

## Norges Bank Investment Management (NBIM) Performance results

NBIM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. NBIM has been independently verified for the periods 31 December 1997 through 31 December 2010. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

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## General disclosures

### Verification

NBIM has been independently verified for the period 31 December 1997 through 31 December 2010. The third party verifier's reports are available at our website [www.nbim.no](http://www.nbim.no).

### The firm

NBIM as the firm is the investment management division of Norges Bank – the central bank of Norway. NBIM manages the Government Pension Fund Global (Pension Fund), the major part of Norges Bank's foreign exchange reserves (Reserves Fund) and the Government Petroleum Insurance Fund (Insurance Fund).

### Firm assets

Total firms assets are defined as the sum of the Government Pension Fund Global, the investment portfolio of Norges Bank's foreign exchange reserves, the Government Petroleum Insurance Fund, and the Petroleum Buffer portfolio of Norges Bank's foreign exchange reserves. The money market portfolio of Norges Bank's foreign exchange reserves is managed by the Market Operations and Analysis Department of the Norges Bank Monetary Policy division and is not part of firm assets. On close of 31 December 2010 the Insurance Fund was terminated and its assets were moved to the Pension Fund since the Pension Fund is able to buffer large and unexpected claims arising from petroleum activities on its own. The termination of the Insurance Fund was approved by the Norwegian Parliament after proposal from the Ministry of Finance. The termination was treated as an inflow to the Pension Fund and an outflow from the Insurance Fund and the Insurance Fund's assets are therefore zero at year-end.

### Calculation methodology

NBIM implements a time-weighted rate of return methodology in the return calculations. The fair value is determined on the day of a large external cash flow and interim returns are geometrically linked. NBIM do not operate with a minimum asset level. All portfolios are accounted for in the composite. All portfolio returns are calculated net of non-reclaimable withholding taxes on dividend, interest and capital gains. Withholding taxes are recognized when incurred. NBIM uses accrual accounting for interest income and dividends. NBIM has not adopted a significant cash flow policy since the portfolios are valued daily and hence at each point of external cash flow. NBIM also has a detailed rebalancing regime which sets forth the rules for allocation of the inflow capital.

Assets and liabilities are reported on a fair value basis and in Norwegian kroner (NOK). Fair value is the estimated realisable value of an asset or the estimated cost of settling a liability in an arm's length transaction between well-informed and willing parties. The sources of valuation and pricing follow the NBIM pricing hierarchy which is well aligned with the GIPS standards' recommendation. Performance is reported in terms of an international currency basket corresponding to the currency composition of the Fund's benchmark portfolio. This measure reflects the true performance of the Fund and isolates the effects of the NOK fluctuating against the currencies in which the benchmark is invested. Movements in the NOK do not affect the international purchasing power of the Fund.

### Additional information

NBIM's list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

A large extent of information is also available at our website [www.nbim.no](http://www.nbim.no).

## Performance results: Government Pension Fund Global 31 December 1997 – 31 December 2010

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

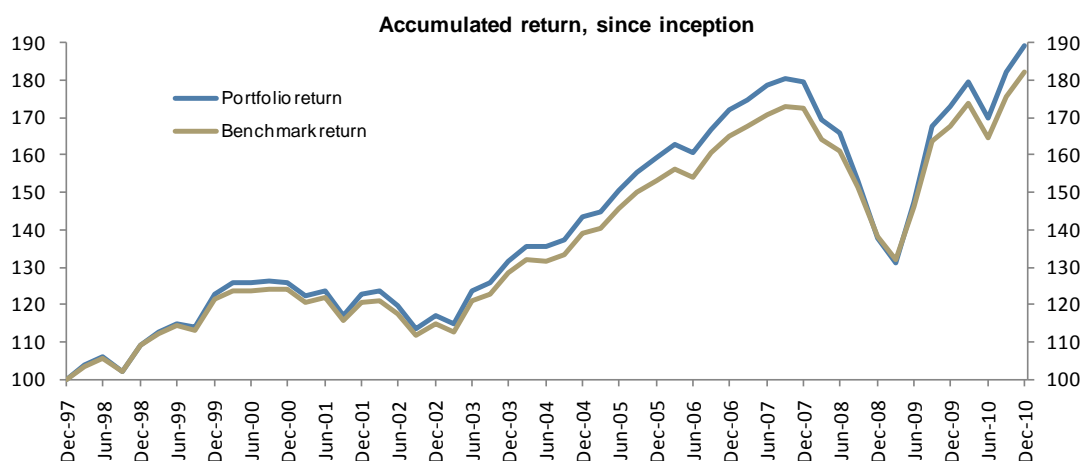
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1998	9.26	9.08	0.18	1	171 832	61.54	279 205
1999	12.44	11.21	1.23	2	222 408	65.25	340 855
2000	2.49	2.22	0.27	2	386 450	73.96	522 544
2001	-2.47	-2.62	0.15	2	613 686	83.03	739 116
2002	-4.74	-5.04	0.30	2	609 007	81.89	743 670
2003	12.59	12.04	0.55	2	845 306	80.95	1 044 264
2004	8.94	8.39	0.54	2	1 016 402	82.19	1 236 653
2005	11.09	10.03	1.06	2	1 399 050	84.85	1 648 874
2006	7.92	7.78	0.14	2	1 783 683	87.13	2 047 074
2007	4.26	4.50	-0.24	2	2 018 643	89.27	2 261 368
2008	-23.31	-19.93	-3.37	2	2 275 426	91.05	2 498 961
2009	25.62	21.49	4.13	2	2 640 043	92.60	2 851 020
2010	9.62	8.57	1.06	2	3 077 441	92.76	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 35 currencies internationally.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	9.62	1.84	3.51	5.33	4.17	5.04
Benchmark return	8.57	1.83	3.53	5.12	3.93	4.73
Relative return	1.06	0.00	-0.02	0.21	0.24	0.31
Ex – post standard deviation, portfolio return	9.63	13.30	10.48	9.05	8.31	7.77
Ex – post standard deviation, benchmark return	9.38	12.13	9.56	8.27	7.70	7.26
Ex – post tracking error	0.36	1.53	1.23	1.05	0.89	0.82
Information ratio	2.95	0.00	-0.02	0.20	0.27	0.38

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



### Composite creation date and inception date

The composite inception date and the composite creation date of the Government Pension Fund Global is 31 December 1997.

### Composite description

The Government Pension Fund Global is NBIM's largest investment mandate. The Pension Fund was set up in 1990 as a tool to support the long-term management of Norway's petroleum revenues. NBIM manages the Pension Fund on behalf of the Ministry of Finance. This composite is the aggregate of the equity and fixed income composites. The strategic asset class weights were 60% equity and 40% fixed income at the start of 2010. In March, the Ministry of Finance issued new regulations granting NBIM a mandate to invest up to 5% of the fund in real estate. In January 2011 the first real estate investment was made. NBIM seeks to achieve the highest possible return after management cost in the currency basket assigned by the actual benchmark index. External managers may be used for that purpose and active ownership strategies may be used in order to safeguard the Pension Fund's financial interest. NBIM invests in tradable debt securities and instruments, equities listed on a regulated marketplace, unlisted equities where the board has expressed an intention to seek listing, and financial derivatives naturally linked to the prior mentioned securities. NBIM cannot invest in securities that the Ministry has excluded from the investment universe and further not in Norwegian companies or NOK denominated securities. NBIM cannot hold more than a 10% voting percent in any individual company.

From Q2 2000 and up to Q4 2002, a tactical allocation fund was included in the numbers for the Government Pension Fund Global but not at asset class level. Its mandate was to invest across asset classes using quantitative analysis and had average total assets under management of NOK 4 billion during that period.

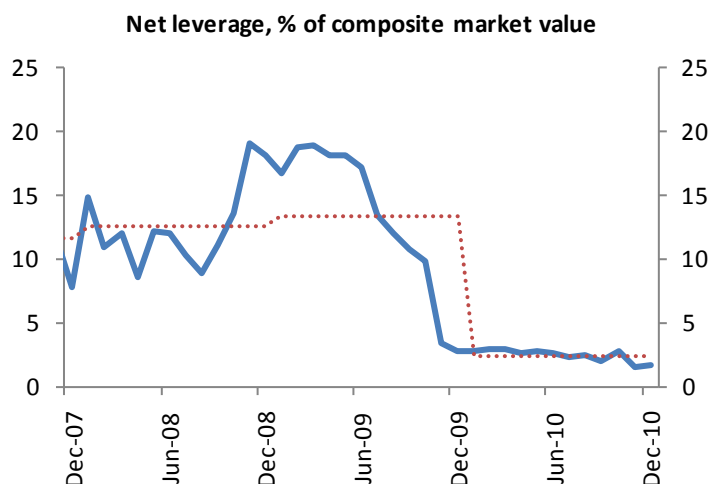
The Ministry of Finance has set limits for how much risk NBIM may take in its active management. The most important limit is expressed as expected tracking error (relative volatility) and puts a ceiling on how much the return on the Pension Fund may be expected to deviate from the return on the benchmark portfolio. The expected tracking error limit is 100 basis points or 1.0 percentage points as per the new mandate effective 1 January 2011 as opposed to the 150 basis points risk limit effective in 2010. The Executive Board has put further risk restrictions relating to the Pension Fund, amongst other relating to maximum allowed leverage. NBIM aims to invest new capital in the markets at the lowest possible cost and to manage the invested capital to maintain the market portfolio cost-effectively. We seek to increase returns through active investment decisions and through active ownership. Our active management seeks to generate a higher return than the benchmark portfolio, adding value for future generations. It involves management of the market portfolio and fundamentally based active strategies. Managing the market portfolio involves daily decisions, when to add or reduce the holdings of securities, whether the Pension Fund should participate in initial public offerings, etc. This management helps secure favourable asset prices and ensure cost-effective management. Active investment decisions may include fundamental strategies to invest in companies. Portfolio managers analyses issuers of securities to find and exploit assets that represent long-term value or may be mispriced. Knowledge of specific industries and companies is an important part of this strategy. The Pension Fund's long-term investment outlook permits investments in assets expected to yield higher returns over time compared to the benchmark.

### Derivatives, leverage and short-selling

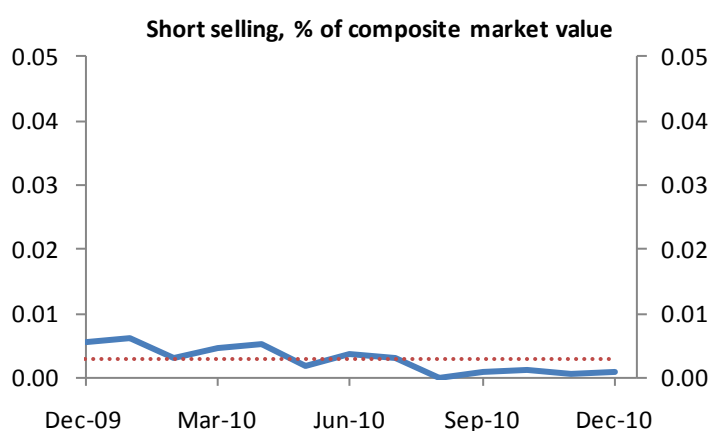
NBIM's access to the use of financial derivatives is regulated as part of the provisions on the management of the Government Pension Fund Global laid down by the Norwegian Ministry of Finance and available on their web site. Specifically, derivatives that are naturally related to equity and fixed-income securities may be used. In accordance with this investment mandate, the Pension Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		<u>2010</u>		<u>2009</u>		<u>2008</u>		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	27 468	-	10 662	-	41 757	-	86	148	28
Exchange traded futures	Common	20 557	16 267	23 890	22 655	108 334	116 600	21	-288	768
Equity swaps	Equity	823	85	1 747	83	19 708	8 310	-56	172	-6 265
Interest-rate swaps	Fixed income	14 035	70 908	62 351	109 385	617 619	592 507	-5 453	-5 299	-33 354
Total return swaps	Fixed income	-	-	-	-	12 802	4	-	-	41
Credit-default swaps	Fixed income	30 926	2 434	32 193	19 299	150 134	82 675	-708	-1 022	1 394
Swap options and FX options	Fixed income	24 829	15 840	33 859	20 986	89 020	75 884	-194	434	1 068

The use of leverage is not regulated in the current provisions on the management of the Government Pension Fund Global. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board in 2008 and amended in 2010. Historically, leverage has predominantly been used within the fixed-income composite to exploit differences in rates or credit spreads by combining derivatives, forward contracts and repurchase agreements. This activity is reflected in the Pension Fund's balance sheet when the gross value of the bonds exceeds the fair value of the fixed-income composite. Leverage as described above was scaled back in the second half of 2009 due to changes in market conditions and a reorganization of NBIM's fixed-income management. Within the equity segment leverage is mainly used to efficiently handle fund management activities and has historically not been material. Below, the net leverage in percent of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year.

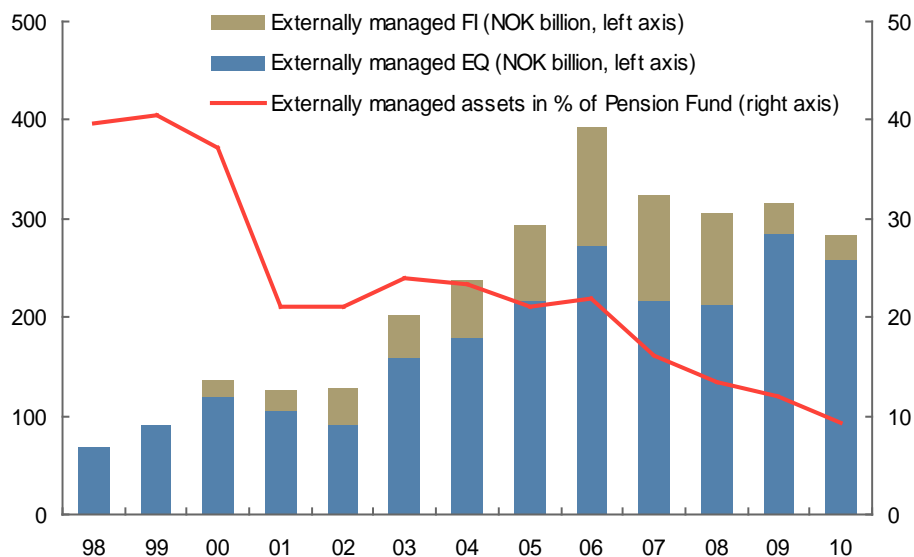


The possibility for short-selling (shorting) is permitted in the management of the Pension Fund given that NBIM has access to established loan facilities. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board. Shorting on the equity side was approximately zero throughout 2010. Shorting on the fixed income side was also close to zero. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The total is the sum of equity and fixed income shorts. The red dashed line indicates the average value within the year.



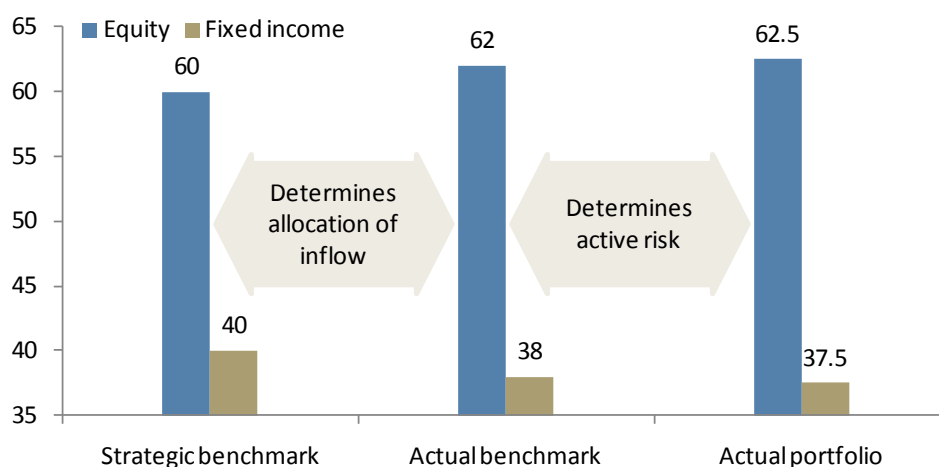
### Sub-advisors

NBIM uses external managers to handle parts of the portfolio. NBIM awards management mandates to organizations with expertise in clearly defined sectors and/or regions. The fund's externally managed mandates had a fair value of NOK 283 billion at the end of 2010. This is equivalent to 9 percent of the fund's total fair value compared with 12 percent a year earlier. External equity mandates accounted for 91% of the total external assets under management. There were a total of 62 mandates managed by 45 different organizations, 59 of which were equity mandates. The below graph shows the composition of externally managed assets at year-end since inception as well as a share of the total Pension Fund. The complete list of organizations managing assets on behalf of NBIM is detailed in the Annual reports available on [www.nbim.no](http://www.nbim.no).



### Benchmark

The strategic benchmark weights are assigned by the Ministry of Finance and are currently 60% equity and 40% fixed income with a planned 5% transition to Real Estate over the next years (taken from fixed income). The actual benchmark weights will differ to the strategic benchmark weights due to the price movements in the market. For example, a stronger increase in equity prices will push the equities portion above 60 percent. As a result, the actual benchmark portfolio may deviate from the strategic long-term benchmark portfolio.



Note: For illustrational purposes only.

Rebalancing is the process of bringing the weights in the actual benchmark portfolio closer to the strategic weights by buying or selling assets. With the exception of deviations due to active management, NBIM will follow the actual benchmark portfolio in its management of the fund. This means that when the weights in the actual benchmark portfolio are changed through rebalancing, NBIM will normally make the same changes to the actual portfolio (weights). Rebalancing results in transaction costs from buying and selling assets. If the rebalancing frequency is too low, the portfolio may stray away from the strategic weights, while a high rebalancing frequency will result in high transaction costs. The Ministry of Finance has set rules for full rebalancing back to the strategic weights. These specify the maximum permitted deviation between the weights in the actual benchmark portfolio and the strategic benchmark portfolio before the Pension Fund must be rebalanced.

The benchmark of the Government Pension Fund Global is a market weighted custom benchmark composed of an equity benchmark and a fixed income benchmark compiled by the FTSE Group and Barclays Capital respectively. The strategic equity index consists of the FTSE Global All-Cap adjusted for NBIM's tax position on dividends for developed, advanced emerging and secondary emerging markets. The regional strategic weights are 50% Europe, 35% Americas/Middle East/Africa and 15% Asia/Pacific. At year-end the benchmark constituted of 46 countries and in excess of 7,000 securities. The strategic fixed income index consists of the Barclays Global aggregate bond index and the Barclays Global inflation linked index. The Barclays indices are not adjusted for withholding tax. The regional strategic weights are 60% Europe, 35% US and Canada and 5% Asia/Pacific. At year-end the benchmark constituted of 11 currencies and in excess of 11,000 securities. The complete composition of the benchmark is available on [www.nbim.no](http://www.nbim.no) as well as historical compositions. The actual weights of the benchmark as of 31 December 2010 can be seen below together with strategic changes to the benchmark historically.

Actual benchmark weights (%)	Fixed income		Equity	
	Share of total benchmark	Share of fixed income benchmark	Share of total benchmark	Share of equity benchmark
Europe	23.04	59.67	29.53	48.10
America	13.59	35.18	22.32	36.36
Asia/Pacific	1.99	5.15	9.54	15.54
<b>Sum</b>	<b>38.62</b>	<b>100.00</b>	<b>61.38</b>	<b>100.00</b>

Strategic benchmark changes	Advice from Norges Bank	Implementation by NBIM
<b>Capital Allocation</b>		
Equity is introduced to the fund and allocation is set at 40%	07.11.1997	June 1998
Equity allocation is increased to 60% and Fixed Income reduced to 40%	10.02.2006	June 2009
<b>Equity</b>		
Inclusion of Emerging Markets		
Brazil, Mexico, Greece, Turkey, Taiwan, Thailand and South Korea	30.08.2000	January 2001
Small-cap included in the benchmark	20.10.2006	March 2008
Benchmark consists of countries in categories "Developed", "Advanced Emerging" and "Secondary Emerging" within FTSE All Cap and specific country list is discontinued	24.06.2008	December 2008
<b>Fixed income</b>		
Introduction of corporate and securitized bonds	15.03.2001	December 2003
Asia/Oceania regional fixed income weight reduced by 10% (offset by a 5% increase in the regional weights for America and Europe)	12.12.2001	December 2003
Inflation linked government bonds included in the benchmark	06.09.2004	November 2005
Reduction of 5% in the regional Asia weight met with a corresponding increase in the Europe weight	28.03.2006	September 2006



### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do. The Ministry of Finance has defined an upper limit of 10 basis points of average assets under management of which NBIM will be reimbursed. Costs above this upper limit are not covered. In addition, performance based fees to external managers are covered. As of 31 December 2010 the annual total expense ratio was 0.11% down from 0.14% one year prior. The table below shows the different components of the total management costs.

NBIM management costs	<u>2010</u>		<u>2009</u>	
	NOK 1000	Percent	NOK 1000	Percent
Internal costs	780 127		779 520	
Custody and settlement costs	382 255		289 279	
Minimum fees to external managers	452 151		431 931	
Performance based fees to external managers	986 143		1 401 762	
Other costs	358 819		325 488	
<b>Total management costs</b>	<b>2 959 494</b>	<b>0.11</b>	<b>3 227 979</b>	<b>0.14</b>
<b>Total management cost excl. performance based fees</b>	<b>1 973 351</b>	<b>0.07</b>	<b>1 826 217</b>	<b>0.08</b>

### Error correction in accordance with Global Investment Performance Standards (GIPS®)

#### **Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

### Error correction in accordance with Global Investment Performance Standards (GIPS®)

#### **Benchmark returns**

The Pension Fund's benchmark is adjusted for dividend taxes reflecting NBIM's tax position to ensure a fair comparison versus the portfolio. NBIM instructs our index supplier on the dividend tax rates that applies to NBIM as an entity. Following a review of the dividend tax rates applied historically the benchmark return has been restated. From 2004-2009, the recalculated benchmark return was accumulated and annualised 0.3 basis points smaller than originally. This disclosure was added to this report August 2010.

## Performance results: Government Pension Fund Global, equity 31 December 1998 – 31 December 2010

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

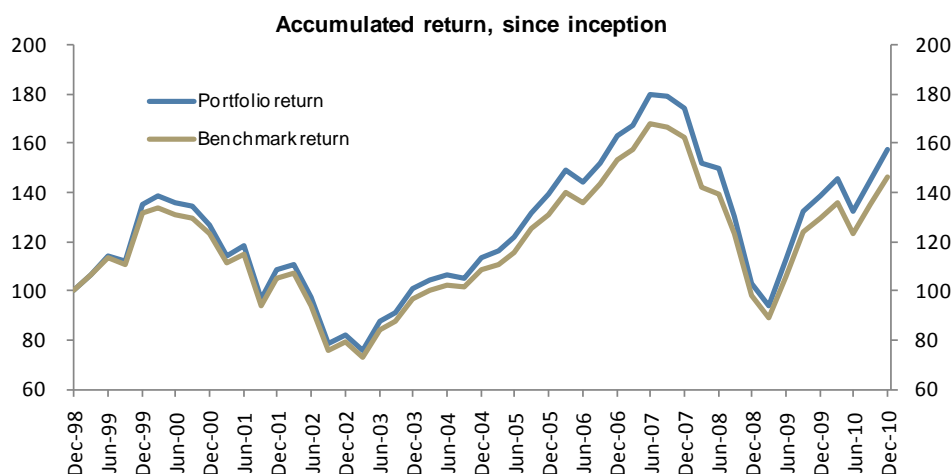
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1999	34.81	31.32	3.49	1	93 651	27.48	340 855
2000	-5.82	-6.31	0.49	1	152 829	29.25	522 544
2001	-14.60	-14.66	0.06	1	246 412	33.34	739 116
2002	-24.39	-24.47	0.07	1	230 993	31.06	743 670
2003	22.84	22.33	0.51	1	361 165	34.59	1 044 264
2004	13.00	12.21	0.79	1	416 298	33.66	1 236 653
2005	22.49	20.33	2.16	1	582 305	35.32	1 648 874
2006	17.04	17.13	-0.09	1	725 922	35.46	2 047 074
2007	6.82	5.67	1.15	1	957 895	42.36	2 261 368
2008	-40.71	-39.56	-1.15	1	1 128 937	45.18	2 498 961
2009	34.27	32.41	1.86	1	1 644 106	57.67	2 851 020
2010	13.34	12.61	0.73	1	1 891 250	57.00	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 35 currencies internationally.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	13.34	-3.37	2.44	6.57	2.16	3.84
Benchmark return	12.61	-3.40	2.21	6.03	1.74	3.21
Relative return	0.73	0.04	0.23	0.55	0.43	0.63
Ex – post standard deviation, portfolio return	16.00	22.20	18.00	15.80	16.56	16.00
Ex – post standard deviation, benchmark return	15.74	21.56	17.46	15.28	16.17	15.61
Ex – post tracking error	0.32	1.03	0.96	0.91	0.82	0.92
Information ratio	2.32	0.04	0.24	0.60	0.52	0.69

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



### Composite creation date and inception date

The composite inception date and the composite creation date of the Government Pension Fund Global, equity is 31 December 1998.

### Composite description

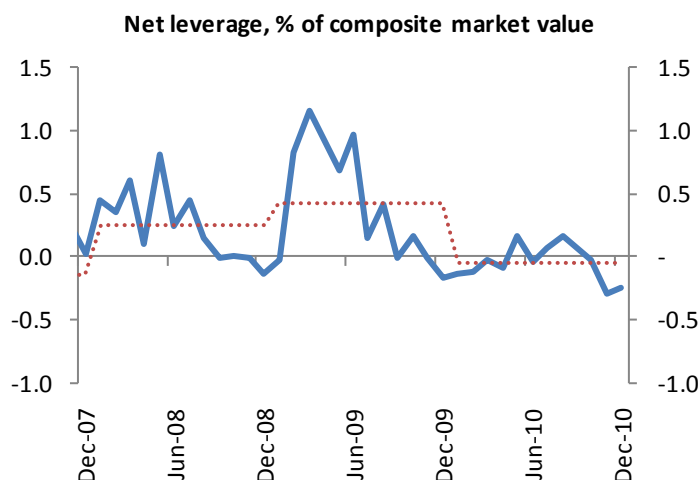
The Government Pension Fund Global, equity is the equity composite of the total Pension Fund. The investment strategy for equity management has been relatively stable throughout its history with enhanced indexing and specialised and fundamental sector management as the core strategy. During 1998, the equity part of the Pension Fund was established as part of a transition process. In this process, large cash inflows and subsequent large asset purchases were incurred. No return numbers or fair values are reported for 1998. Irrespective of this, the equity portfolio's fair value is included in the total Pension Fund's assets and the Firm's assets as of 31 December 1998.

### Derivatives, leverage and short-selling

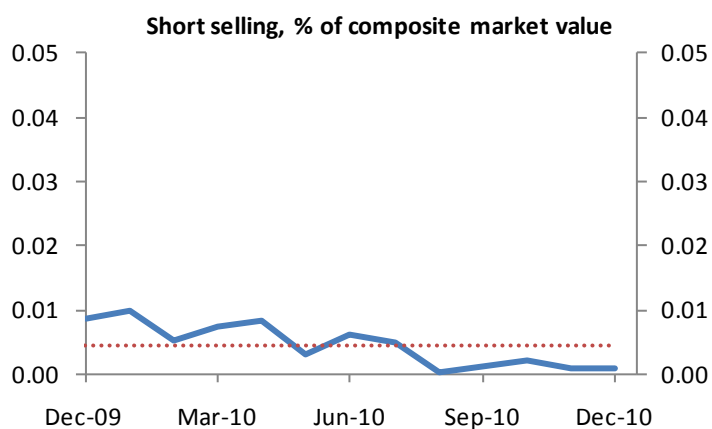
NBIM's access to the use of financial derivatives is regulated as part of the provisions on the management of the Government Pension Fund Global laid down by the Norwegian Ministry of Finance and available on their web site. Specifically, derivatives that are naturally related to equity and fixed-income securities may be used. In accordance with this investment mandate, the Pension Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. Within the equity asset class the use of derivatives has been limited to exchange traded futures and equity swaps and have been used for efficient portfolio management. Historically the sizes have not been of any meaningful size. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		<u>2010</u>		<u>2009</u>		<u>2008</u>		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	27 468	-	10 662	-	41 757	-	86	148	28
Exchange traded futures	Common	20 557	16 267	23 890	22 655	108 334	116 600	21	-288	768
Equity swaps	Equity	823	85	1 747	83	19 708	8 310	-56	172	-6 265

The use of leverage is not regulated in the current provisions on the management of the Government Pension Fund Global. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board in 2008 and amended in 2010. Within the equity segment leverage is mainly used to efficiently handle fund management activities and has historically not been material. Below, the net leverage in percent of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year. A negative value means the composite is unlevered.



The possibility for short-selling (shorting) is permitted in the management of the Pension Fund given that NBIM has access to established loan facilities. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board. Shorting on the equity side was approximately zero throughout 2010. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The red dashed line indicates the average value within the year.



### Sub-advisors

NBIM uses external managers to handle parts of the portfolio. NBIM awards management mandates to organizations with expertise in clearly defined sectors and/or regions. The fund's externally managed mandates had a fair value of NOK 283 billion at the end of 2010. This is equivalent to 9 percent of the fund's total fair value compared with 12 percent a year earlier. External equity mandates accounted for 91% of the total external assets under management. There were a total of 62 mandates managed by 45 different organizations, 59 of which were equity mandates. The complete list of organizations managing assets on behalf of NBIM is detailed in the Annual reports available on [www.nbim.no](http://www.nbim.no).

### Benchmark

The benchmark of the Government Pension Fund Global, equity, is a market weighted custom benchmark compiled by the FTSE Group. The strategic equity index consists of the FTSE Global All-Cap adjusted for NBIM's tax position on dividends for developed, advanced emerging and secondary emerging markets. The regional strategic weights are 50% Europe, 35% Americas/Middle East/Africa and 15% Asia/Pacific. At year-end the benchmark constituted of 46 countries and in excess of 7,000 securities. The actual weights of the benchmark as of 31 December 2010 can be seen below. Strategic changes to the equity benchmark through time are also detailed below.

Actual benchmark weights (%)	Equity	
	Share of total benchmark	Share of equity benchmark
Europe	29.53	48.10
America	22.32	36.36
Asia/Pacific	9.54	15.54
<b>Sum</b>	<b>61.38</b>	<b>100.00</b>

Strategic benchmark changes	Advice from Norges Bank	Implementation by NBIM
<b>Equity</b>		
Inclusion of Emerging Markets		
Brazil, Mexico, Greece, Turkey, Taiwan, Thailand and South Korea	30.08.2000	January 2001
Small-cap included in the benchmark	20.10.2006	March 2008
Benchmark consists of countries in categories "Developed" , "Advanced Emerging" and "Secondary Emerging" within FTSE All Cap and specific country list is discontinued	24.06.2008	December 2008

### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do. The Ministry of Finance has defined an upper limit of 10 basis points of average assets under management of which NBIM will be reimbursed. Costs above this upper limit are not covered. In addition, performance based fees to external managers are covered. As of 31 December 2010 the annual total expense ratio was 0.11% down from 0.14% one year prior.

Error correction in accordance with Global Investment Performance Standards (GIPS®)**Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

Error correction in accordance with Global Investment Performance Standards (GIPS®)**Benchmark returns**

The Pension Fund equity's benchmark is adjusted for dividend taxes reflecting NBIM's tax position to ensure a fair comparison versus the portfolio. NBIM instructs our index supplier on the dividend tax rates that applies to NBIM as an entity. Following a review of the dividend tax rates applied historically the benchmark return has been restated. From 2004-2009, the recalculated benchmark return was accumulated and annualised 0.3 basis points smaller than originally. This disclosure was added to this report August 2010.

## Performance results: Government Pension Fund Global, fixed income 31 December 1997 – 31 December 2010

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

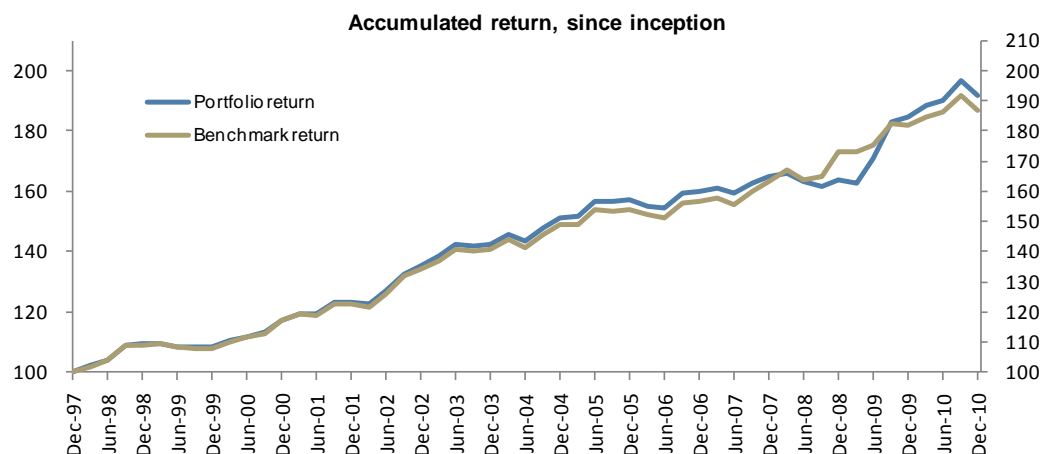
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1998	9.31	9.10	0.21	1	102 300	36.64	279 205
1999	-0.99	-1.00	0.01	1	128 751	37.77	340 855
2000	8.41	8.34	0.07	1	227 323	43.50	522 544
2001	5.04	4.96	0.08	1	362 945	49.11	739 116
2002	9.90	9.41	0.49	1	378 014	50.83	743 670
2003	5.26	4.77	0.48	1	484 141	46.36	1 044 264
2004	6.10	5.73	0.37	1	600 104	48.53	1 236 653
2005	3.82	3.46	0.36	1	816 746	49.53	1 648 874
2006	1.93	1.68	0.25	1	1 057 761	51.67	2 047 074
2007	2.96	4.26	-1.29	1	1 060 749	46.91	2 261 368
2008	-0.54	6.06	-6.60	1	1 146 489	45.88	2 498 961
2009	12.49	5.13	7.36	1	995 937	34.93	2 851 020
2010	4.11	2.58	1.53	1	1 186 191	35.75	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 35 currencies internationally.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	4.11	5.22	4.10	4.34	5.05	5.15
Benchmark return	2.58	4.58	3.93	4.12	4.78	4.92
Relative return	1.53	0.64	0.17	0.23	0.26	0.22
Ex – post standard deviation, portfolio return	3.43	5.20	4.30	3.89	3.90	3.64
Ex – post standard deviation, benchmark return	3.30	4.22	3.65	3.39	3.55	3.36
Ex – post tracking error	0.61	2.52	1.98	1.67	1.40	1.24
Information ratio	2.50	0.25	0.09	0.14	0.19	0.18

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



### Composite creation date and inception date

The composite inception date and the composite creation date of the Government Pension Fund Global, fixed income is 31 December 1997.

### Composite description

The Government Pension Fund Global, fixed income is the fixed income composite of the total Pension Fund. The investment strategy for fixed income management was until 2008 to exploit liquidity and credit premiums in different sectors of the fixed income market. This was in part supported by the use of OTC derivatives and leverage. The investment strategy was to implement many such trades strategies in a market neutral way. The fixed income management has been re-organized through 2008 and 2009. The least liquid holdings were at the start of 2009 separated from the rest of the portfolio, which was kept relatively close to the benchmark index. The portfolio was reintegrated at the end of 2009 and has since been managed with a more fundamentally based strategy, including reduced leverage, less use of derivatives and increased focus on analysing issuers.

### Derivatives, leverage and short-selling

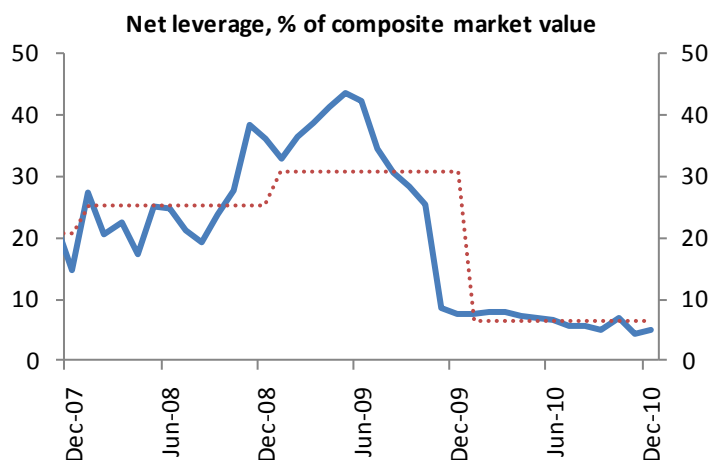
NBIM's access to the use of financial derivatives is regulated as part of the provisions on the management of the Government Pension Fund Global laid down by the Norwegian Ministry of Finance and available on their web site. Specifically, derivatives that are naturally related to equity and fixed-income securities may be used. In accordance with this investment mandate, the Pension Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		<u>2010</u>		<u>2009</u>		<u>2008</u>		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	27 468	0	10 662	-	41 757	-	86	148	28
Exchange traded futures	Common	20 557	16 267	23 890	22 655	108 334	116 600	21	-288	768
Interest-rate swaps	Fixed income	14 035	70 908	62 351	109 385	617 619	592 507	-5 453	-5 299	-33 354
Total return swaps	Fixed income	-	-	-	-	12 802	4	-	-	41
Credit-default swaps	Fixed income	30 926	2 434	32 193	19 299	150 134	82 675	-708	-1 022	1 394
Swap options and FX options	Fixed income	24 829	15 840	33 859	20 986	89 020	75 884	-194	434	1 068

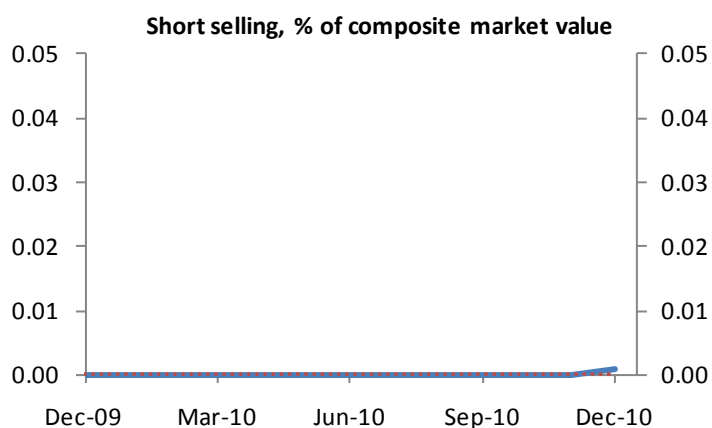
The use of leverage is not regulated in the current provisions on the management of the Government Pension Fund Global. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board in 2008 and amended in 2010. Historically, leverage has predominantly been used within the fixed-income composite to exploit differences in rates or credit spreads by combining derivatives, forward contracts and repurchase agreements. This activity is reflected in the Pension Fund's balance sheet when the gross value of the bonds exceeds the fair value of the fixed-income composite. Leverage as described above



was scaled back in the second half of 2009 due to changes in market conditions and a reorganization of NBIM's fixed-income management. Below, the net leverage in percent of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year.



The possibility for short-selling is permitted in the management of the Pension Fund given that NBIM has access to established loan facilities. However, restrictions are laid down as part of the CEO investment mandate issued by Norges Bank's Executive Board. Shorting on the fixed income side was approximately zero in 2010. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The red dashed line indicates the average value within the year.



### Sub-advisors

NBIM uses external managers to handle parts of the portfolio. NBIM awards management mandates to organizations with expertise in clearly defined sectors and/or regions. The fund's externally managed mandates had a fair value of NOK 283 billion at the end of 2010. This is equivalent to 9 percent of the fund's total fair value compared with 12 percent a year earlier. External fixed income mandates accounted for 9% of the total external assets under management. The complete list of organizations managing assets on behalf of NBIM is detailed in the Annual reports available on [www.nbim.no](http://www.nbim.no).

### Benchmark

The benchmark of the Government Pension Fund Global, fixed income, is a market weighted custom benchmark compiled by Barclays Capital. The strategic fixed income index consists of the Barclays Global aggregate bond index and the Barclays Global inflation linked index. The Barclays indices are not adjusted for withholding tax. The regional strategic weights are 60% Europe, 35% US and Canada and 5% Asia/Pacific. At year-end the benchmark constituted of 11 currencies and in excess of 11,000 securities. The actual weights of the benchmark as of 31 December 2010 can be seen below. Strategic changes to the fixed income benchmark through time are also detailed below.

Actual benchmark weights (%)	Fixed income	
	Share of total benchmark	Share of fixed income benchmark
Europe	23.04	59.67
America	13.59	35.18
Asia/Pacific	1.99	5.15
<b>Sum</b>	<b>38.62</b>	<b>100.00</b>

Strategic benchmark changes	Advice from Norges Bank	Implementation by NBIM
<b>Fixed income</b>		
Introduction of corporate and securitized bonds	15.03.2001	December 2003
Asia/Oceania regional fixed income weight reduced by 10% (offset by a 5% increase in the regional weights for America and Europe)	12.12.2001	December 2003
Inflation linked government bonds included in the benchmark	06.09.2004	November 2005
Reduction of 5% in the regional Asia weight met with a corresponding increase in the Europe weight	28.03.2006	September 2006

### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do. The Ministry of Finance has defined an upper limit of 10 basis points of average assets under management of which NBIM will be reimbursed. Costs above this upper limit are not covered. In addition, performance based fees to external managers are covered. As of 31 December 2010 the annual total expense ratio was 0.11% down from 0.14% one year prior.

Error correction in accordance with Global Investment Performance Standards (GIPS®)**Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

**Performance results: The investment portfolio of Norges Bank's foreign  
exchange reserves  
31 December 1997 – 31 December 2010**

Report presented as of: 31 December 2010  
Reporting fair value currency: NOK  
Reporting return currency: CCY\*

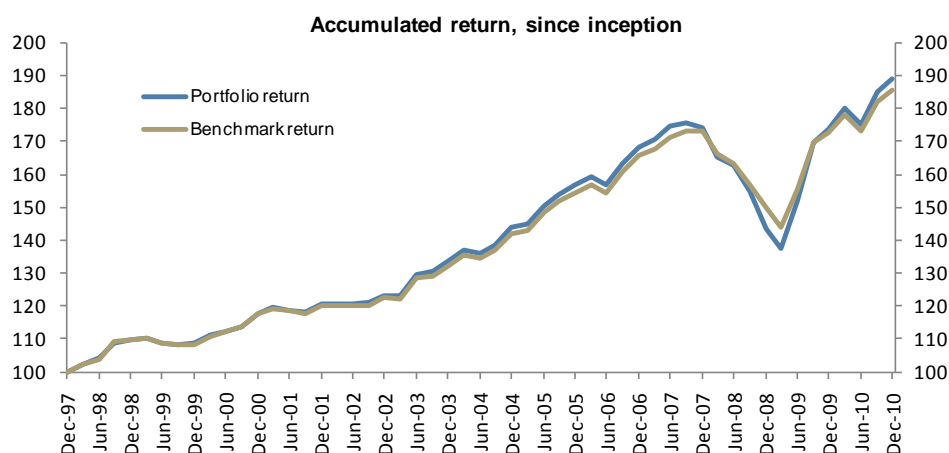
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1998	9.78	9.86	-0.08	1	96 466	34.55	279 205
1999	-1.14	-1.26	0.13	1	94 550	27.74	340 855
2000	8.49	8.37	0.12	1	106 445	20.37	522 544
2001	2.44	2.30	0.14	1	106 402	14.40	739 116
2002	2.17	1.80	0.37	2	93 623	12.59	743 670
2003	8.28	7.74	0.54	2	142 337	13.63	1 044 264
2004	7.75	7.65	0.10	2	185 170	14.97	1 236 653
2005	9.08	8.74	0.34	2	211 486	12.83	1 648 874
2006	7.30	7.18	0.12	2	224 517	10.97	2 047 074
2007	3.37	4.59	-1.22	2	213 986	9.46	2 261 368
2008	-17.47	-13.51	-3.95	2	178 892	7.16	2 498 961
2009	21.06	15.42	5.63	2	185 444	6.50	2 851 020
2010	8.68	7.36	1.32	2	224 737	6.77	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 14 currencies internationally.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	8.68	2.78	3.79	5.09	4.84	5.01
Benchmark return	7.36	2.34	3.74	4.99	4.67	4.87
Relative return	1.32	0.45	0.05	0.10	0.17	0.15
Ex – post standard deviation, portfolio return	6.15	10.10	8.09	7.00	6.07	5.47
Ex – post standard deviation, benchmark return	5.73	8.79	7.06	6.16	5.41	4.92
Ex – post tracking error	0.63	1.82	1.46	1.24	1.04	0.92
Information ratio	2.10	0.25	0.03	0.08	0.17	0.16

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



### Composite creation date and inception date

The composite inception date and the composite creation date of the investment portfolio of Norges Bank's foreign exchange reserves is 31 December 1997.

### Composite description

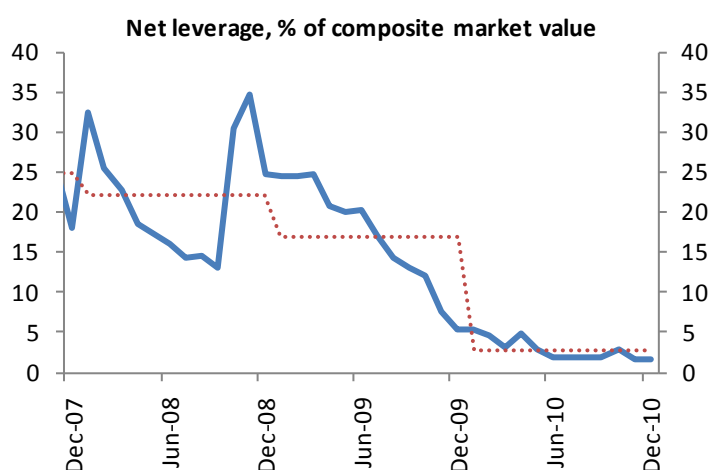
NBIM is by mandate from Norges Bank's Executive Board responsible for the management of the investment portfolio of the Norges Bank's foreign exchange reserves. The investment portfolio has a long-term investment horizon where the aim is to generate the highest possible return within the constraints set out in the guidelines issued by the Executive Board. This composite is the aggregate of the equity and fixed income composites. The strategic asset class weights were 40% equity and 60% fixed income at the start of 2010. Until 2010 the management of the portfolio was based on the same overall processes and procedures as the management for the Pension Fund, albeit different investment mandates. However, in February 2010 the Executive Board adopted new guidelines as the experience from the financial crisis showed that the need for foreign currency in Norges Bank's tradition central banking activities was greater than previously assumed. It was therefore necessary to improve the liquidity of the portfolio. The major changes were the removal of the corporate, securitized and inflation-linked sector of the bond index, the removal of emerging markets and the implementation of market capitalization weights instead of custom regional weights on the equity index. The fixed income benchmark is now only composed of treasuries and the highest graded government related bonds denominated in US dollars, euro, pounds sterling and Japanese yen. The changes were effective from 30 June 2010 on the benchmark side while the changes in the portfolio will be implemented gradually. The Executive Board has set limits for how much risk NBIM may take in its active management. The most important limit is expressed as expected tracking error (relative volatility) and puts a ceiling on how much the return on the fund may be expected to deviate from the return on the benchmark portfolio. The expected tracking error limit is now 100 basis points as opposed to the 150 basis points maximum limit earlier. The Executive Board has put further risk restrictions relating to the Reserves Fund, amongst other relating to maximum allowed leverage. NBIM seeks to increase returns through active investment decisions and through active ownership within the limits set by the mandate.

### Derivatives, leverage and short-selling

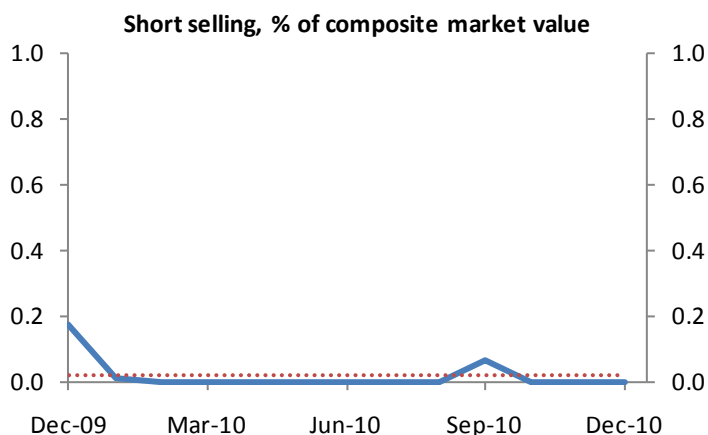
Norges Bank legally owns the Reserves Fund. The Executive Board of Norges Bank has laid down guidelines for the Reserves Fund's investments. These guidelines state that all derivatives where the underlying instruments belong to the equity asset class or the fixed-income asset class are permitted. In accordance with this investment mandate, the Reserves Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		2010		2009		2008		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	11 614	-	729	-	8 059	-	3	-1	-25
Exchange traded futures	Common	2 077	1 749	2 195	4 246	11 334	13 678	-7	36	-43
Equity swaps	Equity	14	14	67	0	812	74	-2	-1	-471
Interest-rate swaps	Fixed income	1 248	4 386	8 516	5 336	57 538	78 295	-185	-59	-3 064
Total return swaps	Fixed income	-	-	-	-	2 020	25	-	-	16
Credit-default swaps	Fixed income	198	36	127	1 022	9 996	6 548	-	-22	240
Swap options and FX options	Fixed income	1 135	608	4 372	1 846	12 902	11 826	-	117	375

Historically, leverage has predominantly been used within the fixed-income composite to exploit differences in rates or credit spreads by combining derivatives, forward contracts and repurchase agreements. This activity is reflected in the Reserves Fund's balance sheet when the gross value of the bonds exceeds the fair value of the fixed-income composite. Leverage as described above was scaled back the second half of 2009 due to changes in market conditions and a reorganization of NBIM's fixed-income management. Within the equity segment leverage is mainly used to efficiently handle fund management activities and has historically not been material. Below, the net leverage in percent of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year.



Short-selling (shorting) is not a single particular investment strategy for the Reserves Fund. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The total is the sum of equity and fixed income shorts. The red dashed line indicates the average value within the year.

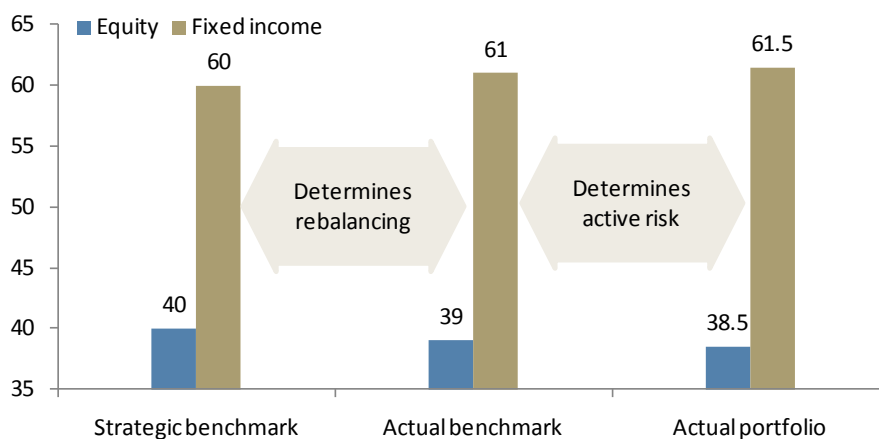


### Sub-advisors

NBIM may use external managers to handle parts of the portfolio, however the current extent and presence of this is minimal as there are only 2 external fixed income mandates managed by one external manager at year-end accounting for 0.9% of total assets under management. The use of external fixed income management has been reduced significantly over the past three years when it accounted for around 8% of total assets under management.

### Benchmark

The strategic benchmark portfolio is defined by the fixed weights set by the Executive Board of Norges Bank for the asset classes, normally referred to as the strategic weights. In February 2010, the new guidelines from the Executive Board detailed a move away from regional strategic weights to strategic weights on currency level for fixed income and market capitalisation weights for equity. The strategic weights were retained at 60% fixed income and 40% equity. These are the initial weights in the actual benchmark portfolio that the fund's management follows and is measured against. Divergent price movements in the different asset classes will over time lead to weight changes in the actual benchmark portfolio. For example, a stronger increase in equity prices will push the equities portion above 40 percent. As a result, the actual benchmark portfolio may deviate from the strategic long-term benchmark portfolio. Rebalancing is the process of bringing the weights in the actual benchmark portfolio closer to the strategic weights by buying or selling assets. With the exception of deviations due to active management, NBIM will follow the actual benchmark portfolio in its management of the fund. This means that when the weights in the actual benchmark portfolio are changed through rebalancing, NBIM will normally make the same changes to the actual portfolio.



Note: For illustrational purposes only.

Rebalancing results in transaction costs from buying and selling assets. If the rebalancing frequency is too low, the portfolio may stray away from the strategic weights, while a high rebalancing frequency will result in high transaction costs. The rebalancing regime set by the Executive Board of Norges Bank details that the benchmark (and the portfolio) will be rebalanced within three months if the actual benchmark asset class weights deviate by more than a set limit measured as of the last trading day of the month.

The benchmark of the investment portfolio of Norges Bank's foreign exchange reserves is a market weighted custom benchmark composed of an equity benchmark and a fixed income benchmark compiled by the FTSE Group and Barclays Capital respectively. The strategic equity index consists of the FTSE Global All-Cap adjusted for NBIM's tax position on dividends for developed markets. At year-end the benchmark constituted of 24 countries and in excess of 5,600 securities. The strategic fixed income index consists of the Barclays Global aggregate bond index but limited to the treasuries, supranationals and sovereign classifications. The Barclays index is not adjusted for withholding tax. The currency strategic weights are 45% USD, 35% EUR, 10% GBP and 10% JPY. At year-end the benchmark constituted in excess of 900 securities. The complete composition of the benchmark is available on [www.nbim.no](http://www.nbim.no) as well as historical compositions. The actual weights of the benchmark as of 31 December 2010 can be seen below together with strategic changes to the benchmark historically.

Actual benchmark weights (%)	Currency	Global
<b>Equity</b>	<b>100.00</b>	<b>41.77</b>
USD	43.03	25.06
EUR	36.38	21.18
GBP	10.14	5.91
JPY	10.45	6.08
<b>Fixed income</b>	<b>100.00</b>	<b>58.23</b>

Strategic benchmark changes	Decision by Executive Board	Implementation by NBIM
<b>Capital Allocation</b>		
Equity allocation is set at 20%	19.07.2000	Starts December 2000
Equity allocation is increased from 20% to 40%	03.07.2002	December 2002
<b>Equity</b>		
Inclusion of developed Emerging Markets	01.07.2004	November 2004
Benchmark changed from FTSE All World to FTSE All Cap	12.06.2007	September 2007
Emerging markets removed from the benchmark	03.02.2010	June 2010
<b>Fixed income</b>		
Inclusion of non Government Guaranteed Bonds	03.07.2002	March 2003
Inclusion of Inflation Index Bonds	01.07.2004	November 2004
Benchmark to only include government securities and securities issued by international organizations of the highest credit quality	03.02.2010	June 2010
Currencies limited to USD, JPY, EUR and GBP	03.02.2010	June 2010



### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do and costs for the management of the Reserves Fund are not reimbursed as for the Pension Fund. As of 31 December 2010 the annual total expense ratio was 0.05% compared to 0.09% one year prior. The table below shows the different components of the total management costs. The negative amount on performance fees in 2010 was due to a withdrawal of an earlier accrued fee.

NBIM management costs	<u>2010</u>		<u>2009</u>	
	NOK 1000	Percent	NOK 1000	Percent
Internal costs	57 300		58 117	
Custody and settlement costs	25 518		30 389	
Minimum fees to external managers	8 548		12 850	
Performance based fees to external managers	-7 922		23 108	
Other costs	27 451		24 283	
<b>Total management costs</b>	<b>110 894</b>	<b>0.05</b>	<b>148 747</b>	<b>0.09</b>
<b>Total management cost excl. performance based fees</b>	<b>118 816</b>	<b>0.06</b>	<b>125 639</b>	<b>0.07</b>

### Error correction in accordance with Global Investment Performance Standards (GIPS®)

#### **Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

### Error correction in accordance with Global Investment Performance Standards (GIPS®)

#### **Benchmark returns**

The Reserves Fund's benchmark is adjusted for dividend taxes reflecting NBIM's tax position to ensure a fair comparison versus the portfolio. NBIM instructs our index supplier on the dividend tax rates that applies to NBIM as an entity. Following a review of the dividend tax rates applied historically the benchmark return has been restated. From 2006-2009, the recalculated benchmark return was accumulated and annualised 0.8 basis points smaller than originally. This disclosure was added to this report August 2010.

**Performance results: The investment portfolio of Norges Bank's foreign  
exchange reserves, equity  
31 December 2001 – 31 December 2010**

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

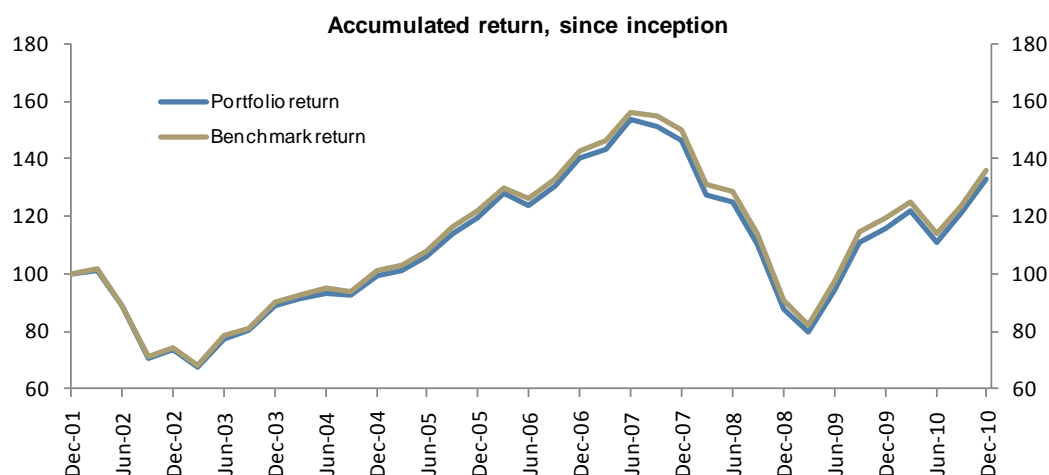
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
2002	-26.36	-25.78	-0.58	1	16 909	2.27	743 670
2003	20.48	21.01	-0.54	1	34 190	3.27	1 044 264
2004	11.85	12.44	-0.59	1	56 134	4.54	1 236 653
2005	20.53	20.36	0.16	1	70 669	4.29	1 648 874
2006	17.03	17.30	-0.27	1	92 143	4.50	2 047 074
2007	4.39	5.27	-0.88	1	88 953	3.93	2 261 368
2008	-39.83	-39.40	-0.43	1	70 552	2.82	2 498 961
2009	31.99	30.96	1.03	1	82 865	2.91	2 851 020
2010	14.52	13.92	0.60	1	93 835	2.83	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 14 currencies internationally.

Key metrics	1 year	3 years	5 years	7 years	Inception
Portfolio return	14.52	-3.11	2.13	5.94	3.21
Benchmark return	13.92	-3.30	2.23	6.07	3.45
Relative return	0.60	0.19	-0.10	-0.13	-0.24
Ex – post standard deviation, portfolio return	16.14	21.76	17.68	15.45	16.20
Ex – post standard deviation, benchmark return	15.84	21.48	17.43	15.25	16.03
Ex – post tracking error	0.52	0.52	0.56	0.50	0.54
Information ratio	1.17	0.37	-0.17	-0.26	-0.45

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



### Composite creation date and inception date

The composite inception date and the composite creation date of the investment portfolio of Norges Bank's foreign exchange reserves, equity is 31 December 2001.

### Composite description

The investment portfolio of Norges Bank's foreign exchange reserves, equity is the equity composite of the total Reserves Fund. The investment strategy for equity management has been relatively stable throughout its history with enhanced indexing and specialised sector management as the core strategy. During 2001, the equity part of the Reserves Fund was established as part of a transition process. In this process, large cash inflows and subsequent large asset purchases were incurred. No return numbers or fair values are reported for 2001.

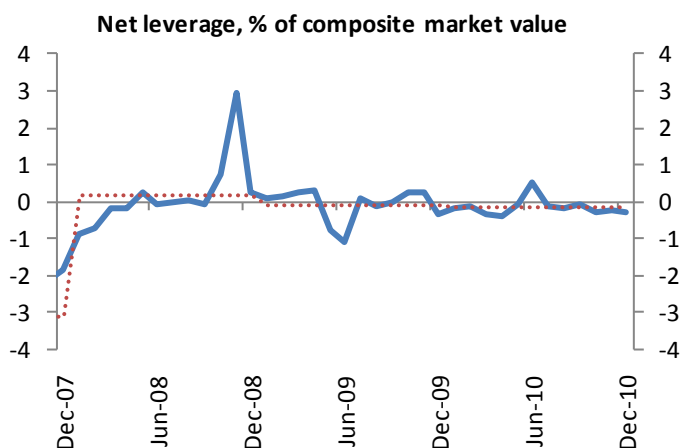
Irrespective of this, the equity portfolio's fair value is included in the total Reserves Fund's assets and the Firm's assets as of 31 December 2001.

### Derivatives, leverage and short-selling

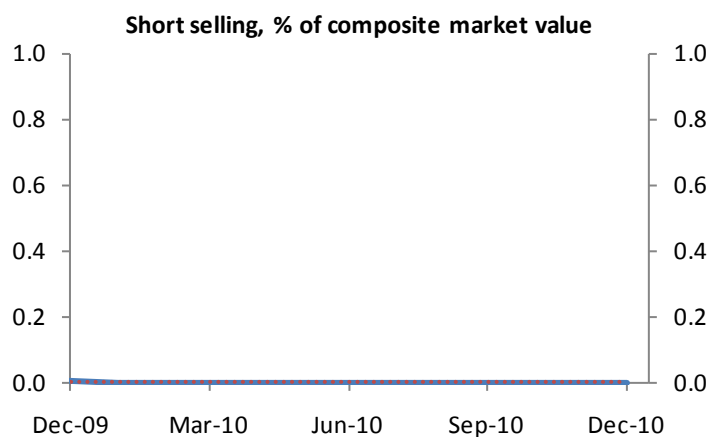
Norges Bank legally owns the Reserves Fund. The Executive Board of Norges Bank has laid down guidelines for the Reserves Fund's investments. These guidelines state that all derivatives where the underlying instruments belong to the equity asset class or the fixed-income asset class are permitted. In accordance with this investment mandate, the Reserves Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. Within the equity asset class the use of derivatives has been limited to exchange traded futures and equity swaps and have been used for efficient portfolio management and historically the sizes have not been of any meaningful size. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		<u>2010</u>		<u>2009</u>		<u>2008</u>		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	11 614	-	729	-	8 059	-	3	-1	-25
Exchange traded futures	Common	2 077	1 749	2 195	4 246	11 334	13 678	-7	36	-43
Equity swaps	Equity	14	14	67	0	812	74	-2	-1	-471

Within the equity segment leverage is mainly used to efficiently handle fund management activities and has historically not been of any meaningful size. Below, the net leverage in percent of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year. A negative value means the composite is unlevered.



Short-selling (shorting) is not a single particular investment strategy for the Reserves Fund. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The red dashed line indicates the average value within the year.



#### Sub-advisors

NBIM may use external managers to handle parts of the portfolio, however the current extent and presence of this is minimal as there are only 2 external fixed income mandates managed by one external manager at year-end accounting for 0.9% of total assets under management.

#### Benchmark

The benchmark of the investment portfolio of Norges Bank's foreign exchange reserves, equity is a market weighted custom benchmark compiled by the FTSE Group. The strategic equity index consists of the FTSE Global All-Cap for developed markets adjusted for NBIM's tax position on dividends. At year-end the benchmark constituted of 24 countries and in excess of 5,600 securities. The actual benchmark weight for equity was 41.77% at year-end 2010. The complete composition of the benchmark is available on [www.nbim.no](http://www.nbim.no) as well as historical compositions. Historical strategic benchmark changes on the equity side are detailed below.

Strategic benchmark changes	Decision by Executive Board	Implementation finalized by NBIM
<b>Equity</b>		
Inclusion of developed Emerging Markets	01.07.2004	November 2004
Benchmark changed from FTSE All World to FTSE All Cap	12.06.2007	September 2007
Emerging markets removed from the benchmark	03.02.2010	June 2010

#### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do and costs for the management of the Reserves Fund are not reimbursed as for the Pension Fund. As of 31 December 2010 the annual total expense ratio was 0.05% compared to 0.09% one year prior.

#### Error correction in accordance with Global Investment Performance Standards (GIPS®)

##### **Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

#### Error correction in accordance with Global Investment Performance Standards (GIPS®)

##### **Benchmark returns**

The Reserves Fund equity's benchmark is adjusted for dividend taxes reflecting NBIM's tax position to ensure a fair comparison versus the portfolio. NBIM instructs our index supplier on the dividend tax rates that applies to NBIM as an entity. Following a review of the dividend tax rates applied historically the benchmark return has been restated. From 2006-2009, the recalculated benchmark return was accumulated and annualised 1.8 basis points smaller than originally. This disclosure was added to this report August 2010.

**Performance results: The investment portfolio of Norges Bank's foreign  
exchange reserves, fixed income  
31 December 1997 – 31 December 2010**

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

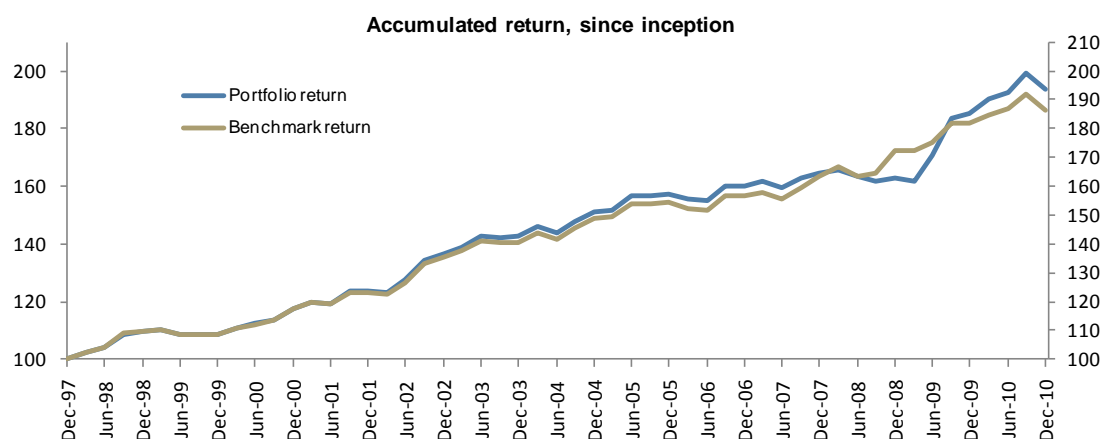
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1998	9.78	9.87	-0.08	1	96 466	34.55	279 205
1999	-1.14	-1.26	0.13	1	94 550	27.74	340 855
2000	8.49	8.37	0.12	1	106 445	20.37	522 544
2001	5.11	4.95	0.16	1	83 414	11.29	739 116
2002	10.14	9.59	0.55	1	76 714	10.32	743 670
2003	4.51	3.97	0.54	1	108 147	10.36	1 044 264
2004	6.15	5.86	0.29	1	129 036	10.43	1 236 653
2005	4.12	3.78	0.34	1	140 817	8.54	1 648 874
2006	1.83	1.49	0.34	1	132 374	6.47	2 047 074
2007	2.68	4.13	-1.45	1	125 033	5.53	2 261 368
2008	-0.95	5.69	-6.65	1	108 340	4.34	2 498 961
2009	13.73	5.29	8.44	1	102 578	3.60	2 851 020
2010	4.50	2.69	1.81	1	130 901	3.95	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of 14 currencies internationally.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	4.50	5.59	4.24	4.49	5.11	5.22
Benchmark return	2.69	4.55	3.85	4.12	4.72	4.91
Relative return	1.81	1.04	0.39	0.37	0.38	0.31
Ex – post standard deviation, portfolio return	3.58	4.97	4.14	3.78	3.84	3.59
Ex – post standard deviation, benchmark return	3.47	4.15	3.60	3.38	3.57	3.40
Ex – post tracking error	0.85	2.79	2.21	1.87	1.56	1.38
Information ratio	2.13	0.37	0.18	0.20	0.25	0.23

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



Composite creation date and inception date

The composite inception date and the composite creation date of the Government Pension Fund Global, fixed income is 31 December 1997.

Composite description

The investment portfolio of Norges Bank's foreign exchange reserves, fixed income is the fixed income composite of the total Reserves Fund. The investment strategy for fixed income management was until 2008 to exploit liquidity and credit premiums in different sectors of the fixed income market, this was in part supported by the use of OTC derivatives and leverage. The fixed income management was re-organized in 2008 and the investment strategy was modified to have two main portfolios; one for rebalancing and indexing and one portfolio containing large and illiquid positions. There is an ongoing current transition in the fixed income portfolio due to the new guidelines for the portfolio as the portfolio moves to treasuries and the government related sector of the bond market.

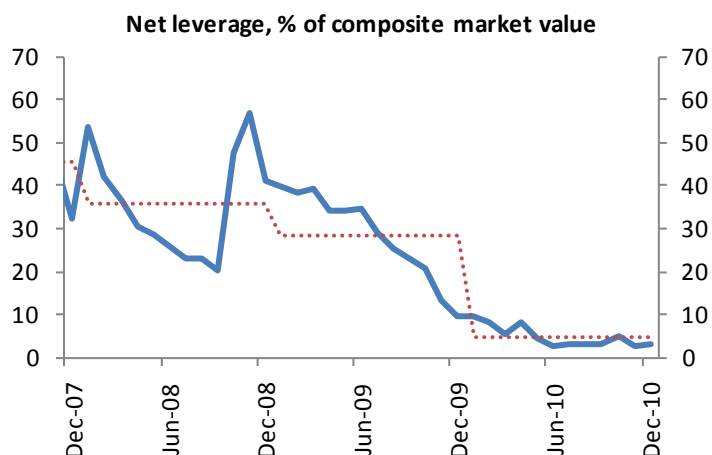
Derivatives, leverage and short-selling

Norges Bank legally owns the Reserves Fund. The Executive Board of Norges Bank has laid down guidelines for the Reserves Fund's investments. These guidelines state that all derivatives where the underlying instruments belong to the equity asset class or the fixed-income asset class are permitted. In accordance with this investment mandate, the Reserves Fund makes use of exchange traded future and option contracts and over-the-counter (OTC) derivative contracts such as interest-rate swaps, credit-default swaps and equity swaps in order to achieve the lowest possible transaction cost, and to efficiently rebalance the portfolio. The segmented net fair values and exposure of the financial derivatives for the last three years are shown in a table below. For options the exposure is delta adjusted.

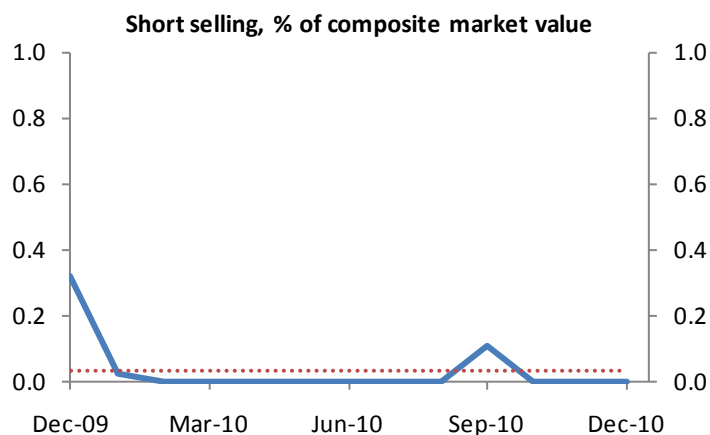
Financial derivatives	Asset class	Average exposure through year (NOKm)						Net fair value		
		<u>2010</u>		<u>2009</u>		<u>2008</u>		Year-end (NOKm)		
		Purchased	Sold	Purchased	Sold	Purchased	Sold	2010	2009	2008
Foreign exchange contracts	Common	11 614	-	729	-	8 059	-	3	-1	-25
Exchange traded futures	Common	2 077	1 749	2 195	4 246	11 334	13 678	-7	36	-43
Interest-rate swaps	Fixed income	1 248	4 386	8 516	5 336	57 538	78 295	-185	-59	-3 064
Total return swaps	Fixed income	-	-	-	-	2 020	25	-	-	16
Credit-default swaps	Fixed income	198	36	127	1 022	9 996	6 548	-	-22	240
Swap options and FX options	Fixed income	1 135	608	4 372	1 846	12 902	11 826	-	117	375

Historically, leverage has predominantly been used within the fixed-income composite to exploit differences in rates or credit spreads by combining derivatives, forward contracts and repurchase agreements. This is reflected in the Reserves Fund's balance sheet when the gross value of the bonds exceeds the fair value of the fixed-income composite. Leverage as described above was scaled back in 2009 due to changes in market conditions and a reorganization of NBIM's fixed-income management in 2008 and 2009. Below, the net leverage in percent

of the composite's fair value is shown for the last three years. Net leverage is defined as the net sum of all cash positions. The red dashed line indicates the average value within a year.



Short-selling (shorting) is not a single particular investment strategy for the Reserves Fund. The graph below shows the amount of shorting as a percentage of the composite fair value in 2010. Shorting is defined as the sum of negative net asset values at security level. The red dashed line indicates the average value within the year.



#### Sub-advisors

NBIM may use external managers to handle parts of the portfolio, however the current extent and presence of this is minimal as there are only 2 external fixed income mandates managed by one external manager at year-end accounting for 0.9% of total assets under management.

#### Benchmark

The benchmark of the investment portfolio of Norges Bank's foreign exchange reserves, fixed income is a market weighted custom benchmark compiled by Barclays Capital. The strategic fixed income index consists of the Barclays Global aggregate bond index but limited to the treasuries, supranationals and sovereign classifications. The Barclays index is not adjusted for withholding tax. The currency strategic weights are 45% USD, 35% EUR, 10% GBP and 10% JPY. At year-end the benchmark constituted in excess of 900 securities. The actual benchmark weight for fixed income was 58.23% at year-end 2010. The complete composition of the benchmark is available on [www.nbim.no](http://www.nbim.no) as well as historical compositions. Historical strategic benchmark changes on the equity side are detailed below.



Strategic benchmark changes	Decision by Executive Board	Implementation finalized by NBIM
<b>Fixed income</b>		
Inclusion of non Government Guaranteed Bonds	03.07.2002	March 2003
Inclusion of Inflation Index Bonds	01.07.2004	November 2004
Benchmark to only include government securities and securities issued by international organizations of the highest credit quality	03.02.2010	June 2010
Currencies limited to USD, JPY, EUR and GBP	03.02.2010	June 2010

#### Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). In addition, non-reclaimable withholding taxes are deducted in the performance numbers. NBIM does not operate with a fee schedule as mutual funds do and costs for the management of the Reserves Fund are not reimbursed as for the Pension Fund. As of 31 December 2010 the annual total expense ratio was 0.05% compared to 0.09% one year prior.

#### Error correction in accordance with Global Investment Performance Standards (GIPS®)

##### **Missing Disclosure**

In April 2010 NBIM and Ernst & Young became aware of a missing disclosure required under the application of the Global Investment Performance Standards (GIPS®). The missing disclosure regarded the presence, use, and extent of leverage and derivatives, including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

The missing disclosure has been treated in accordance with NBIM's error correction guidelines and procedures. The missing disclosure was categorised as material and it was decided that NBIM should correct the presentation with disclosure of the change and make every reasonable effort to provide a correct compliant presentation to third parties that received the initial presentation with the missing disclosure. This disclosure was added to this report May 2010.

## Performance results: The Government Petroleum Insurance Fund

### 31 August 1998 – 31 December 2010

Report presented as of: 31 December 2010  
 Reporting fair value currency: NOK  
 Reporting return currency: CCY\*

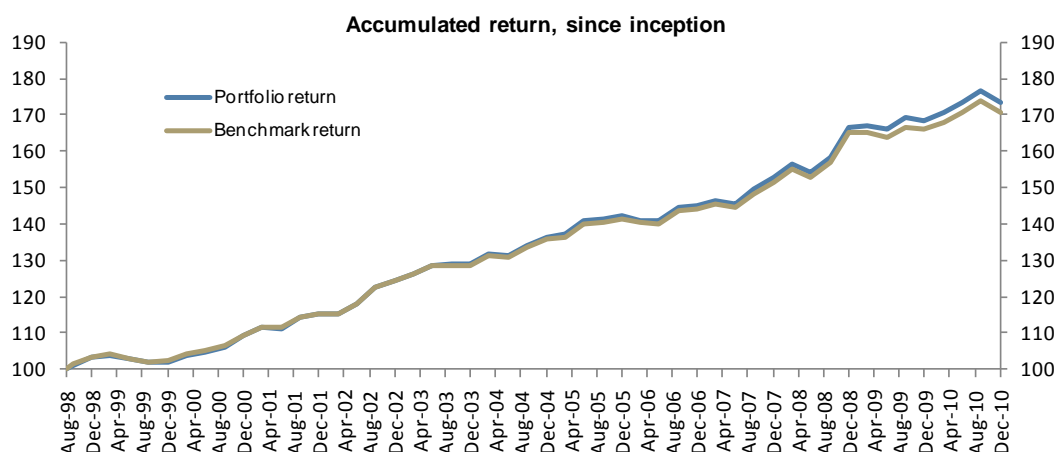
Calendar year	Portfolio return	Benchmark return	Relative return	Number of portfolios	Total assets	In % of firm assets	Firm assets
1998	3.27	3.38	-0.11	1	10 907	3.91	279 205
1999	-1.06	-0.85	-0.21	1	9 987	2.93	340 855
2000	6.92	6.78	0.15	1	10 820	2.07	522 544
2001	5.68	5.48	0.19	1	11 174	1.51	739 116
2002	7.90	7.74	0.16	1	11 507	1.55	743 670
2003	3.56	3.46	0.10	1	12 881	1.23	1 044 264
2004	5.64	5.42	0.22	1	13 478	1.09	1 236 653
2005	4.28	4.15	0.14	1	14 197	0.86	1 648 874
2006	2.17	2.14	0.03	1	15 187	0.74	2 047 074
2007	5.15	4.97	0.18	1	14 686	0.65	2 261 368
2008	9.08	9.01	0.07	1	20 916	0.84	2 498 961
2009	1.15	0.49	0.65	1	18 962	0.67	2 851 020
2010	2.93	2.71	0.22	1	0	0.00	3 317 721

Note: Return numbers gross of fees and in percent. Fair values in millions.

\*CCY is the currency basket corresponding to the currency composition in the fund's benchmark portfolio. The basket consists of EUR, GBP and USD.

Key metrics (annualised)	1 year	3 years	5 years	7 years	10 years	Inception
Portfolio return	2.93	4.33	4.06	4.32	4.73	4.56
Benchmark return	2.71	4.01	3.82	4.10	4.53	4.42
Relative return	0.22	0.32	0.23	0.22	0.20	0.14
Ex – post standard deviation, portfolio return	2.59	3.11	2.72	2.51	2.58	2.52
Ex – post standard deviation, benchmark return	2.54	3.14	2.74	2.51	2.57	2.53
Ex – post tracking error	0.12	0.20	0.17	0.15	0.13	0.17
Information ratio	1.81	1.64	1.39	1.49	1.51	0.87

Note: Return numbers gross of fees and in percent and annualised. Standard deviation in percent.



Composite creation date and inception date

The composite inception date and the composite creation date of the Government Petroleum Insurance Fund is 31 August 1998.

Composite description

The purpose of the Government Petroleum Insurance Fund is to provide a reserve for payments to cover losses and liability associated with the State's Direct Financial Interest in petroleum activities (SDFI). The Ministry of Petroleum and Energy owns the fund. Pursuant to the Act relating to the Government Petroleum Insurance Fund, Norges Bank is responsible for the operational management of the fund. On close of 31 December 2010 the Insurance Fund was terminated and its assets were moved to the Pension Fund since the Pension Fund is able to buffer large and unexpected claims arising from petroleum activities on its own. The termination of the Insurance Fund was approved by the Norwegian Parliament after proposal from the Ministry of Finance. The termination was treated as an inflow to the Pension Fund and an outflow from the Insurance Fund and the Insurance Fund's assets are therefore zero at year-end. The value of the Insurance Fund at termination, equalling the transfer amount, was NOK 19,838 million. The Insurance Fund was entirely invested in fixed income, primarily in treasuries and government related bonds.

Derivatives, leverage and short-selling

The Insurance Fund has not taken advantage of derivatives in any material way. Neither leverage nor short-selling, as defined in this report, have been used in the management of the Insurance Fund.

Benchmark

The Ministry of Finance has defined a strategic benchmark portfolio for the fund consisting of 50 percent euro, 15 percent pounds sterling and 35 percent US dollars. The benchmark index consists of Barclays Global Aggregate treasury indices for the three currencies and a money market deposit to weight the interest rate risk as measured by modified duration in each currency to four (4). During the year, the currency weights in the actual benchmark portfolio fluctuate with market developments. However, at the beginning of July each year, the actual weights are returned to the strategic currency weights. The actual weights of the benchmark were as follows at the beginning of 2010:

<b>Actual benchmark weights (%)</b>	<b>Total benchmark</b>
EUR	51.00
USD	34.50
GBP	14.50
<b>Sum</b>	<b>100.00</b>

Fee schedule

Performance numbers are gross of management fees and custodial fees but net of all trading expenses (transaction costs). NBIM does not operate with a fee schedule as mutual funds do. The Ministry of Petroleum and Energy has defined an upper limit of 6 basis points of average assets under management of which NBIM will be reimbursed. Costs above this upper limit are not covered. As of 31 December 2010 the annual total expense ratio was 0.06%, the same level as one year prior. The table below shows the different components of the total management costs.

NBIM management costs	<u>2010</u>		<u>2009</u>	
	NOK 1000	Percent	NOK 1000	Percent
Internal costs	8 317		7 773	
Custody and settlement costs	1 103		1 579	
Other costs	2 381		2 698	
<b>Total management costs</b>	<b>11 800</b>	<b>0.06</b>	<b>12 051</b>	<b>0.06</b>