Norway – GBIF/SBIF (Nordic Crisis 1991)

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Abstract

Prior to the Nordic financial crisis of the late 1980s and early 1990s, the Norwegian government did not have a preexistent financial safety net. The private Savings Bank Guarantee Fund (SBGF) and Commercial Bank Guarantee Fund (CBGF) provided guarantees and capital injections to struggling banks in their sector, but by 1991, these actions depeted their resources. The Norwegian Parliament (Storting) created the GBIF (Government Bank Insurance Fund) in March 1991 to loan money to these two funds, but by November of 1991, they had incurred an unsustainable amount of debt and the Storting gave the GBIF the power to make direct capital injections through subordinated debt, common and preferred equity, and primary capital certificates. At the same time, it established the SBIF (Government Bank Investment Fund) to provide liquidity to struggling but solvent banks. From 1991-1993, the GBIF and SBIF recapitalized many banks, including the three major banks: Fokus Bank, Den Norske Bank, and Christiania Bank. The GBIF had sold all its shares in all banks except Den Norske by 2002, when its shares were transferred to the SBIF, and the GBIF was retired. By 2004, the SBIF owned 34% of DnB NOR, the entity that resulted from a merger of Den Norske bank and the Union Bank of Norway, and these shares were transferred to the Norwegian Ministry of Finance and Industry and the SBIF was retired.

Keywords: GBIF, SBIF, CBGF, SBGF, Norway, Nordic Financial Crisis, Capital Injections

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GBIF/SBIF: Norway Context		
GDP	119,700,000,000 USD 1991	IMF International Financial Statistics
GDP per capita	$45858 in 1991	IMF International Financial Statistics
Sovereign credit rating (Local Currency Long-Term Debt Rating)	Not available	
Exchange Rate (to USD)	6.49 NOK to USD	World Bank Global Financial Development Database
Size of banking system	Not available	
Size of banking system as a percentage of GDP	1991 Bank deposits are 52.6% of GDP	World Bank Global Financial Development Database
Size of banking system as a percentage of financial system	Not available	
5-bank concentration of banking system	5 bank asset concentration of 12.8% in 1998	World Bank Global Financial Development Database

Foreign involvement in banking system	5% in 1995	World Bank Global Financial Development Database
Government ownership of banking system	32% in 1995	World Bank Global Financial Development Database
Existence of deposit insurance	Not available	

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Summary of Key Terms	
Purpose: Description of intent of intervention.	
Announcement Date	January 25, 1991
Operational Date	March 15, 1991
End of Issuance Window	N/A
Legal Authority	Act on Government Bank Insurance Fund January 1991
Peak Utilization	NOK 16.2 billion
Participants	Fokus Bank, Christiania Bank, Den Norske Bank, others
Administrators	King, Norges Bank, Banking Insurance and Securities Commission

At a Glance

The Norwegian banking crisis of the early 1990s was due in part to financial deregulation and a drop in oil prices, weakening exposed banks (Ongena, Section 2). The banking industry addressed the crisis through the use of their own self-funded Savings Bank Guarantee Fund (SBGF) and the Commercial Bank Guarantee Fund (CBGF), but they quickly ran out of money, so Norway established the Government Bank Insurance Fund (GBIF) to make loans to the two private bank guarantee funds. The two funds used the loans to make capital injections and guarantees to various Norwegian banks, but their debt burdens mounted and they could not meet the need for capital.

In later 1991, the Norwegian parliament allowed the GBIF to make direct capital injections to distressed banks and established the Government Bank Investment Fund (SBIF) to maintain state ownership of banks in the longer term (Ongena, Section 2). The Norwegian parliament (Storting) allocated NOK 13.5 billion to the GBIF (Moe p. 203). The GBIF made 17 capital injections totaling NOK 16.2 billion in the years 1991-1993 (Moe p. 203). It loaned NOK 554 million to the SBGF to inject into savings banks, and injected NOK 15.6 billion to commercial banks, of which NOK 2.5 billion was loaned to the CBGF to make its own injections. These injections were primarily directed at Norway's three largest banks: Fokus Bank, Christiania Bank, and Den Norske bank. Other support measures from the Norwegian government included a NOK 1 billion allocation to the SBGF, and subsidized central bank deposits, which totaled about NOK 2.7 billion (Moe p. 205).

After 1993, no more injections were required and the GBIF slowly began selling shares and receiving loan repayments until 2002, when it transferred its remaining holdings to the SBIF and subsequently closed. The SBIF transferred its holding of Den Norske bank (now DnB NOR) to the Ministry of Trade and Finance before dissolving in 2004 (Moe p. 201-203).

Summary Evaluation

The government's use of capital injections through the GBIF and SBIF is generally seen as a success that reduced the cost of the crisis and created normal conditions for borrowers (Bergo-A). It prevented the spread of systemic financial problems and bank failure. However, there were some concerns about the government's role as both a regulator and a shareholder (Bergo-B). In addition, the government's unilateral decision to write down the shares of Fokus Bank and Christiania Bank has received some criticism (Moe p. 218-220).

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I. Overview

Background

Norway's financial deregulation in the 1980s ignited a credit expansion (Ongena, Section 2). The concurrent drop in oil prices led to a fall in asset value, and many weak firms went bankrupt. This exposed the banks that were tied to them, and reduced bank lending through the economy. The Norwegian banking crisis began in 1988, with Sunnmørsbanken declaring insolvency (Ongena, Section 2). Prior to this, no Norwegian bank had failed since 1923, and the Norwegian government had taken a "hands off" approach to insuring depositors against failure (Ongena, Section 2). Bank representatives also preferred an internal rescue of the banking system to government interference. In the next four years, 13 banks that represented 95% of the total commercial bank assets in Norway struggled greatly or failed (Ongena, Section 2).

Norway's government had no capital support or deposit insurance programs when the crisis hit (Ongena, Section 2). However, the banking industry had its own deposit insurance programs, the Commercial Bank Guarantee Fund (CBGF) and the Savings Bank Guarantee Fund (SBGF). However, these guarantee funds had a wider mandate; they were free to recapitalize a bank or provide guarantees and financial support to facilitate a take over if it was a more cost-effective option than liquidating a failed bank and paying out the depositors (Bergo-A p. 2). Membership was compulsory and by 1988, membership fees had given the CBGF NOK 4.1 billion of capital (2.4% of member banks' deposits from nonbanks) and the SBGF had NOK 1.4 billion of capital, with member banks guaranteeing NOK 1.6 billion of capital (Moe, p. 184). The guarantees were increased by NOK 700 million in 1989. Both funds had the Banking, Insurance and Securities Commission (BISC) and Norges Bank represented on their boards, along with five members each elected by their respective member banks (Moe, p. 184).

The CBGF injected $65 million (NOK 1.3 billion) into impaired banks, and facilitated their mergers with healthier banks. These capital injections appeared to stabilize the banking industry as of spring 1990 (Ongena, Section 2). By the end of 1990, both the CBGF and SBGF were effectively depleted, and could no longer insure deposits (Moe, p. 6).

However, by January 1991, global financial weakness and Nordic economic downturns caused Norway's three largest commercial banks to announce losses (Ongena, Section 2). Funds previously available through international markets were no longer available, or were prohibitively expensive. Recapitalizing Fokus bank, Norway's third largest commercial bank, depleted nearly all of CBGF's remaining capital by February 1991. The banking system was in danger of collapsing without further aid. At the peak of the crisis in 1991, bank loan losses equaled 2.8% of GDP, while 9% of outstanding loans were non-performing (Bergo-A).

Program Description

Before the GBIF, the bank safety net in Norway consisted only of the CBGF and SBGF, as well as Norges Bank as a lender of last resort (Moe, p. 181). On March 5, 1991, the Norwegian Parliament established the Government Bank Insurance Fund (GBIF), allocating NOK 5 billion to fund it (Ongena, Section 2). The Norwegian Parliament (Storting) gave the GBIF a specific mandate: to lend public money to the CBGF and SBGF that enabled them to recapitalize failing banks (Bergo-A p. 2). The CBGF used the borrowed funds to complete the bailout of Fokus Bank, and began injections into Christiania Bank (Ongena, Section 2). Shortly thereafter, Den Norske bank, the largest Norwegian commercial bank, announced its need for capital injections to keep operating. It became clear that the GBIF and its funding was not sufficient to recapitalize the three biggest Norwegian banks.

Though the GBIF initially loaned money to the two private bank deposit guarantee funds, by late 1991, they borrowed as much as they could without failing themselves (Milne 101). At the end of six months of debate, the Norwegian government made a few key decisions in November 1991. The Norwegian Parliament extended the mandate of the GBIF, allowing them to provide Tier 1 capital injections to distressed banks (Drees p. 27). It also responded to the worsening crisis by adding NOK 6 billion to the GBIF, establishing a new Government Bank Investment Fund (SBIF) with an initial 4.5 billion NOK, and forcing each bank to write down its equity (Ongena, Section 2, Drees p. 27). The GBIF's capital was regarded as fiscal expenditures, not investments (Bergo-B).

While the GBIF was initially established as a short-term facility, the SBIF was developed to manage state investment in the banking sector over the long term (Drees p. 27). The SBIF could make its investment decisions with a commercial-long term perspective (Munthe p. 21). Banks that were not in crisis had trouble raising capital due to lack of confidence in banks, so the SBIF was to participate alongside private investors to purchase banks' issues of capital instruments (Moe p. 194). After the crisis, in 1995, the GBIF became more of a contingency body, though it was still an owner of Norwegian bank shares (Moe p. 200). The SBIF purchased the GBIF's ownership stakes and disposed of assets other than shares in Den Norske Bank and Christiania bank. The SBIF subsequently became a vehicle to manage government ownership in banks and to ensure national ownership in the two largest state banks.

Outcomes

Before the GBIF made capital injections, efforts were made to attract private investors in the weak banks (Bergo-A). These efforts failed and the government became the "owner of last resort." Norway also chose not to create a bad bank, as the ratio of non performing loans at banks was not extremely high, and they wished to limit the exposure of taxpayer money to bank losses. The GBIF decided to make capital injections through preferred shares, common shares, subordinated debt and primary capital certificates (equity instruments for savings banks) (Moe p. 204).

In late 1991, the GBIF completely took over Fokus and Christiania banks, and controlled Den norske bank, of which it owned 55% (Ongena, Section 2). The Norwegian government continues to hold the majority stake in Den norske bank as of 2003. In 1992, 54% of Norwegian bank assets were under GBIF control, as it owned three of the four largest Norwegian banks (Den norske, Christiania, and Fokus), wiping out all private shareholder equity (Milne 101). At peak utilization of the GBIF and SBIF provisions, Norway owned close to 60% of its banking sector (Bergo-A). The discounted value of Norwegian crisis resolution gross fiscal costs was about 2.9% of Norway's 1993 GDP. Adjusting for the value of government-owned bank shares, the net fiscal costs were approximately 0.8% of GDP. This included funding for the GBIF's capital injection mechanism, guarantees provided by the GBIF and SBIF, and funding allocations made to the CBGF and SBGF (Drees p. 27).

Norwegian taxpayers actually made a profit off of the nationalized banks after they were reprivatized; while the gross fiscal cost of bank support was equivalent to 3.4% of Norway's GDP[2], the net cost was -0.4% (Milne 101-102). The share prices of the banks increased while they were under government control (Honkapohja-A p. 23).

By 2003, the only state ownership of Norwegian banks remaining was the SBIF's 47.8% stake in Den norske bank, which was subsequently merged with Union Bank of Norway, creating DnB NOR (Moe p. 180). As a result SBIF's stake in the merged bank was reduced to 28.1%. However, the parliament decided to increase the government's shareholding to 34% through purchases in the market in 2004 (Moe p. 203). This was to maintain state ownership of the new entity and to prevent its sale to foreign entities, keeping its management in the Nordic region (Storting DnB). The SBIF was subsequently dissolved in 2004, and its holding in DnB NOR was to be transferred to the Ministry of Trade and Industry, which handles most of the government ownership in corporations.

During the crisis, the SBGF had purchased primary capital certificates in three savings banks with its own funds and GBIF loans (Moe p. 198). In spring 1994, it sold these above par and repaid its GBIF debt with NOK 2 billion outstanding, eliminating all obligations the savings bank sector had to the GBIF.

[2] As a present value percentage of Norway's 2001 GDP.

Table B:
Capital injections from the CBGF and the GBIF to the largest commercial banks in 1991-1993. In millions of NOK

	Den norske Bank	Christiania Bank	Fokus Bank
Preference capital from CBGF	939[1]	2 724[1]	2 150[1]
Preference capital from GBIF	4 750[2]		
Other injections from GBIF		7 040[3]	1 295[4]
Total	5 689[5]	9 764	3 445[6]
Per cent of bank's balance sheet at 31 December 1990	2,9	7,0	7,4
Book value of equity at 31 December 1993	7299[7]	5377[8]	1214

1) Written down to zero. In Christiania Bank and Fokus Bank partly financed through support loans from the GBIF.

2) Of which NOK 1 250m written down to zero. Remaining 3 500m converted to shares.

3) Of which premium for shares (to cover losses) NOK 2 390m and further write-down of shares NOK 1 980m.

4) Of this amount NOK 1 075m share capital, written down by 602m.

5) In addition, the bank received NOK 2 620m through transactions in connection with the take-over of Realkreditt and the issue of preference shares largely guaranteed by the Government Bank Investment Fund in the spring of 1992.

6) In addition, the bank received about NOK 37m from the CBGF and shareholders in Samvirkebanken in connection with the merger with Samvirkebanken.

7) Including NOK 3500m as preference capital, which the GBIF by the end of the year had demanded should be converted to shares.

8) The bank increased its equity by a net amount of NOK 2039m by issuing shares in the market.

Source: Moe p. 206

Table 3:
Government ownership in Norwegian Banks.

	Government ownership. Per cent[1)]										
	GBIF			SBIF						Total[2)]	
End of year	DnB	CBK	Fokus	DnB	CBK	Bergens Skillingsbank	Oslo-banken	Samvirke-banken	Sparebanken NOR	DnB	CBK
1991	0	100	100	0	0	0	19.6	32.3	0	0	100
1992	0	97.7	100	55.6	0	0	18.5	32.3	0	55.6	97.7
1993	0	27.3	97.9	69.0	41.6	13.9	0[3)]	0	48,0[4)]	69.0	68.9
1994	46.4[5)]	18.8[6)]	97.9	25.6	50.1	13.9	0	0	43.7	72.0	68.9
1995	46.4	0[7)]	0	25.6	51.1	13.9	0	0	40.6	72.0	51.1
1996	16.2[7)]	0	0	35.9	51.0	0	0	0	0	52.2	51.0
1997	16.2	0	0	35.9	51.0	0	0	0	0	52.2	51.0
1998	16.2	0	0	35.9	51.0	0	0	0	0	52.2	51.0
1999	13.4[8)]	0	0	29.5[8)]	34.6	0	0	0	0	60.6[8)]	34.6
2000	13.4	0	0	47.3[8)]	0	0	0	0	0	60.6	0
2001	0	0	0	47.3	0	0	0	0	0	47.3	0
2002	0	0	0	47.8	0	0	0	0	0	47.8	0
2003[9)]	0	0	0	47.8	0	0	0	0	0	47.8	0

This table covers ownership only. This includes shares (including preference shares) and, in the case of Sparebanken NOR, primary capital certificates. Non-voting preference capital is not included. Not in the table: GBIF owned Oslobanken 1993-2000, cf 3).

2) The only two banks where both funds had shares at the same time are DnB and CBK. Hence, only these two are mentioned here.

3) All existing shares in Oslobanken were written down to zero as a condition for GBIF's injection of new capital. From that time the GBIF was the sole owner of Oslobanken until it was finally liquidated in November 2000.

4) Conversion of previously injected, convertible, subordinated debt.

5) GBIF had in 1991 and 1992 injected convertible preference capital, of which NOK 3.5 bn were intact after write-downs. Conversion of the total amount increased the GBIF's share in 1994. The share initially became even higher, but the combined transaction where new shares were issued and some of the shares held by the GBIF were sold, brought GBIF's share down to 46.4 per cent.

6) Reduction due to sale to the SBIF.

7) Partly sale to the SBIF.

8) DnB merged with the state bank Postbanken in 1999. The shares the Ministry of Finance received were transferred to the SBIF in 2000. The reduction in two funds' stake in 1999 was solely due to the increased number of shares.

9) As of November 20, 2003.

Sources: Annual reports from the GBIF and the SBIF.

Source: Moe p. 202

Table 13: Present value at 31.12.01, risk free interest rate

Present value 31.12.01			
In NOK 1000	**Outgoing payments**	**Incoming payments**	**Net**
DnB	-15 834 913	29 405 831	13 570 918
Kreditkassen	-12 530 942	18 234 488	5 703 546
Fokus Bank	-2 197 566	2 476 014	278 448
Oslobanken	-245 424	2 476	-242 948
Sparebanken NOR	-1 736 013	2 898 926	1 162 912
Other banks	-284 432	383 758	99 326
Support loans to SBGF and CBGF	-36 051	0	-36 051
Adm. costs GBIF and SBIF	-101 009	0	-101 009
Support direct from the state to SBGF	-1 886 240	0	-1 886 240
Special term deposits	-3 203 843	0	-3 203 843
Sparebanken Nord-Norge	-1 466 976	0	-1 466 976
Norion Bank	-179 421	0	-179 421
Total	**-39 702 830**	**53 401 493**	**13 698 663**

Source: Moe p. 248

In total, the government support amounted to about NOK 20.7 billion, approximately 3% of the banking sector assets in 1990 (Moe p. 205). The CBGF disbursed approximately NOK 4.7 billion of its own assets while the SBGF disbursed about NOK 3.2 billion. The GBIF injected NOK 16.2 billion in 17 injections; NOK 554 million to the SBGF in loans, NOK 2.5 billion to the CBGF in loans, and NOK 13.1 billion in direct injections to commercial banks (Moe p. 203).

II. Key Design Decisions

1. **The GBIF was not part of a package, but it was implemented alongside several other policies to address the financial crisis and worked in tandem with the Government Bank Investment Fund (SBIF) to make capital injections.**

The GBIF was not explicitly part of a package, although the Norwegian government did pursue other policies to address the financial crisis (Moe p. 7). These included loans from Norges Bank at below-market interest rates, which amounted to about 10% of banks' funding in late 1991, a Storting grant to the Savings Bank Guarantee Fund (SBGF), and a 75% reduction of banks' annual premiums to their respective guarantee fund.

In late 1991, when it became clear that the two private bank guarantee funds could not sustain the debt they owed to the GBIF, the Norwegian Parliament redesigned the systemic risk infrastructure (Moe p. 194). This included an expansion of the GBIF, as well as the establishment of the SBIF, subsidized deposits from Norges Bank, reduced premium payments from the two bank guarantee funds, an appropriation of NOK 1 billion to the SBGF, and reduced liquidity requirements for banks. Most importantly, it allowed the GBIF to make direct capital injections rather than just loans to the two private bank guarantee funds.

The GBIF was established as a short term facility to manage government ownership in banks, while the SBIF was established to manage long-term state investment in the banking sector on commercial principles, rather than purely for financial stability purposes (Drees p. 27, Munthe p. 21). The SBIF worked with private investors to provide capital to banks that were not in crisis to help overcome the crisis of confidence (Moe p. 194). After 1995, the GBIF became more of a contingency body and the SBIF managed state ownership in the banking industry.

2. The Norwegian Parliament established GBIF was a temporary facility to combat the financial crisis by providing loans to private bank guarantee funds. Later, it established the SBIF as a more permanent facility to manage government ownership in individual banks, and allowed the GBIF to make direct capital injections (Act on State Bank Guarantee Fund, Act on State Bank Investment Fund)

The GBIF was a temporary facility that was intended to provide loans to the Commercial and Savings Bank Guarantee Funds, that in turn could capitalize distressed banks (Drees p. 27). The Norwegian government planned to wind the GBIF down by 2000, and transfer the shares it held to the SBIF. The SBIF was established as an indefinite facility to manage long-term state investment in banks. The Norwegian used the SBIF's 1/3 interest in Norway's two largest commercial banks to ensure that they focused on financing Norwegian industries and that they would not lend imprudently.

The Norwegian parliament or Storting initially proposed establishing the GBIF on January 25, 1991, though it was established on March 15, 1991 to provide support loans to the two private bank guarantee funds (Moe p. 187). The expansion of the GBIF that allowed it to make direct capital injections happened on November 29, 1991 (Moe p. 194). This allowed the GBIF to purchase shares, primary capital certificates[3] or other equity capital instruments in Norwegian banks that could not raise private capital. This mechanism would result in GBIF's ownership of banks that had lost all their capital.

The Government Bank Investment Fund (SBIF) was established in November 1991 with NOK 4.5 billion (Drees p. 27). The SBIF was intended to make capital injections on commercial principles and help banks that were not in crisis raise capital when there was a general lack of confidence in the markets (Moe p. 194). It was designed to participate alongside private investors in bank capital instruments. During the same time, Norway made amendments to the Community Banking Act that allowed the King in Council to write down bank share capital to zero, preventing the government from taking over risk that shareholders bear.

The Relationship Between the GBIF and the SBIF

Initially in 1991, when the SBIF was established and the GBIF was granted permission to make capital injections, it was not clear what the relationship between the two institutions would be (Moe p. 199). A 1992 document maintained that the GBIF's equity holdings were in service of crisis management while the SBIF's holdings were in an investor role alongside private owners. The GBIF provided capital support to struggling banks during the crisis, making sure to impose requirements including cost cutting and balance sheet reductions that helped maintain stability. The GBIF's purchases of shares and primary capital certificates granted it varying degrees of ownership in different banks, but it generally avoided directly intervening in bank operations, preferring to exert influence as a contracting party.

[3] A primary capital certificate was the equity instrument of savings banks. Certificate holders had somewhat limited rights compared to shareholders of commercial banks.

3. **The GBIF was governed by a board appointed by Norges Bank and the Norwegian King.**

The GBIF was governed by a board of experts that made its decisions, carrying out operations at a distance from political authorities (Bergo-A). The three-member board was appointed by the King and supplemented by one non-voting representative from Norges Bank and one from the BISC (Banking, Insurance, and Securities Commission), with a secretariat provided by Norges Bank (Moe p. 187, Act on State Bank Guarantee Fund). However, it maintained a close relationship with Norwegian financial supervisors and Norges Bank, the latter of which also played a role in Norway's financial stability infrastructure (Bergo-A). Norges Bank was the lender of last resort for recapitalized bank, and a source of liquidity support to sound financial institutions, though banks did not have to resort to its provisions as they generally kept their funding.

4. **The GBIF was initially funded with NOK 5 billion in January 1991, appropriated by the Norwegian Storting, which later increased the GBIF's funding by NOK 6 billion and funded SBIF with NOK 4.5 billion in November 1991**

The GBIF was initially funded with 5 billion NOK, later increased with an additional 6 billion NOK in November 1991, when a government policy allowed it to make direct capital injections to banks (Andersen; Drees p. 27). The SBIF was funded by 4.5 NOK to invest in banks alongside private investors, eventually disposing of its shares.

5. The CBGF and SBGF made capital injections primarily with the GBIF's support after 1991, but maintained guarantees in many affected banks.

Table 9: Support loans to SBGF and CBGF

Support loan from GBIF to SBGF and CBGF, in NOK 1000					
Payment date	**Payment**	**Cashflow**	**Cum. present value**	**Year**	**Discount rate**
30.08.1991	Loan, paid out	-2 770 000	-2 770 000	1991	10.57 %
31.12.1991	Loan instalment	741 960	-2 123 438	1991	10.57 %
30.06.1992	Instalment payment	486 907	-1 745 629	1992	11.54 %
15.08.1992	Loan, paid out	-234 000	-2 003 822	1992	11.54 %
30.06.1993	Instalment payment	752 663	-1 451 847	1993	5.25 %
31.05.1994	Instalment payment	849 135	-672 521	1994	6.72 %
30.06.1994	Instalment payment	615 969	-60 157	1994	6.72 %
31.12.1994			-62 162	1994	6.15 %
31.12.1995			**-65 985**	1995	5.20 %
31.12.1996			-69 426	1996	4.05 %
31.12.1997			-72 238	1997	4.14 %
31.12.1998			-75 228	1998	6.81 %
31.12.1999			-80 351	1999	5.67 %
31.12.2000			-84 920	2000	7.09 %
31.12.2001			**-90 941**	2001	5.93 %

Source: Moe p. 242

Table 2:
Disbursements and outstanding guarantees in connection with guarantee funds' involvement from 1 January 1988 - 31 December 1993[i]. In millions of NOK

	Savings Bank Guarantee Fund			Commercial Banks Guarantee fund				
Bank's name	Outstanding guarantees at 31.12.	Payments financed with own resources	Payments financed with support loans from GBIF	Payments financed with own resources	Payments financed with support loans from GBIF	Direct payments from GBIF	Norges Bank's losses	Total Disburse-ments
1988								
Sp.b. Nord-Norge	600						200	200
1989								
Sp.b. Nord-Norge	650	1456					500	1956
Sp.b. Romsdal		130						130
Spareskillingsbanken		135						135
Varhaug Sp.b.	20							
Flå Sp.b.	13							
Sp.b. Romsdal	40							
Sunnmørsbanken				580				580
Norion Bank				305			74	379
1990								
Sp.b. Moss Hobøl		145						145
Skiptvedt Sp.b.		10						10
Varhaug Sp.b.		11						11
Flå Sp.b.		5						5
Sp.b. Nord-Norge		7						7
Sp.b. Romsdal		1						1

Table 2: continues

	Savings Bank Guarantee Fund			Commercial Banks Guarantee fund				
Bank's name	Outstanding guarantees at 31.12.	Payments financed with own resources	Payments financed with support loans from GBIF	Payments financed with own resources	Payments financed with support loans from GBIF	Direct payments from GBIF	Norges Bank's losses	Total Disburse-ments
1990 (continues)								
Sp.b. Nord-Norge	650							
Sp.b. Nordland	500							
Varhaug Sp.b.	10							
Sp.b. Romsdal	50							
Hemnes Sp.b.	7							
Sunnmørsbanken				466				466
1991								
Den norske Bank				939				939
Fokus Bank				1500	650	475		2625
Christiani a Bank				924	1800	5140		7864
Samvirkebanken				22				22
Sp.b. Midt-Norge		365	160					525
Sp.b.Rogaland		440	160					600
Nordkapp Sp.b.		15						15
Hemnes Sp.b.		27						27
Sp.b. Romsdal		47						47
Flå Sp.b.		2						2
Tysfjord Sp.b.		1						1

Table 2: continues

	Savings Bank Guarantee Fund			Commercial Banks Guarantee fund				
Bank's name	Outstanding guarantees at 31.12.	Payments financed with own resources	Payments financed with support loans from GBIF	Payments financed with own resources	Payments financed with support loans from GBIF	Direct payments from GBIF	Norges Bank's losses	Total Disburse-ments
1991 (continues)								
Halsa Sp.b.		17						17
Nittedal Sp.b.		45						45
Sp.b. Nordland		350						350
Sp. Nord-Norge	800							
Nordkapp Sp.b.	40							
Halsa Sp.b.	43							
Nittedal Sp.b.	7							
Nore Sp.b.	27							
Varhaug Sp.b.	9							
Flå Sp.b.	6							
Tysfjord Sp.b.	6							
1992								
Den norske Bank						3250		3250
Sp.b. Midt-Norge			75					75
Sp.b. Rogaland			144					144
Hof Sparebank	6		10					10
Christiania Bank						1900		1900
Fokus Bank						600		600

Table 2: continues

	Savings Bank Guarantee Fund			Commercial Banks Guarantee fund				
Bank's name	Outstanding guarantees at 31.12.	Payments financed with own resources	Payments financed with support loans from GBIF	Payments financed with own resources	Payments financed with support loans from GBIF	Direct payments from GBIF	Norges Bank's losses	Total Disburse-ments
1992 (continues)								
Sp.b. Nord-Norge	800							
Halsa Sp.b.	43							
Nittedal Sp.b.	2							
Nore Sp.b.	16							
Flå Sp.b.	1							
Tysfjord Sp.b.	4							
1993								
Den norske Bank						1500		1500
Fokus Bank						20		20
Oslobanken						88		88
Fokus Bank						200		200
Sp.b. Nord-Norge	800							
Halsa Sp.b.	15							
Nittedal Sp.b.	2							
Nore Sp.b.	15							
Hof Sp.b.	2							
Tysfjord Sp.b.	2							
Total		3 209	549	4 736	2 450	13 173	774	24 891

i)For cases already settled the figures cover realised losses by the end of 1993(e.g. in the case of Norion Bank). Assets acquired from banks are entered at the same value as recorded in the guarantee funds' accounts at the time the assets were acquired. Outstanding guarantee liabilities at 31 December are entered in full irrespective of expected payments. In addition to the amounts mentioned, the Commerical Banks Guarantee Fund furnished a deposit guarantee in Norion Bank in 1989, an equity guarantee in Fokus Bank in 1990 and guaranteed for all of Sunnmørsbanken's obligations in 1988. In 1993 the CBGF issued a guarantee for the fulfilment of Oslobanken's obligations. As most of these guarantees had no limit, amounts are not mentioned. The Commercial Banks' Guarantee Fund also contributed support deposits to 10 commercial banks totalling NOK 196m in 1991.

The payment date is applied. Resolutions on payments were in several cases adopted in the previous year, cf. Table A in the *Survey of support measures* at the end this chapter.
Disbursements up to and including 1993 under various guarantees from the CBGF and the SBGF are included in the table. I have not tried to find the exact figures for later disbursements and/or dividends under the guarantees, and hence the CBGF and the SBGF's final losses as a result of the guarantees. The CBGF has informed that the final bills regarding Sunnmørsbanken and Norion Bank were roughly as stated in the table. Disbursements under the guarantee for Oslobanken amounted to NOK 563m. Norges Bank's final loss was NOK 27m smaller than stated in the table, not counting lost interest. The SBGF informs that the guarantee regarding Sparebanken Nord-Norge, outstanding by the end of 1993, expired at 1 December 1994, without any disbursements made under the guarantee.

It seems that adding the NOK 563m for Oslobanken to the table's total, getting approximately NOK 25.4 bn., gives a good estimate of total disbursements.

Sources:CBGF, SBGF and GBIF (The table is from Report no. 39 to the Storting (1993-1994). Minor adjustments have, however, been made).

Source: Moe p. 188-192

6. The GBIF and SBIF made indirect and direct capital injections, mostly in the form of preferred shares, but also made convertible loans.

GBIF

In early 1991, Christiania Bank and Fokus Bank both applied for capital injections from the CBGF (Moe p. 193). The CBGF had depleted funds, so in August 1991 the GBIF loaned nearly half its funding to the CBGF to finance capital injections of NOK 1.8 billion of preferred shares in Christiania Bank and NOK 650 million of preferred shares in Fokus Bank (Kaen p. 88; Moe p. 193). In October 1991, the GBIF provided two loans of NOK 160 million to the SBGF to recapitalize Sparebanken Rogaland and Sparebanken Midt-Norge (Moe p. 193). These capital injections were intended to bring the recapitalized banks to capital adequacy by the end of the year (Moe p. 194).

In Q3 of 1991, Christiania Bank had lost all common and preferred equity capital, of which NOK 2.7 billion had been injected by the CBGF (Moe p. 195). Fokus Bank had lost all common equity and some preferred equity, while Den Norske Bank had only NOK 327 million of share capital and all its preferred equity. The GBIF signed agreements to provide all three banks capital injections, and helped Den Norske and Christiania banks achieve an 8% capital ratio by the end of 1991. Fokus Bank achieved a 5.5% capital ratio, but this was adequate as it had promised to reduce its balance sheet significantly in the following two years. By 1992, the GBIF was the sole owner of Fokus Bank, and the majority owner of Den Norske and Christiania banks (Moe p. 195-196).

Later in 1992, the GBIF agreed to provide NOK 4 billion to bring Den Norske Bank and Christiania Bank up to an 8% capital adequacy ratio, subject to additional appropriations by the Norwegian Storting (Moe p. 196). This would also bring Fokus bank to an 8% capital ratio after parts of the bank were sold as per its contract with GBIF. The GBIF agreed to inject NOK 600 million in Den Norske Bank, and NOK 200 million in Fokus bank if their capital ratios dipped below 3.8% in late 1993, but this did not occur.

The GBIF later sold 229 million shares of Christiania Bank to the SBIF at a price based on the equity capital per share in the banks 1992 annual accounts (Moe p. 196). The GBIF also had contracted to provide Fokus bank additional capital if needed to maintain their capital requirements, and in 1993, contributed NOK 20 million to help it merge with Samvirkebanken (Moe p. 198). Consequently, there was a small minority of private owners in Fokus bank.

The GBIF also made loans to the SBGF to support capital injections to Sparebanken Rogaland and Sparebanken Midt-Norge (Moe p. 196).

Table 13. Norway: Funds Used in Rescue Operations[1]
(In millions of Norwegian kroner)

		Savings Banks Guarantee Fund		Commercial Banks Guarantee Fund	Government Bank Insurance Fund		Government Bank Investment Fund	
		Guarantee	Equity	Equity	Guarantee	Equity		
1988	Sparebanken Nord-Norge	600			200			
1989	Sparebanken Nord-Norge	650	1, 456		500			
	Sunnmorsbanken			580				
	Norion Bank			305	73			
	Other savings banks	73	288					
1990	Sparebanken Nord-Norge	650	7					
	Sunnmorsbanken			466				
	Other savings banks	567	172					
1991	Den Norske Bank			940				
	Fokus Bank			2,150[2]			475	
	Christiania Bank			2,724			5,140	
	Sparebanken Midt-Norge		525					
	Sparebanken Rogaland		600					
	Sparebanken Nord-Norge	800						
	Oslobanken							63
	Other commercial banks			22				20
	Other savings banks	138	504					
1992[1]	Den Norske Bank					600	4,750	1,675
	Christiania Bank						1,900	
	Sparebanken Midt-Norge		75			200	600	
	Sparebanken Rogaland		144					
	Other savings banks							1,070
	Total	3,478	3,768[3]	7,187[4]	773	800	12,865	2,828

Sources: Commission on the Banking Crisis (1992); Organization for Economic Cooperation and Development (1995).
[1]No official support was provided to banks after 1992.
[2]Indicates also subordinate convertible debt.
[3]Indicates NKr 539 million made on the basis of support loans from the Government Bank Insurance Fund.
[4]Includes NKr 2.45 billion made on the basis of support loans from the Government Bank Insurance Fund.

Source: Drees p. 28.

Table A:
Overview of GBIF's decisions concerning support measures. Figures in millions of NOK

Guarantee Fund/Bank[1]	Amount	Type of capital[2]
1991:		
CBGF/Christiania Bank	1 800	Preference capital
CBGF/Fokus Bank	650	Preference capital
SBGF/Sp. Rogaland	160	Primary capital certificates
SBGF/Sp. Midt-Norge	160	Primary capital certificates
Den norske Bank	3 250	Preference capital
Christiania Bank	5 140	Share capital
Fokus Bank	475	Share capital
Total	11 635	
1992:		
SBGF/Sp. Midt-Norge	75	Primary capital certificates
SBGF/Sp. Rogaland	24	Primary capital certificates
SBGF/Sp. Rogaland	120	Primary capital certificates
SBGF/Sp. Hedmark	15	Primary capital certificates
Den norske Bank	1 500	Preference capital
	(600)[3]	Conditional capital contribution
Christiania Bank	1 050	Preference share capital
	850	Convertible subordinated loan
Fokus Bank	600	Share capital
	(200)[3]	Conditional capital contribution.
Total	4 234	
1993:		
Fokus Bank	20	Share capital
Oslobanken	80	Share capital
Fokus bank	200	Share capital
Total	308	
Combined total	16 177	

1) In those cases where only a bank is listed, the capital injection has been made directly from the GBIF to the bank.
2) In those cases where the CBGF or the SBGF is involved, the support has always been provided as loans from the GBIF, while the respective guarantee funds have injected the capital in the form mentioned.
3) Conditional capital contributions not disbursed in 1992 and not included in the total for the year. The capital contribution to Fokus Bank was paid in 1993 and is included there. The conditions for the payment of the contribution to Den norske Bank did not materialise.

Source: Moe p. 204

SBIF

The SBIF made two injections in 1991, purchasing 19.6% of Oslobanken and 32.3% of Samvirkebanken to meet capital adequacy requirements (Moe p. 197). It also made two convertible loans in the savings bank Union Bank of Norway totaling NOK 1 billion and convertible loans of NOK 70 million and NOK 25.6 million in the savings banks Sparebanken Vest and Sparebanken Møre respectively. Of the 1992 capital injections, NOK 1.5 billion occurred through the sale of equity capital to the SBIF (Moe p. 196).

7. The GBIF injected capital into Oslobanken in 1993 for the purpose of liquidating it.

Though Norwegian banks as a whole reported improvements in 1993, Oslobanken, which was already owned in part by the SBIF, applied for GBIF capital since it could not meet its capital requirement (Moe p. 197). The GBIF initially rejected this request, instead attempting and failing to orchestrate a merger with another bank. Due to the bank's reported negative equity capital and a concern for systemic risk, the GBIF injected capital alongside CBGF guarantees to facilitate liquidation of Oslobanken. This concluded in November 2000.

8. Private shareholders always bore losses before GBIF capital could be exposed.

When the GBIF began direct capital injections, it required that all losses would be first absorbed by writing down the equity of the original private shareholders before the government could be exposed to any losses (Milne 101, Bergo-A). If the bank refused to do so, the government was entitled to write down the share capital of the bank (Bergo-A).

The conditions imposed on injections made through GBIF support were unattractive to shareholders and bank managers, incentivizing them to try other solutions first, and use the GBIF only as a last resort (Bergo-A). These conditions also made sure that GBIF-capitalized banks did not have a competitive advantage over other banks. The condition that required losses to be absorbed by shareholders was imperative to gain political support from the electorate to conduct rescue operations.

9. The GBIF claimed board seats on each of the two private bank guarantee funds, and generally replaced the management of recapitalized banks.

The GBIF replaced two elected members each from the boards of the CBGF and the SBGF after it began making loans to them (Moe p. 193). This ensured a government majority on each board, and these new guarantee fund boards would choose the new boards of recapitalized banks. They often replaced bank management, though it was not required (Moe p. 193; Bergo-A). However, the governance structure of the banks remained intact while the ownership was transferred to the GBIF (Bergo-B). This ensured that politicians could not easily micromanage the recapitalized banks, and prevented the GBIF from interfering in the banks' day-to-day business operations.

10. The GBIF injections were contingent on a number of conditions including the write down of old capital to cover bank losses and a reduction in operating costs.

Capital support through the private bank guarantee funds required a bank to present a business plan that improved profits and reduced risk-weighted assets (Drees p. 27). For loans made to the private bank guarantee funds, the GBIF had the power to impose conditions on both the private bank guarantee funds and banks that received injections from them (Moe p. 187).

Capital injections performed through Norwegian private bank guarantee funds or directly from the GBIF were contingent on reducing bank operating costs, downsizing some activities and taking measures to restrain growth in total assets (Bergo-A, Bergo-B). The banks that received GBIF injections were required to regularly update the GBIF on their compliance with the conditions set during the injections and their progress towards profitability (Bergo-B). Conditions could include programs for cutting operating costs and bank branches (Moe

p. 6). These conditions were customized for each bank and made public (Bergo-A). The GBIF designed these injections to be preferred capital without voting rights that accrued dividends (Regulations for the activities of the GBIF).

The GBIF required the write-down of old capital to cover bank losses prior to capital injections to Fokus, Christiania, and Den Norske banks in 1991 (Moe p. 195). The shareholders of Fokus and Christiania banks could not agree on how their capital should be written down, so the Norwegian government issued royal decrees on December 20, 1991 that wrote their capital down to zero. The GBIF subsequently became the sole owner of Fokus and Christiania banks; as Den Norske bank still had private owners, the GBIF purchased preferred shares from it. In 1991 Den Norske bank also acquired mortgage company RealKreditt, whose shareholders purchased shares in the bank and underwrote new preference capital alongside the SBIF (Moe p. 195). The SBIF subsequently became the majority owner of Den Norske bank with 55.6% of its shares.

In 1992, lowest priority capital was written down against uncovered losses prior to new capital injections (Moe p. 196). In Den Norske bank, private share capital, CBGF preferred capital, and the lowest rated GBIF preferred capital was written down to zero, while in Christiania Bank, the par value of shares was written down from NOK 25 to NOK 7. Fokus bank had all its CBGF capital written down to zero, and its shares were written down from NOK 25 to NOK 11 (Moe p. 196-197). In 1991-1992, the CBGF made a loss of NOK 5.8 billion in preferred shares injected into the top three Norwegian banks.

As the crisis improved in 1993, the GBIF became increasingly confronted with issues of ownership and increases of capital, especially as existing agreements for GBIF capital injections often conflicted with pricing bank shares sensibly (Moe p. 199). When Christiania and Den Norske bank sought to issue new capital, the GBIF replaced its agreements with the banks to allow it (Moe p. 200). The new agreements clarified the GBIF's temporary role as a contingency safety net until the CBGF regained sufficient resources; they required regular reporting to the GBIF but allowed the banks to make commercial decisions without encumberment. Fokus bank arranged a similar agreement in 1995.

11. The GBIF sold its shares in the open market and to the SBIF before closing in 2002; the SBIF transferred loan repayments to the Treasury and transferred its stake of DnB NOR to the Ministry of Trade and Industry in 2004 before closing.

In June 1992, the Norwegian state offered a call option on 25% of its shareholding of Christiania bank to former shareholders (Munthe p. 22). They were offered at 16 NOK each, a discount of 36% off their book value of 25 NOK, and a discount of 66% relative to their purchase price of 46.73 NOK, though only a 2.3% of them were purchased (Moe p. 195).

There was no set deadline for reprivatizing the banks that received capital injections, allowing the GBIF to set its own strategy for selling the shares it held (Bergo-B). However, the GBIF was intended to be a temporary measure, and its participations were to be gradually phased out after the crisis (Munthe p. 21).

Because it wanted to bring in private shareholders, the GBIF offered former Christiania Bank shareholders, whose capital had been written down to zero, the opportunity to purchase up to 25% of GBIF's shares in spring 1992 (Moe p. 195). Only 2.3% of GBIF's shares were repurchased by former shareholders.

The Norwegian Storting addressed the GBIF and SBIF's role in the banks in 1993-1994, by calling for a continuation of at least 1/3 state ownership of Den Norske and Christiania banks through 1997 to maintain decision-making in Norway, focusing on Norwegian industries (Moe p. 200). State ownership of Fokus bank was maintained. The SBIF was to dispose of its holdings in all but the two major banks, selling assets gradually when commercial conditions allowed it.

In December 1993, Christiania bank sought additional private capital to strengthen its capitalization, and issued NOK 2 billion of equity, bringing the government's stake down to 68.9% (Moe p. 198). The GBIF decided to convert its preferred shares in Den Norske Bank to common equity, making the GBIF the majority owner; the government owned 87.5% of Den Norske bank in December 1993. The following spring, Den Norske bank issued NOK 1 billion in shares, and the GBIF also sold NOK 1 billion of its shares, reducing state ownership to 72%.

During the crisis, the SBGF had purchased primary capital certificates in three savings banks with its own funds and GBIF loans (Moe p. 198). In spring 1994, it sold these above par and repaid its GBIF debt with NOK 2 billion outstanding, eliminating all obligations the savings bank sector had to the GBIF.

As the GBIF was intended to be a safety net until the CBGF and the SBGF could support their own industries, money was transferred from the GBIF to the Treasury as shares were sold from 1994 onward based on the GBIF's liquidity needs (Moe p. 201). While the SBGF had regained its health by that time, the CBGF did not repay its GBIF loans until 1995, and the GBIF remained part of the commercial bank safety net while it rebuilt its capital.

The government gradually sold its GBIF shares after the crisis to the SBIF and to the open market (Honkapohja-A p. 23, Meinich). The GBIF sold Fokus Bank to Danske Bank, and gradually sold Christiania bank, which eventually merged with Nordea, a pan-Nordic group (Honkapohja-A p. 23). The GBIF also sold Den norske bank shares gradually, though the government still owns 34% of DnB NOR, the entity resulting from the merger of Den norske bank and the Union Bank of Norway. The GBIF's holding amounted to about 20% of Norway's total banking assets as of 2005 (Bergo-B).

The Norwegian government keeps its 34.21% holding in DnB NOR to prevent it being sold to foreign banks as of 2019 (Steigum p.6; DnB NOR Annual Report 2019 p. 21).

The GBIF's shares were managed by the SBIF starting in 1995 (Meinich). By the end of 1995, Fokus Bank had been fully privatized, and by the end of 1996, the GBIF and SBIF only held reduced stakes in Den Norske Bank and Christiania bank (Moe p. 201). Later Storting considerations recommended state ownership in only one institution centered around Den Norske bank; consequently, Christiania bank shares were sold to Merita Nordbanken in 2000. In the spring of 2001, the last remaining shares held by the GBIF, 104 million shares or 13% of DnB NOR, were sold in the open market, and the GBIF was subsequently no longer an owner of bank shares (Meinich).

It became clear that the GBIF was no longer necessary to support the two private bank deposit guarantee funds by 2001, and in 2002, the Fund was abolished (Moe p. 201-203). Christiania, Fokus and Den Norske bank no longer had to report quarterly to the GBIF.

Similarly, the SBIF transferred excess funds to the Treasury from 1993 onwards, paying more than NOK 26 billion in dividends to the state before it was dissolved in 2004 (Moe p. 203). In 2003, the SBIF had a 47.8% stake in DnB ASA, the parent company of Den Norske, which merged with the Union Bank of Norway to form DnB NOR ASA in December 2003 (Moe p. 203). The SBIF initially held 28.1% of the merged company, though the Norwegian Storting agreed that the SBIF should make private purchases to increase its stake to 34% of DnB NOR. In 2004, when the SBIF was terminated, its DnB NOR shares were transferred to the Ministry of Trade and Industry.

III. Evaluation

The government shareholding in DnB NOR illustrates the "too-big-to-fail" problem endemic to all Nordic countries (Steigum p.6). DnB NOR's total assets amounted to about 90% of Norway's GDP. It holds a blocking 34% minority in DnB NOR, amounting to about 20% of Norway's banking sector (Bergo-B; DnB NOR Annual Report 2019 p. 21).

After the crisis, the two major banks that were rescued had profit to asset ratios that were similar to other Norwegian banks that had not been recapitalized by the GBIF (Bergo-B). Bergo, Deputy Governor of Norges Bank, acknowledged the success of GBIF interventions in Norwegian banks, but raises a few concerns. First, there exists a potential conflict of interest between the government's role as a regulator and supervisor of financial markets, and its role as a shareholder. In addition, how will the GBIF's interest in DnB NOR affect its actions if DnB NOR fails? After the winding down of the GBIF, the Norwegian government transferred the management of DnB NOR from the Ministry of Finance to the Ministry of Industry, so that the regulating body was not directly responsible for the shares. Bergo believes it is possible but unlikely that political authorities would intervene in the bank for political purposes; it would be difficult anyway, as the government is a minority owner of DnB NOR, and its governance structure does not give a minority owner easy control. However, Bergo is concerned that the government might be unwilling to write down DnB NOR share to cover losses, or would not credibly treat it the same way as privately-owned banks.

Since banks that received a capital injection from the government were able to continue their normal operations, borrowers faced normal credit conditions (Bergo-A). He asserts that the economic costs of the crisis were greatly reduced because capital injections saved some banks from closure and maintained the supply of credit. The GBIF was established as a third line of defense, after equity capital and private bank guarantee funds, and was successful in preventing systemic damage caused by bank losses. However, Bergo also supported closing the GBIF to avoid moral hazard after the crisis, and advocated for solutions that focus on saving the financial system rather than shoring up individual banks.

A key concern in the government's handling of the crisis was the government's unilateral decision to write the capital of Fokus and Christiania bank to zero (Moe p. 218). A 1997 retrospective government report studied the bank's values and simulated alternatives, ultimately deciding that it was a prudent decision that was handled responsibly. However, it criticized the government for preventing private shareholders from articulating arguments in their defense prior to the write-down of their shares. This contributed to a lack of confidence in the decision (Moe p. 219). The report concludes that there is some doubt about the necessity of writing down shares in Den Norske bank, which had fewer losses and whose losses came about in part due to its government-orchestrated purchase of Realkreditt. The report criticizes that the government did not evaluate Den Norske bank's discounted future profit value, which the report estimates would have sufficed to demonstrate that even ordinary share capital had value and did not need to be written down (Moe p. 220). However, Den Norske bank's own shareholders decided to write down the capital instead of seeking better prospects.

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V. Key Program Documents

Summary of Program

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VI. Appendix

Appendix I: Den Norske Bank

Table 4: Den norske Bank

Payment date	In NOK 1000	No. of shares		NOK per share	Cashflow	Cum. present value	Only outgoing payments	Disc. rate
		GBIF	SBIF					
30.03.92	Underwriting effectuated		163 872	10.00	-1 638 717	-1 638 717		14.3 %
10.04.92	Supplied preference capital				-3 250 000	-4 895 331		14.3 %
31.12.92	No. of shares 31.12.92		163 872		0	-5 394 178		14.3 %
31.03.93	Supplied preference capital				-1 500 000	-7 074 912	-7 074 912	9.3 %
31.12.93	No. of shares 31.12.93		163 872		0	-7 562 558	-7 562 558	9.3 %
27.01.94	Conv. pref.cap. to shares	350 000			0	-7 612 212	-7 612 212	10.2 %
31.05.94	Public offering	-53 000		16.75	887 750	-6 978 615	-7 866 365	10.2 %
31.05.94	Costs assoc. with sale				35 043	-6 943 572	-7 866 365	10.2 %
31.12.94	No. of shares 31.12.94	297 000	163 872		0	-7 348 497	-8 325 104	10.2 %
15.05.95	Dividend received			1.25	576 090	-7 039 912	-8 628 159	9.2 %
31.12.95	No. of shares 31.12.95	297 000	163 872		0	-7 441 367	-9 120 185	9.2 %
29.04.96	Sales from GBIF to SBIF	-66 128	66 128	19.20	0	-7 659 829	-9 387 934	8.1 %
30.06.96	Public offering	-126 872		19.30	2 448 625	-5 312 607	-9 512 214	8.1 %
30.06.96	Costs assoc. with sale				-71 716	-5 384 323	-9 512 214	8.1 %
15.05.96	Dividend received			1.50	691 308	-4 640 733	-9 419 850	8.1 %
31.12.96	No. of shares 31.12.96	104 000	230 000		0	-4 872 758	-9 890 817	8.1 %
15.05.97	Dividend received			1.75	584 500	-4 429 812	-10 178 148	8.1 %
31.12.97	No. of shares 31.12.97	104 000	230 000		0	-4 653 732	-10 692 637	8.1 %
15.05.98	Dividend received			1.75	584 500	-4 205 899	-11 006 649	10.8 %
30.06.98	Costs assoc. with planned sale				-2 932	-4 263 593	-11 149 959	10.8 %
31.12.98	No. of shares 31.12.98	104 000	230 000		0	-4 490 022	-11 742 105	10.8 %
15.05.99	Dividend received			1.35	450 900	-4 212 864	-12 196 467	9.7 %
30.06.99	Costs assoc. with planned sale				-441	-4 262 600	-12 339 178	9.7 %
31.12.99	No. of shares 31.12.99	104 000	230 000		0	-4 465 635	-12 926 915	9.7 %
31.01.00	Increase in capital (Postbk.)		138 158	30.10	-4 158 553	-8 659 334	-17 187 209	11.1 %
15.05.00	Dividend received			1.75	826 276	-8 099 045	-17 715 145	11.1 %
31.12.00	No. of shares 31.12.00	104 000	368 158		0	-8 653 969	-18 928 936	11.1 %
15.05.01	Dividend received			2.25	828 355	-8 168 874	-19 679 755	9.9 %
10.04.01	Sale remaining shares GBIF	-104 000		41.50	4 316 000	-3 779 050	-19 501 905	9.9 %
10.04.01	Costs assoc. with sale				-90 242	-3 869 292	-19 501 905	9.9 %
31.12.01	Value of remainder 31.12.01	0	368 158	40.20	14 799 947	10 655 343	-20 889 524	

Source: Moe p. 233

Appendix II: Christiania Bank

Table 5: Christiania Bank

Payment date	In NOK 1000	Number GBIF	SBIF	NOK per share	Cashflow	Cum. present value	Only outgoing payments	disc. rate
20.12.1991	Fully paid share capital	110 000		46.73	-5 140 300	-5 140 300	-5 140 300	14.1 %
15.07.1992	Sales of shares to priv.	-2 476		16.00	39 618	-5 501 960	-5 541 578	14.3 %
15.07.1992	Costs assoc. with sale				-7 310	-5 509 270	-5 541 578	14.3 %
21.12.1992	Fully paid pref. shares	150 000		7.00	-1 050 000	-6 889 557	-6 923 802	14.3 %
21.12.1992	Convertible subord. loan				-850 000	-7 739 557	-7 773 802	14.3 %
31.12.1992	No. of shares 31.12.92	257 524	0		0	-7 767 950	-7 802 321	14.3 %
26.03.1993	Sale from GBIF to SBIF	-228 829	228 829	6.56	0	-8 013 533	-8 048 991	9.3 %
31.12.1993	Interest subord. loan				114 401	-8 461 861	-8 614 209	9.3 %
30.06.1993	Loan conv. to shares	121 429			0	-8 092 771	-8 238 474	9.3 %
31.12.1993	No. of shares 31.12.93	150 124	228 829		0	-8 461 861	-8 614 209	9.3 %
22.07.1994	Sale from GBIF to SBIF	-46 671	46 671	13.00	0	-8 888 624	-9 048 655	10.2 %
31.12.1994	No. of shares 31.12.94	103 452	275 500		0	-9 278 307	-9 445 354	10.2 %
15.05.1995	Dividend received			0.90	341 057	-9 275 005	-9 789 190	9.2 %
01.10.1995	Sales of shares to SBIF	-5 500	5 500	14.90	0	-9 591 138	-10 122 850	9.2 %
15.12.1995	Public offering shares	-97 952		14.20	1 390 924	-8 375 242	-10 307 581	9.2 %
15.12.1995	Costs assoc. with public offering				-43 381	-8 418 623	-10 307 581	9.2 %
31.12.1995	No. of shares 31.12.95	0	281 000		0	-8 451 165	-10 347 425	9.2 %
15.05.1996	Dividends received			1.10	309 100	-8 423 799	-10 692 374	8.1 %
31.12.1996	No. of shares 31.12.96	0	281 000		0	-8 844 967	-11 226 964	8.1 %
15.05.1997	Dividends received			1.55	435 550	-8 666 365	-11 553 110	8.1 %
31.12.1997	No. of shares 31.12.97	0	281 000		0	-9 104 436	-12 137 101	8.1 %
15.05.1998	Dividends received			1.20	337 200	-9 034 607	-12 493 533	10.8 %
31.12.1998	No. of shares 31.12.98	0	281 000		0	-9 638 293	-13 328 342	10.8 %
31.03.1999	Public offering shares		-90 000	30.60	2 754 000	-7 131 353	-13 669 990	9.7 %
31.03.1999	Costs assoc. with public offering				-65 000	-7 196 353	-13 669 990	9.7 %
15.05.1999	Dividends received			1.50	286 500	-6 992 217	-13 826 445	9.7 %
31.12.1999	No. of shares 31.12.99	0	191 000		0	-7 410 981	-14 654 512	9.7 %
15.05.2000	Dividends received			3.00	573 000	-7 097 304	-15 167 297	11.1 %
31.12.2000	Sale to MeritaNordbanken		-191 000	49.00	9 359 000	1 775 410	-16 206 517	7.1 %
31.12.2000	Costs assoc. with sale				-10 279	1 765 131	-16 206 517	
31.12.2001	Present value					**1 890 278**	**-17 355 559**	

Source: Moe p. 235

Appendix III: Fokus Bank

Table 6: Fokus Bank

Payment date	In NOK 1000	No. GBIF	NOK per share	Cashflow	Cum. present value	Only outgoing payments	Discount rate
20.12.1991	Fully paid share capital	19 000	25.00	-475 000	-475 000		14.1 %
23.11.1992	Fully paid share capital	24 000	25.00	-600 000	-1 136 906		14.3 %
31.12.1992	No. of shares 31.12.92	43 000		0	-1 152 837		14.3 %
	Fully paid share capital						
27.04.1993	(Samvirkebk.)	1 818	11.00	-20 000	-1 223 302		9.3 %
20.12.1993	Fully paid share capital	18 182	11.00	-200 000	-1 495 631	-1 495 631	9.3 %
31.12.1993	No. of shares 31.12.93	63 000		0	-1 499 623	-1 499 623	9.3 %
31.12.1994	No. of shares 31.12.94	63 000		0	-1 638 339	-1 638 339	10.2 %
15.10.1995	Public offering	-63 000	29.00	1 827 000	58 801	-1 768 199	9.20 %
15.10.1995	Costs assoc. with sale			-56 982	1 819	-1 768 199	9.20 %
31.12.1995	No. of shares 31.12.95	0		0	1 853	-1 801 335	9.20 %
31.12.1996	No. of shares 31.12.96	0		0	2 024	-1 967 533	4.05 %
30.06.1997	Shares from CBGF	130		0	2 064	-2 006 652	4.14 %
30.06.1997	Sales of shares	-130	55.59	7 209	9 273	-2 006 652	4.14 %
31.12.1997	No. of shares 31.12.97	0		0	9 465	-2 048 110	4.14 %
31.12.1998					9 857	-2 132 902	6.81 %
31.12.1999					10 528	-2 278 153	5.67 %
31.12.2000					11 127	-2 407 688	7.09 %
31.12.2001					**11 916**	**-2 578 393**	5.93 %

Source: Moe p. 237

Appendix IV: Oslobanken

Table 7: Oslobanken

Payment date	In NOK 1000	Cashflow			Cum. present value	Only outgoing payments	Discount rate
		GBIF	SBIF	Total			
23.11.1992	Participation in offering		-62 500	-62 500	-62 500		14.3 %
23.11.1992	Subordinated loan		-1 250	-1 250	-63 750		14.3 %
27.04.1993	Fully paid share capital.	-88 330		-88 330	-155 803	-155 803	9.3 %
31.12.1993					-165 456	-165 456	5.3 %
31.12.1994					-174 142	-174 142	6.2 %
31.12.1995					-184 852	-184 852	5.2 %
02.07.1996	Interest subordinated loan		603	603	-189 033	-189 636	4.1 %
02.07.1996	Redemption subord. loan		1 250	1 250	-187 783	-189 636	4.1 %
31.12.1996					-191 538	-193 428	4.1 %
31.12.1997					-199 295	-201 262	4.1 %
31.12.1998					-207 546	-209 594	6.8 %
31.12.1999					-221 680	-223 867	5.7 %
31.12.2000					-234 285	-236 596	7.1 %
31.12.2001					**-250 895**	**-253 371**	

Source: Moe p. 239

Appendix V: Sparebanken NOR

Table 8: Sparebanken NOR

Payment date	In NOK 1000	No. SBIF	NOK per PCC	Cashflow	Cum. present value	Only outgoing payments	Discount rate
30.06.1992	Convertible subord. loan			-1 000 000	-1 000 000	-1 000 000	14.3 %
30.06.1992	Interest subord. loan			73 189	-926 811	-1 000 000	14.3 %
30.06.1993	Loan converted to primary capital certificates	10 000	100.00	0	-1 059 345	-1 143 000	9.3 %
01.01.1994		10 000		0	-1 107 927	-1 195 419	10.2 %
30.06.1994	Dividends received		18.00	180 000	-982 026	-1 253 790	10.2 %
30.06.1995	Dividends received		15.00	150 000	-931 702	-1 381 050	9.2 %
31.12.1995					-973 970	-1 443 702	9.2 %
15.04.1996	Primary capital certificates sold	-10 000	176.00	1 760 000	760 815	-1 481 078	8.1 %
15.04.1996	Costs assoc. with sale			-58 000	702 815	-1 481 078	8.1 %
31.12.1996					742 665	-1 565 056	4.1 %
31.12.1997					772 743	-1 628 441	4.1 %
31.12.1998					804 735	-1 695 858	6.8 %
31.12.1999					859 537	-1 811 346	5.7 %
31.12.2000					908 410	-1 914 339	7.1 %
31.12.2001					**972 817**	**-2 050 065**	5.9 %

The last line in the table shows a total present value of almost NOK 1 billion at the end of 2001.

Source: Moe p. 241

Appendix VI: Timeline of Major Events

1988: Failure of Sunnmørsbanken; CBGF guarantee of its commitments, and Norges Bank liquidity support (Moe p. 184).

November 1988: Sparebanken Nord and Tromsø Sparebank insolvent

July 1989: Sparebanken Nord and Tromsø Sparebank merge to make Sparebanken Nord-Norge; get NOK 1.5 billion loan from Norges Bank

October 1989: Norion Bank fails; CBGF guarantees only nonbank deposits; Norges Bank loses on its loans and provides a new liquidity loan that CBGF guarantees

January 1990: Sunnmørsbanken merges with Christiania Bank

Late 1990: Fokus Bank gets NOK 1.5 billion guarantee from CBGF

1989-1990: SBGF disburses NOK 1.9 billion (1% total assets of savings banks) in nine banks, and guarantees of NOK 1.2 billion; CBGF makes NOK 1.4 billion of provisions to Sunnmørsbanken and Norion Bank and agrees to make capital injections on a case-by case basis up to NOK 2 billion amongst all member banks (Moe p. 187).

January 25, 1991: Proposal to establish the GBIF

March 15, 1991: GBIF is established with capital of NOK 5 billion

June 17, 1991: CBGF approves injection of preferred capital to Den Norske Bank, Christiania Bank, and Smvirkebanken NOK 1.6 billion

Late June 1991: Equity guarantee of NOK 1.5 billion in Fokus Bank replaced with NOK 1.5 billion in preferred shares

June 28, 1991: CBGF offered NOK 1 billion of preferred shares; distributed only to Samvirkebanken, though other banks also applied for support: NOK 196 million was allocated

August 1991: GBIF provides support loans to the CBGF for preferred share capital injections to Christiania Bank and Fokus Bank respectively

October 1991: GBIF gives SBGF two loans of NOK 160 million each to buy primary capital certificates in Sparebanken Rogaland and Sparebanken Midt-Norge

October 1991: Storting establishes the SBIF with NOK 4.5 billion; allocates an additional NOK 6 billion to GBIF, proposes subsidized deposits from Norges Bank, reduced premium payments to two guarantee funds, appropriates NOK 1 billion to the SBGF and reduces liquidity requirements for banks

November 29, 1991: The Storting allows the GBIF to directly purchase shares, primary capital certificates and other equity capital instruments, and allows the King in Council to write down bank shares (Moe p. 196).

December 20, 1991: Share capital of Christiania Bank and Fokus Bank are written down to zero and GBIF purchases share capital in both banks, becoming their sole owner

1991: SBIF investment of 19.6% in new shares in Oslobanken; SBIF investment of 32.2% in new shares in Samvirkebanken

Spring 1992: GBIF offers former shareholders of Christiania Bank the option to purchase 25% of shares; 2.3% were repurchased; SBIF and investors underwrite preferred shares in Den Norske Bank – SBIF owns 55.6% of shares

Spring/Summer 1992: GBIF makes three loans of NOK 219 million to SBGF to fund capital injections to Sparebanken Rogaland and Sparebanken Midt-Norge as well as a NOK 15 million loan to cover deficit in Hof Sparebank and the SBGF's guarantee liability in Hedmark Sparebanken

Late 1992: GBIF injects NOK 4 billion to Fokus, Den Norske, and Christiania banks to help them achieve capital adequacy ratios; NOK 1.5 billion of this was SBIF injections

Late 1992: (Moe p. 187). Den Norske share capital, CBGF preferred shares, and low-ranking GBIF preferred shares written down to zero; Christiania share written down from NOK 25 to NOK 7, Fokus Bank CBGF preferred shares written down to zero, and share par value written down NOK 25 to NOK 11

1992: SBIF invests NOK 1 billion of convertible subordinated debt in Union Bank of Norway and NOK 700 million in Sparebanken Vest and NOK 25.6 million in Sparebanken Møre

April 1993: Oslobanken applies for GBIF funding – GBIF says no but injects share capital to help liquidate the bank

December 1993: Christiania Bank raises NOK 2 billion of private share capital – government stake reduced to 68.9%; GBIF converts preferred shares in Den Norske Bank to shares making GBIF majority owner of 87.5%.

1993: GBIF provides conditional capital of NOK 20 million of shares to help facilitate the merger of Fokus Bank and Samvirkebanken; SBIF converts subordinated debt in Sparebanken NOR to shares, owning 48% of the bank in 1993; GBIF writes down all shares of Oslobanken and becomes its sole owner

Late 1993: New agreement between GBIF and Christiania bank that ended the obligation of the bank to report to the GBIF, and the GBIF ability to impose new requirements, as soon as the bank achieved its capital ratio and the CBGF achieved its minimum size to serve as the safety net for the industry

Early 1994: New agreement between GBIF and Den Norske Bank

May/June 1994: NOK 1 billion of GBIF Den Norske shares and NOK 1 billion of new Den Norske shares sold in market – government ownership down to 72%.

Spring 1994: SBGF sells primary capital certificates in Sparebanken Rogaland, Sparebanken Midt-Norge, and Sparebanken Nord-Norge above par and repays all its debt to GBIF with NOK 2 billion remaining. End of savings bank sector obligations to GBIF

Spring 1995: New agreement between GBIF and Fokus Bank

1994-1995: GBIF transfers ownership of banks to the SBIF but keeps 16.2% of Den Norske Bank

1995: GBIF sells Fokus Bank to Danske Bank; CBGF repays all its loans obligations to GBIF

1996: GBIF sells Christiania Bank shares to SBIF and market

2000: GBIF liquidates Oslobanken completely; SBIF sells its shares in Christiania Bank to Merita Nordbanken

2001: GBIF sells 104 million shares or 13% of Den Norske Bank into the open market

2002: GBIF abolished

2003: Den Norske Bank merges with Union Bank of Norway to form DnB NOR. SBIF 47.8% share of Den Norske becomes 28.1 % of DnB NOR.

2004: SBIF terminated; shares in DnB NOR transferred to Ministry of Trade and Industry