOK 2,110.86 per ounce), corresponding to NOK 67.865 per kilogram. The market value of the coins is difficult to estimate.

## Note 8. Holdings of SDRs in the IMF

	In millions of SDR	In millions of kroner
Balance at 1 January 1991	310.0	2 651.6
Correction pertaining to 1991	5.5	
Net sales of SDRs from members of the IMF and prescribed holders of SDRs	-35.8	-312.0
Remuneration on reserve position in the IMF	23.3	206.6
Interest on SDR holdings	12.9	115.1
Valuation adjustments in 1991		37.7
Balance at 31 December 1991	315.9	2 699.0

## Note 9. Reserve position in the International Monetary Fund

In millions of NOK	1990	1989
Norway's quota in the IMF	5,972.2	5,874.6
The IMF's holdings of NOK	-2,562.9	-2,447.0
Reserve position	3,409.3	3,427.6

The reserve position in the IMF is classified as international reserves. The Fund's holdings of NOK, which amount to a total of NOK 2,562.9m, are entered under the item "Other foreign assets". The corresponding liability is entered under the item "Foreign liabilities".

## Note 10. Bank deposits abroad

This item comprises the Bank's holdings of foreign notes amounting to NOK 17.4m.

## Note 11. Foreign treasury bills and bearer bonds

The market value of foreign treasury bills was NOK 9,878m at end-period compared with NOK 16,650m at 31 December 1990.

The market value of foreign bearer bonds was NOK 40,911m at end-period compared with NOK 40,713 at end-1990.

## Note 12. Shares in the BIS

Norges Bank has been allotted a total of 8,000 shares à 2,500 gold francs in the BIS. 4,000 shares were allotted in 1931, of which 1,000 were redeemed in the same year. In 1970 Norges Bank was allotted an ad-

ditional 4,000 shares, of which 1,000 were free shares.

The shares are entered in the balance sheet at a value of NOK 24.7m. This amount corresponds to the value of 4,000 shares in 1931 at NOK 7.2m, and the value of 3,000 shares in 1970 at NOK 17.5m.

Norges Bank is liable for the uncalled portion of the 6,000 shares, redeemable in either gold francs or in gold. The liability is converted to the gold fixing in London on 31 December 1990, and comes to NOK 323.3m at end-1990.

The portion of the liability corresponding to the value of the shares at allotment is entered under the item "Other foreign liabilities". The remaining portion of the liability, totalling NOK 272.7m, is recorded as a footnote to the balance sheet. Dividend received in 1991 comes to NOK 7,272,320.

## Note 13. Deposits with Norwegian banks

### *Three-month fixed-term deposits with banks in connection with house financing*

Since 1981 Norges Bank has placed three-month fixed-term deposits with banks for building loans with conversion commitment or attestation from the state housing banks. The interest rate was 10% per annum up to 1 October when it was lowered to 9.5% per annum. The deposits are made on the basis of the banks' consolidated accounts and constituted in 1990 50% of building loans with a conversion commitment or attestation from the state housing banks. At end-December 1990 the deposits amounted to NOK 1,351.6m, of which NOK 585.8m with commercial banks and NOK 765.8 with savings banks.

### *Special-term deposits*

In Bill. no. 8 (1991-1992) of 25 October 1991 a number of measures were put forward with a view to strengthening the banks' earnings and thereby improve their capacity to fulfil their role in the economy. In this connection Norges Bank adopted on 6 November a resolution providing for the introduction of a new deposit arrangement: special-term deposit arrangement (grunninnskudd). Each special-term deposit (deposits at subsidised rates) is allotted for a period of up to six months. The deposit rate is set by Norges Bank. The calculation base for the deposits is set equal to the calculation base for the capital adequacy requirement. The first deposit was allotted on 2 December at an interest rate of 4% per annum. The



total amount allotted comes to NOK 15,091.6, of which NOK 9,902m to commercial banks and NOK 5,189.4m to savings banks.

#### **Note 14. Norwegian negotiable notes and bearer bonds**

Four new treasury notes were issued in 1991 too. Norges Bank subscribed for NOK 500m at each issue. By year-end Norges Bank had subscribed for a further NOK 11.3bn (tap issues). Norges Bank sold treasury notes in the secondary market to a net value of a good NOK 0.3bn.

Norges Bank is also a holder of certificates of deposit. The government launched a new domestic bond issue in 1991. Norges Bank was allotted NOK 4.0bn of the issue. In its role as market maker for government bonds, the Bank bought government bonds to a net value of NOK 1.8bn in the secondary market in 1991. The market value of Norwegian bearer bonds at 31 December 1991 was NOK 5,534m compared with NOK 11,428m at the end of the preceding financial year.

#### **Note 15. Loans to banks**

Norges Bank's volume of advances to banks was lower in 1991 than 1990. The daily average was NOK 54.1bn compared with NOK 60.5bn in 1990.

##### *Overnight loans (D-loans)*

Throughout 1991 commercial banks and savings banks had access to the central bank's overnight lending facility. The ceiling on the loan amounts are set in percent of the banks' capital base, excluding subordinated debt capital. The new definition of subordinated debt capital of financial institutions, as set out by the Ministry of Finance on 1 June 1990, has been applied since the beginning of the final quarter of 1991.

On 31 December 1991 total overnight loans outstanding came to NOK 12.8bn compared with NOK 17.2bn at the end of the preceding financial year.

##### *Fixed-rate loans (F-loans)*

Since 1 June 1987 commercial banks and saving banks have had access to the central bank's fixed-rate lending facility (loans for a specified term at a fixed rate of interest for the entire loan period). With

the exception of the last loan issued, the interest rate is set by ordinary (American) auction.

Issue date	Term (days)	Nominal interest rate (weighted average) (per cent)	Allotted amount (in millions of NOK)
04.01.91	178	11.78%	2.015
07.01.91	29	11.30%	5.007
01.02.91	90	11.50%	4.007
18.02.91	178	11.02%	6.011
01.03.91	185	11.18%	4.008
18.03.91	88	10.85%	6.003
21.05.91	87	10.27%	6.001
21.05.91	181	10.31%	6.006
14.06.91	91	10.23%	6.030
01.07.91	366	10.51%	4.010
16.07.91	91	10.43%	3.975
16.08.91	185	10.46%	4.021
17.09.91	30	10.31%	5.584
17.09.91	182	10.68%	6.003
01.10.91	366	10.81%	4.001
18.11.91	14	10.00%	9.038

At end-1991 fixed-rate loans accounted for NOK 18.1bn of total central bank lending to banks, compared with NOK 36.1bn at end-1990. The marked decrease in outstanding fixed-rate loans is due to the replacement of a large share of fixed-rate loans with special-term deposits, see Note 13.

##### *Special-term loans (S-loans)*

Total central bank lending to banks also includes loans on special terms (S-loans). These loans are subject to an application requirement and are assessed on a case-by-case basis by the Bank. At 31 December 1991 NOK 24.4bn in special-term loans had been allotted, of which NOK 13.2m had been utilised. At end-1990 the amount allotted was NOK 3,745m, of which NOK 3,154m had been utilised.

#### **Note 16. Loans to private mortgage companies**

In 1991 Norges Bank granted special-term credit to mortgage companies for the first time. The amount allotted came to NOK 2.8bn at end-period, of which NOK 1.8bn had been utilised.

#### **Note 17. Loans to other domestic sectors**

This item includes government-guaranteed fisheries loans of NOK 94.5m and housing loans to the Bank's staff in the amount of NOK 495.9m.



## Note 18. Other domestic assets

### *Shares in Bankplassen Parkeringsanlegg A/S*

Norges Bank owns 82% of the shares in Bankplassen Parkeringsanlegg A/S. The municipality of Oslo owns the remaining 18%. The shares are entered in the sum of NOK 41,000 under the item "Other domestic assets". The Bank also stands for a perpetual subordinated, interest-free loan of NOK 177.7m. The asset is entered under "Other domestic assets". Parkeringsanlegget's preliminary accounts for 1991 show a surplus of NOK 44,431. At 31 December 1991 the company's total capital was NOK 115.1m, of which a negative equity capital of NOK 76.6m. The

company's negative equity capital is ascribable to an extraordinary depreciation of the company's car park. Norges Bank has not written down its shareholdings or debt claim accordingly, because the company will remain liquid and in a position to meet current obligations associated with keeping the car park in operation.

## Note 19. Real estate

Norges Bank does not activate its properties but enters the cost price directly as expenditure. Norges Bank's properties at 31 December 1991 are specified below.

Branch	Address	Year of construction purchase	Subsequent building project	Year of completion	Gross area incl. area let and staff flats
Bergen	Bradbenken 1, 50% eierandel	1989			6 305
Bodø	Dronningens gt. 36	1951			926
Bodø	Storg. 33-37	1978/84	Site		1 000
Fredrikstad	Nygårdsg. 17B	1909	Restoration	1991	945
Fredrikstad	Nygårdsg. 17C	1990	Restoration	1991	400
Hammerfest	Sørøyg. 10	1962			1 420
Haugesund	Strandg. 162	1910	Restoration	1975	1 000
Kr.sand S	Dronningensgt. 26-30	1816	Rest./extension	1975	1 350
Kr.sund N	Konsul Knudtsonsg. 2	1880	Restoration	1982	1 400
Larvik	Bredochsg. 4	1902	Rest./extension	1985	1 667
Lillehammer	Storgt. 1	1861	Restoration	1977	1 450
Stavanger	Domkirkepl. 3	1964			2 880
Tromsø	Bankg. 9 og 11	1973			4 000
Trondheim	Kongensg. 1	1816	Alterations		1 000
Trondheim	Kjøpmannsg. 24-30	1983	Site,		2 700
Vardø	Brodtkorbsg. 1				
Vardø	Kristian 4. gt. 52	1961	Restoration	1986	1 450
Ålesund	Nedre Strandg. 2	1902	Restoration	1976	834
DKM, Kongsberg	Hytteg. 1	1960			2 950
DKM, Kongsberg	Hytteg. 1	1688, 1750, 1841			1 835
Oslo	Bankpl. 2	1978-86	Nybygg og Restoration		72 000
Oslo	Borgenv. 14	purchased 1972	Kindergarten		700
Venastul	Venabygd	1963	Manager dwelling	1971	1 500
Vindåsen	Sundane, Tjøme	purchased 1956	Annx	1960	500
			Rest. og tilbygg	1991	400
New York	275, West 96th Street	purchased 1984			130

In addition to staff apartments at some branches, the Bank owns two apartments in Oslo, Olaf Schous vei 21 and Gabels gate 49.

**Note 20. The value of SDR allocations calculated in NOK**

The value of SDR allocation in the IMF comprises cumulative allocations since the inception of the arrangement on 1 January 1970. There were no new allocations made in 1991. After a valuation reduction of NOK 23.4m, the balance in SDR's is NOK 167,770,000.

**Note 21. Other liabilities**

Norges Bank presents valuation adjusted balances for assets and liabilities vis-à-vis Norwegian financial institutions. Any discrepancy in the valuation date between debiting and crediting is included under the item "Other liabilities". At 31 December 1991 this item came to NOK 401.4m compared with NOK 434.5m in the preceding financial year.

**Note 22. Transfer Fund**

At each annual settlement of the account a sum corresponding to the average gross allocation to the Transfer Fund in the three years preceding is transferred from the Fund to the Treasury. In 1991 NOK 4,524.7m was transferred from the Fund to the Treasury. NOK 9,728.9m was allocated to the Transfer Fund. The figures for 1990 and 1989 were NOK 5,179.5m and NOK 331.6m, respectively.

**Note 23. Pension arrangement**

In 1991 the pension payments via the Bank's operating account came to NOK 50.6m to employees on early retirement schemes, pensioners, and for adjustments in connection with wage increases. The employer's payment to the pension fund and employer's contribution came to NOK 10.7m.

The value of the Bank's total pension obligations was NOK 275.5m at end-period. A discount factor of 4% was used in the calculations, based on the assumption of zero-growth in annual wages and pension payments. Norges Bank's ordinary pension obligations are paid via the Bank's own pension fund.

**Note 24. Off-balance-sheet transactions**

At end-1991 the Bank had bought currency forward for a total of NOK 16,855m and sold currency forward for NOK 10,696m. The forward agreements are registered as off-balance-sheet transactions at forward rates.

Net forward position is currency bought forward corresponding to NOK 6,159. The forward portion is adjusted accordingly and the change in value is entered net in the Bank's profit and loss account.

The forward premium is the difference in the interest rate between the currencies within the relevant contract periods upon the Bank's entry into the contract and represents a contractual interest income/expenditure for the Bank. The premium is valued at market prices at 31 December and classified under domestic and foreign interest.



## Auditors' Report

*to the Supervisory Council of Norges Bank*

We have audited Norges Bank annual report and accounts for the year 1991. The annual report and accounts, which comprise the profit and loss account, balance sheet and notes to the accounts are presented by the central bank's Executive Board.

Our responsibility is to examine the central bank's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in conformity with the Act on Norges Bank, regulations, generally accepted Norwegian auditing standards and the instructions of the Supervisory Council. We have performed the audit procedures that we considered necessary to confirm that the annual report and accounts are free of any material misstatements. In accordance with generally accepted auditing standards, we have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing principles we have reviewed Norges Bank's internal control and management of its financial affairs.

As in previous years, procurement of fixed assets and building are entered as expenditures.

The Executive Board's proposal for the distribution of profits is in conformity with the guidelines for the allocation and distribution of profits as established by the King in Council.

With the exception of procurement of fixed assets and buildings, which are entered as expenditures, the annual report and accounts — which show a profit for the year of NOK 8,713,829,729 — have in our opinion been prepared in conformity with the above-mentioned guidelines and generally accepted Norwegian accounting principles.

**Audit Department of Norges Bank**

Oslo, 14 February 1992

Kjell Hauen Eriksen

State Authorised Public Accountant  
(Norway)

Solbjørg Lie  
State Authorised Public  
Accountant  
(Norway)



## **Resolution of the Supervisory Council concerning the Accounts**

*Pursuant to Section 5, third paragraph, of the Act on Norges Bank and the Monetary System, the Supervisory Council adopted at its meeting on 20 February 1992 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 makes reference to the auditor's report of 14 February 1992 upon which it has no comment.
2. The Supervisory Council approves the accounts as presented by the Executive Board as Norges Bank's accounts for 1991 as follows:  
  
NOK 4,524.7m to be transferred to the Treasury from the Transfer fund,  
NOK 9,728.9m to the Transfer Fund, ie a total of NOK 14,253.6m.
3. The Supervisory Council will forward the accounts, the Executive Board's report on the accounts, the auditor's report, and the Supervisory Council's resolution regarding the minutes of the meeting of the Executive Board to the Ministry of Finance for submission to the King and communication to the Storting.

Oslo, 20 February 1992

Paul Thyness  
Chairman of the Supervisory  
Council

# Resolution of the Supervisory Council concerning the minutes of the meet- ings of the Executive Board

*Pursuant to Section 5, third paragraph, of the Act on Norges Bank and the Monetary System, the Supervisory Council adopted at its meeting on 20 February 1992 the following resolution which, with reference to Section 28, second paragraph, is to be forwarded 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 1992 and has no comments on said minutes.

Oslo, 20 February 1992

Paul Thyness  
Chairman of the Supervisory Council

# Appendix A

## *Tables:*

- 1 Norges Bank's balance sheet as at 31 December, 1987—1991
- 2 Norges Bank's Profit and Loss Account as at 31 December, 1987—1991
- 3 Norges Bank's loans to banks in 1991, by type of loan.
- 4 Norges Bank's lending rates for D-loans and F-loans in 1991: Term and amount of F-loans
- 5 Denominations of coin in circulation 1987—1991, annual average and at end of each month of 1991
- 6 Denominations of notes in circulation 1987—1991, annual average and at end of each month of 1991
- 7 Denominations of notes cancelled 1987—1991
- 8 Average life of notes 1987—1991
- 9 Inflow of banknotes to Norges Bank 1987—1991
- 10 Banknote production at Norges Bank's Printing Works 1982—1991
- 11 Coin production at the Royal Mint 1981—1991
- 12 Norges Bank's banknote series 1877—1989. Period of production



Appendix table 1. Norges Bank's Balance Sheet as at 31 December, 1987–1991 (NOK millions)

ASSETS	1987	1988	1989	1990	1991
<b>International reserves</b>	<b>91 317.5</b>	<b>89 279.3</b>	<b>93 379.6</b>	<b>92 325.7</b>	<b>80 411.6</b>
Gold	284.8	284.8	284.8	284.8	284.8
SDRs	2 750.4	3 377.9	2 992.4	2 651.6	2 699.0
Reserve position in the International Monetary Fund	4 401.7	3 988.5	3 829.6	3 427.6	3 409.3
Loans to the International Monetary Fund	—	49.3	65.0	94.3	95.9
Deposits with foreign banks	24 055.6	30 599.6	21 302.0	27 073.8	22 106.5
Foreign treasury bills	2 571.5	4 331.8	16 602.6	16 649.6	9 873.7
Foreign bearer bonds	55 532.1	45 066.5	46 709.3	40 713.0	40 252.6
Interest accrued, not yet due	1 721.3	1 581.0	1 593.9	1 431.0	1 689.8
<b>Other foreign assets</b>	<b>1 798.0</b>	<b>2 188.6</b>	<b>2 253.4</b>	<b>2 471.7</b>	<b>2 587.6</b>
The International Monetary Fund	1 775.5	2 188.6	2 228.7	2 447.0	2 562.9
Other debtors	22.5	—	—	—	—
Shares in the BIS	—	—	24.7	24.7	24.7
<b>Deposits with Norwegian banks</b>	<b>2 117.6</b>	<b>1 639.2</b>	<b>2 465.0</b>	<b>2 016.4</b>	<b>16 590.0</b>
Postal giro	278.5	98.9	207.4	269.7	146.8
Commercial banks	822.9	772.6	1 044.8	872.0	10 488.0
Savings banks	1 016.2	767.7	1 212.8	874.7	5 955.2
In foreign currency with foreign exchange banks	—	—	—	—	—
<b>Norwegian treasury bills and negotiable debt securities</b>	<b>11 111.3</b>	<b>10 100.4</b>	<b>16 859.0</b>	<b>11 975.8</b>	<b>8 772.4</b>
Treasury bills	9 859.6	2 113.8	—	—	—
Treasury certificates	362.2	5 691.9	8 784.7	1 050.5	2 472.4
Other certificates	889.5	2 294.8	8 074.3	10 925.3	6 300.0
<b>Norwegian bearer bonds</b>	<b>13 749.3</b>	<b>10 473.4</b>	<b>15 291.6</b>	<b>11 427.9</b>	<b>5 446.9</b>
Central government	13 708.6	10 437.8	15 261.8	11 404.1	5 428.1
Local government	6.1	4.8	3.4	1.9	0.9
State banks	1.4	1.2	1.0	0.7	0.3
Private credit enterprises	26.7	24.9	22.5	20.0	17.2
Other domestic sectors	6.5	4.8	3.0	1.2	0.4
<b>Domestic loans</b>	<b>74 687.3</b>	<b>76 380.6</b>	<b>60 581.4</b>	<b>56 624.2</b>	<b>46 018.9</b>
Commercial banks	41 521.7	39 314.3	27 760.3	32 761.5	29 635.1
Savings banks	32 740.9	36 584.5	32 471.1	23 684.5	14 421.3
Private finance companies	18.7	14.0	—	—	—
Other Norwegian sectors	406.0	399.7	816.8	746.8	1 810.0
Overdrafts, private non-personal enterprises	—	65.9	15.8	3.7	630.7
Overdrafts, other current accounts	—	2.1	67.4	1.2	95.3
Provision for loan losses	—	—	—550.0	—573.5	573.5
<b>Other domestic assets</b>	<b>2 681.5</b>	<b>4 790.8</b>	<b>3 655.3</b>	<b>2 898.0</b>	<b>2 595.3</b>
Discounted bank drafts	512.5	231.2	506.7	431.1	455.9
Accrued interest, not yet due	2 090.4	4 310.8	2 888.4	1 937.8	1 420.6
Other debtors	13.9	180.3	211.1	353.1	546.7
Stock, production units	64.7	68.5	49.2	176.0	172.1
<b>Real estate etc.</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL ASSETS</b>	<b>197 462.4</b>	<b>194 852.3</b>	<b>194 485.2</b>	<b>179 739.7</b>	<b>162 422.7</b>

<b>LIABILITIES AND CAPITAL</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
<b>Foreign debt</b>	<b>2 199.0</b>	<b>3 018.4</b>	<b>2 659.8</b>	<b>2 667.6</b>	<b>2 828.6</b>
Foreign banks	37.9	583.1	139.1	143.9	107.0
Foreign customers' sight deposits	372.9	239.2	261.6	30.9	132.7
The International Monetary Fund	1 775.6	2 188.6	2 228.7	2 447.1	2 563.0
Other foreign liabilities	12.7	7.4	30.4	46.2	25.9
<b>Calculated value of SDR allocations</b>	<b>1 482.6</b>	<b>1 482.6</b>	<b>1 454.1</b>	<b>1 410.0</b>	<b>1 433.4</b>
<b>Notes and coin in circulation</b>	<b>30 831.7</b>	<b>30 938.0</b>	<b>31 605.8</b>	<b>32 682.4</b>	<b>34 303.9</b>
Notes in circulation	28 963.9	29 067.6	29 624.6	30 636.0	32 179.6
Coin in circulation	1 867.8	1 870.4	1 981.2	2 046.4	2 124.3
<b>Domestic sight deposits</b>	<b>121 831.8</b>	<b>118 368.6</b>	<b>123 933.6</b>	<b>110 443.0</b>	<b>87 418.1</b>
Treasury	113 557.8	112 062.4	115 526.0	101 743.3	75 815.2
Public treasurers	5 620.8	4 562.4	5 428.6	6 361.5	7 384.8
Central government trust funds	80.4	120.5	18.2	901.7	1 658.5
Social security administration	7.4	4.6	115.3	1.1	136.3
Local government administration	5.8	3.0	6.1	4.0	2.7
Commercial banks	725.2	117.1	4.1	7.1	481.3
Savings banks	3.0	48.1	44.3	36.5	59.1
State banks	153.4	122.1	244.9	350.1	1 125.6
Other private finance companies	128.4	50.8	196.2	12.2	—
Life insurance companies	0.3	6.8	17.0	4.8	3.4
Postal Service (incl. Postal giro)	703.0	518.2	1 596.5	393.5	216.1
Private mortgage companies	1.0	14.6	25.9	58.1	191.6
Private, non-personal enterprises	—	111.7	209.0	3.2	13.6
Other public corporations	732.5	527.1	417.7	434.8	211.7
Other domestic sectors	113.0	99.3	83.7	131.1	118.2
<b>Deposits referring to tax-free allocations to funds</b>	<b>1 443.2</b>	<b>990.2</b>	<b>800.2</b>	<b>583.1</b>	<b>300.8</b>
<b>Other domestic liabilities</b>	<b>110.6</b>	<b>45.7</b>	<b>130.6</b>	<b>550.9</b>	<b>546.1</b>
Domestic cheques	1.9	2.6	1.4	3.0	1.7
Other creditors	108.7	43.0	129.3	547.9	544.0
Interest accrued, not yet due	—	—	—	—	0.4
<b>Capital and reserves</b>	<b>39 563.5</b>	<b>40 009.0</b>	<b>33 901.1</b>	<b>31 402.7</b>	<b>35 591.8</b>
Adjustment Fund	21 740.2	21 588.1	25 301.8	23 314.4	22 299.3
Transfer Fund	17 823.3	18 420.8	8 599.3	8 088.3	13 292.5
Other Funds	—	—	—	—	—
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>197 462.4</b>	<b>194 852.3</b>	<b>194 485.2</b>	<b>179 739.7</b>	<b>162 422.7</b>
<i>Not included in this balance sheet::</i>					
Guarantee liabilities	525.1	549.8	510.6	23.2	0
Govt. guaranteed guarantees	26.1	23.4	21.6	25.2	0
Foreign currency sold forward	2 181.2	435.4	11 868.3	4 758.9	10 696.4
Foreign currency purchased forward	2 181.2	—	787.5	801.0	16 854.9
Allotted, unpaid shares in the BIS	424.5	377.3	348.5	300.5	272.7



Appendix table 2. Profit and Loss Account as at 31 December, 1987–1991. (NOK millions)

	1987	1988	1989	1990	1991
<b>Interest income, etc.</b>					
<i>Foreign:</i>					
Interest on bank deposits	1 084.5	1 596.8	2 349.6	2 345.2	1 966.9
Discount on treasury bills	65.0	182.8	785.7	1 149.3	985.7
Interest on bearer bonds	4 484.3	3 265.0	3 003.2	2 762.5	4 422.8
Other interest income	326.5	282.7	371.0	374.3	316.1
Share dividend, BIS	5.7	6.2	6.0	7.3	7.3
Gross foreign interest income, etc.	5 965.9	5 333.5	6 515.5	6 638.6	7 698.8
<i>Domestic:</i>					
Interest on bearer bonds	3 089.4	1 636.0	1 212.9	1 435.2	919.9
Interest on negotiable debt certificates	290.9	749.4	575.8	829.2	1 167.9
Discount on treasury bills	1 816.6	698.8	36.0	69.2	53.9
Interest on fixed-term deposits	78.1	186.2	239.6	202.7	197.9
Interest on foreign currency deposits with foreign ex. banks	16.4	—	—	—	—
Interest on forward transactions, foreign currency	258.1	0.8	49.3	106.6	28.6
Interest on loans to banks	8 109.5	8 751.2	7 096.2	6 660.7	5 667.9
Interest on other loans	73.0	60.5	59.3	74.0	69.0
Gross domestic interest income	13 731.9	12 082.9	9 269.2	9 377.6	8 105.1
<b>Interest expenses</b>					
<i>Domestic:</i>					
Interest to the Treasury	10 299.9	8 925.5	9 650.2	9 492.5	8 798.5
Interest to public account holders	379.6	405.6	485.4	575.0	716.6
Interest to banks	—	—	—	—	9.0
Interest on deposits of tax-free allocations to funds	108.2	78.4	55.3	41.0	25.8
Interest on cash holdings with banks and the Postal Service	170.7	—	—	—	—
Other interest expenses	16.3	9.9	6.1	10.5	15.4
Gross domestic interest expenses	10 974.8	9 419.4	10 197.0	10 119.0	9 565.3
<b>Net domestic interest expenses</b>	<b>-2 757.1</b>	<b>-2 663.5</b>	<b>927.9</b>	<b>741.4</b>	<b>1 460.2</b>
<b>Net interest income, domestic and foreign</b>	<b>8 723.0</b>	<b>7 997.0</b>	<b>5 587.5</b>	<b>5 897.2</b>	<b>6 238.6</b>
<b>Valuation adjustments</b>					
Net foreign exchange gain/loss	-864.3	4.2	-594.5	-2 167.0	2 592.8
Net gain/loss on securities	-786.4	338.2	-595.1	256.3	1 402.9
Net valuation adjustments	-1 650.7	342.3	-1 189.7	-1 910.7	3 995.7
Net interest income and valuation adjustments	7 072.4	8 339.3	4 397.8	3 986.6	10 234.3
<b>Operating income</b>					
Charge and commission income	34.7	52.0	64.7	71.7	71.6
Sales income, production units	15.9	26.8	25.2	27.8	29.0
Other operating income	30.5	57.2	53.7	33.8	20.9
Total	81.1	136.0	143.6	133.3	121.5
Stock changes, notes and coin for distribution	10.9	5.5	—	—	—
Total operating income	92.0	141.5	143.6	133.3	121.5
<b>Operating expenditure</b>					
Wages, salaries and other personnel costs	402.3	434.1	446.2	439.0	448.1
Major works and investments	409.8	112.4	160.7	114.0	102.0
Goods consumption, production units	32.2	26.9	35.7	53.7	31.1
Other operating expenses	158.0	174.3	209.5	233.5	223.2
Total operating expenses	1 002.2	747.7	852.1	840.2	804.4
Net operating expenses	910.3	606.2	708.5	706.9	682.9
Profit for the year before loan losses	6 162.1	7 733.1	3 689.3	3 279.7	9 551.3
Loan losses	0	0	550.0	23.5	0
Profit before extraordinary items	6 162.1	7 733.1	3 139.3	3 256.2	9 551.3
Extraordinary income	3.5	177.8	937.0	0	0
Extraordinary expenses	0	0	31.0	64.1	837.5
Net extraordinary items	3.5	177.8	906.0	64.1	837.5
Profit for the year before transfers	6 165.6	7 910.9	4 045.3	-3 192.1	8 713.8
<b>Transfers</b>					
Transferred from the Adjustment Fund	2 511.6	152.0	0	1 987.4	1 015.1
Transferred from the Transfer Fund	4 573.1	7 465.5	10 153.1	5 690.6	4 524.7
<b>Amount available</b>	<b>13 250.3</b>	<b>15 528.4</b>	<b>14 198.4</b>	<b>10 870.1</b>	<b>14 253.6</b>
Transferred to the Treasury from the Transfer Fund	4 573.1	7 465.5	10 153.1	5 690.6	4 524.7
Set aside to the Transfer Fund	8 677.2	8 063.0	331.6	5 179.5	9 728.9
Set aside to the Adjustment Fund	0	0	3 713.7	0	0
<b>Amount distributed</b>	<b>13 250.3</b>	<b>15 528.4</b>	<b>14 198.4</b>	<b>10 870.1</b>	<b>14 253.6</b>



Appendix table 3. Norges Bank's loans to banks in 1991 according to type of loan. Monthly average.  
NOK billions.

Month	D-loan quota in per cent of basis of calculation	D-loans	Utilisation of borrowing potential for D-loans (%)	F-loans	S-loans
				At month-end	
January	01-15 700 <sup>1)</sup> 16-31 700	8.8 10.2	66.2 80.9	38.1	2.3
February	01-15 700 16-28 700	8.1 12.9	58.9 80.7	39.1	2.2
March	01-15 700 16-31 700	8.4 9.1	60.6 70.2	45.1	2.0
April	01-15 700 16-30 700	8.3 9.9	60.4 72.4	45.1	1.7
May	01-15 700 16-31 700	10.2 10.2	81.8 87.5	53.1	1.8
June	01-15 700 16-30 700	9.3 10.5	74.9 83.9	47.1	3.2
July	01-15 700 <sup>2)</sup> 16-31 700	9.5 9.6	77.0 83.6	48.1	1.6
August	01-15 700 <sup>3)</sup> 16-31 700	7.0 9.2	56.7 0.1	40.1	4.7
September	01-15 700 16-30 700	9.1 9.3	73.8 76.1	41.6	4.0
October	01-15 800 16-31 800	10.4 9.5	74.3 72.6	30.1	3.6
November	01-15 700 16-30 800 <sup>4)</sup>	8.5 11.0	69.3 77.3	33.1	7.7
December	01-15 800 16-31 800	10.45 10.7	73.6 75.8	18.0	13.2

<sup>1)</sup> Revised loan facility and basis of calculation (new date).

<sup>2)</sup> Revised loan facility.

<sup>3)</sup> Amendment to regulations governing loan facility.

Appendix table 4. Norges Bank's lending rates for D-loans and F-loans in 1991.  
Maturity and amount are given for F-loans.

D-loans (overnight)			F-loans (fixed rate)				
Interest rate % per annum			Maturity	Amount (NOKbn)		Weighted average rate % per annum	
Period	Nominal	Effective		Subscribed	Allocated	Nominal	Effective
27.08.90—17.03	10.5	11.0	02.07.90—02.01.91 (184 days)	15.4	5.0	11.58	11.91
18.03—10.04	10.2	10.7	02.07.90—01.07.91 (364 days)	15.0	5.0	11.65	11.65
11.04—28.04	10.0	10.5	03.09.90—01.03.91 (179 days)	13.2	4.0	11.20	11.52
29.04—27.05	9.75	10.2	01.10.90—01.10.91 (365 days)	13.6	6.0	11.53	11.53
28.05—18.09	9.5	9.9	01.11.90—01.02.91 ( 92 days)	13.1	4.0	11.40	11.90
19.09—31.12	10.0	10.5	03.12.90—03.06.91 (182 days)	12.9	6.0	11.75	12.10
			03.12.90—02.12.91 (364 days)	14.5	6.0	11.61	11.61
			04.01.91—01.07.91 (178 days)	12.0	2.0	11.78	12.14
			17.01.91—15.02.91 ( 29 days)	13.3	5.0	11.30	11.91
			01.02.91—02.05.91 ( 90 days)	14.5	4.0	11.50	12.01
			18.02.91—15.08.91 (178 days)	18.8	6.0	11.02	11.33
			01.03.91—02.09.91 (185 days)	15.2	4.0	11.18	11.49
			18.03.91—14.06.91 ( 88 days)	13.0	6.0	10.85	11.31
			21.05.91—16.08.91 ( 87 days)	7.5	6.0	10.27	10.68
			21.05.91—18.11.91 (181 days)	8.2	6.0	10.31	10.58
			14.06.91—13.09.91 ( 91 days)	14.6	6.0	10.23	10.63
			01.07.91—01.07.92 (366 days)	12.4	4.0	10.51	10.51
			16.07.91—15.10.91 ( 91 days)	8.5	4.0	10.43	10.85
			18.08.91—17.02.92 (185 days)	14.7	4.0	10.46	10.73
			17.09.91—17.10.91 ( 30 days)	5.6	5.6	10.31	10.81
			17.09.91—17.03.92 (182 days)	15.3	6.0	10.68	10.96
			01.10.91—01.10.92 (366 days)	8.8	4.0	10.81	10.81
			18.11.91—02.12.91 ( 14 days)	23.2	9.0	10.00	10.50

Appendix table 5. Denominations of coin in circulation 1987–1991, annual average and at end of each month of 1991 (NOK millions)

	10 krone	5 krone	1 krone	50 ore	25 ore	10 ore	Copper coins <sup>2)</sup>	Total <sup>1)</sup>
1987	744.8	352.4	372.2	101.4	42.9	116.5	26.0	1 756.2
1988	774.7	353.8	382.7	104.6	42.4	126.3	25.9	1 810.4
1989	827.6	353.0	392.6	107.2	41.9	139.2	25.9	1 887.4
1990	867.8	358.3	406.8	110.4	41.6	151.3	25.8	1 962.0
1991	912.1	365.2	421.7	113.8	41.4	161.1	25.8	2 041.1
1991:								
January	895.3	362.2	416.1	113.0	41.5	157.8	25.8	2 011.7
February	892.3	363.3	416.0	112.9	41.5	158.4	25.8	2 010.2
March	898.4	362.1	417.0	113.1	41.4	159.1	25.8	2 016.9
April	892.4	360.5	416.3	113.2	41.4	159.7	25.8	2 009.3
May	900.8	362.9	419.5	113.5	41.4	160.7	25.8	2 024.6
June	903.0	364.8	420.6	113.7	41.4	161.3	25.8	2 030.6
July	904.7	366.7	423.7	113.9	41.4	161.9	25.8	2 038.1
August	906.6	366.0	423.1	113.9	41.3	161.9	25.8	2 038.6
September	921.1	366.5	423.2	114.0	41.3	162.4	25.8	2 054.3
October	926.4	366.9	425.1	114.2	41.3	162.8	25.8	2 062.5
November	934.2	367.5	425.6	114.3	41.3	163.3	25.8	2 072.0
December	969.9	373.6	434.1	115.4	41.3	164.2	25.8	2 124.3

<sup>1)</sup> Excl. silver coins for a total of kr. 6 743 000 and 10 krone, 25 krone, 50 krone, 100 krone and 200 krone commemorative coins.

<sup>2)</sup> No longer legal tender, but redeemable at Norges Bank until 13 July 1998.

Appendix table 6. Denominations of notes in circulation 1987–1991, annual average and at end of each month in 1990 (NOK millions)

	1 000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	5 kr.	Total
1987	16 244.5	763.7	8 264.1	577.8	173.2	6.2	26 029.5
1988	17 425.8	770.6	8 409.3	626.3	160.3	6.2	27 398.5
1989	17 727.6	746.7	8 305.2	616.5	142.8	5.6	27 544.4
1990	18 715.5	729.6	7 714.4	579.2	—	—	27 738.7
1991	19 571.1	828.1	7 641.5	567.8	—	—	28 608.5
1991:							
January	19 875.7	705.3	7 606.9	565.6	—	—	28 753.5
February	19 610.2	708.4	7 601.7	558.2	—	—	28 478.5
March	19 240.5	691.8	7 887.6	568.2	—	—	28 388.1
April	18 789.2	664.1	7 125.6	557.2	—	—	27 136.1
May	18 439.2	707.3	7 539.1	578.4	—	—	27 264.0
June	19 068.6	755.9	8 009.9	593.2	—	—	28 427.6
July	18 462.0	860.0	7 848.8	599.2	—	—	27 770.0
August	18 432.6	878.4	7 743.2	585.9	—	—	27 640.1
September	20 726.6	981.9	7 998.6	591.1	—	—	30 298.2
October	19 700.4	917.2	6 954.0	482.7	—	—	28 054.3
November	19 942.9	949.7	7 460.8	558.2	—	—	28 911.6
December	22 565.2	1 116.7	7 922.0	575.7	—	—	30 179.6

The 1000 krone note in edition V was withdrawn on 1 August 1990, and is redeemable at Norges Bank until 1 August 2001.

Appendix table 7. Denomination of Notes Cancelled 1987–1991 (NOK millions)

	1 000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	Total
1987	3 026.6	343.9	5 628.8	735.2	25.8	9 760.3
1988	3 828.9	410.1	4 923.7	853.6	13.6	10 029.9
1989	1 862.7	250.7	3 025.5	821.6	201.9	6 201.4 <sup>1)</sup>
1990	13 437.2 <sup>2)</sup>	175.1	2 588.8	805.6	4.2	16 980.9
1991	9 181.1 <sup>2)</sup>	1 259.3 <sup>3)</sup>	5 332.3	945.3	2.8	16 720.8

<sup>1)</sup> The total includes NOK 14.3m in 2 krone notes and NOK 5.3 in 1 krone notes, both amounts referring to destruction of obsolete banknote reserves.

<sup>2)</sup> Transition from edition V to VI.



Appendix table 8. Average Life of Notes 1987–1991 (in years)

	1 000 kr.	500 kr.	100 kr.	50 kr.
1987	5.4	2.3	1.5	0.7
1988	4.6	1.9	1.7	0.7
1989	9.5	3.0	2.8	0.8
1990	1.4 <sup>2)</sup>	4.2	4.2	0.7
1991	2.1 <sup>1)</sup>	0.7 <sup>1)</sup>	1.4	0.6

<sup>1)</sup> 10 krone note withdrawn from circulation.

<sup>2)</sup> Transition from edition V to VI.

Appendix table 9. Inflow of banknotes to Norges Bank<sup>1)</sup> 1987–1991  
(Millions of notes)

	1 000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	Total
1987	14.4	2.0	217.0	17.9	2.9	254.2
1988	17.2	2.2	274.7	18.5	1.4	314.0
1989	18.7	2.6	327.4	19.1	0.7	368.5
1990	23.5	4.3	380.1	20.0	0.4	428.3
1991	28.2	7.4	429.3	22.1	0.2	487.2

<sup>1)</sup> The table shows the number of banknotes delivered to Norges Bank for sorting and checking for counterfeits.

Appendix table 10. Banknote production at Norges Bank's Printing Works 1982–1991  
(Number of packets, each containing 500 notes)

	1 000 kr.	500 kr.	100 kr.	50 kr.	10 kr.
1982	6 900	3 012	74 160 <sup>2)</sup>	25 344	156 408
1983	9 120	—	85 440 <sup>3)</sup>	21 600	143 472
1984	5 760	—	99 840 <sup>4)</sup>	47 088 <sup>5)</sup>	98 980
1985	10 140	6 120	108 360	41 328 <sup>6)</sup>	51 156
1986	19 440	—	143 640	29 232	—
1987	9 840	—	126 360	51 408	—
1988	—	—	152 280	11 664	—
1989	4 260	—	132 280	22 056	—
1990	62 300 <sup>7)</sup>	—	—	71 768	—
1991	10 000	18 604	51 600	33 800	—

<sup>1)</sup> Of which 4 320 packets series II.

<sup>2)</sup> Of which 37 800 packets series II.

<sup>3)</sup> As from 1984, all issue VI, series II.

<sup>4)</sup> Of which 13 104 packets issue VI.

<sup>5)</sup> As from 1985, all issue VI.

<sup>6)</sup> All 1000 krone notes are edition VI.

Appendix table 11. Coin production at the Royal Mint 1981–1991 (1000 pieces)

	10 krone	5 krone	1 krone	50 øre	25 øre	10 øre	5 øre	Total
1981	—	1 091	16 062	3 388	19 086	42 061	24 515	106 203
1982	—	1 737	29 094	11 154	16 857	41 082	16 843	117 567 <sup>2)</sup>
1983	4 032	5 050	33 922	15 758	20 <sup>3)</sup>	46 527	5 072 <sup>2)</sup>	110 381
1984	26 169	1 267	3 488	8 619	—	100 066	—	139 609
1985	22 722	1 443	10 466	4 462	—	106 387	—	145 480
1986	28 747	2 325 <sup>4)</sup>	7 022	3 303	—	135 583	—	176 980
1987	7 987	900	9 451	5 977	—	169 764	—	194 079
1988	4 513	840	15 367	9 644	—	92 500	—	122 864
1989	4 200	—	6 600	11 400	—	81 400	—	103 700 <sup>5)</sup>
1990	3 034	—	9 866	1 834	—	145 221	—	—
1991	5 068	500 <sup>5)</sup>	15 060	2 810	—	69 400	—	92 838

<sup>1)</sup> Incl. 800 000 commemorative 100 krone coins.

<sup>2)</sup> Bearing the year 1982.

<sup>3)</sup> All commemorative coins, of which 5 000 with special stamp.

<sup>4)</sup> Incl. 100 000 pieces, 175 krone commemorative coin.

<sup>5)</sup> All commemorative coins.



Appendix table 12. Norges Bank's banknote series 1877–1989. Period of production.

	Edition I	Edition II	Edition III	Edition IV	Edition V	Edition VI
1000 krone notes	1877–98	1901–45	1945–47	1949–74	1975–	—
500    "	1877–96	1901–44	—	1948–76	1978–	—
100    "	1877–98	1901–45	1945–49	1949–62	1962–77	1977–
50    "	1877–99	1901–45	1945–50	1950–65	1966–83	1984–
10    "	1877–99	1901–45	1945–53	1954–74	1972–84	—
5    "	1877–99	1901–44	1945–54	1955–63	—	—

*Divisionary notes*

1 krone notes	1917	1940–50
2    "	1918	1940–50

Issue 1 notes are not legal tender, but will be redeemed by Norges Bank up to 13 July 1998. Issue 2 notes apart from 1 and 2 krone notes were invalidated as legal tender in connection with the monetary reform in 1945 and are no longer redeemed by Norges Bank. Issue 3 and 4 notes, and 10,50 and 100 krone notes in issue 5 cease to be legal tender on 13 July 1989, but

will be redeemed by Norges bank for 10 years after this date. 1 and 2 krone notes from the period 1917–18 are not legal tender and are not redeemable by the Bank. 1 and 2 krone notes from the period 1940–1950 ceased to be legal tender on 13 July 1989 but will be redeemed by the Bank for 10 years after this date.

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 Deputy Chairman, employed in full-time positions for a period of six years. Both were re-appointed for a new term in 1991. The other five members are appointed for four-year terms. Alternates are also appointed for these five members. Two members were re-appointed for a new term in 1991. There are two employee representatives on the Board when administrative matters are discussed.

The Supervisory Council ensures that the rules governing the Bank's activities are observed. It or-

ganizes the auditing of the Bank, endorses 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. Every other year, alternately seven and eight members retire. On 17 December 1991, the Storting appointed eight members for the period 1 January 1992 — 31 December 1995.

The Storting appoints the Chairman and the Deputy Chairman. Personal alternates are appointed for the members of the Supervisory Board.

According to Section 6, fifth paragraph, and Section 7, third paragraph, of the Norges Bank Act, members of government, state secretaries, and other politically appointed staff in the ministries, including members of the Storting, are barred from acting as members or alternate members of the Board and the Council.

### *Composition of the Executive Board and Supervisory Council as at 1 January 1992:*

#### **Executive Board**

Central Bank Governor Hermod Skånland, Chairman.  
(1 April 1991 — 1 April 1997)

Deputy Central Bank Governor Kjell Storvik,  
Deputy Chairman.  
(1 June 1991 — 1 June 1997)

#### *Other members*

Juul Bjerke (1 January 1990 — 11 November 1993)  
Alternate: Norvald Mo

Tove Strand Gerhardsen<sup>1)</sup> (1 January 1990 —  
11 November 1993)  
Alternate: Anne-Lise Hilmen  
Acting alternate: Anne-Lise Bakken

Dagfinn Høybråten (11 November 1991 —  
31 December 1995)  
Alternate: Oddbjørg Venås

Arnulf Ingebrigtsen (1 January 1990 — 11 November 1993)  
Alternate: Anne Franck

Eivind Reiten (18 December 1991 — 31 December 1995)  
Alternate: Anny Felde

#### *Employee representatives:*

Oddmund Hansen  
Thomas Deaton  
Wibeche Sandem Andersen (alternate)  
Berit Grønli (alternate)

#### **Chairman of the Supervisory Council**

Paul Thyness

#### **Auditing Department**

Kjell Hauen Eriksen, State Authorised Public Accountant  
Solbjørg Lie, State Authorised Public Accountant

#### **Departments at Head Office as at January 1992**

#### **Management**

Hermod Skånland, Governor  
Kjell Storvik, Deputy Governor

Jarle Bergo, Director  
Harald Bohn (Director, acting)  
Leif Eide, Director  
Kari Gjestebj, Director (leave of absence)

<sup>1)</sup> Currently barred from attending under Section 6, fifth paragraph of the Norges Bank Act.



Einar Magnussen, Director (leave of absence)  
Viking Mestad, Director  
Jan Qvigstad (Director, acting) (leave of absence)  
Inger-Johanne Sletner (Director, acting)  
Jon Solheim, Director (leave of absence)  
John Tvedt, General Manager

#### **Administration Committee**

Hermud Skånland, Governor  
Kjell Storvik, Deputy Governor  
Inger-Johanne Sletner (Director, acting)

#### *Employee representatives:*

Oddmund Hansen  
Thomas Deaton

#### **Departments under the Administrative Director**

Inger-Johanne Sletner (Director, acting)

##### **Budget and Accounting Department**

Harald Haare (Director, acting)  
Gunnar Stakkeng, Head of Division

##### **Administration Department**

Kjell Dankertsen, Administration Director  
Dag Stenersen, Assistant Director

##### **Personnel Department**

Andreas Sand (Director, acting)  
Svenn-Arne Kvamme, Head of Division  
Ingjerd Tørring, Head of Division

##### **Technology Department**

Leif-Åge Bergseng, Technology Director  
Hans Petter Dahle, Head of Systems  
Jan Petter Pettersen, Head of Systems  
Rolf Gulbrandsen, Head of Operation

#### **Health Services**

Sten Jacobsen, M.D.

#### **Financial Markets Department**

Jarle Berge, Director  
Asbjørn Fidjestøl, Assistant Director  
Knut Knutsen, Assistant Director  
Trond Eklund, Assistant Director  
Morten Jonassen, Head of Division

#### **Information Division**

Liv Kielland, Head of Information  
Knut I. Tønberg, Press Officer

#### **Market Operations Department**

Leif Eide, Director  
Bjarne Hansen, Director (New York)  
Trygve Spildre, Assistant Director  
Brynjuv Vøllan, Assistant Director  
Anders Svor, Head of Division  
Bjørn Taraldsen, Head of Division  
Finn Torkildsen, Head of Division  
Terje Prøsch, Special Adviser

#### **Strategic Planning Unit**

Thorvald Grung Moe, Special Adviser

#### **Secretariat and Legal Department**

Viking Mestad, Director  
Bernt Nyhagen, Assistant Director  
Arne Bondevik, Head of Division  
Thor A. Johnsen, Head of Division  
Lars Erik Rustad, Head of Data Security

#### **Departments under the General Manager**

John Tvedt, General Manager  
Siri Caspersen, Assistant Director

##### **Chief Cashier's Department**

Sylvi Johansen, Chief Cashier  
Paal Espeli, Head of Division  
Arne Aamodt, Head of Division

##### **Banking Department**

Karin Lohrmann, Director  
Tove Bordal Kristoffersen, Head of Division  
Johannes Hjeltnet, Head of Personal  
Thormod Lærum, Head of Division  
Rune Tollefsen, Head of Division  
Carl J. Vogt, Special Adviser

##### **Security**

Jan Eddie Tinlund, Head of Security

##### **Statistics Department**

Jon Petter Holter, Director of Statistics  
Trond Munkerud Johansen, Assistant Director  
Herborg Hagesveen, Head of Division

##### **Research Department**

Eilev S. Jansen, Research Director  
Sigbjørn Atle Berg, Head of Division

##### **Economics Department**

Jan F. Qvigstad, Director (leave of absence)  
Harald Bøhn (Director, acting)  
Henning Strand, Assistant Director  
Anne Berit Christiansen, Head of Division  
Kristin Gulbrandsen, Special Adviser  
Kåre Hagelund, Special Adviser  
Enok Olsen, Special Adviser  
Håkon Sannes, Special Adviser

#### **Production Units**

##### **Norges Bank's Printing Works, Oslo**

Jan Erik Johansen, Director  
Harald Sivertsen  
Peter Ravnsborg-Gjertsen  
Johannes Bjørge

##### **The Royal Mint, Kongsberg**

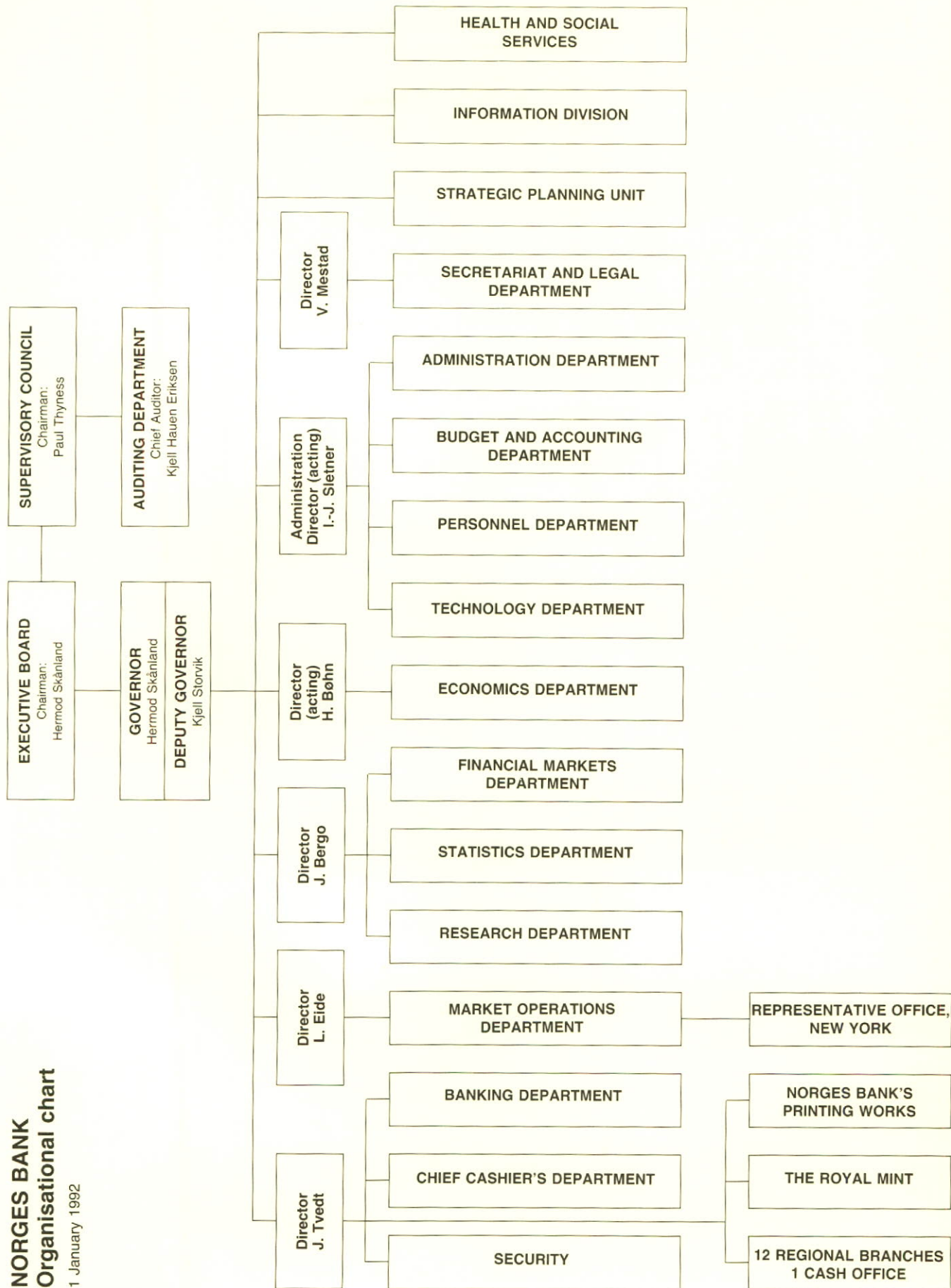
Ole-Robert Kolberg, Director  
Toralf Ribe  
Kjell Uno Ruud Olsen



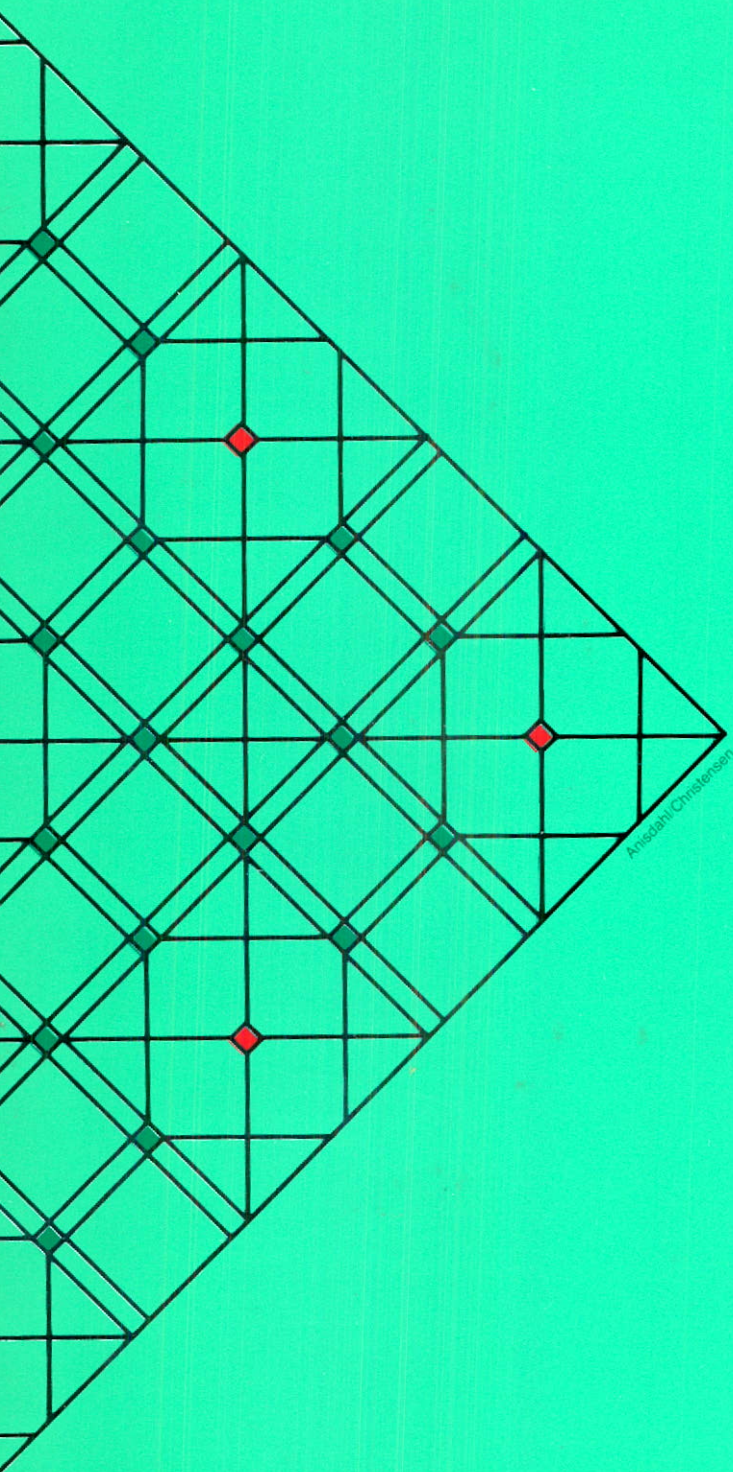
# NORGES BANK

## Organisational chart

1 January 1992







Anne-dani Christensen