

GOVERNMENT PENSION FUND GLOBAL  
QUARTERLY REPORT



**3 Quarter  
2013**



# THIRD QUARTER 2013 IN BRIEF

- The Government Pension Fund Global returned 5.0 percent, or 228 billion kroner, in the third quarter of 2013.
- Equity investments returned 7.6 percent, while fixed-income investments returned 0.3 percent.
- The return on equity and fixed-income investments was 0.1 percentage point higher than the return on the fund's benchmark.
- Investments in real estate returned 4.1 percent.
- The fund had a market value of 4,714 billion kroner at the end of the quarter and was invested 63.6 percent in equities, 35.5 percent in fixed income and 0.9 percent in real estate.

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Norges Bank Investment Management (NBIM) manages the Government Pension Fund Global. Our mission is to safeguard and build financial wealth for future generations.

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## FUND MANAGEMENT

### EQUITY INVESTMENTS

Equity investments, which accounted for 63.6 percent of the fund at the end of the quarter, returned 7.6 percent. The return in the quarter was driven mainly by expectations of economic improvements in developed markets, especially in Europe.

#### Strongest performance in Europe

European stocks returned 11.6 percent in the quarter, measured in the fund's currency basket. The rise in share prices was driven mainly by better employment and higher activity. European companies accounted for 47.1 percent of the fund's equity investments at the end of the quarter.

US stocks returned 3.9 percent. Further improvements in the economy had a positive effect, and the announcement towards the end of the quarter that the Federal Reserve would continue its purchases of securities contributed to an upswing in the stock market. US companies accounted for 29.8 percent of the fund's equity investments at the end of the quarter.

Japanese stocks returned 5.4 percent. The country's economic stimulus package, which includes purchases of

government bonds and direct investment in the economy, had positive effects. The Asia-Pacific region returned 4.9 percent. A total of 18.0 percent of the fund's equity investments were in this region at the end of the quarter.

Equities in emerging markets returned 2.4 percent. An improvement in the Chinese market due to stronger exports was the main reason for the positive return. Emerging markets accounted for 9.6 percent of the fund's equity investments at the end of the quarter.

#### Basic materials perform best

Basic materials, industrials and telecommunications were the best-performing sectors, returning 11.1 percent, 10.6 percent and 9.9 percent respectively. The strong return on basic materials stocks needs to be seen in the light of the relatively poor performance of the sector in the first half of the year. The weakest sector in the third quarter was healthcare, returning 4.2 percent.

#### Individual stocks

The investment in telecom company Vodafone Group Plc contributed most to the return in the third quarter, followed by those in carmaker Daimler AG and IT company

**Table 1-1** Return on the fund's equity investments in third quarter 2013. By sector. Percent

Sector	Return	Share of equity investments
Financials	7.0	23.5
Consumer goods	6.5	13.9
Industrials	10.6	14.0
Oil and gas	6.8	8.6
Consumer services	8.6	9.8
Healthcare	4.2	8.9
Technology	7.3	7.4
Basic materials	11.1	6.6
Telecommunications	9.9	3.8
Utilities	5.5	3.5

**Table 1-2** The fund's largest equity holdings as of 30 September 2013. Millions of kroner

Company	Country	Holdings
Nestle SA	Switzerland	38 537
Royal Dutch Shell PLC	UK	28 434
Novartis AG	Switzerland	27 031
HSBC Holdings PLC	UK	26 488
Roche Holding AG	Switzerland	24 996
Vodafone Group PLC	UK	22 999
BlackRock Inc	USA	21 802
Apple Inc	USA	19 800
BG Group PLC	UK	19 610
BP PLC	UK	18 276

## RETURNS MEASURED IN THE FUND'S CURRENCY BASKET

The fund invests in international securities. Returns are generally measured in international currency – a weighted combination of the currencies in the fund's benchmark indices for equities and bonds. The fund's currency basket consisted of 35 curren-

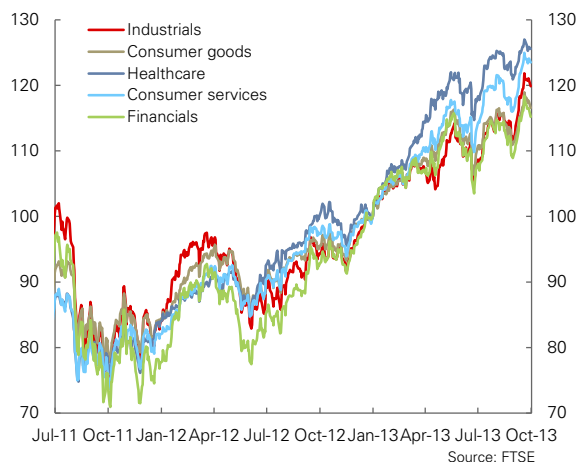
cies at the end of the third quarter. Unless otherwise stated in the text, results are measured in the fund's currency basket.

Apple Inc. The worst-performing investment was in oil and gas company Exxon Mobil Corp, followed by those in drugmaker Sanofi and technology company Microsoft Corp.

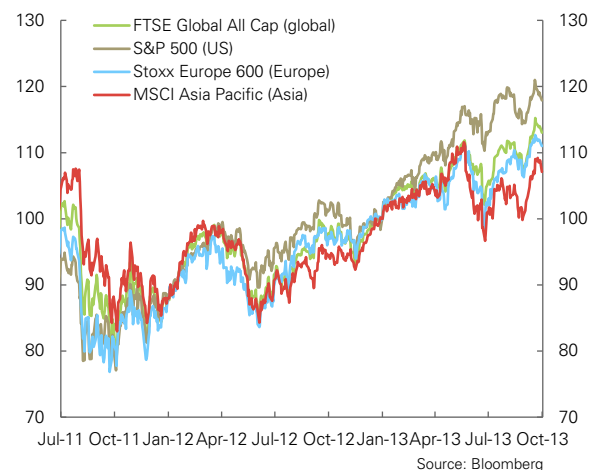
The largest initial public offering the fund participated in was China Merchants Bank, in which the fund exercised

the right to acquire shares for 23.9 million Hong Kong dollars, or 18.4 million kroner. The fund also participated in offerings by Lloyds Banking Group and Nordea Bank, in which it bought shares for 48.8 million pounds and 91.2 million Swedish kronor, equivalent to 458.2 million kroner and 85.4 million kroner, respectively.

**Chart 1-1** Price moves in stock sectors in the FTSE Global All Cap Index. Measured in US dollars. Indexed. 31 Dec 2012 = 100



**Chart 1-2** Price developments in regional and global equity markets. Measured in US dollars, except for the Stoxx Europe 600, which is measured in euros. Indexed. 31 Dec 2012 = 100



## FIXED-INCOME INVESTMENTS

Fixed-income investments accounted for 35.5 percent of the fund at the end of the quarter and returned 0.3 percent. These investments consisted of bonds, short-term securities and bank deposits. Yields in most markets rose during the quarter. This can be seen in the light of market expectations that the Federal Reserve would limit its purchases of securities, so restricting the global supply of funding.

### Negative return on government debt

Government bonds accounted for 59.4 percent of the fund's fixed-income investments at the end of the quarter and returned -0.2 percent. US Treasuries returned -2.2 percent and made up 20.0 percent of fixed-income investments at the end of the quarter. Japanese government bonds accounted for 7.7 percent of the fund's fixed-income holdings and returned -0.1 percent, while euro-denominated government bonds returned 2.7 percent and amounted to 12.6 percent of fixed-income holdings.

Inflation-linked bonds returned 0.1 percent and accounted for 1.6 percent of total fixed-income investments.

The fund also holds bonds from government-related institutions such as the European Investment Bank, Kreditanstalt für Wiederaufbau and the European Financial Stability Facility (EFSF). These returned 1.2 percent and accounted for 11.8 percent of the fund's fixed-income investments at the end of the quarter.

### Securitised debt performs best

Securitized debt, consisting mainly of covered bonds, was the fund's best-performing fixed-income sector in the third quarter, returning 1.9 percent. This was due primarily to the sector's currency composition, as most of the holdings were denominated in euros.

Corporate bonds returned 0.3 percent. Securitized debt and corporate bonds together accounted for 25.9 percent of the fund's fixed-income investments at the end of the quarter.

Corporate bond issuance was down on the second quarter.

### Changes in holdings

The fund increased its investments in bonds issued by Brazil, Spain and Germany in the quarter, and reduced its holdings of bonds issued by the US, the financial entity Caja de Ahorros y Pensiones de Barcelona and Canada.

The fund participated in several issuances of new bonds other than government debt in the quarter, the largest being bonds from ABN AMRO Bank, Royal Bank of Canada and KBC Bank. At the end of the quarter, 79.0 percent of fixed-income investments were denominated in one of the four major currencies (dollars, euros, yen and sterling), down from 81.7 percent at the end of 2012.

**Table 1-3** Return on the fund's bond investments in third quarter 2013. By sector. Percent

Sector	Return	Share of fixed-income investments*
Government bonds**	-0.2	59.4
Government-related bonds**	1.2	11.8
Inflation-linked bonds**	0.1	1.6
Corporate bonds	0.3	14.2
Securitized debt	1.9	11.6

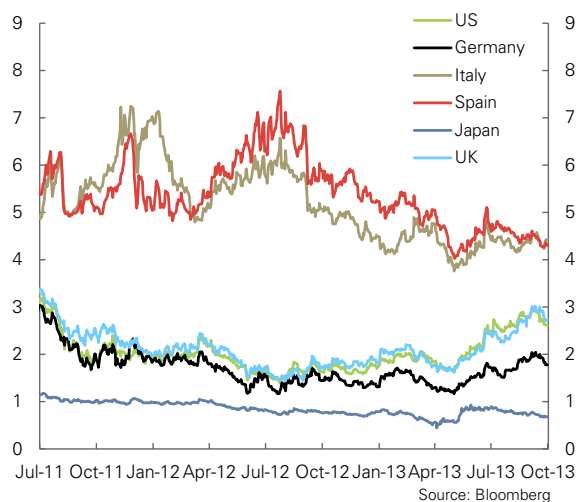
\* The individual percentages do not add up to 100 percent as the table excludes investments in short-term securities, bank deposits and derivatives.

\*\* Governments may issue different types of bonds and the fund's investments in these bonds are grouped accordingly. Bonds issued by a country's government in the country's own currency are categorised as government bonds. Bonds issued by a country's government in another country's currency are grouped with government-related bonds. Inflation-linked bonds issued by governments are grouped with inflation-linked bonds.

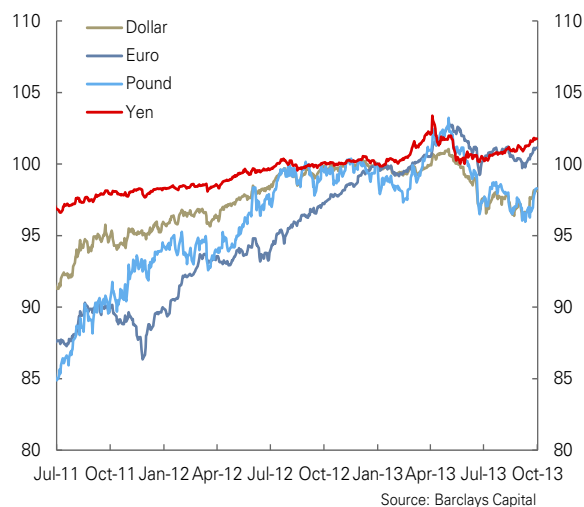
**Table 1-4** The fund's largest bond investments as of 30 September 2013. Millions of kroner

Issuer	Country	Holdings
United States of America	US	344 619
Japanese government	Japan	129 554
Federal Republic of Germany	Germany	80 591
UK government	UK	47 388
Mexican government	Mexico	33 478
Government of the Netherlands	The Netherlands	32 966
Italian Republic	Italy	30 583
Kreditanstalt für Wiederaufbau	Germany	29 387
Brazilian government	Brazil	29 091
Korean government	South Korea	27 057

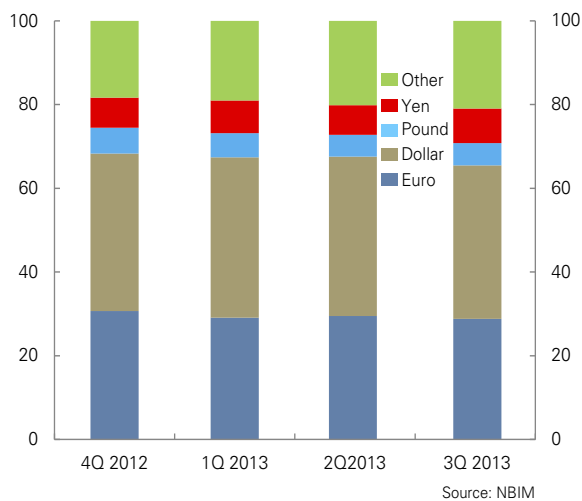
**Chart 1-3** 10-year government bond yields. Percent



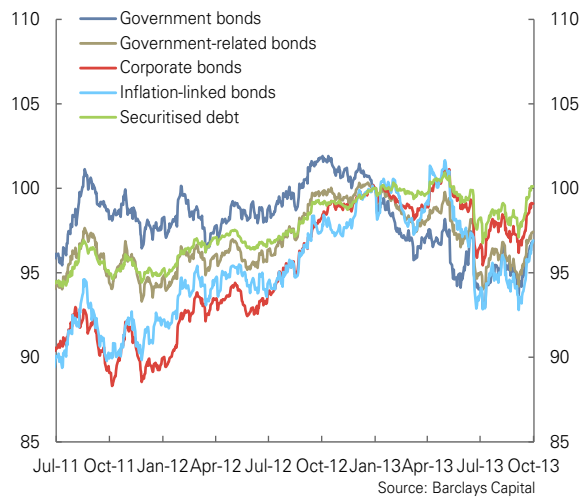
**Chart 1-4** Price developments for bonds issued in dollars, euros, pounds and yen in the Barclays Global Aggregate Index, measured in local currencies. Indexed. 31 Dec 2012 = 100



**Chart 1-5** Currency composition of the fund's fixed-income investments. Percent



**Chart 1-6** Price developments in fixed-income sectors in the Barclays Global Aggregate Index, measured in US dollars. Indexed. 31 Dec 2012 = 100



**Table 1-5** The fund's bond investments as of 30 September 2013 based on credit ratings. Percentage of fixed-income holdings

	AAA	AA	A	BBB	Lower rating	Total
Government bonds	31.9	16.2	3.9	8.1	0.1	60.2
Government-related bonds	6.0	3.9	0.6	1.3	0.1	12.0
Inflation-linked bonds	1.0	0.1	0.0	0.5	-	1.6
Corporate bonds	0.0	1.4	6.5	6.3	0.2	14.4
Securitised debt	7.8	0.6	1.7	1.3	0.5	11.8
<b>Total bonds</b>	<b>46.7</b>	<b>22.1</b>	<b>12.7</b>	<b>17.5</b>	<b>1.0</b>	<b>100.0</b>

## REAL ESTATE INVESTMENTS

Real estate investments accounted for 0.9 percent of the fund at the end of the third quarter and are to increase gradually to as much as 5 percent of the value of the fund.

The fund entered into a joint venture agreement with Boston Properties in the third quarter to purchase a 45 percent interest of an office building in New York. NBIM's share of the purchase price is 684 million dollars net. The purchase is expected to be completed in the fourth quarter.

The fund's real estate investments returned 4.1 percent in the third quarter. The return on these investments is determined by rental income, changes in property values and currency movements. Measured in local currency, rental income contributed 1.3 percentage points to the return in the third quarter, and the net change in the value of properties and debt contributed 0.9 percentage point. Currency movements contributed 2.0 percentage points.

**Table 1-6** Return on the fund's real estate investments third quarter 2013. Percent

	Return
Net rental income	1.3
Net change in value of properties and debt	0.9
Transaction costs for property purchases	0.0
Foreign exchange adjustments	2.0
<b>Overall return</b>	<b>4.1</b>

## OPERATIONAL REFERENCE PORTFOLIOS AND THE FUND'S RELATIVE RETURN

Returns on the fund's equity and fixed-income investments are compared with returns on global benchmark indices for equities and bonds set by the Ministry of Finance on the basis of indices from FTSE Group and Barclays Capital.

### Operational reference portfolios

NBIM has constructed internal operational reference portfolios for equities and bonds. These portfolios are to take into account the fund's size, long-term approach and objective in order to achieve the best possible trade-off over time between expected risks and returns.

The operational reference portfolio for equity investments returned 7.5 percent in the third quarter, 0.1 percentage point higher than the benchmark index set by the ministry.

The operational reference portfolio for bond investments returned 0.2 percent, 0.4 percentage point lower than the benchmark index set by the ministry. The difference was due mainly to the operational reference portfolio having a higher weight of government bonds from emerging markets than the ministry's benchmark index.

### The fund's relative return

The overall return on the fund's equity and fixed-income investments was 0.1 percentage point higher than the return on the benchmark indices in the third quarter.



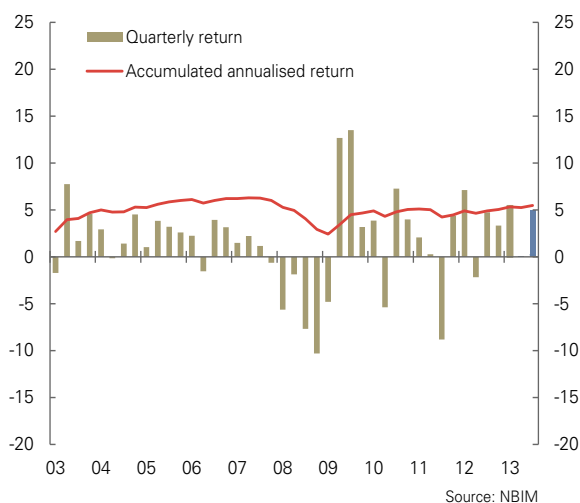
The fund's equity investments outperformed the benchmark index by 0.3 percentage point. Consumer goods and industrials were the sectors that made the greatest contribution to this excess return, while investments in the technology sector made the most negative contribution. Of the countries the fund is invested in, German and French stocks contributed most to the excess return, while investments in Spain and Australia made the most negative contribution.

The return on the fund's fixed-income investments was 0.2 percentage point lower than the benchmark return in the third quarter. A lower weight of euro-denominated government bonds and a higher weight of government bonds from emerging markets contributed to the negative excess return, while a higher weight of euro-denominated covered bonds made the greatest positive contribution.

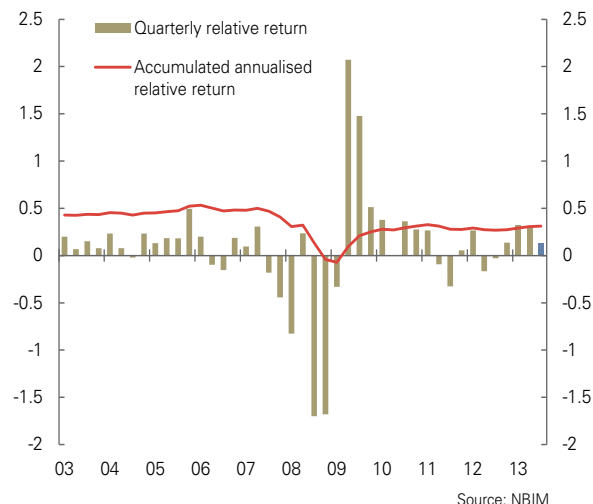
**Table 1-7** Contributions from equity and fixed-income management to the fund's relative return in third quarter 2013. Percentage points

	Total	Attributed to external management
Equity investments	0.22	0.05
Fixed-income investments	-0.09	0.00
Total	0.13	0.05

**Chart 1-7** The fund's quarterly and accumulated annualised return. Percent



**Chart 1-8** Quarterly relative return and accumulated annualised relative return on the fund, excluding real estate investments. Percentage points



**Table 1-8** Quarterly returns as of 30 September 2013

	3Q 2013	2Q 2013	1Q 2013	4Q 2012	3Q 2012	Year-to-date 30 Sept 2013
<b>Returns in international currency</b>						
Return on equity investments (percent)	7,64	0,89	8,25	4,69	6,48	17,57
Return on fixed-income investments (percent)	0,32	-1,40	1,06	1,26	2,16	-0,03
Return on real estate investments (percent)	4,09	3,94	-0,34	0,49	2,68	7,83
Return on fund (percent)	4,99	0,06	5,45	3,34	4,74	10,78
Return on equity and fixed-income investments (percent)	5,00	0,03	5,49	3,35	4,75	10,79
Return on benchmark equity and fixed-income indices (percent)	4,87	-0,28	5,16	3,22	4,78	9,97
Relative return on equity and fixed-income investments (percentage points)	0,13	0,31	0,32	0,14	-0,02	0,82
Relative return on equity investments (percentage points)	0,27	0,34	0,32	0,21	0,12	1,03
Relative return on fixed-income investments (percentage points)	-0,25	0,29	0,22	-0,05	-0,27	0,27
Management costs (percentage points)	0,02	0,02	0,01	0,02	0,01	0,05
Return on fund after management costs (percent)	4,97	0,04	5,43	3,32	4,73	10,73
<b>Returns in kroner (percent)</b>						
Return on equity investments	8,54	4,59	10,83	2,08	3,98	25,82
Return on fixed-income investments	1,15	2,22	3,46	-1,26	-0,23	6,98
Return on real estate investments	4,96	7,75	2,03	-2,01	0,28	15,39
Return on fund	5,86	3,73	7,96	0,76	2,29	18,55
Return on equity and fixed-income investments	5,87	3,70	8,00	0,78	2,30	18,56

**Table 1-9** Historical key figures as of 30 September 2013. Annualised data, measured in the fund's currency basket

	Last 12 months	Last 3 years	Last 5 years	Last 10 years	Since 01.01.1998
Return on fund (percent)	14.47	8.39	8.63	6.29	5.49
Return on equity and fixed-income investments (percent)	14.51	8.40	8.63	6.30	5.49
Return on benchmark equity and fixed-income indices (percent)	13.51	8.02	7.93	6.06	5.18
Relative return on equity and fixed-income investments (percentage points)	0.99	0.38	0.71	0.24	0.31
Standard deviation (percent)	6.06	7.40	10.40	8.53	7.71
Tracking error for equity and fixed-income investments (percentage points)	0.37	0.37	0.95	0.90	0.76
Information ratio (IR)* for equity and fixed-income investments	2.70	1.04	0.75	0.26	0.41
Return on fund (percent)	14.47	8.39	8.63	6.29	5.49
Annual price inflation (percent)	1.38	2.33	1.69	2.15	1.91
Annual management costs (percent)	0.06	0.08	0.09	0.10	0.09
Annual net real return on fund (percent)	12.85	5.84	6.73	3.96	3.41

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

Table 1-10 Key figures as of 30 September 2013

	3Q 2013	2Q 2013	1Q 2013	4Q 2012	3Q 2012
<b>Market value (billions of kroner)*</b>					
Market value of equity investments	2 998	2 785	2 609	2 336	2 247
Market value of fixed-income investments	1 674	1 571	1 536	1 455	1 465
Market value of real estate investments	42	40	37	25	11
Market value of fund	4 714	4 397	4 182	3 816	3 723
<b>Inflow of new capital*</b>					
Inflow of new capital*	58	58	60	64	80
Return on fund	228	17	219	123	167
Changes due to fluctuations in krone	31	139	86	-94	-85
Total change in fund	318	215	366	92	162
<b>Management costs (percent)</b>					
Estimated transition costs**	0,00	0,00	0,00	0,00	0,01
Annualised management costs	0,06	0,07	0,06	0,06	0,06
<b>Changes in value since first capital inflow in 1996 (billions of kroner)</b>					
Gross inflow of new capital	3 239	3 180	3 121	3 060	2 996
Management costs***	23	22	21	21	20
Inflow of new capital after management costs	3 216	3 158	3 099	3 039	2 975
Return on fund	1 572	1 344	1 327	1 107	985
Changes due to fluctuations in krone	-74	-105	-244	-331	-237
Market value of fund	4 714	4 397	4 182	3 816	3 723
Return after management costs	1 549	1 322	1 305	1 087	965

\* The fund's market value shown in this table does not take into account the management fee to NBIM from the Ministry of Finance. The market value therefore differs somewhat from the Balance sheet and the Statement of changes in owner's capital in the financial-reporting section. The inflows in this table differ somewhat from inflows in the financial accounts (see Statement of cash flows and Statement of changes in owner's capital) due to differences in the treatment of management fees and unsettled inflows (see Statement of cash flows).

\*\* Estimated transition costs of new capital inflows. These do not include costs due to strategic changes in the fund and costs from implementing benchmark index changes, for instance when companies, issuers and bonds are added to or excluded from the benchmark indices for equities and fixed income.

\*\*\* Management costs at subsidiaries, see Table 3.2 in the financial-reporting section, are not included in the management fee. Management costs at subsidiaries have been deducted from the fund's return before management fees."

Table 1-11 Accumulated returns since first capital inflow in 1996. Billions of kroner

	3Q 2013	2Q 2013	1Q 2013	4Q 2012	3Q 2012
Return on equity investments	1 021	805	777	579	474
Return on fixed-income investments	547	537	549	528	510
Return on real estate investments	3	2	0	0	0
Total return	1 572	1 344	1 327	1 107	985

## RESPONSIBLE INVESTMENT AND ACTIVE OWNERSHIP

NBIM aims to safeguard the fund's long-term value. We expect the companies in which we invest to manage social and environmental risks that could impact negatively on their business and so also the fund's investments.

A new platform for the disclosure of NBIM's voting at general meetings was launched during the quarter, with voting instructions available one business day after the general meeting has concluded. NBIM voted at 1,124 general meetings in the third quarter, a period when relatively few meetings are held. NBIM participated in 99 percent of general meetings at which it had voting rights.

At the meetings in which NBIM participated, 98 percent of proposals came from the respective company's board, and the remaining 2 percent from shareholders. Board-related matters accounted for 46 percent of the proposals voted on.

### **Contributions to the development of international standards and initiatives**

Access to relevant information on a company's situation and operations is important for investors. NBIM wrote to the International Integrated Reporting Council (IIRC) during the quarter concerning the development of a framework for integrated reporting. In its letter, NBIM stressed the importance of disclosures meeting investors' needs. The aim of the framework is to promote corporate reporting that integrates sustainability with financial data.

NBIM also engaged in dialogue with the Carbon Disclosure Project (CDP) on how the CDP Water Disclosure initiative can be developed further. The initiative aims to increase the quality and availability of information on how companies manage water resources. NBIM's let-

ter noted a need for more detailed reporting and better coverage of emerging markets.

During the quarter NBIM also was participating in a working group on the implementation of UNICEF's Children's Rights and Business Principles. Launched in March 2012 by UNICEF, the UN Global Compact and Save the Children, the principles guide companies on the actions they can take in the workplace, the marketplace and the community to safeguard children. The working group helped make the principles better known and more relevant to companies in high-risk sectors.

## RISK MANAGEMENT

NBIM assesses and manages several types of investment risk, including market, credit and counterparty risks. We also work constantly to identify and reduce operational risks that could lead to financial or reputational loss. We have set up frameworks in each category for how risk is measured, checked and managed. As no single measure or analysis can fully capture the fund's market risk, we use a variety of measures and analyses, including expected tracking error, factor exposures, concentration analysis and liquidity risk.

The fund's expected absolute volatility, calculated using the statistical measure standard deviation, uses a three-year price history to estimate how much the annual return on the fund's equity and fixed-income investments may fluctuate. The fund's expected absolute volatility was 9.3 percent, or about 437 billion kroner, at the end of the third quarter, compared with 9.0 percent three months earlier.

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) is one of these limits and caps how much the return on these investments may be expected to deviate from the return on

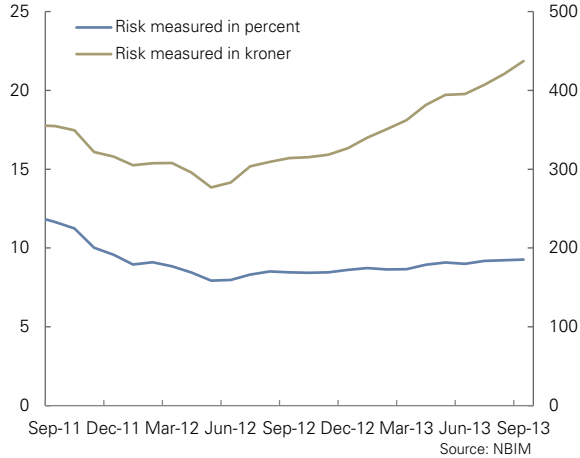
the benchmark indices. NBIM should aim for expected tracking error of no more than 1 percentage point. The actual figure was 0.4 percentage point at the end of the quarter, compared with 0.6 percentage point three months earlier.

Each quarter, NBIM estimates the size of the potential losses or gains it may incur over the next year because of unwanted operational events related to its investment management activities. The estimate is based on past events and possible future events, and represents the fund's estimated operational risk exposure.

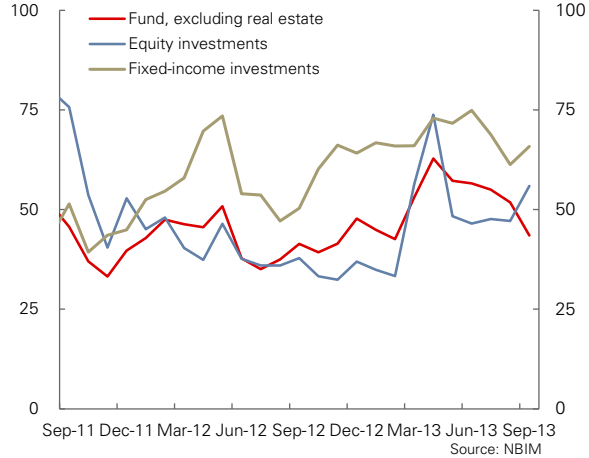
A total of 41 unwanted events were registered in the third quarter, together resulting in a financial loss of 2 million kroner and a financial gain of 0.1 million kroner. Operational risk was within the Executive Board's bounds for risk tolerance.

No significant breaches of the guidelines from the Ministry of Finance were registered in the third quarter, and NBIM was not notified by supervisory authorities of any significant breaches of market rules or general legislation.

**Chart 1-9** Expected absolute volatility of the fund. Percent (left-hand axis) and billions of kroner (right-hand axis)



**Chart 1-10** Expected relative volatility of the fund, excluding real estate. Basis points



**Table 1-12** Risk and exposure for the fund

30.09.2013		
<b>Limits set by the Ministry of Finance</b>		
Exposure	Equities 50–70 % of the fund's market value	63.8
	Real estate 0–5 % of the fund's market value	0.9
Market risk	1 percentage points expected tracking error for equity and fixed-income investments	0.4
Credit risk	Maximum 5 % of fixed-income investments may be rated below BBB-	1.0
Maximum ownership	Maximum 10 % of voting shares in a listed company	9.4

# FINANCIAL REPORTING

Norges Bank's interim financial statements, which only encompass the interim financial reporting for the investment portfolio of the Government Pension Fund Global, were approved by Norges Bank's Executive Board on 23 October 2013. This financial reporting and an excerpt from Norges Bank's accounting policies and significant estimates and critical judgements are presented in the following pages.

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## INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	3Q 2013	3Q 2012	Year-to-date 30.09.2013	Year-to-date 30.09.2012	2012
<b>Profit/loss on the portfolio excluding foreign exchange gains and losses</b>						
Interest income and interest expense from bank deposits		12	85	30	112	102
Interest income, lending associated with reverse repurchase agreements		31	67	130	195	219
Net income/expenses and gains/losses from:						
- Equities and units		214 701	134 592	459 058	246 645	349 779
- Bonds and other fixed-income instruments		12 765	32 543	2 281	78 303	98 337
- Financial derivatives		324	143	2 018	- 196	- 269
- Financial assets real estate	6	214	178	541	424	514
- Investment properties	6	112	46	554	25	67
Share of the profit/loss in jointly controlled entities and associates real estate	6	413	- 1	886	111	- 250
Interest expense, borrowing associated with repurchase agreements		- 33	- 22	- 23	- 112	- 130
Other interest income and interest expense		156	0	348	- 7	1
Tax expense		- 498	- 287	- 1 062	- 646	- 864
Other expenses	3, 4	- 36	- 3	- 86	- 59	- 80
<b>Profit/loss on the portfolio before foreign exchange gains and losses</b>		<b>228 161</b>	<b>167 341</b>	<b>464 675</b>	<b>324 795</b>	<b>447 426</b>
Foreign exchange gains and losses		30 977	-85 387	256 331	-125 437	-219 559
<b>Profit/loss on the portfolio</b>		<b>259 138</b>	<b>81 954</b>	<b>721 006</b>	<b>199 358</b>	<b>227 867</b>
Management fee	3	- 589	- 413	- 1 955	- 1 539	- 2 193
<b>Profit/loss for the period</b>		<b>258 549</b>	<b>81 541</b>	<b>719 051</b>	<b>197 819</b>	<b>225 674</b>

## STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK million</i>	3Q 2013	3Q 2012	Year-to-date 30.09.2013	Year-to-date 30.09.2012	2012
Profit/loss for the period	258 549	81 541	719 051	197 819	225 674
Translation reserve arising from consolidation of foreign subsidiaries	- 2	0	377	6	- 5
<b>Total comprehensive income</b>	<b>258 547</b>	<b>81 541</b>	<b>719 428</b>	<b>197 825</b>	<b>225 669</b>

## BALANCE SHEET

<i>Amounts in NOK million</i>	Note	30.09.2013	31.12.2012	30.09.2012
<b>ASSETS</b>				
<b>Financial assets</b>				
Deposits in banks		998	5 864	5 380
Lending associated with reverse repurchase agreements		147 448	61 440	119 439
Unsettled trades		28 372	1 677	22 853
Equities and units	5	2 828 253	2 212 951	2 107 344
Equities lent	5	185 222	115 041	136 782
Bonds and other fixed-income instruments	5	1 642 511	1 447 182	1 436 935
Bonds lent	5	7 279	5 325	6 385
Financial derivatives	5	1 308	1 447	1 037
Financial assets real estate	6	5 827	4 841	4 878
Jointly controlled entities and associates real estate	6	24 513	7 431	2 433
Other financial assets		3 514	4 411	2 772
<b>Total financial assets</b>		<b>4 875 245</b>	<b>3 867 610</b>	<b>3 846 238</b>
<b>Non-financial assets</b>				
Investment properties	6	10 959	9 777	3 730
Other non-financial assets		6	5	5
<b>Total non-financial assets</b>		<b>10 965</b>	<b>9 782</b>	<b>3 735</b>
<b>TOTAL ASSETS</b>	<b>7, 8</b>	<b>4 886 210</b>	<b>3 877 392</b>	<b>3 849 973</b>
<b>LIABILITIES AND OWNER'S CAPITAL</b>				
<b>Financial liabilities</b>				
Short-term borrowing		1 261	202	471
Borrowing associated with repurchase agreements		63 994	19 013	22 015
Cash collateral received		51 805	33 001	39 587
Unsettled trades		51 494	4 442	59 349
Financial derivatives	5	1 589	2 600	2 797
Other financial liabilities		1 808	2 365	2 282
Management fee payable		1 955	2 193	1 539
<b>Total financial liabilities</b>	<b>7, 8</b>	<b>173 906</b>	<b>63 816</b>	<b>128 040</b>
<b>Owner's capital</b>		<b>4 712 304</b>	<b>3 813 576</b>	<b>3 721 933</b>
<b>TOTAL LIABILITIES AND OWNER'S CAPITAL</b>		<b>4 886 210</b>	<b>3 877 392</b>	<b>3 849 973</b>



## STATEMENT OF CASH FLOWS

<i>Amounts in NOK million</i>	<b>Year-to-date 30.09.2013</b>	<b>Year-to-date 30.09.2012</b>	<b>2012</b>
<b>Operating activities</b>			
Interest received on deposits in banks	29	154	99
Net cash flow in connection with reverse repurchase agreements	- 61 360	- 20 425	17 111
Net cash flows arising from purchase and sale of equities and units	- 135 925	- 177 247	- 229 436
Net cash flows arising from purchase and sale of bonds and other fixed-income instruments	- 120 059	- 115 324	- 166 501
Payments made to acquire financial assets real estate	- 160	- 178	- 205
Payments made to acquire investment properties	- 18	- 8	- 6 102
Payments made to acquire jointly controlled entities and associates real estate	- 14 776	10	- 5 404
Net cash flows arising from financial derivatives	977	- 2 502	- 3 090
Dividends received from investments in equities and units	58 872	51 350	63 373
Interest received on bonds and other fixed-income instruments	37 692	38 589	49 047
Income received in connection with equity and bond lending	2 218	2 003	2 424
Income received from investments in financial assets real estate	117	133	177
Dividends received from investments in jointly controlled entities and associates real estate	112	69	84
Income received from investments in investment properties	370	169	244
Interest paid on short-term borrowing from banks	0	- 3	- 4
Net cash flows related to repurchase agreements	28 479	3 957	2 878
Cash collateral received/paid related to securities lending, derivatives and reverse repurchase agreements	18 805	2 661	- 3 926
Net cash flow related to other financial assets, other financial liabilities and other non-financial assets	4 346	3 986	1 161
Net cash flows arising from tax payments and reclaims	- 2 603	- 890	1 044
Payment of other expenses	- 105	- 113	- 163
Management fee paid to Norges Bank*	- 2 193	- 2 539	- 2 539
<b>Net cash outflow from operating activities</b>	<b>- 185 182</b>	<b>- 216 148</b>	<b>- 279 727</b>
<b>Financing activities</b>			
Inflow from the Norwegian government**	179 370	213 573	277 862
<b>Net cash inflow from financing activities</b>	<b>179 370</b>	<b>213 573</b>	<b>277 862</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	5 662	7 265	7 265
Net cash payments in the period	- 5 812	- 2 575	- 1 865
Net foreign exchange gains and losses on cash and cash equivalents	- 113	220	262
<b>Cash and cash equivalents at end of period</b>	<b>- 263</b>	<b>4 910</b>	<b>5 662</b>
<b>Cash and cash equivalents comprise:</b>			
Bank deposits	998	5 380	5 864
Short-term borrowing	- 1 261	- 470	- 202
<b>Total cash and cash equivalents at end of period</b>	<b>- 263</b>	<b>4 910</b>	<b>5 662</b>

\* Management fee shown in the statement of cash flows for a period is the settled payment of the fee that was accrued and expensed in the previous year.

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

## STATEMENT OF CHANGES IN OWNER'S CAPITAL

<i>Amounts in NOK million</i>	<b>Inflows from owner</b>	<b>Retained earnings</b>	<b>Translation reserve foreign subsidiaries</b>	<b>Deposits in krone account</b>
1 January 2012	2 778 866	530 170	- 3	3 309 033
Total comprehensive income	.	197 819	6	197 825
Inflows during the period*	215 075	.	.	215 075
<b>30 September 2012</b>	<b>2 993 941</b>	<b>727 989</b>	<b>3</b>	<b>3 721 933</b>
1 January 2013	3 057 741	755 844	- 9	3 813 576
Total comprehensive income	.	719 051	377	719 428
Inflows during the period*	179 300	.	.	179 300
<b>30 September 2013</b>	<b>3 237 041</b>	<b>1 474 895</b>	<b>368</b>	<b>4 712 304</b>

\* Of the total inflows to the krone account of the Government Pension Fund Global in the first three quarters of 2013, NOK 2.2 billion was used to pay the 2012 accrued management fee to Norges Bank and NOK 177.1 billion was transferred into the investment portfolio. Comparative amounts for the third quarter 2012 are NOK 2.5 billion and NOK 212.5 billion, respectively.

## NOTE 1 ACCOUNTING POLICIES

### 1.1 Basis of Accounting

#### General

Norges Bank is Norway's central bank. The bank manages Norway's foreign exchange reserves and the Government Pension Fund Global. Norges Bank's interim financial statements, which only include the consolidated financial reporting for the investment portfolio of the Government Pension Fund Global, are prepared in accordance with International Financial Reporting Standards as endorsed by the EU (IFRS). The regulation concerning the annual financial reporting for Norges Bank, which has been laid down by the Ministry of Finance, requires Norges Bank's financial statements to include the financial reporting of the investment portfolio of the Government Pension Fund Global, which shall be prepared in accordance with IFRS. As subsidiaries have been established that exclusively constitute investments as part of Norges Bank's management of the investment portfolio, consolidated financial statements are prepared for the investment portfolio of the Government Pension Fund Global.

Norges Bank prepares quarterly financial statements, which solely comprise the quarterly consolidated financial reporting of the investment portfolio of the Government Pension Fund Global, with closing dates of 31 March, 30 June and 30 September. The quarterly financial statements for Norges Bank are prepared in accordance with IAS 34 *Interim Financial Reporting*.

The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million kroner.

The quarterly financial statements are prepared using the same accounting policies and calculation methods as used for the annual financial statements as at 31 December 2012. If the implementation of new standards, or changes in standards, causes a change in the accounting policies, these changes are specifically described in section 1.2. Norges Bank's accounting policies are presented in Norges Bank's annual financial statements 2012, and an extract of the policies relevant for the investment portfolio are also presented in the Government Pension Fund Global Annual Report 2012. The quarterly financial statements should also be read in conjunction with Norges Bank's annual financial statements 2012.

#### Associates

In the first quarter of 2013 Norges Bank, through subsidiaries, has for the first time acquired ownership interests in companies that own real estate, where the transaction led to significant influence over the companies. For more information regarding accounting policies for associates, see the quarterly report for Q1 2013.

### 1.2 New/amended standards implemented from 1 January 2013

Effective from the first quarter of 2013 IFRS 13 *Fair Value Measurement* has been implemented. This standard is applied prospectively. IFRS 13 sets out a single IFRS framework for measuring fair value and for disclosures about fair value measurement. IFRS 13 applies when another IFRS requires or permits fair value measurement or disclosures concerning fair value measurement. The implementation of IFRS 13 did not have a material effect on the financial reporting for the investment portfolio of the Government Pension Fund Global because the requirements in the standard were met prior to implementation.

Norges bank has implemented the amendments to IAS 1 *Presentation of Financial Statements* relating to presentation of Other Comprehensive Income (OCI) which did not lead to changes in the Statement of Comprehensive Income.

Amendments to IFRS 7 Financial Instruments Disclosure relating to offsetting of assets and liabilities have been implemented. Norges Bank does not expect that the adoption of these amendments to IFRS 7 will have a material impact on the notes to the annual financial statements (2013).

Amendments resulting from annual improvements 2009-2011 cycle relating to IAS 1, 32 and 34 have been implemented without any effect on the financial reporting for the investment portfolio of the Government Pension Fund Global.

### 1.3 IASB final standards and IFRIC interpretations with expected EU endorsement date after 2013

There are no IFRS standards or IFRIC interpretations approved by the IASB during the first three quarters of 2013 with an EU endorsement date planned after 2013 with a material effect for the financial reporting of Norges Bank. For a comprehensive overview of new standards and amendments not implemented yet; reference is made to note 1 in Norges Bank's annual financial statements 2012.

## 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 expectations about future events that are considered probable at the time the financial statements are presented.

Estimates are based on best judgement; however, actual results may deviate from estimates. In cases of particularly uncertain estimates, this is described in the respective notes. For additional information on significant estimates and critical accounting judgements see note 2 in Norges Bank's annual financial statements 2012, which are also presented as an extract in the Government Pension Fund Global's Annual Report 2012.

## NOTE 3 MANAGEMENT COSTS

Management costs comprise operating expenses related to the management of the investment portfolio of the Government Pension Fund Global. The majority of these are incurred in Norges Bank as asset manager, and are refunded through the management fee from the Ministry of Finance within a given limit, see specification in table 3.1. Costs are also incurred in real estate subsidiaries related to their administration, which are charged directly to the profit/loss on the portfolio, see specification in table 3.2. From 2013 the limit for cost coverage comprises both elements, while the costs in subsidiaries which are not charged in Norges Bank as the asset manager are deducted in the calculation of the refund (Management fee). The limit for coverage of management costs has been set to 9 basis points for 2013.

Total management costs excluding performance-based fees, which are measured against the limit, amount to NOK 1 665 million on a year-to-date basis. This comprises NOK 1 620 million in Norges Bank operating expenses excluding performance-based fees and NOK 45 million in Operating expenses, real estate subsidiaries. This corresponds to 5.3 basis points of assets under management on an annual basis.

Total management costs including performance-based fees amount to NOK 2 000 million on a year-to-date basis, and comprises NOK 1 955 million in total Norges Bank operating expenses related to the management of the Government Pension Fund Global and NOK 45 million in operating costs in subsidiaries real estate. This corresponds to 6.3 basis points of assets under management on an annual basis.

Table 3.1 gives a specification of Norges Bank's operating expenses relating to the management of the Government Pension Fund Global, which are covered by the management fee from the Ministry of Finance.

**Table 3.1 Specification management fee**

Amounts in NOK million	3Q		Year-to-date		Year-to-date		Basis	
	2013	2012	30.09.2013	30.09.2012	Basis points	Basis points	Basis points	Basis points
Salary, social security and other personnel related costs*	178	149	490	417	587			
Custody and settlement costs	107	85	314	256	351			
IT-services, systems and data**	117	91	335	307	432			
Research, consulting and legal fees**	25	17	64	50	64			
Other costs*	24	22	67	69	90			
Allocated common costs Norges Bank*	25	24	75	74	90			
Base fees to external managers	84	71	275	247	272			
<b>Management fee excluding performance-based fees</b>	<b>560</b>	<b>459</b>	<b>1 620</b>	<b>5.1</b>	<b>1 422</b>	<b>6.0</b>	<b>1 886</b>	<b>5.3</b>
Performance-based fees to external managers	29	- 46	335	117	307			
<b>Total management fee</b>	<b>589</b>	<b>413</b>	<b>1 955</b>	<b>6.2</b>	<b>1 539</b>	<b>8.0</b>	<b>2 193</b>	<b>6.2</b>

\* Pension expenses that have previously been presented as part of Allocated common costs Norges Bank are starting from the annual financial statements 2012 presented on the line Salary, social security and other personnel related costs. Furthermore costs related to training and recruitment have been moved from the line Other costs to Salary, social security and other personnel related costs. Comparative amounts for 2012 have been restated.

\*\* As of third quarter Outsourced IT and analysis costs are moved and presented as IT-services, systems and data and Research, consulting and legal fees. Comparative amounts for 2012 have been restated.

Table 3.1 shows Norges Bank's total operating expenses 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 the investment portfolio and the long term foreign exchange reserves, 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 operating expenses that form part of the Norges Bank income statement.

Table 3.2 specifies operating expenses in real estate subsidiaries.

**Table 3.2 Specification operating expenses, real estate subsidiaries**

<i>Amounts in NOK million</i>	<b>3Q 2013</b>	<b>3Q 2012</b>	<b>Year-to-date 30.09.2013</b>	<b>Year-to-date 30.09.2012</b>	<b>2012</b>
Salary, social security and other personnel related costs	6	4	14	10	12
IT-services, systems and data, information and decision support systems, outsourced administrative services	1	2	4	4	6
Consulting and legal fees	4	2	7	6	9
Fees related to administration of subsidiaries (external)*	4	3	10	8	10
Other costs, subsidiaries	4	0	10	6	8
<b>Operating expenses, real estate subsidiaries</b>	<b>19</b>	<b>11</b>	<b>45</b>	<b>34</b>	<b>45</b>

\* Fees related to property management paid by subsidiaries are from the 2012 annual financial statements not included in Fees related to administration of subsidiaries in table 3.2. These are presented as Property management expenses in subsidiaries in table 4.1, see note 4 Other expenses. Comparative amounts for 2012 have been restated.

Table 3.2 shows expenses incurred by subsidiaries that are established as a part of the investment portfolio of the Government Pension Fund Global, related to the administration of these companies. These expenses are consolidated into the income statement of the investment portfolio, and are paid using funds belonging to the portfolio. Operating expenses in subsidiaries do not form part of Norges Bank's operating expenses as they are excluded from consolidation into Norges Bank, as per the accounting regulation for Norges Bank § 2-3, paragraph 4. These expenses are presented as *Other expenses* in the income statement for the investment portfolio, and are charged directly to Profit/loss on the portfolio. See note 4 Other expenses for further information.

Within the real estate asset class there are additional costs related to property management, which are included in the income statement lines *Net income/expenses – gains/losses on investment properties* and *Share of profit/loss in jointly controlled entities and associates real estate*. These costs are incurred by the company that owns the property, and are considered to be expenses linked directly to the income from and management of the properties. In some cases such expenses, in the form of fees related to property management, will be incurred by subsidiaries and be presented as *Other expenses*, see note 4.

## NOTE 4 OTHER EXPENSES

**Table 4.1 Specification other expenses**

<i>Amounts in NOK million</i>	<b>3Q 2013</b>	<b>3Q 2012</b>	<b>Year-to-date 30.09.2013</b>	<b>Year-to-date 30.09.2012</b>	<b>2012</b>
Operating expenses, real estate subsidiaries	19	11	45	34	45
Property management expenses in subsidiaries	3	2	7	7	9
Other expenses, investment portfolio	14	-10	34	18	26
<b>Total other expenses</b>	<b>36</b>	<b>3</b>	<b>86</b>	<b>59</b>	<b>80</b>

*Other expenses* comprise operating expenses in subsidiaries, expenses in subsidiaries related to property management and other expenses related to the asset management. Expenses relating to the administration of subsidiaries are specified in table 3.2 in Note 3 Management costs. Expenses relating to property management comprise expenses directly related to income from and management of properties, as incurred by subsidiaries. Other expenses are paid using funds belonging to the investment portfolio of the Government Pension Fund Global, and are charged directly to the Profit/loss on the portfolio, before the management fee.

Other expenses, investment portfolio in Table 4.1 mainly include transaction related expenses incurred in the asset management, and can be related to all asset classes.

Negative expenses normally consist of reversals of previous provisions.

## NOTE 5 EQUITIES AND UNITS / BONDS AND OTHER FIXED INCOME INSTRUMENTS / FINANCIAL DERIVATIVES

Table 5.1 Specification equities and units

Amounts in NOK million	30.09.2013			31.12.2012		
	Fair value excluding dividends	Accrued dividends	Fair value including dividends	Fair value excluding dividends	Accrued dividends	Fair value including dividends
<b>Equities:</b>						
Listed equities and units	3 008 642	4 832	3 013 475	2 325 469	2 523	2 327 992
<b>Total equities and units</b>	<b>3 008 642</b>	<b>4 832</b>	<b>3 013 475</b>	<b>2 325 469</b>	<b>2 523</b>	<b>2 327 992</b>
<i>Of which equities lent</i>			185 222			115 041

Table 5.2 Specification bonds and other fixed-income instruments

Amounts in NOK million, 30 September 2013	Nominal value*	Fair value excluding accrued interest	Accrued interest	Fair value including accrued interest
<b>Bonds and other fixed-income instruments:</b>				
Government bonds**	941 709	985 412	8 011	993 423
Government related bonds	187 438	195 077	2 331	197 408
Inflation-linked bonds	21 886	25 914	94	26 008
Corporate bonds	229 011	234 974	3 056	238 030
Securitised bonds	184 027	191 952	2 969	194 921
<b>Total bonds and other fixed-income instruments</b>	<b>1 564 071</b>	<b>1 633 329</b>	<b>16 461</b>	<b>1 649 790</b>
<i>Of which bonds lent</i>				7 279

Amounts in NOK million, 31 December 2012	Nominal value*	Fair value excluding accrued interest	Accrued interest	Fair value including accrued interest
<b>Bonds and other fixed-income instruments:</b>				
Government bonds**	771 983	846 538	7 338	853 876
Government related bonds	152 891	164 230	2 187	166 418
Inflation-linked bonds	30 642	41 520	235	41 755
Corporate bonds	180 941	193 611	2 829	196 440
Securitised bonds	193 054	190 475	3 543	194 018
<b>Total bonds and other fixed-income instruments</b>	<b>1 329 511</b>	<b>1 436 374</b>	<b>16 132</b>	<b>1 452 507</b>
<i>Of which bonds lent</i>				5 325

\* Nominal values have been translated into NOK using the exchange rate on the balance sheet date.

\*\* Includes nominal bonds issued in the country's currency – treasuries. Sovereign bonds (bonds issued by a state in a currency other than its own) are classified as government related bonds.

**Table 5.3 Specification financial derivatives**

Amounts in NOK million	Fair value 30.09.2013			Fair value 31.12.2012		
	Asset	Liability	Net	Asset	Liability	Net
Foreign exchange contracts	278	324	-46	88	145	-57
Listed futures contracts	81	49	32	221	91	130
Options	371		371			
Swap contracts	578	1 216	-638	1 138	2 364	-1 226
<b>Total financial derivatives</b>	<b>1 308</b>	<b>1 589</b>	<b>-281</b>	<b>1 447</b>	<b>2 600</b>	<b>-1 153</b>

## NOTE 6 REAL ESTATE

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

Financial assets real estate consists of the right to 25 percent of the net operating income generated from properties in and around Regent Street, in London, Great Britain. Investment properties are directly held properties. Jointly controlled entities and associates real estate consists of an ownership share of investment properties and other assets (net) held by a jointly controlled entity or associate.

Table 6.1 shows the profit/loss on the real estate asset class, specified on net operating income and unrealised value changes for investment properties, financial assets and debt, and other income and expenses in the asset class. Table 6.2 specifies the changes in carrying amounts for the main balance sheet items within the real estate asset class.

**Table 6.1 Income statement – real estate asset class**

Amounts in NOK million	3Q 2013	3Q 2012	Year-to-date 30.09.2013	Year-to-date 30.09.2012	2012
<b>Profit/loss on the portfolio excluding foreign exchange gains and losses, real estate asset class</b>					
Net operating income from:					
Financial assets real estate	30	50	114	127	170
Investment properties	129	54	370	169	244
Jointly controlled entities and associates real estate	249	21	499	94	167
<b>Total net operating income, real estate</b>	<b>408</b>	<b>125</b>	<b>983</b>	<b>390</b>	<b>581</b>
Recognised fair value changes from:					
Financial assets real estate	184	128	427	297	344
Investment properties	- 17	- 8	184	- 144	- 177
Jointly controlled entities and associates real estate – properties	87	- 22	112	17	- 90
Jointly controlled entities and associates real estate – financial liability	77	.	275	.	- 327
<b>Total recognised fair value changes, real estate</b>	<b>331</b>	<b>98</b>	<b>998</b>	<b>170</b>	<b>- 250</b>
Net other income and expenses*	129	6	164	- 42	- 35
<b>Profit/loss on the portfolio before foreign exchange gains and losses, real estate asset class</b>	<b>868</b>	<b>229</b>	<b>2 145</b>	<b>518</b>	<b>296</b>

\* Includes interest income, net income/expenses and gains/losses from financial derivatives, interest expense, tax expense, operating expenses in subsidiaries and other expenses incurred in the real estate asset class.

Table 6.2 Changes in carrying amounts for the main balance sheet items within the real estate asset class

Amounts in NOK million	01.01.2013 – 30.09.2013			Total
	Financial assets real estate	Jointly controlled entities and associates real estate	Investment properties	
Carrying amounts for the main balance sheet items within the real estate asset class as at 01.01.2013	4 841	7 431	9 777	22 049
Additions and improvements	160	14 776	18	14 954
Fair value changes – properties/financial asset real estate	427	112	184	723
Fair value changes – financial liability	.	275	.	275
Operating profit from investments accounted for under the equity method	.	411	.	411
Paid dividend and changes in equity capital	.	- 280	.	- 280
Foreign currency translation effect	399	1 788	980	3 167
Carrying amounts for the main balance sheet items within the real estate asset class as at 30.09.2013	5 827	24 513	10 959	41 299

Amounts in NOK million	01.01.2012 – 31.12.2012			Total
	Financial assets real estate	Jointly controlled entities and associates real estate	Investment properties	
Carrying amounts for the main balance sheet items within the real estate asset class as at 01.01.2012	4 415	2 546	4 062	11 023
Additions and improvements	199	5 404	6 102	11 705
Fair value changes – properties/financial asset real estate	344	- 90	- 177	77
Fair value changes – financial liability	.	- 327	.	- 327
Operating profit from investments accounted for under the equity method	.	167	.	167
Paid dividend and changes in equity capital	.	- 103	.	- 103
Other assets (net) in jointly controlled entities and associates	.	- 18	.	- 18
Foreign currency translation effect	- 117	- 149	- 210	- 476
Carrying amounts for the main balance sheet items within the real estate asset class as at 31.12.2012	4 841	7 431	9 777	22 049

For additional information on valuation, see note 7 Fair value measurement.

In the third quarter of 2013 improvements amounting to NOK 83 million and additions amounting to NOK 863 million on existing investments have been recognised. In the first three quarters of 2013 improvements amounting to NOK 261 million and additions amounting to NOK 14 693 million have been recognised.

Further to this, an agreement to purchase a property in the USA for NOK 4 118 million was signed in the third quarter of 2013. The transaction was completed and recognised as an associate in the fourth quarter.



## NOTE 7 FAIR VALUE MEASUREMENT

All equities, bonds, financial derivatives and real estate investments have been allocated to categories reflecting assessed valuation uncertainty. Level 1 comprises investments that are valued on the basis of quoted prices in active markets and are considered to have very limited valuation risk. Investments allocated to level 2 are valued using models with observable inputs. These holdings have some pricing uncertainty. Holdings allocated to level 3 are priced using models with considerable use of unobservable inputs, which implies substantial uncertainty regarding the establishment of fair value.

For information on the control environment and valuation techniques related to fair value measurement reference is made to note 14 in the Government Pension Fund Global Annual Report 2012.

*Table 7.1 Specification of investments by level of valuation uncertainty*

<i>Amounts in NOK million</i>	Level 1		Level 2		Level 3		Total	
	30.09.2013	31.12.2012	30.09.2013	31.12.2012	30.09.2013	31.12.2012	30.09.2013	31.12.2012
<b>Equities and units</b>	<b>3 010 134</b>	<b>2 325 185</b>	<b>1 139</b>	<b>1 184</b>	<b>2 202</b>	<b>1 623</b>	<b>3 013 475</b>	<b>2 327 992</b>
Government bonds	840 260	759 914	153 163	93 962	-	-	993 423	853 876
Government-related bonds	141 528	122 187	55 192	43 652	688	579	197 408	166 418
Inflation-linked bonds	22 834	40 050	3 174	1 705	-	-	26 008	41 755
Corporate bonds	3 915	5 239	233 356	190 764	759	437	238 030	196 440
Securitised bonds	144 884	113 739	50 036	76 293	1	3 986	194 921	194 018
<b>Total bonds</b>	<b>1 153 421</b>	<b>1 041 129</b>	<b>494 921</b>	<b>406 376</b>	<b>1 448</b>	<b>5 002</b>	<b>1 649 790</b>	<b>1 452 507</b>
Financial derivatives (assets)	226	221	1 082	1 226	-	-	1 308	1 447
Financial derivatives (liabilities)	-49	-91	-1 540	-2 509	-	-	-1 589	-2 600
<b>Total financial derivatives</b>	<b>177</b>	<b>130</b>	<b>-458</b>	<b>-1 283</b>	<b>-</b>	<b>-</b>	<b>-281</b>	<b>-1 153</b>
Financial assets real estate	.	.	.	.	5 827	4 841	5 827	4 841
Jointly controlled entities and associates real estate	.	.	.	.	24 513	7 431	24 513	7 431
Investment properties	.	.	.	.	10 959	9 777	10 959	9 777
<b>Total real estate</b>	<b>.</b>	<b>.</b>	<b>.</b>	<b>.</b>	<b>41 299</b>	<b>22 049</b>	<b>41 299</b>	<b>22 049</b>
<b>Total</b>	<b>4 163 732</b>	<b>3 366 444</b>	<b>495 602</b>	<b>406 277</b>	<b>44 949</b>	<b>28 674</b>	<b>4 704 283</b>	<b>3 801 395</b>

Valuation uncertainty for the investment portfolio in total is somewhat higher at the end of the third quarter 2013 than at year-end because of significant new real estate investments. Compared to the second quarter valuation uncertainty overall is relatively unchanged. For holdings in the equities and fixed income asset classes, valuation uncertainty has also been assessed to be mainly unchanged during the third quarter. Level 3 holdings in these asset classes have been stable throughout the quarter. Further; the volume of level 2 bonds is relatively unchanged in the quarter, based on a combination of purchases of bonds in emerging markets classified as level 2, and transfers of a portion of covered bonds from level 2 to level 1. 89 percent of the total holdings in the investment portfolio are classified as level 1.

External valuations are collected for the investments in the real estate asset class, and balance sheet carrying amounts are adjusted based on these, unless it is deemed that a recent transaction price is a better estimate of fair value. For all investments in the balance sheet as per the quarter end, the carrying values have been adjusted according to external valuations. The valuations overall led to a value increase for the real estate portfolio in the third quarter. Valuation uncertainty for the real estate investments is assessed to be unchanged compared to the previous quarter. For additional information on real estate investments see note 6 Real estate.

## NOTE 8 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 country and currency

The investment portfolio of the Government Pension Fund Global is invested across several asset classes, countries and currencies as shown in table 8.1.

Table 8.1 Allocation by asset class, country and currency

Asset class	Market	Market value in percent by country and currency		Market value in percent by asset class		Assets minus liabilities ex- cluding management fee		
		30.09.2013	Market 31.12.2012	30.09.2013	31.12.2012	30.09.2013	31.12.2012	
<b>Equities</b>	<b>Developed</b>	<b>90.3</b>	<b>Developed</b>	<b>90.1</b>				
	United States	29.5	United States	28.5				
	United Kingdom	15.1	United Kingdom	16.0				
	Japan	6.7	France	6.9				
	France	6.6	Switzerland	6.5				
	Germany	6.5	Germany	6.3				
	Total Other	25.9	Total Other	25.9				
	<b>Emerging</b>	<b>9.7</b>	<b>Emerging</b>	<b>9.9</b>				
	China	2.1	China	1.7				
	Brazil	1.4	Brazil	1.5				
	Taiwan	1.4	Taiwan	1.3				
	Russia	0.8	Russia	1.1				
	South Africa	0.6	South Africa	0.7				
	Total Other	3.4	Total Other	3.6				
<b>Total Equities</b>					<b>63.6</b>	<b>61.2</b>	<b>2 998 355</b>	<b>2 335 830</b>
<b>Fixed income</b>	<b>Developed</b>	<b>87.8</b>	<b>Developed</b>	<b>89.8</b>				
	USD	36.6	USD	37.6				
	EUR	28.8	EUR	30.7				
	JPY	8.2	JPY	7.2				
	GBP	5.3	GBP	6.2				
	CAD	3.3	CAD	3.0				
	Total Other	5.6	Total Other	5.2				
	<b>Emerging</b>	<b>12.2</b>	<b>Emerging</b>	<b>10.2</b>				
	MXN	1.8	MXN	1.5				
	KRW	1.6	KRW	1.4				
	BRL	1.6	RUB	1.1				
	RUB	1.3	BRL	1.0				
	PLN	0.8	PLN	0.7				
	Total Other	5.1	Total Other	4.4				
<b>Total Fixed Income</b>					<b>35.5</b>	<b>38.1</b>	<b>1 673 505</b>	<b>1 454 816</b>
<b>Real Estate</b>	United Kingdom	28.3	France	32.9				
	France	27.3	United Kingdom	31.7				
	Switzerland	16.4	Switzerland	24.2				
	United States	8.9						
	Germany	8.5						
	Total Other	10.6	Total Other	11.2				
<b>Total Real estate</b>					<b>0.9</b>	<b>0.7</b>	<b>42 399</b>	<b>25 123</b>

### Volatility

Norges Bank uses risk modelling to quantify the risk of changes in values associated with all or parts of the portfolio. One of the risk measures is expected volatility. Tables 8.2 and 8.3 present risk both in terms of the portfolio's absolute risk and in terms of the relative risk. Real estate investments are only included in absolute volatility calculations.

**Table 8.2 Portfolio risk in terms of expected volatility, in percent**

	Expected volatility, actual portfolio							
	30.09.2013	Min 2013	Max 2013	Average 2013	31.12.2012	Min 2012	Max 2012	Average 2012
Portfolio	9.3	8.5	9.4	9.0	8.6	7.9	9.9	8.6
Equities	14.0	13.7	14.4	14.0	14.3	13.9	16.6	14.6
Fixed income	8.5	8.3	8.9	8.6	8.6	8.6	10.4	8.9

**Table 8.3 Relative risk, expected relative volatility in basis points**

	Expected relative volatility, basis points							
	30.09.2013	Min 2013	Max 2013	Average 2013	31.12.2012	Min 2012	Max 2012	Average 2012
Portfolio	44	43	65	53	48	31	57	43
Equities	56	33	76	49	37	32	61	41
Fixed income	66	57	75	67	64	40	77	58

The models that are used in the calculation of the above information are explained in note 15 Risk in the 2012 annual report for the Government Pension Fund Global.

Risk as measured by expected volatility indicates an increase for the portfolio in 2013, from 8.6 at year-end to 9.3 percent at the end of the third quarter, which is mainly attributable to decreased diversification between asset classes during 2013. Expected volatility for bonds has decreased from 8.6 to 8.5 percent while expected volatility for equities has fallen from 14.3 to 14.0 percent. The risk measure indicates that at the end of the quarter an annual value change of 9.3 percent, or approximately NOK 437 billion, could be expected.

### Credit risk

Credit risk is the risk of losses 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 8.4 shows the bond portfolio's distribution on different credit rating categories.

**Table 8.4 Bond portfolio specified by credit rating**

Amounts in NOK million, 30 September 2013	AAA	AA	A	BBB	Lower rating	Total
Government bonds	526 127	266 612	64 495	133 765	2 424	993 423
Government related bonds	99 660	64 201	10 292	20 873	2 382	197 408
Inflation-linked bonds	15 869	1 466	265	8 408	-	26 008
Corporate bonds	182	22 751	106 678	104 451	3 968	238 030
Securitised bonds	129 300	9 381	27 507	20 776	7 957	194 921
<b>Total bonds and other fixed income instruments</b>	<b>771 138</b>	<b>364 411</b>	<b>209 237</b>	<b>288 273</b>	<b>16 731</b>	<b>1 649 790</b>

<i>Amounts in NOK million, 31 December 2012</i>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Lower rating</b>	<b>Total</b>
Government bonds	533 495	187 356	35 158	97 841	25	853 876
Government related bonds	88 803	46 689	9 740	18 082	3 103	166 418
Inflation-linked bonds	29 743	4 508	229	7 275	-	41 755
Corporate bonds	404	16 258	94 819	82 143	2 816	196 440
Securitised bonds	111 639	15 922	42 763	19 030	4 665	194 018
<b>Total bonds and other fixed income instruments</b>	<b>764 084</b>	<b>270 733</b>	<b>182 709</b>	<b>224 372</b>	<b>10 609</b>	<b>1 452 507</b>

The share of bond holdings categorised as AAA decreased compared to year-end 2012. This is mostly due to a downgrade of the United Kingdom from AAA to AA. The BBB category however has increased somewhat, mainly due to purchases of emerging markets government bonds. The credit quality of the bond portfolio in total declined somewhat since year-end 2012.

### 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 8.5 the counterparty risk exposure is shown per type of activity/instrument type.

**Table 8.5 Counterparty risk by type of position**

<i>Amounts in NOK million, 30 September 2013</i>	<b>Carrying amount adjusted for collateral</b>	<b>Gross exposure</b>	<b>Effect of netting</b>	<b>Collateral and guarantees</b>	<b>Net exposure</b>
Time deposits and unsecured bank deposits*	545	928	-	-	928
OTC derivatives including foreign exchange contracts	-458	9 289	2 131	245	6 913
Repurchase and reverse repurchase agreements	1 951	1 348	114	59	1 175
Securities lending transactions**	18 764	35 133	-	19 925	15 208
Cash and bonds posted as collateral for derivatives trades	1 890	1 717	-	-	1 717
Settlement risk towards broker and long settlement transactions	-	50	-	-	50
<b>Total</b>		<b>48 465</b>	<b>2 245</b>	<b>20 229</b>	<b>25 991</b>

<i>Amounts in NOK million, 31 December 2012</i>	<b>Carrying amount adjusted for collateral</b>	<b>Gross exposure</b>	<b>Effect of netting</b>	<b>Collateral and guarantees</b>	<b>Net exposure</b>
Time deposits and unsecured bank deposits*	5 608	5 368	-	-	5 368
OTC derivatives including foreign exchange contracts	-1 283	5 926	3 030	313	2 583
Repurchase and reverse repurchase agreements	-89	927	5	-	923
Securities lending transactions**	-6 255	21 259	-	8 834	12 424
Cash and bonds posted as collateral for derivatives trades	1 557	1 772	-	-	1 772
Settlement risk towards broker and long settlement transactions	-	-	-	-	-
<b>Total</b>		<b>35 252</b>	<b>3 035</b>	<b>9 147</b>	<b>23 070</b>

\* From the 2nd quarter 2013 margin deposits for futures are presented on the line Cash and bonds posted as collateral for derivatives trades. Such deposits were previously presented on the line Time deposits and unsecured bank deposits. Comparatives for 2012 have been restated.

\*\* The column Carrying amount adjusted for collateral includes lent securities and collateral received.

The method for calculating counterparty risk has been somewhat adjusted and comparatives in table 8.5 have been restated. Table 8.5 shows counterparty risk by type of position as at 30 September 2013. Counterparty risk has increased since year-end 2012. This is mainly as a result of increased securities lending because of seasonal fluctuations together with somewhat higher counterparty risk from OTC derivatives and foreign exchange contracts at the end of the third quarter compared to year-end 2012.

## NOTE 9 RETURNS PER ASSET CLASS

<i>All figures in percentages</i>	<b>3Q 2013</b>	<b>3Q 2012</b>	<b>Year to date 30.09.2013</b>
<b>Returns in international currency</b>			
Return on equity investments	7.64	6.48	17.57
Return on fixed-income investments	0.32	2.16	-0.03
Return on real estate investments	4.09	2.68	7.83
Return on fund	4.99	4.74	10.78
Return on equity and fixed-income investments	5.00	4.75	10.79
Return on benchmark equity and fixed-income indices	4.87	4.78	9.97
Relative return on equity and fixed-income investments	0.13	-0.02	0.82
Relative return on equity investments	0.27	0.12	1.03
Relative return on fixed-income investments	-0.25	-0.27	0.27
<b>Returns in kroner</b>			
Return on equity investments	8.54	3.98	25.82
Return on fixed-income investments	1.15	-0.23	6.98
Return on real estate investments	4.96	0.28	15.39
Return on fund	5.86	2.29	18.55
Return on equity and fixed-income investments	5.87	2.30	18.56

Returns in the table above are a reproduction of return information in table 1-8 in the quarterly report chapter Fund Management. Norges Bank uses a time-weighted monthly rate of return methodology in the return calculations. The fair value of holdings is determined on the day of cash-flows into and out of the asset classes and interim returns are geometrically linked. All returns are calculated net of non-reclaimable withholding taxes on dividends, interest and capital gains. Withholding taxes are recognised when incurred. Interest income and dividends are recognized when accrued. Performance is reported in terms of an international currency basket following from the investment portfolio's benchmark index, as well as in Norwegian kroner, where the currency basket is weighted based on the currency composition of the equities and fixed income benchmark indices. Returns on the benchmark indices for equities and fixed income are calculated as the geometrical difference between the fund's returns measured in Norwegian kroner and the return of the currency basket. Returns on the benchmark indices for equities and fixed income are calculated by weighting the monthly returns of the benchmark portfolio for equities and fixed income respectively with actual ingoing markets capitalization weights for the month.

**To the Supervisory Council of Norges Bank**

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated financial reporting of the Government Pension Fund Global. Subsidiaries of Norges Bank that exclusively constitute investments as part of the management of the investment portfolio of the Government Pension Fund Global are included in the financial reporting. The financial reporting comprise the balance sheet as at September 30, 2013, the income statement, the statement of comprehensive income, the statement of changes in owner's capital, the statement of cash flows for the nine-month period then ended and selected explanatory notes. The Executive Board and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by EU.

Oslo, 23 October 2013

**Deloitte AS**

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

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*Our mission is to  
safeguard and build financial wealth  
for future generations*

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