

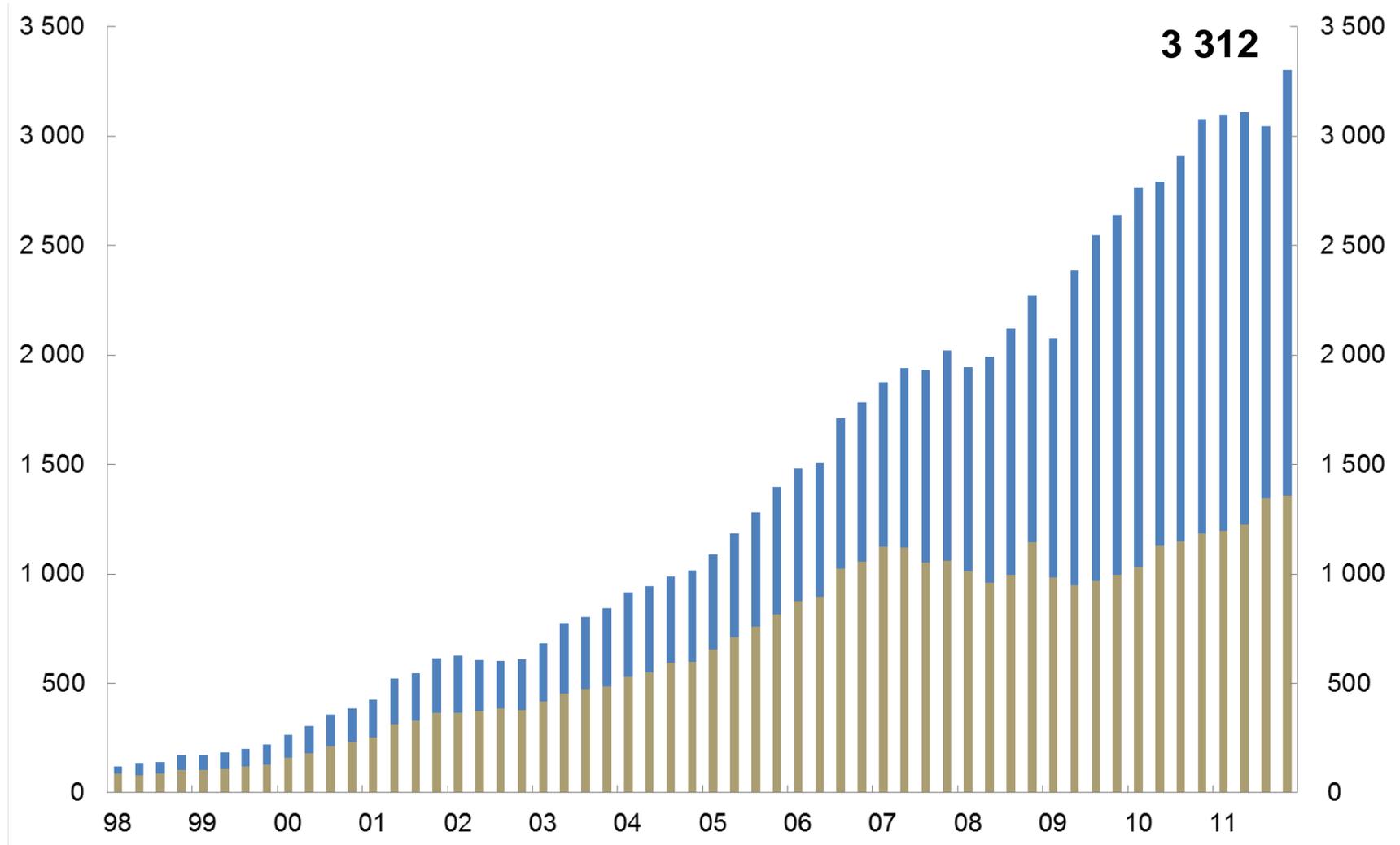
2011

Press Conference  
16 March 2012



# The fund's market value

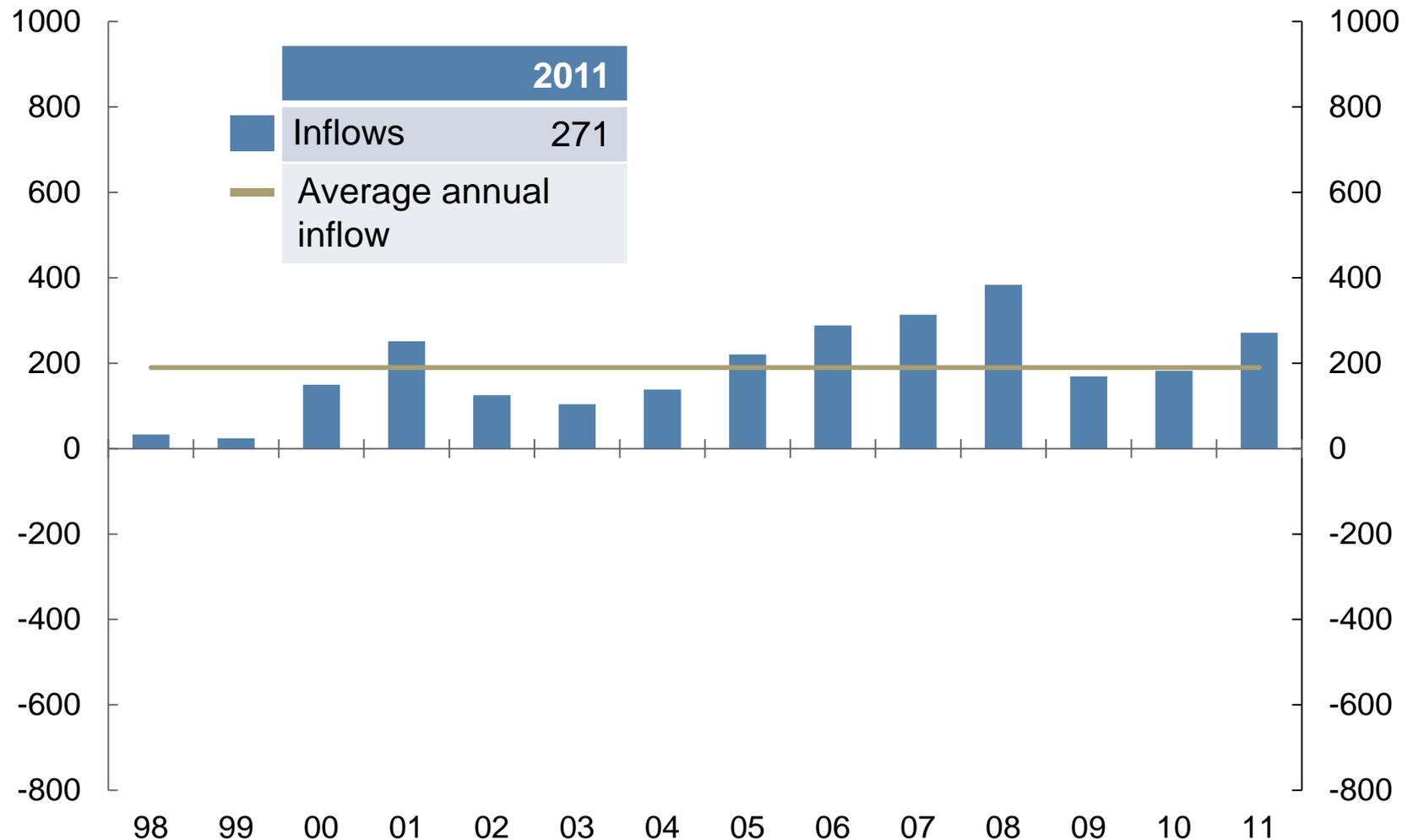
Quarterly values, billions of kroner



Source: NBIM

# Changes in the fund's market value: Inflows

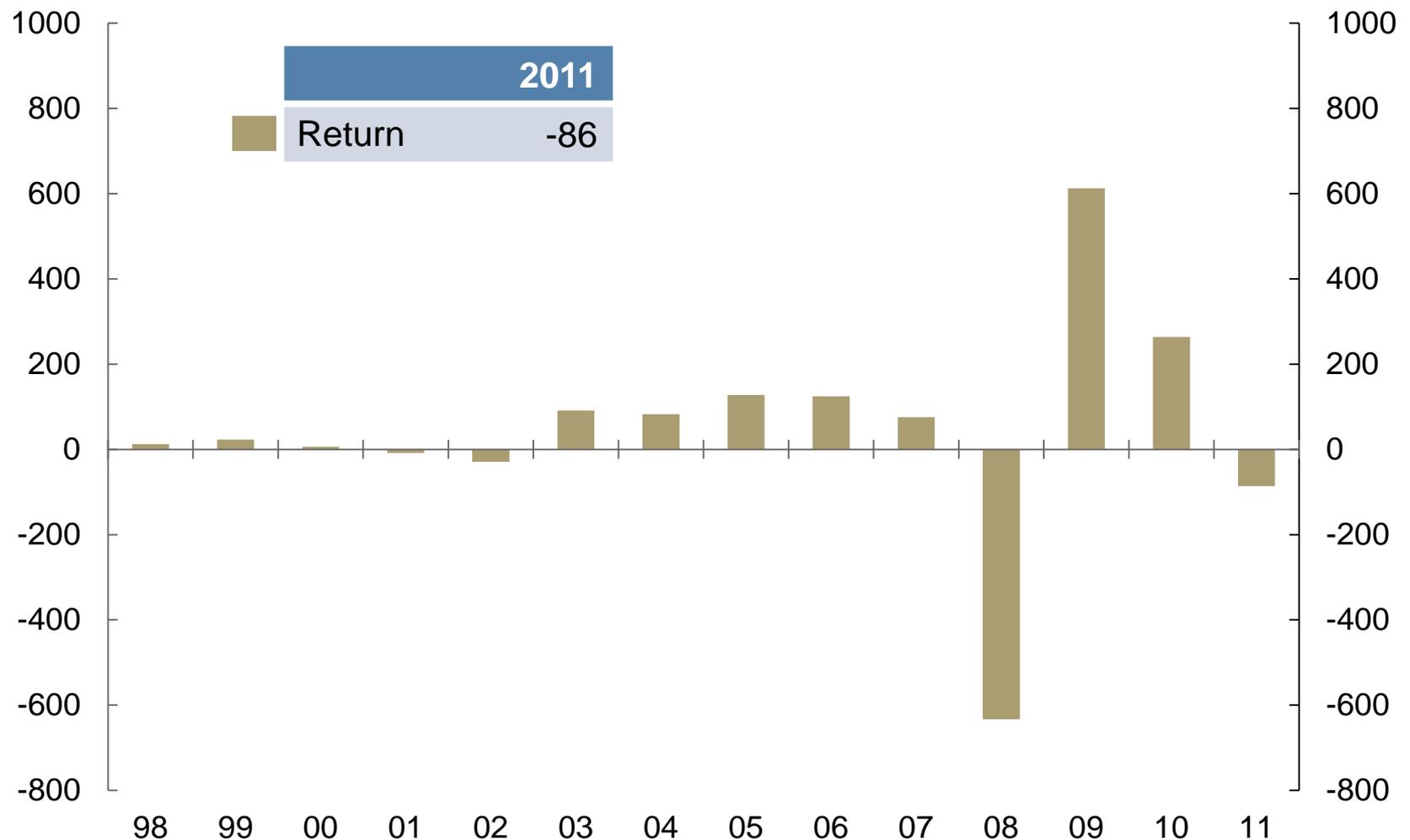
Billions of kroner



Source: NBIM

# Changes in the fund's market value: Return

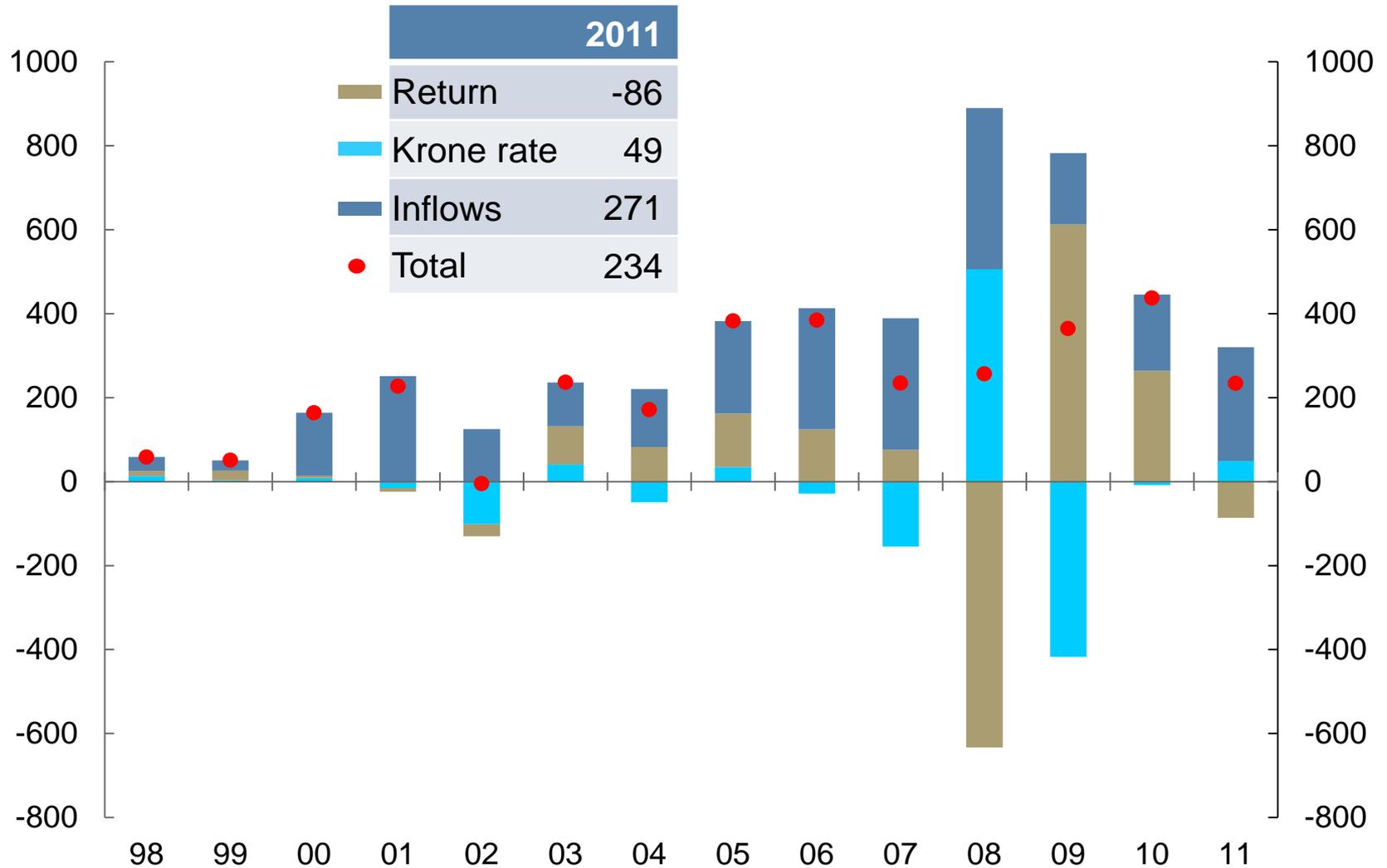
Billions of kroner



Source: NBIM

# Changes in the fund's market value

Billions of kroner



Source: NBIM

# Changes in value since 1996

Billions of kroner

	31.12.2011	30.9.2011	31.12.2010
Fund's market value	3 312	3 055	3 077
Gross inflow of new capital	2 782	2 679	2 508
Management costs	19	18	16
Change due to fluctuations in krone	-111	-131	-160
Return on fund	660	525	746
Equity	226	104	395
Fixed income	434	421	351
Real Estate	-0	-0	-

# Historical key figures

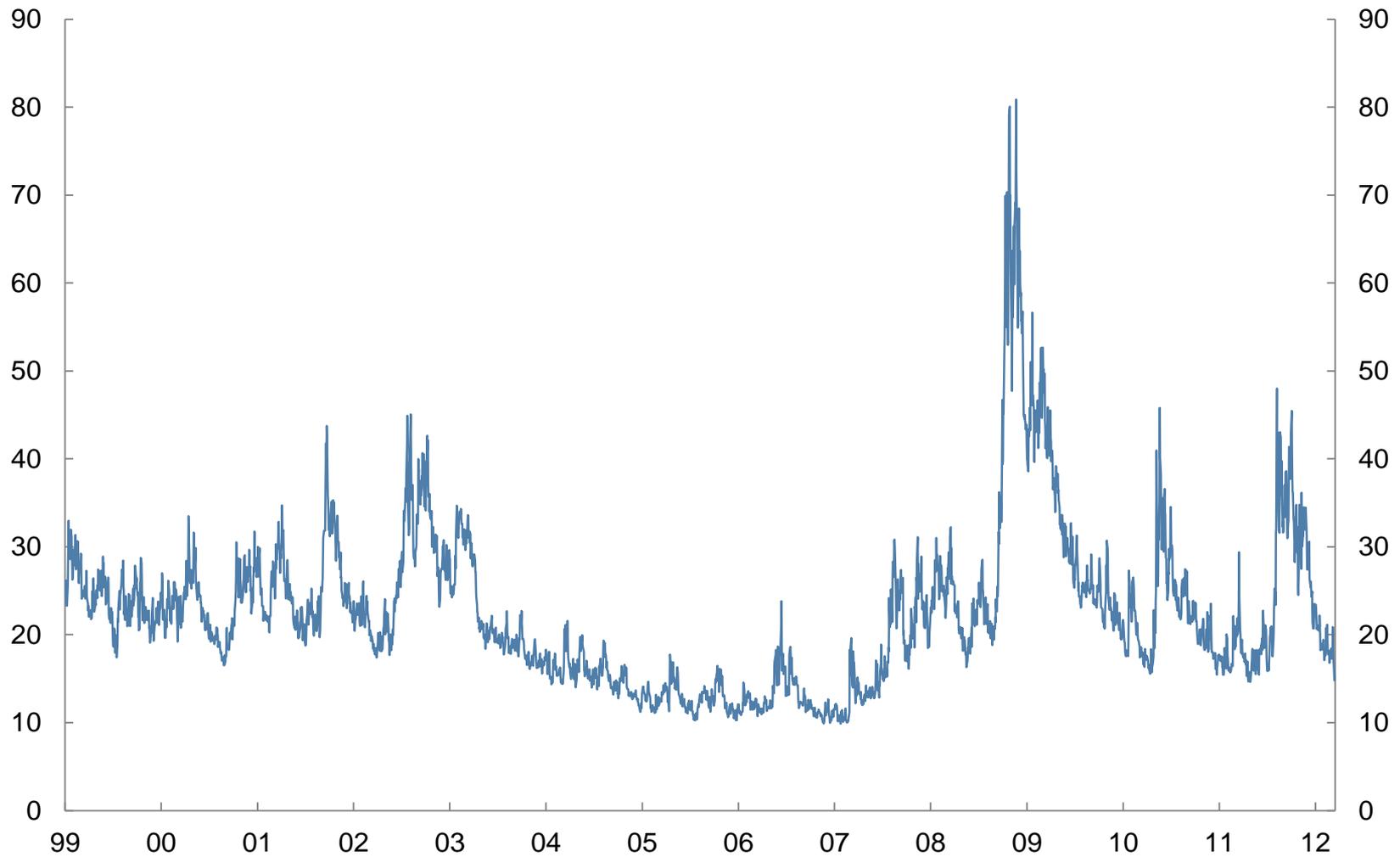
Annualised data in international currency

	Last 12 months	Last 3 years	Since 1 Jan 1998
<b><i>(Fund's equity and fixed-income investments)</i></b>			
Return (percent)	-2.55	10.30	4.48
Benchmark indices (percent)	-2.42	8.78	4.20
Relative return of fund (percentage points)	-0.13	1.52	0.28
<b><i>(Fund's total investments)</i></b>			
Gross annual return on fund (percent)	-2.54	10.30	4.48
Annual price inflation (percent)	2.77	2.19	1.91
Annual management costs (percent)	0.08	0.11	0.10
Annual net real return on fund (percent)	-5.25	7.83	2.42

# Market developments

# Expected risk in stock markets

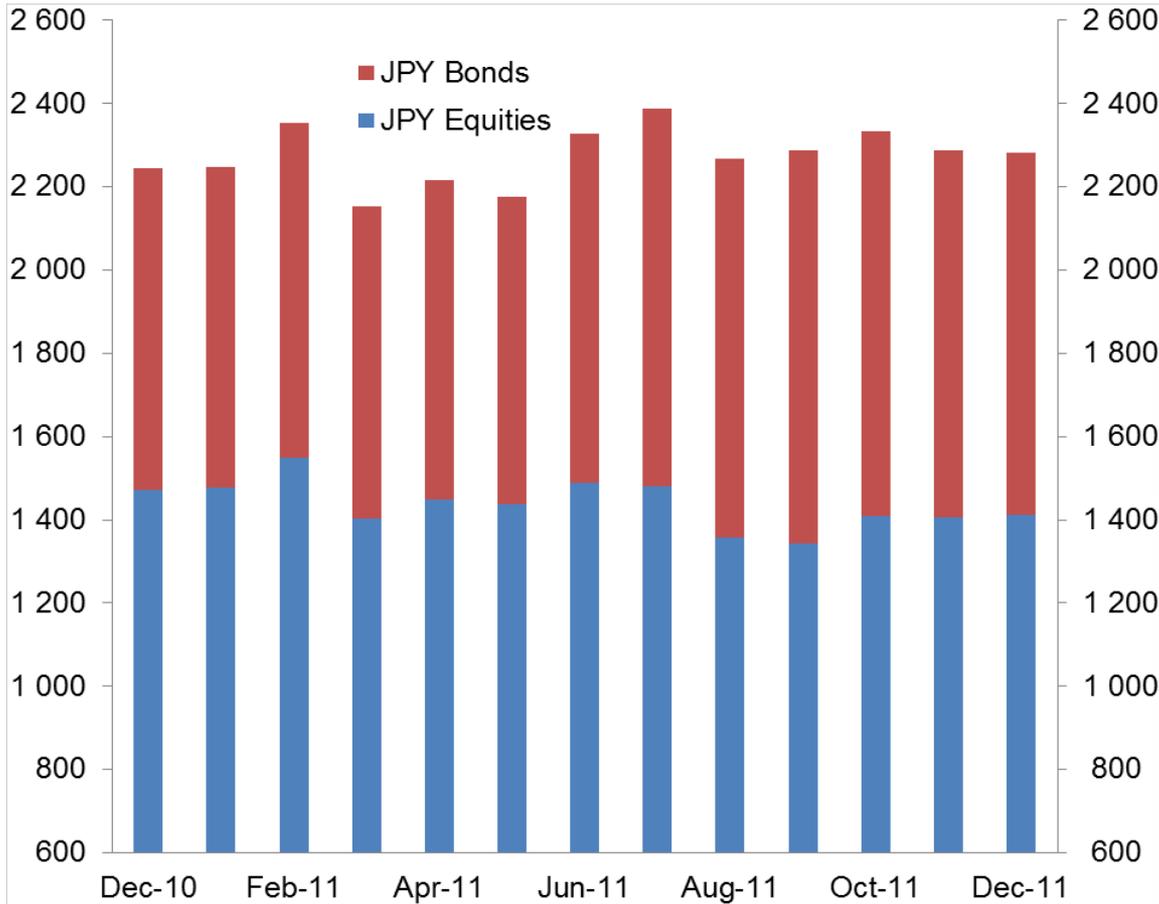
VIX-index, percent



Source: Bloomberg

# Japan

Holdings in trillions of yen



Source: NBIM

# Middle East

Fund's equity exposure (millions of kroner). Stock market index in Egypt, indexed (31.12.2010 = 100)

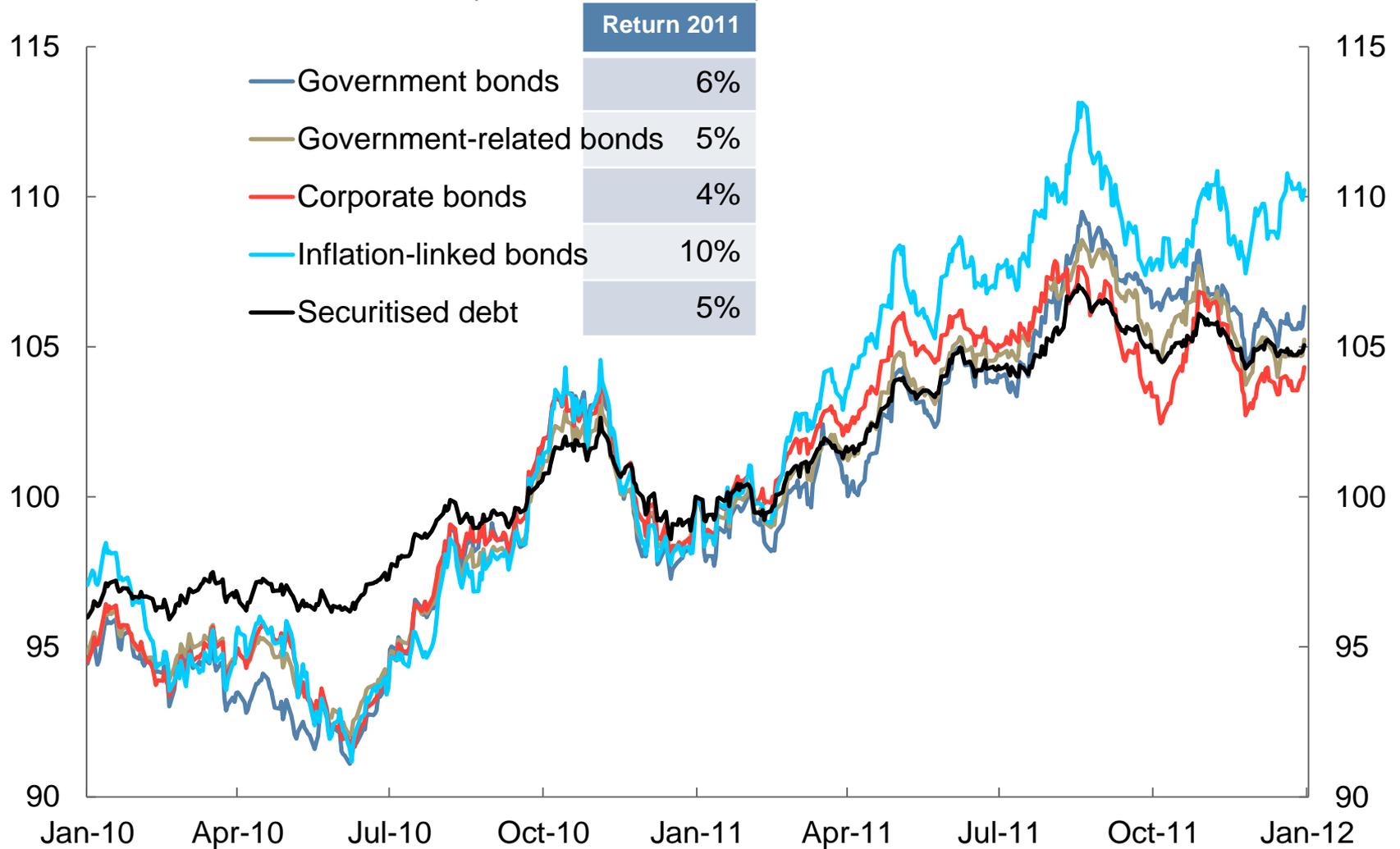
Country	Market value 31.12.2011	Market value 31.12.2010
Egypt	750	998
Bahrain	454	449
United Arab Emirates	209	450
Morocco	33	100
<b>Total</b>	<b>1 446</b>	<b>1 997</b>



Source: NBIM, Bloomberg

# Price developments in fixed-income sectors

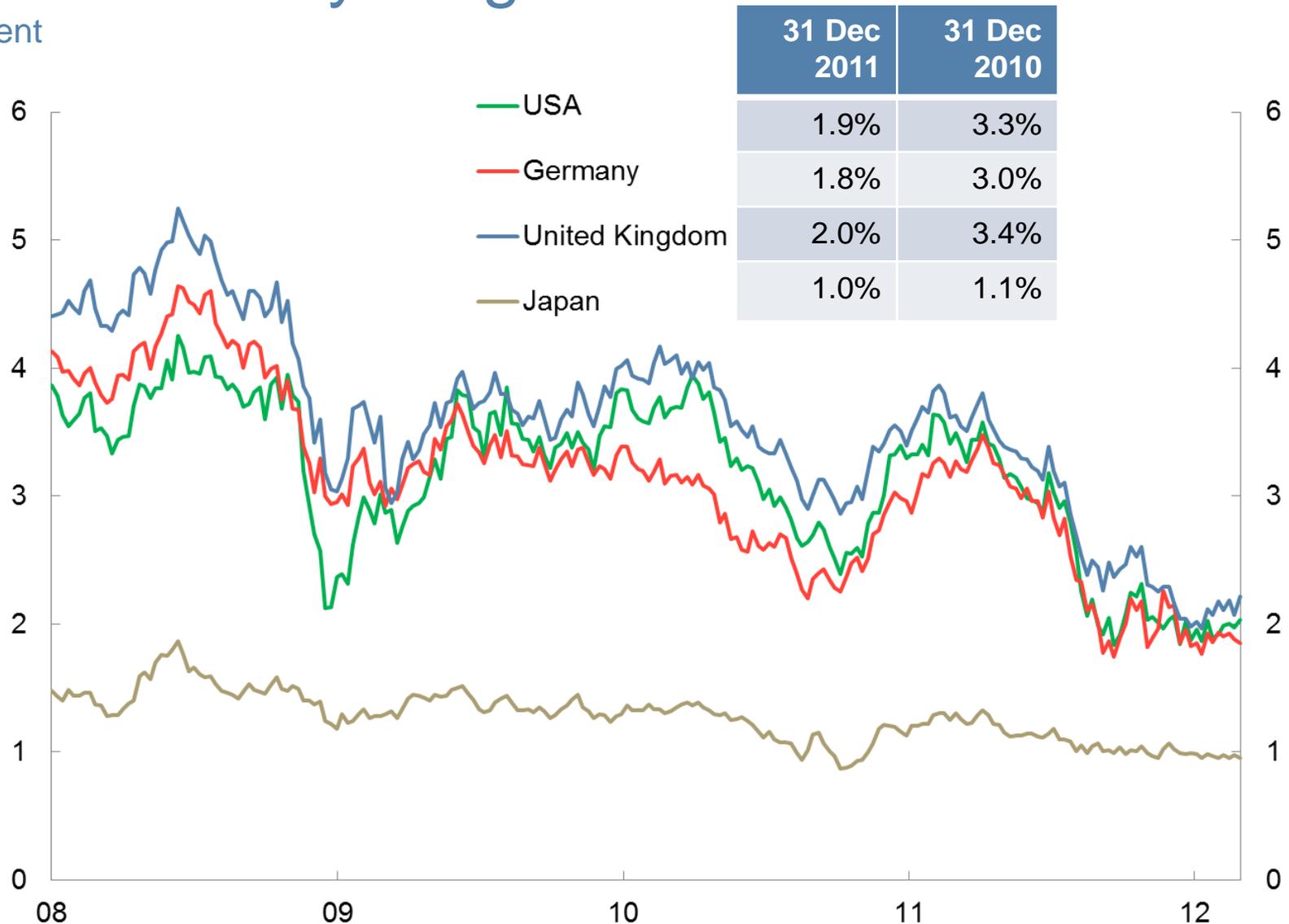
Measured in US dollars, indexed (31.12.2010 = 100)



Source: Barclays Capital

# Yields on 10-year government bonds

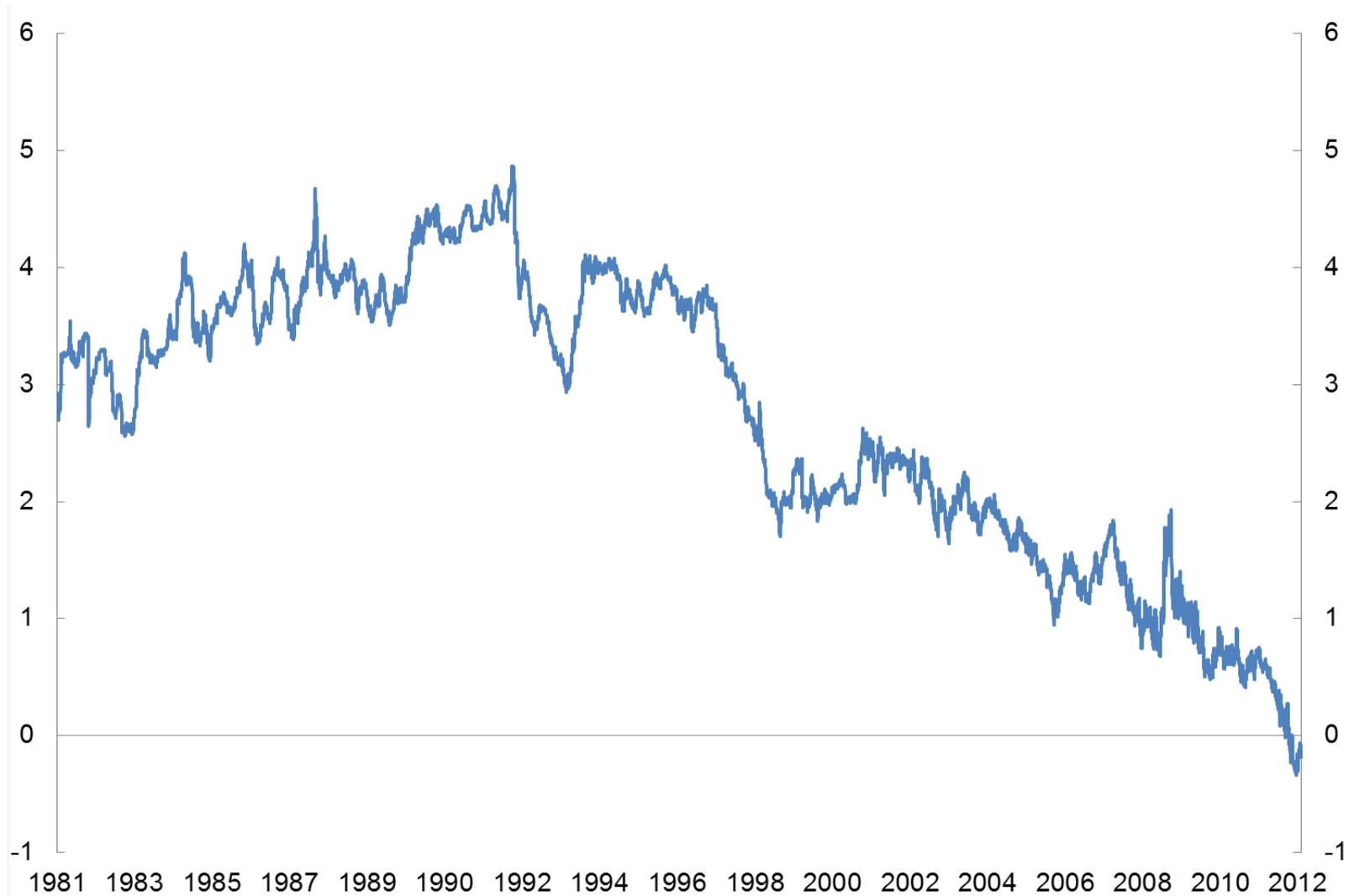
Percent



Source: Bloomberg

# Real return in bond markets

Treasury bonds. British pound. Percent



Source: Barclays Capital

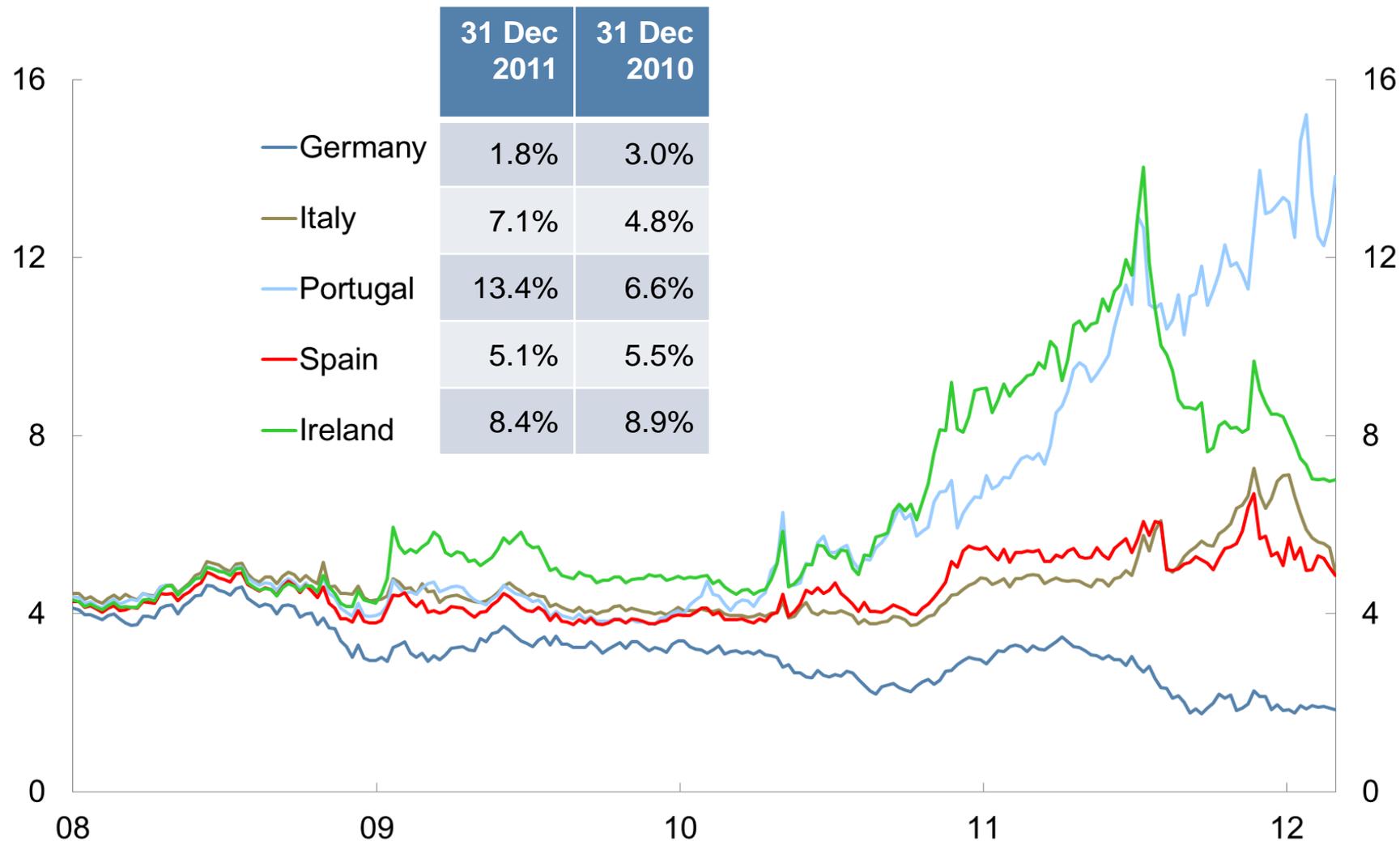
# Fund's largest holdings

Millions of kroner, 31 December 2011

Issuer	Country	Holdings
US government	US	249 072
UK government	UK	109 813
French government	France	79 790
Japanese government	Japan	67 036
Federal Republic of Germany	Germany	51 294
Italian Republic	Italy	32 914
European Investment Bank	Supranational	24 099
Kreditanstalt für Wiederaufbau	Germany	22 703
Government of the Netherlands	Netherlands	20 218
Kingdom of Spain	Spain	17 975

# Yields on 10-year government bonds in the eurozone

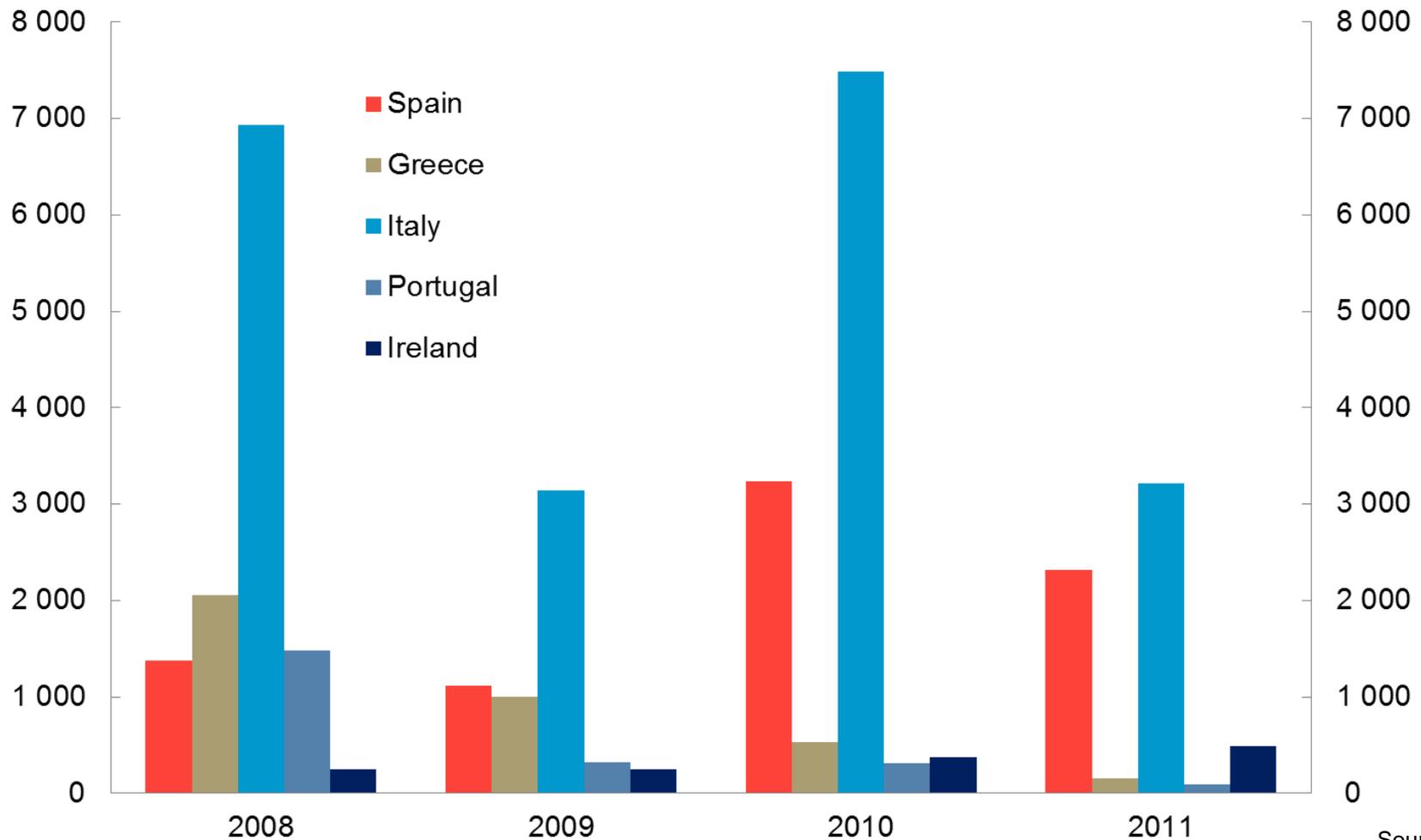
Percent



Source: Bloomberg

# Fund's holdings of government debt in some European countries

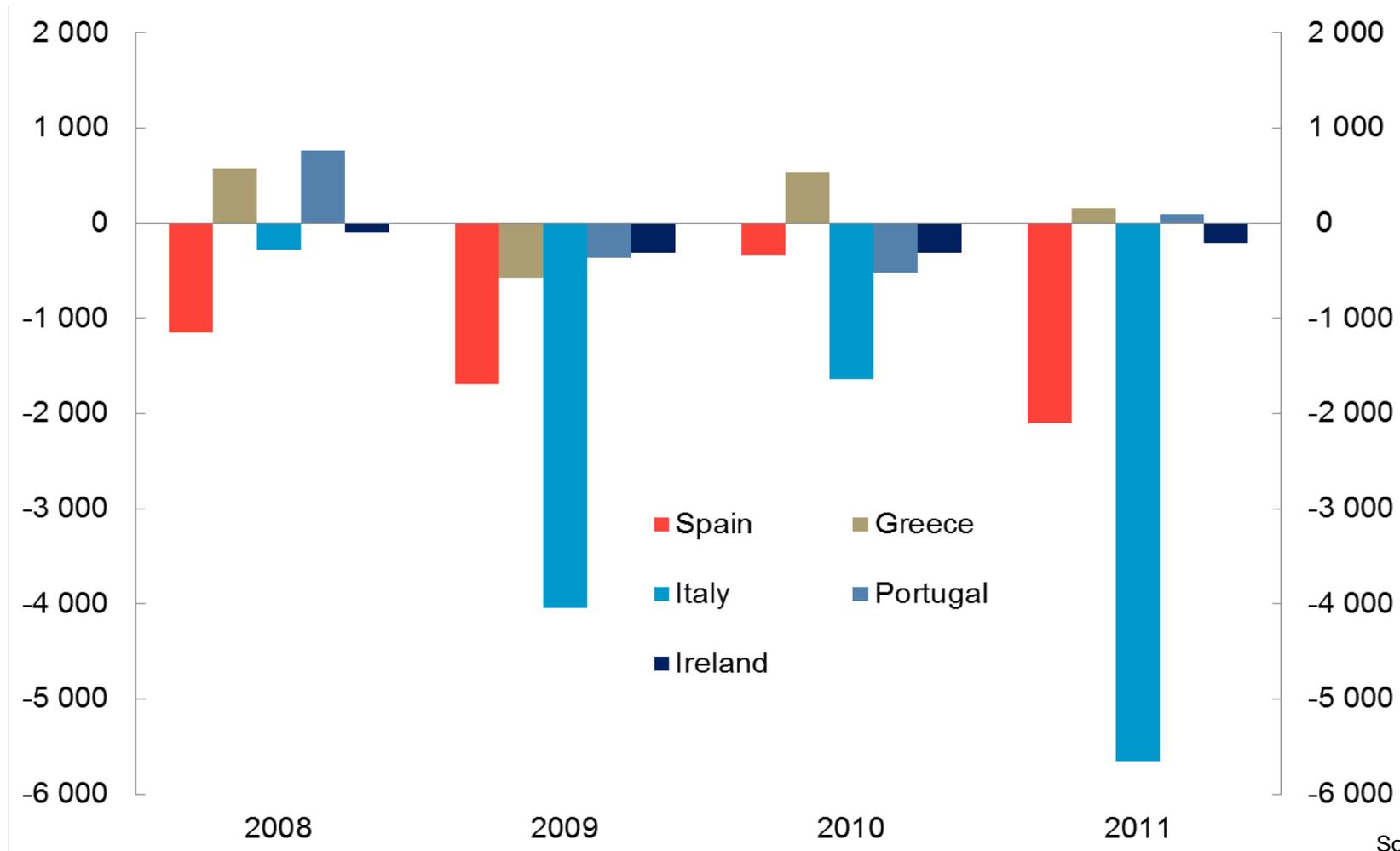
Millions of euros as of 31 December 2011



Source: NBIM

# Fund's holdings of government debt in some European countries

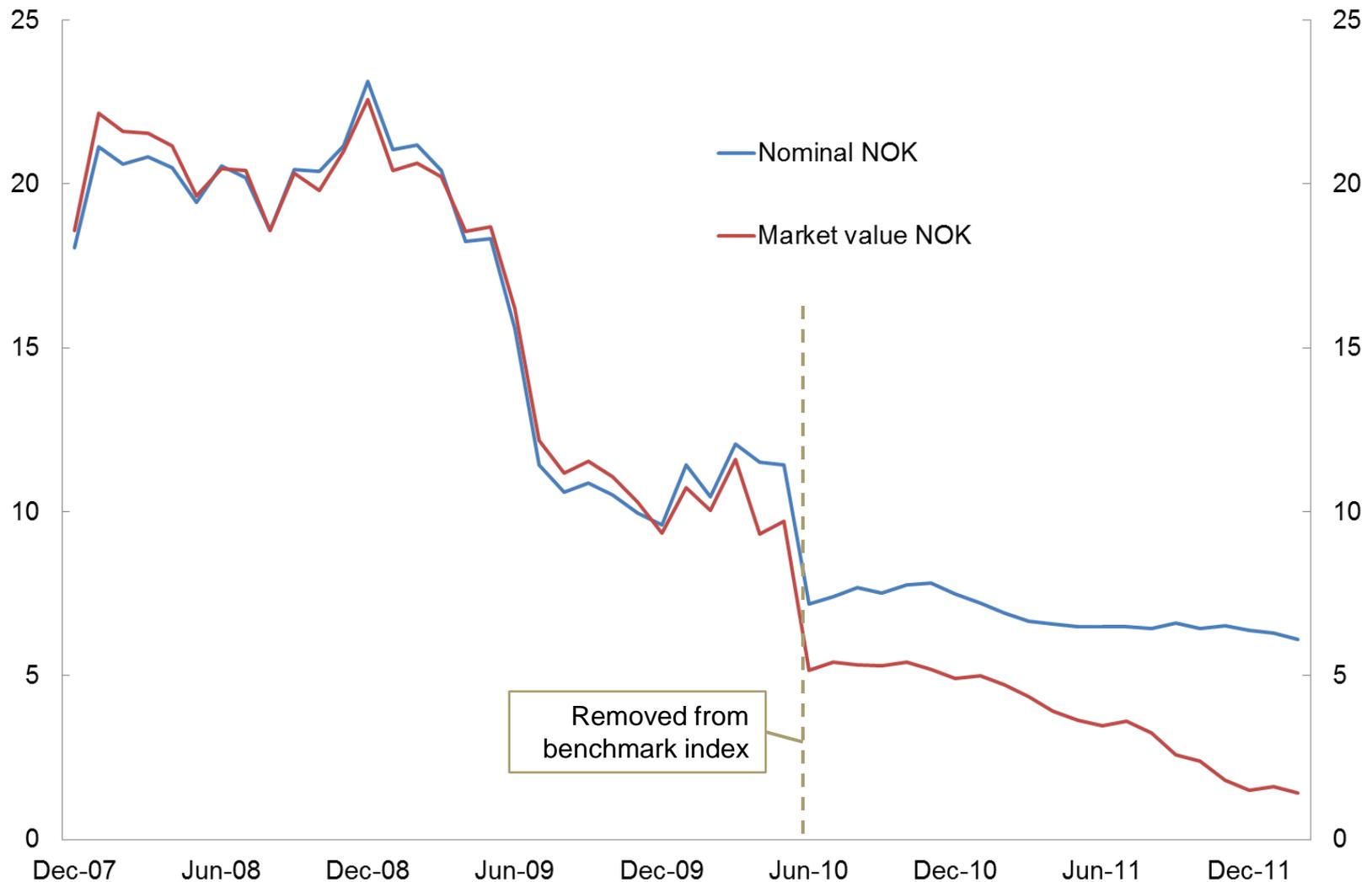
Millions of euros as of 31 December 2011



Source: NBIM

# Fund's holdings of Greek government debt

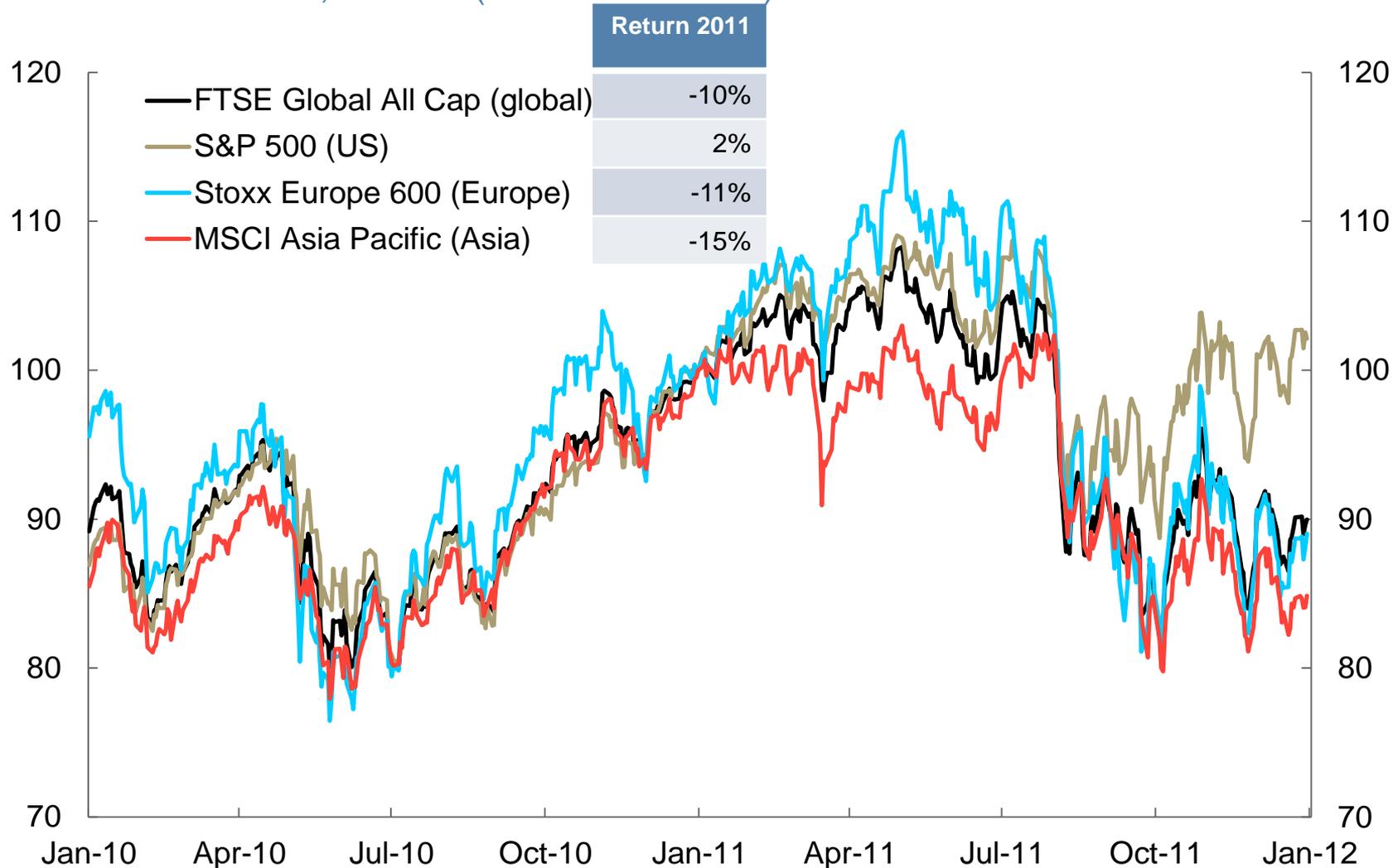
Billions of kroner



Source: NBIM

# Price developments in equity markets

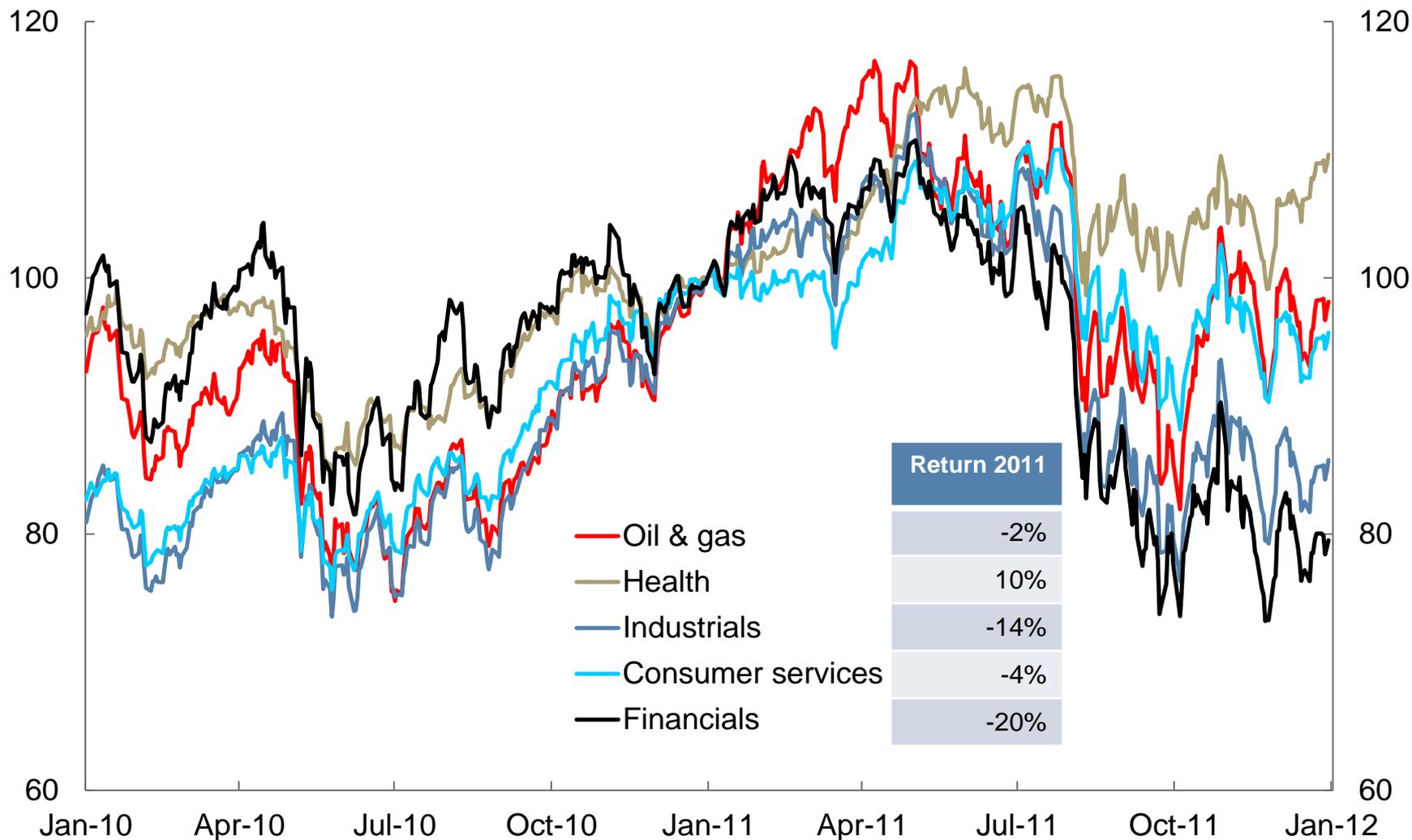
Measured in US dollars, indexed (31.12.2010 = 100)



Source: Bloomberg

# Price developments in equity sectors

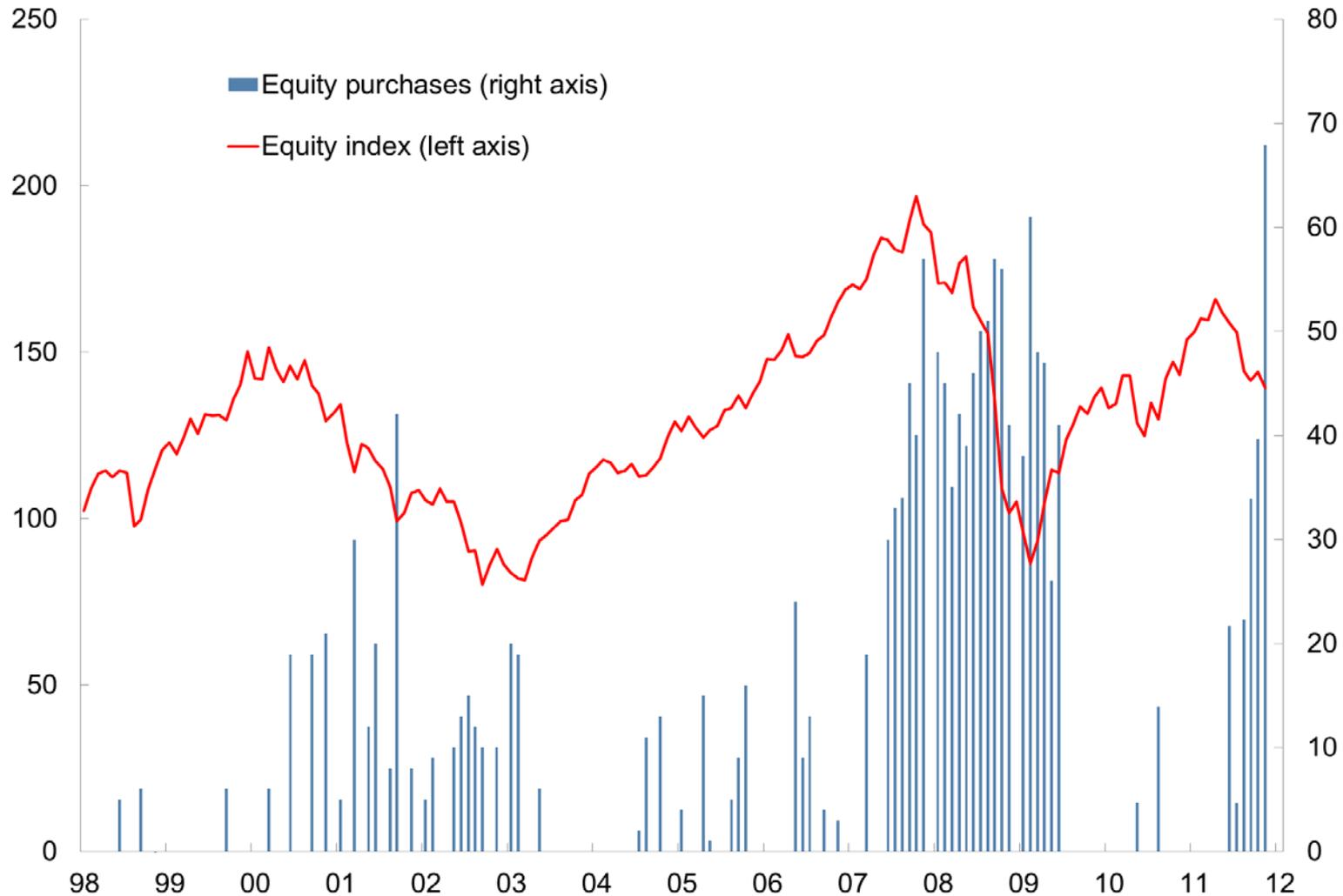
Measured in US dollars, indexed (31.12.2010 = 100)



Source: FTSE

# Fund's equity purchases since 1998

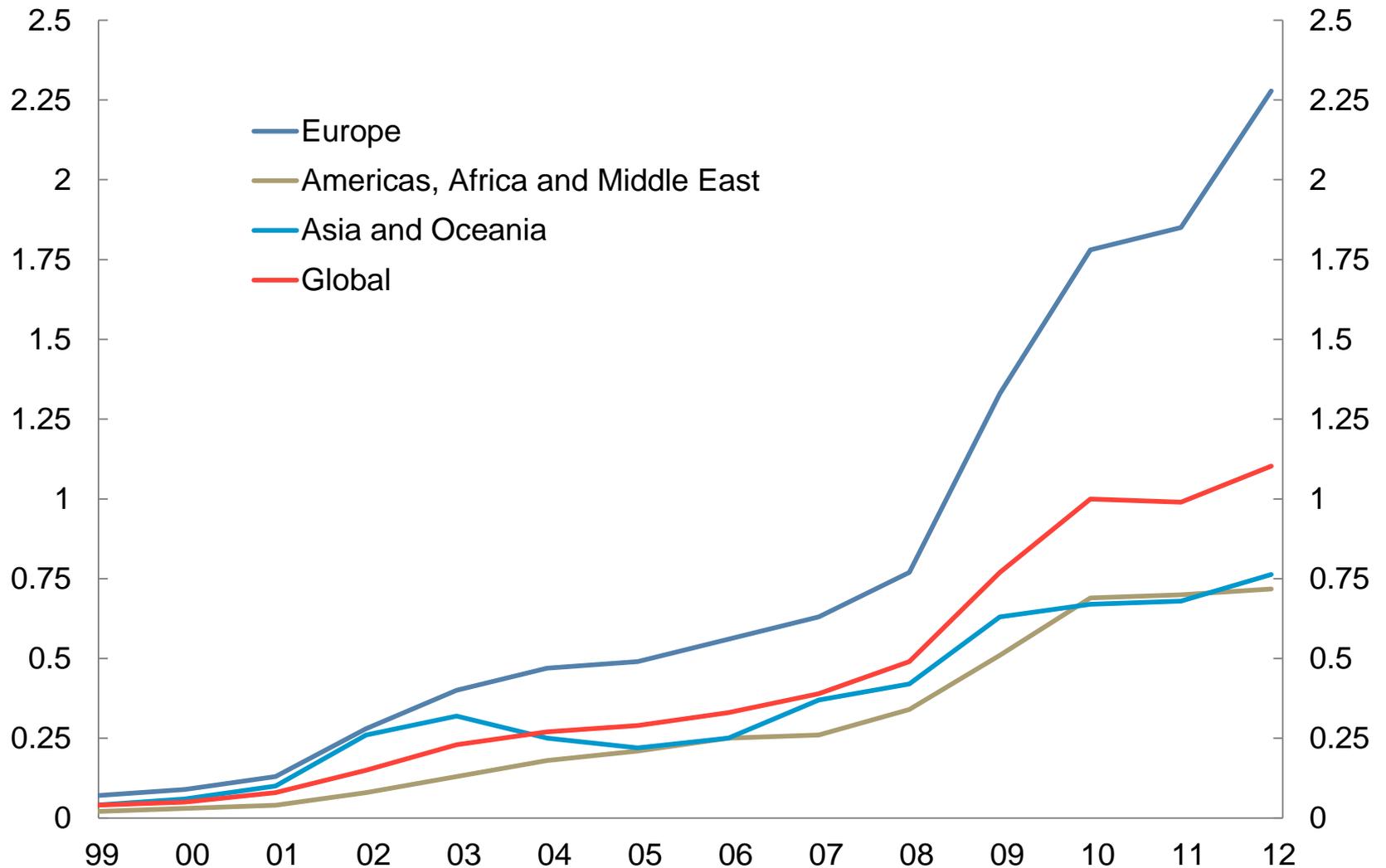
Billions of kroner and equity index (FTSE Global All-share, 31.12.1997=100)



Source: FTSE, NBIM

# Fund's holdings in equity markets

Percentage of FTSE Global All Cap Index's market capitalisation

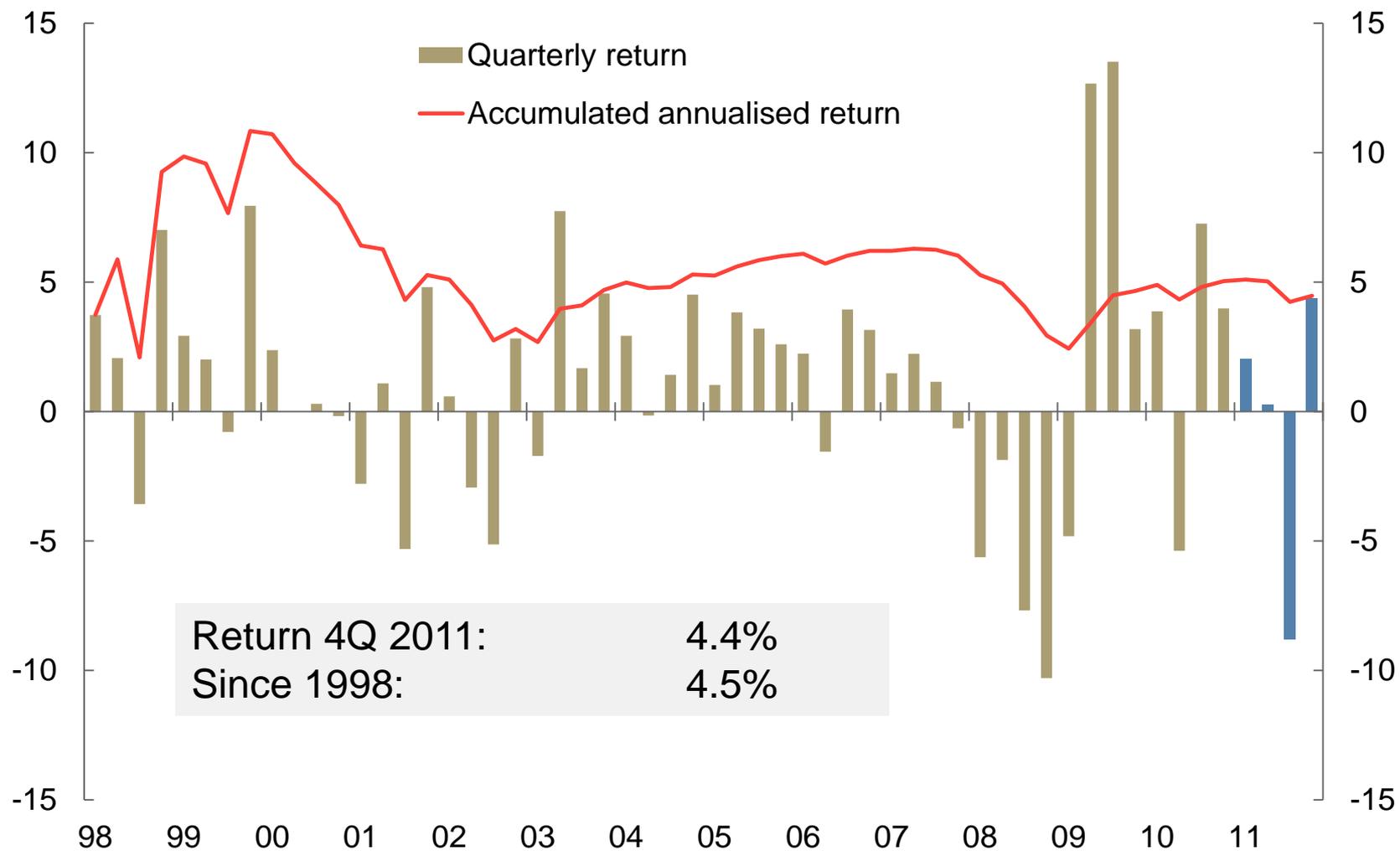


Source: FTSE, NBIM

# Return and risk

# Fund's return

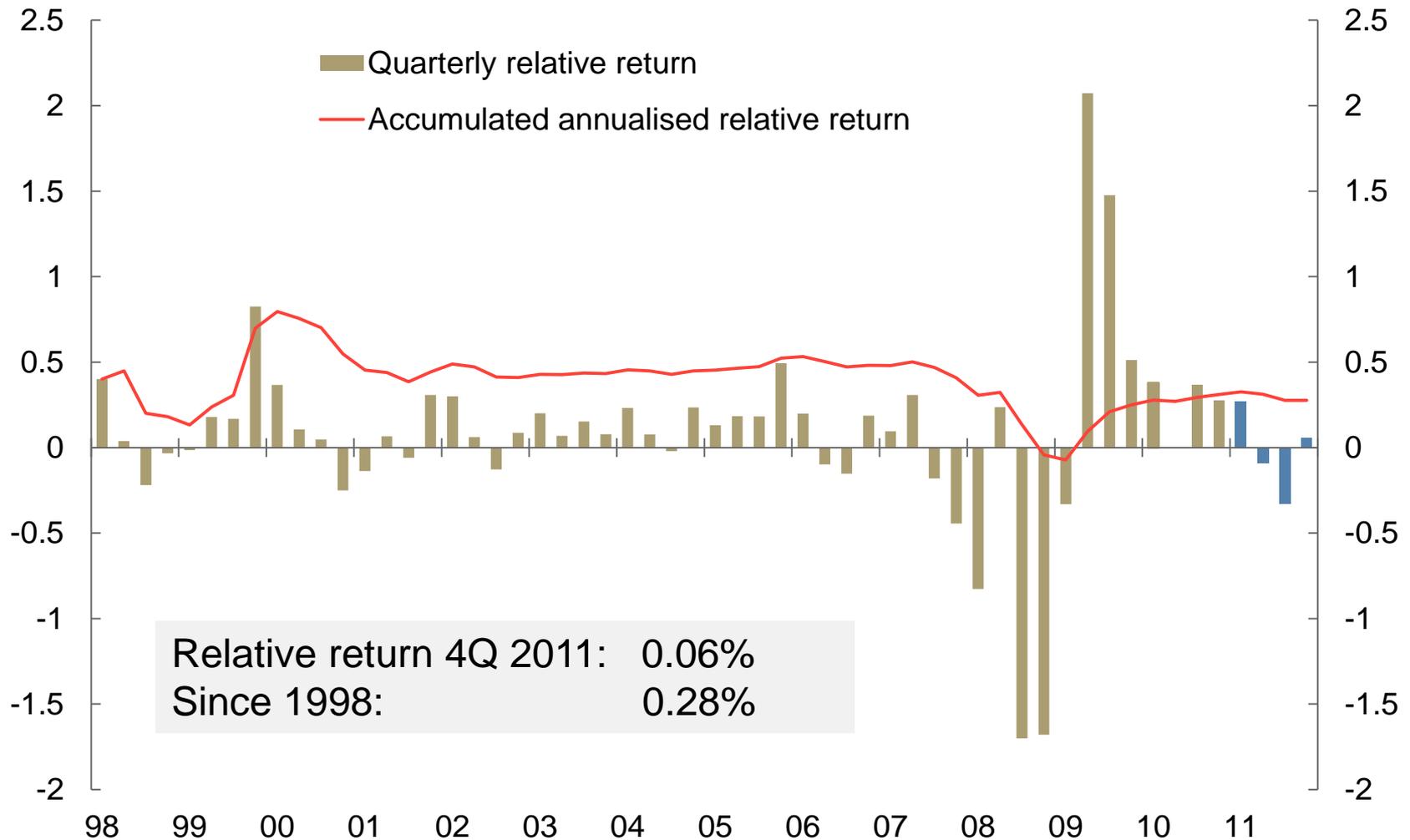
Percent



Source: NBIM

# Relative return

Excluding real estate investments. Percentage points



Source: NBIM

# Breakdown of relative return in 2011

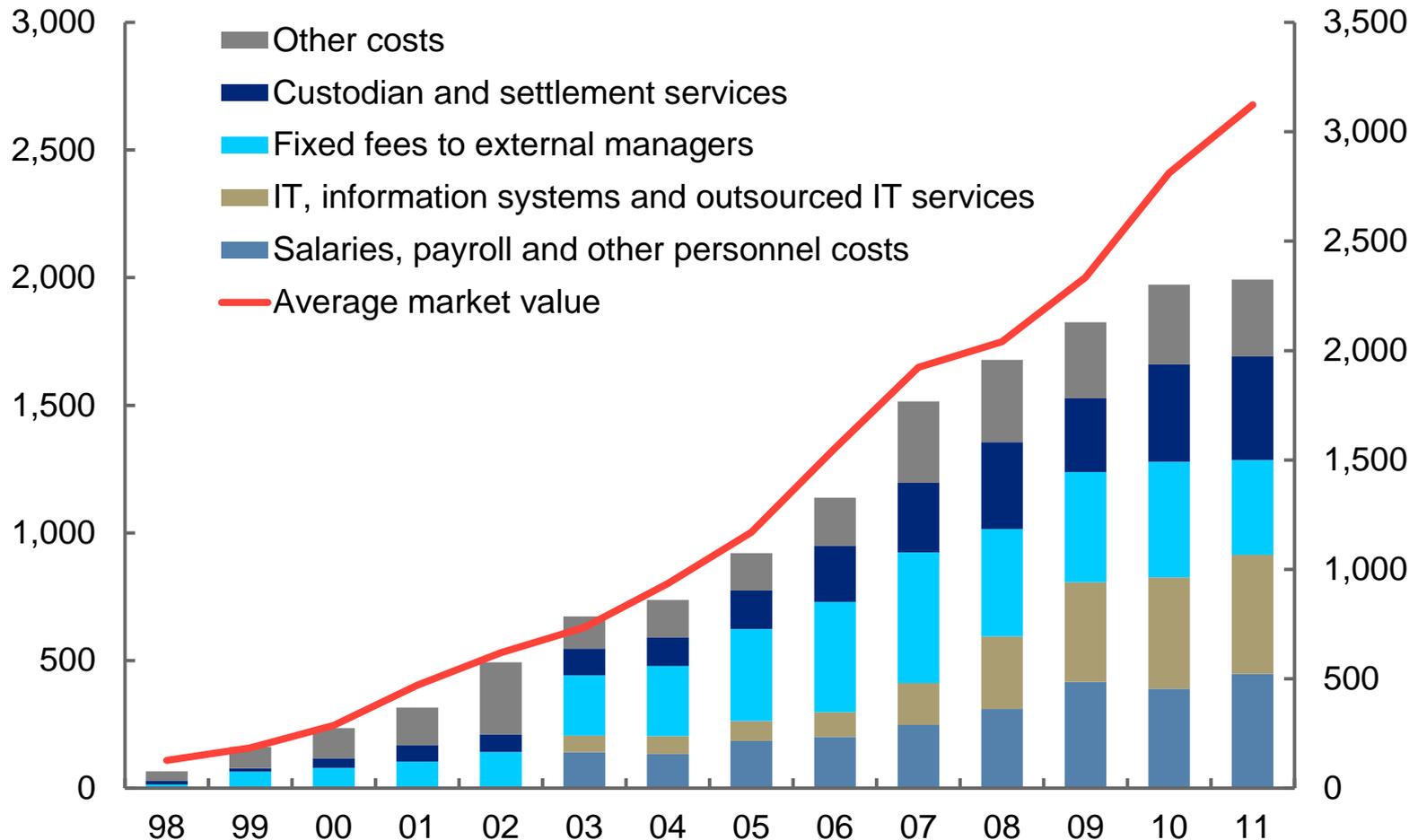
Basis points, measured in international currency

	External management	Internal management	Total
Equity management	-2	-33	-34
Fixed-income management	-2	24	21
<b>Total</b>	<b>-4</b>	<b>-9</b>	<b>-13</b>

# Fund management

# Development of individual cost components\*

Costs (millions of kroner, left-hand axis) and market value (billions of kroner, right-hand axis)

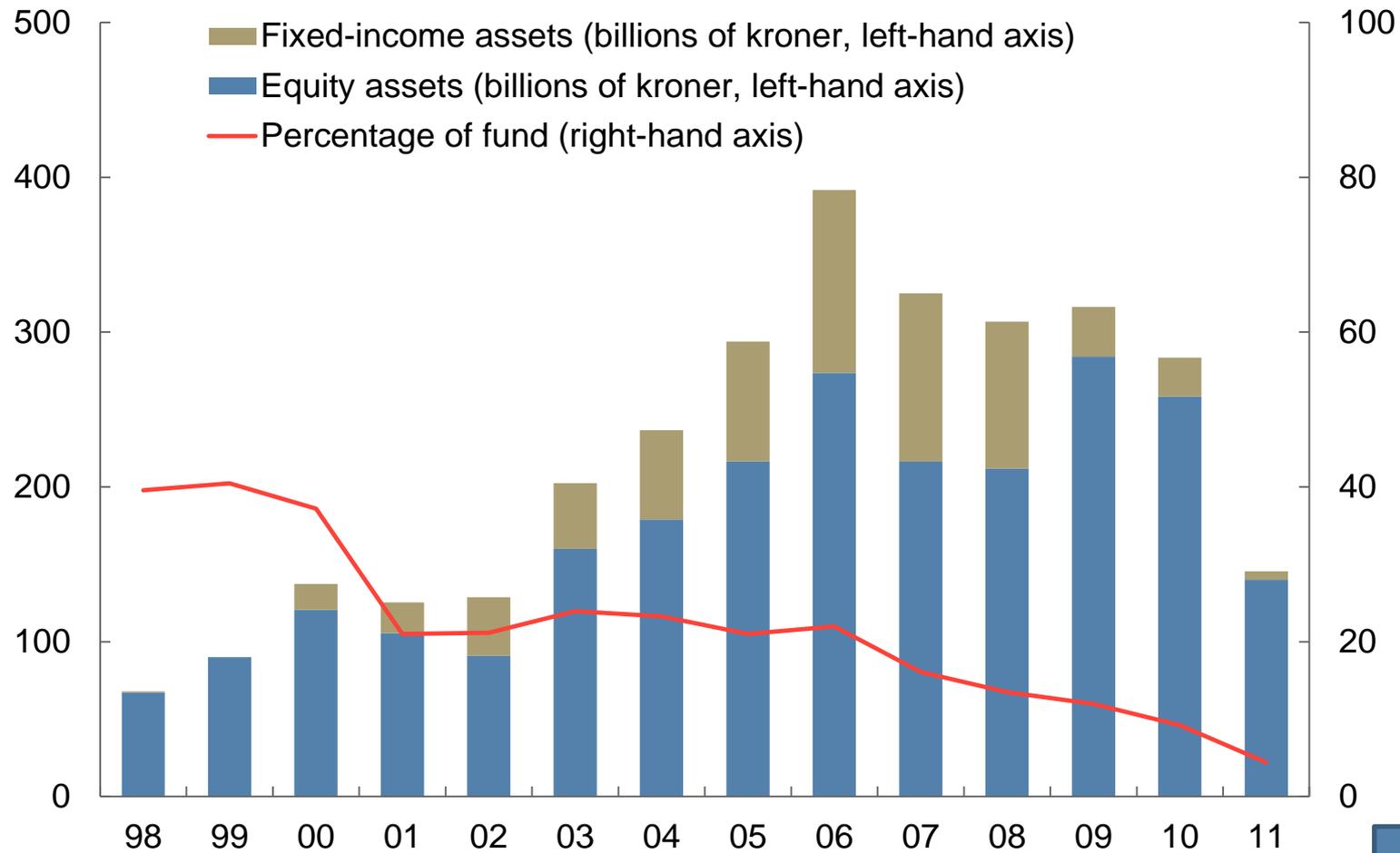


\* Excludes the return-dependent fees to external managers

Source: NBIM

# External management

At year end. Billions of kroner and percentage of the fund



31.12.2011: 51 equity mandates and 1 fixed-income mandate

4.4%

Source: NBIM

# Locations of external managers



# Environmental investments

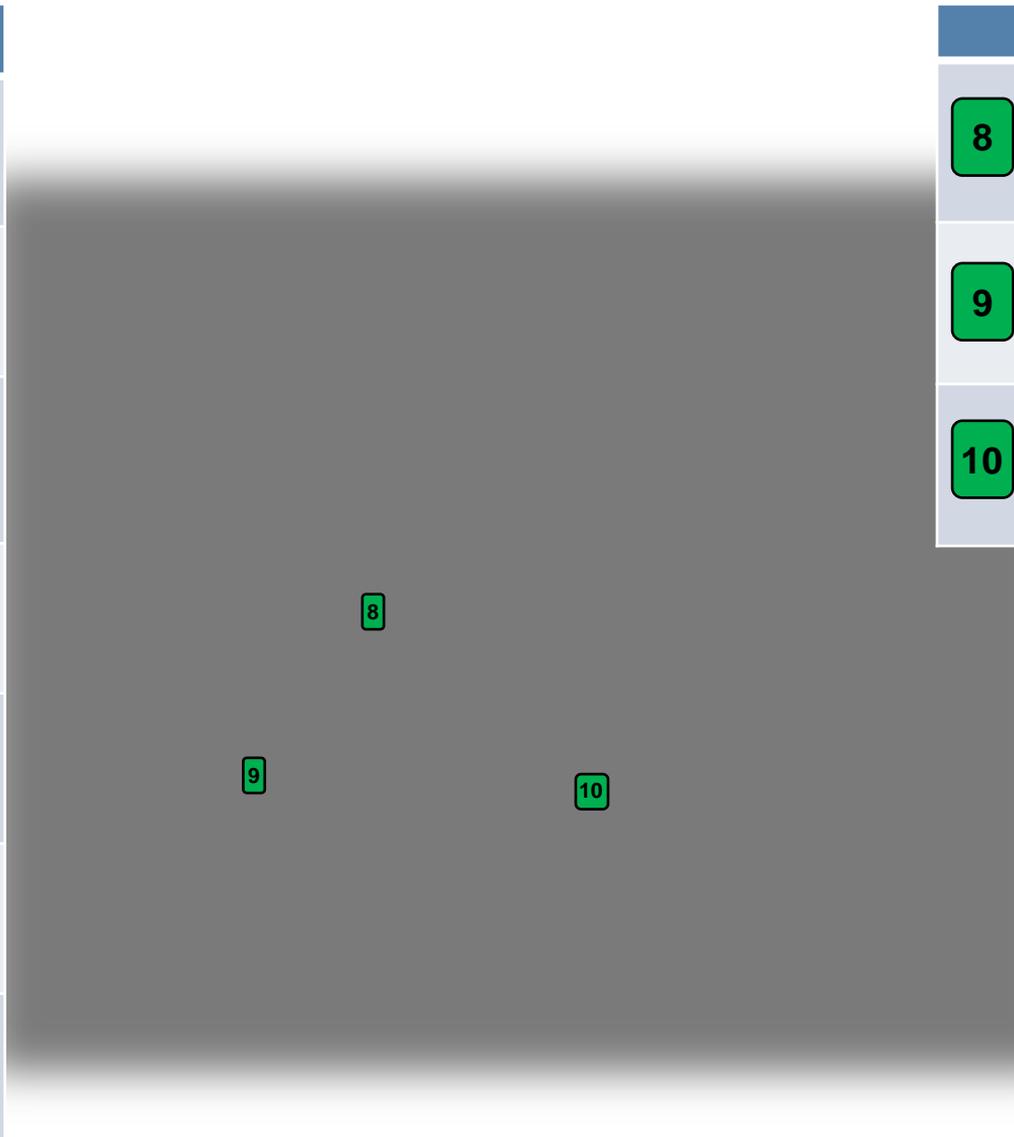
31 December 2011

	Number of mandates	Billions of kroner
<b>Renewable energy and technology</b>		
Internal mandate	1	5.8
External mandate	6	7.1
<b>Water management</b>		
Internal mandate	1	6.2
External mandate	2	2.0
<b>Sum</b>	<b>10</b>	<b>21.1</b>

# Real estate investments – Paris

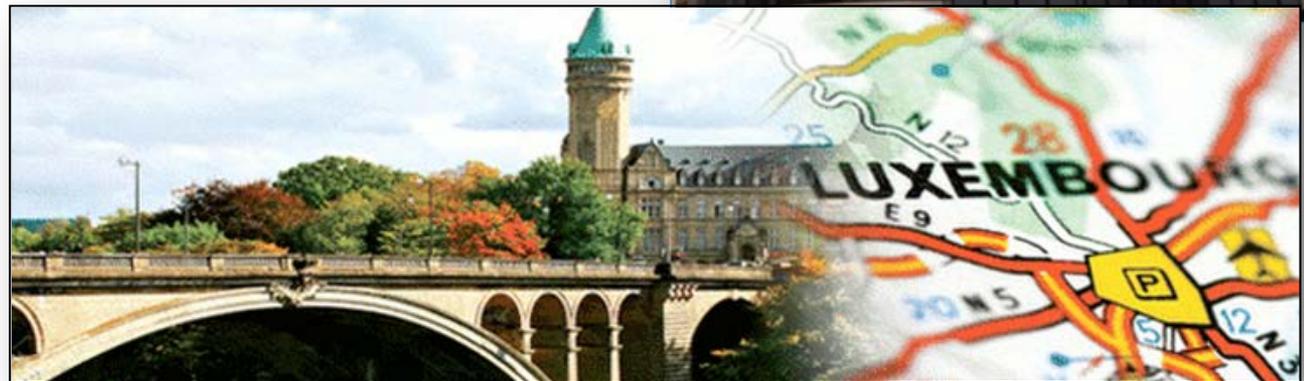
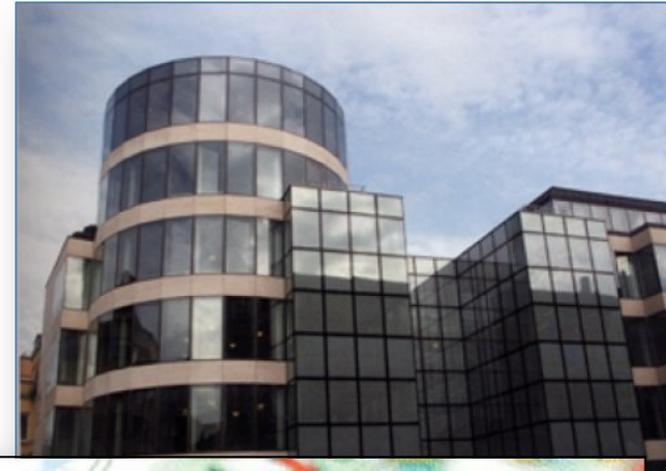
		Address
1		1-2-3 rue des Italiens, Paris 8ème
2		16 avenue Matignon, Paris 8ème
3		12-14 rond point des Champs Elysées
4		23/25 rue de Provence, Paris 9ème
5		31-33 rue de Verdun, 92 Suresnes
6		Meudon Campus, 92 Meudon
7		Opus 12, 92 La Défense

		Address
8		Victor Hugo 28-32 Ave de Victor Hugo, Paris
9		OP1 99 Ave de France Paris
10		Le Prélude 27 Ave. Leclerc Boulogne-Billancourt



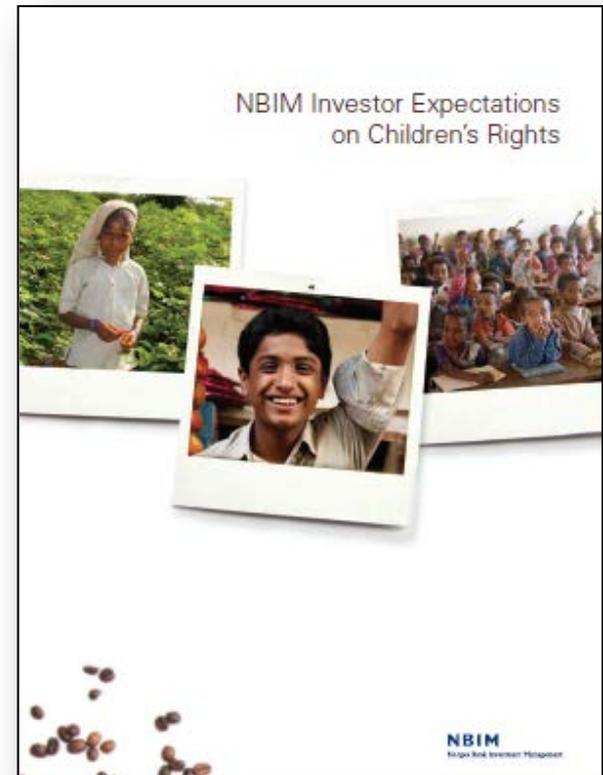
# NBIM S.à r.l. Luxembourg

- Subsidiary established on 4 May 2011
- 100% owned by Norges Bank
- Office opened 15 September 2011



# Ownership: Areas and activities

- Voted at 97% of annual general meetings in 2011
- Increasing support for our shareholder proposals in the US
- Public hearing statements
- Measures against child labour in West Africa initiated by cocoa and chocolate manufacturers
- Reported claims in class action lawsuits against 43 companies in 2011



# Compensation in NBIM

- Based on regulations and mandate
- Only investment professionals will get variable performance-based pay
- Variable performance-based pay is set in relation to performance
- Performance-based pay is based on minimum 2-year rolling performance
- 50% of the performance-based pay is withheld and paid over a 3-year period

## The five employees with the highest total compensation<sup>\*)</sup> in 2011

1	5 751 162
2	4 520 250
3	4 417 981
4	4 305 000
5	4 140 731

<sup>\*)</sup> The total compensation in 2011: Fixed salary and earned performance pay in Norwegian kroner. Includes employees in all our offices.

# Reporting of financial statements under IFRS

- Contributes to transparency and comparability
- Statement of cash flows introduced
- Enhanced disclosure

# Published on the website, 16 March 2012

- Holding lists
- Voting lists
- Detailed information about return
- External service providers

# NBIM policies laid down by the CEO

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SINGAPORE

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Start > About us > Governance model > NBIM policies

NBIM organisation

Government Pension Fund Global

Governance model

- Government Pension Fund Act
- Management mandate
- Executive Board documents
- NBIM policies**
- Supervision

The Norwegian Finance Initiative (NFI)

Tender notices

FAQ

## NBIM policies

To support the Executive Board documents the CEO of NBIM has issued a set of policies.

NBIM POLICY ON ORGANISATION & MANAGEMENT - 01 DECEMBER 2011

### Conduct of Business

All employees will be representing NBIM vis-à-vis the outside world. NBIM requires that employee's personal and professional conduct is in line with the profile of NBIM. When meeting with external relations, employees should treat them in a proper, respectful and representative manner.

→ [READ MORE](#)

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NBIM POLICY ON INVESTMENT - 01 DECEMBER 2011

### Private Real Estate Investments

Norges Bank Investment Management's (NBIM) activities and the associated risks related to private real estate investments, differ significantly from those relating to fixed income instruments or publically listed securities.

→ [READ MORE](#)

---

NBIM POLICY ON INVESTMENT - 01 JULY 2011

### Accounting and Valuation

All assets and liabilities managed by NBIM and real estate subsidiaries shall be included in financial reporting for the Government Pension Fund Global and Norges Bank, and measured at fair value where relevant, in accordance with international financial reporting standards.

#### NBIM Policies

- External Management
- Private Real Estate Investments
- Service Provider Arrangements
- Responsible Investor
- Approval of Instruments
- Business Continuity Management
- Delegation of Authority
- Information Security
- Operational Risk Management
- Counterparty Risk Management
- Credit Risk Management
- Market Risk Management
- Performance Measurement
- Communication
- Accounting and Valuation
- Human Resources
- Conduct of Business
- Safeguarding of Legal Interest
- Whistleblowing

# Norwegian Finance Initiative (NFI)

- Co-financing of professorships
- Recognition of outstanding research contributions
- Grant schemes for PhD students
- Annual NFI research conference

## Norwegian Finance Initiative (NFI) PhD student initiative

**The Norwegian Finance Initiative (NFI) shall support NBIM's mission to safeguard and build financial wealth for future generations by strengthening financial economic research and education in areas relevant to the long-term management of the Government Pension Fund Global.**

**Main objectives**  
The initiative shall provide long-term incentives to promote excellence in financial economic research and teaching at academic institutions in Norway. It shall also be a catalyst for sustainable and long-term improvements in the research output at these institutions.

The NFI shall strengthen the scientific foundation of NBIM's management of the Government Pension Fund Global by emphasising areas within financial economics of particular relevance to the fund's management. These may include asset pricing and portfolio theory, corporate finance and corporate governance and market microstructure.

**Supporting academic research in Norway**  
The NFI will provide an incentive-based scheme to help academic institutions in Norway attract talent by co-financing professorships in financial economics at these academic institutions when predefined criteria are fulfilled. The initiative may reward excellent research contributions by faculty members at institutions in Norway. It will also support PhD students at top-ranked international programmes, while also aiming to support a nationally coordinated PhD programme in financial economics.

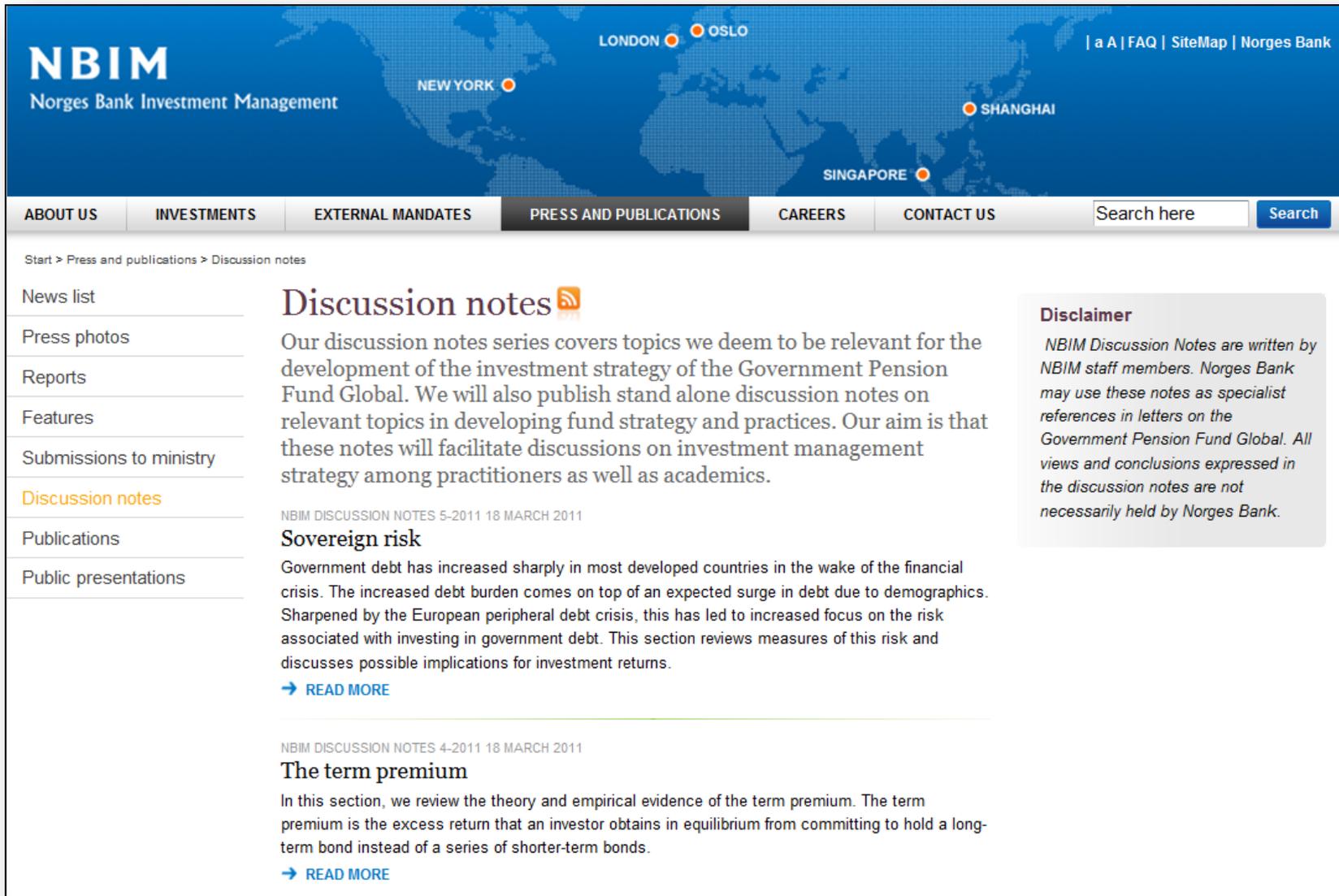
**Strengthening ties with the academic community**  
NBIM aims to strengthen its ties with the academic community through various initiatives. These may include a visiting scholar programme at NBIM, research seminars, research conferences and occasional academic courses that will be organised under the NFI. NBIM will also expand its internal research capacity to support the development of investment processes that are long-term oriented and scalable.

**Contact**  
nr@nbim.no

**Further information**  
[www.nbim.no/en/About-us/nfi/](http://www.nbim.no/en/About-us/nfi/)



# NBIM discussion notes published on website



The screenshot displays the NBIM (Norges Bank Investment Management) website. The header features the NBIM logo and a world map with office locations in New York, London, Oslo, Singapore, and Shanghai. A navigation menu includes 'ABOUT US', 'INVESTMENTS', 'EXTERNAL MANDATES', 'PRESS AND PUBLICATIONS' (highlighted), 'CAREERS', and 'CONTACT US'. A search bar is located on the right. The main content area shows a breadcrumb trail 'Start > Press and publications > Discussion notes' and a sidebar with links to 'News list', 'Press photos', 'Reports', 'Features', 'Submissions to ministry', 'Discussion notes' (highlighted), 'Publications', and 'Public presentations'. The main content area is titled 'Discussion notes' with an RSS icon. It contains two entries: 'Sovereign risk' (dated 18 MARCH 2011) and 'The term premium' (dated 18 MARCH 2011). A 'Disclaimer' box on the right states that the notes are written by NBIM staff and that Norges Bank may use them as specialist references.

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Start > Press and publications > Discussion notes

News list  
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Submissions to ministry  
**Discussion notes**  
Publications  
Public presentations

## Discussion notes

Our discussion notes series covers topics we deem to be relevant for the development of the investment strategy of the Government Pension Fund Global. We will also publish stand alone discussion notes on relevant topics in developing fund strategy and practices. Our aim is that these notes will facilitate discussions on investment management strategy among practitioners as well as academics.

NBIM DISCUSSION NOTES 5-2011 18 MARCH 2011

### Sovereign risk

Government debt has increased sharply in most developed countries in the wake of the financial crisis. The increased debt burden comes on top of an expected surge in debt due to demographics. Sharpened by the European peripheral debt crisis, this has led to increased focus on the risk associated with investing in government debt. This section reviews measures of this risk and discusses possible implications for investment returns.

[→ READ MORE](#)

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NBIM DISCUSSION NOTES 4-2011 18 MARCH 2011

### The term premium

In this section, we review the theory and empirical evidence of the term premium. The term premium is the excess return that an investor obtains in equilibrium from committing to hold a long-term bond instead of a series of shorter-term bonds.

[→ READ MORE](#)

**Disclaimer**  
*NBIM Discussion Notes are written by NBIM staff members. Norges Bank may use these notes as specialist references in letters on the Government Pension Fund Global. All views and conclusions expressed in the discussion notes are not necessarily held by Norges Bank.*

# 2011 in brief

- Return -2.5 percent in 2011
  - Equity investments: -8.8 percent
  - Fixed-income investments: 7.0 percent
- Relative return -0,1 percentage point
- 271 billion kroner in new inflows allocated to the fund
  - 69 % of inflows invested in equity
- Equity share 58,7 percent at the end of 2011
- Market value of fund increased by 234 billion kroner to 3 312 billion kroner

2011

Press Conference  
16 March 2012

