

The top of the page features a blue header with a background of faint, semi-transparent graphics. On the left, the NBIM logo is visible, consisting of the letters 'NBIM' in a bold, sans-serif font, with 'Norges Bank Investment Management' written in a smaller font below it. To the right of the logo, there are several faint, semi-transparent elements: a stylized figure of a person in a white protective suit, a digital clock showing '02:50', '07:50', and '08:50', and various city names including 'New York', 'London', 'Tokyo', 'Shanghai', and 'Date/Time'.

NBIM

Norges Bank Investment Management

Report on the management of Government Petroleum Insurance Fund

Second quarter 2010

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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 second quarter of 2010.

Government Petroleum Insurance Fund. Benchmark portfolio as at 30 June 2010. Percent

Currency	Strategic benchmark portfolio	Actual benchmark portfolio
Euro	50.0	50.0
Pounds sterling	15.0	15.0
US dollars	35.0	35.0
Total	100	100

1 Key figures

The return on the fund in the second quarter of 2010 was 1.8 percent. This was 0.14 percentage point higher than the return on the benchmark portfolio defined by the Ministry of Petroleum and Energy. The market value of the fund at the end of the quarter was 21 billion kroner, up from 18.4 billion kroner at the end of the first quarter.

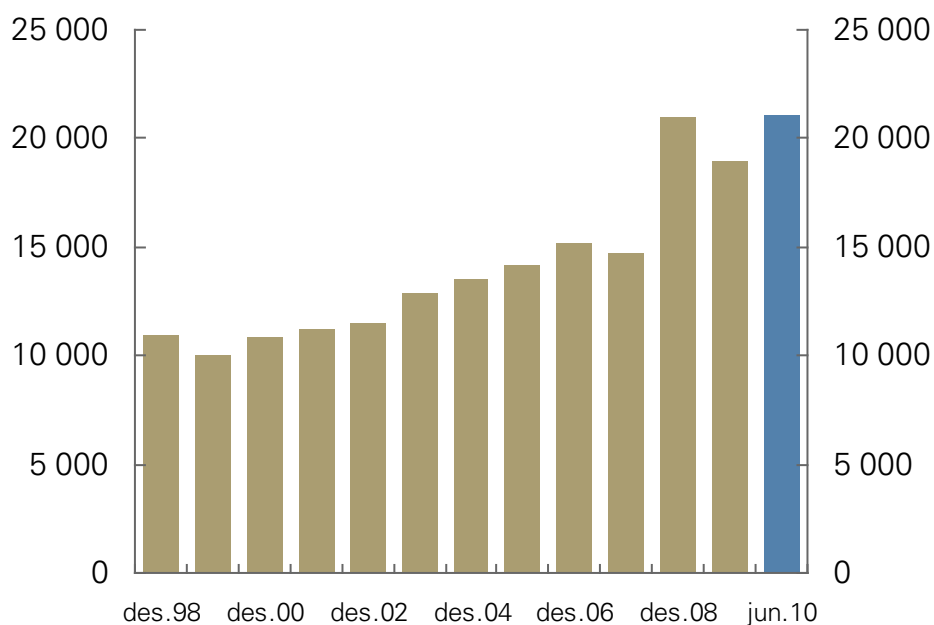
Table 1-1 provides a historical overview of risk and return for the fund, while Chart 1-1 shows movements in the fund's market value.

Table 1-1 Risks and returns. Annualised figures as at 30 June 2010

	Past year	Past 2 years	Past 3 years	Past 5 years	Past 7 years	Past 10 years
Actual return (percent)	4.49	6.07	6.05	4.25	4.37	5.18
Benchmark return (percent)	4.15	5.66	5.69	4.02	4.16	4.97
Excess return (percentage points)	0.34	0.41	0.36	0.23	0.21	0.21
Standard deviation (percent) ¹⁾	2.01	3.10	2.90	2.61	2.49	2.50
Tracking error (percentage points)	0.12	0.21	0.20	0.16	0.14	0.13
Information ratio ²⁾	2.92	1.95	1.79	1.41	1.47	1.65

- 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 kroner



2 Market value and return

The fund's market value rose by 2.6 billion kroner during the second quarter, due mainly to an increase in the annual premium payment from the ministry. A positive return on investment measured in international currency increased the fund's market value by 0.4 billion kroner, while a weaker krone against the currencies in which the fund is invested increased its value by 0.8 billion kroner.

Chart 2-1 shows developments in the fund's market value over the past 12 months, while Table 2-1 presents the composition of the fund by investment currency.

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

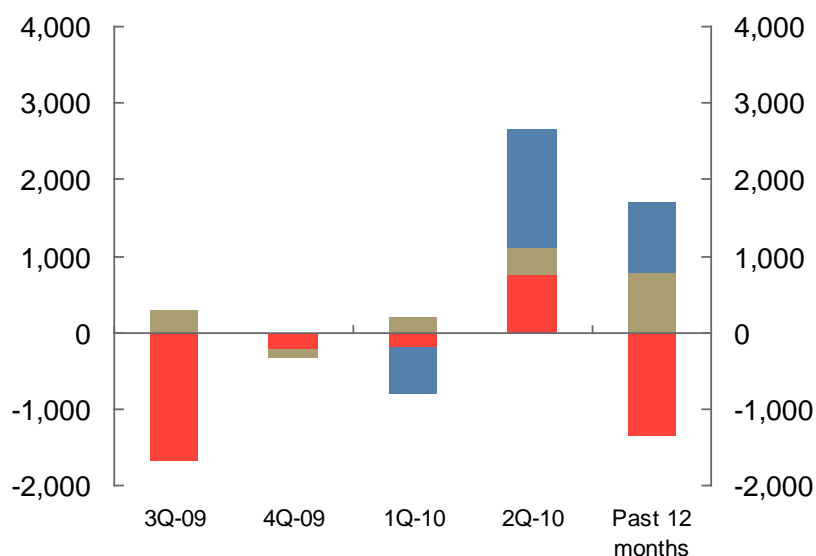


Table 2-1 Market value. Millions of kroner

Currency	30.09.2009	31.12.2009	31.03.2010	30.06.2010
Euro	9 897	9 672	9 222	10 556
Pounds sterling	2 760	2 751	2 587	3 133
US dollars	6 631	6 538	6 576	7 342
Total market value	19 288	18 962	18 385	21 031

The return on the fund in the second quarter of 2010 was 1.82 percent measured in international currency (i.e. measured in terms of a currency basket corresponding to the composition of the fund's benchmark portfolio). Measured in kroner, the return was 6.06 percent. The difference is due to the depreciation of the krone during the quarter against the currencies included in the benchmark portfolio. The actual return was 0.14 percentage point higher than the benchmark return.

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

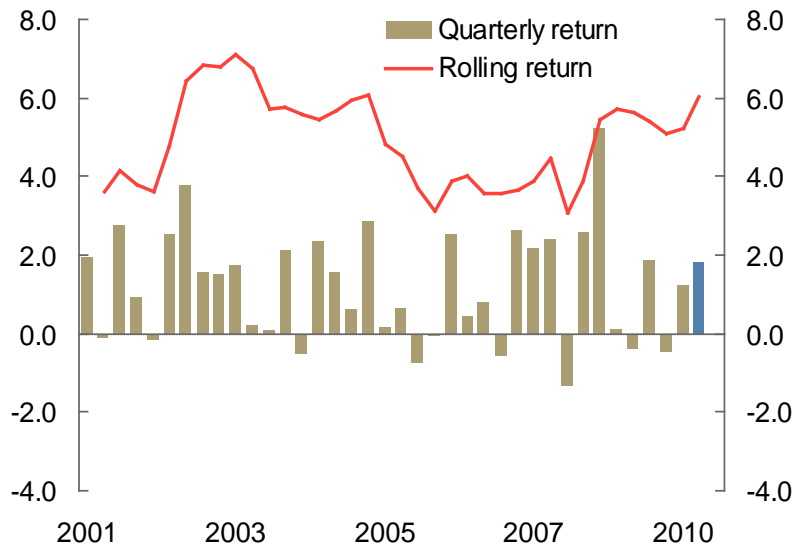
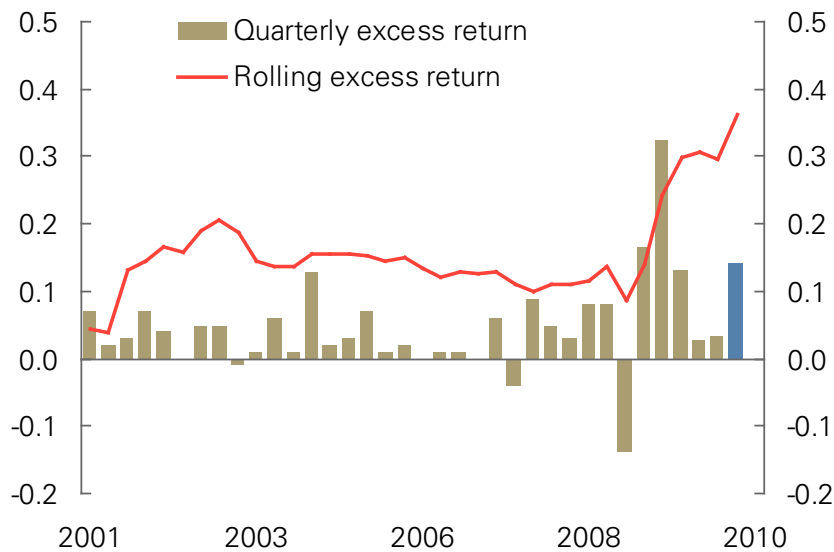


Chart 2-3 Quarterly excess return and three-year rolling annualised excess return. Percentage points

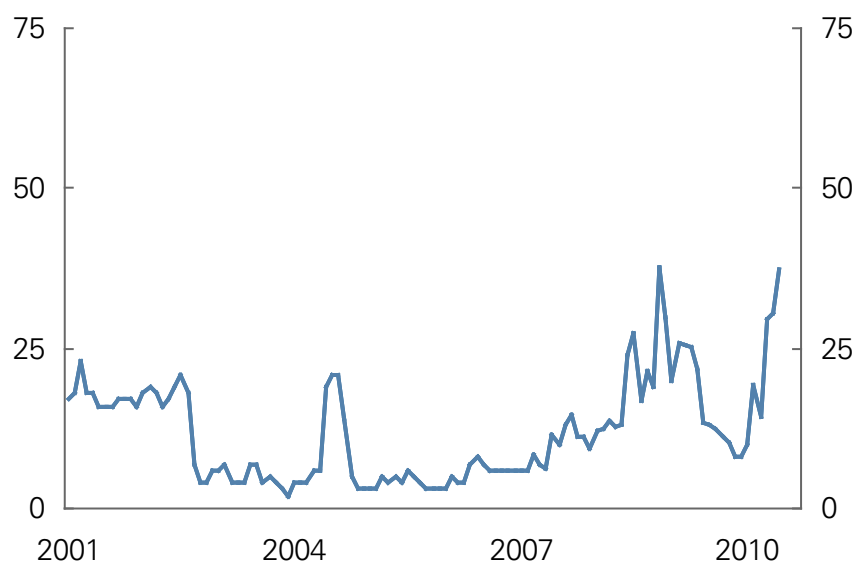


3 Market risk and management guidelines

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 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 0.37 percentage point (37 basis points) at the end of the second quarter, up from 0.14 percentage point at the end of the first 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 30 June 2010, while Table 3-2 shows the composition of the bond portfolio by credit rating.

Table 3-1 Modified duration by currency as at 30 June 2010

Currency	Benchmark portfolio	Actual portfolio
Euro	3.84	3.51
Pounds sterling	3.75	3.90
US dollars	3.87	3.86
Total	3.84	3.69

Table 3-2 Market value as at 30 June 2010 by credit rating¹⁾

Percentage of fixed-income portfolio	Aaa	Aa	A
Government and government-related bonds	82.4	12.4	3.7
Securitised debt	1.5	-	-
Total bonds and other fixed-income instruments	83.9	12.4	3.7

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 was one minor breach of the ministry's guidelines in the second quarter of 2010.

Table 3-3 Key figures for risk and exposure

Risks	Limits	Actual			
		30.09.2009	31.12.2009	31.03.2010	30.06.2010
Market risk	Tracking error max. 0.75 percentage point	0.11	0.08	0.14	0.37
Interest rate risk	Modified duration max. 5.0	3.91	3.83	3.77	3.69

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 2010, a fee of 0.06 percent of the average market value of the fund has been stipulated. A management fee of 5.6 million kroner was accrued in the first half of 2010.

Profit and loss account and balance sheet

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

	Quarter			Year to date	
	2Q.2010	2Q.2009	30.06.2010	30.06.2009	31.12.2009
(Figures in thousands of kroner)					
<i>Profit/loss on financial assets excl. exchange rate adjustments</i>					
Interest income, lending associated with reverse repurchase agreements	4 172	5 960	7 604	13 899	21 769
Net income/expenses and gains/losses from:					
- securities and deposits	355 179	-87 445	562 522	-135 761	65 067
- financial derivatives	0	77	0	621	621
Interest expenses, borrowing associated with repurchase agreements	-39	-50	-41	-162	-196
Other interest expenses	0	0	0	-58	-62
Profit/loss before exchange rate adjustments	359 312	-81 459	570 085	-121 462	87 198
Exchange rate adjustments	755 909	-58 301	560 113	-1 183 327	-3 083 940
Profit/loss	1 115 222	-139 760	1 130 197	-1 304 789	-2 996 742
Accrued management fee	-2 793	-2 899	-5 617	-5 916	-12 051
Profit/loss after management fee	1 112 429	-142 659	1 124 580	-1 310 705	-3 008 792

Table 4-2 Government Petroleum Insurance Fund.
Balance sheet

(Figures in thousands of kroner)

	30.06.2010	30.06.2009	31.12.2009
FINANCIAL ASSETS			
Lending associated with reverse repurchase agreements	8 550 139	9 051 041	8 719 352
Securities and deposits	10 156 956	10 406 461	9 604 303
Bonds lent	3 347 988	6 065 300	4 854 943
Financial derivatives	9	0	0
Unsettled trades	392 035	0	0
TOTAL FINANCIAL ASSETS	22 447 128	25 522 802	23 178 599
FINANCIAL LIABILITIES			
Cash collateral received	2 320 002	5 315 300	4 071 080
Financial derivatives	60	0	0
Unsettled trades	626 168	638 570	145 696
Management fee due	5 617	5 916	12 051
TOTAL FINANCIAL LIABILITIES	2 951 847	5 959 787	4 228 827
NET PORTFOLIO*	19 495 281	19 563 015	18 949 772

- The difference between market value in Table 2.1 and the net portfolio in the balance sheet is due primarily to differences in the treatment of unsettled transfers to the portfolio, which were not recognised in the balance sheet at the end of the quarter.