2Q 2011

GOVERNMENT PENSION FUND GLOBAL **SECOND QUARTER 2011**

NBIM

Norges Bank Investment Management

Second quarter of 2011 in brief

- The Government Pension Fund Global returned 0.3 percent, or 4 billion kroner, in the second quarter of 2011. This was 0.1 percentage point lower than the return on the fund's benchmark indices.
- Equity investments returned -0.7 percent, while fixed-income investments returned 1.8 percent.
- The fund's market value rose 9 billion kroner to 3,111 billion kroner.
- The fund held 60.5 percent in equities, 39.4 percent in fixed-income securities and 0.1 percent in real estate at the end of the quarter.

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Content

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

The fund

Increase in market value

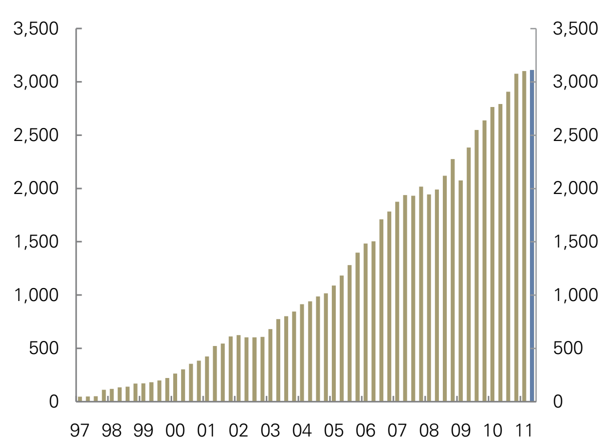
The fund's market value rose 9 billion kroner to 3,111 billion kroner in the second quarter of 2011.

Equity investments amounted to 1,881 billion kroner at the end of the quarter, down from 1,900 billion kroner at the start of the quarter. Fixed-income investments rose to 1,226 billion kroner from 1,197 billion kroner. The fund had 4 billion kroner invested in real estate.

The market value is affected by investment returns, capital inflows and exchange rates. The return was 4 billion kroner in the quarter, while capital inflows from the government were 53 billion kroner. The krone strengthened against several of the currencies the fund invests in, reducing the market value by 48 billion kroner.

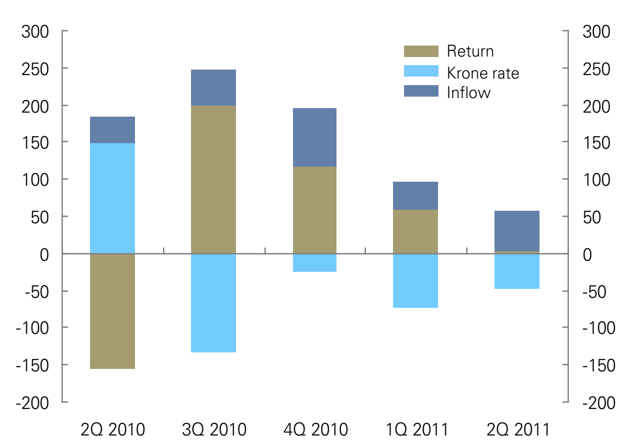
The fund had 83 percent of its investments in euros, pounds, dollars and the yen at the end of the quarter. The euro fell 0.9 percent against the krone, while the pound and the dollar slipped 2.9 percent and 3 percent, respectively. The yen weakened 0.5 percent to the krone.

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



Source: NBIM

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



Source: NBIM

Table 1-1 Key figures as of 30 June 2011

	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010
Market value (billions of kroner)*					
Market value of equity investments	1,881	1,900	1,891	1,758	1,664
Market value of fixed-income investments	1,226	1,197	1,186	1,150	1,128
Market value of real estate investments	4	4	-	-	-
Market value of fund	3,111	3,102	3,077	2,908	2,792
Inflow of new capital*	53	38	78	49	35
Return on fund	4	59	116	199	-155
Change due to fluctuations in krone	-48	-73	-25	-132	149
Total change in fund	9	24	169	116	29
Management costs (percent)					
Estimated transition costs	0.01	0.01	0.01	0.00	0.00
Annualised management costs	0.08	0.08	0.11	0.10	0.10
Changes in value since first capital inflow in 1996 (billions of kroner)					
Gross inflow of new capital	2,601	2,547	2,508	2,429	2,379
Management costs	17	17	16	15	15
Inflow of capital after management costs	2,583	2,530	2,492	2,413	2,365
Return on fund	809	805	746	630	430
Change due to fluctuations in krone	-281	-233	-160	-135	-3
Market value of fund	3,111	3,102	3,077	2,908	2,792
Return after management costs	791	788	730	614	416

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

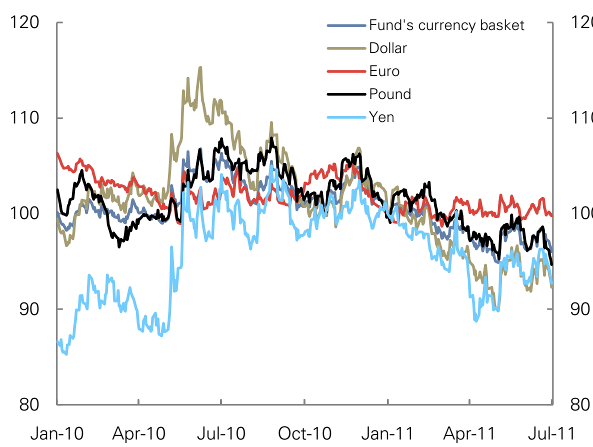
The Ministry of Finance in March 2010 issued a mandate to gradually invest as much as 5 percent of the fund in real estate through a corresponding drop in fixed income, giving the weightings of 60 percent to equities, 35–40 percent to fixed-income securities and as much as 5 percent to real estate. Actual investments at the end of the second quarter were 60.5 percent equities, 39.4 percent fixed income and 0.1 percent real estate.

The fund invested 59 percent of its capital inflows of 53 billion kroner in fixed income and 41 percent in equities in the quarter.

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

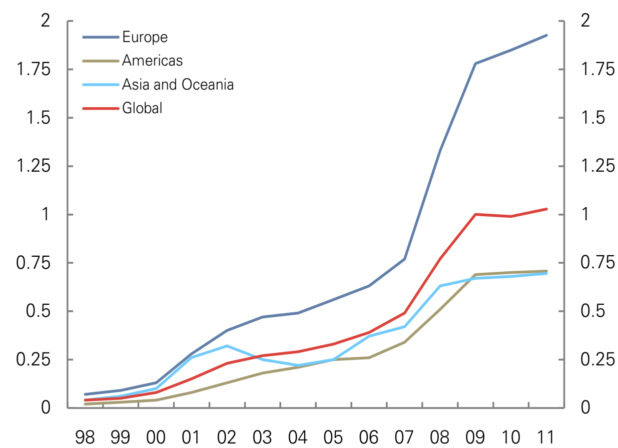
	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010
Return on equity investments	432.2	446.9	394.8	248.1	89.6
Return on fixed-income investments	376.8	357.8	351.4	381.6	340.8
Return on real estate investments	-0.2	-	-	-	-
Total return	808.8	804.7	746.2	629.7	430.5

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



Source: WM, Reuters

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



Source: FTSE, NBIM

Returns in international currency

The fund’s investments in international securities are not converted into kroner in connection with financial reporting and are not hedged against movements in the Norwegian currency. Changes in the krone exchange rate do not affect the fund’s international purchasing power. Consequently, the return is generally given in international currency – a weighted combination of the currencies in the fund’s benchmark indices for equities and fixed income. The currency basket consisted of 35 currencies at the end of the second quarter. The krone gained 1.7 percent against the basket in the quarter.

Table 1-3 Fund’s largest equity holdings as of 30 June 2011

Company	Country	Holdings in millions of kroner
Royal Dutch Shell Plc	UK	22,331
Nestlé SA	Switzerland	21,085
HSBC Holdings Plc	UK	19,667
Novartis AG	Switzerland	15,405
Exxon Mobil Corp	US	14,640
Vodafone Group Plc	UK	14,353
BP Plc	UK	13,342
Siemens AG	Germany	12,340
Total SA	France	11,923
Apple Inc	US	11,918

Table 1-4 Fund’s largest bond holdings as of 30 June 2011

Issuer	Country	Holdings in millions of kroner
United States of America	US	175,018
UK government	UK	86,988
Federal Republic of Germany	Germany	63,224
French Republic	France	60,695
Italian Republic	Italy	60,458
Japanese government	Japan	55,215
Federal National Mortgage Association	US	35,779
Kingdom of Spain	Spain	23,485
Government of the Netherlands	The Netherlands	21,141
European Investment Bank	Supranational	19,294

Fund management

Declines in many stock sectors

The fund returned 0.3 percent in the second quarter of 2011 as rising bond prices outweighed a slump in large parts of the stock markets.

Equity investments returned -0.7 percent in the quarter, measured in international currency. Signs of weaker economic growth in the US and Europe and fears of a contagion from the European sovereign debt crisis reduced investors' risk appetite and triggered declines in many stock sectors.

Investments in the technology, industrial and basic materials sectors, which are particularly sensitive to economic growth, returned -3.7 percent, -0.9 percent and -2.1 percent, respectively, in the period. Rising unemployment in the US and weaker industrial production figures than expected in the US and Europe helped push down expectations for economic growth. The Federal Reserve downgraded its US growth forecast for this year and next year, while the European Central Bank lowered its expectations for growth in the euro area.

Increasing concern over the ability of Greece, Portugal, Ireland, Italy and Spain to meet debt obligations contributed to a second-quarter return of -3.2 percent on the fund's financial stocks. Shares in European banks, some of the largest sovereign debt investors, fell on uncertainty about their exposure to government debt and losses from potential defaults. The fund's European financial stocks returned -2.4 percent, measured in international currency, while US and Asian financial shares returned -5 percent and -1.9 percent, respectively. Financials were the fund's largest equity sector, accounting for 21.5 percent of the shareholdings.

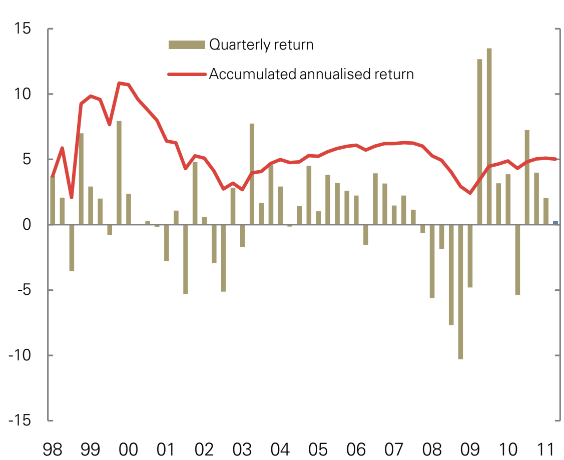
Investments in the oil and gas sector fell the most in the quarter, returning -6.7 percent, after benchmark crude oil prices dropped 4.2 percent in London and 10.6 percent in New York. Prices fell as Saudi Arabia, the largest Middle East oil producer, and the International Energy Agency in June separately signalled they would release more crude to the market to replace a production shortfall due to civil unrest in Libya. Shares of Royal Dutch Shell, Exxon Mobil and Total fell 4.5 percent, 3.3 percent and 7.2 percent, respectively. The companies were among the fund's 10 largest equity holdings at the end of the period.

Six of the fund's ten stock sectors fell in value in the quarter, while four rose. Healthcare and consumer goods gained the most, returning 7.1 percent and 6 percent, respectively. These sectors are often considered safer in volatile markets.

Regional peformance

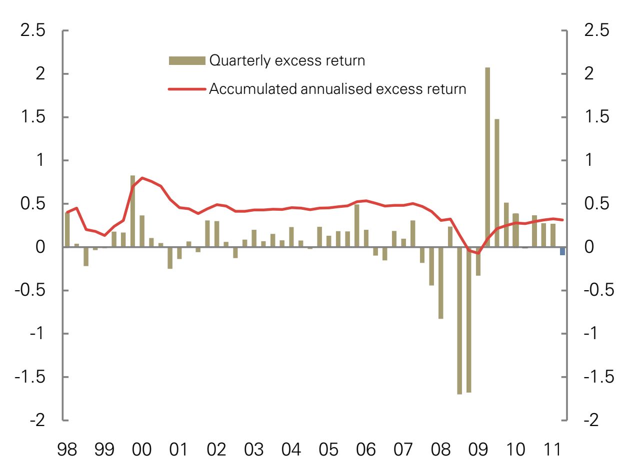
About 50 percent of the fund's equity investments were in Europe, 35 percent in the Americas, Africa and the Middle East and 15 percent in Asia and Oceania. Equity investments in these regions returned 0.7 percent, -2.3 percent and -1.2

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



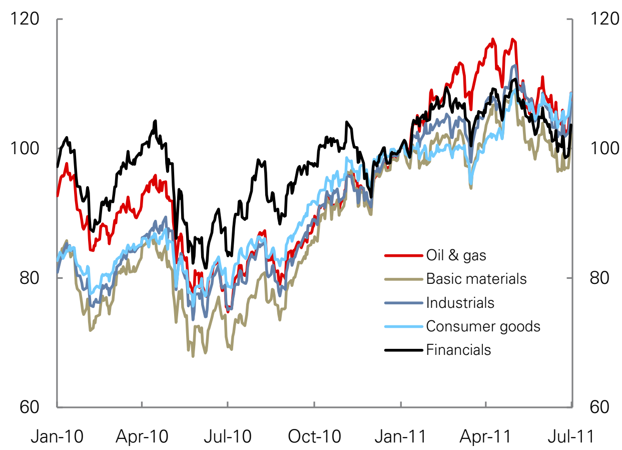
Source: NBIM

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



Source: NBIM

Chart 2-3 Price moves in stock sectors in the FTSE Global All Cap Index. Measured in US dollars. Indexed. 31 Dec. 2010 = 100



Source: FTSE, NBIM

Table 2-1 Return on fund's equity investments in 2Q 2011. By sector. Percent

Sector	Return in international currency	Share of equity investments
Financials	-3.24	21.45
Industrials	-0.92	13.54
Consumer goods	5.96	12.04
Oil & gas	-6.68	11.13
Basic materials	-2.08	8.87
Healthcare	7.07	8.56
Consumer services	2.31	8.52
Technology	-3.66	7.61
Utilities	-0.29	4.52
Telecommunications	0.17	4.30

Table 2-2 Quarterly returns

	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010
Returns in international currency					
Equity investments (percent)	-0.65	2.91	8.37	9.82	-9.23
Fixed-income investments (percent)	1.78	0.72	-2.48	3.46	1.03
Real estate investments (percent)	-4.70	-	-	-	-
Fund (percent)	0.29	2.06	3.99	7.26	-5.38
Fund, excluding real estate (percent)	0.30	2.06	3.99	7.26	-5.38
Benchmark indices, excluding real estate (percent)	0.39	1.80	3.72	6.89	-5.38
Excess return of fund, excluding real estate (percentage points)	-0.09	0.27	0.28	0.36	0
Management costs (percentage points)	0.02	0.02	0.03	0.03	0.03
Return after management costs, excluding real estate (percent)	0.27	2.04	3.97	7.23	-5.41
Returns in kroner (percent)					
Equity investments	-2.32	0.37	7.49	4.84	-4.29
Fixed-income investments	0.07	-1.76	-3.28	-1.23	6.53
Real estate investments*	-6.30	-	-	-	-
Fund	-1.39	-0.45	3.15	2.39	-0.23
Fund, excluding real estate	-1.38	-0.45	3.15	2.39	-0.23

* There were in the second quarter no significant changes to the value of the fund's real estate investments. The negative result was mainly due to transaction costs. See note 5 for more information.

percent respectively in the quarter, as measured in international currency.

Stock markets in the four largest emerging economies – Brazil, Russia, India and China – performed weakly after gaining for three quarters. The countries' central banks raised benchmark interest rates in the second quarter to counter inflation and prevent their economies from overheating, while the Asian Development Bank lowered its growth forecasts for India and China. In Russia, the world's largest oil producer in 2010, declining oil prices also contributed to falling stock prices. The MSCI BRIC Index, a gauge of price developments in the four countries' stock markets, fell 4.8 percent in the quarter, measured in dollars. The index gained 22 percent in the previous three quarters. The fund's equity investments returned -5.8 percent in Brazil, -7.4 percent in Russia, -6.2 percent in India and -2.3 percent in China in the quarter, measured in local currency.

Equity investments in Japan fell for a second successive quarter after the 11 March earthquake and tsunami halted production at factories and nuclear power plants. Carmakers such as Toyota, Honda and Nissan had not returned to full operation at the end of the second quarter and about two-thirds of the country's nuclear power stations were out of action. The fund's Japanese stocks returned -2.1 percent, measured in local currency, led by declines in the power, oil and gas, financial and industrial sectors. Japanese investments accounted for 5.3 percent of the fund's equity holdings at the end of the quarter.

The fund's best-performing investment in the quarter, in nominal terms, was Swiss food producer Nestlé, followed by drug companies Sanofi and Roche. The worst-performing investment was the bank HSBC, followed by JPMorgan Chase, the second-largest US bank, and Denmark's Vestas Wind Systems, the world's biggest wind turbine maker.

Globally, listed companies raised about 204 billion dollars selling new and existing shares in the second quarter, according to data from Dealogic. The largest capital raising the fund bought shares in was from Glencore International, which in May issued shares for 6 billion pounds, or 53.9 billion kroner. This was followed by American International Group and Commerzbank, which sold shares for 8.7 billion dollars and 5.3 billion euros, respectively.

The fund held shares in 8,389 listed companies at the end of the quarter, compared with 8,697 companies three months earlier.

Government bond prices rise

Fixed-income investments returned 1.8 percent in the second quarter, measured in international currency, as prices gained in all of the fund's bond sectors.

Chart 2-4 Price developments in regional and global equity markets, measured in US dollars. Indexed. 31 Dec. 2010 = 100

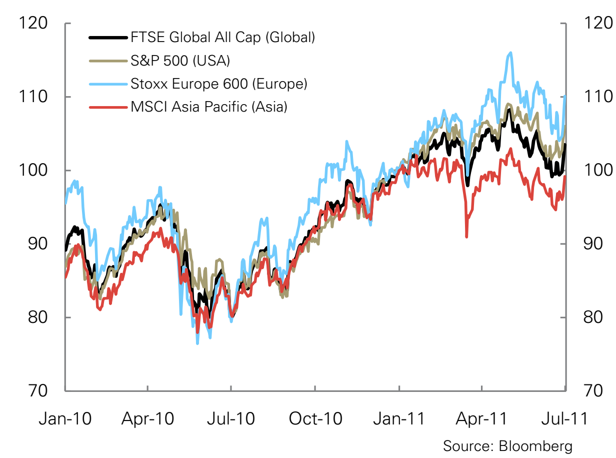
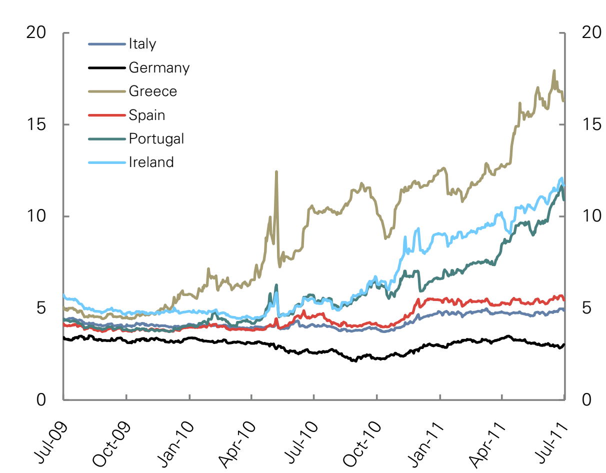


Chart 2-5 10-year government bond yields. Percent



Uncertainty about the ability to repay government debt in Greece, Ireland, Italy, Portugal and Spain pushed down prices and increased yields on government bonds from these countries. At the same, demand rose for government bonds from Germany, France, the UK and the US, which were considered safer investments. The yield an investor demands for lending money through a bond will normally rise when the expected risk of default increases, while the price of the bond will fall.

Government bond yields rose the most in Greece, Portugal and Ireland, reaching record levels in June. Yields on 10-year Greek government bonds climbed to 16.3 percent at the end of the second quarter from 12.8 percent at the start, while yields on 10-year Portuguese government debt increased to 10.9 percent from 8.4 percent. By contrast, yields on 10-year German government bonds, a benchmark for European sovereign debt, fell to 3 percent from 3.4 percent.

The fund's government bond holdings returned 2 percent in the quarter, measured in international currency. Rising prices of German, French, US, UK and Japanese government bonds outweighed a drop in prices of some European government bonds. The fund's investments in euro-denominated government bonds returned 1.1 percent, measured in local currency. UK, US and Japanese debt returned 2.2 percent, 3.2 percent and 1.5 percent, respectively, measured in local currency. Government bonds constituted 43 percent of the fund's fixed-income investments at the end of the quarter.

The fund also invests in bonds from government-related institutions such as the European Investment Bank, African Development Bank and Export-Import Bank of China. These made up 12.6 percent of the fund's fixed-income investments and returned 2.1 percent in the quarter, as measured in international currency.

Reduced risk appetite

The fund benefited in the second quarter from rising prices for corporate bonds and securitised debt, which returned 1.4 percent and 1.6 percent, respectively, measured in international currency. Price increases for these securities lagged gains on government bonds from countries such as Germany, France, the UK and the US, as weaker growth prospects and

Table 2-3 Historical key figures as of 30 June 2011. Annualised data in international currency

	Last 12 months	Last 3 years	Last 5 years	Last 10 years	Since 1 Jan 1998
Return on fund (percent)	14.17	5.29	3.86	4.59	5.03
Return on fund, excluding real estate (percent)	14.18	5.29	3.86	4.59	5.03
Benchmark return, excluding real estate (percent)	13.30	5.01	3.86	4.33	4.71
Excess return of fund, excluding real estate (percentage points)	0.88	0.28	-0.00	0.27	0.31
Standard deviation (percent)	6.74	12.67	10.50	8.24	7.67
Tracking error (percentage points)	0.28	1.47	1.22	0.89	0.80
Information ratio (IR), excluding real estate*	3.16	0.19	-0.00	0.30	0.39
Gross annual return of fund (percent)	14.17	5.29	3.86	4.59	5.03
Annual price inflation (percent)	3.09	1.57	2.16	2.05	1.93
Annual management costs (percent)	0.10	0.12	0.11	0.10	0.10
Annual net real return of fund (percent)	10.66	3.54	1.55	2.38	2.94

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

uncertainty about banks' exposure to European sovereign debt eroded investors' risk appetite, especially for bonds from financial institutions.

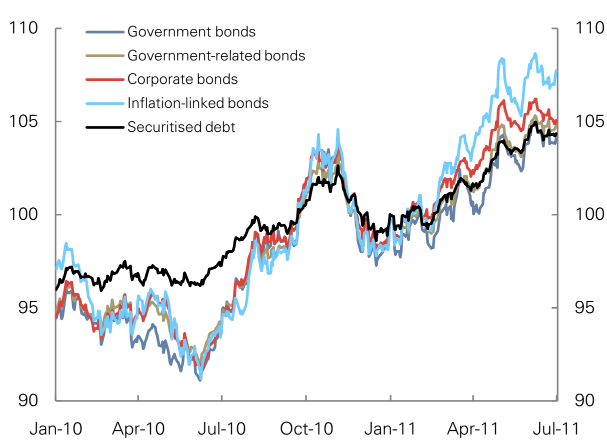
Global issuance of corporate debt fell to 948 billion dollars in the second quarter from 1,004 billion dollars in the first quarter, according to data from Bloomberg. The banking sector led with issuance of 456 billion dollars, down from 572 billion dollars the previous quarter. German, French and US companies were the largest issuers, raising a total of 784 billion dollars in the quarter.

European issuance of covered bonds, which are bank bonds secured primarily by home mortgages, fell to 42 billion euros in the second quarter from 81 billion euros in the previous three months. Issuance of unsecured bank debt also declined.

The fund's three largest participations in bond issues other than government debt were in FMS Wertmanagement, Eurohypo and HSBC.

The fund's bond holdings consisted of 7,945 securities from 1,508 issuers at the end of the second quarter, compared

Chart 2-6 Price developments in fixed-income sectors in the Barclays Global Aggregate Index, measured in US dollars. 31 Dec. 2010 = 100



Source: Barclays Capital

Table 2-4 Return on fund's fixed-income investments in 2Q 2011. By sector. Percent

Sector	Return in international currency	Share of fixed-income investments
Government bonds	1.99	43.01
Government-related bonds	2.11	12.57
Inflation-linked bonds	2.91	7.60
Corporate bonds	1.35	15.34
Securitised debt	1.64	21.48

Table 2-5 Fund's fixed-income investments as of 30 June 2011 based on credit ratings*. Percentage of holdings

	Aaa	Aa	A	Baa	Higher risk	Total
Government bonds	32.09	10.05	0.13	0.51	0.23	43.01
Government-related bonds	7.56	3.20	0.77	0.99	0.06	12.57
Inflation-linked bonds	4.94	2.61	0.00	0.00	0.04	7.60
Corporate bonds	0.42	2.92	7.06	4.75	0.19	15.34
Securitised debt	17.25	3.05	0.30	0.20	0.68	21.48
Total	**62.26**	**21.84**	**8.26**	**6.45**	**1.19**	**100.00**

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

with 8,703 securities from 1,603 issuers three months earlier.

Investments in real estate

The fund's first property investment, a 25 percent stake in The Crown Estate's Regent Street portfolio in London, was completed on 1 April. The investment returned -4.7 percent in the second quarter, as measured in international currency. The result was mainly due to transaction costs of 177 million kroner, most of which were stamp duty.

Real estate investments shall be valued externally at least once a year, in accordance with the mandate from the Ministry of Finance. NBIM will also each quarter consider the need to adjust the value of the investments. New property investments will normally be valued at their purchase price in the first two quarters after a transaction, unless market developments or other circumstances indicate a significant change in value. The purchase price was kept as the estimated value of the fund's first property investment in the second quarter.

Over time, as much as 5 percent of the fund shall be invested in real estate through a corresponding decrease in fixed income. In the start-up period, no more than 2 percent of the fund may each year be spent on new property investments, according to guidelines from Norges Bank's Executive Board. Investments will primarily be in well-developed markets and traditional property types, such as offices and retail premises. NBIM will initially seek to invest in the largest European markets and alongside partners with good knowledge of a specific market. The move into this asset class is aimed at spreading investments and risk across new markets, while adding to the fund's returns.

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

Chart 2-7 Issuance of euro-denominated covered bonds and senior unsecured debt. Billions of euros

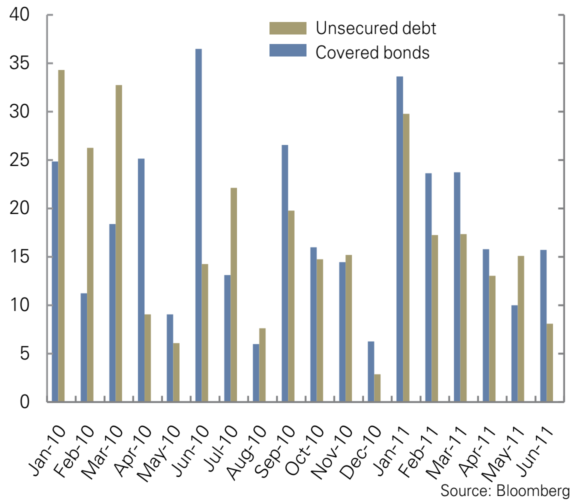
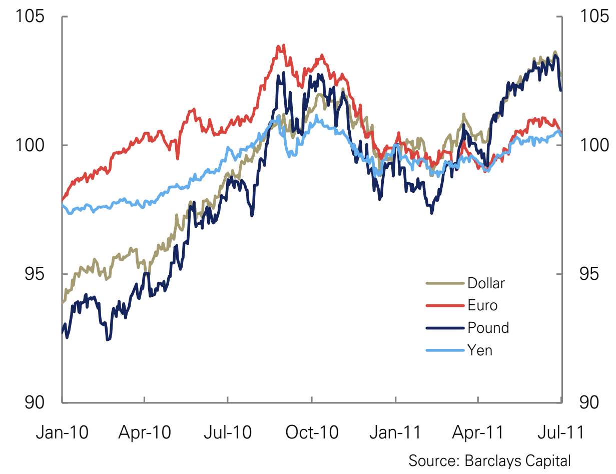


Chart 2-8 Price development of bonds issued in dollars, euros, pounds and yen in the Barclays Global Aggregate Index. Measured in local currencies. Indexed. 31 Dec. 2010 = 100



Lower return than the market

The returns on the fund, excluding property investments, are compared with the returns on global benchmark indices for stocks and bonds compiled by the FTSE Group and Barclays Capital, respectively. Overall, the return was 0.09 percentage point lower than the return on the benchmark indices in the second quarter.

The fund's equity investments lagged behind the benchmark by 0.16 percentage point in the quarter, pulled down by internally managed stock investments.

At sector level, investments in oil and gas companies were the biggest underperformer compared with the benchmark, while investments in telecommunications shares outperformed the benchmark. Among the countries the fund invests in, US and Danish stocks underperformed the most, while South Korean and Brazilian equities generally had higher returns than the benchmark.

The return on the fund's fixed-income investments beat the benchmark by 0.03 percentage point in the quarter. The excess return came from internally managed investments, while externally managed investments performed weaker than the benchmark.

The fund may be overweight or underweight relative to the benchmark indices set by the Ministry of Finance, meaning the fund may hold more or less of a specific stock or bond than the benchmark because of NBIM's active management. In the second quarter, the fund was most overweight in stocks of the basic materials sector and most underweight in telecommunications. Fixed-income investments had the greatest overweight in securitised debt and the biggest underweight in government bonds.

A total of 6.8 percent of the fund's assets were managed externally at the end of the quarter, down from 7.2 percent at the start of the quarter. External equity investments were worth 199 billion kroner and external fixed-income holdings amounted to 12 billion kroner.

Measurement of excess return

The returns on the fund's equity and fixed-income investments are compared with returns on global benchmark indices for equities and fixed income. The difference is called the relative return. While property investing is in its start-up phase, NBIM will not compare the return on this asset class to an index. NBIM currently only reports the relative returns of the equity and fixed-income investments.

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

	External management	Internal management	Total
Equity management	0.01	-0.11	-0.10
Fixed-income management	-0.01	0.02	0.01
Total	0.00	-0.09	-0.09

Increased market volatility

Volatility in stock and bond markets increased during parts of the second quarter on concern over a global economic slowdown and uncertainty about the impact of the European sovereign debt crisis.

The VIX index, a key measure of expected volatility in the US stock market, fluctuated between a low of 14.6 percent on 28 April and a high of 22.7 percent on 16 June. The index dropped from 17.7 percent at the start of the quarter to 16.5 percent at the end of the quarter after the Greek government won parliamentary support for a 78 billion-euro austerity programme. The spending cuts, which met resistance from opposition politicians and parts of the Greek public, were among the criteria for the country's continued use of a financial support package from the EU and IMF. The iTraxx Europe Index, a measure of risk in the European fixed-income market, rose to 1.1 percent at the end of the quarter from 1 percent at the beginning.

The Ministry of Finance has set limits on how much NBIM may deviate from the benchmark indices in the management of the fund. One important limit, expressed as expected relative volatility (tracking error), caps how much the return on the fund's equity and fixed-income 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 second quarter, down 0.1 percentage point from the start. The measure does not encompass the fund's real estate investments.

Expected absolute volatility, measured by the statistical concept standard deviation, uses historical price movements to estimate how much the annual return on the fund's equity and fixed-income investments may be expected to vary. Expected absolute volatility was 12.5 percent, or about 387 billion kroner, at the end of the second quarter. That was down from 13.2 percent at the start of the quarter.

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

VIX and iTraxx

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

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

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

Risk	Limit	Actual 30.06.2011	Actual 31.03.2011
Limits set by Ministry of Finance			
Asset allocation	Equities 50-70% of fund*	60.5	61.3
	Real estate 0-5% of fund	0.1	0.1
Limits set by Norges Bank's Executive Board			
Asset allocation	Equities 50-70% of fund*	60.5	61.5
	Bonds 30-50% of fund	39.4	40.2
	Real estate 0-7.5% of fund	0.1	0.1
Counterparty risk	Any one counterparty maximum 0.75% of fund	0.1	0.1

*The asset allocation risk limit set by the Ministry of Finance is based on the market value of all securities in the fund's equity holdings at the end of the quarter. The limit set by the Executive Board has the same basis, except for derivates, where the full underlying value is included. As a result, the actual share of equities may vary.

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

Risk	Limit	Actual 30.6.2011	31.3.2011
Limits set by Ministry of Finance			
Market risk	1 percentage point expected tracking error for equity and fixed-income investments	0.4	0.5
Credit risk	3% of fixed-income investments may be rated lower than Baa3/BBB-	1.2	1.9
Maximum ownership	Maximum 10% of voting shares in a listed company	9.5	9.8
Limits set by Norges Bank's Executive Board			
Credit risk	Maximum 1% of fixed-income investments from any one issuer rated below Baa3/BBB-	0.3	0.4
Overlap between actual holdings and benchmark index	Equities minimum 60%	83.0	81.7
	Bond issuers minimum 60%	79.3	77.4
Liquidity	Minimum 10% of equity and fixed-income investments in government bonds from US, UK, Germany, France, Italy, Netherlands and Japan	13.9	13.3
Leverage	Maximum 5% of equity and fixed-income investments	0.0	1.6
Securities lending	Maximum 35% of equity and fixed-income investments	16.3	16.3
Issuance of options	Maximum 2.5% of equity and fixed-income investments	0.5	0.5
Securities borrowing through borrowing programmes	Maximum 5% of equity and fixed-income investments	0.0	0.0
Investment in any one company	Maximum 1% of equity and fixed-income investments	0.7	0.7
Assets managed by any one external manager	Maximum 1% of equity and fixed-income investments	0.7	0.7

Table 2-9 Risk and exposure of fund's real estate investments

Risk	Limit	Actual 30.06.2011
Limits set by Ministry of Finance		
Country allocation	France, UK, Germany: no limit	100.0
	Other countries: Maximum 25% of real estate investments	0.0
Sector allocation	Office space: 0-100% of real estate investments	37.0
	Retail space: 0-100% of real estate investments	61.0
	Residential space: 0-25% of real estate investments	1.0
	Industrial space: 0-25% of real estate investments	0.0
	Other property: 0-25% of real estate investments	1.0
Limits set by Norges Bank's Executive Board		
Investments in real estate under development	Maximum 20% of real estate investments	3.7
Investments in real estate that is vacant	Maximum 25% of real estate investments	4.0
Investments in interest-bearing securities	Maximum 20% of real estate investments, but no more than 5 billion kroner	0.0
Investments in listed real estate shares	Maximum 20% of real estate investments, but no more than 5 billion kroner	0.0
Debt ratio	Maximum 50% of real estate investments	0.0
	Maximum 70% for each investment	0.0
Assets managed by any one external manager	Maximum 15% of real estate investments, but no more than 5 billion kroner	0.0

Chart 2-9 Expected risk in stock markets (VIX index) and fixed-income markets (iTraxx index)

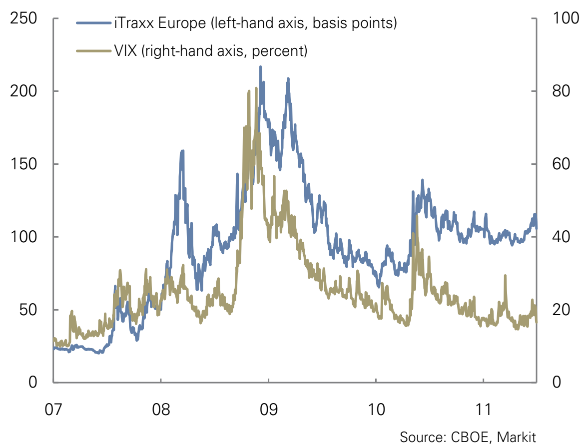


Chart 2-10 Expected absolute volatility of fund, excluding real estate. Percent (left-hand axis) and billions of kroner (right-hand axis)

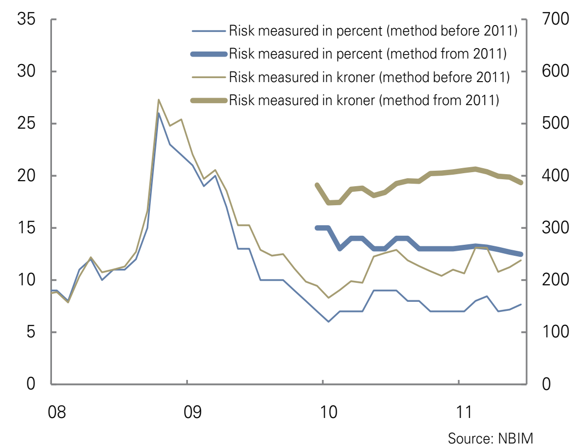


Chart 2-11 Expected relative volatility of fund, excluding real estate. Basis points

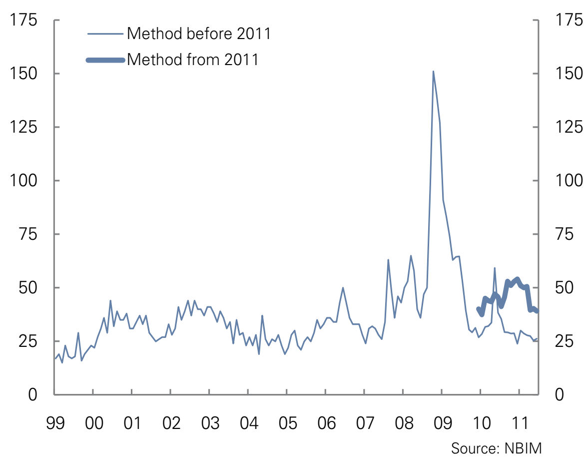
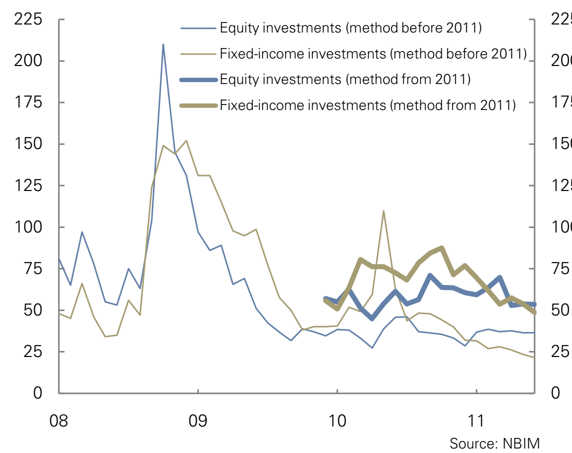


Chart 2-12 Expected relative volatility of fund's equity and fixed-income investments. Basis points



Calculation of expected volatility

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

Responsible investment and active ownership

NBIM strives to secure good long-term returns while promoting responsible investment practices. Solid returns over a longer time frame depend on sustainable economic, environmental and social development in the countries and companies the fund invests in. As a long-term investor in about 8,400 companies, NBIM seeks to improve standards of corporate governance. We encourage companies to take responsibility for improving social and environmental conditions that may negatively impact their businesses and, consequently, the fund's investments.

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

NBIM voted at more than 8,300 company meetings in the second quarter, including on 137 shareholder proposals relating to environmental and social issues. The large number of meetings reflects the high concentration of annual general meetings in the second quarter.

We re-filed shareholder proposals at four US companies requesting a separation of the CEO and chairman roles. An independent chairman is a prerequisite for the board to satisfactorily oversee management. This principle is reflected in NBIM's voting guidelines and through our particular focus on board accountability and shareholder influence.

In conjunction with the World Day Against Child Labour in June, NBIM for the first time disclosed the names of companies that got top marks for reporting on the risks of child labour use and children's rights violations in their operations and supply chains. The annual assessment looked at 527 companies the fund was invested in at the end of 2010. These belonged to sectors with high exposure to risk related to children's rights and child labour. The areas surveyed were food and beverage, agriculture, apparel retail, technology hardware and equipment, steel, mining, and toys.

The average score was 2.2 points on a scale of up to 10 points. A total of 232 companies had zero points. The nine companies with top marks were Walt Disney, Ericsson, Hennes & Mauritz, Intel, Motorola, Anglo American, Phillips-Van Heusen, Gildan Activewear and Xstrata. By naming those with the highest scores – in NBIM's newly established annual Children's Rights Disclosure Rating – we seek to promote improved performance and reporting standards in this area.

In the second quarter, NBIM withdrew a request for a special audit of Porsche SE. NBIM and some German investors had in 2010 asked a German court to order a special audit to see if Porsche's board had operated outside its remit and brought excessive risk to the company in its attempt to take control over Volkswagen in the period 2005–2009. The request ceased to be eligible after the German investors in May this year pulled out because of negotiations that led Porsche to propose a special dividend for preference shareholders and

make a statement on good corporate governance intentions. NBIM chose not to take part in the negotiations. We emphasise the need for permanent improvement of governance standards to ensure equal treatment of shareholders and believe the initiative has brought attention to this issue in the German market.

NBIM in the quarter signed a statement supporting the Guiding Principles for Business and Human Rights, endorsed by the United Nations Human Rights Council on 16 June 2011. The statement was signed by 29 investors that also are signatories of the UN's Principles for Responsible Investment. These principles are aimed at providing a global standard for addressing and preventing the risk of adverse affects on human rights from business activity. The work on these principles was led by Harvard University Professor John Ruggie, the UN Secretary General's Special Representative on Business and Human Rights.

Operational risk management and internal control

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

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

The Executive Board has decided there should be less than 20 percent probability for unwanted events to result in gains and losses of 500 million kroner or more over a 12-month period. This limit defines the board's risk tolerance. NBIM registered 51 unwanted events in the second quarter, resulting in an estimated financial loss of 506,000 kroner. None of the events led to financial gains. NBIM's risk exposure was well within the board's risk tolerance limit at the end of the quarter.

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

Financial reporting

Norges Bank's interim financial report, which only encompasses the interim financial reporting of the investment portfolio for the Government Pension Fund Global, was approved by Norges Bank's Executive Board on 10 August 2011. These accounts and an excerpt from Norges Bank's accounting policies are reproduced below.

Income statements

Figures in NOK million	Note	2Q 2011	2Q 2010	Year-to-date 30.06.2011	Year-to-date 30.06.2010	2010
Profit/loss on the portfolio excluding gains/losses on foreign exchange						
Interest income on deposits in foreign banks		111	54	243	98	377
Interest income, lending associated with reverse repurchase agreements		306	64	487	128	350
Net income/expenses and gains/losses from:						
- Equities and units		- 18 461	- 174 874	37 489	- 98 253	207 070
- Bonds and other fixed income instruments		23 502	21 816	25 130	49 797	60 316
- Financial derivatives		- 843	- 2 293	102	- 3 430	- 3 552
- Financial assets real estate		- 152	-	- 152	-	-
Interest expense repurchase agreements		- 330	- 83	- 574	- 185	- 574
Other interest expense		- 65	- 18	- 97	- 62	- 105
Other expenses		40	47	- 11	57	- 9
Profit/loss on the portfolio before gains/losses on foreign exchange		**4 108**	**- 155 285**	**62 617**	**- 51 848**	**263 873**
Gains/losses on foreign exchange		- 47 564	148 924	- 120 173	149 103	- 8 498
Profit/loss on the portfolio		**- 43 456**	**- 6 361**	**- 57 556**	**97 255**	**255 375**
Management fee	3	- 633	- 762	- 1 245	- 1 404	- 2 959
Profit/loss for the period		**- 44 089**	**- 7 123**	**- 58 801**	**95 851**	**252 416**

Statements of comprehensive income

Figures in NOK million	Note	2Q 2011	2Q 2010	Year-to-date 30.06.2011	Year-to-date 31.06.2010	2010
Profit/loss for the period		- 44 089	- 7 123	- 58 801	95 851	252 416
Translation reserve arising from consolidation of foreign subsidiaries		2	-	2	-	-
Total comprehensive income		**- 44 087**	**- 7 123**	**- 58 799**	**95 851**	**252 416**

Balance sheets

Figures in NOK million	Note	30.06.2011	31.12.2010	30.06.2010
ASSETS				
FINANCIAL ASSETS				
Foreign bank deposits		11 565	6 303	10 243
Lending associated with reverse repurchase agreements		377 676	255 501	224 022
Unsettled trades		39 756	4 864	49 979
Equities and units	4	1 693 068	1 733 378	1 509 812
Equities lent	4	187 942	162 483	160 425
Bonds and other fixed income instruments	4	953 984	1 038 793	997 742
Bonds lent	4	267 887	215 090	206 915
Financial derivatives	4	2 702	3 068	4 020
Financial assets real estate	4,5	3 894	-	-
Other financial assets		23 254	1 358	15 295
Total financial assets	6,7	**3 561 728**	**3 420 838**	**3 178 453**
LIABILITIES AND OWNER'S CAPITAL				
FINANCIAL LIABILITIES				
Short-term borrowing		4 374	2 939	961
Borrowing associated with repurchase agreements		139 961	132 992	132 254
Cash collateral received		212 567	172 309	156 141
Unsettled trades		65 770	20 358	73 448
Financial derivatives	4	7 881	9 372	10 969
Other liabilities	4	19 923	5 448	12 564
Management fee payable		1 245	2 959	1 404
Total financial liabilities	6,7	**451 721**	**346 377**	**387 741**
Owner's capital		**3 110 007**	**3 074 461**	**2 790 712**
Total liabilities and owner's capital		**3 561 728**	**3 420 838**	**3 178 453**

Statements of changes in owner's capital

Figures in NOK million	Inflows from owner	Retained earnings	Translation reserve foreign subsidiaries	Deposits in krone account
1 January 2011	2 504 711	569 750	0	3 074 461
Total comprehensive income		- 58 801	2	- 58 799
Inflows during the period*	94 345	-	-	94 345
30 June 2011	**2 599 056**	**510 949**	**2**	**3 110 007**
1 January 2010	2 319 481	317 334	0	2 636 815
Total comprehensive income		95 851	0	95 851
Inflows during the period	58 046	-	-	58 046
30 June 2010	**2 377 527**	**413 185**	**0**	**2 790 712**

*Out of the total inflows to the kroner account of the Government Pension Fund Global in the first six months of 2011, NOK 3 billion were used to pay the 2010 accrued management fee to Norges Bank and NOK 91,3 billion was transferred into the investment portfolio.

Statements of cash flows

Figures in NOK million	Year-to-date 30.06.2011	2010	Year-to-date 30.06.2010
Operating activities			
Interest received in connection with deposits in foreign banks	1 170	377	98
Net cash flows received in connection with reverse repurchase agreements	-117 760	-57 392	-11 218
Net cash flow from purchases and sales of equities and units	-41 193	-70 201	-35 184
Net cash flow from purchases and sales of bonds and other fixed income instruments	-10 242	-180 835	-42 303
Net cash flows related to acquistion of financial assets real estate	-4 067	-	-
Net cash flow from financial derivatives	-1 522	-1 433	-205
Dividends received from investments in equities and units	28 722	41 257	23 374
Interest received from bonds and other fixed income instruments	25 827	45 752	24 725
Fees received in connection with equity and bond lending	1 336	1 676	973
Income received from investments in financial assets real estate	26	-	-
Interest paid in connection with short time borrowing	-528	-209	-45
Net cash flows paid in connection with repurchase agreements	-2 848	23 742	1 071
Cash collateral received/paid in connection with securities lending, derivatives and REPOs	40 258	17 773	1 605
Cash flows related to other financial assets and other financial liabilities	15 553	1 112	6 120
Cash flows other expenses	-284	-29	71
Management fee paid to Norges Bank	-2 959	-3 228	-3 228
Net cash flows from operating activities	**-68 511**	**-181 640**	**-34 146**
Financing activities			
Inflow from the Norwegian Government*	72 642	185 230	44 040
Net cash flow from financing activities	**72 642**	**185 230**	**44 040**
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	3 363	-1 594	-1 594
Net cash payments during the period	4 131	3 590	9 894
Gains/losses on foreign exchange on cash and cash equivalents	-303	1 367	982
Cash and cash equivalents at the end of the reporting period*	**7 191**	**3 363**	**9 282**
Cash and cash equivalents consist of:			
Foreign bank deposits	11 565	6 303	10 243
Short-term borrowing	-4 374	-2 939	-961
Total	7 191	3 363	9 282

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

Note 1 Accounting policies

1.1 Basis of Accounting

Norges Bank prepares quarterly financial statements covering only the financial reporting for the investment portfolio of the Government Pension Fund Global for the periods ending 31 March, 30 June and 30 September. This financial reporting is a part of Norges Banks financial statements. The financial reporting for the investment portfolio of the Government Pension Fund Global is prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The financial statements are presented in Norwegian kroner (NOK). The interim financial reporting for Norges Bank, which consists only of the quarterly reporting of the investment portfolio of the Government Pension Fund Global, is prepared in accordance with IAS 34 Interim Financial Reporting.

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

1.2 IASB final standards with implementation dates after 2011 issued during the current reporting period

IFRS 10 Consolidated Financial Statements

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

IFRS 10 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the International Accounting Standards Board (IASB) in May 2011. The standards which, if early adopted, must all be early adopted at the same time are IFRS 10 *Consolidation and Separate Financial Statements,* IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements (as amended in 2011)*, and IAS 28 *Investments in Associates and Joint Ventures (as amended in 2011).*

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

IFRS 11 Joint Arrangements

IFRS 11 *Joint Arrangements* (IFRS 11) superseded SIC-13 J*ointly controlled Entities –Non-Monetary Contributions by Venturers*. A joint arrangement is an arrangement of which two or more parties have joint control, and has the following characteristics, that the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation (the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities) or a joint venture (the parties that have joint control of the arrangement have rights to the net assets). IFRS 11 has two methods, but clearly specifies when each method must be used, as opposed to the current approach of choice of accounting method.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the IASB in May 2011. The standards which, if early adopted, must all be early adopted at the same time are IFRS 10 *Consolidation and Separate Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements (as amended in 2011)*, and IAS 28 *Investments in Associates and Joint Ventures (as amended in 2011).*

Norges Bank is currently evaluating the impact of adopting IFRS 11 on the financial reporting of the investment portfolio of the Government Pension Fund Global and anticipates adopting IFRS 11 as of 1 January 2013. As of the reporting date Norges Bank does not have any investments in jointly controlled entities.

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 12 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted if adopted as part of the "package of five" standards issued by the IASB in May 2011. The standards which, if early adopted, must all be early adopted at the same time are IFRS 10 *Consolidation and Separate Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements (as amended in 2011),* and IAS 28 *Investments in Associates and Joint Ventures (as amended in 2011).*

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

IFRS 13 Fair Value Measurement

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

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

Note 2 Significant estimates and critical accounting judgements

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

Note 3 Management fee

Table 3.1 Specification management fee

Figures in NOK million	2Q 2011	2Q 2010	Year to date 30.06.2011	Percent	Year to date 30.06.2010	Percent	2010	Percent
Salary, social security and other personnel related costs	96	87	206		159		389	
IT, information and decision support systems	45	50	114		116		223	
Custody and settlement costs	98	106	206		191		382	
Outsourced IT and analysis costs	60	54	142		111		213	
Consulting and legal fees	18	28	35		49		116	
Base fees to external managers	88	133	211		241		452	
Other costs	26	28	50		44		81	
Allocated common costs Norges Bank	32	32	64		65		115	
Management fee excluding performance-based fees	**463**	**518**	**1 028**	**0.07**	**976**	**0.07**	**1 973**	**0.07**
Performance-based fees to external managers	170	243	217		428		986	
Total management fees	**633**	**761**	**1 245**	**0.08**	**1 404**	**0.10**	**2 959**	**0.11**

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

In addition to the operating expenses that are shown above and are reimbursed through the management fee from the Ministry of Finance, operating and administrative expenses are incurred in the subsidiary companies that are incorporated as a part of the management of real estate investments for the Government Pension Fund Global. These expenses are consolidated into the income statement for the investment portfolio of the Government Pension Fund Global, and are paid using funds received or earned by the investment portfolio of the Government Pension Fund Global. Subsidiaries that are consolidated into the financial reporting for the investment portfolio are not required to be consolidated into the annual financial statements of Norges Bank, as per the accounting regulation for Norges Bank § 2.3, paragraph 4, and these expenses will therefore not be included in Norges Bank's operating expenses. These expenses will through consolidation be shown as expenses in the income statement for the investment portfolio, and be deducted in the Profit/loss on the portfolio. For the first half of 2011 these costs amounted to NOK 1.2 million.

Note 4 Financial instruments at fair value

Table 4.1 Specification of equities and units

	30.06.2011			31.12.2010		
Figures in NOK million	Fair value excluding dividends	Accrued dividends	Fair value including dividends	Fair value excluding dividends	Accrued dividends	Fair value including dividends
Equities and units:						
Listed equities and units	1 877 143	3 867	1 881 010	1 893 714	2 147	1 895 861
Total equities and units	**1 877 143**	**3 867**	**1 881 010**	**1 893 714**	**2 147**	**1 895 861**
Hereof Equities lent			*187 942*			*162 483*

Table 4.2 Specification of bonds and other fixed income instruments

Figures in NOK million, 30 June 2011	Notional*	Fair value excl. accrued interest	Accrued interest	Fair value incl. accrued interest
Treasuries	507 832	519 174	6 369	525 543
Government related bonds**	146 739	151 197	2 430	153 627
Inflation-linked bonds	77 261	92 265	576	92 841
Corporate bonds	182 727	184 191	3 233	187 424
Securitised bonds	312 393	259 088	3 348	262 436
Total bonds and other fixed income instruments* **	**1 226 952**	**1 205 915**	**15 956**	**1 221 871**
Hereof Bonds lent				*267 887*

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

* Notional amounts have been translated to NOK by using the exchange rate on the balance sheet date.
** Bonds issued by governments in foreign currency are as of the second quarter 2011 classified as Government related bonds. Comparative figures are restated.
*** Total bonds and other fixed income instruments of NOK 1 253 074 million in the table includes a liability amount of NOK 809 million, which is short positions in bonds. There are no short sale bond positions as of 30 june 2011. Short sales of bonds are presented in the balance sheet as Other liabilities.

The holdings of bonds issued by the sovereign states Greece, Portugal, Ireland, Spain and Italy amounted to NOK 93.7 billion as of the end of the second quarter 2011. Of this amount, bonds issued by the Greek government were NOK 3.5 billion.

Table 4.3 Specification of financial derivatives

	Fair value 30.06.2011			Fair value 31.12.2010		
Figures in NOK million	Asset	Liability	Net	Asset	Liability	Net
Foreign exchange contracts	360	483	-123	402	316	86
Listed futures contracts	51	12	39	43	22	21
Swap contracts	1 629	6 547	-4 918	1 909	8 126	-6 217
Options	662	839	-177	714	908	-194
Total financial derivatives	**2 702**	**7 881**	**-5 179**	**3 068**	**9 372**	**-6 304**

Financial assets real estate
At the end of the second quarter 2011 the fair value of Financial assets real estate (Regent Street) is estimated at NOK 3 894 million.

Note 5 Real estate

Real estate investments in the investment portfolio of the Government Pension Fund Global consist of investments within the real estate asset class. This asset class consists of unlisted investments.

1 April 2011 Norges Bank completed the first real estate investment of the Government Pension Fund Global. The investment gives rights to a 25 percent share in the net operating income (NOI) generated by a portfolio of properties that are located in and around Regent Street, London, United Kingdom. This real estate portfolio is currently managed on behalf of the United Kingdom by The Crown Estate, who will continue to manage the portfolio. The total purchase price of GBP 472 million (NOK 4.2 billion) includes transaction costs of GBP 20 million (NOK 177 million). Transaction costs consist of a four

percent stamp duty tax of GBP 18 million (NOK 155 million) and fees to transaction advisors. The investment was completed during the second quarter and is accounted for as a financial instrument under IAS 39 *Financial Instruments: Recognition and Measurement.* Earned income and fair value changes as well as transaction costs to complete the investment are shown in the income statement as Net income/expenses - gains/losses from financial assets real estate. The investment is measured at fair value and presented as Financial assets real estate in the balance sheet. See Note 4 Financial instruments at fair value and Note 6 Fair Value measurement of financial instruments for additional information.

In July Norges Bank contractually agreed on behalf of the Government Pension Fund Global to buy 50 percent of seven properties in and around Paris from AXA Group. AXA will hold the remaining 50 percent of the properties on completion of the transaction and continue to act as manager of the properties. This is the second real estate investment for the Government Pension Fund Global and the first real estate investment in France. A deposit of EUR 15 million (NOK 117 million) was paid to AXA upon signing of the contracts in July, and the remainder of the EUR 702.5 million (NOK 5.5 billion) purchase price was paid to AXA 1 August 2011.

Note 6 fair value measurement of financial instruments

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

Valuation methods

The first investment within the new real estate asset class was completed in the second quarter of 2011. Real estate investments are unlisted investments and are allocated to level 3. These investments are valued using valuation techniques commonly used by market participants that maximize the use of observable market inputs, and minimize the use of unobservable market inputs. Typical techniques include the use of models employing assumptions based on market transactions describing conditions existing as of the reporting date.

Table 6.1 groups the investments into categories of assessed valuation uncertainty as at 30 June 2011 and 31 December 2010.

Table 6.1 Specification of investments by level of valuation uncertainty

	Level 1		Level 2		Level 3		Total	
Figures in NOK million	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Equities and units	**1 879 669**	**1 894 319**	**1 070**	**1 454**	**271**	**88**	**1 881 010**	**1 895 861**
Total bonds	**728 440**	**726 521**	**477 412**	**501 291**	**16 019**	**25 262**	**1 221 871**	**1 253 074**
Treasuries	471 707	491 061	53 836	16 508	0	0	523 543	507 569
Government related bonds*	84 322	77 769	69 134	84 168	171	264	153 627	162 201
Inflation-linked bonds	90 345	75 182	2 496	28 155	0	0	92 841	103 337
Corporate bonds	3 434	1 389	183 154	204 077	836	1 714	187 424	207 180
Securitised bonds	78 632	81 120	168 792	168 383	15 012	23 284	262 436	272 787
Total financial derivatives	**39**	**21**	**-5 218**	**-6 325**	**0**	**0**	**-5 179**	**-6 304**
Assets	51	43	2 651	3 025	0	0	2 702	3 068
Liabilities	-12	-22	-7 869	-9 350	0	0	-7 881	-9 372
Financial assets real estate	**-**	**-**	**-**	**-**	**3 894**	**-**	**3 894**	**-**
Total	**2 608 148**	**2 620 861**	**473 264**	**496 421**	**20 184**	**25 350**	**3 101 596**	**3 142 631**

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

The valuation risk is seen as being somewhat lower at the end of the second quarter of 2011 compared to year end 2010. This assessment is based mainly on the reduction in exposure towards level 3 holdings. This reduction is mainly due to sales of US securitised bonds, but maturities and FX effects have also contributed. The remaining level 3 exposure is still mainly towards US securitised bonds, of which approximately NOK 10 billion are not guaranteed by a federal agency regarding repayment of notionals. In addition an investment has been made in the real estate asset class during the second quarter 2011, which has an estimated fair value of NOK 3.9 billion at quarter end. This investment is categorised as a level 3 holding, but is not at the reporting date seen as being characterised by as high valuation risk as the sold level 3 bond holdings.

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

Note 7 Risk

Market risk

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

Asset class per region

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

Table 7.1 Allocation by asset class and region

		Market value* in percent by region		Market value* in percent by asset class		Assets minus liabilities excluding management fee	
		30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Equities	Americas and Africa	37.1%	36.1%				
	Europe	49.6%	48.2%				
	Asia and Oceania	13.3%	15.7%				
Total equities				60.5%	61.5%	1 881 237	1 891 250
Bonds	Americas and Africa	35.0%	35.2%				
	Europe	59.8%	59.2%				
	Asia and Oceania	5.2%	5.6%				
Total bonds				39.4%	38.5%	1 226 112	1 186 170
Real estate	Europe	100%	-				
Total real estate**				0.1%	N/A	3 904	N/A

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

** Norges Bank completed an investment in a share of the income from the underlying portfolio of properties in Regent Street for the Government Pension Fund Global in the second quarter of 2011. This is the first investment within the real estate asset class. The underlying portfolio in the investment is dominated by offices and retail. As the total real estate portfolio becomes more diversified into regions, countries and sectors this will be reported in Note 7 Risk.

Volatility

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

Table 7.2 Portfolio risk in terms of expected volatility

	Expected volatility - long-term					Expected volatility - responsive				
	30.06. 2011	Min 2011	Max 2011	Average 2011	31.12. 2010	30.06. 2011	Min 2011	Max 2011	Average 2011	31.12. 2010
Portfolio	12.5%	12.4%	13.4%	13.0%	13.2%	7.7%	6.7%	9.0%	7.6%	7.2%
Equity	20.2%	20.2%	21.2%	20.8%	21.1%	10.3%	8.8%	12.7%	10.4%	9.7%
Fixed Income	12.2%	12.1%	12.3%	12.2%	12.3%	9.5%	6.9%	9.9%	8.2%	8.3%

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

	Expected relative volatility - long-term					Expected relative volatility - responsive				
	30.06. 2011	Min 2011	Max 2011	Average 2011	31.12. 2010	30.06. 2011	Min 2011	Max 2011	Average 2011	31.12. 2010
Portfolio	39	39	55	47	54	26	24	30	27	24
Equity	53	52	76	60	61	36	29	40	37	29
Bonds	49	48	76	59	77	21	21	38	27	32

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

Market risk measured in terms of expected volatility was slightly lower at the end of the second quarter of 2011 compared to the year-end 2010, while risk has varied somewhat during the first half of 2011. Risk related to equities and the total portfolio was at its highest at the previous quarter end. This was due to the volatility in equity markets increasing towards the end of the first quarter because of the earth quake in Japan and political unrest in North Africa and the Middle East. In the second quarter the estimated risk was somewhat lower, mainly due to reduced volatility in equity markets. The uncertainty in fixed income markets was still high at the end of the second quarter of 2011, due especially to the situation for certain sovereigns in Europe.

Credit risk

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

Table 7.4 The bond portfolio specified by credit rating

Figures in NOK million, 30 June 2011	Aaa	Aa	A	Baa	Higher risk	Total
Treasuries	392 053	122 828	1 574	6 259	2 829	525 543
Government related bonds*	92 380	39 128	9 356	12 089	674	153 627
Inflation-linked bonds	60 421	31 926	-	-	494	92 841
Corporate bonds	5 123	35 631	86 240	58 083	2 347	187 424
Securitised bonds	210 746	37 310	3 712	2 418	8 250	262 436
Total bonds and other fixed income instruments	**760 723**	**266 823**	**100 882**	**78 849**	**14 594**	**1 221 871**

Figures in NOK million, 31 December 2010	Aaa	Aa	A	Baa	Higher risk	Total
Treasuries	389 135	108 100	3 254	2 903	4 177	507 569
Government related bonds*	98 950	39 655	11 145	11 779	671	162 201
Inflation-linked bonds	58 558	44 260	-	-	519	103 337
Corporate bonds	4 139	45 576	82 693	69 837	4 935	207 180
Securitised bonds	207 742	40 997	3 549	1 880	18 619	272 787
Total bonds and other fixed income instruments	**758 525**	**278 588**	**100 641**	**86 399**	**28 921**	**1 253 074**

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

The reduction in holdings allocated to the "higher risk" category is mainly caused by sales of bonds with such a credit rating.

Counterparty risk

Counterparty risk is the risk of loss related to the possible bankruptcy or other similar event leading to a counterparty not being able to fulfil its payment obligations. In table 7.5 the counterparty risk exposure is shown per type of activity/instrument type.

In table 7.5 Counterparty risk is shown according to type of activity and instrument.

Table 7.5 Counterparty risk by type of position

Figures in NOK million, 30 June 2011	Balance sheet value adjusted for collateral	Gross exposure	Netting effect	Collateral and guarantees	Net exposure
Time Deposits	7 146	6 217	-	-	6 217
Unsecured Cash	4 299	4 596	-	-	4 596
OTC Derivatives including foreign exchange contracts	-5 099	6 472	4 855	711	906
Repurchase and reverse repurchase agreements*	-22 270	4 005	503	-	3 502
Securities lending transactions**	-36 174	36 770	-	25 480	11 290
Total		58 060	5 358	26 191	26 511

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

* The column Balance sheet value adjusted for collateral takes into account all positions in the repurchase market, including the reinvestment of cash collateral. The internal measurement and controls of counterparty risk for these types of instruments does not include these reinvestments.

** The column Balance sheet value adjusted for collateral includes securities lent and received collateral, and is also adjusted for unrealised losses connected to reinvestments in the form of bonds.

The above table shows counterparty risk by type of position as at 30 June 2011. Counterparty risk measured as gross exposure has increased by NOK 6.8 billion since 31 December 2010. This is mainly due to an increase related to securities lending transactions of NOK 5.8 billion. Net exposure was mainly unchanged.

To the Supervisory Council of Norges Bank

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

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

Oslo, 10 August 2011
Deloitte AS

Aase Aa. Lundgaard
State Authorized Public Accountant (Norway)

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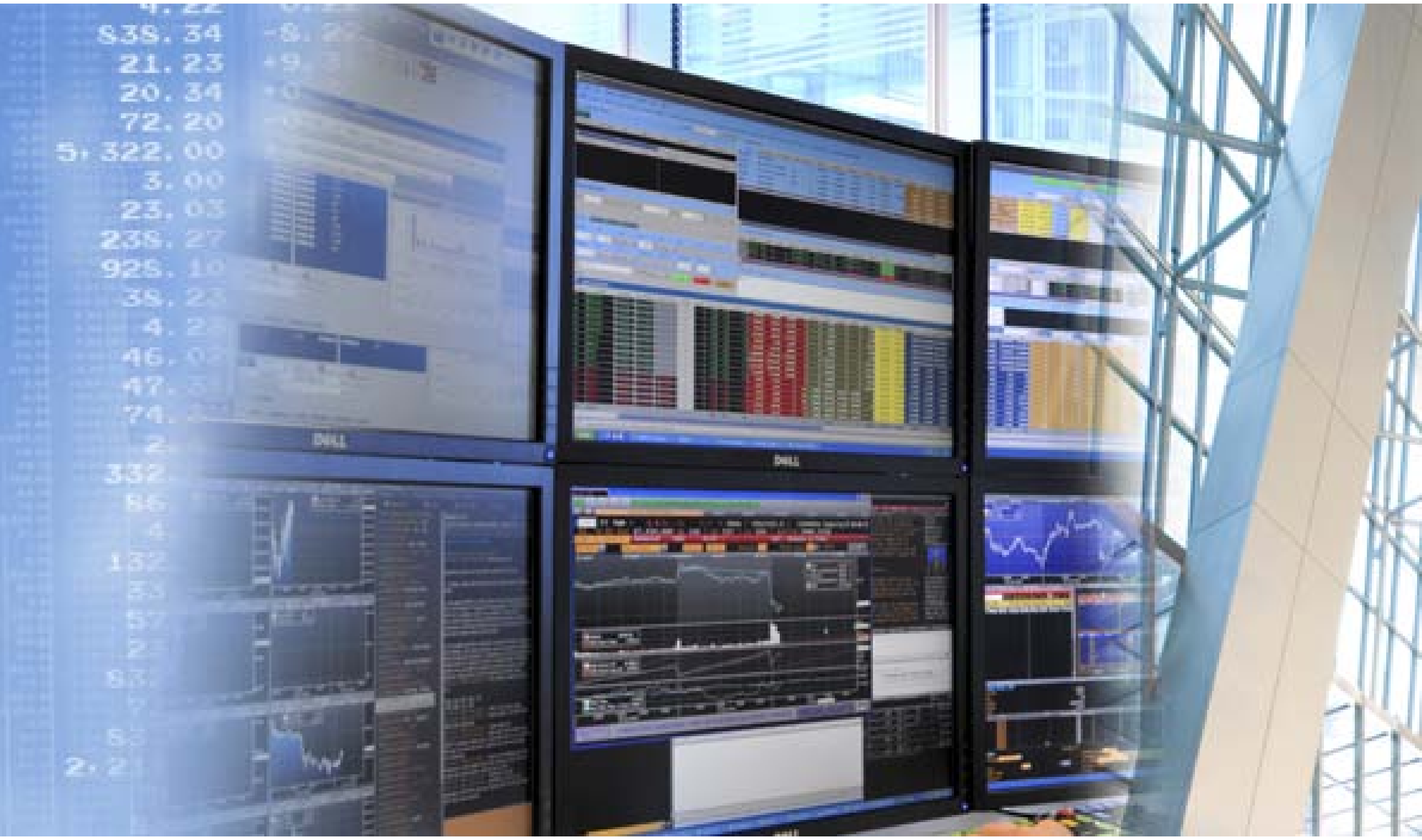

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