1Q 2011

GOVERNMENT PENSION FUND GLOBAL **FIRST QUARTER 2011**

NBIM
Norges Bank Investment Management

First quarter of 2011 in brief

- The Government Pension Fund Global returned 2.1 percent, or 59 billion kroner, in the first quarter of 2011. The result exceeded the return on the fund's benchmark indices by 0.3 percentage point.
- Equity investments returned 2.9 percent, while fixed-income investments returned 0.7 percent.
- The fund's market value rose 24 billion kroner to 3,102 billion kroner.
- The fund was invested 61.3 percent in equities, 38.6 percent in fixed-income securities and 0.1 percent in real estate at the end of the quarter.

Published 13 May 2011
08/250
ISSN 1890-8535

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.

1Q 2011

The fund

Return of 59 billion kroner

The fund's market value rose 24 billion kroner to 3,102 billion kroner in the first quarter of 2011.

Equity investments increased 9 billion kroner to 1,900 billion kroner and fixed-income investments rose 11 billion kroner to 1,197 billion kroner. The fund also had 4 billion kroner allocated to property investments at the end of the quarter.

The market value is affected by returns on investments, capital inflows and exchange rates. The return was 59 billion kroner in the quarter, while capital inflows from the government totalled 38 billion kroner. A stronger krone against several of the currencies the fund invests in reduced the market value by 73 billion kroner.

The fund had 82 percent of its investments in euros, pounds, dollars and yen at the end of the quarter. The euro gained 0.7 percent against the krone in the quarter, while the pound and the dollar fell 2.6 percent and 4.8 percent, respectively. The yen weakened 6.9 percent against the krone in the period.

Chart 1-1 The fund's market value. Billions of kroner

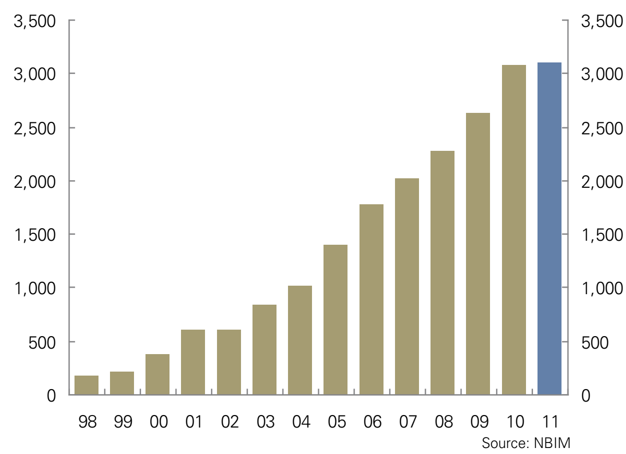


Chart 1-2 Changes in the fund's market value. Billions of kroner

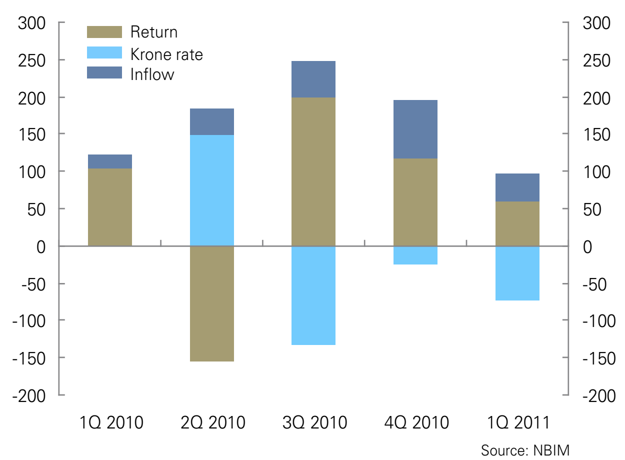


Table 1-1 Key figures as of 31 March 2011

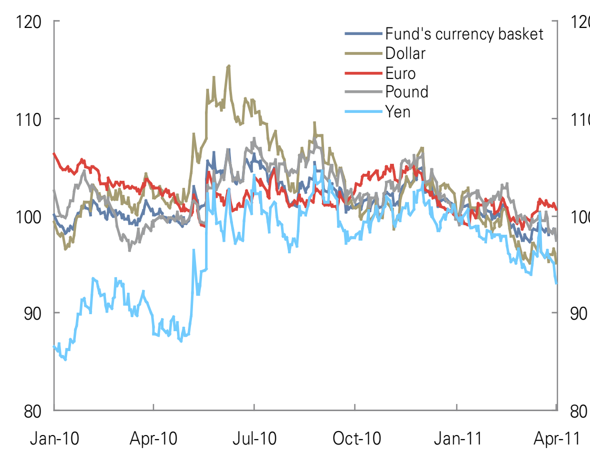
	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010
Market value (billions of kroner)					
Market value of equity holdings	1 900	1 891	1 758	1 664	1 730
Market value of fixed-income holdings	1 197	1 186	1 150	1 128	1 033
Market value of real estate holdings	4	-			
Market value of fund	3 102	3 077	2 908	2 792	2 763
Inflow of new capital*	38	78	49	35	19
Return	59	116	199	-155	103
Change due to fluctuations in kroner	-73	-25	-132	149	0
Total change in fund	24	169	116	29	123
Management costs (percent)					
Estimated transition costs	0.01	0.01	0.00	0.00	0.00
Annualised management costs	0.08	0.11	0.10	0.10	0.10
Changes in value since first capital inflow in May 1996 (billions of kroner)					
Gross inflow of new capital	2 547	2 508	2 429	2 379	2 343
Management costs	17	16	15	15	14
Inflow of capital after management costs	2 530	2 492	2 413	2 365	2 329
Return	805	746	630	430	586
Change due to fluctuations in kroner	-233	-160	-135	-3	-152
Market value of fund	3 102	3 077	2 908	2 792	2 763
Return after management costs	788	730	614	416	572

* The inflows in this table differ slightly from those in the financial reporting (see page 18) due to differences in the treatment of management fees.

The Ministry of Finance on 1 March 2010 issued a mandate to gradually invest as much as 5 percent of the fund in real estate through a corresponding decrease in fixed-income investments, so that the fund consists of 60 percent equities, 35–40 percent fixed-income securities and up to 5 percent real estate. Actual investments at the end of the first quarter were 61.3 percent equities, 38.6 percent fixed-income securities and 0.1 percent real estate.

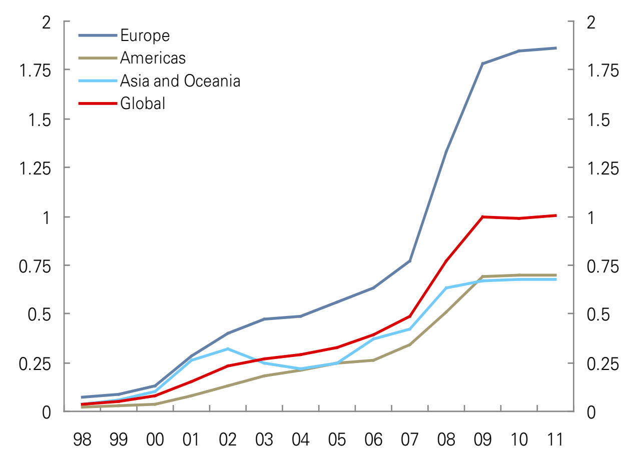
The share of equities has exceeded the long-term target of 60 percent since 2009, primarily because of gains in stock markets. To bring the proportion closer to the target, 84 percent of the fund's capital inflows were invested in fixed-income securities in the first quarter of 2011, while 6 percent went to equity investments. The remaining inflow was set aside for the fund's first real estate investment, the purchase of 25 percent of The Crown Estate's Regent Street portfolio in London. More information on the investment can be found in note 5 of the financial reporting section.

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



Source: WM, Reuters

Chart 1-4 The 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 Norwegian kroner in connection with financial reporting and are not hedged against moves in the krone. Changes in the krone exchange rate do not impact the fund's international purchasing power. Consequently, the return is often 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 first quarter. The krone gained 2.5 percent against the basket in the quarter.

Movements in different currencies will normally cause differences in the return on an investment as measured in the currency basket and the return on the same investment when gauged in local currency. For example, in the first quarter, the return on the fund's holdings of inflation-linked bonds was negative measured in the currency basket while positive when calculated in the local currency of each bond.

Table 1-2 The fund's largest equity holdings as of 31 March 2011

Company	Country	Holdings in millions of kroner
Royal Dutch Shell Plc	UK	22 386
HSBC Holdings Plc	UK	21 569
Nestlé SA	Switzerland	19 866
Vodafone Group Plc	UK	16 370
Exxon Mobil Corp	US	13 990
BP Plc	UK	13 472
Novartis AG	Switzerland	12 674
Total SA	France	12 635
Apple Inc	US	12 460
Siemens AG	Germany	12 208

Table 1-3 The fund's largest bond holdings as of 31 March 201

Issuer	Country	Holdings in millions of kroner
United States of America	US	172 343
UK government	UK	100 411
Italian Republic	Italy	60 606
Federal Republic of Germany	Germany	55 351
French Republic	France	55 331
Japanese government	Japan	49 482
Fannie Mae	US	35 514
Kingdom of Spain	Spain	26 208
European Investment Bank	Supranational	22 095
Kreditanstalt für Wiederaufbau	Germany	17 979

Fund management

Stock market gains in Europe and the US

Rising share prices of oil and gas companies helped propel the fund to a return of 2.1 percent in the first quarter.

The fund's equity investments returned 2.9 percent in the quarter, measured in international currency. Better-than-expected earnings at a number of companies, higher oil and gas prices and growth expectations for the global economy helped push European and US stock markets higher. By contrast, Asian stock markets fell after Japan on 11 March was hit by its worst earthquake on record.

Equity investments in the oil and gas sector led gains with a return of 11.1 percent, measured in international currency, helped by rising fuel prices. Brent crude prices gained 24 percent in the quarter, driven by concern political turmoil in countries in the Middle East and North Africa would reduce oil supplies from these regions, which produce more than a third of the world's oil. This helped push up share prices of oil and gas producers such as Royal Dutch Shell, Exxon Mobil and Total, which were among the fund's 10 largest equity holdings at the end of the quarter.

Telecommunications stocks returned 5.7 percent, constituting the second-best performing equity sector. US company AT&T on 20 March announced an agreement to buy T-Mobile USA from Deutsche Telekom in a transaction that would form the largest US mobile phone services company. Shares of AT&T and Deutsche Telekom gained 4.2 percent and 12.6 percent in the period, respectively, and were among the fund's investments.

The industrial sector, which includes companies in construction, infrastructure, electronics and building materials, was the fund's third-best performing equity sector, gaining 3.8 percent. Financial stocks followed with a return of 2.9 percent.

Performance in the financial sector, which was the fund's largest equity sector with 22 percent of its shareholdings, was mixed in the quarter. Investments in European financial stocks returned 6.5 percent, measured in international currency, after German authorities in January signalled the country would support measures to prevent defaults on sovereign debt in the euro area. This was interpreted positively for European banks, which are major investors in government debt in the region.

The fund's holdings of US and Asian financial stocks returned 1.3 percent and -3.9 percent respectively, measured in international currency. Rising inflation, particularly in emerging markets in Asia and Latin America, sparked investor concern about the possibility of interest rate increases and regulatory changes that could impair banks' lending growth

Chart 2-1 The fund's quarterly return and accumulated annualised return since 1 Jan. 1998. Percent

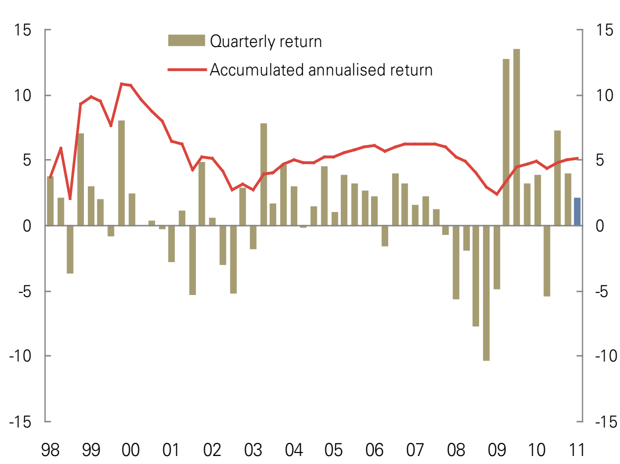
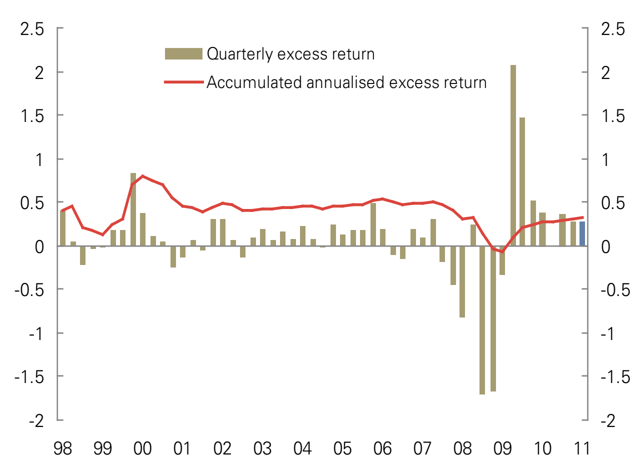


Chart 2-2 The fund's quarterly excess return and accumulated annualised excess return since 1 Jan1998. Percentage points



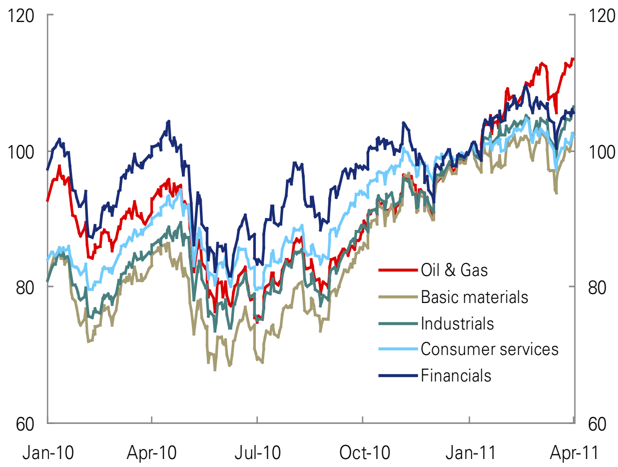
and earnings. At the same time, expectations of high insurance claims for Japanese financial institutions and lower economic growth following the March earthquake damped the performance of Japanese financial stocks.

Regional returns

About 50 percent of the fund's equity investments are 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 4.5 percent, 3.1 percent and -3 percent respectively in the quarter, as measured in international currency.

Japan's earthquake and ensuing tsunami caused considerable

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



Source: FTSE

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

Sector	Return in international currency	Share of equity investments' market value
Basic materials	1.37	9.08
Industrials	3.75	13.88
Consumer goods	-1.39	11.21
Consumer services	-0.35	8.21
Technology	1.35	7.94
Telecommunications	5.70	4.62
Oil & gas	11.13	11.64
Healthcare	2.22	7.63
Financials	2.92	21.59
Utilities	0.19	4.69

Table 2-2 Returns as of 31 March 2011

	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010
Returns in international currency					
Equity holdings (percent)	2.91	8.37	9.82	-9.23	4.93
Fixed-income holdings (percent)	0.72	-2.48	3.46	1.03	2.15
Fund (percent)	2.06	3.99	7.26	-5.38	3.87
Benchmark indices (percent)	1.80	3.72	6.89	-5.38	3.49
Fund's excess return (percentage points)	0.27	0.28	0.36	-0.00	0.38
Equity holdings' excess return (percentage points)	0.13	0.32	0.28	-0.03	0.13
Fixed-income holdings' excess return (percentage points)	0.48	0.21	0.47	0.06	0.76
Management costs (percent)	0.02	0.03	0.03	0.03	0.02
Return after management costs (percent)	2.04	3.97	7.23	-5.41	3.84
Returns in kroner (percent)					
Equity holdings	0.37	7.49	4.84	-4.29	4.96
Fixed-income holdings	-1.76	-3.28	-1.23	6.53	2.18
Fund	-0.45	3.15	2.39	-0.23	3.90
Benchmark indices	-0.71	2.87	2.04	-0.22	3.52

human, environmental and economic losses. Production stopped at factories owned by Toyota, Fujitsu and Sony, and the Fukushima Daiichi nuclear power plant north of Tokyo suffered the most serious nuclear accident since the Chernobyl explosion in 1986. The Tokyo Stock Price Index (TOPIX) fell 23 percent in the days following the earthquake and ended the quarter down 3.3 percent. Prior to the earthquake, it had gained 3.6 percent in the quarter.

About 5 percent of the fund's equity investments were in Japan at the end of the first quarter. These investments returned -2.8 percent in the quarter, measured in local currency, led by a drop in the share prices of Tokyo Electric Power Company (Tepco), which owns Fukushima Daiichi, the bank Mitsubishi UFJ Financial and Canon.

Measured in kroner, the fund's worst-performing stock investment was Tepco in the quarter, followed by Novartis, a Swiss drugmaker, and Nestlé. The best-performing investment was Exxon, followed by natural gas producers BG Group and Gazprom.

Globally, listed companies raised about 165 billion dollars selling new and existing shares in the first quarter, according to data from Dealogic. The three largest capital raisings the fund bought shares in were at US insurer MetLife, the Japanese bank Resona Holdings and HCA Holdings, a US hospital operator.

The fund held shares in 8,697 listed companies at the end of the quarter, up from 8,496 three months earlier.

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

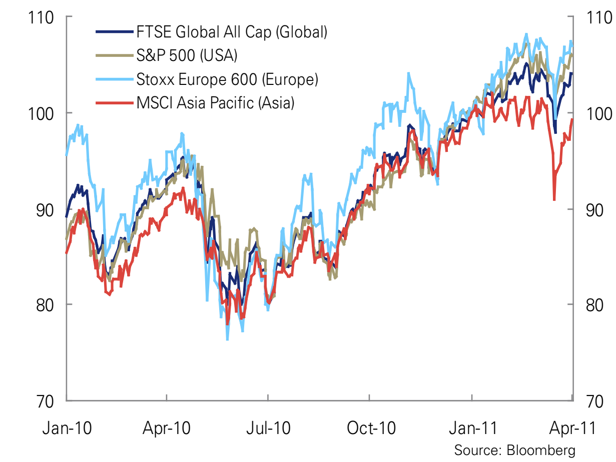


Chart 2-5 Price development of credit default insurance for government debt. Basis points

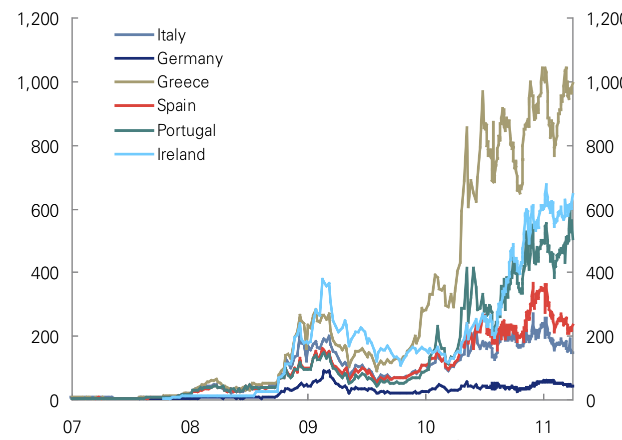


Table 2-3 Historical key figures as of 31 March 2011. Annualised data in international currency

	Last 12 months	Past 3 years	Past 5 years	Past 10 years	Since 1 Jan 1998
Fund's return (percent)	7.72	4.53	3.48	4.68	5.10
Benchmark return (percent)	6.79	4.13	3.48	4.39	4.77
Fund's excess return (percentage points)	0.93	0.40	-0.01	0.29	0.33
Standard deviation (percent)	8.55	13.07	10.49	8.24	7.71
Tracking error (percentage points)	0.32	1.47	1.22	0.89	0.81
Information ratio (IR)*	2.88	0.27	-0.00	0.32	0.40
Gross annual return of fund (percent)	7.72	4.53	3.48	4.68	5.10
Annual price inflation (percent)	2.75	1.86	2.22	2.07	1.90
Annual management costs (percent)	0.10	0.13	0.12	0.11	0.10
Annual net real return of fund (percent)	4.74	2.48	1.11	2.45	3.03

* 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 ahcieved per unit of risk.

Government bond prices fall

The fund's fixed-income investments returned 0.7 percent in the first quarter, measured in international currency, as rising prices of corporate, securitised and inflation-linked bonds outweighed a drop in government bond prices.

Uncertainty about the fiscal situation in some European countries and expectations of interest rate increases from the European Central Bank and the Bank of England pushed up yields and lowered prices on European government bonds in the quarter. Prices fell the most in Portugal, Ireland and Greece on concern over the countries' ability to meet their debt obligations.

The yield that an investor demands for lending money through a bond will normally rise when the expected risk of default increases. Yields on 10-year Portuguese government bonds climbed to 8.4 percent at the end of the first quarter from 6.6 percent at the start of the quarter, while yields on 10-year Irish government debt rose to 10.2 percent from 9.1 percent. Yields on government debt from Germany, the UK and the US also increased on speculation the central banks would raise key policy rates to cool inflation.

The fund's government bond holdings had a return of zero in the first quarter, measured in international currency. Euro-denominated bonds returned -1.1 percent, measured in local currency, while UK, US and Japanese government debt returned -0.9 percent, -0.1 percent and -0.5 percent, respectively, measured in local currency. Government bonds accounted for 42 percent of the fund's fixed-income investments at the end of the quarter.

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

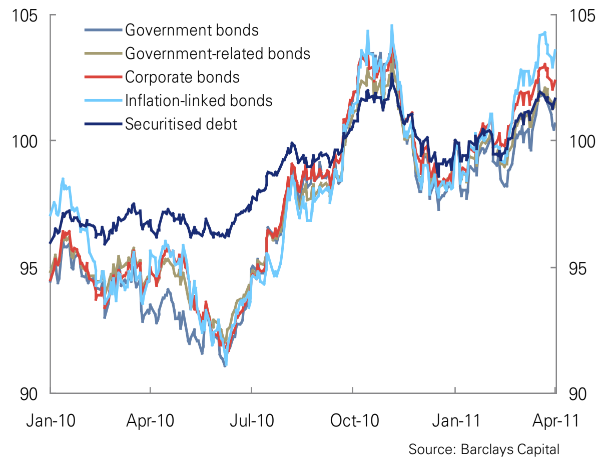


Table 2-4 Return on fund's fixed-income investments in 1Q 2011. By sector. Percent

Sector	Return in international currency	Share of fixed-income investments' market value
Government bonds	0.01	41.63
Government-related bonds	0.55	11.87
Corporate bonds	1.42	15.85
Securitised debt	2.20	22.70
Inflation-linked bonds	-0.23	7.93

Table 2-5 Fixed-income holdings as of 31 March 2011 based on credit ratings*. Percentage of holdings

	Aaa	Aa	A	Baa	Higher risk	Total
Government bonds	30.62	9.23	0.43	1.05	0.30	41.63
Government-related bonds	7.74	3.12	0.44	0.47	0.11	11.87
Inflation-linked bonds	4.96	2.93	0.00	0.00	0.05	7.93
Corporate bonds	0.42	3.53	6.24	5.33	0.33	15.85
Securitised debt	17.51	3.62	0.17	0.36	1.07	22.70
Total bonds and fixed-income securities	**61.24**	**22.42**	**7.29**	**7.20**	**1.86**	**100.00**

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

Gains for securitised debt

Increased uncertainty about government finances of some European countries helped fuel investor interest in securitised debt in the first quarter. Issuance of euro-denominated covered bonds, which are bank bonds secured primarily against residential mortgages, rose to 81 billion euros in the first quarter of 2011 from 37 billion euros in the fourth quarter of 2010. Issuance of senior unsecured bank debt fell in the first quarter.

The fund's securitised debt holdings returned 2.2 percent in the first quarter, measured in international currency. Securitised debt accounted for 23 percent of the fund's fixed-income investments and consisted mostly of European covered bonds and US mortgage-backed securities.

Prices of inflation-linked bonds, designed to protect investors against inflation, rose in the first quarter on accelerating inflation in Europe and the US and expectations of further inflation. The fund's euro-denominated inflation-linked bonds returned 1.4 percent in the quarter, measured in euros. US and Japanese inflation-linked bonds returned 2.1 percent and 0.5 percent, respectively, measured in their local currencies.

Measured in international currency, the overall return on inflation-linked bonds was -0.2 percent in the quarter.

Corporate bonds made up 16 percent of the fund's fixed-income holdings and returned 1.4 percent in the first quarter, measured in international currency. Good corporate earnings figures and few bankruptcies boosted demand for the bonds. Globally, issuance of corporate debt rose to about 1,000 billion dollars in the first quarter of 2011 from about 700 billion dollars in the fourth quarter of 2010, according to data from Bloomberg. The banking sector led with issuance of 572 billion dollars.

The fund's three largest participations in bond issues other than government debt were in the Spanish banks Banco Bilbao Vizcaya Argentaria (BBVA) and Caja de Ahorros y Pensiones de Barcelona (la Caixa), and the UK's Nationwide Building Society. All were covered bond issues.

The fund's bond holdings consisted of 8,703 securities from 1,603 issuers at the end of the first quarter, compared with 8,659 securities from 1,686 issuers three months earlier.

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

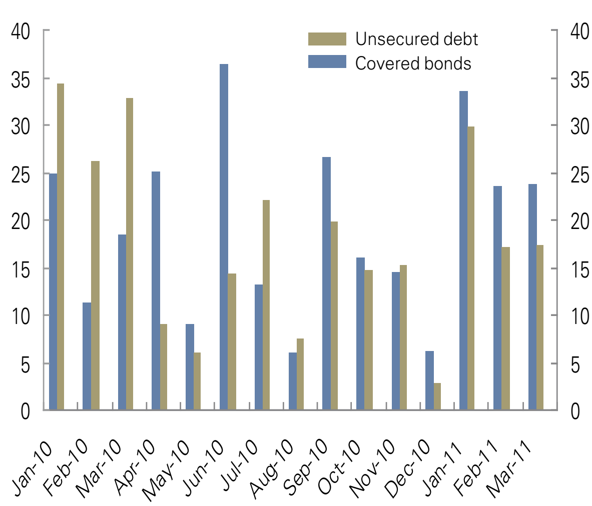
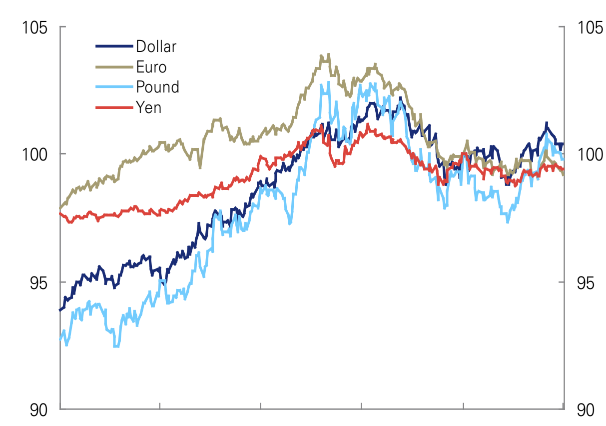


Chart 2-8 Price development of bonds issued in dollars, euros, pounds or yen in the Barclays Global Aggregate Index. Measured in local currencies. Indexed. 31 Dec. 2010 = 100



Source: Barclays Capital

Better than the market return

The fund's return is compared with the return on global benchmark indices for stocks and bonds compiled by the FTSE Group and Barclays Capital, respectively. The difference is referred to as the fund's excess return and was 0.27 percentage point in the first quarter.

The return on the fund's equity investments was 0.13 percentage point higher than the benchmark's return. Internally and externally managed investments contributed equally to the excess return. At sector level, investments in mobile communications and basic materials companies other than oil and gas producers made a particularly positive contribution, while investments in power, oil and gas companies generally contributed negatively. At country level, South Korean and Chinese stock investments contributed most to the excess return, while the largest negative contributions came from US and Indian equities.

The return on the fund's fixed-income investments was 0.48 percentage point higher than the benchmark's return in the first quarter. More than 80 percent of the excess return came from internally managed investments and the remainder from externally managed investments.

Investments in covered bonds and US mortgage-backed securities in particular contributed to the positive result.

About 7.2 percent of the fund's assets were managed by external institutions at the end of the first quarter, down from 9.2 percent at the start of the year. External equity investments were worth 206 billion kroner and external fixed-income investments amounted to 18 billion kroner.

Table 2-6 Contribution of investment areas to fund's excess return in 1Q 2011. Percentage points

	External management	Internal Management	Total
Equity management	0.04	0.04	0.08
Fixed-income management	0.03	0.16	0.19
Total	0.07	0.20	0.27

VIX index

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.

The VIX index rises when volatility in the stock market is expected to increase. The index was at about 10-15 percent before the start of the financial turmoil in summer 2007 and rose to about 80 percent after the collapse of Lehman Brothers triggered large price drops and uncertainty in global stock markets in autumn 2008. The index stood at 17.7 percent at the end of the first quarter of 2011.

iTraxx index

The iTraxx index measures the price of insurance for investments in the European bond market. The index typically rises when investor confidence decreases and insurance needs increase. There are several iTraxx indices. One of the most widely used is iTraxx Europe, which consists of 125 European investment-grade companies (credit rating at least BBB-) and shows the average equally-weighted credit insurance premium for these companies. The index was at about 0.3 percent before the start of the financial turmoil in summer 2007 and climbed to 2.2 percent in autumn 2008. It was at 1 percent at the end of the first quarter of 2011.

Reduced volatility at end of quarter

Volatility in stock and bond markets increased at times in the first quarter, driven by uncertainty about European sovereign debt and the economic consequences of the earthquake in Japan, the world's third-largest economy. Volatility was somewhat lower at the end of the quarter than at the start of the year.

The VIX index, which measures expected volatility in the US stock market, rose from 17.8 percent at the beginning of the year to a high of 29.4 percent on 16 March before dropping to 17.7 percent at the end of the quarter. The iTraxx Europe index, which measures risk in the European fixed-income market, rose from 1.05 percent at the start of the year to 1.16 percent on 10 January. It fell to 1.02 percent at the end of the quarter. Turbulence in the European bond market eased somewhat after German Chancellor Angela Merkel on 12 January signalled Germany would back measures to help highly-indebted European countries and support the euro.

The Ministry of Finance has set limits for how much NBIM may deviate from the benchmark indices in its management of the fund. One important limit is expressed as expected relative volatility (tracking error), which puts a ceiling on how much the return on the fund can 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 in its management of the fund. The actual figure was 0.5 percentage point at the end of the first quarter, largely unchanged from the start of the quarter.

Expected absolute volatility, measured by the statistical concept standard deviation, uses historical price movements to estimate how much the fund's annual return can be expected to vary. Expected absolute volatility was 13.2 percent, or about 407 billion kroner, at the end of the first quarter, little changed since the beginning of the quarter.

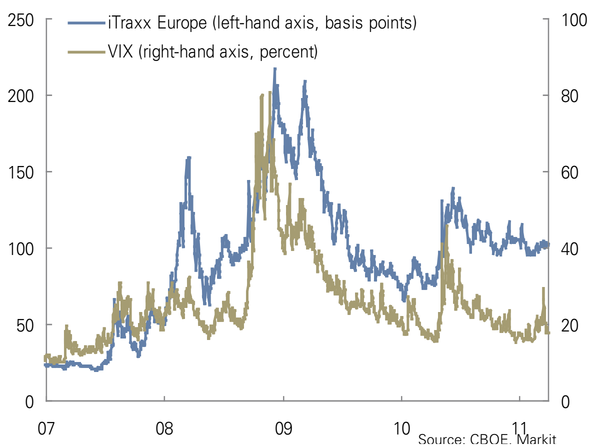
For more information on the fund's investment risk, see note 7 in the financial reporting section.

Table 2-7 Key figures for risk and exposure as of 31 March 2011. Percent and percentage points

Risk	Limit	Actual
Limits set by Ministry of Finance		
Market risk	1 percentage point expected tracking error for fund's equity and fixed-income holdings	0.5
Credit risk	3% of fixed-income holdings may be rated lower than BBB	1.9
Asset allocation	Equities 50-70% of fund's market value*	61.3
	Real estate 0-5% of fund's market value	0.1
Maximum holding	Maximum 10% of voting shares in a listed company	9.8
Limits set by Norges Bank's Executive Board		
Credit risk	Maximum 1% of fixed-income holdings from any one issuer rated below BBB	0.4
Asset allocation	Equities 50-70% of fund's market value*	61.5
	Bonds 30-50% of fund's market value	40.2
	Real estate 0-7.5% of fund's market value	0.1
Overlap between actual holdings and benchmark index	Equities minimum 60%	81.7
	Bond issuers minimum 60%	77.4
Liquidity	Minimum 10% of equity and fixed-income holdings in government bonds from US, UK, Germany, France, Italy, Netherlands and Japan	13.3
Leverage	Maximum 5% of equity and fixed-income holdings	1.6
Securities lending	Maximum 35% of equity and fixed-income holdings	16.3
Issuance of options	Maximum 2.5% of equity and fixed-income holdings	0.5
Securities borrowing through borrowing programmes	Maximum 5% of equity and fixed-income holdings	0.0
Investment in any one company	Maximum 1% of equity and fixed-income holdings	0.7
Assets managed by any one external manager	Maximum 1% of equity and fixed-income holdings	0.7
Counterparty risk	Any one counterparty maximum 0.75% of fund's market value	0.1

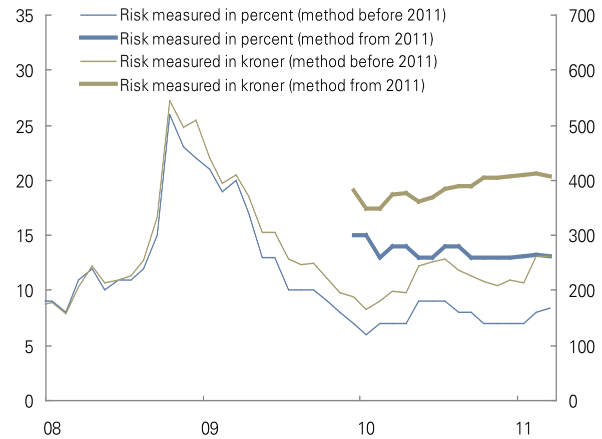
*The limit set by the Ministry of Finance is based on the market value of all securities in the fund's equity holdings at the end of the quarter. The limit set by the Executive Board has the same basis, except for derivatives, where the full underlying value is included. As a result, the actual share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

Chart 2-9 Risk in stock markets (Vix index) and fixed-income markets (iTraxx index)



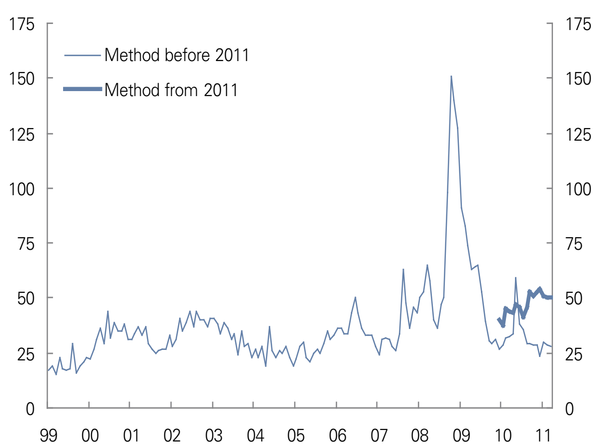
Source: CBOE, Markit

Chart 2-10 Expected absolute volatility for the fund. Percent (left-hand axis) and billions of kroner (right-hand axis)



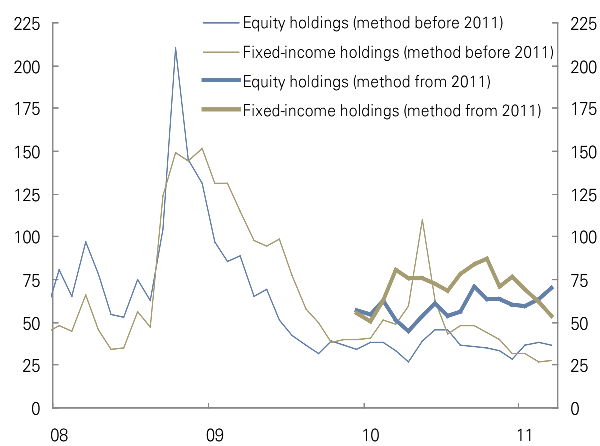
Source: NBIM

Chart 2-11 Expected relative volatility of the fund. Basis points



Source: NBIM

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



Source: NBIM

Calculation of expected volatility

Expected fluctuations in the fund's value are measured with the help of a statistical measure called expected volatility. From 1 January 2011, the method for calculating expected volatility has been revised to make it better suited to the fund's long-term investment perspective.

Until the end of 2010, expected volatility was calculated using daily historical price observations in equity and fixed-income markets, with observations over the latest days being given greater weight than observations further back in time. This meant that short-term changes in market conditions had a rapid and marked effect on the fund's expected volatility. 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 fund's expected relative volatility (tracking error) and expected absolute volatility.

Responsible investment and active ownership

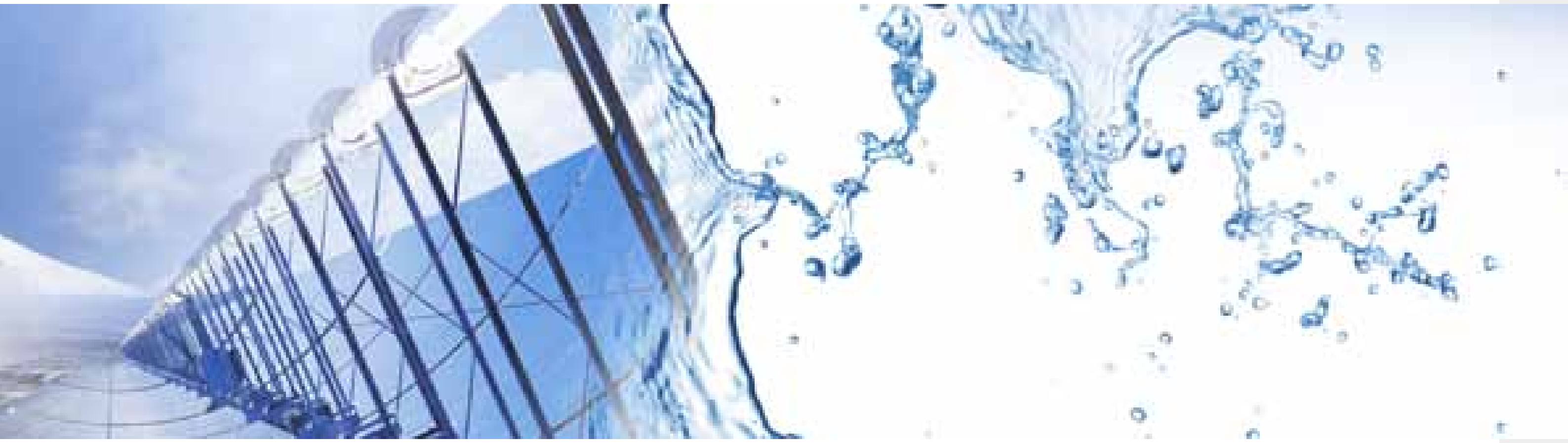
NBIM aims to promote responsible investment in the fund's management and secure good long-term returns. A good long-term return depends on sustainable economic, environmental and social development in the countries and companies the fund invests in. As a long-term investor in about 8,700 companies, NBIM seeks to improve standards of corporate governance. We also encourage companies to take responsibility for improving social and environmental conditions that may negatively impact their business and, consequently, the fund's investments.

Among other things, we analyse environmental and social risks in the companies and markets the fund invests in. We have published expectations documents outlining how we expect companies to manage these risks. Using publically available information from companies, we assess the extent to which they meet our expectations and publish the results in annual compliance reports. Our analyses can reveal conditions that we may seek to change through dialogue with a company's management or voting at general meetings.

In the first quarter of 2011, we evaluated the extent to which companies managed risk related to children's rights, climate change and water resources, three focus areas for NBIM's active ownership. For the third year in a row, we evaluated companies in sectors with high exposure to risk related to children's rights and child labour. The assessment covered 527 companies in the seed, cocoa, textile, steel, mining, toy and hardware sectors. The results showed considerable variations in how the different sectors reported on these risks.

For the second year in a row, we evaluated companies with high exposure to climate change risk. The assessment covered 499 companies in the basic materials, building materials, chemicals, transport, power generation and oil and gas sectors. We found little to suggest a general improvement in companies' climate change risk management and reporting since the first evaluation in 2009. The power sector had the highest proportion of companies reporting on climate change risk, with 60 percent of the companies in the sector, followed by oil and gas and building materials. The transport and basic materials sectors had the lowest level of companies reporting on such risk, with 15 percent and 18 percent, respectively.

For the first time, we looked at companies with high exposure to water-related risk. The assessment covered 432 companies in the mining, electricity and multi-utilities, water, pharmaceutical, food and forestry and paper sectors. The results showed that 182 companies published strategies for water management in 2010, mainly covering their own operations. Only 50 companies reported on water-related risks in their supply chains.



We use tools such as dialogue with companies and voting at general meetings to further our interests as a long-term investor. We voted at 1,504 general meetings in the first quarter, and our active ownership department had about 75 company dialogues on environmental, social and governance issues that could affect their businesses. Analysts working within the fund's active ownership group and NBIM's portfolio managers share information from analyses and meetings with companies to increase their understanding of the fund's investments and promote responsible investment.

We also worked in the first quarter on documents outlining our expectations for how companies, investors and other market participants should act to ensure equal treatment of shareholders, board accountability and well-functioning markets, three of our focus areas for active ownership. The document on equal treatment of shareholders will emphasise the need to treat shareholders equally, while the document on shareholder influence and board accountability will explain how NBIM holds a board accountable for a company's results. The document on our expectations for how legitimate and efficient markets should function will look partly at companies' transparency and reporting.

Operational risk management and internal control

NBIM constantly seeks to identify and mitigate operational risks that could lead to financial or reputational losses. We take 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 risk levels.

Norges Bank's Executive Board has decided there should be less than 20 percent probability that unwanted events will result in gains and losses totalling 500 million kroner or more over a 12-month period. NBIM registered 71 unwanted events in the first quarter of 2011. The estimated total financial impact of these events was 5.35 million kroner, breaking down into losses of 5.3 million kroner and gains of 48,000 kroner.

The Ministry of Finance has set extensive guidelines for the fund's management. No significant breaches of these guidelines were registered in the first quarter. Nor were any breaches of market rules or general legislation registered during the quarter.

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 12 May 2011. These accounts and an excerpt from Norges Bank's accounting policies are reproduced below.

Income Statements

Figures in NOK million	Note	1Q 2011	1Q 2010	Year-to-date 31.03.2011	Year-to-date 31.03.2010	2010
Profit/loss on the portfolio excluding gains/losses on foreign exchange						
Interest income on deposits in foreign banks		132	43	132	43	377
Interest income, lending associated with reverse repurchase agreements		181	64	181	64	350
Net income/expenses and gains/losses from:						
- Equities and units		55 950	76 621	55 950	76 621	207 070
- Bonds and other fixed income instruments		1 628	27 981	1 628	27 981	60 316
- Financial derivatives		945	-1 137	945	-1 137	-3 552
Interest expense repurchase agreements		-244	-101	-244	-101	-574
Other interest expense		-32	-43	-32	-43	-105
Other expenses		-51	10	-51	10	-9
Profit/loss on the portfolio before gains/losses on foreign exchange		**58 508**	**103 437**	**58 508**	**103 437**	**263 873**
Gains/losses on foreign exchange		-72 608	179	-72 608	179	-8 498
Profit/loss on the portfolio		**-14 101**	**103 617**	**-14 101**	**103 617**	**255 375**
Management fee	3	-613	-643	-613	-643	-2 959
Profit/loss for the period		**-14 714**	**102 974**	**-14 714**	**102 974**	**252 416**

Statements of Comprehensive income

Figures in NOK million	Note	1Q 2011	1Q 2010	Year-to-date 31.03.2011	Year-to-date 31.03.2010	2010
Profit/loss for the period		-14 714	102 974	-14 714	102 974	252 416
Translation reserve arising from consolidation of foreign subsidiaries		0	-	0	-	-
Total comprehensive income		**-14 714**	**102 974**	**-14 714**	**102 974**	**252 416**

Balance sheets

Figures in NOK million	Note	31.03.2011	31.12.2010	31.03.2010
ASSETS				
FINANCIAL ASSETS				
Foreign bank deposits		10 779	6 303	5 960
Lending associated with reverse repurchase agreements		308 187	255 501	183 716
Cash collateral paid		0	0	33
Unsettled trades		36 897	4 864	21 462
Equities and units	4	1 690 696	1 733 378	1 544 878
Equities lent	4	219 659	162 483	186 794
Bonds and other fixed income instruments	4	1 030 063	1 038 793	916 032
Bonds lent	4	218 683	215 090	199 003
Financial derivatives	4	2 882	3 068	2 979
Other financial assets		15 924	1 358	7 666
Total financial assets	6,7	**3 533 770**	**3 420 838**	**3 068 524**
LIABILITIES AND OWNER'S CAPITAL				
FINANCIAL LIABILITIES				
Short-term borrowing		2 958	2 939	1 677
Borrowing associated with repurchase agreements		140 547	132 992	92 923
Cash collateral received		191 175	172 309	163 219
Unsettled trades		70 332	20 358	31 398
Financial derivatives	4	8 198	9 372	8 842
Other liabilities	4	18 745	5 447	7 468
Management fee payable		613	2 959	643
Total financial liabilities	6,7	**432 568**	**346 377**	**306 170**
Owner's capital		**3 101 202**	**3 074 461**	**2 762 354**
Total liabilities and owner's capital		**3 533 770**	**3 420 838**	**3 068 524**

Statement of changes in owner's capital

Figures in NOK millions	Note	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		-	-14 714	0	-14 714
Inflows during the period*		41 455	-	-	41 455
31 March 2011		**2 546 166**	**555 036**	**0**	**3 101 202**
1 January 2010		2 319 481	317 334	0	2 636 815
Total comprehensive income		-	102 974	0	102 974
Inflows during the period		22 565	-	-	22 565
31 March 2010		**2 342 046**	**420 308**	**0**	**2 762 354**

*Out of the total inflows to the kroner account of the Government Pension Fund Global in the first quarter of 2011, NOK 3 billion were used to pay the 2010 accrued management fee to Norges Bank and NOK 38.4 billion was transferred into the investment portfolio.

Statements of Cash Flows

Figures in NOK million	Year-to-date 31.03.2011	Year-to-date 31.03.2010	2010
Operating activities			
Interest received in connection with deposits in foreign banks	157	43	377
Net cash flows in connection with reverse repurchase agreements	-44 477	6 173	-57 392
Net cash flow from purchases and sales of equities and units	-18 148	-6 698	-70 201
Net cash flow from purchases and sales of bonds and other fixed income instruments	-9 660	-14 209	-180 835
Net cash flow from financial derivatives	-333	-442	-1 433
Dividends received from investments in equities and units	8 159	6 275	41 257
Interest received from bonds and other fixed income instruments	13 789	12 556	45 752
Fees received in connection with equity and bond lending	376	242	1 676
Interest paid in connection with short time borrowing	-106	-17	-209
Net cash flows in connection with repurchase agreements	-391	-17 507	23 742
Cash collateral received/paid in connection with securities lending, derivatives and REPOs	18 866	8 650	17 773
Cash flows related to other financial assets and other financial liabilities	8 694	-1 296	1 112
Cash flows other expenses	-46	-16	-29
Management fee paid to Norges Bank	-	-	-3 228
Net cash flows from operating activities	**-23 119**	**-6 246**	**-181 640**
Financing activities			
Inflow from the Norwegian Government*	27 705	12 241	185 230
Net cash flow from financing activities	**27 705**	**12 241**	**185 230**
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	4 585	5 995	3 590
Gains/losses on foreign exchange on cash and cash equivalents	-127	-118	1 367
Cash and cash equivalents at the end of the reporting period	**7 822**	**4 283**	**3 363**
Cash and cash equivalents consist of:			
Foreign bank deposits	10 779	5 960	6 303
Short-term borrowing	-2 958	-1 677	-2 939
Total	7 822	4 283	3 363

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

Note 1 Conversion to International Financial Reporting Standards (IFRS) and accounting policies

1.1 Transition to International Financial Reporting Standards

1.1.1 Opening balance sheet

Norges Bank will from 2011 report the investment portfolio of the Government Pension Fund Global, as per the accounting regulation for Norges Bank § 1-2, 2. para. in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) with opening balances of 1 January 2010. There are no conversion effects in the opening balance sheet. The quarterly reporting consists only of the investment portfolio of the Government Pension Fund Global, which is a part of Norges Banks financial statements, see 1.2.1 below.

1.1.2 Transition to IFRS

The conversion to IFRS has not required any changes in recognition, measurement or classification for assets and liabilities, or changes in the IFRS income statement for the investment portfolio of the Government Pension Fund Global for the comparative periods in 2010. Similarly owner's capital is not changed in any of the comparative periods. In accordance with IAS 1 Presentation of Financial Statements a separate statement of comprehensive income is included, and as of the reporting date only comprises the foreign currency translation differences that arise upon consolidation of foreign subsidiaries in Norwegian kroner. Also included is a statement of changes in owner's capital in accordance with IAS 1, in that this information is now moved from a note disclosure to a separate statement in connection with the conversion to IFRS. The statement of changes in owner's capital for 2010 is given below. Under the previous accounting framework, it was not required to present a statement of changes in cash flows for the investment portfolio of the Government Pension Fund Global. This is now presented in connection with the transition to IFRS with comparative figures for 2010.

Tabell 1.1 Statement of changes in owner's capital 2010

Figures in NOK millions	Inflows from owner	Retained earnings	Translation reserve foreign subsidiaries	Deposits in krone account
1 January 2010	2 319 481	317 334	0	2 636 815
Total comprehensive income	-	252 416	0	252 416
Inflows during the period	185 230	-	-	185 230
31 December 2010	**2 504 711**	**569 750**	**0**	**3 074 461**

1.2 Accounting Policies

Norges Bank's annual financial statements with a fiscal year end of 31 December includes the financial reporting for the investment portfolio of the Government Pension Fund Global. In addition Norges Bank prepares quarterly financial reporting only covering the investment portfolio of the Government Pension Fund Global with accounting periods ending 31 March, 30 June and 30 September.

An extract of the Norges Bank accounting policies that are relevant for the the financial reporting of investment portfolio of the Government Pension Fund Global are reproduced in this publication.

1.2.1 General

The Government Pension Fund Global is entirely invested outside of Norway. The Norwegian Parliament has established legal guidelines for the Government Pension Fund Global and the Ministry of Finance has formal responsibility for the investment management. The Government Pension Fund Global shall support saving as financing of future government spending and underpin long-term considerations related to the use of the of Norway's oil revenues.

The Ministry of Finance has deposited funds for investment as a Norwegian kroner deposit in a specified account in Norges Bank. The corresponding value of the krone constitutes an investment portfolio managed by Norges Bank in accordance with the act on the Government Pension Fund and the mandate for management of the Government Pension Fund Global issued by the Ministry of Finance. The Executive Board of Norges Bank has delegated the day-to-day asset management to the bank's asset management area, Norges Bank Investment Management (NBIM).

Norges Bank is not exposed to financial risk in connection with the management of the Government Pension Fund Global. The entire return on the portfolio is transferred to the krone account and does not affect total comprehensive income or owner's capital in Norges Bank. The net value of the investment portfolio of the Government Pension Fund Global is recognised as an asset on a separate line in the Norges Bank balance sheet. The krone account is recognised as a liability in the same amount to the Ministry of Finance in the Norges Bank balance sheet.

Norges Bank in accordance with the Central Bank Act is required to follow the Norwegian Accounting legislation as of 1 January 2011. The Ministry of Finance has at the same time issued a regulation concerning the annual financial reporting for Norges Bank. The regulation is effective starting with the 2011 financial reporting and requires Norges Bank to adopt International Financial Reporting Standards (IFRS) as endorsed by the EU. The regulation states that Norges Bank's financial statements shall encompass the financial reporting of the investment portfolio of the Government Pension Fund Global and that this financial reporting shall be prepared in compliance with IFRS as endorsed by the EU.

1.2.2 Basis for presentation of the interim financial reporting

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 quarterly reporting of Norges Bank from Q1 2011, which only consists of the financial reporting for the investment portfolio of the Government Pension Fund Global, is prepared in accordance with IAS 34 Interim Reporting. All comparative figures for 2010 are IFRS compliant. See also note 30 in Norges Bank's annual report for 2010, which is also published in NBIM's annual report for the Government Pension Fund Global for 2010.

The financial statements are prepared on a historical cost basis with the exception of categories of financial instruments that are measured at fair value.

1.2.3 Currency

Norges Bank's functional currency is the Norwegian kroner (NOK). Transactions in foreign currency are recognised in the financial statements at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are translated into Norwegian kroner at the exchange rate prevailing on the balance sheet date. The financial reporting presentation currency is the Norwegian kroner.

In the statement of income, the foreign exchange element linked to realised and unrealised gains and losses on financial instruments is disaggregated and presented on a separate line. Foreign exchange gains and losses for the period are estimated based on the cost price in foreign currency and changes in exchange rates between the time of purchase, or the previous balance sheet date for financial instruments purchased in earlier periods, and the balance sheet date. At realisation the exchange rate at the transaction date is used.

Foreign subsidiaries that are consolidated into the investment portfolio's financial reporting and have a different functional currency than Norges Bank are converted to Norwegian kroner using an average exchange rate for the period for income statement items and the end of period rate for balance sheet accounts. Translation differences not eliminated upon consolidation are included in total comprehensive income presented as Translation reserve arising from consolidation of foreign subsidiaries.

See also note 2 Significant estimates and critical accounting judgements.

1.2.4 Statement of Cash Flows

The statement of cash flows is prepared in accordance with IAS 7 Statement of Cash Flows using the direct method, where materially significant categories of cash receipts and payments are shown separately. Specific categories of cash flows, primarily purchase and sale of financial instruments, are shown on a net basis when appropriate. All investment activity is defined as operating activities. The management fee for the Government Pension Fund Global which is charged to the investment portfolio and paid by the Ministry of Finance to Norges Bank is also shown as an operating cash flow. Cash transfers to the Government Pension Fund Global's krone account, in the form of inflows from the owner, are defined as a financing activity. The investment portfolio of the Government Pension Fund Global has no investing activities as defined by IAS 7.

Cash and cash equivalents consist of Foreign bank deposits and Short-term borrowing.

1.2.5 Income and expenses

Interest income from foreign bank deposits, lending associated with reverse repurchase agreements and investments in bonds and other fixed income instruments is recognised when the interest is earned and classified in each of the respective lines in the income statement.

Dividends from investments in equity instruments are recognised as income when the dividends are formally approved by the shareholders' meeting or comparable responsible party. Dividends are included in the line Net income/expenses and gains/losses from equities and shares.

Income from securities lending is presented as a net income comprised of securities lending fees, expenses connected to received cash collateral, reinvestment income and the security lending agents' fees connected to the handling of the transactions. Net income is calculated and classified in accordance to the type of security that is lent as either Net income/expenses and gains/losses from equities and shares or Net income/expenses and gains/losses from bonds and other fixed income instruments.

Interest expense is measured and recognised as incurred in the income statement and presented as either Interest expense repurchase agreements or Other interest expense.

Transaction costs are defined as all the costs directly attributable to the completed transaction. For investments in shares and fixed income instruments this includes the normal commission fees and stamp duties. Commission fees include an amount paid as part of the commission fee to cover analytical research services through commission sharing agreements (CSA). For investments within the investment asset class real estate, transaction costs will also typically include accrued fees to advisors, typically lawyers and valuation experts. Transaction costs are expensed as incurred and classified in accordance with the type of investment as either Net income/expenses and gains/losses from equities and shares, Net income/expenses and gains/losses from bonds and other fixed income instruments, or Net income/expenses and gains/losses from real estate investments. For financial instruments that are at initial recognition measured at amortised cost, transaction costs are capitalised and recognised in the balance sheet as part of the instrument's acquisition cost.

The management fee consists of the Ministry of Finance's reimbursement of Norges Bank's expenses connected to the management of the Government Pension Fund Global, which is recognised in the statement of income for the investment portfolio of the Government Pension Fund Global as an expense, and recognised as revenue in the Norges Bank statement of income. Operating expenses are reimbursed by the Ministry of Finance within an agreed limit. The management fee is accrued during the fiscal year, but cash settled in the following year.

1.2.6 Taxation

Norges Bank's activities in Norway are not subject to tax. In some foreign markets Norges Bank is tax liable, in the form of withholding taxes on dividend or interest income, or stamp duty when purchasing real estate

1.2.7 Classification and presentation of financial instruments

At initial recognition all financial assets are classified in one of the following categories dependent on the type of instrument and purpose of the investment:

- Financial assets held for trading
- Financial assets designated as at fair value through profit or loss (fair value option)
- Financial assets classified as loans and receivables measured at amortised cost
- Financial assets classified as held to maturity measured at amortised cost

At initial recognition financial liabilities are classified in one of the following categories:

- Financial liabilities held for trading
- Financial liabilities designated as at fair value through profit or loss (fair value option)
- Other financial liabilities measured at amortised cost

Norges Bank does not engage in hedge accounting, and therefore none of the financial instruments are designated as hedging instruments.

Financial assets or liabilities held for trading

All positions in financial derivatives are classified in the category financial assets held for trading or financial liabilities held for trading. Other assets and liabilities are classified as held for trading if the investment is primarily made with the intention of sale or repurchase in the short term, or at the point of first recognition is part of a portfolio that is managed at the portfolio level and where there is evidence of an actual pattern of short-term realisation of profit. None of the investments in equities and bonds are as of the balance sheet date classified as held for trading.

Financial assets and liabilities designated as at fair value through profit or loss (fair value option)

Financial instruments are classified in this category if the following criterion is met: The financial instruments are part of a portfolio that is managed and followed up based on fair value in connection with a documented risk management or investment strategy. This implies that a fair value business model is used for the portfolio, and the primary objective is to earn gains over the longer term connected to changes in fair value.

All portfolios of equities and bonds under management are as of the balance sheet date classified in this category. Positive holdings in shares and other equity instruments are presented on the same line in the balance sheet, as are positive holdings in bonds and other fixed income instruments presented on a separate line in the balance sheet. Net short positions in similar instruments are presented as Other liabilities.

Loans and receivables and other financial liabilities, measured at amortised cost

Financial assets and liabilities that are not held for trading and are not designated as at fair value through profit or loss, and are not listed in an active market are classified as loans and receivables or other financial liabilities.

Short-term financial assets and liabilities like positions in repurchase and reverse repurchase agreements and deposits/debt in the money market along with cash collateral are classified as loans and receivables or other financial liabilities and measured at amortised cost.

Investments held to maturity

Portfolios of investments in bonds that are listed in active markets and where a decision has been made to hold the investment to maturity are classified in this category and measured at amortised cost. As of the balance sheet reporting date there are no portfolios of bonds classified as held to maturity.

Accrued interest

Accrued interest is presented in the balance sheet in the same line as the respective financial asset or liability.

1.2.8 Recognition and derecognition

Financial assets or liabilities are recognised in the balance sheet when Norges Bank becomes party to the instrument's contractual benefits. The transaction is recognised on the trade date, in cases where the purchase or sale of the instrument occurs under normal market conditions

Financial assets are derecognised when the contractual rights to the cash flows expire, or when the financial asset and substantially all the risks and rewards of ownership are transferred. Average acquisition cost is used upon derecognition.

Financial liabilities are derecognised when the obligation is settled.

1.2.8.1 Securities lending

Securities lending transactions consist of a transfer of securities, either equities or bonds, from Norges Bank to a borrower against collateral in the form of cash or securities. When the loan is terminated, the identical securities are returned to Norges Bank. The borrower is obligated to compensate the lender for various events relating to the securities, such as subscription rights or dividends. In addition the borrower pays a fee to the lender. The borrower holds the voting rights attached to the securities during the lending period.

Securities lent are not derecognised from Norges Bank's balance sheet. During the lending period the securities are accounted for in the same way as other securities holdings. Lent securities are presented on separate lines in the balance sheet, Equities lent and Bonds lent.

Collateral received in the form of cash is recognised on the balance sheet together with a corresponding liability measured at amortised cost, Cash collateral received. Collateral received in the form of securities is not recognised in the balance sheet unless reinvested.

Reinvestments of cash collateral in the form of reverse repurchase agreements and bonds are recognised in the balance sheet and accounted for in the same manner as comparable instruments.

1.2.8.2 Repurchase and reverse repurchase agreements

In connection with positions in repurchase agreements the security is not derecognised when the agreement is entered into. During the contract period, the accounting for the underlying securities is in accordance with the accounting policies for investments in securities. Cash received is recognised as a financial asset in the form of bank deposits and the corresponding short-term financial liability is measured at amortised cost and shown in the balance sheet as part of Borrowing associated with repurchase agreements.

In connection with reverse repurchase agreements, the received underlying security is not reinvested and therefore is not recognised on the balance sheet. The cash paid is derecognised from the balance sheet, and a corresponding receivable reflecting the cash amount that will be returned is recognised in the balance sheet at amortised cost, Lending associated with reverse repurchase agreements.

Income and expenses connected with repurchase and reverse repurchase agreements are presented on separate lines in the income statement, Interest income, lending associated with reverse repurchase agreements and Interest expense repurchase agreements.

1.2.9 Measurement

Initial recognition

Financial assets and liabilities classified in categories with subsequent measurement at fair value through profit and loss are recognised at fair value on the trade date. Fair value will normally be the transaction price unless a different value can be justified based on transactions observed in the market.

Financial assets and liabilities that are measured at amortised cost after initial recognition are recognised on the trade date at fair value including directly attributable transaction costs. Transaction costs are described further in item 1.2.5 above.

Subsequent measurement – fair value
All equities, bonds and other fixed income instruments and financial derivatives classified as financial assets and liabilities held for trading or designated at fair value through profit and loss are measured at fair value on reporting dates after first recognition. Gains and losses from changes in fair value are recognised in the income statement in the period in which they arise. Fair value is the estimated realisable value of an asset or the estimated cost of settling a liability in an arm's length transaction between well-informed and willing parties.

The price quoted by a stock exchange, broker or price provider is used for securities that are traded in active markets.

Valuation methods are used to estimate fair value for securities that are not traded in an active market. Valuation methods include the use of recent arm's length transactions between well-informed and willing parties (if such information is available), reference to the current fair value of other similar and comparable instruments, discounted cash flow calculations and option pricing models. If there is a valuation method that is commonly used by market participants to price the instrument, and this technique has provided reliable for estimates of prices achieved in actual market transactions, this valuation method is used. Observable market information is used in the models to the extent possible. For further information about valuation methods see the Government Pension Fund Global note 11 Fair value measurement of financial instruments in the Norges Bank 2010 annual report or the corresponding note in the NBIM annual report for the Government Pension Fund Global for 2010.

Changes in fair value are recognised in the income statement line related to the relevant instrument type, i.e. Net income/expenses and gains/losses from Equities and units, Net income/expenses and gains/losses from bonds and other fixed income instruments and Net income/expenses and gains/losses from financial derivatives.

Subsequent measurement – amortised cost
Financial assets and liabilities classified as loans and receivables, investments to be held to maturity or other financial liabilities are measured at amortised cost after initial recognition. The effective interest is recognised in the income statement. The effective interest rate is determined as the rate that discounts contractual cash flows within the agreed maturity to the recognised amount. The cash flows include directly attributable transaction costs.

1.2.10 Netting

Financial assets and financial liabilities are presented net in the balance sheet only if Norges Bank has a legal right to offset in addition to the intention and practice of settling on a net basis.

Financial derivatives are not netted as the criteria are not fulfilled. This implies that positions with positive market values are presented as assets and positions with negative market values are presented as a liability.

1.2.11 Jointly controlled entities and associates

Investments in jointly controlled entities are investments where Norges Bank has contractually agreed sharing of control over an economic activity with one or more parties. Associates are investments where Norges Bank has a significant but not a controlling or joint interest. Associates are normally defined as investments with between 20-50 percent ownership.

For the investment portfolio of the Government Pension Fund Global Norges Bank will elect to use the allowed option given to venture capital organisations, mutual funds, unit trusts and similar entities to account for investments in jointly held entities and associates at fair value. In the period these investments are first recognised they will be designated as at fair value through profit or loss. See the description of measurement above. Changes in fair value are recognised in the income statement.

As of the reporting date Norges Bank does not have any investments in jointly controlled entities or associates.

1.2.12 Consolidation of subsidiaries

Consolidated financial reporting is prepared for the investment portfolio of the Government Pension Fund Global if Norges Bank has established subsidiaries whose activities exclusively constitutes investments as part of the management of the investment portfolio, either in the form of a wholly owned company or in the form of a part-owned company when Norges Bank has control. When consolidated financial reporting is prepared for the investment portfolio, separate financial reporting for the investment portfolio without subsidiaries is not provided in accordance with the regulation for Norges Bank § 3-4, 1. para., last sentence.

Subsidiaries that exclusively constitute investment activities as part of management of the investment portfolio of the Government Pension Fund Global are not consolidated into the financial statements of Norges Bank in accordance with the regulation for Norges Bank § 2-3, 4. para.

The accounting policies are used consistently when consolidating ownership interests in subsidiaries. When preparing consolidated financial statements internal transactions, balances, and unrealised gains and losses on transactions between entities in the group are eliminated. All items recognised in the subsidiaries' financial statements are included in the investment portfolio's statement of comprehensive income, balance sheet and statement of cash flows.

1.3 Standards, changes and interpretations that are not applicable in 2011

1.3.1 IASB final standards and IFRS and IFRIC interpretations with implementation dates after 2011

IFRS 9 *Financial Instruments*

IFRS 9 replaces the classification and measurement rules in IAS 39 *Financial Instruments- Recognition and Measurement* for financial instruments. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (Fair value option), where changes in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income.

All portfolios of equities, bonds and financial derivatives have as of the time of conversion to IFRS a business model that also is consistent with a classification of measurement at fair value within IFRS 9. The evaluation is such that if the business model changes so much so that the classification of measured at amortised cost was applicable under IFRS 9, classification within the categories loans and receivables or held to maturity for financial assets, or other liabilities measured at amortised cost, will become applicable under IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. Norges Bank expects to adopt IFRS 9 as of 1 January 2013. Implementation of IFRS 9 is not expected to lead to material changes in classification, recognition or measurement for the financial reporting.

Amendments to IFRS 7 *Financial Instruments – Disclosures*

The amendment relates to disclosure requirements for financial assets that are derecognized in their entirety, but where the entity has a continuing involvement. The amendments will give users a better picture of the potential risks that may remain with the transferor.

The amended IFRS 7 is effective for annual periods beginning on or after 1 July 2011, but the standard is not yet approved by the EU. Norges Bank expects to implement the amended standard as of 1 January 2012. Implementation is not expected to have any significant effect for the financial reporting.

Amendments to IAS 12*Income Taxes*

The amendments to IAS 12 require that deferred tax on investment property measured at fair value under IAS *40 Investment Property* is determined using the presumption that the carrying amount of the underlying asset will be recovered through sale (rather than use). The presumption is rebutted if two additional criteria are fulfilled. The amendments also incorporate SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into IAS 12. As a result IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 *Property, Plant and Equipment* will always be determined on a sale basis (rather than use).

The amended IAS 12 is effective for annual periods beginning on or after 1 January 2012, but the standard is not yet approved by the EU. Norges Bank expects to adopt the amended standard as of 1 January 2012 with no material effect on other comprehensive income or fair value of investment property in the balance sheet.

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 principles outlined in note 1, involve the use of estimates and judgements that may affect asset, liabilities, income and costs. 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.

Significant estimates
Below is an overview of significant estimates at the reporting date.

Fair value of securities and financial derivatives that are not traded and quoted in active markets
Part of the holdings within the investment portfolio of the Government Pension Fund Global are not traded in active markets, i.e. they are allocated to level 2 or 3 pricing categories (see note 6). This is primarily the case for some bond holdings and OTC financial derivatives, while nearly all equities are allocated to level 1 (traded in active markets). The level 2 and 3 holdings are priced using models and the resulting value is defined as an estimate. The resulting values for holdings allocated to level 3, with significant use of unobservable data in the models, are viewed as particularly uncertain estimates. Generally reknowned and standard market pricing models are used. For further information on the pricing models and control environment, see 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, and the section on measurement in the accounting principles.

Gains/losses on securities before foreign exchange gains/losses and Foreign exchange gains/losses
In the Income Statement for the investment portfolio of the Government Pension Fund Global gains and losses on securities and financial derivatives resulting from changes in the security/instrument's price (before foreign exchange gains/losses) and gains and losses resulting from changes in FX rates (foreign exchange gains/losses) are presented separately. The method for allocating total gain/loss in Norwegian kroner for a period to a security element and a foreign exchange element is an estimate as different methods will result in different allocations.

The foreign exchange element:
The method that has been chosen and is used by Norges Bank is to calculate unrealised gains/losses due to changes in FX rates based on the cost price in local currency of the holding and the change in the FX rate from the time of purchase until the balance sheet date. If the holding has been purchased in a previous period gains/losses from previous periods that has already been recognised in the income statement is subtracted to arrive at the gain or loss for the current period. Accordingly, for realised gains/losses, the FX rate at the date of the sale is used in stead of the balance sheet date FX rate, and previously recognised unrealised gains/losses for the holding is reversed in the current period.

Security element:
Unrealised gains and losses from changes in the security price are calculated based on the change in the security price

from the purchase date to the balance sheet date and the FX rate on the balance sheet date, and gains and losses recognised in the income statement in previous periods are subtracted to arrive at the gain or loss from security prices for the current period. Realised gains and losses from changes in security prices are based on the selling price as opposed to the balance sheet date price, and previously recognised unrealised gains or losses for the holding are reversed in the current period.

Significant critical accounting judgements
The following are the judgements that have been made by management related to the use of the accounting principles, and that are seen as having the largest effect on the amounts recognised in the financial statements.

Choice of functional currency
Management of Norges Bank judges Norwegian kroner to be the functional currency of the bank, as this currency dominates in relation to the underlying activities of the bank. The owner's capital of the Government Pension Fund Global in the form of the GPFG krone account is denominated in Norwegian kroner, and a significant share of the costs related to the management of the assets is in Norwegian kroner. The financial reporting of the investment portfolio of the Government Pension Fund Global is part of the financial statements of Norges Bank, and on this basis the judgement is that the investment portfolio's functional currency is also Norwegian kroner. The bank's and the investment portfolio's results are measured and reported internally and to the owner in Norwegian kroner, while the percentage return for the investment portfolio is reported both in Norwegian kroner and in the currency basket that follows from the investment mandate given by the Ministry of Finance. Furthermore there is not one investment currency that stands out as dominating within the asset management.

For wholly-owned subsidiaries that are established as part of the management of the real estate portfolio within the Government Pension Fund Global the functional currency is normally judged to be the local currency in the economic area where the entity operates. In cases where there is doubt related to which currency this is or where the entity has no operation, in addition the currency of its financing and the denomination of any income and costs will be considered, and it will be considered whether the entity is merely an extension of Norges Bank into the local market.

Note 3 Management fee

*Table 3.1 Specification management fee**

	Q1 2011	Q1 2010	Year to date 31.03.2011		Year to date 31.03.2010		2010	
Figures in NOK million				Percent		Percent		Percent
Apportionment of salary, social security and other personnel related costs	110	72	110		72		389	.
IT, information and decision support systems	69	66	69		66		223	.
Base fees to external managers	123	108	123		108		452	.
Performance-based fees to external managers	48	185	48		185		986	.
Custody and settlement costs	109	85	109		85		382	.
Outsourced IT and analysis costs	82	57	82		57		213	.
Consulting and legal fees	17	21	17		21		116	.
Allocated common costs Norges Bank	32	33	32		33		115	.
Other costs	24	17	24		17		81	.
Management fee	**613**	**643**	**613**	**0.08**	**643**	**0.10**	**2 959**	**0.11**
Management fee excluding performance-based fees	**565**	**458**	**565**	**0.07**	**458**	**0.07**	**1 973**	**0.07**

*The table shows total costs incurred by Norges Bank 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 to and paid individually by each of the portfolios managed by Norges Bank. All other costs included in the total 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.på markedsverdier og aktivaklassesammensetning.

Note 4 Financial instruments at fair value

TTabel 4.1 Specification of equities and units

Figures in NOK million	31.03.2011 Fair value excluding dividends	Accrued dividends	Fair value including dividends	31.12.2010 Fair value excluding dividends	Accrued dividends	Fair value including dividends
Equities and units:						
Listed equities	1 906 529	3 826	1 910 355	1 893 714	2 147	1 895 861
Total equities and units	**1 906 529**	**3 826**	**1 910 355**	**1 893 714**	**2 147**	**1 895 861**
Hereof Equities lent			*219 659*			*162 483*

Table 4.2 Specification of bonds and other fixed income instruments

Figures in NOK million, 31 March 2011	Notional*	Fair value excl. accrued interest	Accrued interest	Fair value incl. accrued interest
Government bonds	505 999	513 953	5 709	519 662
Government related bonds	143 390	146 028	2 144	148 173
Inflation-linked bonds	83 422	98 467	565	99 031
Corporate bonds	193 509	194 154	3 666	197 821
Securitised bonds	348 536	279 532	4 105	283 636
Total bonds and other fixed income instruments**	**1 274 856**	**1 232 134**	**16 189**	**1 248 323**
Hereof Bonds lent				*218 683*

Figures in NOK million, 31 December 2010	Notional*	Fair value excl. accrued interest	Accrued interest	Fair value incl. accrued interest
Government bonds	498 029	514 337	6 658	520 995
Government related bonds	141 691	146 322	2 453	148 775
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.
**Total bonds and other fixed income instruments of NOK 1 248 323 million in the table includes a liability amount of NOK 423 million, which is short positions in bonds. Short sales of bonds are presented in the balance sheet as Other liabilities.

Table 4.3 Specification of financial derivatives

	Fair valuei 31.03.2011			Fair value 31.12.2010		
Figures in NOK million	Asset	Liability	Net	Asset	Liability	Net
Foreign exchange contracts	455	562	-107	402	316	86
Listed futures contracts	47	44	3	43	22	21
Swap contracts	1 757	6 800	-5 043	1 909	8 126	-6 217
Options	623	792	-169	714	908	-194
Total financial derivatives	**2 882**	**8 198**	**-5 316**	**3 068**	**9 372**	**-6 304**

Note 5 Real Estate 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 generated by a portfolio of properties that are located in and around the prime retail location of 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 this portfolio. The total purchase price is GBP 473 million (NOK 4.2 billion), that includes transaction costs of GBP 21 million (NOK 186 million).

The investment will be accounted for as a financial instrument. Net operating income will be recognised in the income statement when earned. Transaction costs are expensed as incurred. As of 31 March 2011 funds for a total of 4.2 billion kroner are allocated to real estate in preparation for the completion of the transaction 1 April 2011, and are shown in the balance sheet as Other financial assets.

Note 6 Fair value measurement of financial instruments

All equities, bonds and financial derivatives have been allocated to categories for assessed pricing uncertainty. Level 1 consists of investments that are valued based on observable market prices in active markets and are considered to have very limited pricing risk. Investments allocated to level 2 are valued using models with observable market data. These holdings have some pricing uncertainty with regards to establishing fair value, but overall this valuation risk is considered to be limited. Holdings allocated to level 3 are priced 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 these investments are valued by external professional price providers who are regarded as giving the best estimate of fair value and where the total valuation from different price providers varies only to a limited extent.

Table 6.1 groups the investments into categories of assessed pricing uncertainty as at 31 March 2011 and 31 December 2010.

Tabel 6.1 Specification of investments by level of price uncertainty

	Level 1		Level 2		Level 3		Total	
Figures in NOK million	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Equities	**1 908 529**	**1 894 319**	**1 663**	**1 454**	**163**	**88**	**1 910 355**	**1 895 861**
Total bonds	**753 320**	**726 521**	**474 816**	**501 291**	**20 187**	**25 262**	**1 248 323**	**1 253 074**
Government bonds	494 456	496 468	25 109	24 527	97	0	519 662	520 995
Government related bonds	79 399	72 362	68 646	76 149	128	264	148 173	148 775
Inflation-linked bonds	97 130	75 182	1 901	28 155	0	0	99 031	103 337
Corporate bonds	1 016	1 389	195 693	204 077	1 112	1 714	197 821	207 180
Securitised bonds	81 319	81 120	183 467	168 383	18 850	23 284	283 636	272 787
Total financial derivatives	**3**	**21**	**-5 319**	**-6 325**	**0**	**0**	**-5 316**	**-6 304**
Assets	47	43	2 835	3 025	0	0	2 882	3 068
Liabilities	-44	-22	-8 154	-9 350	0	0	-8 198	-9 372
Total	**2 661 852**	**2 620 861**	**471 160**	**496 421**	**20 350**	**25 350**	**3 153 362**	**3 142 631**

The valuation risk on a total level is seen as being somewhat reduced during the first quarter of 2011. This is due to reduced exposure towards level 3 holdings during the quarter, from NOK 25.3 billion at year end 2010 to NOK 20.3 billion as at 31 March 2011. This reduction may for the most part be attributed to sales of US securitised bonds. The remaining level 3 exposure is still mainly towards US securitised bonds, of which NOK 12.3 billion are not guaranteed by a federal agency regarding repayment of notionals. Regarding investments in level 2 these are seen as having limited valuation risk such that changes in exposure must be significant in order for these to have a real effect on the total assessment of the valuation risk status. Inflation-linked bonds amounting to NOK 26.2 billion were reclassified from level 2 to level 1 during the quarter as the observed liquidity and market activity indicated that the pricing was based on observable prices in an active market. This reclassification only had a marginal effect on the total valuation risk picture.

The result of the valuation based on ordinary pricing sources in the established external price provider hierarchy as at 31 March 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 price uncertainty at the end of the first 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 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	
		31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Equities	Americas and Africa	36.0 %	36.1 %				
	Europe	49.0 %	48.2 %				
	Asia and Oceania	15.0 %	15.7 %				
Total equities				61.3 %	61.5%	1 900 272	1 891 250
Bonds	Americas and Africa	35.2 %	35.2 %				
	Europe	59.5 %	59.2 %				
	Asia and Oceania	5.3 %	5.6 %				
Total bonds				38.6 %	38.5 %	1 197 376	1 186 170
Real Estate	Europe	100 %	0.0 %	0.1 %	N/A	4 167	-

From and including the 1st quarter 2011 the calculation of market risk for the above table has been changed to include all positions within the portfolios, not only holdings in equities and bonds. Comparative figures have been restated accordingly.

Volatility and correlation risk

Norges Bank uses risk modelling to quantify the economic risk, connected to the entire portfolio or parts of a portfolio. Examples of risk measures used are Value at Risk and tracking error. Table 7.2 and 7.3 present risk both in terms of the portfolio's absolute risk and the relative/active risk.

Table 7.2 Portfolio risk in terms of expected standard deviation (in percent)

		Expected volatility – long-term					Expected volatility – responsive				
	Risk Measure	31.03. 2011	Min 2011 1Q	Max 2011 1Q	Average 2011 1Q	31.12. 2010	31.03. 2011	Min 2011 1Q	Max 2011 1Q	Average 2011 1Q	31.12. 2010
Portfolio	Standard Deviation	13.2 %	12.9 %	13.4 %	13.2 %	13.2 %	8.5 %	6.7 %	9.0 %	7.7 %	7.2 %
Equities	Standard Deviation	21.1 %	20.8 %	21.2 %	21.0 %	21.1 %	12.3 %	9.2 %	12.7 %	10.8 %	9.7 %
Bonds	Standard Deviation	12.2 %	12.1 %	12.3 %	12.2 %	12.3 %	7.7 %	6.9 %	8.1 %	7.4 %	8.3 %

Table 7.3 Active risk in terms of expected tracking error (in basis points)

	Risikomål	Expected volatility – long-term 31.03. 2011	Min 2011 1Q	Max 2011 1Q	Average 2011 1Q	31.12. 2010	Expected volatility – responsive 31.03. 2011	Min 2011 1Q	Max 2011 1Q	Average 2011 1Q	31.12. 2010
Portfolio	Tracking error	51	49	56	52	54	28	25	30	29	24
Equities	Tracking error	70	56	76	64	61	37	29	40	36	29
Bonds	Tracking error	54	54	76	64	77	28	25	38	30	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 value at Risk and tracking error is largely unchanged at the end of the 1st quarter of 2011 compared to the start of the quarter, while risk during the quarter has varied somewhat. The responsive modelling shows that the risk in the portfolio increased somewhat during the quarter, especially within the equities asset class and for the total portfolio. This is due to increased volatility in equity markets at the end of the quarter related to the earth quake in Japan and political unrest in North Africa and the Middle East. Furthermore there is still uncertainty in the market for bonds issued by some European governments.

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 million NOK, 31 March 2011	Aaa	Aa	A	Baa	Higher risk	Total
Government bonds	382 301	115 223	5 337	13 046	3 755	519 662
Government related bonds	96 562	38 894	5 516	5 810	1 391	148 173
Inflation-linked bonds	61 858	36 559	-	-	614	99 031
Corporate bonds	5 204	44 021	77 953	66 559	4 084	197 821
Securitised bonds	218 522	45 209	2 139	4 444	13 322	283 636
Total bonds and other fixed income instruments	764 447	279 906	90 945	89 859	23 167	1 248 323

Figures in million NOK, 31 December 2010	Aaa	Aa	A	Baa	Higher risk	Total
Government bonds	390 840	109 658	6 989	9 106	4 402	520 995
Government related bonds	97 246	38 097	7 410	5 576	446	148 775
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

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 counterparty risk is shown according to type of activity and instrument.

Table 7.5 Counterparty risk by type of position

Figures in NOK million, 31 March 2011	Balance sheet value adjusted for collateral	Gross exposure	Netting effects	Collateral and guarantees	Net exposure
Time Deposits	7 056	6 393	-	-	6 393
Unsecured Cash	3 401	2 856	-	-	2 856
OTC Derivatives including foreign exchange contracts	-4 998	6 588	4 168	1 181	1 239
Repurchase and reverse repurchase agreements*	-231	3 801	287	-	3 514
Securities lending transactions**	-20 148	38 727	-	23 459	15 268
Total		**58 365**	**4 455**	**24 640**	**29 269**

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

*The column Balance sheet value adjusted for collateral takes into account all positions in the repurchase market, including the reinvestment of cash collateral. The internal measurement and controls of cournterparty 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 31 March 2011. Counterparty risk measured as gross exposure has increased by NOK 7.1 billion since 31 December 2010. This is mainly due to an increase related to securities lending transactions of NOK 7.8 billion.

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 March 31, 2011, and the related statements of income, statements of comprehensive income, statements of cash flow, statements of changes in owners capital for the three-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard No 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Oslo, 12 May 2011
Deloitte AS

Aase Aa. Lundgaard
State Authorized Public Accountant (Norway)

05/250
ISSN 1890-8837 (printed)
ISSN 1890-8845 (online)

Design and illustration: Burson-Marsteller v/ Erik Sand
Photo: iStockphoto.com

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

Norges Bank Investment Management (NBIM)
Bankplassen 2
P.O. Box 1179 Sentrum
0107 Oslo
Norway

Phone: +47 24 07 30 00
www.nbim.no