

GOVERNMENT PENSION FUND GLOBAL
QUARTERLY REPORT



2 Quarter
2013



NBIM

Norges Bank Investment Management

SECOND QUARTER 2013 IN BRIEF

- The Government Pension Fund Global returned 0.1 percent, or 17 billion kroner, in the second quarter of 2013.
- Equity investments returned 0.9 percent, while fixed-income investments returned -1.4 percent.
- The return on equity and fixed-income investments was 0.3 percentage point higher than the return on the fund's benchmark indices.
- Investments in real estate returned 3.9 percent.
- The fund had a market value of 4,397 billion kroner at the end of the quarter and was invested 63.4 percent in equities, 35.7 percent in fixed income and 0.9 percent in real estate.

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TRANSLATION FROM THE ORIGINAL NORWEGIAN VERSION. FOR INFORMATION ONLY

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

www.nbim.no

FUND MANAGEMENT

EQUITY INVESTMENTS

Equity investments, which accounted for 63.4 percent of the fund at the end of the quarter, returned 0.9 percent. Stock markets fell in the latter half of the quarter after climbing through to mid-May. The return was driven mainly by expectations of higher economic growth in the US, while falling share prices in emerging markets had a negative effect. The market in Europe was largely unchanged over the quarter.

Strongest performance in the US

US stocks returned 4.0 percent in the quarter measured in the fund's currency basket. Stronger employment growth and signs of improvement in the US economy contributed to the return. US stocks accounted for 31.1 percent of the fund's equity investments at the end of the quarter.

The European market was largely unchanged in the period. European stocks returned 1.2 percent for the quarter and accounted for 46.1 percent of the fund's equity investments at the end of the period.

Japanese stocks returned 4.6 percent. Share prices climbed as a result of the country's stimulus plan and further

monetary easing by the Bank of Japan. The rest of the Asian market returned -4.2 percent. Asian stocks accounted for 15.3 percent of the fund's equity investments at the end of the quarter.

Equities in emerging markets returned -5.9 percent in the second quarter. Commodity exports and the prices of a number of commodities fell. This was due partly to market expectations of weaker economic growth in China. In addition, central banks in a number of emerging markets, including Indonesia and Brazil, tightened monetary conditions. Emerging markets accounted for 10.0 percent of the fund's equity investments at the end of the quarter.

Telecoms performed best

Most industry sectors saw gains in the second quarter. The strongest performers were telecommunications, healthcare and consumer services with returns of 4.5 percent, 3.4 percent and 2.8 percent respectively. The weakest sector was basic materials, which returned -7.5 percent due to weaker demand in metals and mining. Prices for a number of commodities fell, including iron ore, copper and precious metals. The oil and gas sector also performed poorly, due to lower oil and gas prices.

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

Sector	Return	Share of equity investments
Financials	2.0	23.3
Consumer goods	1.0	14.0
Industrials	- 0.6	13.6
Oil and gas	- 2.0	8.8
Consumer services	2.8	9.8
Healthcare	3.4	9.3
Technology	2.5	7.5
Basic materials	- 7.5	6.3
Telecommunications	4.5	3.8
Utilities	1.6	3.7

Table 1-2 The fund's largest equity holdings as of 30 June 2013

Company	Country	Holdings in millions of kroner
Nestlé SA	Switzerland	38 207
Royal Dutch Shell Plc	UK	28 601
HSBC Holdings Plc	UK	26 547
Novartis AG	Switzerland	25 668
Roche Holding AG	Switzerland	23 550
BlackRock Inc	US	20 258
Sanofi	France	19 541
Vodafone Group Plc	UK	19 376
BP Plc	UK	18 293
Exxon Mobil Corp	US	18 179

RETURNS MEASURED IN THE FUND'S CURRENCY BASKET

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

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

Individual stocks

Technology company Microsoft Corp contributed most to the return for the quarter, followed by automotive maker Daimler AG and pharmaceutical company Roche Holding AG. The worst-performing stock was food and beverage company Nestlé SA, followed by IT company Apple Inc and consumer electronics company Samsung Electronics Co Ltd.

The largest initial public offering the fund participated in was the Japanese food and beverage company Suntory Beverage & Food, in which the fund invested 1.86 billion yen, or 115 million kroner. The fund also participated in offerings by German bank Deutsche Bank and Russian bank VTB Group, in which the fund bought shares for 16.5 million euros and 21.9 billion roubles, or 125 million kroner and 4.1 billion kroner, respectively.

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

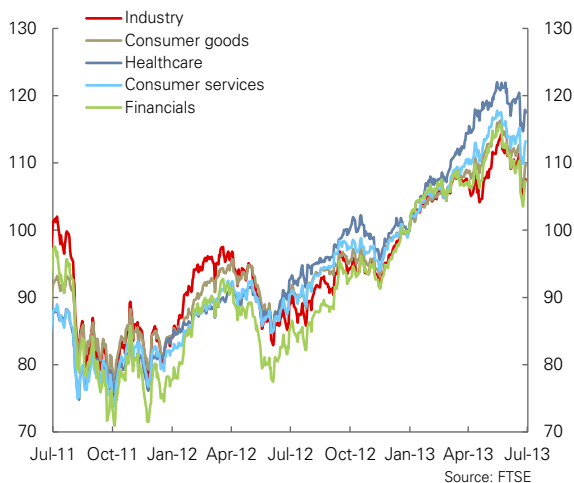
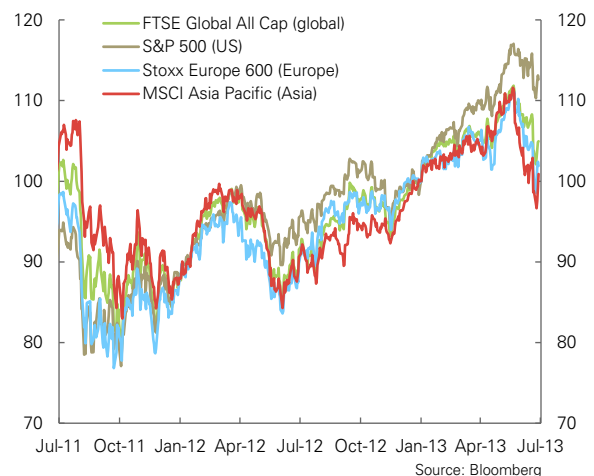


Chart 1-2 Price developments in regional and global equity markets. Measured in US dollars, except for the Stoxx Euro 600, which is measured in euros. Indexed. 31 Dec 2012 = 100



FIXED-INCOME INVESTMENTS

Fixed-income investments accounted for 35.7 percent of the fund at the end of the second quarter and returned -1.4 percent. These investments consisted of bonds, short-term securities and bank deposits. Global yields climbed in the quarter, due partly to expectations of less expansionary monetary policy in the US. The rise in yields meant that most fixed-income sectors produced a negative return for the quarter. Uncertainty in fixed-income markets also increased.

Negative return on government bonds

Government bonds accounted for 60.9 percent of the fund's fixed-income investments at the end of the quarter and returned -2.0 percent for the period. US Treasuries returned -1.0 percent and made up 22.6 percent of fixed-income investments at the end of the quarter. Japanese government bonds accounted for 8.1 percent

of the fund's fixed-income holdings and returned -5.9 percent, while euro-denominated government bonds returned 1.6 percent and amounted to 12.1 percent of fixed-income holdings.

The weakest-performing sector in the quarter was inflation-linked bonds, which returned -3.4 percent and accounted for 1.8 percent of total fixed-income investments.

The fund also holds bonds from government-related institutions such as the European Investment Bank, Kreditanstalt für Wiederaufbau and FMS Wertmanagement. These returned -1.0 percent and accounted for 11.9 percent of the fund's fixed-income investments at the end of the quarter.

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

Sector	Return	Share of fixed-income investments*
Government bonds**	- 2.0	60.9
Government-related bonds**	- 1.0	11.9
Inflation-linked bonds**	- 3.4	1.8
Corporate bonds	- 1.0	14.5
Securitised debt	1.3	12.5

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

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

Table 1-4 The fund's largest bond investments as of 30 June 2013

Issuer	Country	Holdings in millions of kroner
United States of America	US	364 758
Japanese government	Japan	129 535
Federal Republic of Germany	Germany	72 165
UK government	UK	42 877
Government of the Netherlands	The Netherlands	33 474
Italian Republic	Italy	29 750
Kreditanstalt für Wiederaufbau	Germany	28 522
Mexican government	Mexico	28 045
French Republic	France	26 451
Canadian government	Canada	25 109

Securitised debt performed best

Securitized debt, consisting mainly of covered bonds, was the fund's best-performing fixed-income sector in the second quarter with a return of 1.3 percent. This was due primarily to the sector's currency composition, as most of the holdings were issued in euros. Corporate bonds returned -1.0 percent. Securitized debt and corporate bonds together accounted for 27.0 percent of the fund's fixed-income investments at the end of the quarter.

Corporate bond issuance was down on the first quarter due to increased uncertainty in the markets and reduced demand for bonds with credit risk. Global issuance of new investment-grade corporate bonds was 2,550 billion dollars in the second quarter, down from 2,840 billion dollars in the first quarter, according to data from Dealogic. Issuance of non-investment-grade corporate debt fell to 156 billion dollars from 182 billion dollars.

Changes in holdings

The fund increased its investments in government bonds from Japan, the US and Brazil in the quarter, and reduced its holdings of government debt from France, the UK and Australia. The fund invested in several bond issues other than government bonds. The largest investments were in bonds issued by the European Financial Stability Facility (EFSF), Kreditanstalt für Wiederaufbau and Stads-hypotek AB.

At the end of the quarter 79.8 percent of fixed-income investments were issued in one of the four major currencies (dollars, euros, yen and sterling), down from 81.7 percent at the end of 2012.

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

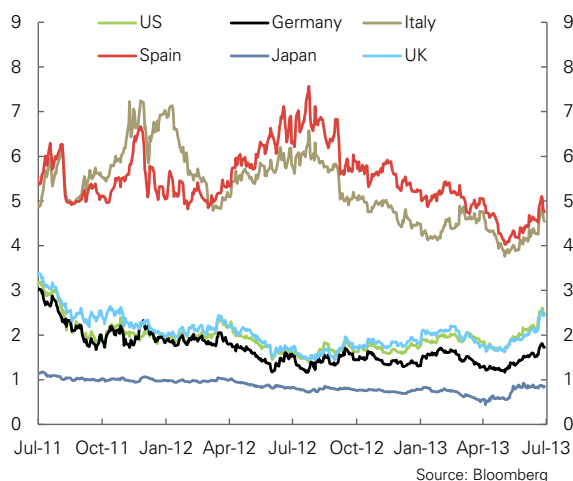


Chart 1-4 Price developments for bonds issued in dollars, euros, pounds and yen in the Barclays Global Aggregate Index, measured in local currencies. Indexed. 31 Dec 2012 = 100

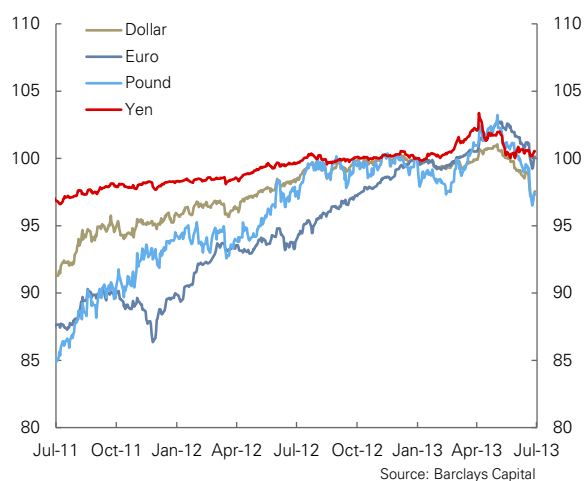


Chart 1-5 Currency composition of the fund's fixed-income investments. Percent

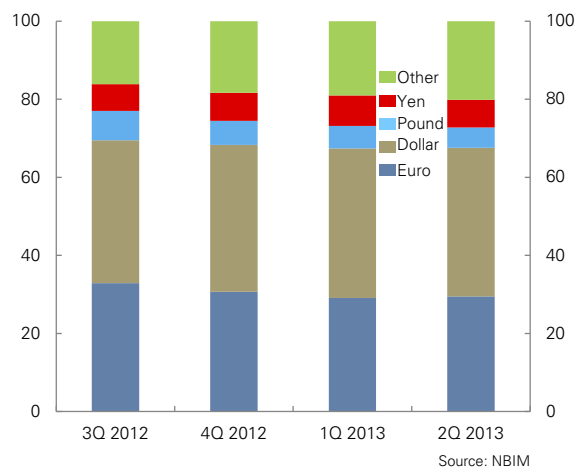


Chart 1-6 Price developments in fixed-income sectors in the Barclays Global Aggregate Index, measured in US dollars. Indexed. 31 Dec 2012 = 100

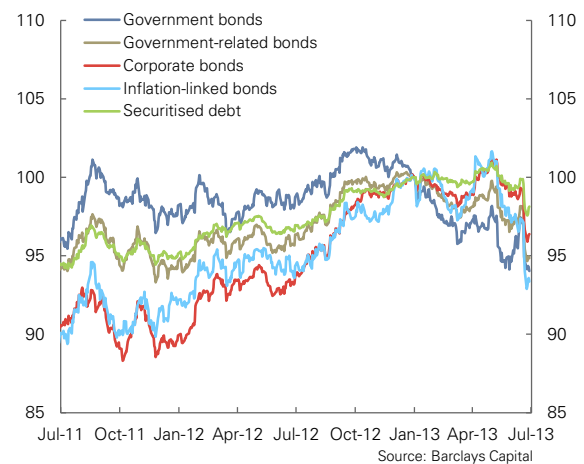


Table 1-5 The fund's bond investments as of 30 June 2013 based on credit ratings. Percentage of holdings

	AAA	AA	A	BBB	Lower rating	Total
Government bonds	33.4	16.0	3.6	6.8	0.1	60.0
Government-related bonds	6.3	3.5	0.7	1.2	0.1	11.8
Inflation-linked bonds	1.0	0.2	0.0	0.5	-	1.7
Corporate bonds	0.0	1.3	6.7	6.0	0.2	14.2
Securitised debt	7.6	0.6	2.4	1.6	0.1	12.3
Total bonds	48.4	21.6	13.3	16.2	0.6	100.0

REAL ESTATE INVESTMENTS

Real estate investments accounted for 0.9 percent of the fund at the end of the second quarter and are to increase gradually to as much as 5 percent of the value of the fund. New investments will generally be in well-developed markets and in office and retail properties.

An agreement was entered into in the second quarter to purchase 11 distribution facilities in the UK together with industrial real estate company Prologis, which owns, operates and develops logistics properties in the Americas, Europe and Asia. NBIM's share of the purchase price for the 227,000 square metre portfolio was 56 million pounds net. The purchase is expected to be completed in the third quarter.

The fund's real estate investments returned 3.9 percent in the second quarter. The return on these investments is determined by rental income, changes in property values and currency movements.

Rental income contributed 1.1 percentage points to the return for the quarter, while the net change in the value of properties and debt contributed 1.2 percentage points, measured in local currency. Currency movements contributed 1.6 percentage points to the return for the quarter.

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

	Return
Net rental income	1.1
Net change in value of properties and debt	1.2
Transaction costs for property purchases	0.0
Foreign exchange adjustments	1.6
Overall return	3.9

OPERATIONAL REFERENCE PORTFOLIOS AND THE FUND'S RELATIVE RETURN

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

Operational reference portfolios

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

The operational reference portfolio for equity investments returned 0.5 percent in the second quarter, in line with the benchmark index set by the ministry.

The operational reference portfolio for bond investments returned -1.8 percent in the second quarter, 0.1 percentage point lower than the benchmark index set by the ministry. The difference was due mainly to the reference portfolio having a higher weight of government bonds from emerging markets than the ministry's benchmark index.

The fund's relative return

The overall return on the fund's equity and fixed-income investments was 0.3 percentage point higher than the return on the benchmark indices in the second quarter.

The fund's equity investments outperformed the benchmark index by 0.3 percentage point. Financials and basic materials were the sectors that made the greatest contribution to this excess return, while investments in

industrials made the most negative contribution. Sorted by country, US and German stocks contributed most to the excess return, while investments in Japan and India made the largest negative contributions.

The return on the fund’s fixed-income investments was 0.3 percentage point higher than the benchmark return in the second quarter. A lower weight of inflation-linked bonds in US dollars than in the benchmark index and lower duration of the fund’s bond investments contributed positively to the excess return. This lower duration meant that in general the fund was less sensitive to rising yields than the benchmark index. A higher weight of government bonds from emerging markets made a negative contribution to the relative return.

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

	Total	Attributed to external management
Equity investments	0.22	0.04
Fixed-income investments	0.09	0.00
Total*	0.31	0.05

* The figures in the table do not always add up to the sub totals and total due to the rounding of decimals.

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

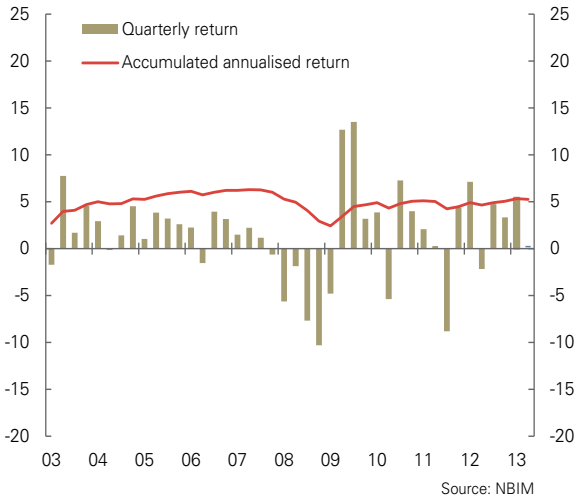


Chart 1-8 Quarterly relative return and accumulated annualised relative return on the fund, excluding real estate investments. Percentage points

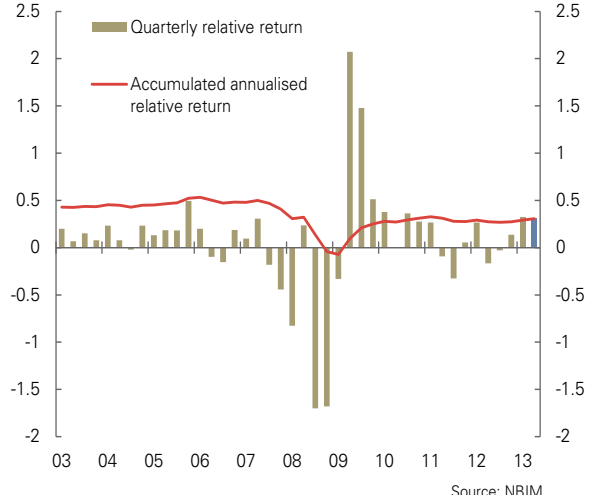


Table 1-8 Quarterly returns as of 30 June 2013

	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012	Year-to-date 30.06.2013
Returns in currency basket						
Return on equity investments (percent)	0.89	8.25	4.69	6.48	- 4.57	9.22
Return on fixed-income investments (percent)	- 1.40	1.06	1.26	2.16	1.52	- 0.35
Return on real estate investments (percent)	3.94	- 0.34	0.49	2.68	0.31	3.58
Return on fund (percent)	0.06	5.45	3.34	4.74	- 2.18	5.51
Return on equity and fixed-income investments (percent)	0.03	5.49	3.35	4.75	- 2.18	5.52
Return on equity and fixed-income benchmark (percent)	- 0.28	5.16	3.22	4.78	- 2.02	4.87
Relative return on equity and fixed-income investments (percentage points)	0.31	0.32	0.14	- 0.02	- 0.17	0.65
Relative return on equity investments (percentage points)	0.34	0.32	0.21	0.12	- 0.17	0.69
Relative return on fixed-income investments (percentage points)	0.29	0.22	- 0.05	- 0.27	- 0.07	0.51
Management costs (percentage points)	0.02	0.01	0.02	0.01	0.02	0.03
Return on fund after management costs (percent)	0.04	5.43	3.32	4.73	- 2.19	5.48
Returns in kroner (percent)						
Return on equity investments	4.59	10.83	2.08	3.98	- 2.66	15.92
Return on fixed-income investments	2.22	3.46	- 1.26	- 0.23	3.56	5.76
Return on real estate investments	7.75	2.03	- 2.01	0.28	2.33	9.94
Return on fund	3.73	7.96	0.76	2.29	- 0.21	11.99
Return on equity and fixed-income investments	3.70	8.00	0.78	2.30	- 0.22	11.99

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

	Last 12 months	Last 3 years	Last 5 years	Last 10 years	Since 01.01.1998
Return on fund (percent)	14.21	9.16	5.87	5.95	5.25
Return on equity and fixed-income investments (percent)	14.24	9.17	5.87	5.96	5.25
Return on benchmark equity and fixed-income indices (percent)	13.41	8.71	5.60	5.72	4.94
Relative return on equity and fixed-income investments (percentage points)	0.83	0.46	0.28	0.24	0.31
Standard deviation (percent)	4.79	7.61	10.98	8.43	7.70
Tracking error for equity and fixed-income investments (percentage points)	0.36	0.38	1.16	0.90	0.76
Information ratio (IR)* for equity and fixed-income investments	2.28	1.22	0.24	0.27	0.40
Return on fund (percent)	14.21	9.16	5.87	5.95	5.25
Annual price inflation (percent)	1.74	2.29	1.70	2.17	1.92
Annual management costs (percent)	0.06	0.08	0.09	0.10	0.09
Annual net real return on fund (percent)	12.18	6.64	4.00	3.61	3.17

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

Table 1-10 Key figures as of 30 June 2013

	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012
Market value (billions of kroner)*					
Market value of equity investments	2 785	2 609	2 336	2 247	2 122
Market value of fixed-income investments	1 571	1 536	1 455	1 465	1 428
Market value of real estate investments	40	37	25	11	11
Market value of fund	4 397	4 182	3 816	3 723	3 561
Inflow of new capital*					
Inflow of new capital*	58	60	64	80	72
Return on fund	17	219	123	167	- 77
Changes due to fluctuations in krone	139	86	- 94	- 85	70
Total change in fund	215	366	92	162	65
Management costs (percent)					
Estimated transition costs**	0.00	0.00	0.00	0.01	0.01
Annualised management costs	0.07	0.06	0.06	0.06	0.07
Changes in value since first capital inflow in 1996 (billions of kroner)					
Gross inflow of new capital	3 180	3 121	3 060	2 996	2 915
Management costs***	22	21	21	20	20
Inflow of new capital after management costs	3 158	3 099	3 039	2 975	2 895
Return on fund	1 344	1 327	1 107	985	817
Changes due to fluctuations in krone	- 105	- 244	- 331	- 237	- 151
Market value of fund	4 397	4 182	3 816	3 723	3 561
Return after management costs	1 322	1 305	1 087	965	798

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

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

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

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

	2Q 2013	1Q 2013	4Q 2012	3Q 2012	2Q 2012
Return on equity investments	805	777	579	474	338
Return on fixed-income investments	537	549	528	510	480
Return on real estate investments	2	0	0	0	0
Total return	1 344	1 327	1 107	985	817

RESPONSIBLE INVESTMENT AND ACTIVE OWNERSHIP

NBIM aims to safeguard the fund's long-term value. We expect the companies in which we invest to manage social and environmental risks that could impact negatively on their business and thereby the fund's investments. A good long-term return on the fund depends on sustainable economic, environmental and social development and well-functioning, legitimate and efficient markets.

We employ several tools in our exercise of responsible investment, such as dialogue with companies, investors, regulators and other standard-setters. We also vote at general meetings and file shareholder proposals to promote higher standards of corporate governance and environmental and social development.

NBIM voted at 6,078 general meetings in the second quarter, which sees the bulk of the year's annual general meetings, and we voted on 239 shareholder proposals on environmental and social issues.

Last year NBIM filed shareholder proposals at four US companies to give shareholders proxy access (the right to nominate directors on company ballots). These proposals were filed to draw attention to board accountability and shareholder rights, one of our focus areas for active ownership. Around a third of shareholders voted in favour of these proposals at general meetings of three of the companies in the second quarter, while the proposal at the fourth company was withdrawn when the company decided to grant shareholders proxy access.

NBIM established a Corporate Governance Advisory Board in the second quarter to strengthen its long-term active ownership. The board will provide input on board nomination practices at the fund's listed companies, serve as an advisory body on active ownership, and regularly assess NBIM's ownership activities relative to best practice.

RISK MANAGEMENT

NBIM assesses and manages several types of investment risk, including market, credit and counterparty risks. We also work constantly to identify and reduce operational risks that could lead to financial or reputational loss. We have set up frameworks in each category for how risk is measured, checked and managed.

As no single measure or analysis can fully capture the fund's market risk, we use a variety of measures and analyses, including expected tracking error, factor exposures, concentration analysis and liquidity risk.

The fund's expected absolute volatility, calculated using the statistical measure standard deviation, uses a three-year price history to estimate how much the annual return on the fund's equity and fixed-income investments may fluctuate. The fund's expected absolute volatility was 9.0 percent, or about 400 billion kroner, at the end of the second quarter, compared with 8.7 percent three months earlier.

The Ministry of Finance has set limits for how much NBIM may deviate from the benchmark indices in managing the fund's equity and fixed-income investments. Expected relative volatility (tracking error) is one of these limits and caps how much the return on these investments may be expected to deviate from the return on the benchmark indices. NBIM should aim for expected tracking error of no more than 1 percentage point. The actual figure was 0.57 percentage point at the end of the quarter, compared with 0.53 percentage point three months earlier.

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

NBIM registered 45 unwanted events in the second quarter, resulting in an estimated financial loss of 3.4 million kroner. None of the events led to financial gains. Operational risk was within the Executive Board’s bounds for risk tolerance.

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

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

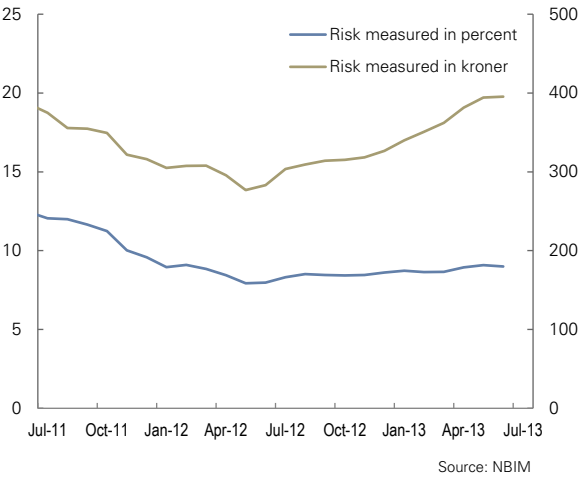


Chart 1-10 Expected relative volatility of the fund, excluding real estate. Basis points

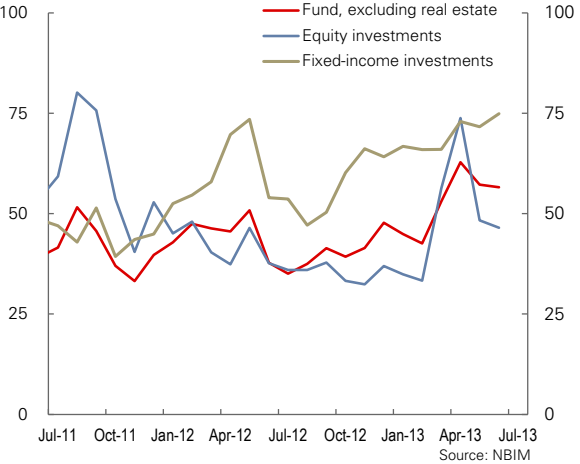


Table 1-12 Risk and exposure for the fund

		30.06.2013
Limits set by the Ministry of Finance		
Exposure	Equities 50-70 % of the fund's market value	63.1
	Real estate 0-5 % of the fund's market value	0.9
Market risk	1 percentage points expected tracking error for equity and fixed-income investments	0.6
Credit risk	Maximum 5 % of fixed-income investments may be rated below BBB-	0.6
Maximum ownership	Maximum 10 % of voting shares in a listed company	9.4

FINANCIAL REPORTING

Norges Bank's interim financial statements, which only encompass the interim financial reporting for the investment portfolio of the Government Pension Fund Global, were approved by Norges Bank's Executive Board on 7 August 2013. This financial reporting and an excerpt from Norges Bank's accounting policies and significant estimates and critical judgements are presented in the following pages.

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INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	2Q 2013	2Q 2012	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Profit/loss on the portfolio excluding foreign exchange gains and losses						
Interest income and interest expense from bank deposits		29	23	18	28	102
Interest income, lending associated with reverse repurchase agreements		55	35	100	128	219
Net income/expenses and gains/losses from:						
- Equities and units		37 902	- 100 042	244 354	112 048	349 779
- Bonds and other fixed-income instruments		- 21 992	24 527	- 10 484	45 762	98 337
- Financial derivatives		838	- 1 339	1 694	- 339	- 269
- Financial assets real estate	6	141	121	327	246	514
- Investment properties	6	377	19	442	- 21	67
Share of the profit/loss in jointly controlled entities and associates real estate	6	358	89	473	112	- 250
Interest expense, borrowing associated with repurchase agreements		4	- 54	10	- 90	- 130
Other interest income and interest expense		155	- 4	193	- 6	1
Tax expense		- 519	- 271	- 563	- 358	- 864
Other expenses	3, 4	- 31	- 38	- 50	- 56	- 80
Profit/loss on the portfolio before foreign exchange gains and losses		17 317	- 76 934	236 514	157 454	447 426
Foreign exchange gains and losses		139 141	69 752	225 354	- 40 050	- 219 559
Profit/loss on the portfolio		156 458	- 7 182	461 868	117 404	227 867
Management fee	3	- 789	- 546	- 1 366	- 1 125	- 2 193
Profit/loss for the period		155 669	- 7 728	460 502	116 279	225 674

STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK million</i>	2Q 2013	2Q 2012	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Profit/loss for the period	155 669	- 7 728	460 502	116 279	225 674
Translation reserve arising from consolidation of foreign subsidiaries	199	5	379	5	- 5
Total comprehensive income	155 868	- 7 723	460 881	116 284	225 669

BALANCE SHEET

<i>Amounts in NOK million</i>	Note	30.06.2013	31.12.2012	30.06.2012
ASSETS				
Financial assets				
Deposits in banks		7 391	5 864	9 433
Lending associated with reverse repurchase agreements		115 222	61 440	121 567
Unsettled trades		60 550	1 677	14 478
Equities and units	5	2 625 210	2 212 951	1 968 225
Equities lent	5	155 934	115 041	136 969
Bonds and other fixed-income instruments	5	1 583 852	1 447 182	1 373 816
Bonds lent	5	12 938	5 325	4 595
Financial derivatives	5	1 405	1 447	1 234
Financial assets real estate	6	5 290	4 841	4 760
Jointly controlled entities and associates real estate	6	23 024	7 431	2 534
Other financial assets		3 307	4 411	4 189
Total financial assets		4 594 123	3 867 610	3 641 800
Non-financial assets				
Investment properties	6	10 665	9 777	3 823
Other non-financial assets		6	5	6
Total non-financial assets		10 671	9 782	3 829
TOTAL ASSETS	7, 8	4 604 794	3 877 392	3 645 629
LIABILITIES AND OWNER'S CAPITAL				
Financial liabilities				
Short-term borrowing		19	202	193
Borrowing associated with repurchase agreements		99 931	19 013	15 347
Cash collateral received		50 357	33 001	39 901
Unsettled trades		53 014	4 442	24 536
Financial derivatives	5	1 426	2 600	4 353
Other financial liabilities		3 424	2 365	235
Management fee payable		1 366	2 193	1 125
Total financial liabilities	7, 8	209 537	63 816	85 690
Owner's capital		4 395 257	3 813 576	3 559 939
TOTAL LIABILITIES AND OWNER'S CAPITAL		4 604 794	3 877 392	3 645 629

STATEMENT OF CASH FLOWS

<i>Amounts in NOK million</i>	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Operating activities			
Interest received on deposits in banks	17	256	99
Net cash flow in connection with reverse repurchase agreements	- 40 983	- 37 945	17 111
Net cash flows arising from purchase and sale of equities and units	- 117 382	- 105 942	- 229 436
Net cash flows arising from purchase and sale of bonds and other fixed-income instruments	- 82 950	- 42 941	- 166 501
Payments made to acquire financial assets real estate	- 81	- 147	- 205
Payments made to acquire investment properties	- 14	- 2	- 6 102
Payments made to acquire jointly controlled entities and associates real estate	- 13 913	19	- 5 404
Net cash flows arising from financial derivatives	346	- 1 524	- 3 090
Dividends received from investments in equities and units	41 189	36 065	63 373
Interest received on bonds and other fixed-income instruments	24 755	26 396	49 047
Income received in connection with equity and bond lending	1 744	1 553	2 424
Income received from investments in financial assets real estate	84	82	177
Dividends received from investments in jointly controlled entities and associates real estate	76	38	84
Income received from investments in investment properties	241	115	244
Interest paid on short-term borrowing from banks	0	- 2	- 4
Net cash flows related to repurchase agreements	50 762	- 8 453	2 878
Cash collateral received/paid related to securities lending, derivatives and reverse repurchase agreements	17 356	2 974	- 3 926
Net cash flow related to other financial assets, other financial liabilities and other non-financial assets	4 367	1 866	1 161
Net cash flows arising from tax payments and reclaims	- 2 043	- 537	1 044
Payment of other expenses	- 64	- 89	- 163
Management fee paid to Norges Bank*	- 2 193	- 2 539	- 2 539
Net cash outflow from operating activities	- 118 686	- 130 757	- 279 727
Financing activities			
Inflow from the Norwegian government**	120 689	132 642	277 862
Net cash inflow from financing activities	120 689	132 642	277 862
Net change in cash and cash equivalents			
Cash and cash equivalents at 1 January	5 662	7 265	7 265
Net cash payments in the period	2 003	1 885	- 1 865
Net foreign exchange gains and losses on cash and cash equivalents	- 293	90	262
Cash and cash equivalents at end of period	7 372	9 240	5 662
Cash and cash equivalents comprise:			
Bank deposits	7 391	9 433	5 864
Short-term borrowing	- 19	- 193	- 202
Total cash and cash equivalents at end of period	7 372	9 240	5 662

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

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

STATEMENT OF CHANGES IN OWNER'S CAPITAL

<i>Amounts in NOK million</i>	Inflows from owner	Retained earnings	Translation reserve foreign subsidiaries	Deposits in krone account
1 January 2012	2 778 866	530 170	- 3	3 309 033
Total comprehensive income	.	116 279	5	116 284
Inflows during the period*	134 622	.	.	134 622
30 June 2012	2 913 488	646 449	2	3 559 939
1 January 2013	3 057 741	755 844	- 9	3 813 576
Total comprehensive income	.	460 502	379	460 881
Inflows during the period*	120 800	.	.	120 800
30 June 2013	3 178 541	1 216 346	370	4 395 257

* Of the total inflows to the krone account of the Government Pension Fund Global in the first two quarters of 2013, NOK 2.2 billion was used to pay the 2012 accrued management fee to Norges Bank and NOK 118.6 billion was transferred into the investment portfolio. Comparative amounts for the second quarter 2012 are NOK 2.5 billion and NOK 132.1 billion, respectively.

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of Accounting

General

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

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

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

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

Associates

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

1.2 New/amended standards implemented from 1 January 2013

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

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

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

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

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

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

NOTE 2 SIGNIFICANT ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of the financial statements of Norges Bank, which includes the financial reporting for the investment portfolio of the Government Pension Fund Global in accordance with the accounting policies in note 1, involves the use of estimates and judgements that may affect assets, liabilities, income and expenses. Estimates and judgements are based on historical experience and expectations about future events that are considered probable at the time the financial statements are presented.

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

NOTE 3 MANAGEMENT COSTS

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

Total management costs excluding performance-based fees, which are measured against the limit, amount to NOK 1 087 million on a year-to-date basis. This comprises NOK 1 060 million in Norges Bank operating expenses excluding performance-based fees and NOK 27 million in Operating expenses, real estate subsidiaries. This corresponds to 5.3 basis points of assets under management on an annual basis.

Total management costs including performance-based fees amount to NOK 1 393 million on a year-to-date basis, and comprises NOK 1 366 million in total Norges Bank operating expenses related to the management of the Government Pension Fund Global and NOK 27 million in operating costs in subsidiaries real estate. This corresponds to 6.8 basis points of assets under management on an annual basis.

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

Table 3.1 Specification management fee

Amounts in NOK million	2Q 2013	2Q 2012	Year-to-date		Year-to-date		Basis points	
			30.06.2013	30.06.2012	30.06.2013	30.06.2012		
Salary, social security and other personnel related costs*	151	128	312	268	587			
IT, information and decision support systems	74	68	130	116	222			
Custody and settlement costs	105	78	208	171	351			
Outsourced IT and analysis costs	60	53	115	103	218			
Consulting and legal fees	9	14	13	30	56			
Base fees to external managers	97	83	191	176	272			
Other costs*	24	23	41	46	90			
Allocated common costs Norges Bank*	25	25	50	50	90			
Management fee excluding performance-based fees	545	472	1 060	5,2	962	5,6	1 886	5,3
Performance-based fees to external managers	244	74	306	163	307			
Total management fee	789	546	1 366	6,7	1 125	6,5	2 193	6,2

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

Table 3.1 shows Norges Bank's total operating expenses that are reimbursed by the Ministry of Finance as the principal for the management of the investment portfolio of the Government Pension Fund Global. Fees to external managers and custody and settlement fees are invoiced directly and paid individually for each of the portfolios managed by Norges Bank. All other costs included in the basis for calculation of the management fee are costs that are common for the management of the investment portfolio and the long term foreign exchange reserves, and are allocated to the individual portfolio using a cost allocation model based primarily on market values and asset class composition. The management fee is a function of operating expenses that form part of the Norges Bank income statement.

Table 3.2 specifies operating expenses in real estate subsidiaries.

Table 3.2 Specification operating expenses, real estate subsidiaries

<i>Amounts in NOK million</i>	2Q 2013	2Q 2012	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Salary, social security and other personnel related costs	5	3	9	6	11
IT, information and decision support systems, outsourced administrative services	1	1	3	2	6
Consulting and legal fees	2	2	3	4	9
Fees related to administration of subsidiaries (external) *	3	3	6	6	10
Other costs, subsidiaries	3	3	6	6	9
Operating expenses, real estate subsidiaries	14	12	27	24	45

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

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

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

NOTE 4 OTHER EXPENSES

Tabell 4.1 Spesifikasjon andre kostnader

<i>Table 4.1 Specification other expenses</i>	2Q 2013	2Q 2012	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Operating expenses, real estate subsidiaries	14	12	27	24	45
Property management expenses in subsidiaries	2	2	5	5	9
Other expenses, investment portfolio	15	24	18	27	26
Total other expenses	31	38	50	56	80

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

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

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

Table 5.1 Specification equities and units

Amounts in NOK million	30.06.2013			31.12.2012		
	Fair value excluding dividends	Accrued dividends	Fair value including dividends	Fair value excluding dividends	Accrued dividends	Fair value including dividends
Equities:						
Listed equities and units	2 774 756	6 388	2 781 144	2 325 469	2 523	2 327 992
Total equities and units	2 774 756	6 388	2 781 144	2 325 469	2 523	2 327 992
<i>Of which equities lent</i>			155 934			115 041

Table 5.2 Specification bonds and other fixed-income instruments

Amounts in NOK million, 30 June 2013	Nominal value*	Fair value excluding accrued interest	Accrued interest	Fair value including accrued interest
Bonds and other fixed-income instruments:				
Government bonds**	898 617	949 339	8 154	957 493
Government related bonds	177 986	185 233	2 397	187 630
Inflation-linked bonds	22 896	27 831	112	27 943
Corporate bonds	218 863	224 362	2 911	227 272
Securitised bonds	187 614	193 944	2 508	196 452
Total bonds and other fixed-income instruments	1 505 976	1 580 709	16 082	1 596 790
<i>Of which bonds lent</i>				12 938

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

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

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

Table 5.3 Specification financial derivatives

Amounts in NOK million	Fair value 30.06.2013			Fair value 31.12.2012		
	Asset	Liability	Net	Asset	Liability	Net
Foreign exchange contracts	372	202	170	88	145	- 57
Listed futures contracts	243	89	154	221	91	130
Options	248	-	248	-	-	-
Swap contracts	542	1 135	- 593	1 138	2 364	- 1 226
Total financial derivatives	1 405	1 426	- 21	1 447	2 600	- 1 153

NOTE 6 REAL ESTATE

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

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

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

Table 6.1 Income statement – real estate asset class

Amounts in NOK million	2Q 2013	2Q 2012	Year-to-date 30.06.2013	Year-to-date 30.06.2012	2012
Profit/loss on the portfolio excluding foreign exchange gains and losses, real estate asset class					
Net operating income from:					
Financial assets real estate	41	43	84	77	170
Investment properties	120	52	241	115	244
Jointly controlled entities and associates real estate	134	29	249	73	167
Total net operating income, real estate	295	124	574	265	581
Recognised fair value changes from:					
Financial assets real estate	100	78	243	169	344
Investment properties	257	- 32	201	- 135	- 177
Jointly controlled entities and associates real estate – properties	- 23	60	26	39	- 90
Jointly controlled entities and associates real estate – financial liability	246	-	198	-	- 327
Total recognised fair value changes, real estate	580	106	668	73	- 250
Net other income and expenses*	8	- 32	34	- 47	- 35
Profit/loss on the portfolio before foreign exchange gains and losses, real estate asset class	883	198	1 276	291	296

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

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

Amounts in NOK million	01.01.2013 – 30.06.2013			Total
	Financial as-sets real estate	Jointly controlled entities and associates real estate	Investment properties	
Carrying amounts for the main balance sheet items within the real estate asset class as at 01.01.2013	4 841	7 431	9 777	22 049
Additions and improvements	81	13 913	14	14 008
Fair value changes – properties/financial asset real estate	243	26	201	471
Fair value changes – financial liability	.	198	.	198
Operating profit from investments accounted for under the equity method	.	249	.	249
Paid dividend and changes in equity capital	.	- 14	.	- 14
Foreign currency translation effect	124	1 221	672	2 017
Carrying amounts for the main balance sheet items within the real estate asset class as at 30.06.2013	5 290	23 024	10 665	38 978

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

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

In the second quarter 2013 improvements amounting to NOK 128 million have been recognised, while there were no additions. In the first half of 2013 improvements amounting to NOK 178 million, and additions amounting to NOK 13 830 million were recognised.

NOTE 7 FAIR VALUE MEASUREMENT

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

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

Table 7.1 Specification of investments by level of valuation uncertainty

<i>Amounts in NOK million</i>	Level 1		Level 2		Level 3		Total	
	30.06.2013	31.12.2012	30.06.2013	31.12.2012	30.06.2013	31.12.2012	30.06.2013	31.12.2012
Equities and units	2 778 352	2 325 185	680	1 184	2 112	1 623	2 781 144	2 327 992
Government bonds	827 345	759 914	130 148	93 962	-	-	957 493	853 876
Government-related bonds	121 131	122 187	66 295	43 652	204	579	187 630	166 418
Inflation-linked bonds	24 281	40 050	3 662	1 705	-	-	27 943	41 755
Corporate bonds	4 339	5 239	222 207	190 764	726	437	227 272	196 440
Securitised bonds	126 525	113 739	69 724	76 293	203	3 986	196 452	194 018
Total bonds	1 103 621	1 041 129	492 036	406 376	1 133	5 002	1 596 790	1 452 507
Financial derivatives (assets)	276	221	1 130	1 226	-	-	1 405	1 447
Financial derivatives (liabilities)	- 89	- 91	- 1 337	- 2 509	-	-	- 1 426	- 2 600
Total financial derivatives	187	130	- 207	- 1 283	-	-	- 21	- 1 153
Financial assets real estate	.	.	.	.	5 290	4 841	5 290	4 841
Jointly controlled entities and associates real estate	.	.	.	.	23 024	7 431	23 024	7 431
Investment properties	.	.	.	.	10 665	9 777	10 665	9 777
Total real estate	.	.	.	.	38 979	22 049	38 979	22 049
Total	3 882 160	3 366 444	492 509	406 277	42 224	28 674	4 416 892	3 801 395

Valuation uncertainty for the investment portfolio in total is somewhat higher at the end of the second quarter 2013 than at year-end because of significant new real estate investments in the first quarter. Compared to the first quarter valuation uncertainty is relatively unchanged. For holdings in the equities and fixed income asset classes valuation uncertainty has decreased during the second quarter compared to the end of the previous quarter, despite somewhat reduced liquidity in certain segments, mainly emerging markets and for covered bonds. The decrease in valuation uncertainty is caused by the further reduction in level 3 bond holdings of NOK 2.9 billion in the quarter, a total reduction of NOK 3.9 billion since year-end. This change is mainly due to continued sales of United States securitised bonds, together with lower pricing uncertainty for some corporate and government related bonds which have been moved from level 3 to level 2. 0.1 percent of the equity portfolio is classified as level 3. This is a small increase since year-end because of an increase in suspended equities together with a value increase in existing level 3 equities. There has been an increase in level 2 bonds compared to year-end and the first quarter, caused by transfers of holdings from level 3 and purchases of emerging markets bonds in. 88 per cent of the holdings in the investment portfolio are classified as level 1.

External valuations are collected for the investments in the real estate asset class, and balance sheet carrying amounts are adjusted based on these, unless it is deemed that a recent transaction price is a better estimate of fair value. For all investments that were recognised in the balance sheet during the 1st quarter 2013 the purchase price has been used as the best estimate of fair value as per the quarter-end. For the three investments that were recognized in the 4th quarter 2012 the carrying value has been adjusted according to external valuations. Valuations overall led to a value increase in the second quarter 2013 for investments where fair value has been adjusted. Valuation uncertainty for real estate investments is assessed to be unchanged compared to the previous quarter. For additional information on real estate investments see note 6 Real estate.

NOTE 8 RISK

Market risk

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

Asset class per country and currency

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

Table 8.1 Allocation by asset class, country and currency

Asset class	Market	Market value in percent by country and currency		Market value in percent by asset class		Assets minus liabilities excluding management fee		
		30.06.2013	Market 31.12.2012	30.06.2013	31.12.2012	30.06.2013	31.12.2012	
Equities	Developed	90.0	Developed	90.1				
	United States	30.9	United States	28.5				
	United Kingdom	14.8	United Kingdom	16.0				
	Japan	6.6	France	6.9				
	Switzerland	6.3	Switzerland	6.5				
	France	6.2	Germany	6.3				
	Total Other	25.2	Total Other	25.9				
	Emerging	10.0	Emerging	9.9				
	China	2.0	China	1.7				
	Taiwan	1.4	Brazil	1.5				
	Brazil	1.3	Taiwan	1.3				
	Russia	0.9	Russia	1.1				
	South Africa	0.7	South Africa	0.7				
	Total Other	3.7	Total Other	3.6				
Total Equities					63.4	61.2	2 785 366	2 335 830
Fixed Income	Developed	88.6	Developed	89.8				
	USD	38.1	USD	37.6				
	EUR	29.5	EUR	30.7				
	JPY	7.0	JPY	7.2				
	GBP	5.2	GBP	6.2				
	CAD	3.3	CAD	3.0				
	Total Other	5.4	Total Other	5.2				
	Emerging	11.4	Emerging	10.2				
	MXN	1.6	MXN	1.5				
	KRW	1.6	KRW	1.4				
	BRL	1.3	RUB	1.1				
	RUB	1.2	BRL	1.0				
	PLN	0.7	PLN	0.7				
	Total Other	5.1	Total Other	4.4				
Total Fixed Income					35.7	38.1	1 571 110	1 454 816
Real Estate	France	27.6	France	32.9				
	United Kingdom	24.3	United Kingdom	31.7				
	Switzerland	16.8	Switzerland	24.2				
	United States	9.4						
	Germany	8.7						
	Total Other	13.2	Total Other	11.2				
Total Real estate					0.9	0.7	40 147	25 123

Volatility

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

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

	Expected volatility, actual portfolio							
	30.06.2013	Min 2013	Max 2013	Average 2013	31.12.2012	Min 2012	Max 2012	Average 2012
Portfolio	9.0	8.5	9.2	8.8	8.6	7.9	9.9	8.6
Equities	13.7	13.7	14.4	14.1	14.3	13.9	16.6	14.6
Fixed income	8.7	8.4	8.9	8.7	8.6	8.6	10.4	8.9

Table 8.3 Relative risk, expected relative volatility in basis points

	Expected relative volatility, basis points							
	30.06.2013	Min 2013	Max 2013	Average 2013	31.12.2012	Min 2012	Max 2012	Average 2012
Portfolio	57	43	65	53	48	31	57	43
Equities	46	33	76	50	37	32	61	41
Fixed income	75	62	75	68	64	40	77	58

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

Risk as measured by expected volatility indicates a marginal increase for the portfolio in the first half a year, from 8.6 to 9.0 percent, which is mainly attributable to the model using three year's historical data, and because of diversification between asset classes being somewhat reduced in the first half year of 2013. Expected volatility for bonds has increased from 8.6 to 8.7 percent while expected volatility for equities has decreased from 14.3 to 13.7 percent. The main part of the change for equities took place in the first quarter. The risk measure indicates that at the end of the quarter an annual value change of 9.0 percent, or approximately NOK 400 billion, could be expected.

Credit risk

Credit risk is the risk of losses from issuers of fixed income instruments defaulting on their payment obligations. Credit risk in the bond portfolio is monitored among other things through the use of ratings. Table 8.4 shows the bond portfolio's distribution on different credit rating categories.

Table 8.4: The bond portfolio specified by credit rating

Amounts in NOK million, 30 June 2013	AAA	AA	A	BBB	Lower rating	Total
Government bonds	534 048	256 155	56 848	108 621	1 821	957 493
Government related bonds	99 881	55 182	10 666	19 641	2 260	187 630
Inflation-linked bonds	16 750	2 590	264	8 338	-	27 943
Corporate bonds	185	21 289	106 376	96 032	3 389	227 272
Securitised bonds	121 701	9 279	37 660	26 022	1 791	196 452
Total bonds and other fixed income instruments	772 565	344 496	211 814	258 654	9 261	1 596 790

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

The share of bond holdings categorised as AAA decreased compared to year-end 2012. This is mostly due to a downgrade of the United Kingdom from AAA to AA. The credit quality of the bond portfolio in total declined somewhat since year-end 2012.

Counterparty risk

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

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

Table 8.5: Counterparty risk by type of position

<i>Amounts in NOK million, 30 June 2013</i>	Carrying amount adjusted for collateral	Gross exposure	Effect of netting	Collateral and guarantees	Net exposure
Time deposits and unsecured bank deposits*	6 458	7 354	-	-	7 354
OTC derivatives including foreign exchange contracts	- 175	5 391	2 495	92	2 804
Repurchase and reverse repurchase agreements	- 2 561	1 765	66	69	1 630
Securities lending transactions**	- 15 062	28 774	-	13 097	15 677
Cash and bonds posted as collateral for futures trades	2 403	1 830	-	-	1 830
Settlement risk towards broker and long settlement transactions	-	49	-	-	49
Total		45 163	2 561	13 258	29 344

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

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

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

The method for calculating counterparty risk has been somewhat adjusted and comparatives in table 8.5 have been restated.

Table 8.5 shows counterparty risk by type of position as at 30 June 2013. Counterparty risk has increased since year-end 2012. This is mainly as a result of increased securities lending because of seasonal fluctuations together with somewhat higher cash balances at the end of the second quarter compared to year-end 2012.

NOTE 9 RETURNS PER ASSET CLASS

<i>All figures in percentages</i>	2Q 2013	2Q 2012	Year to date 30.06.2013
Returns in international currency			
Return on equity investments	0.89	- 4.57	9.22
Return on fixed-income investments	- 1.40	1.52	- 0.35
Return on real estate investments	3.94	0.31	3.58
Return on fund	0.06	- 2.18	5.51
Return on equity and fixed-income investments	0.03	- 2.18	5.52
Return on benchmark equity and fixed-income indices	- 0.28	- 2.02	4.87
Relative return on equity and fixed-income investments	0.31	- 0.17	0.65
Relative return on equity investments	0.34	- 0.17	0.69
Relative return on fixed-income investments	0.29	- 0.07	0.51
Returns in kroner			
Return on equity investments	4.59	- 2.66	15.92
Return on fixed-income investments	2.22	3.56	5.76
Return on real estate investments	7.75	2.33	9.94
Return on fund	3.73	- 0.21	11.99
Return on equity and fixed-income investments	3.70	- 0.22	11.99

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

To the Supervisory Council of Norges Bankk

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated financial reporting of the Government Pension Fund Global. Subsidiaries of Norges Bank that exclusively constitute investments as part of the management of the investment portfolio of the Government Pension Fund Global are included in the financial reporting. The financial reporting comprise the balance sheet as at June 30, 2013, the income statement, the statement of comprehensive income, the statement of changes in owner's capital, the statement of cash flows for the six-month period then ended and selected explanatory notes. The Executive Board and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by EU.

Oslo, 7 August 2013

Deloitte AS

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

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

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