



NORGES BANK
INVESTMENT MANAGEMENT

2Q | 14
**GOVERNMENT
PENSION FUND
GLOBAL**
QUARTERLY REPORT

HIGHLIGHTS SECOND QUARTER 2014 IN BRIEF

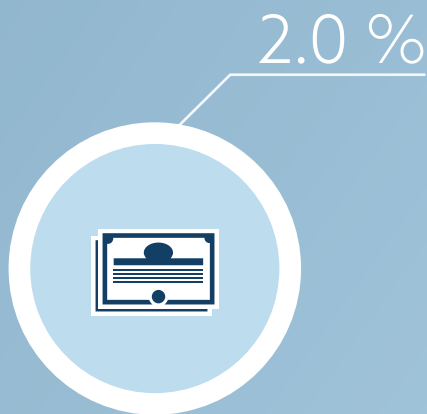
THE GOVERNMENT PENSION FUND GLOBAL RETURNED 3.3 PERCENT, OR 192 BILLION KRONER, IN THE SECOND QUARTER OF 2014.

3.3 %

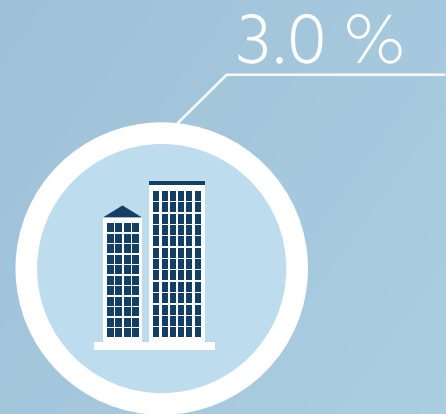
192 Bn. KR



EQUITY INVESTMENTS



FIXED-INCOME INVESTMENTS

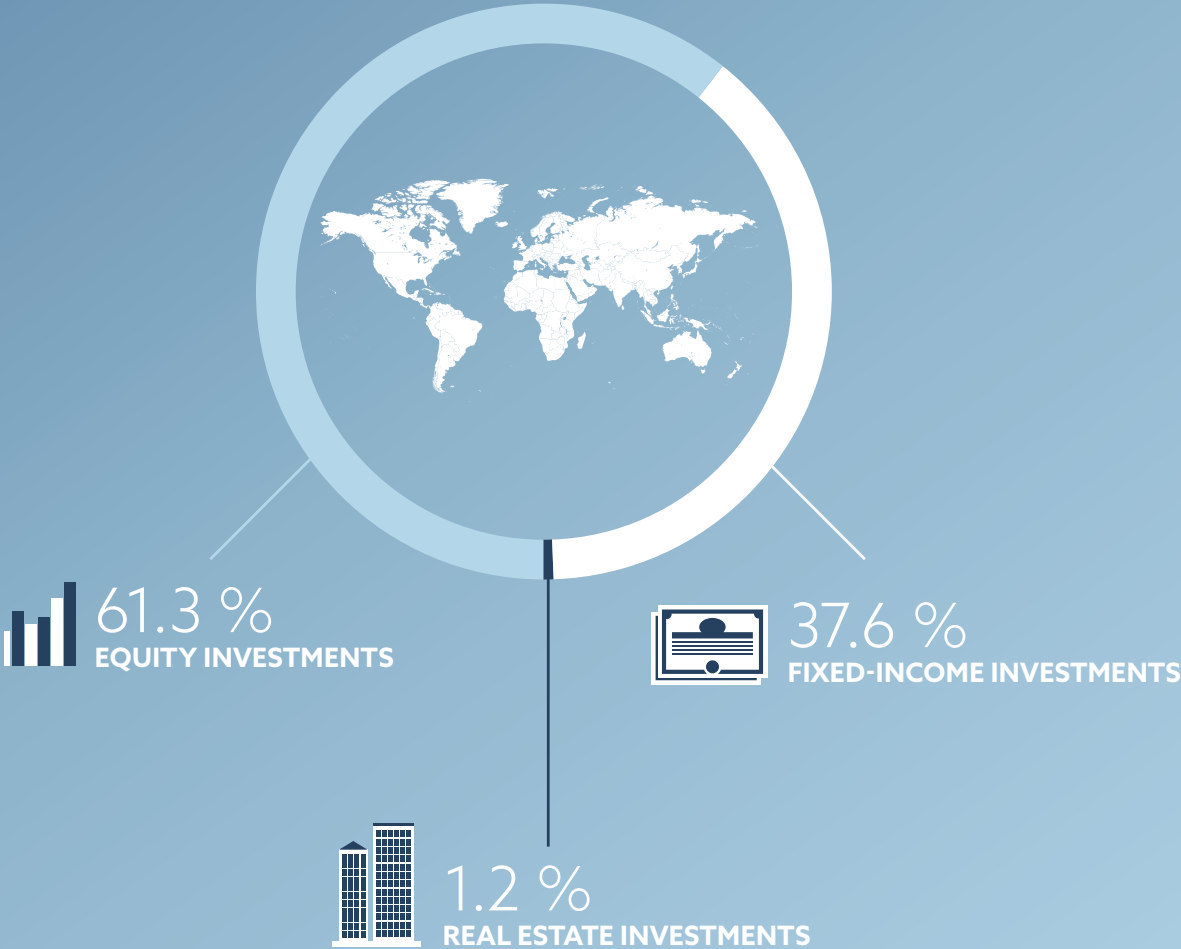


REAL ESTATE INVESTMENTS

EQUITY INVESTMENTS RETURNED 4.0 PERCENT, WHILE FIXED-INCOME INVESTMENTS RETURNED 2.0 PERCENT. INVESTMENTS IN REAL ESTATE RETURNED 3.0 PERCENT.

THE RETURN ON EQUITY AND FIXED-INCOME INVESTMENTS WAS 0.1 PERCENTAGE POINT LOWER THAN THE RETURN ON THE BENCHMARK INDICES.

THE FUND HAD A MARKET VALUE OF 5,478 BILLION KRONER AT THE END OF THE QUARTER AND WAS INVESTED 61.3 PERCENT IN EQUITIES, 37.6 PERCENT IN FIXED INCOME AND 1.2 PERCENT IN REAL ESTATE.



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

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FUND MANAGEMENT

EQUITY INVESTMENTS

Equity investments, which accounted for 61.3 percent of the fund at the end of the quarter, returned 4.0 percent.

Markets were affected during the period by concerns about US economic growth. US GDP figures have been weak, but there was some improvement in other economic variables. The European Central Bank cut its benchmark rate towards the end of the quarter and launched a broad package of measures to boost the supply of credit in the euro area, including cheap long-term financing for European banks. In the UK, the quarter brought positive economic developments and falling unemployment.

There was also growing uncertainty about the Japanese economy following an increase in consumption tax and the somewhat slow progress of ongoing structural reforms. The Chinese market featured growing concern about economic performance, in particular in the real estate market. The Chinese authorities took several steps to support growth during the quarter.

EMERGING MARKETS PERFORM BEST

Emerging markets stood out with a return of 7.4 percent for the quarter, measured in the fund's currency basket. Stock returns were particularly

strong in India, Russia, Turkey and Brazil. This should be seen in the light of previous declines in stockprices in those countries. Emerging markets accounted for 9.9 percent of the fund's equity investments at the end of the quarter. Developed markets returned 3.7 percent.

European stocks returned 2.7 percent and represented 46.2 percent of the fund's equity investments at the end of the period.

North American stocks returned 4.8 percent and made up 31.9 percent of equity investments at the end of the quarter. Stocks in the US, the fund's single largest market, returned 4.4 percent.

In Asia and Oceania, the quarter brought a return of 6.0 percent. Japanese shares returned 6.1 percent and made up 6.9 percent of equity investments at the end of the quarter.

Chinese stocks returned 3.2 percent and accounted for 2.4 percent of equity investments at the end of the period, making China the fund's single largest emerging market.

OIL AND GAS THE BEST-PERFORMING SECTOR

Oil and gas companies were the best performers in the second quarter, with a return of 11.8 percent. This strong return should be seen in the

Table 1 Return on the fund's equity investments in second quarter 2014. By sector. Percent

Sector	Return in international currency	Share of equity investments*
Financials	2.1	23.1
Industrials	2.2	13.9
Consumer goods	4.0	14.0
Consumer services	2.3	9.8
Healthcare	4.5	9.0
Oil and gas	11.8	8.8
Technology	5.4	7.5
Basic materials	4.5	6.3
Telecommunications	2.9	3.5
Utilities	6.9	3.8

* Does not sum up to 100 percent because cash and derivatives are not included.

Table 2 The fund's largest equity holdings as of 30 June 2014. Millions of kroner

Company	Country	Holdings
Nestle SA	Switzerland	41,343
Royal Dutch Shell Plc	UK	32,483
Novartis AG	Switzerland	29,419
Roche Holding AG	Switzerland	25,948
Apple Inc	USA	23,995
BlackRock Inc	USA	22,986
HSBC Holdings Plc	UK	22,912
BG Group Plc	UK	22,431
BP Plc	UK	21,748
Total SA	France	20,901

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. This is referred to as the fund's currency basket and consisted of 34 currencies at the end of the second quarter. Unless otherwise stated in the text, results are measured in the fund's currency basket.

light of the sector having underperformed the wider market for some time and a significant rise in oil prices during the quarter.

Utility companies returned 6.9 percent. There was a shift in investor preferences during the quarter, away from highly priced stocks with high growth expectations in favour of stocks trading at a lower price relative to fundamentals like earnings, dividend and book value. This contributed to the return on utilities, as utilities offer high dividend yields.

Technology companies returned 5.4 percent. The investment in Apple was a major contributor to the return in the sector.

The weakest performer in the second quarter was the financial sector, where the fund's investments returned 2.1 percent. Prices of a number of large financial institutions fell and brought down returns in the sector as a whole. Increased incidence of litigation and increasing settlement costs, together with regulatory pressure on capital ratios

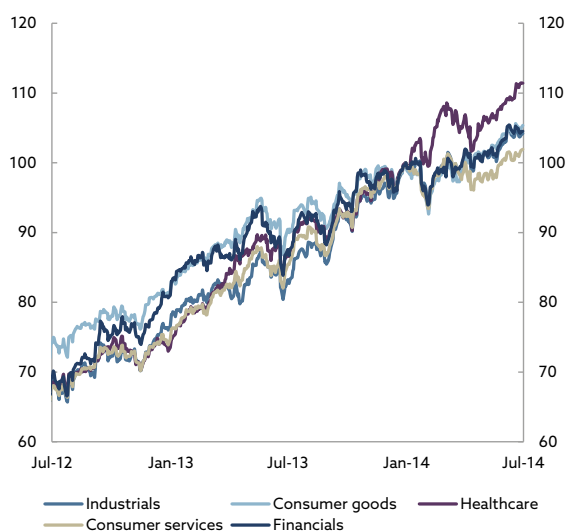
and leverage, had a negative impact on the return in the sector.

INDIVIDUAL STOCKS

The investment in technology company Apple contributed most to the return in the second quarter, followed by oil and gas companies Royal Dutch Shell and BG Group. The investments that made the most negative contributions were financial companies BNP Paribas, UBS and Credit Suisse Group.

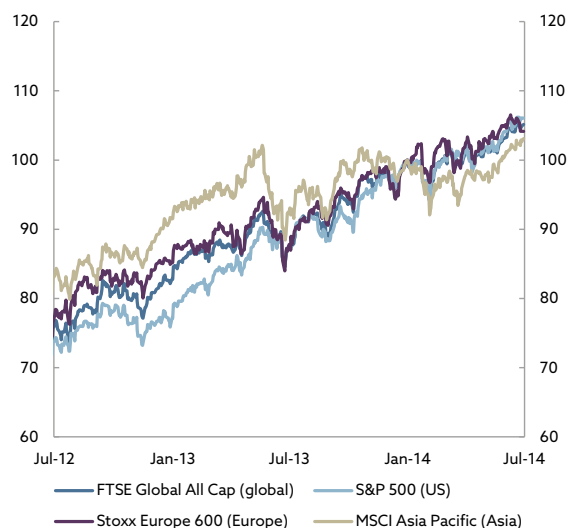
The largest initial public offering in which the fund participated was at US financial company Ally Financial, where the fund purchased shares for 18.8 million dollars, equivalent to around 111.2 million kroner. This was followed by UK retailer B&M European Value Retail and Chinese electronics company JD.com, in which the fund invested 6.8 million pounds and 3.8 million dollars, respectively, equivalent to 67.7 million kroner and 22.6 million kroner, respectively.

Chart 1 Price moves in stock sectors in the FTSE Global All Cap Index. Measured in US dollars. Indexed 31 Dec 2013=100



Source: FTSE

Chart 2 Price developments in regional and global equity markets. Measured in US dollars, except for the Stoxx Europe 600, which is measured in euros. Indexed 31 Dec 2013=100



Source: Bloomberg

FIXED-INCOME INVESTMENTS

Fixed-income investments accounted for 37.6 percent of the fund at the end of the second quarter and returned 2.0 percent. These investments were mainly in bonds, with the remainder in short-term securities and bank deposits.

Interest rates in the fund's main markets remained low during the period, due partly to inflation remaining below central banks' targets. In the euro area, low inflation figures prompted a range of monetary easing measures from the European Central Bank. In the UK, positive economic developments and higher inflation than in the euro area led the Bank of England to move in the opposite direction of the European Central Bank and signal earlier rate increases than the market had been expecting.

In the US, the Federal Reserve did not signal any imminent rate hikes, but continued its tapering of quantitative easing. In Japan, the increase in consumption tax pushed up inflation, which was close to the central bank's target at the end of the quarter.

POSITIVE RETURN ON GOVERNMENT BONDS

Government bonds returned 2.3 percent and accounted for 62.0 percent of the fund's fixed-

income investments at the end of the quarter. Overall, yields on these bonds fell during the quarter, which made a positive contribution to the return.

US Treasuries returned 1.3 percent and made up 20.5 percent of fixed-income investments at the end of the quarter, making them the fund's largest holding of government bonds from a single issuer. Euro-denominated government bonds represented 12.7 percent of the fund's fixed-income holdings and returned 1.8 percent. Despite the Bank of England signalling an earlier increase in interest rates, UK government bonds returned 3.3 percent, due mainly to the pound strengthening. Japanese government bonds returned 1.7 percent and made up 7.8 percent of fixed-income holdings.

INFLATION-LINKED BONDS PERFORM BEST

Inflation-linked bonds were the fund's best-performing fixed-income sector in the second quarter, returning 3.3 percent and accounting for 1.6 percent of total fixed-income investments at the end of the period. Corporate bonds returned 2.0 percent and represented 14.8 percent of fixed-income investments at the end of the quarter. Securitised debt, consisting mainly of covered

Table 3 Return on the fund's fixed-income investments in second quarter 2014. By sector. Percent

Sector	Return in international currency	Share of fixed-income investments*
Government bonds*	2.3	62.0
Government-related bonds*	2.0	13.3
Inflation-linked bonds*	3.3	1.6
Corporate bonds	2.0	14.8
Securitised debt	0.6	8.7

* 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 4 The fund's largest bond investments as of 30 June 2014. Millions of kroner

Issuer	Country	Holdings
United States of America	USA	431,005
Japanese government	Japan	160,808
Federal Republic of Germany	Germany	90,285
UK government	UK	75,518
Mexican government	Mexico	46,753
Italian Republic	Italy	43,698
Federative Republic of Brazil	Brazil	41,746
South-Korean government	South-Korea	36,248
Government of the Netherlands	Netherlands	35,757
Kreditanstalt für Wiederaufbau	Germany	35,003

Table 5 The fund's fixed-income investments as of 30 June 2014 based on credit ratings. Percentage of bond holdings

	AAA	AA	A	BBB	Lower rating	Total
Government bonds	30.9	16.9	4.3	9.5	0.1	61.7
Government-related bonds	6.1	5.2	0.6	1.3	0.1	13.3
Inflation-linked bonds	0.8	0.1	0.0	0.8	-	1.6
Corporate bonds	0.0	1.4	6.8	6.2	0.3	14.7
Securitised debt	6.3	0.4	1.0	0.9	0.0	8.6
Total bonds	44.1	24.0	12.7	18.7	0.6	100.0

bonds, returned 0.6 percent. These holdings were denominated mainly in euros and made up 8.7 percent of fixed-income investments.

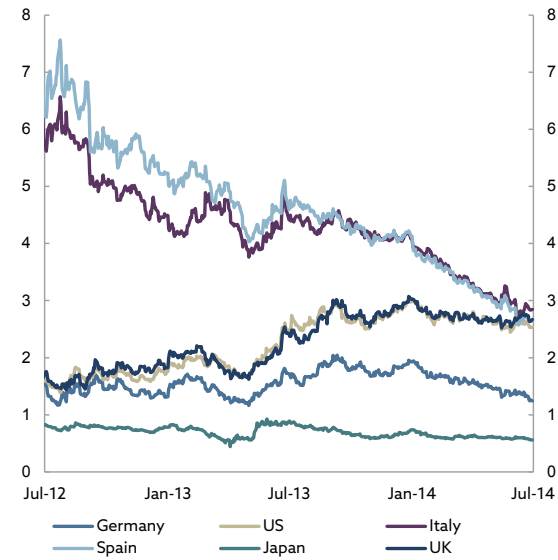
The fund also holds bonds from government-related institutions such as the European Investment Bank, Kreditanstalt für Wiederaufbau and Canada Housing Trust. These bonds returned 2.0 percent and accounted for 13.3 percent of fixed-income investments at the end of the period.

CHANGES IN HOLDINGS

Fixed income investments denominated in emerging market currencies increased from 13.3 percent to 13.4 percent of fixed-income investments during the quarter. Investments in dollars, euros, pounds and yen accounted for 77.8 percent of fixed-income holdings at the end of the period, against 77.7 percent at the end of the first quarter.

The biggest increases in holdings of governments bonds were in Japanese, British and German government bonds, while the biggest decreases were in government bonds from Brazil, Canada and Sweden.

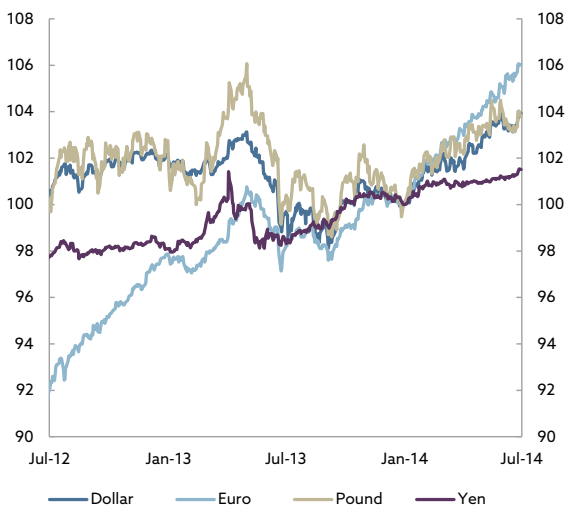
Chart 4 10-year government bond yields. Percent



Source: Bloomberg

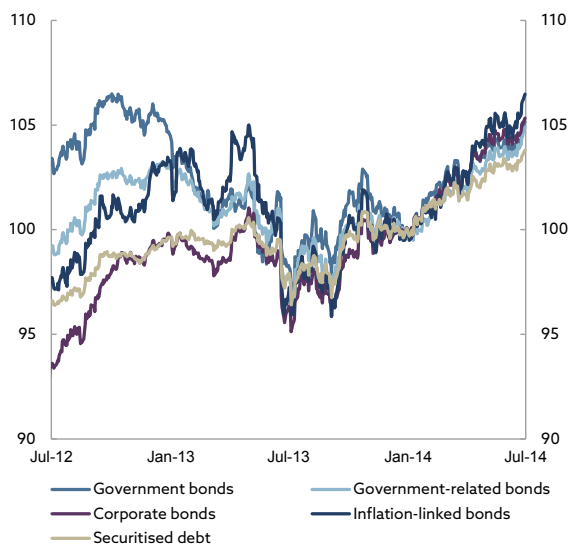
The fund's three largest participations in bond issues other than government debt were in bonds from Westpac Banking Corp, the European Financial Stability Facility and Bank of America Corp.

Chart 3 Price developments for bonds issued in dollars, euros, pounds and yen in the Barclays Global Aggregate Index, measured in local currencies. Indexed. 31 Dec 2013 = 100



Source: Barclays

Chart 5 Price developments in fixed-income sectors in the Barclays Global Aggregate Index, measured in US dollars. Indexed 31 Dec 2013 = 100



Source: Barclays

REAL ESTATE INVESTMENTS

The fund's real estate investments returned 3.0 percent in the second quarter. The return on these investments depends on rental income, changes in the value of properties and debt, movements in exchange rates, and transaction costs for property purchases. Real estate investments amounted to 1.2 percent of the fund at the end of the quarter.

With real estate eventually accounting for as much as 5 percent of the value of the fund, our goal is to build a global, but concentrated, real estate portfolio. We expect to invest one percent of the fund each of the next three years in the private real estate markets.

Measured in local currency, rental income made a positive contribution of 1.1 percentage points to the return, and the net change in the value of properties and debt added 2.3 percentage points. Transaction costs from purchases of properties had no significant effect on the quarterly results, while currency movements made a negative contribution of 0.3 percentage point.

Table 6 Return on the fund's real estate investments in second quarter 2014. Percent

	Return
Net rental income	1.1
Net change in value of properties and debt	2.3
Transaction costs for property purchases	0.0
Foreign exchange adjustments	- 0.3
Overall return*	3.0

* Does not add up due to rounding of decimals.

THE FUND'S RELATIVE RETURN AND INTERNAL REFERENCE PORTFOLIOS

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.

We have also constructed internal reference portfolios for equities and bonds which take into account the fund's special characteristics and objective to achieve a better trade-off over time between expected risks and returns.

THE FUND'S RELATIVE RETURN

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

The fund's equity investments underperformed the benchmark index by 0.2 percentage point. Health care and telecommunications were the sectors that made the greatest negative contributions to the relative return, while basic materials made the most positive contribution. Of the countries the fund was invested in, US and Japanese stocks made the most negative contributions to the relative return, while investments in Germany and Russia made the most positive contributions.

The fund's fixed-income investments underperformed the benchmark index by 0.1 percentage point. Underweight of inflation-linked bonds and US corporate bonds made a negative contribution to the relative return, while an overweight of government bonds from emerging markets made a positive contribution.

THE FUND'S INTERNAL REFERENCE PORTFOLIOS

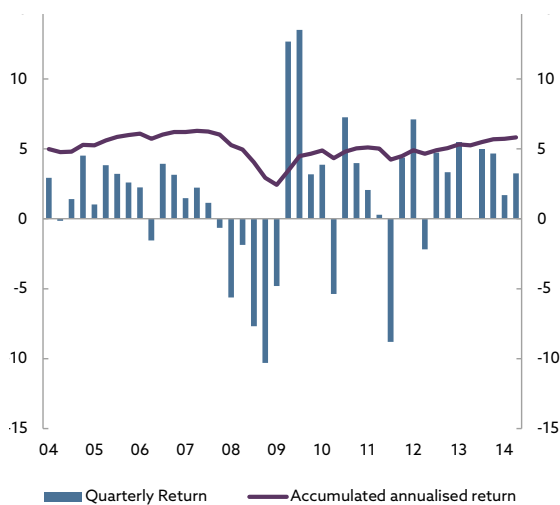
The internal reference portfolio for equity investments returned 4.1 percent in the second quarter, 0.1 percentage point less than the benchmark index set by the Ministry of Finance. The internal reference portfolio for fixed-income investments returned 2.2 percent, 0.1 percentage point more than the benchmark index set by the ministry.

Table 7 Contributions from equity and fixed-income management to the fund's relative return in second quarter 2014. Percentage points

	Total	Attributed to external management
Equity investments	- 0.09	0.01
Fixed-income investments	- 0.03	0.00
Total*	- 0.13	0.01

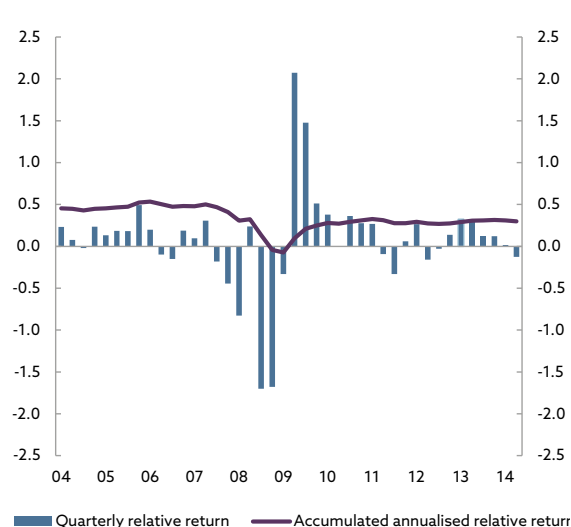
* Does not add up due to rounding of decimals.

Chart 6 The fund's quarterly and accumulated annualised return. Percent



Source: Norges Bank Investment Management

Chart 7 Quarterly relative return and accumulated annualised relative return on the fund, excluding real estate investments. Percentage points



Source: Norges Bank Investment Management

RESPONSIBLE INVESTMENT AND ACTIVE OWNERSHIP

We seek to safeguard the fund's long-term value. A good long-term return is believed to depend on sustainable economic, environmental and social development and well-functioning, legitimate and efficient markets. Our active ownership strategies include dialogue with companies, investors, regulators and standard setters. In addition, we vote at general meetings and we may file shareholder proposals.

In the second quarter we formalised a research project with partners including Columbia University, World Resources Institute and the Rights and Resources Initiative. In the first phase of the project, we will build a database of information on water management, deforestation, land rights, and social and regulatory conditions. In the second phase, we will explore the relationship between mining companies' profitability and environmental, social and governance risk factors.

We took part in consultations on international principles and standards during the quarter. We support the work of the International Corporate Governance Network and submitted our views on its new Global Governance Principles. We gave comments on the European Securities and Markets Authority's new draft on technical standards for central securities depositories and settlement services. In general, we support regulation of financial markets, but we found some of the proposals to be unnecessarily complex. In addition, we provided feedback on the Climate Disclosure Standards Board's draft framework for corporate reporting. In this framework, they have included water and forest as part of the reporting on climate risk. All consultation responses were published in letter form on www.nbim.no.

Norges Bank Investment Management arranged a session during the Singapore International Water Week during the quarter. The purpose of the convention is to share knowledge and create innovative solutions for water management. Water scarcity is a growing risk for many of the companies the fund invests in.

VOTING AND ENGAGEMENT

Norges Bank Investment Management voted at 6,510 company general meetings in the second quarter, the quarter in which the bulk of the year's general meetings take place. We considered and voted on 120 shareholder proposals on environmental and social issues in the light of our principles for long-term active ownership.

Voting is our most important formal right as a shareholder in terms of influencing decisions at the companies in which we have holdings. Voting is a priority activity at Norges Bank Investment Management because it is an effective way of signalling support for well-functioning boards and of making boards accountable. Voting helps safeguard the fund's assets and our interests as a minority shareholder.

Our ownership principles and expectations of companies form the basis of our voting decisions, but we also take into account the characteristics of individual companies.

One of the core principles of good corporate governance is separation of board of directors from the day-to-day management of the company. One of the clearest ways of achieving this is to separate the roles of chairman and CEO. In the second quarter this principle formed the basis for our voting at systemically important financial institutions, where we see particular benefits in keeping the roles of chairman and CEO separate.

We also contacted 33 companies ahead of their general meetings during the quarter to communicate our voting intentions. The idea is to explain the rationale behind our voting decisions.

RISK MANAGEMENT

The fund's market risk is determined by the composition of its investments and by movements in share prices, exchange rates, interest rates and credit risk premiums. 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 – to gain the broadest possible picture of the fund's market 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 can normally be expected to fluctuate. The fund's expected absolute volatility was 8.9 percent, or about 490 billion kroner, at the end of the second quarter, compared with 9.0 percent three months earlier.

The Ministry of Finance and Norges Bank's Executive Board have set limits for deviation from the benchmark indices in the management of the fund's equity and fixed-income investments. One of these limits is expected relative volatility, or tracking error, which puts a ceiling on how much the return on these investments can be expected to deviate from the return on the benchmark indices. The fund should aim for expected relative volatility of no more than 1 percentage point. The actual figure was 0.6 percentage point at the end of the quarter, unchanged from the end of the first quarter.

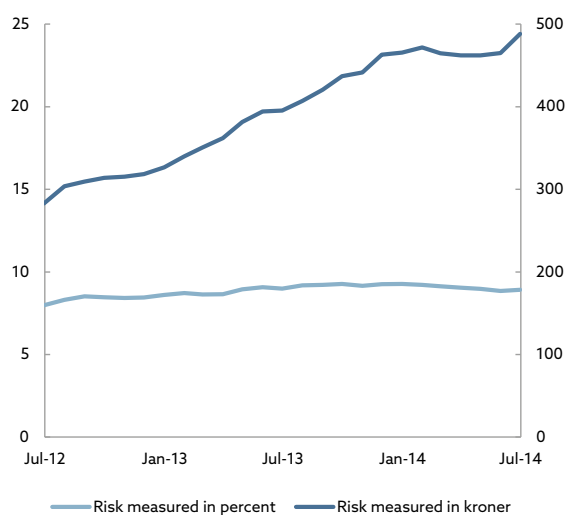
OPERATIONAL RISK MANAGEMENT

Norges Bank's Executive Board sets limits for operational risk management and internal controls at Norges Bank Investment Management. It has decided there must be less than 20 percent probability that operational risk factors will result in gross losses of 750 million kroner or more over a 12-month period, referred to as the Executive Board's risk tolerance.

Each quarter, Norges Bank Investment Management 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 an assessment of future risks and represents the fund's estimated operational risk exposure. Our estimated operational risk exposure remained within the Executive Board's tolerance limit in the second quarter.

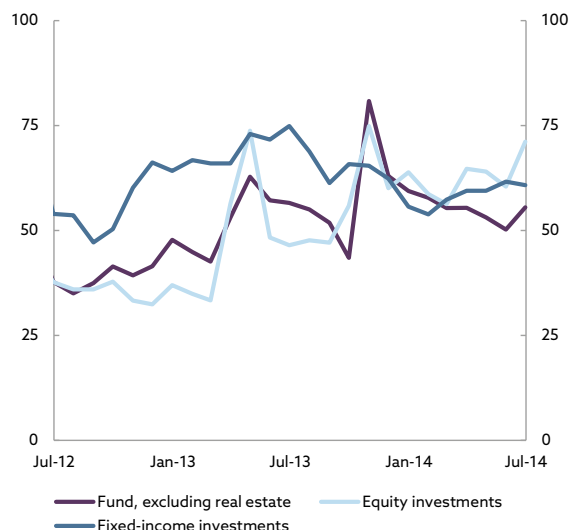
A total of 67 unwanted events were registered in the quarter. Most of these had no financial consequences, and together they had a financial impact of 1.0 million kroner. The Ministry of Finance has set guidelines for the fund's management. No significant breaches of these guidelines were registered in the second quarter, and we did not receive any notifications from local supervisory authorities of any significant breaches of market rules or general legislation.

Chart 8 Expected absolute volatility of the fund. Percent (left-hand axis) and billions of kroner (right-hand axis)



Source: Norges Bank Investment Management

Chart 9 Expected relative volatility of the fund, excluding real estate. Basis points



Source: Norges Bank Investment Management

Table 8 Key figures for the fund's risk and exposure. Percent

	Limits set by the Ministry of Finance	30.06.2014
Exposure	Equities 50-70 % of fund's market value	61.1
	Real estate 0-5 % of fund's market value	1.2
Market risk	1 percentage point 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

KEY FIGURES

Table 9 Quarterly return as of 30 June 2014

	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	Year-to-date 30.06.2014
Returns in international currency						
Return on equity investments (percent)	4.01	1.47	7.41	7.64	0.89	5.54
Return on fixed-income investments (percent)	2.04	2.05	0.13	0.32	-1.40	4.13
Return on real estate investments (percent)	3.04	1.99	3.67	4.09	3.94	5.09
Return on fund (percent)	3.25	1.70	4.66	4.99	0.06	5.01
Return on equity and fixed-income investments (percent)	3.26	1.70	4.67	5.00	0.03	5.01
Return on benchmark equity and fixed-income indices (percent)	3.38	1.68	4.55	4.87	-0.28	5.12
Relative return on equity and fixed-income investments (percentage points)	-0.13	0.01	0.12	0.13	0.31	-0.11
Relative return on equity investments (percentage points)	-0.17	0.07	0.15	0.27	0.34	-0.10
Relative return on fixed-income investments (percentage points)	-0.07	-0.07	-0.02	-0.25	0.29	-0.14
Management costs (percentage points)	0.01	0.02	0.02	0.02	0.02	0.06
Return on fund after management costs (percent)	3.24	1.68	4.65	4.97	0.04	4.95
Returns in kroner (percent)						
Return on equity investments	7.09	0.39	8.30	8.54	4.59	7.51
Return on fixed-income investments	5.06	0.96	0.96	1.15	2.22	6.07
Return on real estate investments	6.09	0.90	4.53	4.96	7.75	7.04
Return on fund	6.31	0.61	5.53	5.86	3.73	6.96
Return on equity and fixed-income investments	6.31	0.61	5.54	5.87	3.70	6.96

Table 10 Historical key figures as of 30 June 2014. 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)	15.39	9.55	11.56	6.53	5.83
Return on equity and fixed-income investments (percent)	15.41	9.56	11.57	6.54	5.84
Return on benchmark equity and fixed-income indices (percent)	15.26	9.33	10.77	6.34	5.54
Relative return on equity and fixed-income investments (percentage points)	0.15	0.23	0.80	0.20	0.30
Standard deviation (percent)	5.44	7.29	7.80	8.57	7.60
Tracking error for equity and fixed-income investments (percentage points)	0.33	0.39	0.50	0.90	0.74
Information ratio (IR)* for equity and fixed-income investments	0.45	0.59	1.61	0.22	0.40
Return on fund (percent)	15.39	9.55	11.56	6.53	5.83
Annual price inflation (percent)	1.83	1.86	2.11	2.13	1.92
Annual management costs (percent)	0.06	0.07	0.08	0.09	0.09
Annual net real return on fund (percent)	13.26	7.49	9.16	4.22	3.75

* 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 11 Key figures as of 30 June 2014

	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013
Market value (billions of kroner)*					
Market value of equity investments	3,357	3,124	3,107	2,998	2,785
Market value of fixed-income investments	2,058	1,927	1,879	1,674	1,571
Market value of real estate investments	63	59	52	42	40
Market value of fund	5,478	5,110	5,038	4,714	4,397
Inflow of new capital*	44	41	62	58	58
Return on fund	192	78	227	228	17
Changes due to fluctuations in krone	132	-47	35	31	139
Total change in fund	368	72	323	318	215
Management costs (percent)					
Estimated transition costs**	0.00	0.00	0.00	0.00	0.00
Annualised management costs	0.05	0.07	0.07	0.06	0.07
Changes in value since first capital inflow in 1996 (billions of kroner)					
Gross inflow of new capital	3,389	3,344	3,302	3,239	3,180
Management costs***	25	25	24	23	22
Inflow of new capital after management costs	3,364	3,319	3,278	3,216	3,158
Return on fund	2,069	1,877	1,799	1,572	1,344
Changes due to fluctuations in krone	45	-86	-39	-74	-105
Market value of fund	5,478	5,110	5,038	4,714	4,397
Return after management costs	2,044	1,852	1,775	1,549	1,322
* The fund's market value shown in this table does not take into account the management fee to Norges Bank Investment Management 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 12 Accumulated return since first capital inflow in 1996. Billions of kroner

	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013
Return on equity investments	1,421	1,283	1,242	1,021	805
Return on fixed-income investments	639	587	551	547	537
Return on real estate investments	8	6	5	3	2
Total return	2,069	1,877	1,799	1,572	1,344

FINANCIAL REPORTING

Norges Bank's interim financial statements, which only encompass the interim financial reporting for the Government Pension Fund Global, were approved by Norges Bank's Executive Board on 6 August 2014. The financial reporting for the Government Pension Fund Global 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

Amounts in NOK million	Note	2Q 2014	2Q 2013 Restated*	Year- to-date 30.06.2014	Year- to-date 30.06.2013 Restated*	2013 Restated*
Profit/loss on the portfolio excluding foreign exchange gains and losses						
Interest income and interest expense from bank deposits		12	29	11	18	61
Interest income, lending associated with reverse repurchase agreements		50	55	97	100	150
Net income/expenses and gains/losses from:						
- Equities and units		147 668	37 902	185 930	244 354	681 787
- Bonds and other fixed-income instruments		43 767	- 21 992	83 533	- 10 484	5 897
- Real estate	6	1 883	906	3 099	1 276	3 236
- Financial derivatives		- 570	838	- 1 847	1 694	1 590
Interest expense, borrowing associated with repurchase agreements		- 10	4	- 34	10	- 34
Other interest income and interest expense		- 1	27	- 3	25	2
Tax expense		- 526	- 446	- 874	- 470	- 1 133
Other expenses		0	- 6	- 1	- 9	- 26
Profit/loss on the portfolio before foreign exchange gains and losses		192 273	17 317	269 911	236 514	691 530
Foreign exchange gains and losses		131 589	139 340	84 698	225 733	291 428
Profit/loss on the portfolio		323 862	156 657	354 609	462 247	982 958
Management fee	4	- 435	- 789	- 1 369	- 1 366	- 2 889
Profit/loss for the period and total comprehensive income	1	323 427	155 868	353 240	460 881	980 069

* See notes 1, 2 and 9 for details regarding restated comparatives.

BALANCE SHEET

Amounts in NOK million	Note	30.06.2014	31.12.2013 Restated*
ASSETS			
Deposits in banks		5 866	3 982
Lending associated with reverse repurchase agreements		89 964	89 189
Unsettled trades		19 075	1 125
Equities and units	5	3 141 406	2 972 317
Equities lent	5	205 685	161 150
Bonds and other fixed-income instruments	5	2 032 171	1 804 456
Bonds lent	5	35 102	75 807
Real estate	6	61 761	51 032
Financial derivatives	5	2 400	1 416
Other assets		3 398	3 522
TOTAL ASSETS	7, 8, 9	5 596 828	5 163 996
LIABILITIES AND OWNER'S CAPITAL			
Liabilities			
Short-term borrowing		27	29
Borrowing associated with repurchase agreements		32 338	69 147
Cash collateral received		54 264	48 064
Unsettled trades		28 970	7 654
Financial derivatives	5	3 071	972
Other liabilities		303	395
Management fee payable	4	1 369	2 889
Total liabilities		120 342	129 150
Owner's capital		5 476 486	5 034 846
TOTAL LIABILITIES AND OWNER'S CAPITAL	7, 8, 9	5 596 828	5 163 996

* See notes 1, 2 and 9 for details regarding restated comparatives.

STATEMENT OF CASH FLOWS

Amounts in NOK million, received (+) / paid (-)	Year-to-date 30.06.2014	Year-to-date 30.06.2013 Restated*	2013 Restated*
Operating activities			
Net cash flow arising from interest received from deposits in banks and interest paid on short-term borrowing from banks	- 938	17	1 396
Net cash flow in connection with repurchase agreements and reverse repurchase agreements	- 41 424	9 779	27 128
Net cash flows arising from purchase and sale of equities and units	- 32 848	- 117 382	- 24 851
Net cash flows arising from purchase and sale of bonds and other fixed-income instruments	- 88 795	- 82 950	- 361 384
Net cash flows arising from purchase and sale of real estate	- 7 632	- 14 283	- 22 757
Net cash flows arising from financial derivatives	- 1 553	277	- 285
Dividends received from investments in equities and units	49 448	41 189	72 637
Interest received on bonds and other fixed-income instruments	31 290	24 755	49 511
Income received in connection with equity and bond lending	1 607	1 744	2 620
Net cash flow arising from real estate operations	889	2 123	4 453
Cash collateral received/paid related to securities lending, derivatives and reverse repurchase agreements	6 200	17 356	15 063
Net cash flow related to other expenses, other assets and other liabilities	770	2 217	- 1 324
Net cash flow arising from tax payments and refunds	- 1 300	- 2 033	- 2 800
Management fee paid to Norges Bank**	- 2 889	- 2 193	- 2 193
Net cash outflow from operating activities	- 87 175	- 119 384	- 242 786
Financing activities			
Inflow from the Norwegian government***	88 966	120 689	240 934
Net cash inflow from financing activities	88 966	120 689	240 934
Net change in cash and cash equivalents			
Cash and cash equivalents at 1 January	3 953	5 845	5 845
Net cash payments in the period	1 791	1 305	- 1 852
Net foreign exchange gains and losses on cash and cash equivalents	95	- 293	- 40
Cash and cash equivalents at end of period	5 839	6 857	3 953
Cash and cash equivalents comprise:			
Bank deposits	5 866	6 876	3 982
Short-term borrowing	- 27	- 19	- 29
Total cash and cash equivalents at end of period	5 839	6 857	3 953

* See notes 1, 2 and 9 for details regarding restated comparatives.

** Management fee shown in the statement of cash flows for a period is the settlement 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

Amounts in NOK million	Inflows from owner	Retained earnings	Translation reserve foreign subsidiaries	Total owner's capital*
1 January 2013	3 057 740	755 844	- 8	3 813 576
Effect of changes in accounting policies	.	- 8	8	0
1 January 2013 restated**	3 057 740	755 836	.	3 813 576
Total comprehensive income restated**	.	460 881	.	460 881
Inflows during the period*	120 800	.	.	120 800
30 June 2013	3 178 540	1 216 717	.	4 395 257
1 January 2013 restated**	3 057 740	755 836	.	3 813 576
Total comprehensive income restated**	.	980 069	.	980 069
Inflows during the period*	241 201	.	.	241 201
31 December 2013	3 298 941	1 735 905	.	5 034 846
1 January 2014	3 298 941	1 735 905	.	5 034 846
Total comprehensive income	.	353 240	.	353 240
Inflows during the period*	88 400	.	.	88 400
30 June 2014	3 387 341	2 089 145	.	5 476 486

* Total owner's capital corresponds to the Ministry of Finance's krone account in Norges Bank. Of the total inflows to the krone account of the Government Pension Fund Global in the first half of 2014, NOK 2.9 billion was used to pay the 2013 accrued management fee to Norges Bank and NOK 85.5 billion was transferred into the investment portfolio. Comparative amounts for the first half of 2013 were NOK 2.2 billion and NOK 118.6 billion, respectively.

** See notes 1, 2 and 9 for details regarding restated comparatives.

NOTES TO THE FINANCIAL REPORTING

NOTE 1 ACCOUNTING POLICIES

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 financial reporting for the Government Pension Fund Global, are prepared in accordance with International Financial Reporting Standards as adopted 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 the Government Pension Fund Global, which shall be prepared in accordance with IFRS.

Norges Bank prepares quarterly financial statements, which solely comprise the quarterly financial reporting 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 2013, with the exception of changes specified in section 2. Norges Bank's accounting policies are presented in Norges Bank's annual financial statements 2013 and an extract of the policies relevant for the investment portfolio are also presented in the Government Pension Fund Global annual report 2013. The quarterly financial statements should also be read in conjunction with Norges Bank's annual financial statements 2013.

2 NEW/AMENDED STANDARDS IMPLEMENTED AS PER 1 JANUARY 2014

IFRS 10 Consolidated Financial Statements

As per 1 January 2014, Norges Bank has adopted IFRS 10. IFRS 10 supersedes IAS 27 *Consolidation and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 defines an investment entity and introduces a mandatory exemption for consolidation for investment entities.

An investment entity under IFRS 10 is an entity that:

- a) Obtains funds from one or multiple investors to deliver professional investment services to the investor(s)
- b) Commits itself towards investor(s) to invest funds solely for capital appreciation, investment income or both, and
- c) Measures and evaluates returns for substantially all investments based on fair value.

It is concluded that the Government Pension Fund Global meets the definition of an investment entity.

This means that investments in subsidiaries are no longer consolidated, but measured at fair value through profit or loss. This is a change in presentation and has no effect on profit or loss. An exception to this is subsidiaries providing investment related services for the Government Pension Fund Global which are not investment entities in their own right. These will continue to be consolidated, but there are no such subsidiaries as per 30 June 2014. Subsidiaries that are measured at fair value through profit or loss are presented in the balance sheet as *Real estate*.

The change in accounting policy has been implemented retrospectively in accordance with the transitional provisions of IFRS 10.

See note 2 Significant estimates and critical accounting judgments and note 9 Effect of changes in accounting policies for more information.

IFRS 11 Joint Arrangements and IAS 28 Associates and Joint Ventures (revised 2011) and related amendments

As per 1 January 2014, Norges Bank has adopted IFRS 11 as well as the revised IAS 28 and amendments related to these standards. As the Government Pension Fund Global is considered to be an Investment Entity under IFRS 10, as described in the previous section, IFRS 11 and the changes to IAS 28 have had no impact on the financial reporting.

IFRS 12 Disclosure of Interests in Other Entities

As per 1 January 2014, Norges Bank has adopted IFRS 12, inclusive of amendments. IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities as well as the effects of those interests on the entity's balance sheet, income and cash flows. The amendments also require detailed disclosure related to investment entities. These requirements will be included in the annual report 2014. Apart from this, Norges Bank does not expect that implementation will have a significant impact on the financial reporting.

IAS 32 Financial Instruments: Presentation

As per 1 January 2014, Norges Bank has adopted the amendments to IAS 32 regarding offsetting of financial assets and financial liabilities. The amendments to IAS 32 clarify offsetting criteria and prescribe the application, in particular the definition of a legally enforceable right of off-set and when gross settlement systems are considered equivalents of net settlement. These amendments have no impact on the financial reporting.

Currency

As a consequence of not consolidating subsidiaries after implementation of IFRS 10, there will be no more translation differences in Total comprehensive income. These effects will be included in profit or loss.

3 IASB FINAL STANDARDS AND IFRIC INTERPRETATIONS WITH EXPECTED EU ENDORSEMENT DATE AFTER 2014

There are no IFRS standards or IFRIC interpretations approved by the IASB during the first half of 2014 with a material effect for the financial reporting of Norges Bank. For a comprehensive overview of new standards and amendments not yet implemented, reference is made to note 1 in Norges Bank's annual financial statements 2013.

NOTE 2 SIGNIFICANT ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of the financial statements of Norges Bank, which include the financial reporting for 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 2013, which are also presented as an extract in the Government Pension Fund Global's annual report 2013.

Fair value of subsidiaries

Subsidiaries are measured at fair value. The fair value of the entities is the sum of the fair values of all assets, less liabilities measured at fair value. Substantially, this comprises investment property and external debt.

Fair value of investment property is based on external valuations, or recently completed comparable transactions in comparable markets. Determining the fair value of such valuations involves the use of estimated future cash flows from the assets (based on assumptions such as occupancy, tenant profiles, future income streams, values of equipment and the property's condition) and discount rates for such assets.

Assessment of whether the Government Pension Fund Global is an investment entity

Norges Bank has implemented IFRS 10 in 2014, which introduces an exemption from consolidation for reporting entities that qualify as investment entities. As part of the requirements specified in note 1 Accounting policies, an investment entity shall have a strategy that defines the time horizon for the realization of investments. The Government Pension Fund Global has a very long time horizon. After an overall assessment, it has been concluded that the Government Pension Fund Global meets the criteria in the definition of an investment entity.

NOTE 3 SPECIFICATION OF RETURNS PER ASSET CLASS

Table 3.1 Specification of returns per asset class

Amounts in percent	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013	Year-to-date 30.06.2014
Returns in international currency							
Return on equity investments	4.01	1.47	7.41	7.64	0.89	8.25	5.54
Return on fixed-income investments	2.04	2.05	0.13	0.32	-1.40	1.06	4.13
Return on real estate investments	3.04	1.99	3.67	4.09	3.94	-0.34	5.09
Return on fund	3.25	1.70	4.66	4.99	0.06	5.45	5.01
Return on equity and fixed-income investments	3.26	1.70	4.67	5.00	0.03	5.49	5.01
Return on benchmark equity and fixed-income indices	3.38	1.68	4.55	4.87	-0.28	5.16	5.12
Relative return on equity and fixed-income investments	-0.13	0.01	0.12	0.13	0.31	0.32	-0.11
Relative return on equity investments	-0.17	0.07	0.15	0.27	0.34	0.32	-0.10
Relative return on fixed-income investments	-0.07	-0.07	-0.02	-0.25	0.29	0.22	-0.14
Returns in kroner							
Return on equity investments	7.09	0.39	8.30	8.54	4.59	10.83	7.51
Return on fixed-income investments	5.06	0.96	0.96	1.15	2.22	3.46	6.07
Return on real estate investments	6.09	0.90	4.53	4.96	7.75	2.03	7.04
Return on fund	6.31	0.61	5.53	5.86	3.73	7.96	6.96
Return on equity and fixed-income investments	6.31	0.61	5.54	5.87	3.70	8.00	6.96

Returns in the table above are a reproduction of return information in table 1-9 in the quarterly report chapter *Key figures*. For additional information on the method

used in the return calculation, see Government Pension Fund Global annual report 2013, note 3.

NOTE 4 MANAGEMENT COSTS

Management costs comprise operating expenses relating to the management of the Government Pension Fund Global. Management costs incurred by Norges Bank as the asset manager are specified in table 4.1. Real estate subsidiaries also incur administrative expenses. These expenses are charged directly to the line *Net income/expense - gains/losses from: Real Estate*, see the specification in table 4.2.

Management costs are covered by the Ministry of Finance up to a certain limit. The limit for management costs is 9 basis points for 2014, and includes both mentioned elements excluding performance-based fees to external managers. Management costs incurred in subsidiaries that are included in the limit (see specification in table 4.2) are not charged to Norges Bank as the asset manager, and are deducted from the refunded amount (management fee).

Total management costs excluding performance-based fees, which are measured against the limit, amount to NOK 1 279 million on a year-to-date basis. This amount comprises NOK 1 241 million in Norges Bank operating expenses excluding performance-based fees and NOK 38 million in operating expenses in subsidiaries. This corresponds to 5.0 basis points of assets under management on an annual basis.

Total management costs including performance-based fees amount to NOK 1 407 million on a year-to-date basis, and comprise NOK 1 369 million in total Norges Bank operating expenses related to the management of the Government Pension Fund Global and NOK 38 million in operating costs in subsidiaries. This corresponds to 5.5 basis points of assets under management on an annual basis.

Table 4.1 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 4.1 Specification management fee

Amounts in NOK million	2Q 2014	2Q 2013	Year-to-date 30.06.2014	Basis points	Year-to-date 30.06.2013	Basis points	2013	Basis points
Salary, social security and other personnel related costs	172	151	350		312		709	
Custody and settlement costs	108	105	229		208		423	
IT-services, systems and data*	114	112	233		219		454	
Research, consulting and legal fees*	36	31	72		39		99	
Other costs	32	24	63		42		103	
Allocated common costs Norges Bank	28	25	57		50		104	
Base fees to external managers	133	97	237		191		313	
Management fee excluding performance-based fees	623	545	1 241	4.8	1 060	5.2	2 205	5.0
Performance-based fees to external managers**	- 188	244	128		306		684	
Total management fee	435	789	1 369	5.3	1 366	6.7	2 889	6.6

* From the third quarter of 2013, Outsourced IT and analysis costs were moved and presented as respectively IT-services, systems and data and Research, consulting and legal fees. Comparative amounts for the second quarter of 2013 have been restated.

** Performance-based fees to external managers are negative, due to the release of provisions.

Fees to external managers and custody and settlement fees are invoiced directly and paid individually for each portfolio managed by Norges Bank. All other costs included in the basis for calculation of the management fee are costs that are common to the management, and are allocated to the individual portfolio using a cost allocation model based primarily on market values and asset class composition. Performance-based fees to

external managers are covered outside of the set limit, as part of the management fee. The management fee is a function of expenses presented in Norges Bank's income statement.

Table 4.2 gives a specification of operating expenses in real estate related subsidiaries that are included in Norges Bank's management fee limit.

Table 4.2 Specification operating expenses, real estate

Amounts in NOK million	2Q 2014	2Q 2013	Year-to-date 30.06.2014	Year-to-date 30.06.2013	2013
Salary, social security and other personnel related costs	7	5	13	9	20
IT-services, systems and data, outsourced administrative services	3	1	6	3	6
Research, consulting and legal fees	4	2	8	3	14
Fees related to real estate asset management (external)	1	3	3	6	11
Other costs, subsidiaries	4	3	8	6	10
Total operating expenses, real estate subsidiaries included in Norges Bank's management fee limit and charged directly to the portfolio profit and loss	19	14	38	27	61

The expenses specified in table 4.2 are included in *Net income/expenses - gains/losses from: Real Estate* and are paid with funds belonging to the subsidiaries, and

accounted for in the Government Pension Fund Global income statement as part of the fair value measurement of the subsidiaries.

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

Table 5.1 Specification equities and units

Amounts in NOK million	30.06.2014		31.12.2013	
	Fair value including dividends	Accrued dividends	Fair value including dividends	Accrued dividends
Equities and units				
Listed equities and units	3 347 091	6 164	3 133 467	3 215
Total equities and units	3 347 091	6 164	3 133 467	3 215
<i>Of which equities lent</i>	<i>205 685</i>		<i>161 150</i>	

Table 5.2 Specification bonds and other fixed-income instruments

Amounts in NOK million	30.06.2014			31.12.2013		
	Nominal value*	Fair value incl. accrued interest	Accrued interest	Nominal value*	Fair value incl. accrued interest	Accrued interest
Bonds and other fixed-income instruments						
Government bonds	1 203 716	1 275 685	9 969	1 134 335	1 180 774	9 896
Government-related bonds	258 193	274 591	2 858	216 521	226 408	2 519
Inflation-linked bonds	27 429	33 801	135	25 933	30 318	154
Corporate bonds	286 994	304 761	3 428	237 584	246 288	3 170
Securitised bonds	164 709	178 435	2 057	185 049	196 475	3 161
Total bonds and other fixed-income instruments	1 941 041	2 067 273	18 447	1 799 421	1 880 263	18 900
<i>Of which bonds lent</i>		<i>35 102</i>			<i>75 807</i>	

* Nominal value comprises the principal translated into NOK at the exchange rate on the balance sheet date.

Table 5.3 Specification financial derivatives

Amounts in NOK million	Fair value 30.06.2014			Fair value 31.12.2013*		
	Asset	Liability	Net	Asset	Liability	Net
Financial derivatives						
Foreign exchange contracts	809	1 671	- 862	460	273	187
Swap contracts	219	1 400	- 1 181	574	699	- 125
Options	1 372	-	1 372	382	-	382
Total financial derivatives	2 400	3 071	- 671	1 416	972	444

* From first quarter 2014, variation margin is considered settlement of exchange traded futures and equity swaps. In the comparative amounts, these instruments have been reclassified from *Financial derivatives* to *Deposits in banks*. The change has no impact on the income statement.

NOTE 6 REAL ESTATE

Real estate in the investment portfolio of the Government Pension Fund Global comprises unlisted investments. Real estate investments are held through subsidiaries of Norges Bank. The Government Pension Fund Global's investments in real estate are financed with equity, loans or a combination of the two. The cash flow to the Government Pension Fund Global is dividend and interest income, and repayments of loans and paid-in capital. The cash flow is based on received rental income less operating expenses and paid taxes.

Subsidiaries are measured at fair value through profit and loss and presented on one line in the balance sheet

of the Government Pension Fund Global as *Real estate*. The fair value of the entities is the sum of the fair values of all assets, less liabilities at fair value. This mainly comprises investment property and external debt.

Changes in fair value of the shares in subsidiaries are included in the income statement of the Government Pension Fund Global as *Net income/expense - gains/losses from: Real estate*. The most significant income-, value change- and expense elements included in this line are specified in table 6.1.

Table 6.1 Net income/expense - gains/losses from: Real estate

Amounts in NOK million	2Q 2014	2Q 2013	Year-to-date 30.06.2014	Year-to-date 30.06.2013	2013
Net rental income*	732	502	1 582	869	2 215
Fair value changes - investment property	1 486	344	2 153	549	1 539
Fair value changes - debt	- 121	246	- 151	198	336
Transaction costs	- 2	- 10	- 95	- 78	- 201
Interest expense external debt	- 68	- 61	- 133	- 106	- 239
Tax expense payable	- 18	- 19	- 43	- 30	- 64
Change in deferred tax	- 57	- 80	- 81	- 94	- 182
Operating expenses within the limit from the Ministry of Finance**	- 19	- 14	- 38	- 27	- 61
Other expenses***	- 50	- 2	- 95	- 5	- 107
Net income/expenses - gains/losses from: Real estate	1 883	906	3 099	1 276	3 236

* Net rental income mainly comprises received and earned rental income, minus costs relating to the operation and maintenance of properties.

** See table 4.2 for specification of the operating expenses that are part of the management fee limit from the Ministry of Finance.

*** Other expenses comprise fees to external managers for management of the properties, as well as other costs not included in the management fee limit from the Ministry of Finance.

Table 6.2 shows the profit/loss on the real estate asset class and, in addition to the specification in table 6.1,

also includes income and expenses that arise on a Government Pension Fund Global level.

Table 6.2 Income statement - real estate asset class

Amounts in NOK million	2Q 2014	2Q 2013	Year-to-date 30.06.2014	Year-to-date 30.06.2013	2013
Net income/expenses - gains/losses from:					
- Real estate	1 883	906	3 099	1 276	3 236
- Financial derivatives	-	- 23	51	1	- 23
Tax expense	80	-	40	-	- 39
Other expenses	1	-	-	-	- 2
Profit/loss on the portfolio before foreign exchange gains and losses - asset class real estate	1 964	883	3 190	1 277	3 172

Table 6.3 specifies the changes in carrying amounts for the line *Real estate*.

Table 6.3 Changes in carrying amounts Real estate

Amounts in NOK million	30.06.2014	31.12.2013
Real estate, opening balance 1 January	51 032	25 008
Additions new investments	6 518	22 460
Improvements existing investments	359	296
Fair value changes – investment property	2 153	1 540
Fair value changes – debt	- 151	336
Net change paid-in capital	962	- 3 004
Net change other assets and liabilities	- 101	182
Foreign currency translation effect	989	4 214
Real estate, closing balance for the period	61 761	51 032

Table 6.4 shows the assets and liabilities for the real estate asset class and, in addition to the specification

in table 6.3, also includes assets and liabilities on a Government Pension Fund Global level.

Table 6.4 Assets and liabilities – real estate asset class

Amounts in NOK million	30.06.2014	31.12.2013
Deposits in banks	131	609
Real estate	61 761	51 032
Financial derivatives	243	190
Other assets*	870	18
Other liabilities	0	- 54
Total assets and liabilities – real estate asset class	63 005	51 794

* Other assets comprise of balances between the real estate portfolio and other asset classes.

NOTE 7 FAIR VALUE MEASUREMENT

All assets and liabilities measured at fair value 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.

Table 7.1 Specification of investments by level of valuation uncertainty

Amounts in NOK million	Level 1		Level 2		Level 3		Total	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equities and units	3 311 637	3 130 980	33 249	734	2 205	1 753	3 347 091	3 133 467
Government bonds	1 076 638	1 021 481	199 047	159 293	-	-	1 275 685	1 180 774
Government-related bonds	222 625	173 767	51 544	52 134	422	507	274 591	226 408
Inflation-linked bonds	27 846	26 676	5 955	3 642	-	-	33 801	30 318
Corporate bonds	698	2 062	303 476	243 194	587	1 032	304 761	246 288
Securitised bonds	145 615	153 273	32 352	43 170	468	32	178 435	196 475
Total bonds	1 473 422	1 377 259	592 374	501 433	1 477	1 571	2 067 273	1 880 263
Financial derivatives (assets)	-	192	2 400	1 224	-	-	2 400	1 416
Financial derivatives (liabilities)	-	-	- 3 071	- 972	-	-	- 3 071	- 972
Total financial derivatives	-	192	- 671	252	-	-	- 671	444
Real estate	61 761	51 032	61 761	51 032
Deposits in banks	.	.	5 866	3 982	.	.	5 866	3 982
Lending associated with reverse repurchase agreements	.	.	89 964	89 189	.	.	89 964	89 189
Other assets	.	.	3 398	3 522	.	.	3 398	3 522
Unsettled trades (asset)	.	.	19 075	1 125	.	.	19 075	1 125
Unsettled trades (liability)	.	.	- 28 970	- 7 654	.	.	- 28 970	- 7 654
Short-term borrowing	.	.	- 27	- 29	.	.	- 27	- 29
Borrowing associated with repurchase agreements	.	.	- 32 338	- 69 147	.	.	- 32 338	- 69 147
Cash collateral received	.	.	- 54 264	- 48 064	.	.	- 54 264	- 48 064
Other liabilities	.	.	- 303	- 395	.	.	- 303	- 395
Total other	.	.	2 401	- 27 471	.	.	2 401	- 27 471
Total	4 785 059	4 508 431	627 353	474 948	65 443	54 356	5 477 855	5 037 735

Valuation uncertainty for the Government Pension Fund Global in total at the end of the second quarter of 2014 is practically unchanged compared to year-end. For the equity and fixed income asset classes, there have not been significant changes to the composition of the portfolios. The value of Level 3 holdings within these asset classes has been stable throughout the quarter, and constitutes approximately 0.07 percent of the total holdings. The value of Level 2 bonds as a percent of the total bond holdings has increased by 2 percentage points since year-end, but is unchanged from the previous quarter. The increase is mainly due to a combination of purchases of treasuries in emerging markets and corporate bonds in developed markets, as well as a reclassification of bonds from Level 1 to Level 2. The relative increase in equities classified as Level 2 is mostly caused by a reclassification from Level 1 securities, as a result of changed pricing methods. 88 percent of the total holdings in the equity- and bond portfolios are classified as Level 1.

From the first quarter of 2014, subsidiaries are no longer consolidated. Instead, investments in subsidiaries are measured at fair value through profit or loss. This value is arrived at by aggregating the fair values of all assets, less liabilities measured at fair

value in the subsidiaries. Any valuation uncertainty is therefore related to the underlying assets and liabilities, mainly the investment properties and external debt. See note 2 Significant estimates and critical accounting judgements for information regarding the fair value measurement of real estate subsidiaries as a result of the implementation of IFRS 10, and note 6 Real estate.

External valuations are collected for all properties at the end of each quarter. Properties constitute the major part of the balance sheet line *Real estate*. All properties are measured according to estimated fair value from external valuers, with the exception of newly acquired properties where the purchase price is considered to be the best estimate of fair value. The increase in real estate classified as Level 3 is mostly due to positive fair value changes as described in note 6 Real Estate. Valuation uncertainty related to real estate investments is mainly unchanged compared to year-end.

For information on the control environment and valuation techniques related to fair value measurement, reference is made to note 12 in the Government Pension Fund Global annual report 2013.

NOTE 8 RISK

MARKET RISK

Market risk is the risk of changes in the value of the portfolio due to movements in equity prices, interest rates, exchange rates and credit spreads. Norges Bank measures market risk both absolute and relative to the benchmark index 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 value in percent by country and currency				Market value in percent by asset class		Assets minus liabilities excluding management fee	
	Market	30.06.2014	Market	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equities	Developed	89.9	Developed	90.2				
	United States	29.4	United States	29.2				
	United Kingdom	14.3	United Kingdom	14.8				
	France	6.8	Japan	6.7				
	Germany	6.7	Germany	6.7				
	Japan	6.6	France	6.7				
	Total other	26.0	Total other	26.1				
	Emerging	10.1	Emerging	9.8				
	China	2.5	China	2.5				
	Taiwan	1.5	Taiwan	1.4				
	Brazil	1.3	Brazil	1.3				
	India	1.0	Russia	0.7				
	Russia	0.7	India	0.7				
	Total other	3.2	Total other	3.1				
Total Equities					61.28	61.67	3 356 574	3 106 945
Fixed income	Developed	86.6	Developed	88.0				
	US Dollar	37.5	US Dollar	38.4				
	Euro	26.8	Euro	27.8				
	Japanese Yen	8.0	Japanese Yen	7.4				
	British Pound	5.5	British Pound	5.2				
	Canadian Dollar	3.4	Canadian Dollar	3.5				
	Total other	5.5	Total other	5.8				
	Emerging	13.4	Emerging	12.0				
	Mexican Peso	2.0	Mexican Peso	1.7				
	Brazilian Real	1.7	South Korean Won	1.6				
	South Korean Won	1.6	Brazilian Real	1.5				
	Russian Rouble	1.3	Russian Rouble	1.3				
	Turkish Lira	1.0	Polish Zloty	0.8				
	Total other	5.8	Total other	5.1				
Total Fixed income					37.57	37.30	2 058 276	1 878 996
Real estate	United States	25.6	United Kingdom	27.0				
	United Kingdom	25.5	France	22.5				
	France	19.0	United States	18.7				
	Switzerland	11.5	Switzerland	13.8				
	Germany	7.1	Germany	8.5				
	Total other	11.3	Total other	9.6				
Total Real estate					1.15	1.03	63 005	51 794

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								
	30.06.2014	Min 2014	Max 2014	Average 2014	31.12.2013	Min 2013	Max 2013	Average 2013
Portfolio	8.9	8.9	9.3	9.1	9.3	8.5	9.4	9.0
Equities	13.7	13.6	14.4	14.0	14.2	13.7	14.4	14.1
Fixed income	8.5	8.4	8.9	8.6	8.7	8.3	8.9	8.6

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

Expected relative volatility								
	30.06.2014	Min 2014	Max 2014	Average 2014	31.12.2013	Min 2013	Max 2013	Average 2013
Portfolio	56	49	63	56	59	32	81	53
Equities	71	55	71	62	64	33	76	51
Fixed income	61	52	63	58	56	50	75	64

The models that are used in the calculation of the above information are explained in note 13 Risk in the 2013 annual report for the Government Pension Fund Global.

Risk as measured by expected volatility indicates a decrease for the portfolio in the second quarter of the year, from 9.3 at the start of the year, to 8.9. Expected volatility for equities has fallen from 14.2 to 13.7, while expected volatility for bonds decreased from 8.7 to 8.5. The risk measure indicates an expected an annual value

change of 8.9 percent, or approximately NOK 490 billion, at the quarter-end.

CREDIT RISK

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

Table 8.4 Bond portfolio specified by credit rating

Amounts in NOK million, 30.06.2014	AAA	AA	A	BBB	Lower rating	Total
Government bonds	638 852	349 891	87 908	196 182	2 851	1 275 684
Government-related bonds	125 139	106 914	11 720	27 874	2 944	274 591
Inflation-linked bonds	16 157	1 496	356	15 792	-	33 801
Corporate bonds	675	29 082	141 233	128 031	5 739	304 760
Securitised bonds	130 429	8 179	21 005	18 143	681	178 437
Total bonds and other fixed-income instruments	911 252	495 562	262 222	386 022	12 215	2 067 273

Amounts in NOK million, 31.12.2013	AAA	AA	A	BBB	Lower rating	Total
Government bonds	658 742	298 019	71 283	150 360	2 369	1 180 774
Government-related bonds	105 869	85 439	11 294	21 271	2 535	226 408
Inflation-linked bonds	16 180	1 431	271	12 435	-	30 318
Corporate bonds	871	23 080	109 052	108 438	4 847	246 288
Securitised bonds	126 600	11 855	26 525	30 285	1 210	196 475
Total bonds and other fixed-income instruments	908 262	419 825	218 425	322 789	10 961	1 880 263

The share of bond holdings categorised with a credit rating of AAA decreased to 44.1 percent at the quarter-end compared to 48.3 percent at year-end 2013. This is mostly due to decrease in holdings of US treasuries. However, the BBB category has increased to 18.7 percent at the quarter-end compared to 17.2 percent at year-end, mainly due to purchases of treasuries issued in emerging markets and an increase in holdings of corporate bonds in the BBB category. The credit quality of the bond portfolio in total has declined somewhat since year-end 2013, as a result of this.

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

Amounts in NOK million, 30.06.2014	Gross exposure	Effect of netting	Collateral and guarantees	Net exposure
Time deposits and unsecured bank deposits*	5 866	-	-	5 866
OTC derivatives including foreign exchange contracts	5 320	3 554	35	1 731
Repurchase and reverse repurchase agreements	554	37	-	516
Securities lending transactions	21 375	-	20 052	1 324
Cash and bonds posted as collateral for futures trades	3 095	-	-	3 095
Settlement risk towards broker and long settlement transactions	929	-	-	929
Total	37 139	3 591	20 087	13 461

Amounts in NOK million, 31.12.2013	Gross exposure	Effect of netting	Collateral and guarantees	Net exposure
Time deposits and unsecured bank deposits*	3 933	-	-	3 933
OTC derivatives including foreign exchange contracts**	4 652	1 948	298	2 406
Repurchase and reverse repurchase agreements	660	86	-	574
Securities lending transactions	18 542	-	11 008	7 534
Cash and bonds posted as collateral for futures trades**	2 997	-	-	2 997
Settlement risk towards broker and long settlement transactions	-	-	-	-
Total	30 784	2 034	11 306	17 444

* The amount includes bank deposits in real estate subsidiaries that are not consolidated.

** The methodology for calculation of counterparty exposure for securities lending transactions and contract for difference transactions is adjusted. Cash pledged as collateral for contract for difference transactions is now presented in the line *OTC derivatives including foreign exchange contracts*. Comparatives for 2013 are restated.

Table 8.5 shows counterparty risk by type of position as at 30 June 2014. Counterparty risk measured in net exposure is decreased since year-end 2013. This is mainly due to the fact that security lending agents have extended their guarantee responsibilities. However,

counterparty risk measured in gross exposure has increased since year-end and this is mainly due to increased equity securities lending, together with high cash levels at the quarter-end.

NOTE 9 EFFECT OF CHANGES IN ACCOUNTING POLICIES

As a consequence of the implementation of IFRS10, Norges Bank has changed the accounting policies related to subsidiaries established as a part of the management of the Government Pension Fund Global. Subsidiaries previously consolidated are now measured at fair value through profit or loss and presented on one balance sheet line as *Real estate*. The change has been implemented retrospectively. Quantitative information is presented for the financial year immediately preceding the date of implementation, i.e. the financial year 2013. Additionally, the effect on *Owner's capital* is specified as at 1 January 2013.

In the income statement, revenues and expenses that were previously consolidated are now presented together on the line *Net income/expenses and gains/losses from: Real estate*. In addition, the translation reserve arising from consolidation of foreign subsidiaries is reclassified from comprehensive income to *Foreign exchange gains and losses* in the income

statement. Similarly, assets and liabilities previously consolidated are presented together on the line *Real estate*.

In *Owner's capital*, the accumulated translation reserve from consolidation of foreign subsidiaries is reclassified to retained earnings.

Comparative amounts have been restated according to the transition provisions and the effect is presented in tables 9.1-9.3 below. See also note 1 Accounting policies and note 2 Significant estimates and critical accounting judgements.

Table 9.1 shows the effect of changes in accounting principles on the income statement. Negative signs mean a decrease of income or increase of expenses. Positive signs mean an increase of income or decrease of expenses.

Table 9.1 Effects of changes in accounting policies – income statement

Amounts in NOK million	Change				Reported	2013 Effect of IFRS 10	Restated
	1Q 2013	2Q 2013	3Q 2013	4Q 2013			
INCOME STATEMENT							
Net income/expenses and gains/losses from:							
- Financial assets real estate	- 187	- 141	- 214	- 373	915	- 915	-
- Investment properties	- 66	- 377	- 112	- 152	707	- 707	-
- Jointly controlled entities and associates real estate*	- 115	- 358	- 413	- 960	1 846	- 1 846	-
- Real estate	370	909	855	1 102	.	3 236	3 236
Tax expense	20	73	18	47	- 1 291	158	- 1 133
Other interest income and interest expense*	- 39	- 129	- 157	324	2	-	2
Other expenses	17	23	23	11	- 100	74	- 26
Profit/loss on the portfolio before foreign exchange gains and losses	-	-	-	-	691 530	-	691 530
Foreign exchange gains and losses	180	199	- 2	3 280	287 771	3 657	291 428
Profit/loss for the period	180	199	- 2	3 280	976 412	3 657	980 069
STATEMENT OF COMPREHENSIVE INCOME							
Translation reserve arising from consolidation of foreign subsidiaries that may be reclassified to the income statement	- 180	- 199	2	- 3 280	3 657	- 3 657	-
Total comprehensive income	-	-	-	-	980 069	-	980 069

* Other interest income and interest expense was reclassified in 4Q 2013 to *Net income/expenses and gains/losses from: Jointly controlled entities and associates real estate*.

Tables 9.2 and 9.3 show the effect of changes in accounting principles on the balance sheet and owner's capital. Negative signs mean a reduction of assets,

liabilities or owner's capital. Positive signs mean an increase of assets, liabilities or owner's capital.

Table 9.2 Effects of changes in accounting policies – balance sheet

Amounts in NOK million	31.12.2013		
	Reported	Effect of IFRS 10	Restated
ASSETS			
Total assets*	5 164 450	- 454	5 163 996
Of which			
<i>Deposits in banks*</i>	4 111	- 129	3 982
<i>Financial assets real estate</i>	7 426	- 7 426	-
<i>Jointly controlled entities and associates real estate</i>	32 261	- 32 261	-
<i>Real estate</i>	.	51 032	51 032
<i>Other assets</i>	.	3 522	3 522
<i>Other financial assets</i>	3 917	- 3 917	-
<i>Investment properties</i>	11 267	- 11 267	-
<i>Other non-financial assets</i>	8	- 8	-
LIABILITES AND OWNER'S CAPITAL			
Total liabilities*	129 604	- 454	129 150
Of which			
<i>Other liabilities</i>	849	- 454	395
Owner's capital	5 034 846	-	5 034 846
Of which			
<i>Retained earnings</i>	1 732 256	3 649	1 735 905
<i>Translation reserve foreign subsidiaries</i>	3 649	- 3 649	-

* From first quarter 2014, variation margin is considered settlement of exchange traded futures and equity swaps. In the column Reported these instruments have been reclassified from Financial derivatives to Deposits in banks. The change has no impact on the income statement.

Table 9.3 Effects of changes in accounting principles – owner's capital

Amounts in NOK million	01.01.2013		
	Reported	Effect of IFRS 10	Restated
Owner's capital	3 057 740	-	3 057 740
Of which			
<i>Retained earnings</i>	755 844	- 8	755 836
<i>Translation reserve foreign subsidiaries</i>	- 8	8	-

To the Supervisory Council of Norges Bank

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the 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, 2014, 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, 6 August 2014

Deloitte AS

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

