



NORGES BANK  
INVESTMENT MANAGEMENT

**3Q | 14**

**GOVERNMENT  
PENSION FUND  
GLOBAL**

QUARTERLY REPORT

HIGHLIGHTS

# THIRD QUARTER 2014 IN BRIEF

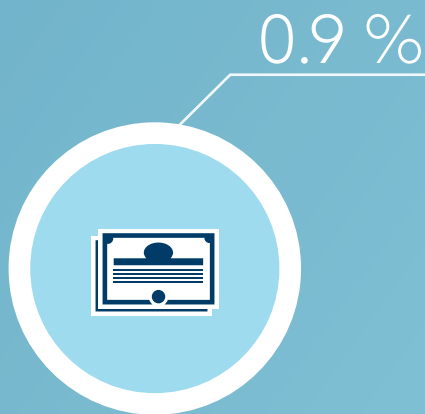
THE GOVERNMENT PENSION FUND GLOBAL RETURNED 0.1 PERCENT, OR 15 BILLION KRONER, IN THE THIRD QUARTER OF 2014.

0.1 %

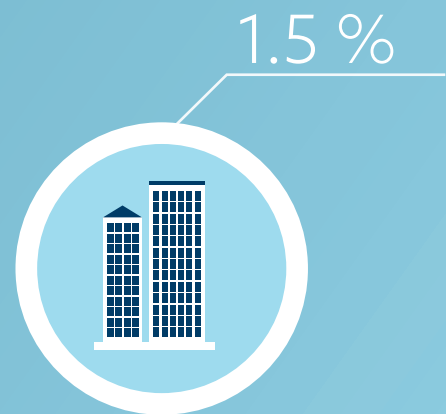
**15 Bn. KR**



**EQUITY INVESTMENTS**



**FIXED-INCOME INVESTMENTS**



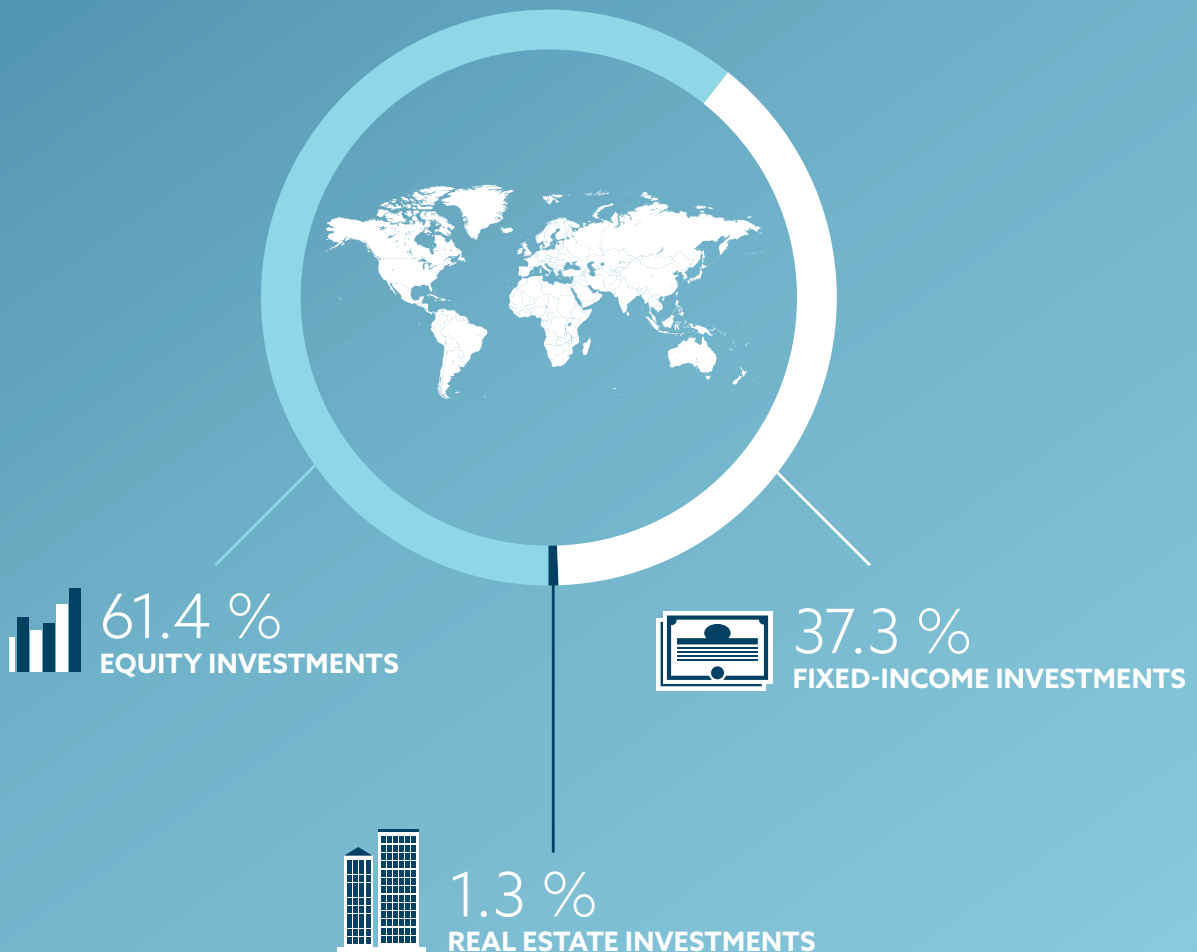
**REAL ESTATE INVESTMENTS**

EQUITY INVESTMENTS RETURNED -0.5 PERCENT, WHILE FIXED-INCOME INVESTMENTS RETURNED 0.9 PERCENT.

INVESTMENTS IN REAL ESTATE RETURNED 1.5 PERCENT.

THE RETURN ON EQUITY AND FIXED-INCOME INVESTMENTS WAS 0.5 PERCENTAGE POINT LOWER THAN THE RETURN ON THE BENCHMARK INDICES.

THE FUND HAD A MARKET VALUE OF 5,534 BILLION KRONER AT THE END OF THE QUARTER AND WAS INVESTED 61.4 PERCENT IN EQUITIES, 37.3 PERCENT IN FIXED INCOME AND 1.3 PERCENT IN REAL ESTATE.



# CONTENT

<b>FUND MANAGEMENT</b>	Equity investments	4
	Fixed-income investments	6
	Real estate investments	8
	The fund's relative return and internal reference portfolios	8
	Responsible investment and active ownership	10
	Risk management	10
<b>KEY FIGURES</b>		12
<b>ACCOUNTING</b>	Financial reporting	14
	Notes to the financial reporting	19
	Auditor's report	32

Translation from Norwegian. For information only

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

[WWW.NBIM.NO](http://WWW.NBIM.NO)

# FUND MANAGEMENT

## EQUITY INVESTMENTS

Equity investments, which accounted for 61.4 percent of the fund at the end of the quarter, returned -0.5 percent.

It became clear during the period that the reported global economic growth had picked up. Monthly data indicated stable growth in the third quarter, but with regional variations.

The US emerged increasingly as the global growth engine. Economic data in the third quarter mainly exceeded expectations.

This contrasted with developments in the euro area, where increased geopolitical turmoil in neighbouring areas contributed to reduced economic activity. Among the large euro countries, economic data were especially weak in Germany and Italy, while growth in Spain was relatively strong.

The quarter brought continued uncertainty about underlying economic growth in Japan after the increase in consumption tax earlier in the year. It was reported during the period that growth in Japan had been negative in the second quarter.

In China, the authorities' growth initiatives contributed to higher activity in the first half of the year. Data published in the third quarter, however, indicated that growth had slowed again. Lower activity in the housing market appeared to be the main reason for the weaker data.

### WEAK RETURN ON EUROPEAN STOCKS

Europe was the weakest-performing region, with a return of -4.3 percent measured in the fund's currency basket, and represented 43.6 percent of the fund's equity investments at the end of the quarter.

North American stocks returned 3.4 percent and made up 33.0 percent of equity investments at the end of the quarter. US stocks returned 3.8 percent and was the single largest market in which the fund was invested.

In Asia and Oceania, the quarter brought a return of 2.3 percent. Japanese shares returned 2.0 percent and made up 7.5 percent of equity investments at the end of the period.

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

Sector	Return in international currency	Share of equity investments*
Financials	1.5	23.7
Industrials	-2.5	13.5
Consumer goods	-2.8	13.5
Consumer services	-1.5	9.7
Healthcare	6.4	9.4
Oil and gas	-6.3	8.3
Technology	5.6	7.9
Basic materials	-4.6	6.0
Telecommunications	-1.2	3.4
Utilities	-1.2	3.7

\* 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 September 2014. Millions of kroner

Company	Country	Holdings
Nestlé SA	Switzerland	41,068
Royal Dutch Shell Plc	UK	31,801
Novartis AG	Switzerland	31,544
Apple Inc	USA	27,497
Roche Holding AG	Switzerland	26,977
BlackRock Inc	USA	24,715
HSBC Holdings Plc	UK	22,996
Sanofi	France	20,979
BG Group Plc	UK	20,300
Total SA	France	19,458

## 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 third quarter. Unless otherwise stated in the text, results are measured in the fund's currency basket.

Chinese stocks returned 8.4 percent and accounted for 2.7 percent of equity investments at the end of the period, making China the fund's single largest emerging market.

Emerging markets returned 2.1 percent and accounted for 9.8 percent of equity investments at the end of the quarter.

### HEALTH CARE THE BEST-PERFORMING SECTOR

Health care stocks produced the strongest return in the third quarter, gaining 6.4 percent on the back of positive news on clinical studies, regulation and patent cases.

Technology stocks returned 5.6 percent, buoyed by optimism about developments in cloud technology, big data and the Internet of Things.

Financials returned 1.5 percent after being the weakest sector in the second quarter.

The weakest performers in the third quarter were oil and gas companies, where the fund's

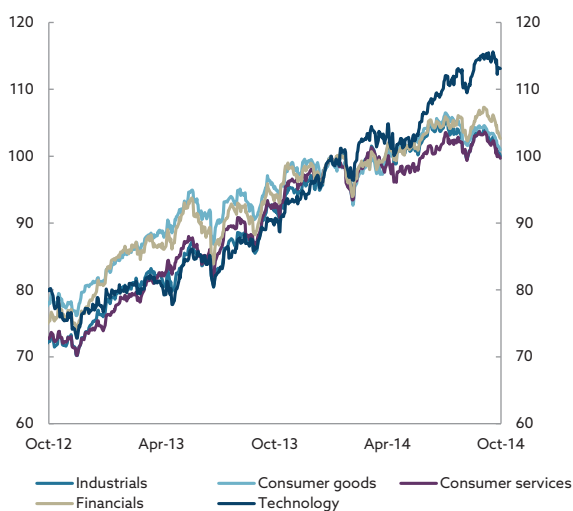
investments returned -6.3 percent, due partly to a sharp drop in oil prices to their lowest level for more than two years.

### INDIVIDUAL STOCKS

The investment in technology company Apple contributed most to the return in the third quarter, followed by technology company Microsoft and drugmaker Novartis. The companies that made the most negative contributions were retailer Tesco, chemical producer BASF and carmaker Daimler.

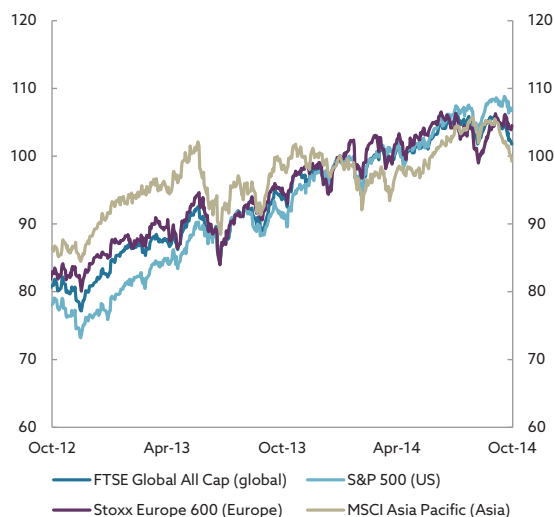
The largest initial public offering in which the fund participated was in US bank Citizens Financial Group, where the fund purchased shares for 15.1 million dollars, equivalent to around 95.7 million kroner, followed by US credit card company Synchrony Financial and Dutch insurer NN Group, in which the fund invested 16.1 million dollars and 49.0 million euros, equivalent to 100.8 million kroner and 413.2 million kroner, respectively.

**Chart 1** Price developments 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 37.3 percent of the fund at the end of the third quarter and returned 0.9 percent. These investments were mainly in bonds, with the remainder in short-term securities and bank deposits.

Global interest rates remained low in the third quarter. The Federal Reserve continued to taper its quantitative easing and confirmed that it plans to conclude these programmes in connection with the next rate-setting meeting at the end of October. It also reiterated towards the end of the quarter that interest rates would be unchanged for a considerable period.

The European Central Bank (ECB) launched further monetary policy initiatives in the quarter in response to further low inflation and weak economic growth. The bank lowered its key rate from 0.15 to 0.05 percent and announced two programmes for purchases of private securities to supplement the easing measures announced in June.

### POSITIVE RETURN ON GOVERNMENT DEBT

Government bonds returned 0.8 percent and accounted for 58.1 percent of the fund's fixed-income investments at the end of the quarter.

The dollar strengthened, and US Treasuries returned 5.0 percent. US Treasuries accounted for 18.5 percent of fixed-income investments, making them the fund's largest holding of government debt from a single issuer.

Euro-denominated government bonds represented 11.6 percent of the fund's fixed-income holdings and returned -1.1 percent.

Japanese government bonds returned -3.3 percent and made up 8.2 percent of fixed-income holdings. The yen weakened significantly in the latter half of the quarter.

### CORPORATE BONDS PERFORM BEST

Corporate bonds were the fund's best-performing fixed-income sector in the third quarter, returning 2.9 percent and representing 17.3 percent of fixed-income investments at the end of the period.

Inflation-linked bonds returned -1.1 percent and accounted for 1.9 percent of total fixed-income investments. Securitised debt, consisting mainly of covered bonds denominated in euros, returned 0.2 percent and made up 8.7 percent of fixed-income investments.

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

Sector	Return in international currency	Share of fixed-income investments*
Government bonds*	0.8	58.1
Government-related bonds*	0.2	14.0
Inflation-linked bonds*	-1.1	1.9
Corporate bonds	2.9	17.3
Securitised debt	0.2	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 September 2014. Millions of kroner

Issuer	Country	Holdings
United States of America	USA	394,410
Japanese government	Japan	169,110
Federal Republic of Germany	Germany	78,788
UK government	UK	72,313
Mexican government	Mexico	42,844
Italian Republic	Italy	41,148
Federative Republic of Brazil	Brazil	37,789
South Korean government	South-Korea	37,026
Kreditanstalt fur Wiederaufbau	Germany	34,919
Government of the Netherlands	Netherlands	33,253

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

	AAA	AA	A	BBB	Lower rating	Total
Government bonds	28.2	16.7	4.1	9.0	0.1	58.1
Government-related bonds	6.2	5.8	0.5	1.4	0.1	14.0
Inflation-linked bonds	0.9	0.2	0.0	0.8	-	1.9
Corporate bonds	0.1	1.6	8.1	7.2	0.3	17.3
Securitised debt	6.4	0.6	0.8	0.8	0.0	8.7
<b>Total bonds</b>	<b>41.8</b>	<b>24.8</b>	<b>13.6</b>	<b>19.2</b>	<b>0.6</b>	<b>100.0</b>



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 0.2 percent and accounted for 14.0 percent of fixed-income investments at the end of the period.

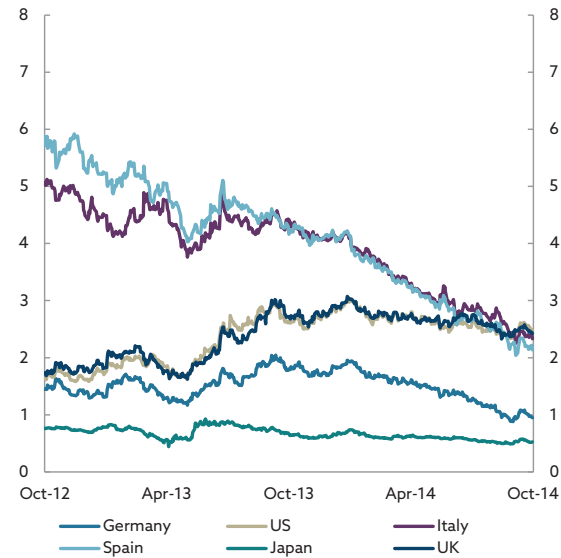
### CHANGES IN HOLDINGS

The market value of investments in bonds denominated in emerging market currencies fell from 13.4 percent to 12.9 percent of fixed-income investments during the quarter. Investments in dollars, euros, pounds and yen accounted for 78.6 percent of fixed-income holdings at the end of the period, against 77.8 percent at the end of the second quarter.

The biggest increases in government bond holdings in the third quarter were in Japanese, Indian and Austrian bonds. The biggest decreases were in bonds from the US, France and Germany.

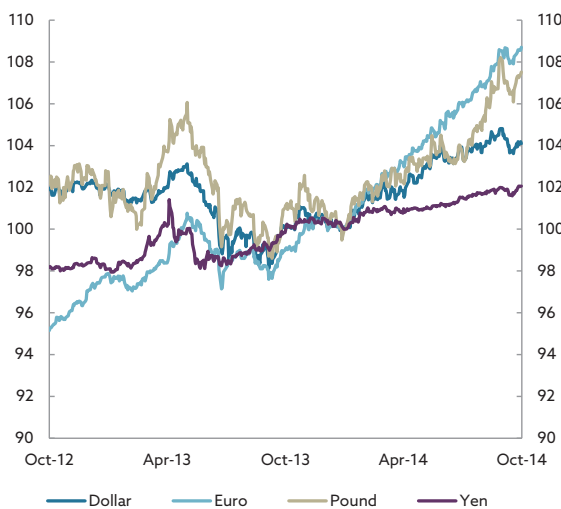
The fund's three largest participations in bond issues other than government debt were in bonds from CDP Financial Inc, Export-Import Bank China and UBS AG Stamford.

**Chart 4** 10-year government bond yields. Percent.



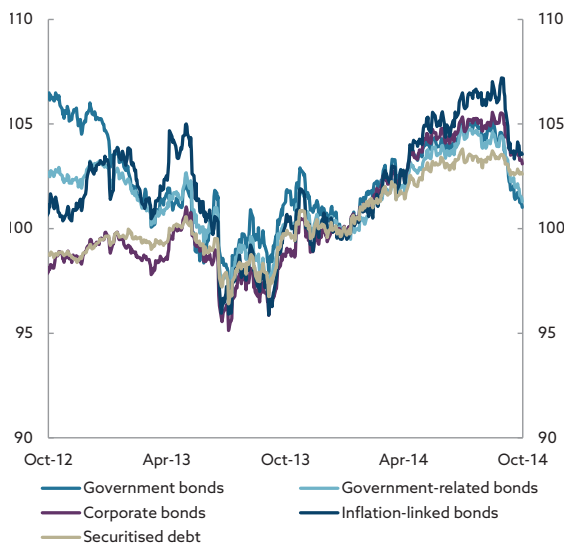
Source: Bloomberg

**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 1.5 percent in the third 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 1.3 percent of the fund at the end of the quarter.

The fund's real estate investments will gradually increase to as much as 5 percent of the value of the fund. We aim 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 market.

Measured in local currency, rental income contributed 1.0 percent of the return, and net change in the value of properties and debt 2.0 percent. Transaction costs for real estate purchases contributed -0.5 percent, while currency movements contributed -1.0 percent.

### NEW INVESTMENTS IN THE QUARTER

New properties were purchased in both the US and Europe in the third quarter. In July, the fund invested in the office building One Beacon Street in Boston, paying 122.3 million dollars for a 47.5 percent stake, and acquired 100 percent of the Le Madeleine building on Boulevard de la Madeleine in Paris for 425.6 million euros.

In August, the fund purchased a 57.8 percent stake in Pollen Estate, a portfolio of properties in London's West End, for 343 million pounds and 50 percent of a portfolio of logistics properties in Madrid and Barcelona through its partnership with Prologis for 50 million euro.

In September, the fund acquired a 49.9 percent stake in the Orrick Building, an office building in

San Francisco, for 139.7 million dollars and entered into an agreement with Boston Properties on the purchase of a 45 percent interest in 601 Lexington Avenue in New York, 100 Federal Street in Boston and Atlantic Wharf Office Building in Boston for a total of 1.5 billion dollars. Through its partnership with Prologis the fund purchased 50 percent of a logistics property in Enfield in the UK for 55 million pounds. At the end of September, the fund acquired a 94.9 percent stake in the shares of the companies owning two office buildings in the "Lenbach Gärten" quarter in Munich from AM Alpha GmbH. The total consideration for all of the companies' property assets amounts to 176.1 million euro, including 75 million euro of third-party debt.

## 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 and are intended 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 third quarter was 0.5 percentage point lower than the return on the benchmark indices.

The fund's equity investments underperformed the benchmark index by 0.8 percentage point. Consumer services and consumer goods were the sectors that made the most negative contributions to the relative return, with some of the fund's largest positions performing very poorly in the quarter. Of the countries the fund was invested in, US and UK stocks made the most negative contributions to the relative return, while investments in China and Australia made the most positive contributions. The fund had a higher weight of European stocks and a lower

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

	Return
Net rental income	1.0
Net change in value of properties and debt	2.0
Transaction costs for property purchases	-0.5
Foreign exchange adjustments	-1.0
<b>Overall return</b>	<b>1.5</b>

weight of US stocks than the benchmark during the quarter. As European stocks underperformed US stocks during the period, this positioning contributed most negatively to the relative return. This was exacerbated by the dollar strengthening against the euro and the pound. The fund was generally overweight small-cap stocks and underweight large-cap stocks, which also made a negative contribution to the relative return.

The fund's fixed-income investments underperformed the benchmark index by 0.1 percentage point. Yields in developed markets generally fell in the third quarter. The lower duration of the fund's fixed-income investments relative to the benchmark index made a negative contribution, making the fund generally less sensitive to decreases in yields than the benchmark. The fund's fixed-income investments had a higher weight of emerging markets than the benchmark. Brazilian and Russian government bonds are among the fund's largest holdings in emerging markets. The return on investments in these countries was weak due to rising yields and weaker currencies. The fund's fixed-income investments had higher coupons than the benchmark in the third quarter.

### THE FUND'S INTERNAL REFERENCE PORTFOLIOS

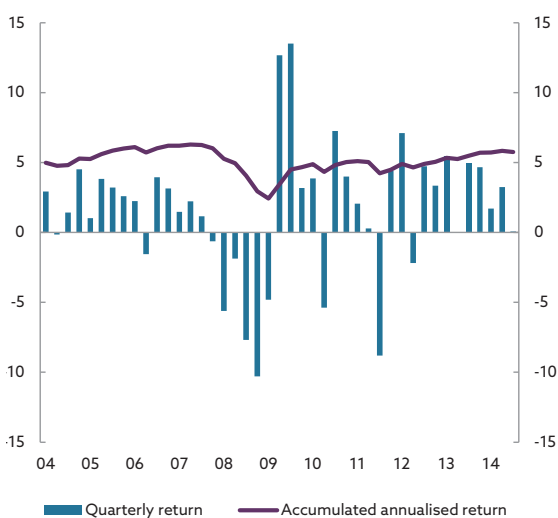
The internal reference portfolio for equity investments returned 0.1 percent in the third quarter, 0.1 percentage point less than the benchmark index set by the Ministry of Finance. The internal reference portfolio for fixed-income investments returned 1.0 percent, 0.1 percentage point less than the benchmark index set by the Ministry of Finance.

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

	Total	Attributed to external management
Equity investments	-0.48	0.01
Fixed-income investments	-0.05	0.01
<b>Total</b>	<b>-0.52</b>	<b>0.01*</b>

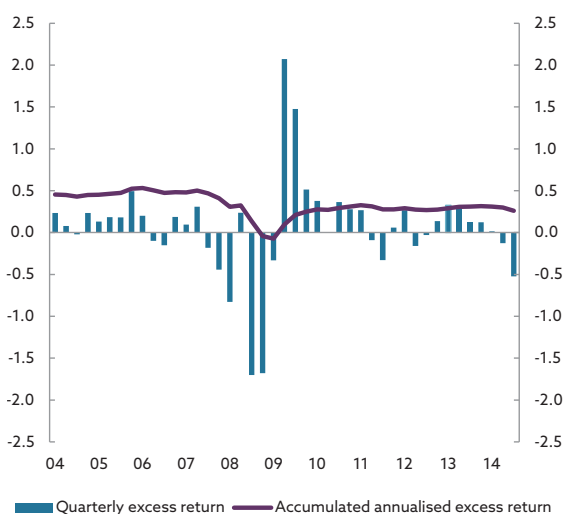
\* Does not add up due to rounding of decimals.

**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, as well as voting at general meetings and filing shareholder proposals.

We continued to work with standard setters and other investors during the quarter. For example, we participated in the European Securities and Markets Authority (ESMA) consultation on the implementation of the Markets in Financial Instruments Directive (MiFID). High-frequency trading was one of the topics covered. In our letter, we stressed the need for a framework that is robust but also sufficiently flexible to accommodate different future scenarios. We also responded to the ESMA consultation on new requirements for central clearing of certain OTC derivatives, expressing support for the proposals. Both letters are available on [www.nbim.no](http://www.nbim.no).

### VOTING AND ENGAGEMENT

We continued to participate in the nomination committees at Volvo AB and Svenska Cellulosa AB (SCA), with Norges Bank Investment Management's CEO Yngve Slyngstad representing the fund. This reflects our long-term goal of closer contact with companies' boards in order to safeguard the fund's assets. Where possible, we will do this by participating in nomination committees. In other cases, we will engage in direct dialogue with a company's chairman. We had meetings with a number of chairmen in the pharmaceutical sector in the third quarter.

Norges Bank Investment Management voted at 1,217 company general meetings in the third quarter. We considered and voted on five 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 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.

## 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 8.1 percent, or about 450 billion kroner, at the end of the third quarter, compared with 8.9 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 0.5 percentage point at the end of the quarter, down from 0.6 percentage point at the end of the second 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

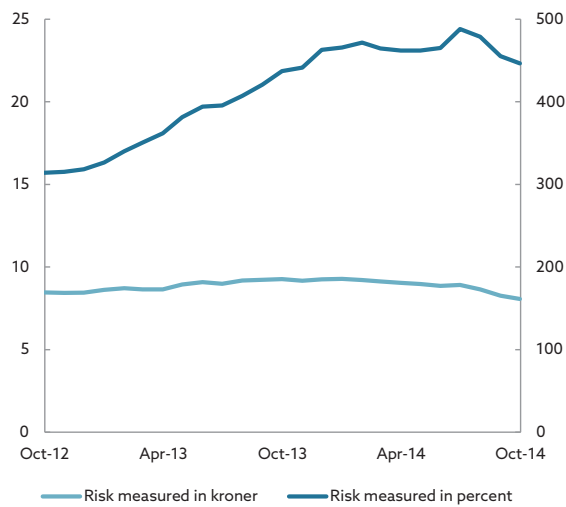
in gross losses of 750 million kroner or more over a 12-month period, referred to as the Executive Board's risk tolerance.

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. Estimated operational risk exposure remained within the Executive Board's tolerance limit in the third quarter.

A total of 43 unwanted operational events were registered in the third quarter, with a total financial impact of 8.0 million kroner.

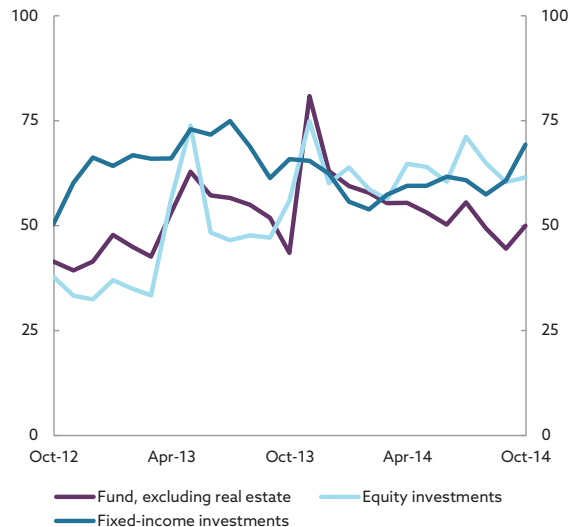
The Ministry of Finance has set guidelines for the fund's management. No significant breaches of these guidelines were registered in the third quarter, and we did not receive any notifications from local supervisory authorities of any significant breaches of market rules or general legislation.

**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	30.09.2014
Exposure	Equities 50-70 % of fund's market value	60.9
	Real estate 0-5 % of fund's market value	1.3
Market risk	1 percentage point expected tracking error for equity and fixed-income investments	0.5
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	9.6

# KEY FIGURES

**Table 9** Quarterly return as of 30 September 2014

	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	Year-to-date 30.09.2014
<b>Returns in international currency</b>						
Return on equity investments (percent)	-0.49	4.01	1.47	7.41	7.64	5.02
Return on fixed-income investments (percent)	0.95	2.04	2.05	0.13	0.32	5.12
Return on real estate investments (percent)	1.48	3.04	1.99	3.67	4.09	6.65
Return on fund (percent)	0.07	3.25	1.70	4.66	4.99	5.08
Return on equity and fixed-income investments (percent)	0.06	3.26	1.70	4.67	5.00	5.06
Return on benchmark equity and fixed-income indices (percent)	0.58	3.38	1.68	4.55	4.87	5.73
Relative return on equity and fixed-income investments (percentage points)	-0.52	-0.13	0.01	0.12	0.13	-0.66
Relative return on equity investments (percentage points)	-0.76	-0.17	0.07	0.15	0.27	-0.90
Relative return on fixed-income investments (percentage points)	-0.14	-0.07	-0.07	-0.02	-0.25	-0.29
Management costs (percentage points)	0.01	0.01	0.02	0.02	0.02	0.05
Return on fund after management costs (percent)	0.06	3.24	1.68	4.65	4.97	5.03
<b>Returns in kroner (percent)</b>						
Return on equity investments	-0.20	7.09	0.39	8.30	8.54	7.29
Return on fixed-income investments	1.24	5.06	0.96	0.96	1.15	7.38
Return on real estate investments	1.78	6.09	0.90	4.53	4.96	8.95
Return on fund	0.36	6.31	0.61	5.53	5.86	7.35
Return on equity and fixed-income investments	0.35	6.31	0.61	5.54	5.87	7.33

**Table 10** Historical key figures as of 30 September 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
<b>Return on fund (percent)</b>	9.99	12.99	8.78	6.39	5.75
Return on equity and fixed-income investments (percent)	9.98	13.01	8.79	6.39	5.75
Return on benchmark equity and fixed-income indices (percent)	10.54	12.83	8.41	6.25	5.49
Relative return on equity and fixed-income investments (percentage points)	-0.57	0.18	0.38	0.15	0.26
Standard deviation (percent)	4.76	6.18	7.31	8.59	7.56
Tracking error for equity and fixed-income investments (percentage points)	0.42	0.41	0.41	0.91	0.74
Information ratio (IR)* for equity and fixed-income investments	-1.35	0.43	0.92	0.16	0.35
<b>Return on fund (percent)</b>	9.99	12.99	8.78	6.39	5.75
Annual price inflation (percent)	1.40	1.65	2.04	2.10	1.89
Annual management costs (percent)	0.06	0.07	0.08	0.09	0.09
Annual net real return on fund (percent)	8.40	11.09	6.52	4.11	3.70

\* 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 September 2014

	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013
<b>Market value (billions of kroner)*</b>					
Market value of equity investments	3,396	3,357	3,124	3,107	2,998
Market value of fixed-income investments	2,064	2,058	1,927	1,879	1,674
Market value of real estate investments	74	63	59	52	42
Market value of fund	5,534	5,478	5,110	5,038	4,714
Inflow of new capital*	36	44	41	62	58
Return on fund	15	192	78	227	228
Changes due to fluctuations in krone	5	132	-47	35	31
Total change in fund	56	368	72	323	318
<b>Management costs (percent)</b>					
Estimated transition costs**	0.00	0.00	0.00	0.00	0.00
Annualised management costs	0.05	0.05	0.07	0.07	0.06
<b>Changes in value since first capital inflow in 1996 (billions of kroner)</b>					
Gross inflow of new capital	3,426	3,389	3,344	3,302	3,239
Management costs***	26	25	25	24	23
Inflow of new capital after management costs	3,400	3,364	3,319	3,278	3,216
Return on fund	2,084	2,069	1,877	1,799	1,572
Changes due to fluctuations in krone	50	45	-86	-39	-74
Market value of fund	5,534	5,478	5,110	5,038	4,714
Return after management costs	2,058	2,044	1,852	1,775	1,549

\* 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

	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013
Return on equity investments	1,409	1,421	1,283	1,242	1,021
Return on fixed-income investments	665	639	587	551	547
Return on real estate investments	9	8	6	5	3
Total return	2,084	2,069	1,877	1,799	1,572

# 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 22 October 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.

<b>INCOME STATEMENT</b>	15
<b>BALANCE SHEET</b>	16
<b>STATEMENT OF CASH FLOWS</b>	17
<b>STATEMENT OF CHANGES IN OWNER'S CAPITAL</b>	18
<b>NOTES TO THE FINANCIAL REPORTING</b>	
<b>NOTE 1</b> Accounting policies	19
<b>NOTE 2</b> Significant estimates and critical accounting judgements	20
<b>NOTE 3</b> Specification of returns per asset class	21
<b>NOTE 4</b> Management costs	21
<b>NOTE 5</b> Equities and units / Bonds and other fixed-income instruments / Financial derivatives	23
<b>NOTE 6</b> Real estate	24
<b>NOTE 7</b> Fair value measurement	25
<b>NOTE 8</b> Risk	27
<b>NOTE 9</b> Effects of changes in accounting policies	30
<b>AUDITOR'S REPORT</b>	32



## INCOME STATEMENT

Amounts in NOK million	Note	3Q 2014	3Q 2013 Restated*	Year-to-date 30.09.2014	Year-to-date 30.09.2013 Restated*	2013 Restated*
<b>Profit/loss on the portfolio excluding foreign exchange gains and losses</b>						
Interest income and interest expense from bank deposits		1	12	13	30	61
Interest income, lending associated with reverse repurchase agreements		14	31	111	130	150
<b>Net income/expense – gain/loss from:</b>						
- Equities and units		-4 909	214 701	181 020	459 058	681 787
- Bonds and other fixed-income instruments		20 801	12 765	104 334	2 281	5 897
- Real estate	6	1 913	855	5 012	2 130	3 236
- Financial derivatives		-1 750	324	-3 597	2 018	1 590
Interest expense, borrowing associated with repurchase agreements		-26	-33	-59	-23	-34
Other interest income and interest expense		-2	-2	-5	23	2
Tax expense		-1 098	-480	-1 971	-951	-1 133
Other expenses		-1	-12	-2	-21	-26
<b>Profit/loss on the portfolio before foreign exchange gains and losses</b>		<b>14 943</b>	<b>228 161</b>	<b>284 856</b>	<b>464 675</b>	<b>691 530</b>
Foreign exchange gains and losses		4 977	30 975	89 675	256 708	291 428
<b>Profit/loss on the portfolio</b>		<b>19 920</b>	<b>259 136</b>	<b>374 531</b>	<b>721 383</b>	<b>982 958</b>
Management fee	4	-741	-589	-2 110	-1 955	-2 889
<b>Profit/loss for the period and total comprehensive income</b>		<b>19 179</b>	<b>258 547</b>	<b>372 421</b>	<b>719 428</b>	<b>980 069</b>

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

## BALANCE SHEET

Amounts in NOK million	Note	30.09.2014	31.12.2013 Restated*
<b>ASSETS</b>			
Deposits in banks		7 986	3 982
Lending associated with reverse repurchase agreements		78 319	89 189
Unsettled trades		28 490	1 125
Equities and units	5	3 160 272	2 972 317
Equities lent	5	213 903	161 150
Bonds and other fixed-income instruments	5	2 048 430	1 804 456
Bonds lent	5	13 213	75 807
Real estate	6	73 905	51 032
Financial derivatives	5	3 410	1 416
Other assets		3 114	3 522
<b>TOTAL ASSETS</b>	<b>7, 8, 9</b>	<b>5 631 042</b>	<b>5 163 996</b>
<b>LIABILITIES AND OWNER'S CAPITAL</b>			
<b>Liabilities</b>			
Short-term borrowing		30	29
Borrowing associated with repurchase agreements		10 799	69 147
Cash collateral received		39 068	48 064
Unsettled trades		40 781	7 654
Financial derivatives	5	4 308	972
Other liabilities		1 780	395
Management fee payable	4	2 110	2 889
<b>Total liabilities</b>		<b>98 876</b>	<b>129 150</b>
Owner's capital		5 532 166	5 034 846
<b>TOTAL LIABILITIES AND OWNER'S CAPITAL</b>	<b>7, 8, 9</b>	<b>5 631 042</b>	<b>5 163 996</b>

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

## STATEMENT OF CASH FLOWS

Amounts in NOK million, received (+) / paid (-)	Year-to-date 30.09.2014	Year-to-date 30.09.2013 Restated*	2013 Restated*
<b>Operating activities</b>			
Net cash flow arising from interest received from deposits in banks and interest paid on short-term borrowing from banks	-871	29	1 396
Net cash flow in connection with repurchase agreements and reverse repurchase agreements	-47 161	-32 881	27 128
Net cash flows arising from purchase and sale of equities and units	-82 403	-135 925	-24 851
Net cash flows arising from purchase and sale of bonds and other fixed-income instruments	-79 628	-120 059	-361 384
Net cash flows arising from purchase and sale of real estate	-19 125	-14 977	-22 757
Net cash flows arising from financial derivatives	-1 370	1 097	-285
Dividends received from investments in equities and units	69 565	58 872	72 637
Interest received on bonds and other fixed-income instruments	47 665	37 692	49 511
Income received in connection with equity and bond lending	2 090	2 218	2 620
Net cash flow arising from real estate operations	1 573	3 792	4 453
Cash collateral received/paid related to securities lending, derivatives and reverse repurchase agreements	-9 378	18 805	15 063
Net cash flow related to other expenses, other assets and other liabilities	1 570	1 061	-1 324
Net cash flow arising from tax payments and refunds	-2 206	-2 593	-2 800
Management fee paid to Norges Bank**	-2 889	-2 193	-2 193
<b>Net cash outflow from operating activities</b>	<b>-122 568</b>	<b>-185 062</b>	<b>-242 786</b>
<b>Financing activities</b>			
Inflow from the Norwegian government***	125 821	179 370	240 934
<b>Net cash inflow from financing activities</b>	<b>125 821</b>	<b>179 370</b>	<b>240 934</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	3 953	5 845	5 845
Net cash payments in the period	3 253	-5 691	-1 852
Net foreign exchange gains and losses on cash and cash equivalents	750	-113	-40
<b>Cash and cash equivalents at end of period</b>	<b>7 956</b>	<b>41</b>	<b>3 953</b>
<b>Cash and cash equivalents comprise:</b>			
Bank deposits	7 986	1 302	3 982
Short-term borrowing	-30	-1 261	-29
<b>Total cash and cash equivalents at end of period</b>	<b>7 956</b>	<b>41</b>	<b>3 953</b>

\* 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	Sum eiers kapital*
1 January 2013	3 057 740	755 844	-8	3 813 576
Effect of changes in accounting policies	-	-8	8	-
1 January 2013 restated**	3 057 740	755 836	-	3 813 576
Total comprehensive income restated**	-	719 428	-	719 428
Inflows during the period*	179 300	-	-	179 300
<b>30 September 2013</b>	<b>3 237 040</b>	<b>1 475 264</b>	<b>-</b>	<b>4 712 304</b>
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
<b>31 December 2013</b>	<b>3 298 941</b>	<b>1 735 905</b>	<b>-</b>	<b>5 034 846</b>
1 January 2014	3 298 941	1 735 905	-	5 034 846
Total comprehensive income	-	372 421	-	372 421
Inflows during the period*	124 899	-	-	124 899
<b>30 September 2014</b>	<b>3 423 840</b>	<b>2 108 326</b>	<b>-</b>	<b>5 532 166</b>

\* 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 three quarters of 2014, NOK 2.9 billion was used to pay the 2013 accrued management fee to Norges Bank and NOK 122 billion was transferred into the investment portfolio. Comparative amounts for the first three quarters of 2013 were NOK 2.2 billion and NOK 177.1 billion, respectively.

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

Norges Bank's Executive Board  
Oslo, 22 October 2014

# NOTES TO THE FINANCIAL REPORTING

## NOTE 1 ACCOUNTING POLICIES

### 1 GENERAL INFORMATION

Norges Bank is Norway's central bank. The bank manages Norway's foreign exchange reserves and the Government Pension Fund Global. The Government Pension Fund Global is managed by Norges Bank on behalf of the Ministry of Finance, in accordance with section 2 second paragraph of the Government Pension Fund Act and the management mandate. The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million kroner.

### 2 BASIS OF ACCOUNTING

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 for the Government Pension Fund Global, and that these shall be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Norges Bank prepares quarterly financial statements for 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 quarterly financial statements are prepared using the same accounting policies and calculation methods as used for the annual financial statements 2013, with the exception of changes specified in section 3. 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 is 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.

### 3 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 September 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 and amendments to IFRS 12

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.

**4 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 three quarters 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

	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	Year-to-date 30.09.2014
<b>Returns in international currency</b>						
Return on equity investments (percent)	-0.49	4.01	1.47	7.41	7.64	5.02
Return on fixed-income investments (percent)	0.95	2.04	2.05	0.13	0.32	5.12
Return on real estate investments (percent)	1.48	3.04	1.99	3.67	4.09	6.65
Return on fund (percent)	0.07	3.25	1.70	4.66	4.99	5.08
Return on equity and fixed-income investments (percent)	0.06	3.26	1.70	4.67	5.00	5.06
Return on benchmark equity and fixed-income indices (percent)	0.58	3.38	1.68	4.55	4.87	5.73
Relative return on equity and fixed-income investments (percentage points)	-0.52	-0.13	0.01	0.12	0.13	-0.66
Relative return on equity investments (percentage points)	-0.76	-0.17	0.07	0.15	0.27	-0.90
Relative return on fixed-income investments (percentage points)	-0.14	-0.07	-0.07	-0.02	-0.25	-0.29
<b>Returns in kroner (percent)</b>						
Return on equity investments	-0.20	7.09	0.39	8.30	8.54	7.29
Return on fixed-income investments	1.24	5.06	0.96	0.96	1.15	7.38
Return on real estate investments	1.78	6.09	0.90	4.53	4.96	8.95
Return on fund	0.36	6.31	0.61	5.53	5.86	7.35
Return on equity and fixed-income investments	0.35	6.31	0.61	5.54	5.87	7.33

Returns in the table above are a reproduction of return information in table 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 1 962 million on a year-to-date basis. This amount comprises NOK 1 904 million in Norges Bank operating expenses excluding performance-based fees and NOK 58 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 2 168 million on a year-to-date basis, and comprise NOK 2 110 million in total Norges Bank operating expenses related to the management of the Government Pension Fund Global and NOK 58 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	Year-to-date			Year-to-date			2013	Basis points
	3Q 2014	3Q 2013	30.09.2014	Basis points	30.09.2013	Basis points		
Salary, social security and other personnel related costs	200	178	550		490		709	
Custody and settlement costs	116	107	345		314		423	
IT-services, systems and data	116	117	349		335		454	
Research, consulting and legal fees	42	25	114		64		99	
Other costs	21	24	84		67		103	
Allocated common costs Norges Bank	28	25	85		75		104	
Base fees to external managers	140	84	377		275		313	
<b>Management fee excluding performance-based fees (included in the management fee limit)</b>	<b>663</b>	<b>560</b>	<b>1 904</b>	<b>4.8</b>	<b>1 620</b>	<b>5.1</b>	<b>2 205</b>	<b>5.0</b>
Performance-based fees to external managers (covered outside of the management fee limit)	78	29	206		335		684	
<b>Total management fee</b>	<b>741</b>	<b>589</b>	<b>2 110</b>	<b>5.4</b>	<b>1 955</b>	<b>6.2</b>	<b>2 889</b>	<b>6.6</b>

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	3Q 2014	3Q 2013	Year-to-date 30.09.2014	Year-to-date 30.09.2013	2013
Salary, social security and other personnel related costs	6	6	19	14	20
IT-services, systems and data, outsourced administrative services	3	1	9	4	6
Research, consulting and legal fees	6	4	13	7	14
Fees related to real estate asset management (external)	2	4	6	10	11
Other costs, subsidiaries	4	4	11	10	10
<b>Total operating expenses, real estate subsidiaries included in Norges Bank's management fee limit and charged directly to the portfolio profit and loss</b>	<b>21</b>	<b>19</b>	<b>58</b>	<b>45</b>	<b>61</b>

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	30.09.2014		31.12.2013	
	Fair value including dividends	Accrued dividends	Fair value including dividends	Accrued dividends
<b>Equities and units</b>				
Listed equities and units	3 374 175	5 456	3 133 467	3 215
<b>Total equities and units</b>	<b>3 374 175</b>	<b>5 456</b>	<b>3 133 467</b>	<b>3 215</b>
<i>Of which equities lent</i>	<i>213 903</i>		<i>161 150</i>	

Table 5.2 Specification bonds and other fixed-income instruments

Amounts in NOK million	30.09.2014			31.12.2013		
	Nominal value*	Fair value incl. accrued interest	Accrued interest	Nominal value*	Fair value incl. accrued interest	Accrued interest
<b>Bonds and other fixed-income instruments</b>						
Government bonds	1 140 957	1 198 351	9 220	1 134 335	1 180 774	9 896
Government-related bonds	272 728	288 524	2 981	216 521	226 408	2 519
Inflation-linked bonds	32 505	38 544	158	25 933	30 318	154
Corporate bonds	382 903	357 071	3 749	237 584	246 288	3 170
Securitised bonds	165 944	179 153	2 387	185 049	196 475	3 161
<b>Total bonds and other fixed-income instruments</b>	<b>1 995 037</b>	<b>2 061 643</b>	<b>18 495</b>	<b>1 799 421</b>	<b>1 880 263</b>	<b>18 900</b>
<i>Of which bonds lent</i>		<i>13 213</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 30.09.2014			Fair value 31.12.2013*		
	Asset	Liability	Net	Asset	Liability	Net
<b>Financial derivatives</b>						
Foreign exchange contracts	2 681	1 975	706	460	273	187
Swap contracts	191	2 333	-2 142	574	699	-125
Options	537	-	537	382	-	382
<b>Total financial derivatives</b>	<b>3 410</b>	<b>4 308</b>	<b>-898</b>	<b>1 416</b>	<b>972</b>	<b>444</b>

\* 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 or 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 – gain/loss 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 – gain/loss from: Real estate

Amounts in NOK million	3Q 2014	3Q 2013	Year-to-date 30.09.2014	Year-to-date 30.09.2013	2013
Net rental income*	923	653	2 504	1 521	2 215
Fair value changes – investment property	1 707	259	3 860	808	1 539
Fair value changes – debt	-49	77	-199	275	336
Transaction costs	-385	-7	-480	-85	-201
Interest expense external debt	-86	-66	-219	-172	-239
Tax expense payable	-19	-14	-62	-44	-64
Change in deferred tax	-85	-27	-166	-121	-182
Operating expenses within the limit from the Ministry of Finance**	-21	-19	-58	-45	-61
Other expenses***	-72	-1	-168	-7	-107
<b>Net income/expense – gain/loss from: Real estate</b>	<b>1 913</b>	<b>855</b>	<b>5 012</b>	<b>2 130</b>	<b>3 236</b>

\* 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	3Q 2014	3Q 2013	Year-to-date 30.09.2014	Year-to-date 30.09.2013	2013
Net income/expense – gain/loss from:					
- Real estate	1 913	855	5 012	2 130	3 236
- Financial derivatives	-105	14	-54	15	-23
Tax expense	-	-	40	-	-39
Other expenses	-1	-	-1	-	-2
<b>Profit/loss on the portfolio before foreign exchange gains and losses – real estate asset class</b>	<b>1 807</b>	<b>869</b>	<b>4 997</b>	<b>2 145</b>	<b>3 172</b>

Table 6.3 Changes in carrying amounts Real estate

Amounts in NOK million	30.09.2014	31.12.2013
Real estate, opening balance 1 January	51 032	25 008
Additions new investments	17 287	22 460
Improvements existing investments	550	296
Fair value changes – investment property	3 860	1 539
Fair value changes – debt	-199	336
Net change paid-in capital	999	-3 004
Net change other assets and liabilities	-158	182
Foreign currency translation effect	534	4 215
Real estate, closing balance for the period	73 905	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	30.09.2014	31.12.2013
Deposits in banks	135	609
Real estate	73 905	51 032
Financial derivatives	146	190
Other assets	47	18
Other liabilities	-	-54
Total assets and liabilities – real estate asset class	74 233	51 794

## 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	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
<b>Equities and units</b>	<b>3 341 204</b>	<b>3 130 980</b>	<b>30 358</b>	<b>734</b>	<b>2 613</b>	<b>1 753</b>	<b>3 374 175</b>	<b>3 133 467</b>
Government bonds	1 007 414	1 021 481	190 937	159 293	-	-	1 198 351	1 180 774
Government-related bonds	235 158	173 767	53 366	52 134	-	507	288 524	226 408
Inflation-linked bonds	30 012	26 676	8 532	3 642	-	-	38 544	30 318
Corporate bonds	1 301	2 062	354 804	243 194	966	1 032	357 071	246 288
Securitised bonds	161 404	153 273	17 413	43 170	335	32	179 153	196 475
<b>Total bonds</b>	<b>1 435 290</b>	<b>1 377 259</b>	<b>625 051</b>	<b>501 433</b>	<b>1 302</b>	<b>1 571</b>	<b>2 061 643</b>	<b>1 880 263</b>
Financial derivatives (assets)	-	192	3 410	1 224	-	-	3 410	1 416
Financial derivatives (liabilities)	-	-	-4 308	-972	-	-	-4 308	-972
<b>Total financial derivatives</b>	<b>-</b>	<b>192</b>	<b>-898</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>-898</b>	<b>444</b>
<b>Real estate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 905</b>	<b>51 032</b>	<b>73 905</b>	<b>51 032</b>
Deposits in banks	-	-	7 986	3 982	-	-	7 986	3 982
Lending associated with reverse repurchase agreements	-	-	78 319	89 189	-	-	78 319	89 189
Other assets	-	-	3 114	3 522	-	-	3 114	3 522
Unsettled trades (asset)	-	-	28 490	1 125	-	-	28 490	1 125
Unsettled trades (liability)	-	-	-40 781	-7 654	-	-	-40 781	-7 654
Short-term borrowing	-	-	-30	-29	-	-	-30	-29
Borrowing associated with repurchase agreements	-	-	-10 799	-69 147	-	-	-10 799	-69 147
Cash collateral received	-	-	-39 068	-48 064	-	-	-39 068	-48 064
Other liabilities	-	-	-1 780	-395	-	-	-1 780	-395
<b>Total other</b>	<b>-</b>	<b>-</b>	<b>25 451</b>	<b>-27 471</b>	<b>-</b>	<b>-</b>	<b>25 451</b>	<b>-27 471</b>
<b>Total</b>	<b>4 776 494</b>	<b>4 508 431</b>	<b>679 962</b>	<b>474 948</b>	<b>77 820</b>	<b>54 356</b>	<b>5 534 276</b>	<b>5 037 735</b>
<b>Total (in percent)</b>	<b>86.3</b>	<b>89.5</b>	<b>12.3</b>	<b>9.4</b>	<b>1.4</b>	<b>1.1</b>	<b>100.0</b>	<b>100.0</b>

The total valuation uncertainty for the Government Pension Fund Global at the end of the third quarter of 2014 is practically unchanged compared to year-end. There have not been significant changes to the composition of the equity and bond 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 equity and bond holdings. The value of Level 2 bonds, measured as a percentage of the total bond holdings, has increased by 3.6 percentage points since year-end, and 1.7 percentage points since the end of the previous quarter. The increase in this quarter is mainly due to purchases of corporate bonds in developed markets and a small increase in emerging market inflation-linked bond holdings. During the first six months of the year, Level 2 treasuries in emerging markets were purchased, and there was 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. Level 1 holdings account for 88 percent of the total equity and bond portfolios.

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 in terms of absolute risk and relative risk compared 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	30.09.2014	Market	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Equities	<b>Developed</b>	<b>90.0</b>	<b>Developed</b>	<b>90.2</b>				
	United States	30.6	United States	29.2				
	United Kingdom	14.0	United Kingdom	14.8				
	Japan	7.3	Japan	6.7				
	France	6.3	Germany	6.7				
	Germany	6.2	France	6.7				
	Total other	25.7	Total other	26.1				
	<b>Emerging</b>	<b>10.0</b>	<b>Emerging</b>	<b>9.8</b>				
	China	2.7	China	2.5				
	Taiwan	1.5	Taiwan	1.4				
	Brazil	1.1	Brazil	1.3				
	India	0.9	Russia	0.7				
	South Africa	0.6	India	0.7				
	Total other	3.2	Total other	3.1				
<b>Total Equities</b>					<b>61.4</b>	<b>61.7</b>	<b>3 395 919</b>	<b>3 106 945</b>
Fixed income	<b>Developed</b>	<b>87.1</b>	<b>Developed</b>	<b>88.0</b>				
	US Dollar	40.4	US Dollar	38.4				
	Euro	24.8	Euro	27.8				
	Japanese Yen	7.9	Japanese Yen	7.4				
	British Pound	5.4	British Pound	5.2				
	Canadian Dollar	3.3	Canadian Dollar	3.5				
	Total other	5.2	Total other	5.8				
	<b>Emerging</b>	<b>12.9</b>	<b>Emerging</b>	<b>12.0</b>				
	Mexican Peso	1.8	Mexican Peso	1.7				
	South Korean Won	1.6	South Korean Won	1.6				
	Brazilian Real	1.4	Brazilian Real	1.5				
	Russian Rouble	1.1	Russian Rouble	1.3				
	Indian Rupee	0.9	Polish Zloty	0.8				
	Total other	6.0	Total other	5.1				
<b>Total Fixed income</b>					<b>37.3</b>	<b>37.3</b>	<b>2 064 123</b>	<b>1 878 996</b>
Real estate	United Kingdom	28.4	United Kingdom	27.0				
	United States	25.3	France	22.5				
	France	20.4	United States	18.7				
	Switzerland	9.5	Switzerland	13.8				
	Germany	6.9	Germany	8.5				
	Total other	9.5	Total other	9.6				
<b>Total Real estate</b>					<b>1.3</b>	<b>1.0</b>	<b>74 233</b>	<b>51 794</b>

\* Market value per country and currency includes derivatives and cash.

## Volatility

Norges Bank uses risk modelling to quantify the risk of changes in values associated with all or parts of the portfolio. One of the risk measures is expected volatility.

Tables 8.2 and 8.3 present risk both in terms of the portfolio's absolute risk and in terms of the relative risk. Real estate investments are only included in absolute volatility calculations.

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

Expected volatility, actual portfolio								
	30.09.2014	Min 2014	Max 2014	Average 2014	31.12.2013	Min 2013	Max 2013	Average 2013
Portfolio	8.1	8.0	9.3	8.9	9.3	8.5	9.4	9.0
Equities	11.6	11.6	14.4	13.5	14.2	13.7	14.4	14.1
Fixed income	7.9	7.9	8.9	8.5	8.7	8.3	8.9	8.6

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

Expected relative volatility								
	30.09.2014	Min 2014	Max 2014	Average 2014	31.12.2013	Min 2013	Max 2013	Average 2013
Portfolio	50	43	63	53	59	32	81	53
Equities	61	55	71	62	64	33	76	51
Fixed income	69	52	69	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.

end of this year's third quarter. The risk measure indicates an expected annual value change of 8.1 percent, or approximately NOK 450 billion, at the quarter-end.

Risk as measured by expected volatility indicates a decrease for the portfolio in the third quarter of the year, from 9.3 at the start of the year, to 8.1. Expected volatility for equities has fallen from 14.2 to 11.6, while expected volatility for bonds decreased from 8.7 to 7.9. The decrease in volatility is mainly due to the exclusion of the volatile third quarter of 2011 from the risk measure's 3 year horizon, from the

## 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 across different credit rating categories.

Table 8.4 Bond portfolio specified by credit rating

Amounts in NOK million, 30.09.2014	AAA	AA	A	BBB	Lower rating	Total
Government bonds	580 885	344 649	84 683	185 413	2 721	1 198 351
Government-related bonds	127 489	119 680	10 781	28 037	2 538	288 524
Inflation-linked bonds	18 099	3 200	349	16 896	-	38 544
Corporate bonds	1 957	32 776	168 014	147 910	6 415	357 071
Securitised bonds	132 920	11 863	16 170	17 449	751	179 153
<b>Total bonds and other fixed-income instruments</b>	<b>861 350</b>	<b>512 168</b>	<b>279 996</b>	<b>395 705</b>	<b>12 425</b>	<b>2 061 643</b>

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
<b>Total bonds and other fixed-income instruments</b>	<b>908 262</b>	<b>419 825</b>	<b>218 425</b>	<b>322 789</b>	<b>10 961</b>	<b>1 880 263</b>

The share of bond holdings categorised with a credit rating of AAA decreased to 41.8 percent at the end of the third quarter compared to 48.3 percent at year-end 2013. This is mostly due to a decrease in holdings of US treasuries. The BBB category also increased to 19.2 percent at the end of the third quarter, compared to 17.2 percent at year-end. This was mainly due to purchases of treasuries issued in emerging markets and an increase in holdings of corporate bonds in the BBB category. As a result of this, the credit quality of the bond portfolio in total has declined somewhat since year-end 2013.

## 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, 30.09.2014	Gross exposure	Effect of netting	Collateral and guarantees	Net exposure
Time deposits and unsecured bank deposits*	7 761	-	-	7 761
OTC derivatives including foreign exchange contracts	12 146	5 090	-375	7 432
Repurchase and reverse repurchase agreements	1 200	16	-	1 184
Securities lending transactions	22 904	-	21 626	1 277
Cash and bonds posted as collateral for futures trades	2 615	-	-	2 615
Settlement risk towards broker and long settlement transactions	580	-	-	580
<b>Total</b>	<b>47 205</b>	<b>5 105</b>	<b>21 251</b>	<b>20 849</b>

Amounts in NOK million, 30.09.2013	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	-	-	-	-
<b>Total</b>	<b>30 784</b>	<b>2 034</b>	<b>11 306</b>	<b>17 444</b>

\* 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 September 2014. Counterparty risk measured in both gross and net exposure has increased since year-end 2013. The increase is mainly due to higher cash levels and increased counterparty risk related to

foreign currency trades at the quarter-end compared to year-end. Net exposure from securities lending transactions has decreased since year-end as a result of the fact that security lending agents have extended their guarantee responsibilities.

## NOTE 9 EFFECT OF CHANGES IN ACCOUNTING POLICIES

As a consequence of the implementation of IFRS 10, 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/expense – gain/loss 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 balance sheet 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	Restated
	1Q 2013	2Q 2013	3Q 2013	4Q 2013		Effect of IFRS 10	
<b>INCOME STATEMENT</b>							
Net income/expense – gain/loss 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
<b>Profit/loss on the portfolio before foreign exchange gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>691 530</b>	<b>-</b>	<b>691 530</b>
Foreign exchange gains and losses	180	199	-2	3 280	287 771	3 657	291 428
<b>Profit/loss for the period</b>	<b>180</b>	<b>199</b>	<b>-2</b>	<b>3 280</b>	<b>976 412</b>	<b>3 657</b>	<b>980 069</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>							
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	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>980 069</b>	<b>-</b>	<b>980 069</b>

\* Other interest income and interest expense was reclassified in 4Q 2013 to *Net income/expense – gain/loss 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
<b>ASSETS</b>			
Total assets*	5 164 450	-454	5 163 996
Of which			
Deposits in banks*	4 111	-129	3 982
Financial assets real estate	7 426	-7 426	-
Jointly controlled entities and associates real estate	32 261	-32 261	-
Real estate	-	51 032	51 032
Other assets	-	3 522	3 522
Other financial assets	3 917	-3 917	-
Investment properties	11 267	-11 267	-
Other non-financial assets	8	-8	-
<b>LIABILITES AND OWNER'S CAPITAL</b>			
Total liabilities*	129 604	-454	129 150
Of which			
Other liabilities	849	-454	395
Owner's capital	5 034 846	-	5 034 846
Of which			
Retained earnings	1 732 256	3 649	1 735 905
Translation reserve foreign subsidiaries	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 policies – 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			
Retained earnings	755 844	-8	755 836
Translation reserve foreign subsidiaries	-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 September 30, 2014, the profit/loss for the period and total comprehensive income, the statement of changes in owner's capital, the statement of cash flows for the nine-month period then ended and selected explanatory notes. The Executive Board and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

## *Scope of review*

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

## *Conclusion*

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

Oslo, 22 October 2014

**Deloitte AS**

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



