3Q 2011

GOVERNMENT PENSION FUND GLOBAL **THIRD QUARTER 2011**

NBIM

Norges Bank Investment Management

Third quarter of 2011 in brief

- The Government Pension Fund Global returned -8.8 percent, or -284 billion kroner, in the third quarter of 2011 after global stock markets tumbled. It was the second-weakest quarter in the fund's history.

- Equity investments returned -16.9 percent and fixed-income holdings gained 3.7 percent. The overall return was 0.3 percentage point lower than the return on the benchmark indices.

- The fund's market value fell 56 billion kroner to 3,055 billion kroner.

- The fund bought a 50 percent stake in seven properties in and around Paris from AXA Group in July. It was the fund's first real estate investment in France and its second overall.

- The fund held 55.6 percent equities, 44.1 percent fixed income and 0.3 percent real estate at the end of the quarter.

Published 28 October 2011
10/300

Content

Translation from the original Norwegian version

Norges Bank is the central bank of Norway. Its aim is price stability, financial stability and to generate added value through investment management. Norges Bank Investment Management (NBIM) is responsible for investment management activities. NBIM manages the Government Pension Fund Global on behalf of the Ministry of Finance.

The fund

Decrease in market value

The fund's market value fell 56 billion kroner to 3,055 billion kroner in the third quarter of 2011.

Equity investments amounted to 1,699 billion kroner at the end of the quarter, down from 1,881 billion kroner at the start of the period. Fixed-income investments rose to 1,346 billion kroner from 1,226 billion kroner and real estate investments increased to 10 billion kroner from 4 billion kroner.

The market value is affected by investment returns, capital inflows and exchange rates. The fund returned -284 billion kroner in the quarter, while capital inflows from the government were 78 billion kroner. A weakening of the krone against several major currencies increased the market value by 150 billion kroner.

The fund had 84 percent of its investments in euros, pounds, dollars and the yen at the end of the quarter. The krone weakened 1.3 percent against the euro in the quarter, 6.2 percent versus the pound, 9.4 percent to the dollar and 14.6 percent against the yen.

The fund, which is in a start-up phase in real estate investing, is mandated to hold 60 percent equities, 35–40 percent fixed income and as much as 5 percent real estate. Actual investments at the end of the third quarter were 55.6 percent equities, 44.1 percent fixed income and 0.3 percent real estate.

Chart 1-1 Fund's market value. Billions of kroner

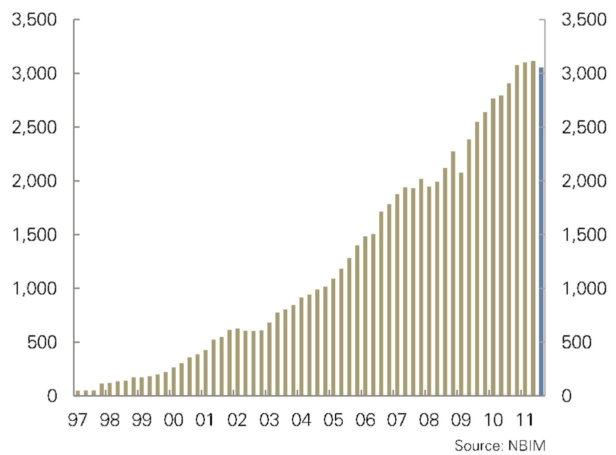


Chart 1-2 Changes in fund's market value. Billions of kroner

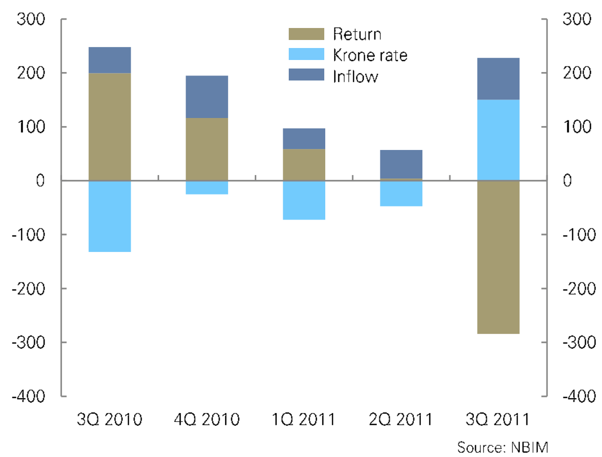
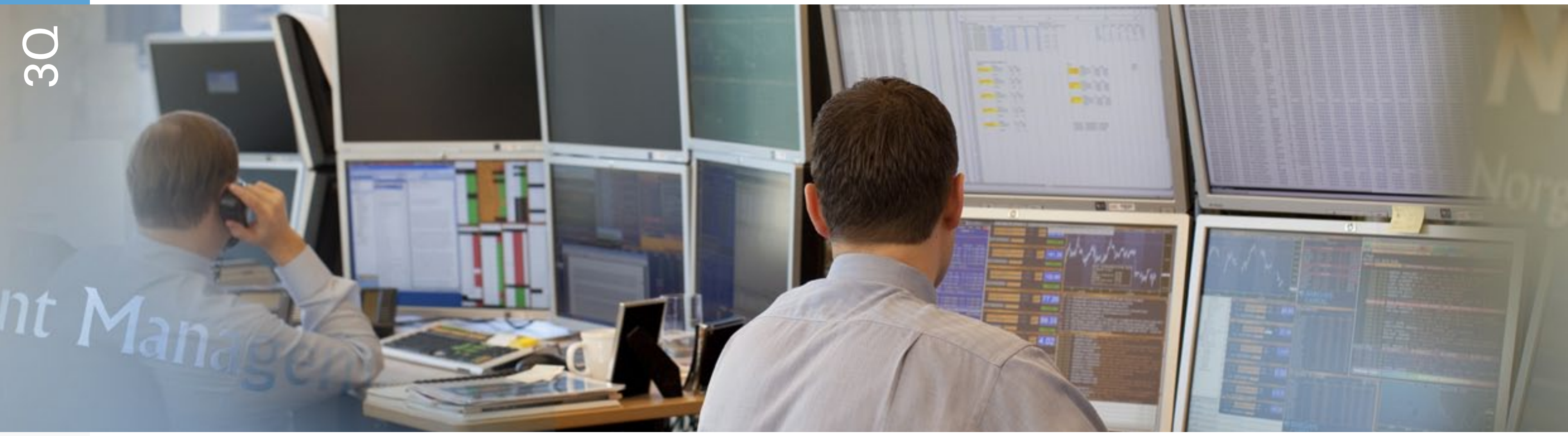


Table 1-1 Key figures as of 30 September 2011

	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010
Market value (billions of kroner)*					
Market value of equity investments	1,699	1,881	1,900	1,891	1,758
Market value of fixed-income investments	1,346	1,226	1,197	1,186	1,150
Market value of real estate investments	10	4	4	-	-
Market value of fund	3,055	3,111	3,102	3,077	2,908
Inflow of new capital*	78	53	38	78	49
Return of the fund	-284	4	59	116	199
Change due to fluctuations in krone	150	-48	-73	-25	-132
Total change in fund	-56	9	24	169	116
Management costs (percent)					
Estimated transition costs	0.01	0.01	0.01	0.01	-
Annualised management costs	0.08	0.08	0.08	0.11	0.10
Changes in value since first capital inflow in 1996 (billions of kroner)					
Gross inflow of new capital	2,679	2,601	2,547	2,508	2,429
Management costs	18	17	17	16	15
Inflow of capital after management costs	2,661	2,583	2,530	2,492	2,413
Return of fund	525	809	805	746	630
Change due to fluctuations in krone	-131	-281	-233	-160	-135
Market value of fund	3,055	3,111	3,102	3,077	2,908
Return after management costs	507	791	788	730	614

*The fund's market value and inflows in the table will differ from similar figures in the Statement of changes in owner's capital in the financial reporting section because of different treatment of management fees.

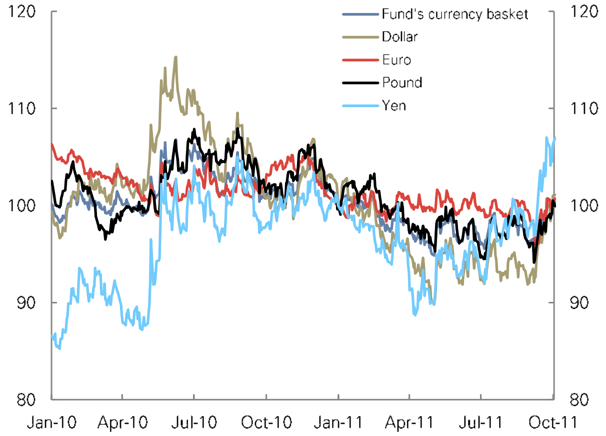


The share of equities fell by 4.9 percentage points from the second quarter after a slump in global stock markets reduced the value of the holdings. The rules for the fund stipulate that the equity share should be brought up to the long-term target, and generally the fund invests inflows from the government in the worst-performing asset class. In the third quarter, 78 percent of the capital from the government was put in equities, while 15 percent went to fixed income and 7 percent to real estate.

Table 1-2 Accumulated return since 1996. Billions of kroner

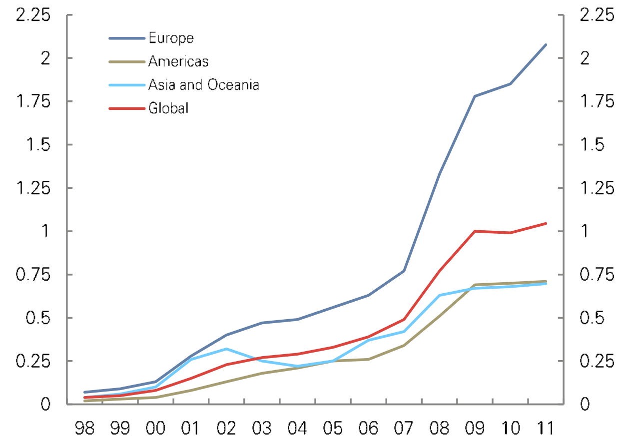
	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010
Return on equity investments	103.6	432.2	446.9	394.8	248.1
Return on fixed-income investments	421.3	376.8	357.8	351.4	381.6
Return on real estate investments	-0.4	-0.2	-	-	-
Total return	524.6	808.8	804.7	746.2	629.7

Chart 1-3 Movements in currency exchange rates against the krone. Indexed. 31 Dec. 2010 = 100



Source: WM,/Reuters

Chart 1-4 Fund's holdings in equity markets. Percentage of FTSE Global All Cap Index's market capitalisation



Source: FTSE, NBIM

Returns in international currency

The fund's investments in international securities are not converted into kroner in connection with financial reporting and are not hedged against moves in the krone. Changes in the krone exchange rate do not affect the fund's international purchasing power. Consequently, the return is generally given in international currency – a weighted combination of the currencies in the fund's benchmark indices for equities and fixed income. This basket consisted of 35 currencies at the end of the third quarter. The krone weakened 4.9 percent against the group of currencies in the quarter.

Table 1-3 Fund's largest equity holdings as of 30 September 2011

Company	Country	Holdings in millions of kroner
Royal Dutch Shell Plc	UK	23,585
Nestlé SA	Switzerland	23,066
HSBC Holdings Plc	UK	18,207
Novartis AG	Switzerland	16,976
Vodafone Group Plc	UK	16,168
Apple Inc	US	14,713
Exxon Mobil Corp	US	14,327
Roche Holding AG	Switzerland	14,031
BP PLC	UK	13,149
GlaxoSmithKline Plc	UK	12,948

Table 1-4 Fund's largest bond holdings as of 30 September 2011

Issuer	Country	Holdings in millions of kroner
United States of America	US	217,096
UK government	UK	106,553
French Republic	France	77,457
Japanese government	Japan	71,656
Federal Republic of Germany	Germany	60,988
Italian Republic	Italy	43,763
Government of the Netherlands	The Netherlands	2,862
Kreditanstalt für Wiederaufbau	Germany	22,900
European Investment Bank	Supranational	20,255
Kingdom of Spain	Spain	19,476

Fund management

Stock slump weighs on returns

The fund returned -8.8 percent in the third quarter of 2011 as global stock markets tumbled. It was the second-weakest quarter in the fund's history.

Equity investments returned -16.9 percent in the period, as measured in international currency. Signs of weaker global economic growth and concern over a deepening European sovereign debt crisis reduced investors' risk appetite and pushed down all of the fund's stock sectors.

The basic materials and industrial sectors, which are particularly sensitive to economic growth, led declines with returns of -26.4 percent and -22.6 percent, respectively. Several institutions, including the International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD), cut their forecasts for world economic growth after weaker-than-estimated developments in the US and Europe. The IMF warned of a risk of recession in these regions should authorities fail to take steps to stimulate growth, strengthen banks and prevent the sovereign debt crisis from spreading.

The fund's financial stocks returned -22.1 percent in the quarter, led by a drop for European banks. Increased concern about the ability of Greece, Portugal, Ireland, Italy and Spain to repay their debts pushed down the region's lenders, which were among the largest holders of the bloc's sovereign debt. Banks also became less willing to lend to each other amid concern over losses from potential sovereign defaults. The fund's European financial stocks returned -27.3 percent in the quarter, measured in international currency. US and Asian financial shares returned -17.9 percent and -14.4 percent, respectively. Financials were the fund's largest equity sector, accounting for 20 percent of stocks at the end of the period.

Investments in oil and gas stocks constituted 11 percent of equity holdings and returned -18.4 percent in the quarter. Benchmark crude oil prices fell 8.6 percent in London and 17 percent in New York on expectations lower economic growth would reduce demand for oil . Shares of BP, Exxon Mobil and Royal Dutch Shell fell 15.3 percent, 10.8 percent and 9.8 percent, respectively. The companies were among the fund's 10 largest equity holdings at the end of the quarter.

Investments in the healthcare sector performed best in the quarter, returning -7.2 percent. These stocks are often considered safer in turbulent markets.

Chart 2-1 Fund's quarterly return and accumulated annualised return. Percent

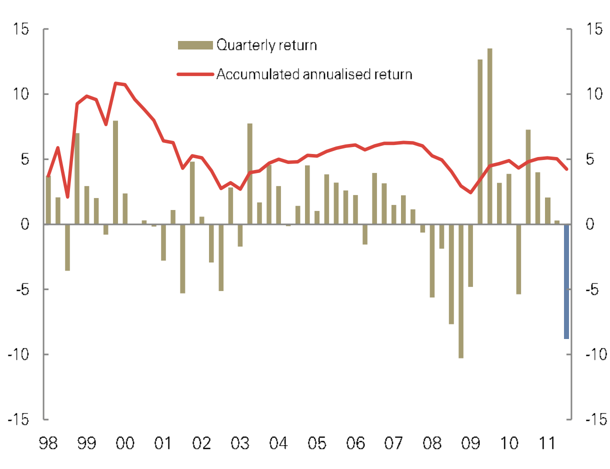


Chart 2-2 Quarterly relative return and accumulated annualised relative return of fund, excluding real estate investments. Percentage points

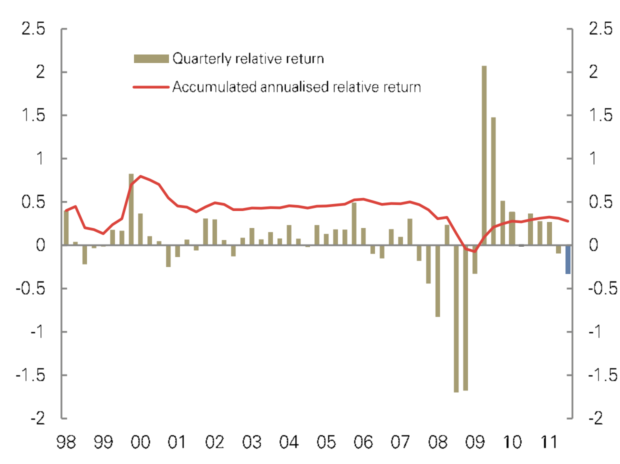


Table 2-1 Quarterly returns

	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010
Returns in international currency					
Equity investments (percent)	-16.95	-0.65	2.91	8.37	9.82
Fixed-income investments (percent)	3.65	1.78	0.72	-2.48	3.46
Real estate investments (percent)	-0.10	-4.70	-	-	-
Fund (percent)	-8.80	0.29	2.06	3.99	7.26
Fund, excluding real estate (percent)	-8.82	0.30	2.06	3.99	7.26
Benchmark indices, excluding real estate (percent)	-8.49	0.39	1.80	3.72	6.89
Relative return of fund, excluding real estate (percentage points)	-0.33	-0.09	0.27	0.28	0.36
Management costs (percentage points)	0.02	0.02	0.02	0.03	0.03
Return after management costs, excluding real estate (percent)	-8.82	0.27	2.04	3.97	7.23
Returns in kroner (percent)					
Equity investments	-12.85	-2.32	0.37	7.49	4.84
Fixed-income investments	8.76	0.07	-1.76	-3.28	-1.23
Real estate investments	4.83	-6.30	-	-	-
Fund	-4.30	-1.39	-0.45	3.15	2.39
Fund, excluding real estate	-4.32	-1.38	-0.45	3.15	2.39

Table 2-2 Historical key figures as of 30 September. Annualised data in international currency

	Last 12 months	Last 3 years	Last 5 years	Last 10 years	Since 1 Jan 1998
Return of fund (percent)	-2.92	4.86	1.18	4.20	4.23
Return of fund, excluding real estate (percent)	-2.93	4.86	1.17	4.20	4.23
Return of benchmark indices, excluding real estate (percent)	-3.01	4.07	1.22	3.96	3.95
Relative return of fund, excluding real estate (percentage points)	0.08	0.79	-0.04	0.24	0.28
Standard deviation (percent)	7.76	12.21	10.81	8.37	7.78
Tracking error (percentage points)	0.35	1.19	1.23	0.89	0.80
Information ratio (IR), excluding real estate*	0.22	0.67	-0.04	0.27	0.35
Gross annual return of fund (percent)	-2.92	4.86	1.18	4.20	4.23
Annual price inflation (percent)	3.02	1.49	2.16	2.07	1.90
Annual management costs (percent)	0.09	0.11	0.10	0.10	0.10
Annual net real return of fund (percent)	-5.85	3.22	-1.07	1.99	2.19

* The information ratio (IR) is a measure of risk-adjusted return. It is calculated as the ratio of excess return to the relative market risk that the fund has been exposed to. The IR indicates how much excess return has been achieved per unit of risk.

Regional equity performance

About 50 percent of the fund's equity investments were in Europe, 35 percent in the Americas, Africa and the Middle East and 15 percent in Asia and Oceania. Equity investments in these regions returned -20.7 percent, -13.4 percent and -12.4 percent, respectively, in the quarter, as measured in international currency.

The fund's best-performing investment in the quarter, in nominal terms, was Apple, maker of the iPad and the iPhone, followed by mobile phone operator Vodafone and IBM, the world's largest IT company. The worst-performing investment was BNP Paribas, France's largest bank, followed by German engineering company Siemens and carmaker Daimler.

Initial share sales worth at least 19 billion dollars were cancelled or postponed in the period because of waning risk appetite among investors, according to Bloomberg. These included the planned IPOs of Osram, the lighting

Chart 2-3 Price developments in regional and global equity markets, measured in US dollars. Indexed. 31 Dec. 2010 = 100

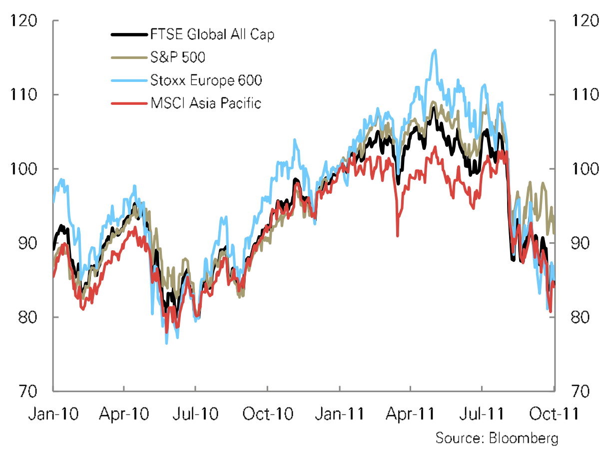
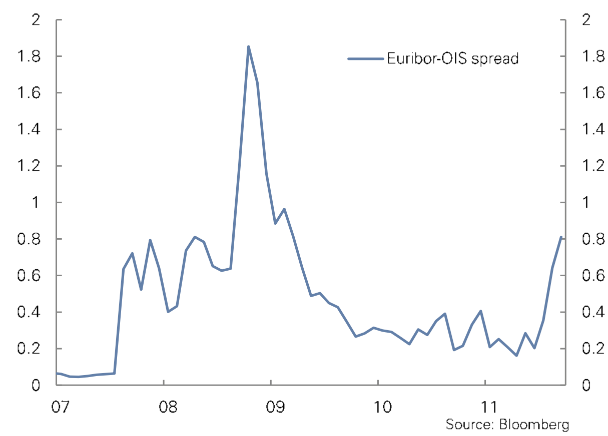


Chart 2-4 Difference between three-month euro interbank rate (Euribor) and overnight indexed swaps (OIS). Percentage points



Banks less willing to lend to each other

Fears of government debt defaults and possible bank losses reduced European banks' willingness to lend to each other in the third quarter. The three-month Euribor, the rate banks offer each another for unsecured euro-denominated loans, ended the quarter at 1.5 percent, largely unchanged from the beginning of the quarter. The three-month overnight indexed swap (OIS) rate, which reflects the expected deposit rate at the European Central Bank (ECB), almost halved in the same period. The widening difference between these rates showed banks demanded higher compensation to lend to each other rather than deposit funds in the central bank.

The so-called three-month Euribor-OIS spread climbed to 81 basis points at the end of the quarter from 20 basis points at the start of the period. It peaked at 89 basis points on 23 September, the highest level since March 2009.

There were similar developments during the financial turmoil in the summer of 2007 and after the collapse of US bank Lehman Brothers in autumn 2008. Banks became more reluctant to lend to one another because of a higher perceived risk of default by the counterparty and uncertainty about their own capital requirements. The Euribor-OIS spread climbed to a record-high 196 basis points in October 2008, up from about 4 basis points in June 2007 before the turmoil began.

unit of Siemens, and Spanish lottery operator Sociedad Estatal Loterías y Apuestas del Estado. Sales of new and existing shares at listed companies fell to about 84 billion dollars in the quarter from 204 billion dollars in the second quarter, according to Dealogic. The largest share sale the fund participated in was Bank of China's 18.8 billion Hong Kong dollar, or 12.6 billion kroner, issue in July. This was followed by a 1.6 billion-euro offering from ThyssenKrupp, a German engineering company, and a 1.9 billion-dollar sale by US bank Capital One.

The fund held shares in 8,026 listed companies at the end of the quarter, down from 8,389 three months earlier.

Table 2-3 Return on fund's equity investments in 3Q 2011. By sector. Percent

Sector	Return in international currency	Share of equity investments
Financials	-22.14	20.19
Consumer goods	-13.07	12.74
Industrials	-22.60	12.66
Oil and gas	-18.40	10.73
Healthcare	-7.17	9.56
Consumer services	-11.77	8.98
Technology	-8.79	8.03
Basic materials	-26.44	7.77
Utilities	-9.93	4.70
Telecommunications	-9.80	4.64

Rising bond prices

Fixed-income investments returned 3.7 percent in the third quarter, as measured in international currency, helped by gains in government bonds from countries considered the safest investments, such as Germany, France, the UK and the US.

Yields on these bonds fell to record-low levels as investors increasingly sought safer investments. By contrast, Greek, Irish, Portuguese, Italian and Spanish government bond yields rose to records because of growing uncertainty about these countries' ability to meet their debt obligations. The yield an investor demands for lending money through a bond will normally rise when the expected risk of default increases, while the price falls.

The ECB's purchases in August and September of government debt from countries including Spain and Italy helped curb the rise in yields. Ten-year Spanish government bond yields fell to 5.1 percent at the end of the quarter from a record-high 6.3 percent in July. Ten-year Italian government bond yields ended the quarter at 5.5 percent, down from a peak of 6.2 percent in August. Yields on 10-year German government bonds, a benchmark for European sovereign debt, fell to 1.9 percent at the end of the quarter from 3 percent at the start.

The fund's government bond holdings returned 7 percent in the quarter, measured in international currency. Gains in German, French, US, UK and Japanese government bonds outweighed a drop in prices on bonds from several other

Chart 2-5 Price moves in stock sectors in the FTSE Global All Cap Index. Measured in US dollars. Indexed. 31 Dec. 2011

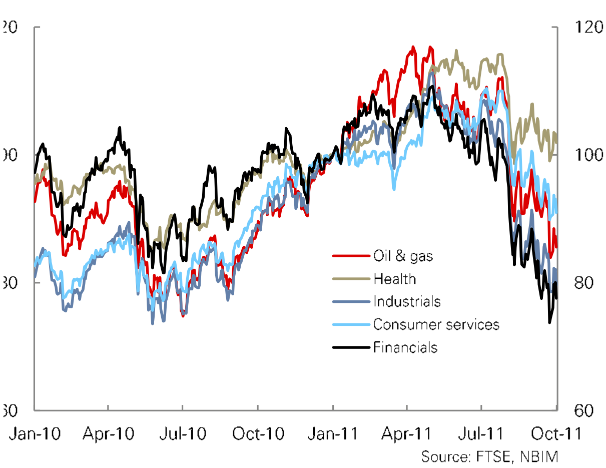
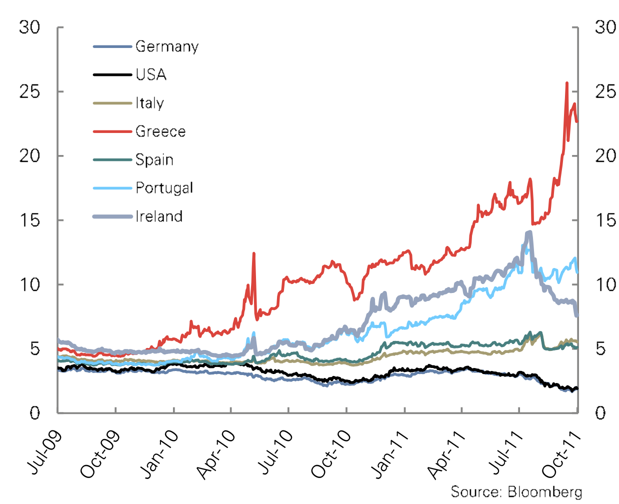


Chart 2-6 10-year government bond yields. Percent



European countries. Investments in euro-denominated government bonds returned 4.7 percent, measured in local currency. UK, US and Japanese government debt returned 11.5 percent, 10.8 percent and 0.3 percent, respectively, measured in local currency. Government bonds accounted for 46 percent of the fund's fixed-income investments at the end of the quarter.

The fund also invests in bonds from government-related institutions such as the European Investment Bank, Inter-American Development Bank and Export-Import Bank of China. These constituted 13 percent of the fund's fixed-income investments and returned 3.3 percent in the quarter, as measured in international currency.

Weakest for securitised debt

Securitised debt, typically bonds secured by home mortgages, was the weakest fixed-income sector, followed by corporate bonds. Securitised debt returned 0.3 percent in the quarter, while corporate bonds returned 0.7 percent, as measured in international currency.

Weaker growth prospects and uncertainty about banks' exposure to European sovereign debt reduced demand for bonds

Chart 2-7 Price developments of bonds issued in dollars, euros, pounds and yen in the Barclays Global Aggregate Index, measured in local currencies. Indexed. 31 Dec. 2010 = 100

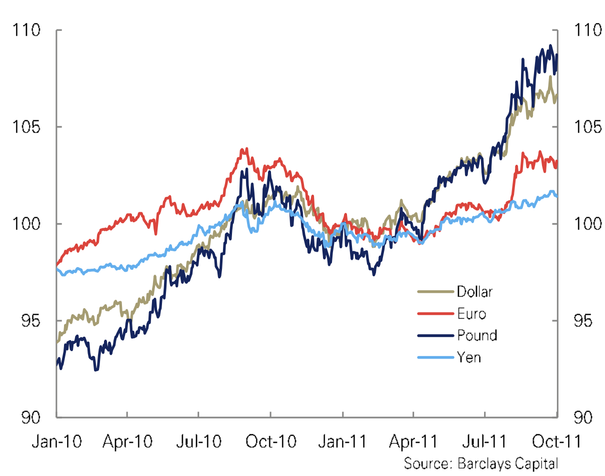
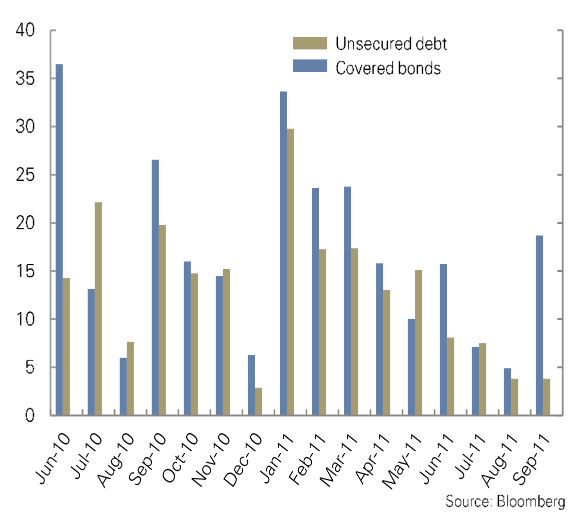
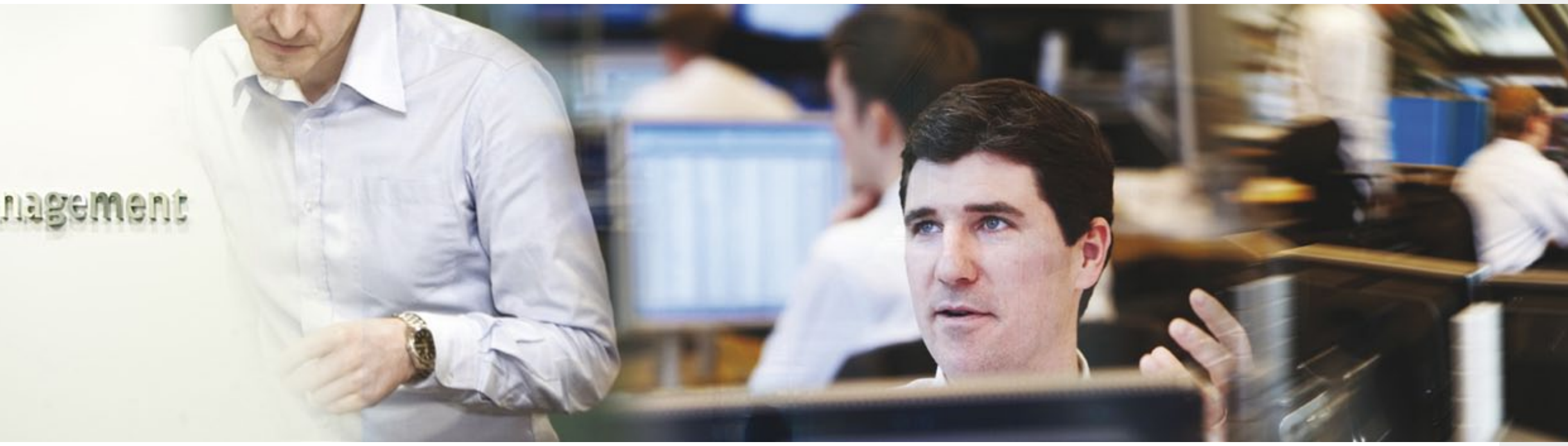


Chart 2-8 Issuance of euro-denominated covered bonds and senior unsecured debt. Billions of euros





from European financial institutions. Investments in euro-denominated corporate bonds returned -2.2 percent in the quarter, measured in local currency. UK and US corporate bonds returned -1.5 percent and 1.9 percent, respectively, measured in local currency. The fund's holdings of euro-denominated corporate bonds amounted to 8.1 billion euros, or 4.7 percent of total fixed-income investments, at the end of the quarter. Banks issued 3.9 billion euros of these bonds.

Global issuance of corporate bonds fell to 1,139 billion dollars in the third quarter from 1,570 billion dollars in the second quarter, according to Dealogic. The financial sector led issuance with 763 billion dollars, down from 996 billion dollars in the preceding three months. Issuance of government bonds dropped to 107 billion dollars from 161 billion dollars in the period. European issuance of covered bonds, a type of securitised debt, fell to 31 billion euros from 42 billion euros, while issuance of unsecured bank debt fell 66 percent to 15 billion euros in the same period.

The three largest bond issues, excluding government debt, that the fund participated in were sales by Swedbank, Kreditanstalt für Wiederaufbau and the EU. The fund reduced its holdings of bonds from US mortgage lender Fannie Mae and the Italian government in the quarter, and increased holdings in US and UK government bonds.

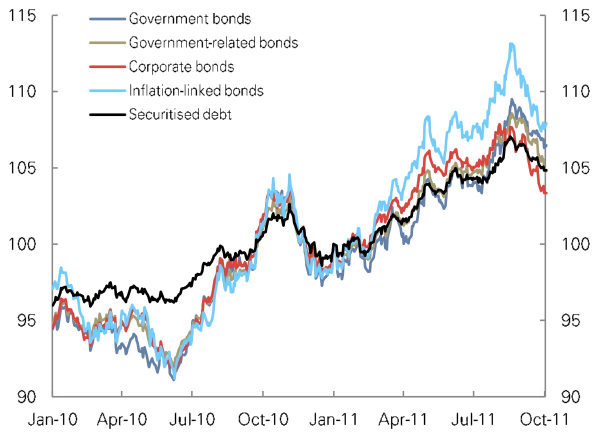
The fund's bond holdings consisted of 7,438 securities from 1,455 issuers at the end of the third quarter, down from 7,945 securities from 1,508 issuers three months earlier.

Table 2-4 Fund's fixed-income investments as of 30 September 2011 based on credit ratings*. Percentage of holdings

	Aaa	Aa	A	Baa	Higher risk	Total
Government bonds	36.54	8.90	0.10	0.46	0.16	46.16
Government-related bonds	8.08	3.46	0.71	0.81	0.24	13.31
Inflation-linked bonds	5.36	2.58	0.00	0.00	0.03	7.96
Corporate bonds	0.32	2.51	6.76	4.63	0.27	14.49
Securitised debt	14.22	2.55	0.28	0.48	0.55	18.08
Total	**64.53**	**19.99**	**7.85**	**6.38**	**1.24**	**100.00**

*Based on credit ratings from at least one of the following agencies: Moody's, Standard & Poor's and Fitch.

Chart 2-9 Price developments in fixed-income sectors in the Barclays Global Aggregate Index, measured in US dollars. 31 Dec. 2010 = 100



Source: Barclays Capital

Table 2-5 Return on fund's fixed-income investments in 3Q 2011. By sector. Percent

Sector	Return in international currency	Share of fixed-income investments
Government bonds	7.00	46.16
Government-related bonds	3.31	13.31
Inflation-linked bonds	5.02	7.96
Corporate bonds	0.73	14.49
Securitised debt	0.29	18.08

European sovereign debt concern grows

Global authorities countered the international financial crisis and economic slowdown in 2009 with support packages that widened government deficits and raised debt levels in many countries. Subsequent concern about several European countries' ability to meet their debt obligations pushed up yields and lowered prices on their government bonds. The surge in yields was first seen in Greece in autumn 2009 and spread to include government bonds from Ireland, Portugal, Spain and Italy. The turmoil spread to European banks, which were among the largest lenders to these countries. Concern about their exposure to sovereign debt and potential losses from defaults reduced banks' willingness to lend to one another.

European authorities took several steps in 2010 to steady markets. The ECB purchased bonds from various euro countries to improve liquidity and lower debt yields. It also offered European banks various types of loans to improve their funding options. In June 2010 the EU and IMF established the European Financial Stability Facility (EFSF) to help euro area members with payment problems and contain the crisis. Greece and Ireland became the first countries to receive financial support in 2010 and Portugal followed in May 2011.

These measures helped damp turmoil in the market until the third quarter, when signs of weaker global economic growth and recessions fears rekindled concerns about government finances in a number of euro countries. Yields on Greek, Portuguese, Irish, Spanish and Italian government bonds climbed to their highest levels since the euro was introduced in 1999, prompting the ECB in August to resume buying government debt from some of these nations. By the end of the quarter, policy makers had spent about 161 billion euros on government bonds since the programme began in May 2010. About 87 billion euros in bonds were purchased in the third quarter of 2011.

European authorities in July also decided to expand the EFSF's mandate to include buying government debt from troubled euro countries and to offer loans to recapitalise their banks. The EFSF was previously authorised to sell bonds to fund support packages. By the end of the quarter, 14 of the 17 euro countries had approved the change, which needs to be ratified by all.

Real estate investments

The fund bought a 50 percent stake in seven properties in and around Paris from AXA Group in July for 702.5 million euros, or about 5.5 billion kroner. It was the second real estate investment following the April purchase of 25 percent of The Crown Estate's Regent Street portfolio in London. The Regent Street partnership bought two buildings off Regent Street in the third quarter for 28 million pounds, or about 254 million kroner. The partnership's proceeds and expenses are split with 25 percent to the fund and 75 percent to The Crown Estate.

Real estate investments returned -0.1 percent in the third quarter, measured in international currency. The negative result was due to transaction costs of 23 million euros in France, which exceeded rental income from the properties in London and Paris. Measured in local currency, the London investment returned 1.2 percent in the quarter and the Paris investment returned -2.6 percent.

The fund's real estate investments shall be valued externally at least once a year under the terms of the management mandate from the Ministry of Finance. NBIM will also consider the need to adjust the accounting value of the investments each quarter. New property investments will normally be valued at their purchase price for a period after the transaction, unless market developments or other circumstances indicate a significant change in value. The purchase price was considered the best estimate for the value of the fund's property investments in the third quarter.

Subsidiary in Luxembourg

The fund will invest as much as 5 percent in real estate through a corresponding decrease in the share of fixed-income investments. In the start, no more than 2 percent of the fund may be spent on new property each year and investments will primarily be in well-developed markets and traditional property types, such as offices and retail premises. NBIM will initially seek to invest in the largest European markets alongside partners with good knowledge of a specific market. The move into this asset class is aimed at diversifying investments and risk, while boosting the fund's long-term returns.

Unlike investments in listed stocks and bonds, most real estate transactions are in private markets. The risk in equities and bonds is normally limited to the sum invested, while in real estate there is potential to lose more than the original amount. A property owner may, for example, be sued for a larger sum than the original investment because of a dispute with a tenant or neighbour, or because the owner may be held liable for accidents or damages to a property. Norges Bank will as a rule make property investments through subsidiaries to limit its liability to the subsidiary's capital. This is standard market practice and supports the goal of delivering the highest possible return and safeguarding the fund's assets through prudent risk management.

Norges Bank set up NBIM S.à r.l. in Luxembourg in the third quarter as a base for real estate investments in mainland Europe. Most investments in the region will be made through the subsidiary, so that NBIM S.à r.l. holds stakes in companies that invest directly or indirectly in real estate. The Luxembourg unit's responsibilities also include accounting, bookkeeping and transferring of rental income to Norges Bank.

Luxembourg is often used as a base by international real estate investors. Besides its central European location, the country offers stable legal and tax environments. Luxembourg's taxation is moderate with a low proportion of gross income tax. The country has a well-developed treaty network that protects against double taxation on investments in countries that have tax agreements with Luxembourg.

For more information on the fund's real estate investments, see note 5 in the financial reporting section.

The fund's relative return

Returns on the fund's equity and fixed-income investments are compared with returns on global benchmark indices for stocks from FTSE Group and for bonds from Barclays Capital. The return on equity and fixed-income investments was 0.3 percentage point lower than the return on the benchmark indices in the third quarter.

The equity investments lagged behind the benchmark by 0.5 percentage point in the quarter. About 85 percent of this negative relative return came from internal management and the rest from externally managed investments. At sector level, the basic materials area, which includes metal, fertiliser and chemical producers, was the biggest underperformer to the benchmark. The holdings in technology stocks outperformed the benchmark. At country level, US and UK stocks underperformed the most, while Spanish and Australian equities beat the benchmark.

The return on the fund's fixed-income investments matched the benchmark index in the quarter. Externally managed investments, accounting for 0.6 percent of the fund's fixed-income holdings, performed weaker than the benchmark. This was offset by a higher return on internally managed investments.

The fund's investments may be overweight or underweight relative to the benchmark indices set by the Ministry of Finance, meaning that the fund may hold more or less of a specific stock or bond than the benchmark because of active management. The fund's equity investments were most overweight in industrials and most underweight in telecommunications in the quarter. Fixed-income investments were most overweight in covered bonds and most underweight in government bonds.

A total of 5.8 percent of the fund's assets were managed externally at the end of the quarter, down from 6.8 percent at the start of the quarter. External equity investments were worth 170 billion kroner and external fixed-income holdings amounted to 8 billion kroner.

Table 2-6 Contribution of investment areas to fund's excess return in 3Q 2011. Percentage points

	External management	Internal management	Total
Equity management	-0.05	-0.28	-0.33
Fixed-income management	-0.03	0.03	-0.00
Total	-0.08	-0.25	-0.33

Measurement of excess return

Returns on the fund's equity and fixed-income investments are compared with returns on global benchmark indices for stocks and bonds. The difference is called the relative return. NBIM will not compare its real estate investments to an index as long as the property investing is in a start-up phase. NBIM currently only reports the excess return on equity and fixed-income investments.

Greater volatility in the markets

Volatility in stock and bond markets increased in the third quarter, driven by signs of weaker global economic growth and fears of a deepening of the European sovereign debt crisis.

The VIX index, a key measure of expected volatility in the US stock market, rose to 43 percent at the end of the quarter from 16.5 percent at the start. It peaked at 48 percent on 8 August, the highest level since March 2009, after credit rating agency Standard & Poor's downgraded US government debt to AA+ from AAA. The index retreated somewhat after the ECB in August began buying government bonds from countries including Spain and Italy to stem rising bond yields. The iTraxx Europe index, a measure of risk in the European bond market, climbed to 2 percent from 1.1 percent in the quarter.

The Ministry of Finance has set limits for how much NBIM may deviate from the benchmark indices in managing the fund's equity and fixed-income investments. Expected relative volatility (tracking error) caps how much the return on these investments may be expected to deviate from the return on the benchmark indices. NBIM should aim for expected tracking error of no more than 1 percentage point. The actual figure was 0.5 percentage point at the end of the quarter, up from 0.4 percentage point at the start of the quarter.

Expected absolute volatility, measured by the statistical concept standard deviation, uses historical price movements to estimate how much the annual return on the fund's equity and fixed-income investments may be expected to vary. Expected absolute volatility was 11.7 percent, or about 355 billion kroner, at the end of the quarter, compared with 12.5 percent at the start.

For more information on the fund's investment risk, see note 7 in the financial reporting section.

VIX and iTraxx

The VIX index measures expected volatility in stock prices in the US market over the next 30 days. The index is calculated by the Chicago Board Options Exchange using prices for a range of call and put options on the S&P 500 stock index. A rise in the index signals an expected increase in volatility.

The iTraxx index measures the price of insurance for investments in the European bond market. The index typically gains when investor confidence decreases and the need for insurance increases. There are several iTraxx indices. One of the most widely used is iTraxx Europe, which consists of 125 European investment-grade companies and shows the average equally-weighted credit insurance premium for these companies.

Table 2-7 Key figures for fund's risk and exposure

Risk	Limits set by Ministry of Finance and Norges Bank's Executive Board	Actual Sep 2011	Actual Jun 2011
Net market value*	Equities 50-70% of fund's market value*	55.6	60.5
	Bonds 30–50% of fund's market value	44.1	39.4
	Real estate 0-5% of fund's market value	0.3	0.1
Exposure	Equities 50-70% of fund's market value*	56.0	60.5
	Bonds 30-50% of fund's market value	44.1	39.4
	Real estate 0-7.5% of fund's market value	0.3	0.1
Counterparty risk	Any one counterparty maximum 0.75% of fund's market value	0.2	0.1

* The net market value is the value of all securities, financial instruments and cash within each asset class.
** The calculation of exposure includes the full underlying value of derivatives. As a result, the actual share of equities may vary from the net market value.
***The exposure limit for real estate includes leverage.

Table 2-8 Risk and exposure of equity and fixed-income investments

Risk	Limit	Actual 30 Sep 2011	Actual 30 Jun 2011
	Limits set by Ministry of Finance		
Market risk	1 percentage point expected tracking error for equity and fixed-income investments	0.5	0.4
Credit risk	3% of fixed-income investments may be rated below Baa3/BBB-	1.2	1.2
Maximum ownership	Maximum 10% of voting shares in a listed company	9.5	9.5
	Limits set by Norges Bank's Executive Board		
Credit risk	Maximum 1% of fixed-income investments from any one issuer may be rated below Baa3/BBB-	0.2	0.3
Overlap between actual holdings and benchmark index	Equities minimum 60%	84.5	83.0
	Bond issuers minimum 60%	76.9	79.3
Liquidity	Minimum 10% of equity and fixed-income investments may be in government bonds from US, UK, Germany, France, Italy, Netherlands and Japan	16.5	13.9
Leverage	Maximum 5% of equity and fixed-income investments	0.0	0.0
Securities lending	Maximum 35% of equity and fixed-income investments	13.8	16.3
Issuance of options	Maximum 2.5% of equity and fixed-income investments	0.5	0.5
Securities borrowing through borrowing programmes	Maximum 5% of equity and fixed-income investments	0.0	0.0
Investment in any one company	Maximum 1% of equity and fixed-income investments	0.8	0.7
Assets managed by any one external manager	Maximum 1% of equity and fixed-income investments	0.6	0.7

Table 2-9 Risk and exposore of real estate investments

Risk	Limit	Actual 30 Sep 2011	Actual 30 Jun 2011
	Limits set by Ministry of Finance		
Country allocation	France. UK. Germany: no limit	100.0	100.0
	Other countries: maximum 25% of real estate investments	0.0	0.0
Sector allocation	Office space: 0-100% of real estate investments	51.8	37.0
	Retail space: 0-100% of real estate investments	46.7	61.0
	Residential space: 0-25% of real estate investments	0.7	1.0
	Industrial space: 0-25% of real estate investments	0.0	0.0
	Other property: 0-25% of real estate investments	0.8	1.0
	Limits set by Norges Bank's Executive Board		
Investments in real estate under development	Maximum 20% of real estate investments	1.6	3.7
Investments in real estate that is not leased	Maximum 25% of real estate investments	4.2	4.0
Investments in interest-bearing securities	Maximum 20% of real estate investments. but no more than 5 billion kroner	0.0	0.0
Investments in listed real estate shares	Maximum 20% of real estate investments. but no more than 5 billion kroner	0.0	0.0
Debt ratio	Maximum 50% of real estate investments	0.0	0.0
	Maximum 70% for each investment	0.0	0.0
Assets managed by any one external manager	Maximum 15% of real estate investments. but no more than 5 billion kroner	0.0	0.0

Chart 2-10 Expected risk in stock markets (VIX index) and fixed-income markets (iTraxx index)

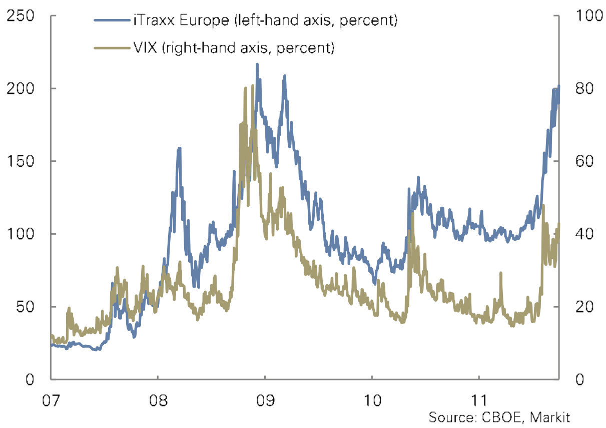


Chart 2-11 Expected absolute volatility of fund, excluding real estate. Percent (left-hand axis) and billions of kroner (right-hand axis)

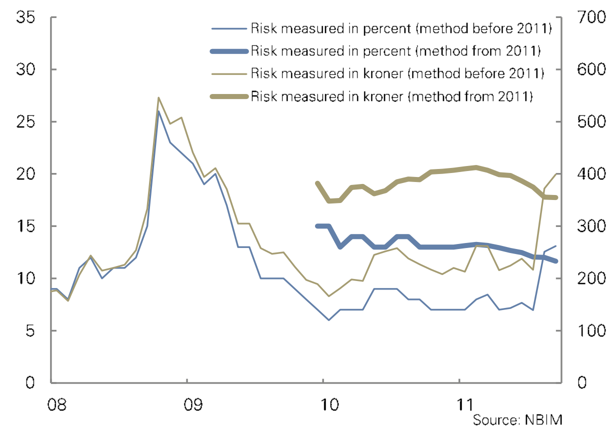


Chart 2-12 Expected relative volatility of fund, excluding real estate. Basis points

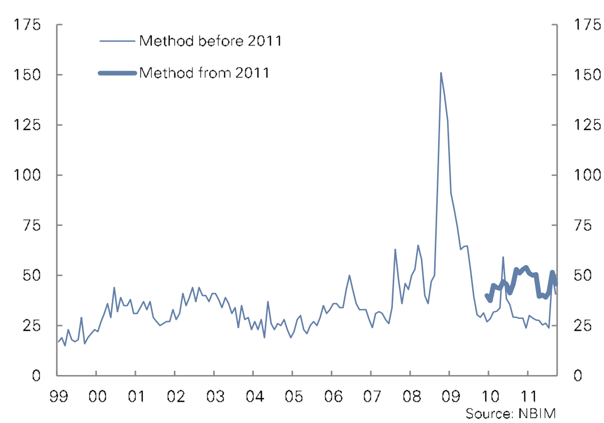
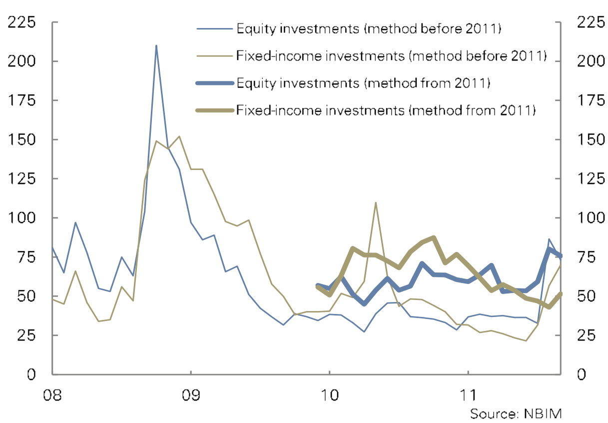


Chart 2-13 Expected relative volatility of fund's equity and fixed-income investments. Basis points



Calculation of expected volatility

Expected fluctuations in the value of the fund's equity and fixed-income investments are measured with the help of the statistical measure expected volatility. From 1 January 2011, the method for calculating this measure has been revised to better fit the fund's long-term investment perspective. Expected volatility had been calculated using daily price observations in equity and fixed-income markets, with data over the most recent days given greater weight than observations further back. This meant that short-term changes in market conditions had a rapid and marked effect on the expected volatility of the fund's investments. The new method calculates volatility using weekly prices and a three-year price history, making it less sensitive to short-term market turbulence. As a result, movements in expected volatility will result more from changes in the fund's investments and less from general market volatility. NBIM will for a while use both methods to report on the expected relative volatility and expected absolute volatility of the fund's investments.

Responsible investment and active ownership

As a long-term investor in more than 8,000 companies, NBIM seeks to improve corporate governance standards. We also encourage companies to take responsibility for improving social and environmental conditions that may negatively impact their businesses and, consequently, the fund's investments.

We use a variety of tools and strategies to promote these goals, including dialogue with companies, regulators and other investors. We vote at shareholder meetings, file shareholder proposals and take part in open consultations on environmental, social and governance issues.

In the third quarter, NBIM took part in a public consultation led by the European Commission on possible changes to the EU corporate governance framework. NBIM stated that shareholders are responsible for overseeing a board's corporate governance practices, and noted that this oversight should be supported by more transparent, standardised and enforceable regulation of corporate governance in Europe. We called for greater transparency on board members' qualifications and advocated developing a system to better monitor companies' compliance with corporate governance standards.

NBIM in the quarter hosted a seminar at World Water Week in Stockholm on the benefits of companies reporting on risks associated with water scarcity and water pollution. We presented a study showing the extent to which 432 companies the fund invested in fulfilled nine criteria for reporting on water management in 2010. The companies scored an average 2.7 out of a maximum 9 points. A total of 131 companies scored zero, while 10 companies got top marks. Far too few companies provided enough information on water as a risk factor, particularly in their supply chains. Limited access to clean water is a growing risk for an increasing number of companies, making reporting on this risk increasingly important to investors.

NBIM's goal of delivering good long-term returns depends on sustainable economic, environmental and social development in the companies and countries the fund invests in. By promoting responsible investment practices in the fund's management, we can contribute to such development. Among other things, we analyse environmental, social and governance risks in the companies and markets we invest in. These analyses can reveal conditions that we will seek to change through dialogue with a company's management or voting at a shareholder meeting.

NBIM in the quarter set up a database with environmental, social and governance information on about 4,000 of the largest companies the fund invests in. The database has information from internal and external sources. It is maintained by NBIM's ownership team for use by all areas of the organisation and, in particular, the fund's portfolio managers and investment analysts. The aim is to provide easily accessible information that can be used in the fund's investment decisions.

Norges Bank and 14 other institutional investors filed suit against Countrywide Financial Corporation, three of its former directors and its auditor KPMG in a US federal court during the quarter. The suit claimed that Countrywide, formerly the largest mortgage lender in the US, publicly promoted itself as a company that primarily arranged and guaranteed high-quality home mortgages and adhered to best lending practices, while in reality concealing irresponsible lending practices that lacked prudent standards for the provision of loans and guarantees. The company also concealed the true level of credit risk it took. As a result of this misinformation, Countrywide's stock traded at artificially high prices between March 2004 and March 2008. Norges Bank and the other investors involved in the suit have sought compensation for the losses they incurred as purchasers of Countrywide shares during this period. The claimants attempted to reach a settlement with Countrywide before the suit was filed, but without success.

Operational risk management and internal control

NBIM constantly seeks to identify and mitigate operational risks that could lead to financial or reputational losses. The organisation takes action to reduce risk levels that exceed limits set by Norges Bank's Executive Board. Risk reduction measures and internal controls are monitored to ensure acceptable levels.

NBIM each quarter estimates the size of the potential losses or gains it may incur because of unwanted events over the next four quarters. The estimate is based on past events and possible future events and represents NBIM's calculated risk exposure.

Norges Bank's Executive Board has decided there should be less than 20 percent probability for unwanted events to result in gains and losses of 500 million kroner or more over a 12-month period. This limit defines the board's risk tolerance. NBIM registered 31 unwanted events in the third quarter, resulting in an estimated financial loss of 0.4 million kroner. None of the events led to financial gains. NBIM's risk exposure was well within the board's risk tolerance at the end of the quarter.

The Ministry of Finance has set extensive guidelines for the fund's management. There were no significant breaches of these guidelines registered in the third quarter. NBIM was also not notified by external supervisory authorities of any significant breaches of market rules or general legislation.

Financial reporting

Norges Bank's interim financial statements, which only encompass the interim financial reporting of the investment portfolio for the Government Pension Fund Global, were approved by Norges Bank's Executive Board on 19 October 2011. These accounts and an excerpt from Norges Bank's accounting policies are reproduced below.

Income statements

Figures in NOK million	Note	3Q 2011	3Q 2010	year-to-date 30.09.2011	year-to-date 30.09.2010	2010
Profit/loss on the portfolio excluding gains/losses on foreign exchange						
Interest income on deposits in foreign banks		109	105	352	203	377
Interest income, lending associated with reverse repurchase agreements		323	9	810	138	350
Net income/expenses and gains/losses from:						
- Equities and units		-332,374	165,512	-294,885	67,259	207,070
- Bonds and other fixed income instruments		51,737	36,625	76,866	86,422	60,316
- Financial derivatives		-3,696	-2,829	-3,593	-6,259	-3,552
- Financial assets real estate		50	-	-102	-	-
- Investment properties		-89	-	-89	-	-
Share of the profit/loss in jointly controlled entities, real estate		-56	-	-56	-	-
Interest expense repurchase agreements		-336	-34	-910	-218	-574
Other interest expense		-15	-12	-111	-74	-105
Other expenses		85	-116	74	- 59	-9
Profit/loss on the portfolio before gains/losses on foreign exchange		**-284,262**	**199,260**	**-221,644**	**147,412**	**263,873**
Gains/losses on foreign exchange		149,985	-132,154	29,812	16,949	-8,498
Profit/loss on the portfolio		**-134,277**	**67,106**	**-191,832**	**164,361**	**255,375**
Management fee	3	-689	-713	- 1,934	- 2,117	-2,959
Profit/loss for the period		**-134,966**	**66,393**	**-193,766**	**162,244**	**252,416**

Statements of comprehensive income

Figures in NOK million	Note	3Q 2011	3Q 2010	year-to-date 30.09.2011	year-to-date 30.09.2010	2010
Profit/loss for the period		- 134,966	66,393	- 193,766	162,244	252,416
Translation reserve arising from consolidation of foreign subsidiaries		- 8	-	- 6	-	-
Total comprehensive income		**- 134,974**	**66,393**	**- 193,772**	**162,244**	**252,416**

Balance sheets

Figures in NOK million	Note	30.09.2011	31.12.2010	30.09.2010
ASSETS				
Financial assets				
Foreign bank deposits		6,278	6,303	7,161
Lending associated with reverse repurchase agreements		276,942	255,501	216,825
Unsettled trades		107,746	4,864	52,468
Equities and units	4	1,509,525	1,733,378	1,591,230
Equities lent	4	205,740	162,483	168,394
Bonds and other fixed income instruments	4	1,174,780	1,038,793	1,018,576
Bonds lent	4	173,793	215,090	202,390
Financial derivatives	4	3,078	3,068	3,658
Financial assets real estate	4, 5, 6	4,198	-	-
Jointly controlled entities, real estate	2, 5, 6	2,636	-	-
Other financial assets		34,670	1,358	22,204
Total financial assets	6,7	3,499,386	3,420,838	3,282,906
Non financial assets				
Investment properties	2, 5, 6	2,915	-	-
Other assets		3	-	-
Total non financial assets		2,918	-	-
TOTAL ASSETS		3,502,304	-	-
LIABILITIES AND OWNER'S CAPITAL				
FINANCIAL LIABILITIES				
Short-term borrowing		9,897	2,939	4,964
Borrowing associated with repurchase agreements		134,232	132,992	118,932
Cash collateral received		168,893	172,309	168,290
Unsettled trades		64,996	20,358	53,899
Short-sale bonds	4	36,448	809	867
Financial derivatives	4	9,685	9,372	13,908
Other liabilities		23,399	4,639	14,091
Management fee payable		1,934	2,959	2,117
Total financial liabilities	6,7	449,484	346,377	377,068
Owner's capital		3,052,820	3,074,461	2,905,838
Total liabilities and owner's capital		3,502,304	3,420,838	3,282,906

Statements of Cash Flows

Figures in NOK million	year-to-date 30.09.2011	2010	year-to-date 30.09.2010
Operating activities			
Interest received in connection with deposits in foreign banks	387	377	203
Net cash inflow/outflow received in connection with reverse repurchase agreements	-14,999	-57,392	-22,010
Net cash inflow/outflow from purchases and sales of equities and units	-135,091	-70,201	-56,935
Net cash inflow/outflow from purchases and sales of bonds and other fixed income instruments	-46,629	-180,835	-80,193
Net cash inflow/outflow related to acquistion of financial assets real estate	-4,379	-	-
Net cash inflow/outflow related to acquistion of investment properties	-3,030	-	-
Net cash inflow/outflow related to acquisition of jointly controlled entities, real estate	-2,692	-	-
Net cash inflow/outflow from financial derivatives	-4,894	-1,433	42
Dividends received from investments in equities and units	40,067	41,257	32,688
Interest received from bonds and other fixed income instruments	37,178	45,752	35,807
Fees received in connection with equity and bond lending	1,774	1,676	1,320
Net cash received/paid from investments in financial assets real estate	80	-	-
Interest paid on short-term bank loans	-1,091	-209	-64
Net cash inflow/outflow in connection with repurchase agreements	-24,644	23,742	-14,575
Cash collateral received/paid in connection with securities lending, derivatives and REPOs	-3,416	17,773	13,754
Cash inflows/outflows related to other financial assets and other financial liabilities	19,012	1,112	10,095
Cash outflows other expenses	-112	-29	-166
Management fee paid to Norges Bank	-2,959	-3,228	-3,228
Net cash outflow from operating activities	**-145,438**	**-181,640**	**-83,262**
Financing activities			
Inflow from the Norwegian Government*	138,275	185,230	85,909
Net cash inflow from financing activities	**138,275**	**185,230**	**85,909**
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	3,363	-1,594	-1,594
Net cash payments during the period	-7,163	3,590	2,647
Gains/losses on foreign exchange on cash and cash equivalents	181	1,367	1,144
Cash and cash equivalents at the end of the reporting period*	**-3,619**	**3,363**	**2,197**
Cash and cash equivalents consist of:			
Foreign bank deposits	6,278	6,303	7,161
Short-term borrowing	-9,897	-2,939	-4,964
Total	-3,619	3,363	2,197

*The inflow includes only the cash transfers that have settled during the period. Inflows in the statement of changes in owner's capital are based on accrued inflows.

Statements of changes in owner's capital

Figures in NOK million	Inflows from owner	Retained earnings	Translation reserve foreign subsidiaries	Deposits in krone account
1 January 2011	2,504,711	569,750	0	3,074,461
Total comprehensive income		-193,766	-6	-193,772
Inflows during the period*	172,131	-	-	172,131
30 September 2011	**2,676,842**	**375,984**	**-6**	**3,052,820**
1 January 2010	2,319,481	317,334	,0	2,636,815
Total comprehensive income		162,244	-	162,244
Inflows during the period	106,779	-	-	106,779
30 September 2011	**2,426,260**	**479,578**	**0**	**2,905,838**

*Out of the total inflows to the kroner account of the Government Pension Fund Global in the first nine months of 2011, NOK 3 billion were used to pay the 2010 accrued management fee to Norges Bank and NOK 169 billion was transferred into the investment portfolio.

Note 1 Accounting Policies

1.1 Basis of Accounting

Norges Bank prepares quarterly financial statements covering only the financial reporting for the investment portfolio of the Government Pension Fund Global for the accounting periods ending 31 March, 30 June and 30 September. Subsidiaries are established exclusively to make investments as a part of Norges Bank's management of the investment portfolio, and therefore only consolidated financial statements are prepared for the investment portfolio of the Government Pension Fund Global. This financial reporting is a part of Norges Bank's financial statements. The financial reporting for the investment portfolio of the Government Pension Fund Global is prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The financial statements are presented in Norwegian kroner (NOK) and rounded to the nearest million. The interim financial statements for Norges Bank, which consist only of the financial reporting of the investment portfolio of the Government Pension Fund Global, are prepared in accordance with IAS 34 *Interim Financial Reporting.*

The quarterly financial reporting is prepared using the same accounting policies and calculation methods as used for the quarterly financial reporting as of 31 March 2011. Norges Bank's financial reporting for the investment portfolio of the Government Pension Fund Global as of 31 March 2011 was the first reporting prepared in accordance with IFRS. A presentation of these accounting policies can be found in the quarterly report for the Government ension Fund Global for the first quarter 2011. This report should also be read in conjunction with Norges Bank's Annual Report for 2010.

1.2 Investment Property

Investment properties are recognised for the first time in the investment portfolio's balance sheet as of 30 September 2011. This section, therefore, describes the newly adopted accounting principles for investment property. Properties held for the purpose of earning rental income or capital appreciation within the real estate asset class are accounted for as investment property in the investment portfolio's balance sheet. At initial recognition investment properties are measured at acquisition cost plus direct transaction costs.

1.2.1 Subsequent measurement of Investment Property
Investment property is measured at fair value at the reporting dates after initial recognition. Fair value is the estimated amount an asset can be sold for in an arm's length transaction between well-informed, willing parties, and is determined without deduction for transaction costs that will be incurred with a sale or other disposal. External appraisals and valuations are obtained as the primary basis for the determination of fair value. Both the external valuers and internal experts use established models and methods when establishing the fair value. See notes 2 and 6 for further information about fair value measurement. Fair value changes for properties classified as investment property in the balance sheet of the investment portfolio are presented as Net income/expenses – gains/losses from Investment properties in the investment portfolio's income statement.

1.3 Jointly controlled entities and jointly controlled assets

Jointly controlled entities and assets are recognised for the first time in the investment portfolio's balance sheet as of 30 September 2011. This section, therefore, describes the newly adopted accounting principles for jointly controlled entities and jointly controlled assets. Jointly controlled entities and jointly controlled assets are investments where subsidiaries, established as part of the management of the investment portfolio of the Government Pension Fund Global, through an agreement with a counterparty have joint control over the entity's strategic, financial and operational decisions, or comparable decisions related to the asset.

Jointly controlled entities are accounted for using the equity method. Initial recognition upon acquisition consists of the purchase price plus directly attributable transaction costs. Investments in such entities are presented as Investments in jointly controlled entities, real estate. All jointly controlled entities report to Norges Bank using the accounting policies of Norges Bank, including the measurement of investment properties owned by jointly controlled entities at fair value.

In subsequent reporting periods, the investment portfolio's share of changes in equity capital adjusted for dividends received and any amortisation of excess value is attributed to the investment. The investment portfolio's share of the period's result is presented as Share of the profit/loss in jointly controlled entities, real estate.

Jointly controlled assets are recognised in the financial statements using proportionate consolidation. Cost at initial recognition upon acquisition consists of the purchase price plus directly attributable transaction costs. Proportionate consolidation implies that the investment portfolio recognises its proportionate share of the assets, liabilities, income and expenses based on their nature. Jointly controlled assets consist primarily of investment property (see 1.2 above). Income and expenses from investment property operations are presented as Net income/expenses and gains/losses from Investment properties.

1.4. IASB final standards with implementation dates after 2011

IFRS 10 Consolidated Financial Statements
IFRS 10 *Consolidated Financial Statements* (IFRS 10) supersedes IAS 27 *Consolidation and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; defines the principle of control, and establishes control as the basis for consolidation; sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the International Accounting Standards Board (IASB) in May 2011. The standards which, if early adopted, must all be early adopted at the same time are IFRS 10 *Consolidation and Separate*

Financial Statements, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements (as amended in 2011)*, and IAS 28 *Investments in Associates and Joint Ventures (as amended in 2011).*

Norges Bank does not anticipate that the adoption of IFRS 10 will have a significant impact on the consolidated financial statements for the investment portfolio of the Government Pension Fund Global. Norges Bank anticipates adopting IFRS 10 as of 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 *Joint Arrangements* (IFRS 11) superseded SIC-13 J*ointly controlled Entities –Non-Monetary Contributions by Venturers.* A joint arrangement is an arrangement by which two or more parties have joint control, and has the following characteristics, that the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation (the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities) or a joint venture (the parties that have joint control of the arrangement have rights to the net assets). IFRS 11 has two methods, but clearly specifies when each method must be used, as opposed to the current approach of choice of accounting method. Jointly controlled entities are required to use the equity method as described in IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011), unless the fair value option for investment entities is adopted.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the IASB in May 2011. See above under IFRS 10 for a list of these five standards.

Norges Bank is evaluating the impact of adopting IFRS 11 on the financial reporting of the investment portfolio of the Government Pension Fund Global and anticipates adopting IFRS 11 as of 1 January 2013. Based on the new approved standard significant effects of adopting the standard are not envisaged for Norges Bank. On the other hand the final wording of the exception for investment entities may have effects for the financial reporting.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12) requires the disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is required to be applied by an entity that has an interest in subsidiaries, joint arrangements (joint operations or joint ventures), associates, or unconsolidated structured entities.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the IASB in May 2011. See above under IFRS 10 for a list of these five standards.

Norges Bank does not anticipate that the adoption of IFRS 12 will have a significant impact on the consolidated financial statements for the investment portfolio of the Government Pension Fund Global. Norges Bank anticipates adopting IFRS 12 as of 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 *Fair Value Measurement* (IFRS 13) defines fair value and sets out a single IFRS framework for measuring fair value and disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Norges Bank does not anticipate that the adoption of IFRS 13 will have a significant impact on the consolidated financial statements for the investment portfolio of the Government Pension Fund Global. Norges Bank anticipates adopting IFRS 13 as of 1 January 2013.

Note 2 Significant estimates and critical accounting judgements

The preparation of the financial statements of Norges Bank, which includes the financial reporting for the investment portfolio of the Government Pension Fund Global in accordance with the accounting policies in note 1, involves the use of estimates and judgements that may affect assets, liabilities, income and expenses. Estimates and judgements are based on historical experience and an expectation related to future events that are viewed as likely at the time of publication of the financial statements. The estimates are based on best judgement, however, actual results may deviate from the estimates. In cases of particularly uncertain estimates, this is described in the respective notes. For further information on significant estimates and critical accounting judgements please refer to Note 30 GPFG 11 in the annual report of Norges Bank for 2010, which is also included in NBIM's annual report for the Government Pension Fund Global for 2010.

The following are new estimates and critical accounting judgements in connection with new investment activity in the real estate asset class during the third quarter.

Fair value of investment property

Investment property (which is owned directly through a wholly-owned holding company, an associated company, a jointly controlled entity or a partly-owned subsidiary) is not traded in an active market and therefore these properties and ownership interests in partly-owned companies are allocated to the level 3 pricing category (see note 6). Investment properties are valued using models. Generally, the models used are well-recognised, standard pricing models, for example discounted cash flow models.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (for example, tenant occupancy levels, tenant profiles, future revenue streams, the capital value of fixtures and fittings and the overall physical condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing as of the reporting date. The control environment for investment properties is comparable to that for the equities and fixed income asset classes.

Functional currency for subsidiaries

When incorporating subsidiaries in connection with the management of the real estate asset class within the investment portfolio of the Government Pension Fund Global, an assessment is made concerning the appropriate functional currency for use in the subsidiary's financial reporting, and for use in the consolidation into the consolidated financial statements of the investment portfolio. Normally the local currency will be indicative of the appropriate functional currency for the company, given that this is the currency of the economic environment in which the entity operates, and the currency for all (or substantially all) of its transactions. In cases where the evaluation is that the entity does not have significant activities and only operates as an extension of Norges Bank, the conclusion might be that the Norwegian kroner is the appropriate functional currency for the subsidiary.

Assessment of the degree of control

In relation to investments in entities or assets made by Norges Bank on behalf of the investment portfolio of the Government Pension Fund Global, through wholly-owned holding companies, together with a partner and where the bank has a large ownership share, an assessment is made to establish whether the bank has control over the entity or the asset. This assessment is necessary to establish whether the investment should be accounted for as an investment in a financial asset, an associate, a jointly controlled entity/asset or a consolidated subsidiary. In connection with the assessment of the degree of control the ownership share will be given significant consideration, along with the contractual terms in the shareholder and joint venture agreements that may suggest a larger or lesser degree of control than that based on an observation of the ownership share taken in isolation. A total assessment of all relevant elements in each specific case forms the basis for a conclusion concerning whether or not the bank has control over the investment.

Note 3 Management fee

Table 3.1 Specification management fee

Figures in NOK million	3Q 2011	3Q 2010	Year to date 30.09.2011	Percent	Year to date 30.09.2010	Percent	2010	Percent
Salary, social security and other personnel related costs	117	161	323		320		389	
IT, information and decision support systems	50	55	164		171		223	
Custody and settlement costs	97	84	303		275		382	
Outsourced IT and analysis costs	59	46	201		157		213	
Consulting and legal fees	17	29	52		78		116	
Base fees to external managers	84	99	296		341		452	
Other costs	21	13	71		58		81	
Allocated common costs Norges Bank	32	32	96		97		115	
Management fee excluding performance-based fees	**477**	**521**	**1,506**	**0.06**	**1,497**	**0.07**	**1,973**	**0.07**
Performance-based fees to external managers	211	193	429		621		986	.
Total management fee	**689**	**713**	**1,934**	**0.08**	**2,118**	**0.10**	**2,959**	**0.11**

The table shows total costs incurred by Norges Bank (parent) that are reimbursed by the Ministry of Finance as the principal for the management of the investment portfolio of the Government Pension Fund Global. Fees to external managers and custody and settlement fees are invoiced directly and paid individually for each of the portfolios managed by Norges Bank. All other costs included in the basis for calculation of the management fee are costs that are common for the management of all portfolios, and are allocated to the individual portfolio using a cost allocation model based primarily on market values and asset class composition. The management fee is a function of expenses presented in the Norges Bank income statement as Total operating expenses.

In addition to the operating expenses that are shown above and are reimbursed through the management fee from the Ministry of Finance, operating and administrative expenses are incurred in the subsidiary companies that are incorporated as a part of the management of real estate investments for the Government Pension Fund Global. These expenses are consolidated into the income statement of the investment portfolio of the Government Pension Fund Global, and are paid using funds received or earned by the investment portfolio of the Government Pension Fund Global. Subsidiaries that are consolidated into the financial reporting for the investment portfolio are not required to be consolidated into the annual financial statements of Norges Bank, as per the accounting regulation for Norges Bank § 2.3, paragraph 4, and these expenses will therefore not be included in Norges Bank's operating expenses. These expenses will through consolidation be shown as expenses in the income statement for the investment portfolio, and are deducted from in the Profit/loss on the portfolio. For the first nine months of 2011 these costs amounted to NOK 5.2 million.

Note 4 Financial instruments at fair value

Table 4.1 Specification of equities and units

	30.09.2011			31.12.2010		
Figures in NOK million	Fair value excluding dividends	Accrued dividends	Fair value including dividends	Fair value excluding dividends	Accrued dividends	Fair value including dividends
Equities and units:						
Listed equities	1,712,120	3,145	1,715,265	1,893,714	2,147	1,895,861
Total equities and units	**1,712,120**	**3,145**	**1,715,265**	**1,893,714**	**2,147**	**1,895,861**
Hereof Equities lent			*205,740*			*162,483*

Table 4.2 Specification of bonds and other fixed income instruments

Figures in NOK million, 30 September 2011	Notional*	Fair value excl. accrued interest	Accrued interest	Fair value incl. accrued interest
Government bonds	551,159	599,056	6,668	605,724
Government related bonds**	163,294	171,825	2,672	174,497
Inflation-linked bonds	86,117	104,098	421	104,519
Corporate bonds	187,030	186,724	3,356	190,080
Securitised bonds	288,027	233,032	4,273	237,305
Total bonds and other fixed income instruments	**1,275,627**	**1,294,735**	**17,390**	**1,312,125**
Hereof Bonds lent				*173,793*
Hereof short sale bonds				*36,448*

Figures in NOK million, 31 December 2010	Notional*	Fair value excl. accrued interest	Accrued interest	Fair value incl. accrued interest
Government bonds	485,739	501,175	6,394	507,569
*Government related bonds***	153,981	159,484	2,717	162,201
Inflation-linked bonds	88,544	102,835	502	103,337
Corporate bonds	202,578	203,373	3,807	207,180
Securitised bonds	345,758	268,279	4,508	272,787
Total bonds and other fixed income instruments**	**1,276,600**	**1,235,146**	**17,928**	**1,253,074**
Hereof Bonds lent				*215,090*
Hereof short sale bonds				*809*

* Notional amounts have been translated to NOK by using the exchange rate on the balance sheet date.
** Sovereign bonds are as of the second quarter 2011 and going forward classified as government related bonds. Comparative figures are restated.

The holdings of bonds issued by the sovereign states Greece, Portugal, Ireland, Spain and Italy amounted to NOK 71.5 billion as of the end of the third quarter 2011. Of this amount, bonds issued by the Greek government were NOK 2.6 billion.

Table 4.3 Specification of financial derivatives

	Fair value 30.09.2011			Fair value 31.12.2010		
Figures in NOK million	Asset	Liability	Net	Asset	Liability	Net
Foreign exchange contracts	859	1,571	-712	402	316	86
Listed futures contracts	130	7	123	43	22	21
Swap contracts	864	6,479	-5,615	1,909	8,126	-6,217
Options	1,225	1,628	-403	714	908	-194
Total financial derivatives	**3,078**	**9,685**	**-6,607**	**3,068**	**9,372**	**-6,304**

Financial assets real estate

At the end of the third quarter 2011 the fair value of Financial assets real estate (Regent Street) is estimated at NOK 4,198 million.

Note 5 Real Estate

Real estate investments in the investment portfolio of the Government Pension Fund Global consist of investments within the real estate asset class. This asset class consists of unlisted investments, classified as financial assets, jointly controlled entities and investment properties.

The first real estate investment of the Government Pension Fund Global, which gives rights to a 25 percent share in the net operating income (NOI) generated by a portfolio of properties that are located in and around Regent Street, London, United Kingdom, is accounted for as a financial asset under IAS 39 *Financial Instruments: Recognition and Measurement.* The investment is measured at fair value and presented as Financial assets real estate in the balance sheet. Earned income and fair value changes as well as transaction costs to complete the investment are shown in the income statement as Net income/expenses - gains/losses from financial assets real estate. During the third quarter two additional properties were added to the portfolio by The Crown Estate, and is an additional investment Norges Bank participated in on behalf of the investment portfolio. See Note 4 Financial instruments at fair value and Note 6 Fair value measurement for additional information.

Norges Bank has on behalf of the Government Pension Fund Global acquired 50 percent of seven properties in and around Paris from AXA Group. AXA Group will keep their ownership interest in the other 50 percent of the properties and continue to act as manager of the properties. The transaction was completed 1 August 2011. The purchase price, including transaction costs, amounted to EUR 726 million (NOK 5.6 billion). Three of the properties are owned through jointly controlled entities. These investments, amounting to NOK 2.6 billion, are shown in the balance sheet as Jointly controlled entities, real estate and are accounted for using the equity method. The other four properties, amounting to NOK 2.9 billion, are directly owned as jointly controlled assets, and the 50 percent ownership share of these properties owned by the investment portfolio of the Government Pension Fund Global is presented in the balance sheet as Investment properties. For additional information see note 2 Significant estimates and critical accounting judgements and note 6 Fair value measurement.

Note 6 Fair value measurement

All equities, bonds, real estate investments and financial derivatives have been allocated to categories for assessed valuation uncertainty. Level 1 consists of investments that are valued based on observable market prices in active markets and are considered to have very limited valuation risk. Investments allocated to level 2 are valued using models with observable market data. These investments have some valuation uncertainty with regards to establishing fair value, but overall this valuation risk is considered to be limited. Investments allocated to level 3 are valued using models with considerable use of unobservable input factors, which implies substantial uncertainty surrounding the establishment of fair value. Nevertheless, it should be noted that the majority of level 3 investments are valued by external professional valuation experts who are regarded as providing the best estimate of fair value.

During the third quarter the second investment in the real estate asset class has been completed. This has been classified partly as a jointly controlled entity and partly as investment properties, see note 5. Investment property is measured at fair value, both when held directly by a subsidiary and when owned by the jointly controlled entity. Investments in jointly controlled entities that are accounted for using the equity method are also included in table 6.1, as investment property accounts for the majority of the jointly controlled ownership interest.

Valuation methods

Real estate investments, whether they are jointly controlled entities, investment properties or financial assets, are unlisted investments and are allocated to level 3. Both investment property and financial assets are valued using valuation techniques commonly used by market participants that maximize the use of observable market inputs, and minimize the use of unobservable market inputs. Typical techniques include the use of models employing assumptions based on market transactions mirroring conditions existing as of the reporting date. For additional information see note 2.

Table 6.1 divides the investments into categories of assessed valuation uncertainty as of 30 September 2011 and 31 December 2010.

Table 6.1 Specification of investments by level of valuation uncertainty

	Level 1		Level 2		Level 3		Total	
Tall i millioner kroner	30.09.2011	31.12.2010	30.09.2011	31.12.2010	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Equities and units	1,711,538	1,894,319	3,443	1,454	284	88	1,715,265	1,895,861
Total bonds	768,550	726,521	527,904	501,291	15,671	25,262	1,312,125	1,253,074
Treasuries	539,318	491,061	66,406	16,508	0	0	605,724	507,569
Government related bonds*	94,473	77,769	79,746	84,168	278	264	174,497	162,201
Inflation-linked bonds	97,607	75,182	6,912	28,155	0	0	104,519	103,337
Corporate bonds	0	1,389	188,490	204,077	1,590	1,714	190,080	207,180
Securitised bonds	37,152	81,120	186,349	168,383	13,804	23,284	237,305	272,787
Total financial derivatives	123	21	-6,730	-6,325	0	0	-6,615	-6,304
Assets	130	43	2,948	3,025	0	0	3,078	3,068
Liabilities	-7	-22	-9,678	-9,350	0	0	-9,685	-9,372
Total real estate	-	-	-	-	9,749	-	9,749	-
Financial assets real estate	-	-	-	-	4,198	-	4,198	-
Jointly controlled entities	-	-	-	-	2,636	-	2,636	-
Investment Properties	-	-	-	-	2,915	-	2,915	-
Total	2,480,211	2,620,861	524,617	496,421	25,704	25,350	3,030,524	3,142,631

*Bonds issued by governments in foreign currency are as of the second quarter 2011 and going forward classified as Government related bonds. Comparative figures are restated.

Measurement of fair value is considered to be somewhat more uncertain at the end of the third quarter as compared to the second quarter due to lower liquidity in the bond markets. Nevertheless, the valuation risk for the portfolio in total continues to be viewed as less than it was at the end of 2010, due to a significant reduction in exposure to US securitised bonds that have an especially high pricing uncertainty. As of the end of the quarter, liquidity in the financial markets is still evaluated as good enough to ensure fair value measurements for the portfolio with a sufficiently high level of certainty. This is true also for bonds issued by European sovereigns with unresolved debt situations. These bonds are at the end of the quarter primarily in level 2 in table 6.1, characterised by lower activity in the markets. Several of the relevant securities, along with bonds issued by certain other governments, have moved out of level 1 during the quarter, based on the deteriorating liquidity situation. Extended analysis of pricing and liquidity has been performed for this segment in connection with the quarter's reporting process.

Exposure to level 3 holdings for bonds continues to primarily come from US securitised bonds at a value of NOK 14 billion, whereof NOK 8 billion are not guaranteed by a federal agency. Investments in the real estate asset class, including those that are classified as jointly controlled entities, belong in level 3 in table 6.1 and therefore contribute to increase the total portfolio valuation uncertainty as compared to the prior year-end. As of the end of the quarter, both the investment in London and the investments in Paris are valued at the acquisition cost. Based on a total assessment at the end of the quarter this was deemed the best indicator of fair value, based on the fact that these transactions were recently completed.

The result of the valuation based on ordinary pricing sources in the established external price provider hierarchy as of 30 September 2011 is viewed as providing an appropriate reflection of expected market values in accordance with the fair value principle. It was therefore not necessary to make any accounting provisions related to valuation uncertainty at the end of the third quarter.

Note 7 Risk

Market risk

Market risk is the risk of changes in the value of the portfolio due to movements in interest rates, equity prices, exchange rates and credit spreads. Norges Bank measures risk in both absolute terms and the relative market risk for holdings in the investment portfolio of the Government Pension Fund Global.

Asset class per region

The portfolio is invested across several asset classes and regions as shown in table 7.1.

Table 7.1 Allocation by asset class and region

		Market value* in percent by region		Market value* in percent by asset class		Assets minus liabilities excluding management fee	
		30.09.2011	31.12.2010	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Equities	Americas and Africa	36.4 %	36.1 %				
	Europe	49.1 %	48.2 %				
	Asia and Oceania	14.5 %	15.7 %				
Total equities				55.6 %	61.5 %	1,699,327	1,891,250
Bonds	Americas and Africa	36.6 %	35.2 %				
	Europe	58.0 %	59.2 %				
	Asia and Oceania	5.4 %	5.6 %				
Total bonds				44.0 %	38.5 %	1,345,612	1,186,170
Real Estate	Europe	100 %	-	0.3 %	N/A	9,815	N/A
Total Real Estate**				0.3 %	N/A	9,815	N/A

* As of 1 January 2011 the calculation of market value for the above table has been changed to include all positions within the portfolios, not only holdings in equities and bonds. Comparative figures for 2010 have been restated accordingly.

**Norges Bank completed an investment in a share of the income from the underlying portfolio of properties in Regent Street for the Government Pension Fund Global in the second quarter of 2011. In the third quarter a further investment in Paris was completed.

Volatility

Norges Bank uses risk modelling to quantify the economic risk for the entire portfolio and for parts of a portfolio. One of the risk measures is expected volatility. Tables 7.2 and 7.3 present risk both in terms of the portfolio's absolute risk and in terms of the relative risk. Real estate investments are not included in the volatility calculations. This is consistent with the investment mandates given by the Ministry of Finance and the Executive Board of Norges Bank in addition to internal guidelines for investing and risk management.

Table 7.2 Portfolio risk in terms of expected volatility

	Expected volatility – long-term					Expected volatility – responsive				
	30.09.2011	Min 2011	Max 2011	Average 2011	31.12.2010	30.09.2011	Min 2011	Max 2011	Average 2011	31.12.2010
Portfolio	11.7 %	11.6 %	13.4 %	12.7 %	13.2 %	13.1 %	6.7 %	15.2 %	8.7 %	7.2 %
Equity	19.9 %	19.6 %	21.2 %	20.6 %	21.1 %	23.4 %	8.8 %	26.3 %	13.0 %	9.7 %
Bonds	12.4 %	12.1 %	12.7 %	12.2 %	12.3 %	14.3 %	6.9 %	14.3 %	9.0 %	8.3 %

Table 7.3 Portfolio risk in terms of expected relative volatility in basispoints

	Expected relative volatility – long-term					Expected relative volatility – responsive				
	30.09.2011	Min 2011	Max 2011	Average 2011	31.12.2010	30.09.2011	Min 2011	Max 2011	Average 2011	31.12.2010
Portfolio	46	39	65	47	54	41	23	56	31	24
Equity	76	52	111	65	61	73	29	115	46	29
Bonds	51	42	76	55	77	70	21	74	34	32

The models that are used in the calculation of the above information are explained in GPFG note 12 Risk in Norges Bank's annual report for 2010, which is also included in NBIM's annual report for the Government Pension Fund Global 2010.

The responsive model captures to a large extent the prior period's market dynamics. Expected volatility for the portfolio with this model at the end of the third quarter was significantly higher than at the beginning of the year. Risk related to equities and the total portfolio has increased in the third quarter and was at its highest level in September. This increase is primarily attributable to increased volatility in the equity markets that followed from fear of a weakening in global growth. In addition, the uncertain debt situation for a few countries in Europe has now spread to also include Italy, Spain and to some extent France. This has caused a value decline for some government bonds, which has in turn caused increased uncertainty for financial institutions with large holdings of these bonds. The uncertainty in the markets and the associated risk has lead to an unrealised loss for the investment portfolio of the Government Pension Fund Global (excluding the real estate asset class) due to a fall in global equities prices, in the second and especially third quarters. The income statement shows a loss for the third quarter that is close to the model's estimate for expected yearly value changes, giving an indication of the unusual market conditions. As of the end of the quarter, the uncertainty and volatility were still high.

In respect of risk measured by the long-term risk measures there is a small decline in risk for equities and for the total portfolio during 2011. This has occurred primarily because the model uses a three-year data history, and in the third quarter of 2011 volatile periods in 2008 are no longer included in the dataset. At the same time, long-term risk has been relatively stable and high over the year based on this risk measure. This is due to the fact that changes in the portfolio composition have been small during this period, and that the historical dataset used during all of 2011 to calculate risk has included both highly volatile and less volatile periods, with the above mentioned minor change.

Credit risk

Credit risk is the risk of loss from issuers of fixed income instruments defaulting on their payment obligations. Credit risk in the bond portfolio is monitored among other things through the use of ratings. Table 7.4 shows the portfolio's distribution on different credit rating categories.

Table 7.4 The bond portfolio specified by credit rating

Figures in NOK million, 30 September 2011	Aaa	Aa	A	Baa	Higher risk	Total
Treasuries	479,525	116,750	1,332	6,042	2,075	605,724
Government related bonds*	105,963	45,399	9,339	10,692	3,104	174,497
Inflation-linked bonds	70,274	33,873	-	-	372	104,519
Corporate bonds	4,252	32,888	88,701	60,727	3,512	190,080
Securitised bonds	186,654	33,440	3,680	6,312	7,219	237,305
Total bonds and other fixed income instruments	**846,668**	**262,350**	**103,052**	**83,773**	**16,282**	**1,312,125**

Figures in NOK million, 31 December 2010	Aaa	Aa	A	Baa	Higher risk	Total
Treasuries	389,135	108,100	3,254	2,903	4,177	507,569
Government related bonds*	98,950	39,655	11,145	11,779	671	162,201
Inflation-linked bonds	58,558	44,260	-	-	519	103,337
Corporate bonds	4,139	45,576	82,693	69,837	4,935	207,180
Securitised bonds	207,742	40,997	3,549	1,880	18,619	272,787
Total bonds and other fixed income instruments	**758,524**	**278,588**	**100,641**	**86,399**	**28,921**	**1,253,074**

*Bonds issued by governments in foreign currency are as of the second quarter 2011 amd going forward classified as Government related bonds. Comparative figures are restated.

The reduction in holdings allocated to the category "higher risk" is primarily due to sales of bonds within this credit rating category.

Counterparty risk

Counterparty risk is the risk of loss related to the possible bankruptcy or other similar event leading to a counterparty not being able to fulfil its payment obligations.

In table 7.5 the counterparty risk exposure is shown per type of activity/instrument type.

Table 7.5 Counterparty risk by type of position

Figures in NOK million, 30 September 2011	Balance sheet value adjusted for collateral	Gross exposure	Netting effects	Collateral and guarantees	Net exposure
Time Deposits	1,891	1,914	-	-	1,914
Unsecured Cash	4,336	4,295	-	-	4,295
OTC Derivatives including foreign exchange contracts	-6,963	3,870	1,852	378	1,640
Repurchase and reverse repurchase agreements*	-7,265	3,470	1,172	-	2,298
Securities lending transactions**	-23,541	36,889	-	20,766	16,123
Total		**50,438**	**3,024**	**21,144**	**26,270**

Figures in NOK million, 31 December 2010	Balance sheet value adjusted for collateral	Gross exposure	Netting effects	Collateral and guarantees	Net exposure
Time Deposits	2,796	2,708	-	-	2,708
Unsecured Cash	3,279	3,281	-	-	3,281
OTC Derivatives including foreign exchange contracts	-6,098	8,523	5,462	1,581	1,480
Repurchase and reverse repurchase agreements*	-4,081	5,756	579	-	5,177
Securities lending transactions**	-16,352	30,965	-	17,597	13,368
Total		**51,233**	**6,041**	**19,178**	**26,014**

* The column Balance sheet value adjusted for collateral takes into account all positions in the repo markets, including the reinvestment of cash collateral. The internal measurement and controls of counterparty risk for these types of instruments does not include these reinvestments.
** The column Balance sheet value adjusted for collateral includes securities lent and received collateral, and is also adjusted for unrealised losses connected to reinvestments in the form of bonds.

The above table shows counterparty risk by type of position as of 30 September 2011. Counterparty risk is relatively unchanged since 31 December 2010.

Translation from the original Norwegian version

To the Supervisory Council of Norges Bank

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated balance sheet of the Government Pension Fund Global as of September 30, 2011, and the related statements of income, statements of comprehensive income, statements of cash flow, statements of changes in owner's capital for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard No 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standard No 34 "Interim Financial Reporting" as adopted by the EU.

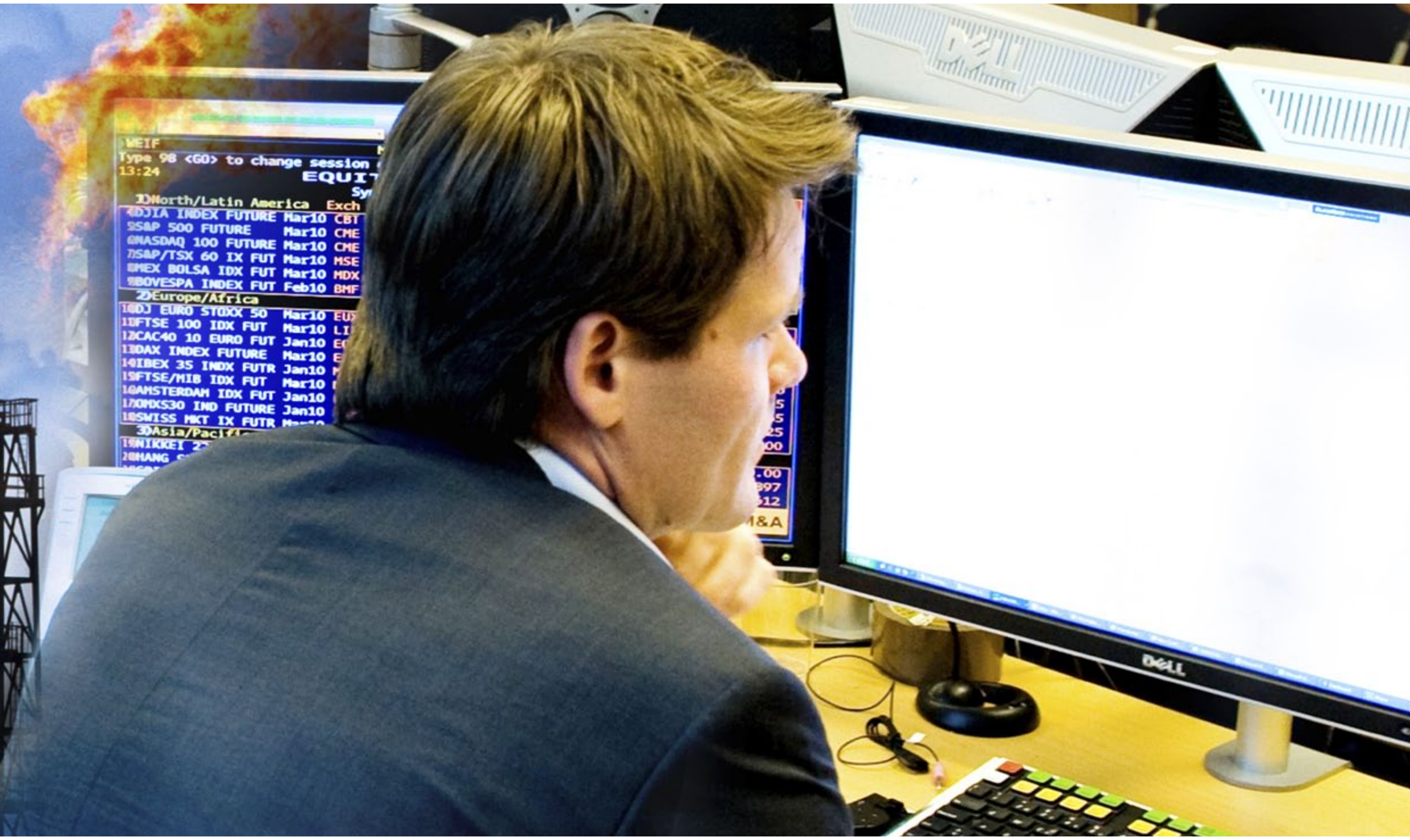
Oslo, 19. October 2011
Deloitte AS

Aase Aa. Lundgaard (signed)
State Authorized Public Accountant (Norway)

ISSN 1890-8535

Design: Burson-Marsteller v/ Erik Sand
Illustrasions: NBIM

Paper: Galerie Art Matt 250/150
Production: 07 Gruppen



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