

The top of the page features a blue header with a background of faint, semi-transparent images. On the left is the Statue of Liberty. In the center and right are digital clock displays for New York (02:50), London (07:50), and Tokyo (08:50). The text 'NBIM' is prominently displayed in white, with 'Norges Bank Investment Management' written below it in a smaller font. Other faint text includes 'Date: Shanghai' and 'IM'.

Norges Bank Investment Management

Report on the management of the Government Petroleum Insurance Fund

Forth quarter 2009

March 2010

Report on the management of the Government Petroleum Insurance Fund

Fourth quarter 2009

The purpose of the Government Petroleum Insurance Fund is to provide a reserve for payments to cover losses and liability associated with the State's Direct Financial Interest in petroleum activities (SDFI). The Ministry of Petroleum and Energy owns the fund. Pursuant to the Act relating to the Government Petroleum Insurance Fund, Norges Bank is responsible for the operational management of the fund.

The Ministry has defined a strategic benchmark portfolio for the fund consisting of 50 percent euro, 15 percent pounds sterling and 35 percent US dollars. The benchmark index consists of Barclays Global Aggregate treasury indices for the three currencies and a money market deposit to weight the interest rate risk as measured by modified duration in each currency to 4 (see Section 3).

During the year, the currency weights in the actual benchmark portfolio fluctuate with market developments. However, at the beginning of July each year, the actual weights are returned to the strategic currency weights. The table below shows the weights in the fund's actual and strategic benchmark portfolios at the end of the fourth quarter of 2009.

Government Petroleum Insurance Fund. Benchmark portfolio as at 31 December 2009. Percent

Currency	Strategic benchmark portfolio	Actual benchmark portfolio
EUR	50.0	51.0
GBP	15.0	14.5
USD	35.0	34.5
Total	100	100

1 Key figures

The prospect of a collapse in the global financial system receded in 2009. The global fall in prices for real estate, commodities, equities and fixed income instruments began in summer 2008 as the consequences of the crisis in the US housing market became more apparent. The collapse of investment bank Lehman Brothers in September 2008 caused panic and plummeting securities prices through to March 2009, when the equity market hit bottom. Massive government support packages then helped to stabilise the markets and reverse the negative trend. Confidence and

liquidity in financial institutions returned. Government bond yields increased somewhat in the fourth quarter, leading to a decrease in the value of the portfolio. The return on the fund in 2009 was 1.1 percent. This was 0.65 percentage points higher than the return on the benchmark portfolio defined by the Ministry of Petroleum and Energy.

The return on the fund in the fourth quarter was -0.5 percent. This was 0.03 percentage point higher than the benchmark return. The market value of the portfolio at the end of 2009 was 19 billion kroner, down from 21 billion kroner a year earlier.

Table 1-1 provides a historical overview of risks and returns for the fund, while Chart 1-1 shows movements in the fund's market value.

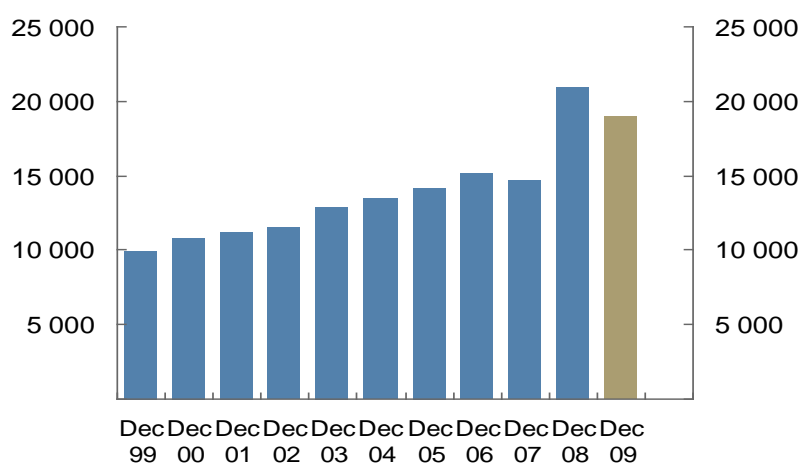
Table 1-1 Risks and returns. Annualised figures as at 31 December 2009

	Past 2 years	Past 3 years	Past 5 years	Past 7 years	Since 01.01.98
Actual return (percent)	5.04	5.08	4.33	4.41	5.13
Benchmark return (percent)	4.67	4.77	4.11	4.21	4.94
Excess return (percentage points)	0.37	0.31	0.22	0.20	0.19
Standard deviation (percent) ¹⁾	3.38	3.00	2.64	2.54	2.50
Tracking error (percentage points)	0.23	0.20	0.16	0.14	0.13
Information ratio ²⁾	1.65	1.52	1.35	1.42	1.48

1) The standard deviation is a measure of variations in the return/excess return during a period. Each monthly return/excess return is compared with the mean for the period. The higher the standard deviation, the greater the variations relative to the mean and the higher the risk.

2) The information ratio (IR) is a measure of risk-adjusted return. It is calculated as the ratio of excess return to the actual relative market risk (as measured by tracking error) to which the portfolio has been exposed. The IR indicates how much excess return has been achieved per unit of risk.

Chart 1-1 Market value. In millions of NOK



2 Market value and return

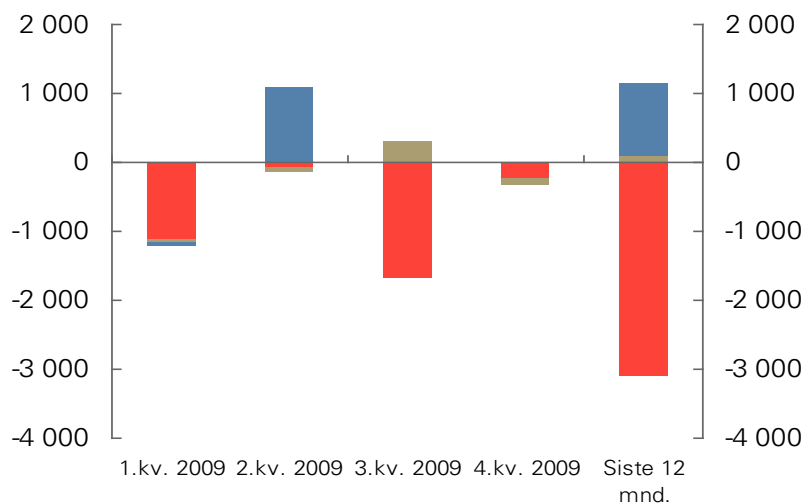
At the end of the fourth quarter of 2009, the market value of the fund's international portfolio was 19.3 billion kroner.

Table 2-1 Market value. Millions of NOK

Currency	31.03.09	30.06.09	30.09.09	31.12.09
EUR	9 443	10 312	9 897	9 672
GBP	2 426	3 084	2 760	2 751
USD	7 839	7 263	6 631	6 538
Total	19 708	20 659	19 288	18 962

This was 0.3 billion kroner lower than at the end of the third quarter. The main reason for the decrease was a stronger krone in relation to the currencies in which the portfolio is invested. Chart 2-1 shows developments in the fund's market value over the past 12 months.

Chart 2-1 Change in market value. In millions of NOK



The return on the fund in the fourth quarter of 2009 was -0.46 percent in international currency (i.e. measured in terms of a currency basket corresponding to the composition of the fund's benchmark portfolio). In krone terms, the return was -1.69 percent. The difference is due to the appreciation of the krone during the quarter against the currencies included in the benchmark portfolio. The actual return was 0.03 percentage point higher than the benchmark return.

Chart 2-2 Quarterly return and three-year rolling annualised return. Percent

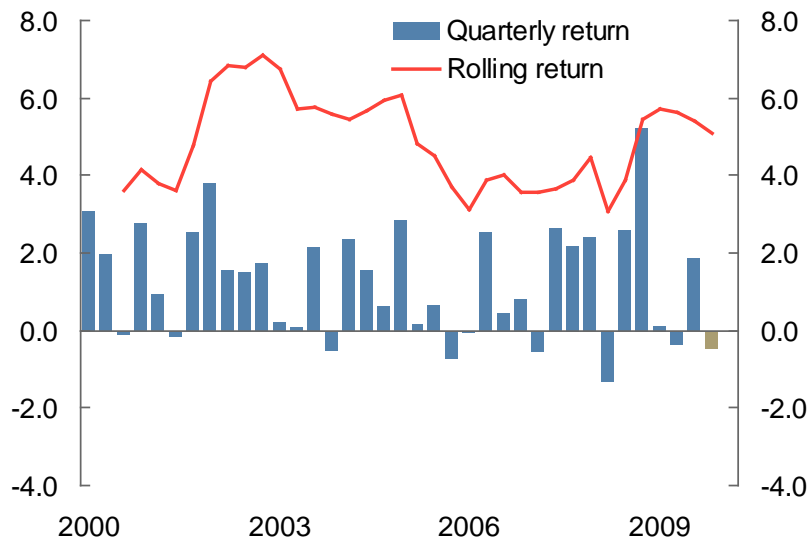
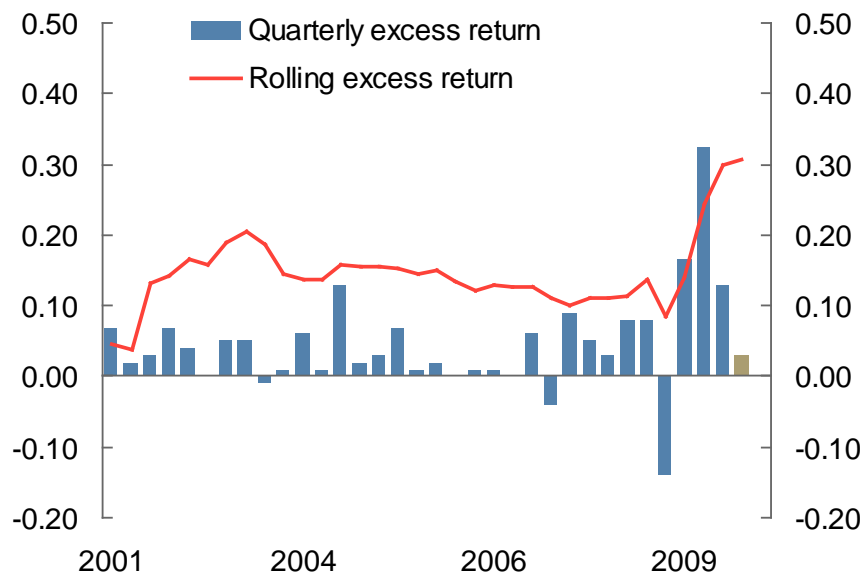


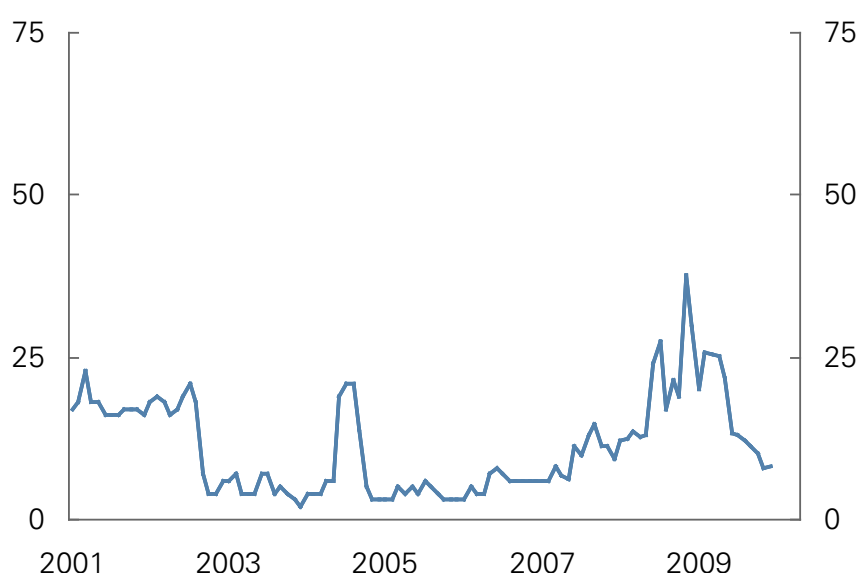
Chart 2-3 Quarterly excess return and three-year rolling annualised excess return. Percentage points



3 Market risk and management guidelines

Market risk in the fund is measured as expected tracking error. This is a statistically-defined measure of risk which says something about the amount of variation we can normally expect in the difference between the return on the benchmark portfolio and the return on the actual portfolio in which the fund is invested. The Ministry of Petroleum and Energy has decided that market risk in the fund must always be less than a tracking error of 0.75 percentage point. This means that, under normal market conditions, the annual return on the actual portfolio is expected to deviate from the return on the benchmark portfolio by less than 0.75 percentage point in two out of every three years. Chart 3-1 shows movements in market risk. Expected tracking error was 0.08 percentage point (8 basis points) at the end of the fourth quarter, down from 0.11 percentage point at the end of the third quarter.

Chart 3-1 Expected tracking error. Basis points



The Ministry of Petroleum and Energy has also set a limit for interest rate risk in the fund as measured by modified duration. This measure says something about the expected change in the value of the fund following a change in general interest rate levels. The Ministry has decided that the fund's modified duration is to be a maximum of 5. Table 3-1 shows the fund's modified duration as at 31 December 2009, while Table 3-2 shows the composition of the bond portfolio by credit rating.

Table 3-1 Modified duration by currency as at 31 December 2010

Currency	Benchmark portfolio	Actual portfolio
EUR	3.87	3.83
GBP	3.87	4.05
USD	3.89	3.98
Total	3.87	3.91

Table 3-2 Market value as at 31 December 2009 by credit rating ¹⁾

Percentage of fixed income portfolio	Aaa	Aa	A
Government and government-related bonds	73.9	17.3	6.2
Corporate bonds	-	0.2	-
Securitised debt	1.5	-	-
Total bonds and other fixed income instruments	76.4	17.4	6.2

¹⁾ Based on credit ratings from at least one of the following rating agencies: Moody's, Standard & Poor's and Fitch.

Table 3-3 provides an overview of the limits for risk exposure set out in the regulation and guidelines, and shows the portfolio's actual exposure in relation to these limits at the end of each quarter. There were no breaches of the Ministry's guidelines in the fourth quarter of 2009.

Table 3-2 Market value as at 31 December 2009 by credit rating ¹⁾

Percentage of fixed income portfolio	Aaa	Aa	A
Government and government-related bonds	73.9	17.3	6.2
Corporate bonds	-	0.2	-
Securitised debt	1.5	-	-
Total bonds and other fixed income instruments	76.4	17.4	6.2

¹⁾ Based on credit ratings from at least one of the following rating agencies: Moody's, Standard & Poor's and Fitch.

4 Financial reporting

The Government Petroleum Insurance Fund's accounts are kept by Norges Bank, but the fund is not included in the Bank's financial statements.

Operating expenses

The Management Agreement between the Ministry of Petroleum and Energy and Norges Bank establishes the principles for Norges Bank's remuneration for managing

the Petroleum Insurance Fund. For 2009, a fee of 0.06 percent of the average market value of the fund has been stipulated. This worked out at 12.1 million kroner for the year.

Profit and loss account and balance sheet

Table 4-1 Government Petroleum Insurance Fund. Profit and loss account

Year to date

(Figures in thousands of NOK)	Q4 2009	Q4 2008	31.12.09	31.12.08
Profit/loss on financial assets excl. exchange rate adjustments				
Interest income, deposits in foreign banks	221	105	417	919
Interest income, lending associated with reverse repurchase agreements	3 868	20 998	21 769	103 910
Net income/expenses and gains/losses from:				
- bonds and other fixed income instruments	-103 562	1 098 418	64 650	1 605 532
- financial derivatives	0	-13 233	621	-10 658
Interest expenses, borrowing associated with repurchase agreements	-13	-63	-196	-789
Other interest expenses	-4	-30	-62	-34
Profit/loss before exchange rate adjustments	-99 491	1 106 194	87 198	1 698 880
Exchange rate adjustments	-227 215	2 455 897	-3 083 940	3 356 665
Profit/loss	-326 705	3 562 091	-2 996 742	5 055 545
Accrued management fee	-3 114	-2 576	-12 051	-9 243
Profit/loss after management fee	-329 820	3 559 514	-3 008 792	5 046 303

Table 4-2 Government Petroleum Insurance Fund. Balance sheet

(Figures in thousands of NOK)

	31.12.09	31.12.08
FINANCIAL ASSETS		
Deposits	162	51 089
Lending associated with reverse repurchase agreements	8 719 352	14 244 564
Bonds and other fixed income instruments	9 625 897	5 015 847
Bonds lent	4 854 943	13 138 825
Unsettled trades	0	127 873
Other assets	290	3 000
TOTAL FINANCIAL ASSETS	23 200 645	32 581 198
FINANCIAL LIABILITIES		
Short-term borrowing	22 046	0
Cash collateral received	4 071 080	11 604 397
Financial derivatives	0	6 115
Unsettled trades	145 696	51 638
Management fee due	12 051	9 243
TOTAL FINANCIAL LIABILITIES	4 250 873	11 671 393
NET PORTFOLIO	18 949 772	20 909 805