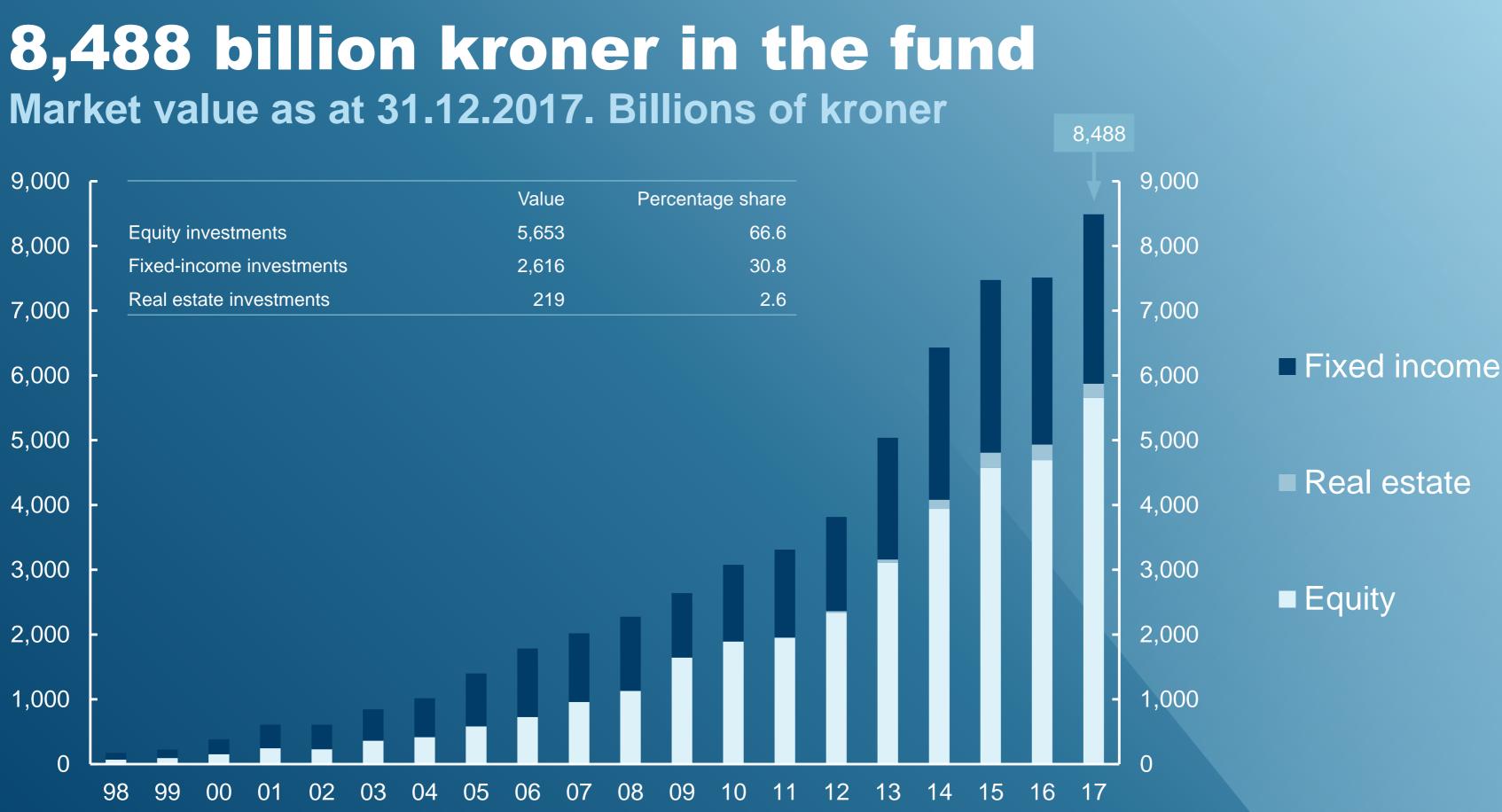


GOVERNMENT PENSION FUND GLOBAL ANNUAL REPORT 2017

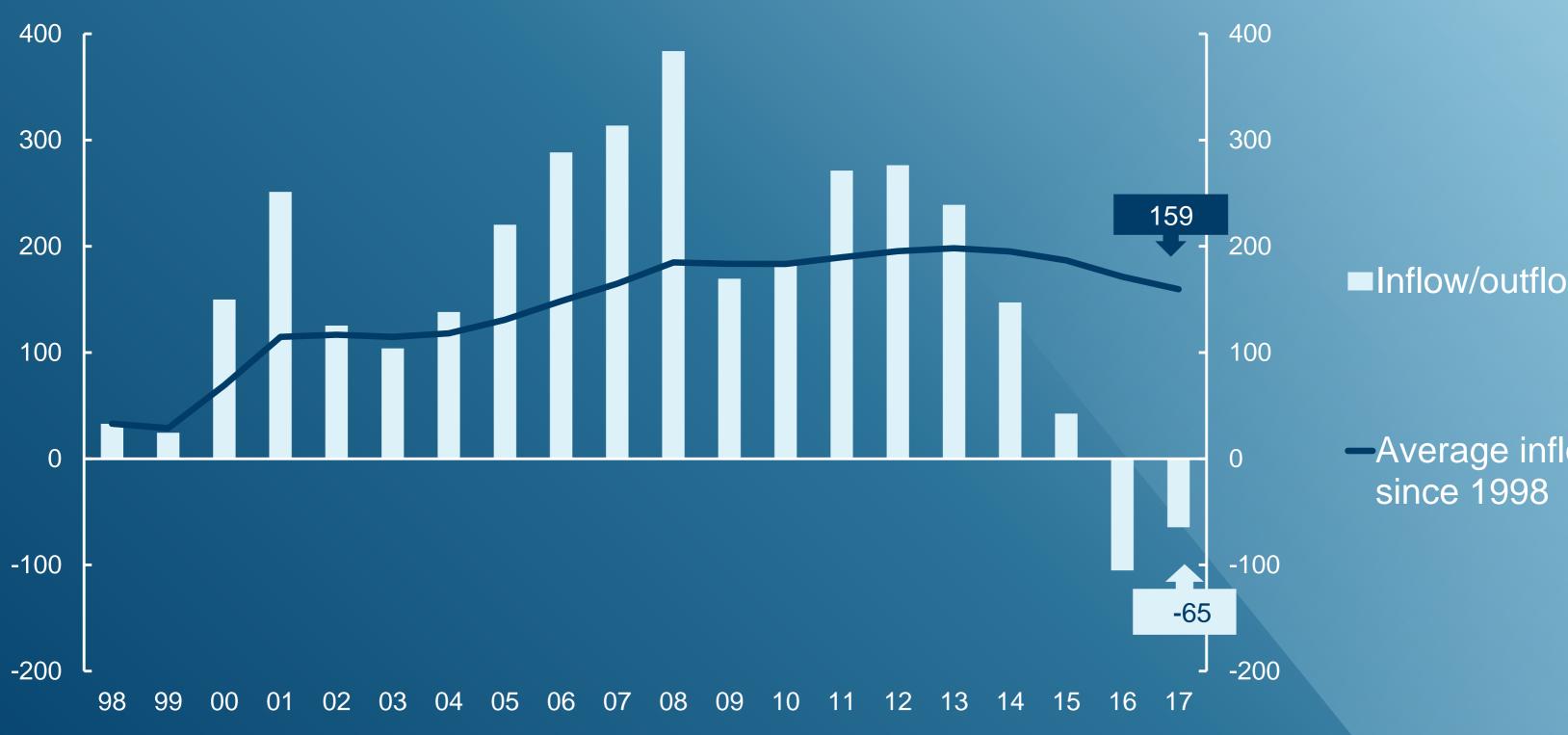




Source: Norges Bank Investment Management



Inflow / outflow After management fees. Billions of kroner



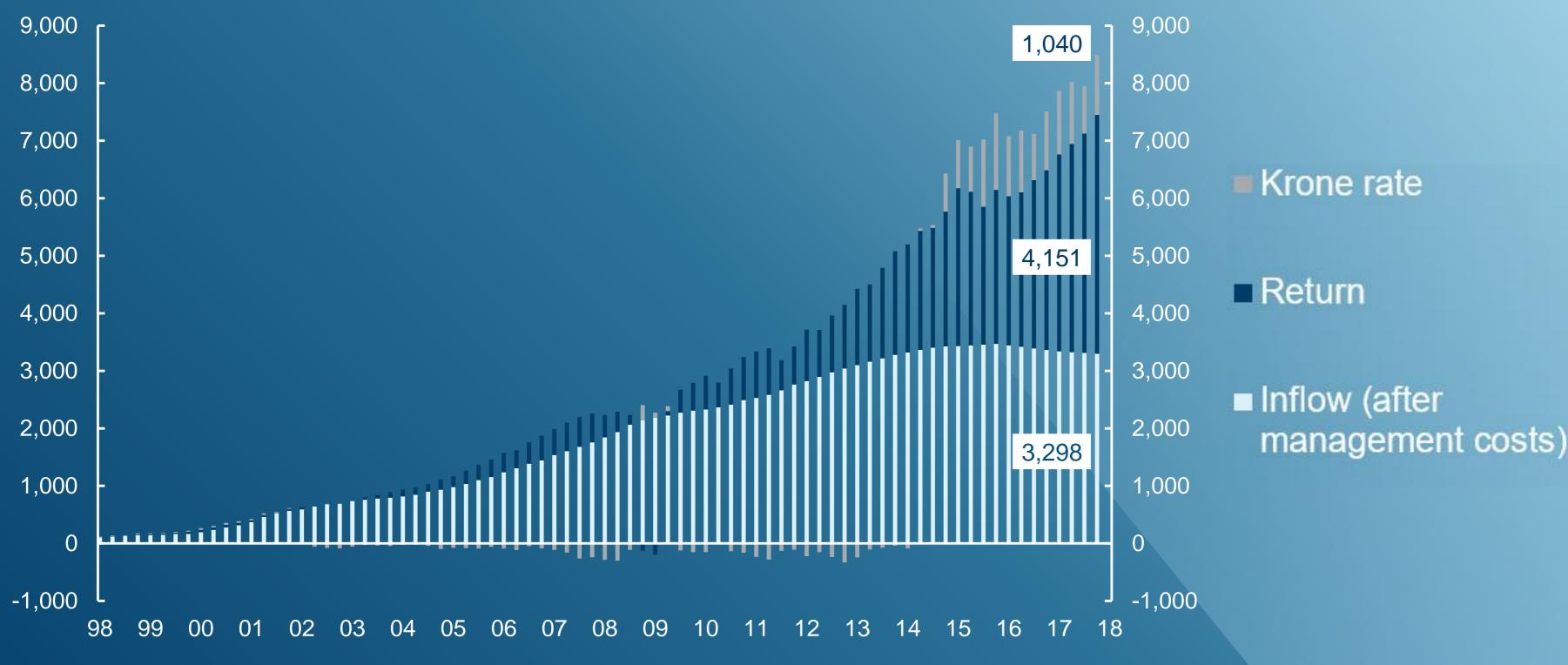
Source: Norges Bank Investment Management

Inflow/outflow

—Average inflow

3

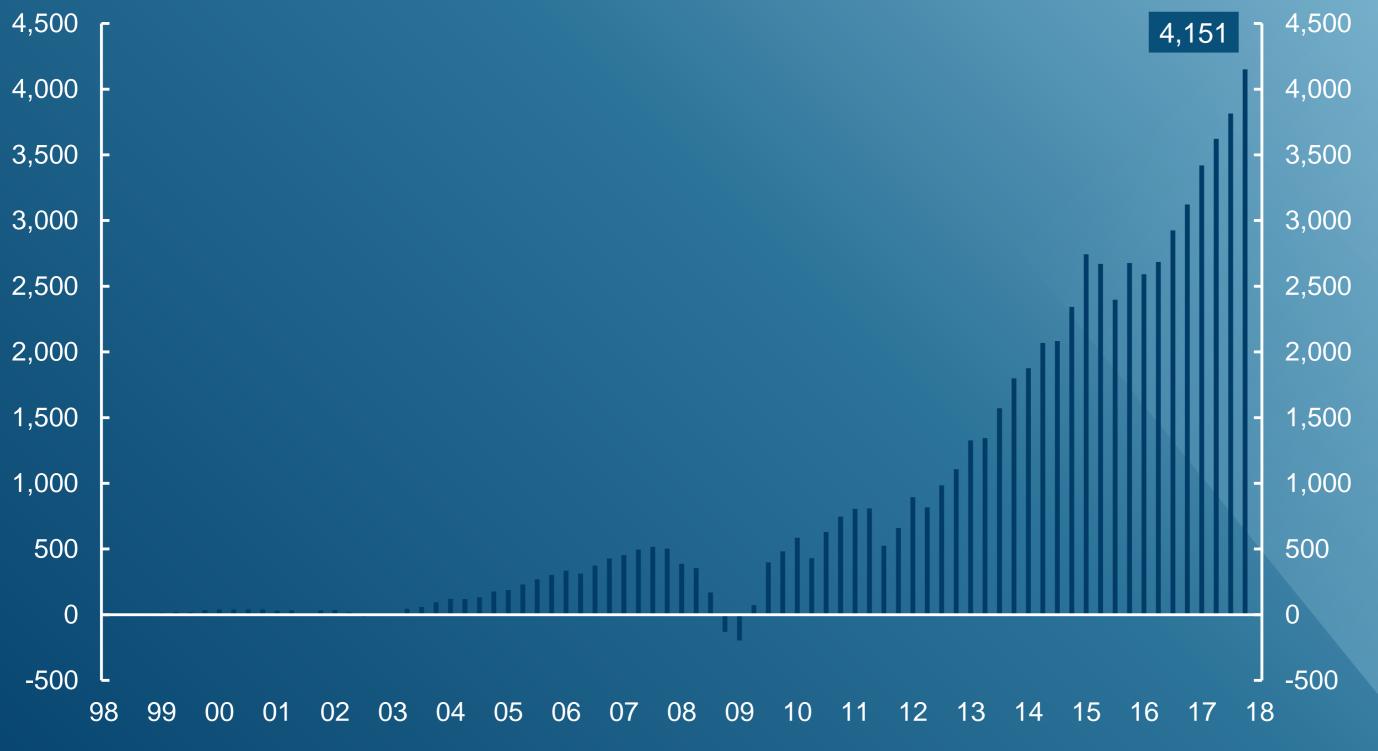
1,028 billion kroner return in 2017 Accumulated market value as at 31.12.2017. Billions of kroner



Source: Norges Bank Investment Management

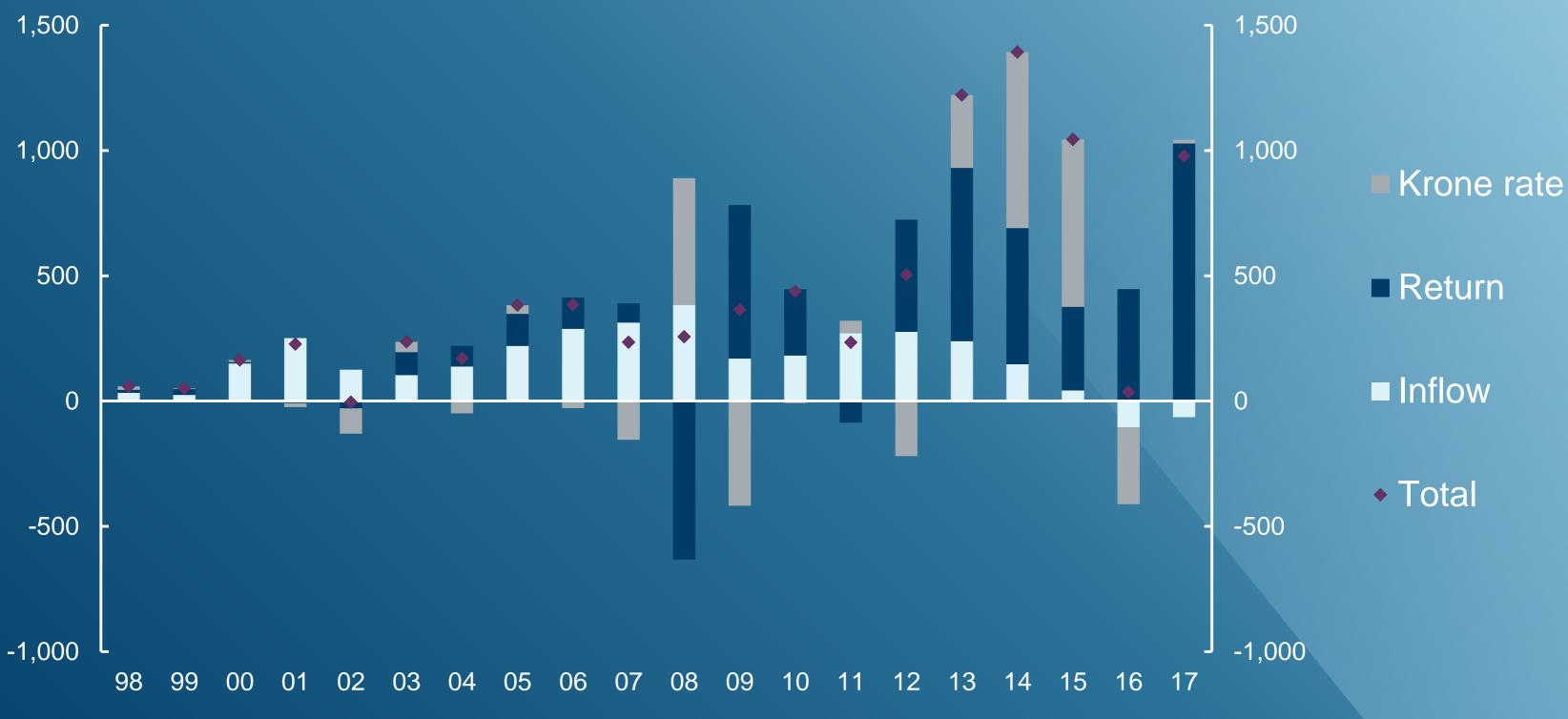


3 out of 4 kroner of return past five years Accumulated return as at 31.12.2017. Billions of kroner



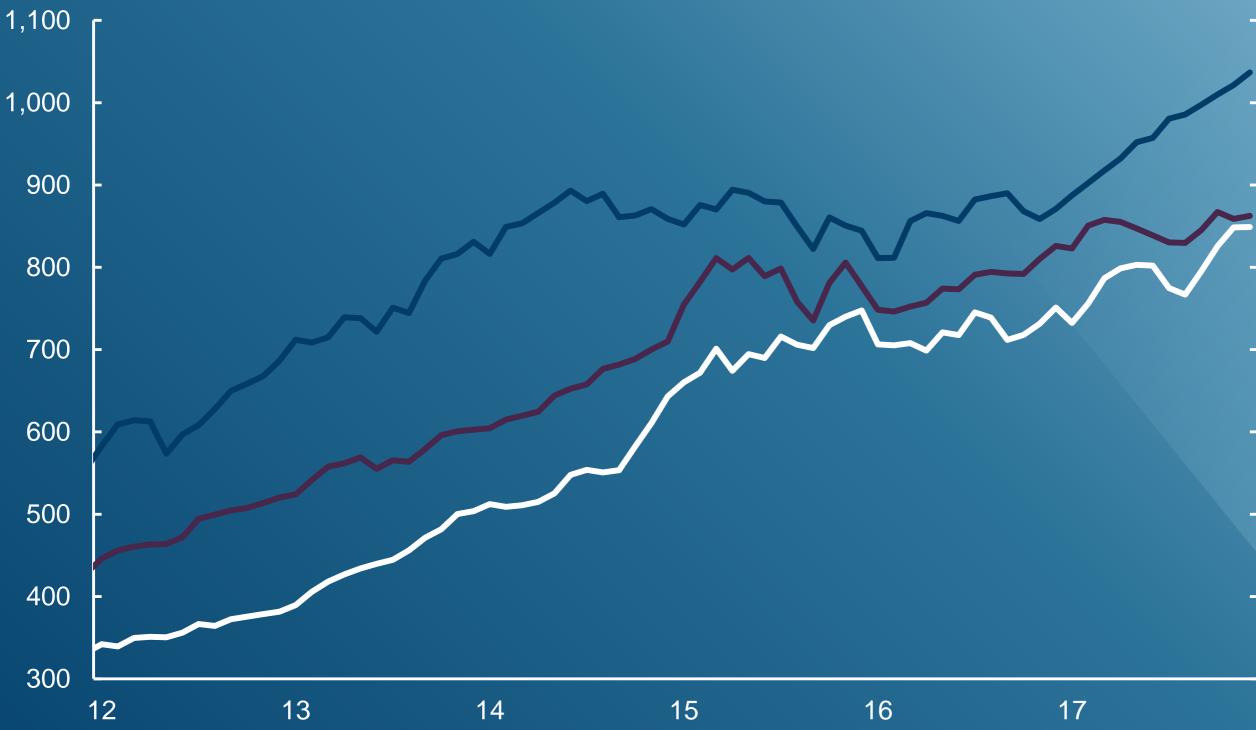
Source: Norges Bank Investment Management

Change in market value Annual change in market value. Billions of kroner



Source: Norges Bank Investment Management

Change in market value in different currencies NOK, USD and EUR. Billion currency units



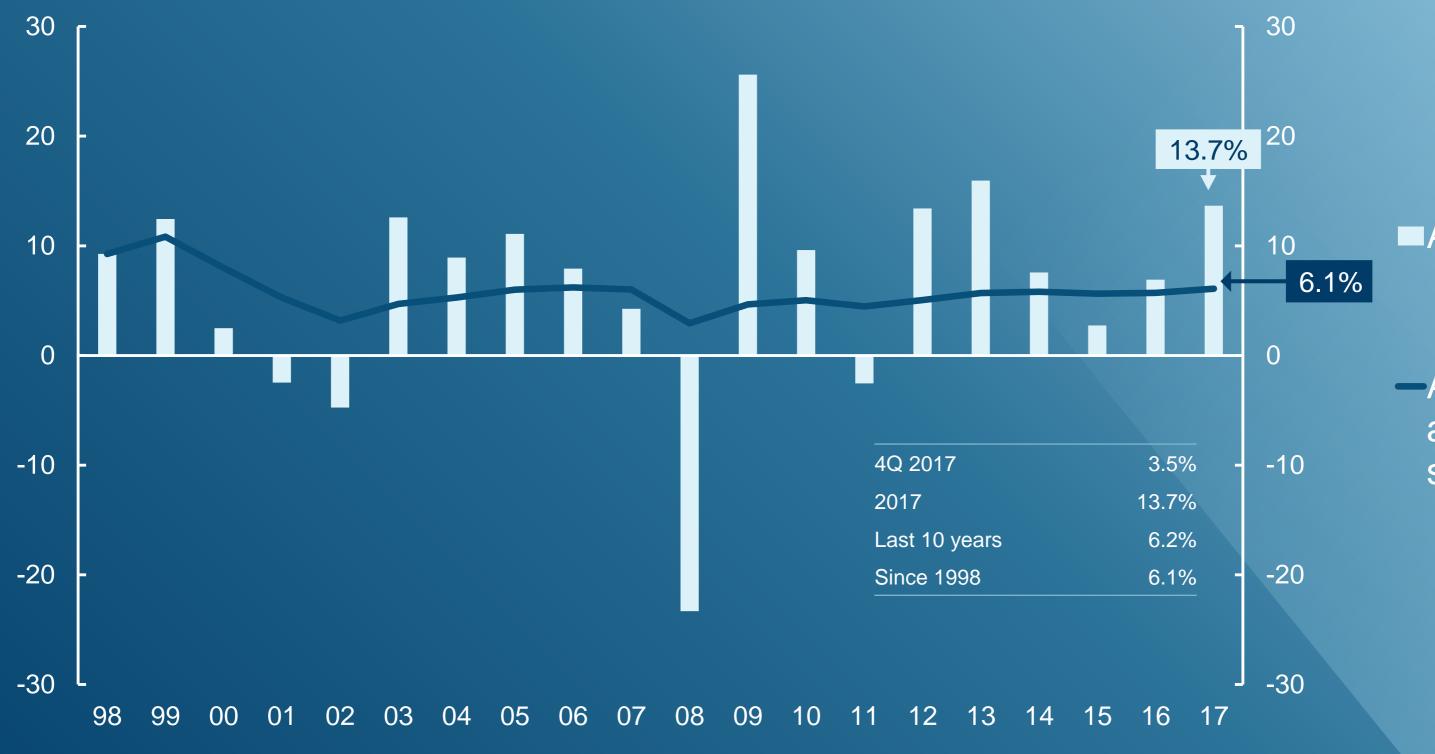
Source: Norges Bank Investment Management

11,000	
10,000	
9,000	
8,000	
7,000	-
6,000	_
5,000	
4,000	

3,000

- -USD (left axis)
- -EUR (left axis)
- -NOK (right axis)

13.7 percent return Annual return. Percent

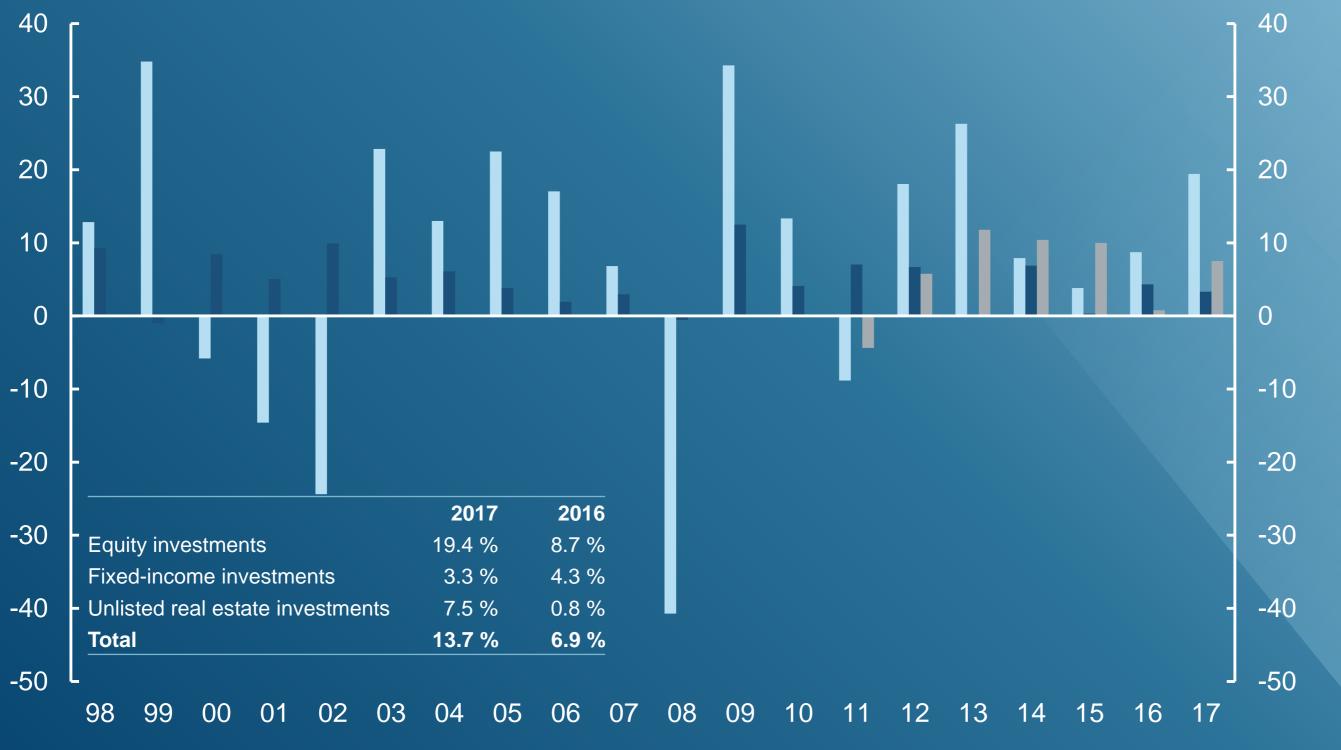


Source: Norges Bank Investment Management

Annual return

 Accumulated annualised return since 1998

Good return in all asset classes Measured in the fund's currency basket. Percent



Source: Norges Bank Investment Management

Equity

Fixed income

Real estate

Good return on the fund

2017Past 5 yearsPastReturn on fund13.79.39.3Annual inflation1.81.31.3Annual management fees0.10.11.3Annual net real return11.67.81.3

Source: Norges Bank Investment Management

Key figures measured in the currency basket. Annualised. Percent

ast 10 years	Since 1.1.1998	
6.2	6.1	
1.7	1.8	
0.1	0.1	
4.4	4.2	

Total return Billions of kroner



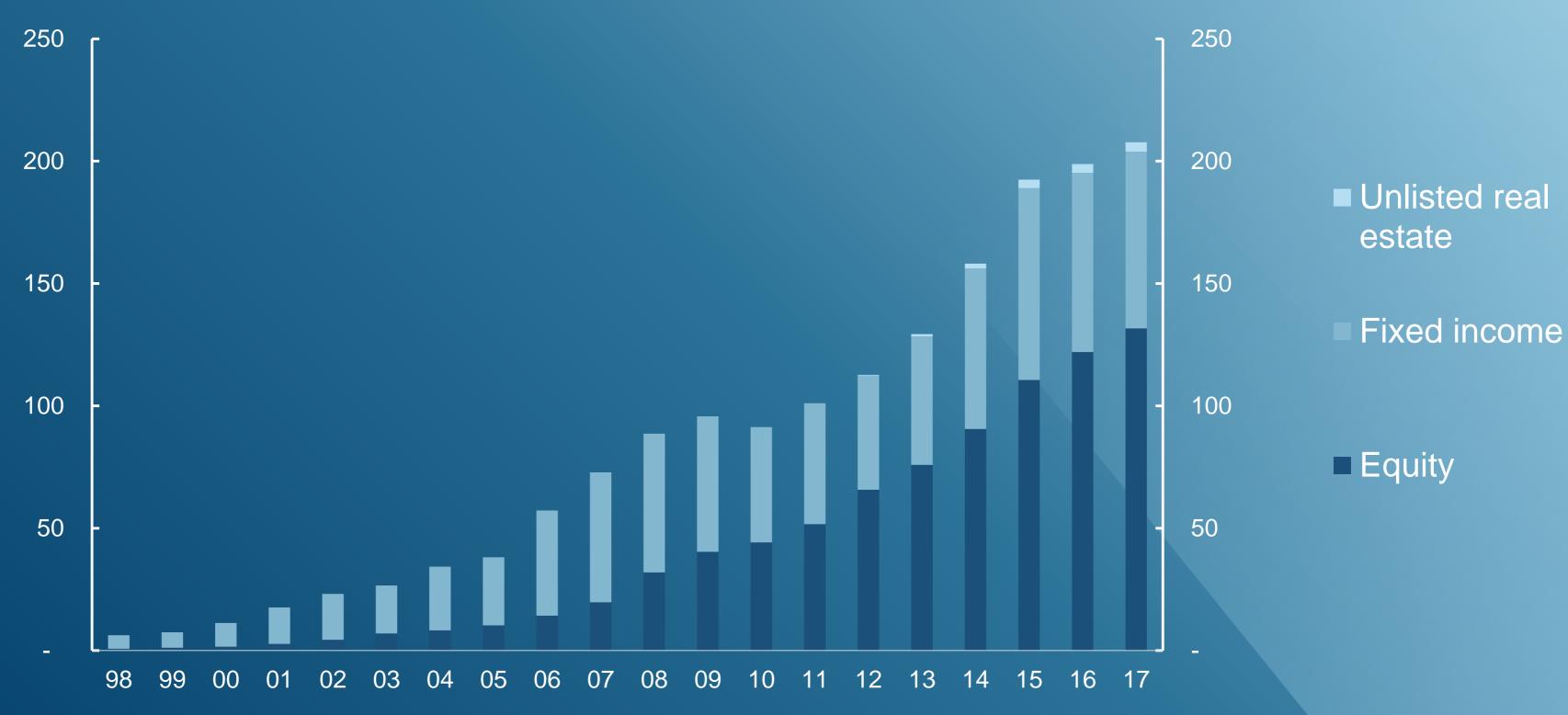
Source: Norges Bank Investment Management

-Actual return

4% real return

-3% real return

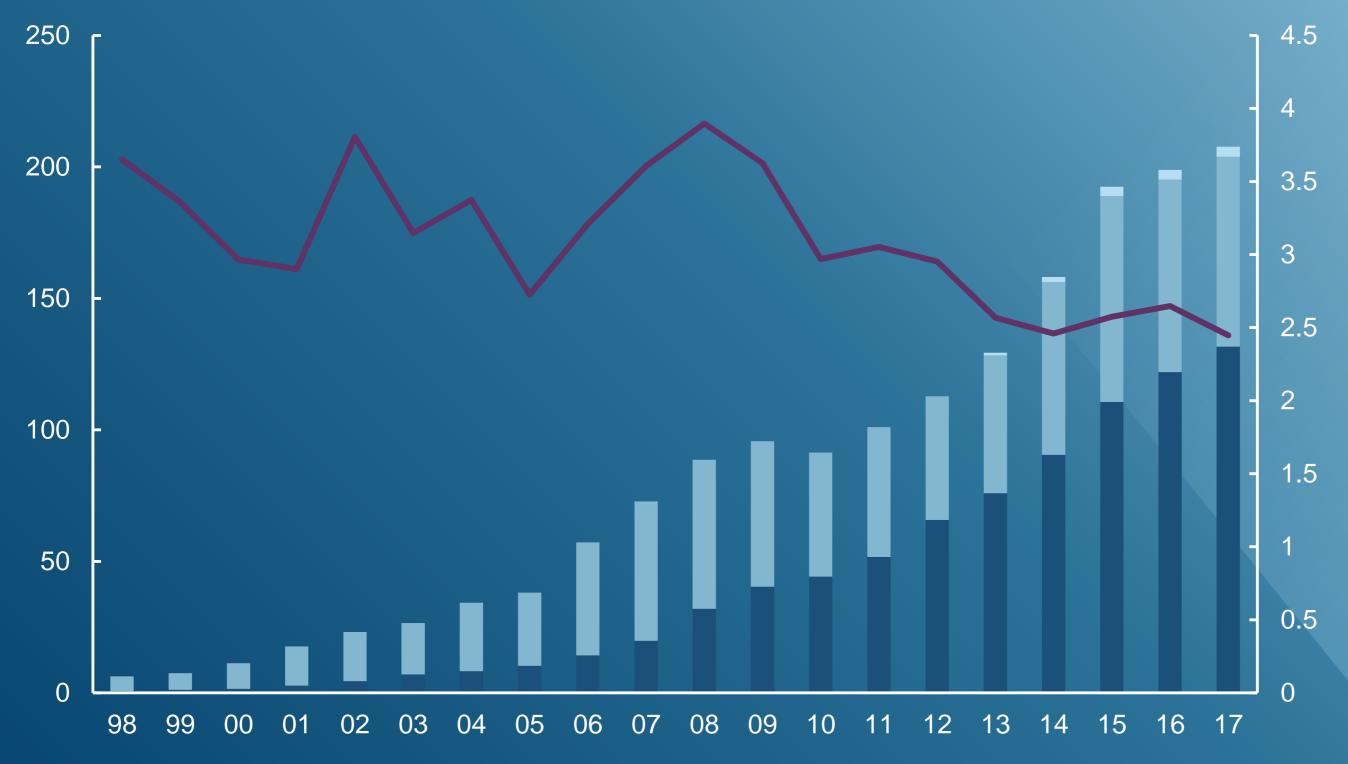
208 billion kroner in cash flow in 2017 Annual. Billions of kroner



Source: Norges Bank Investment Management



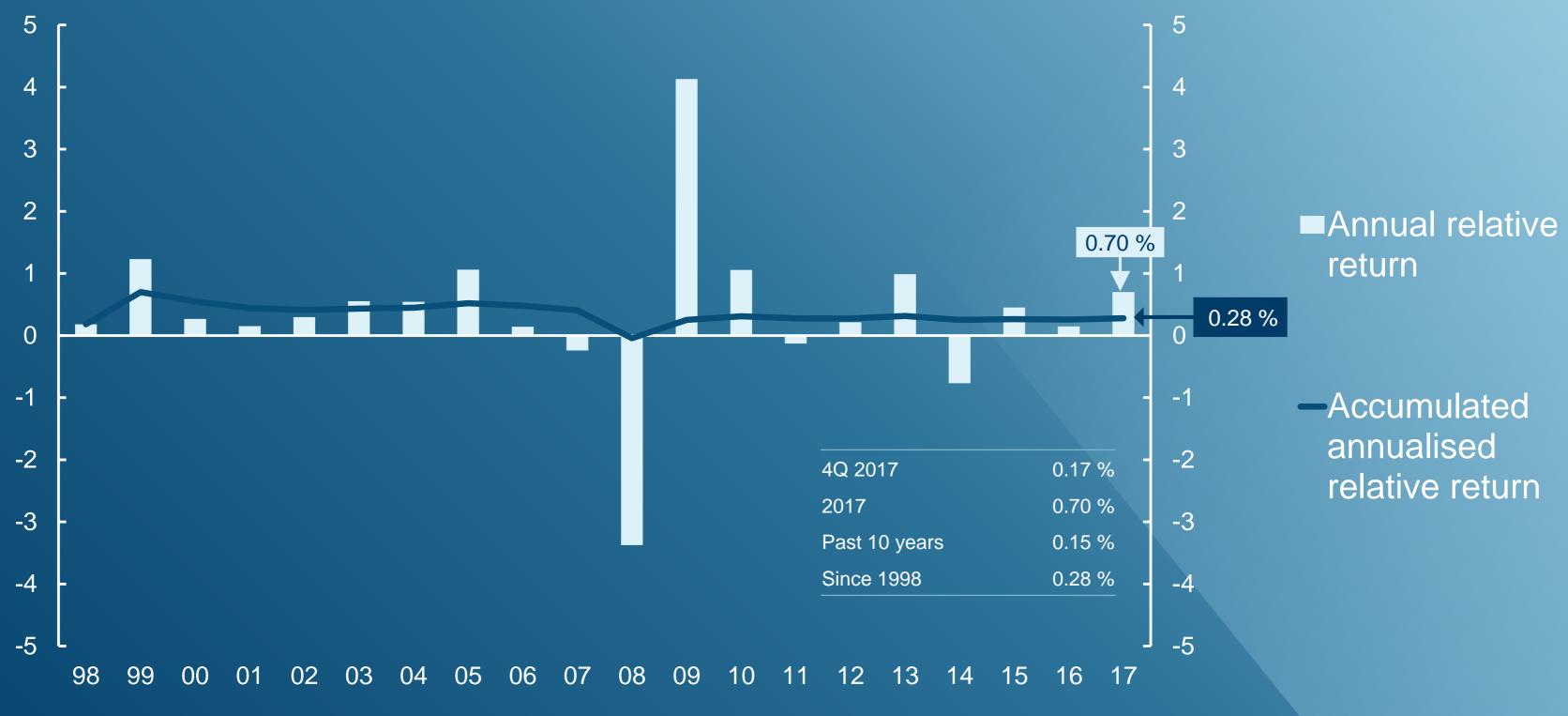
Cash flow make up 2.4 percent of fund value Billions of kroner (left axis) and percent of fund (right axis)



Source: Norges Bank Investment Management

- Unlisted real estate
- Fixed income
- Equity
- -Share of fund value

Positive relative return Annual relative return of the fund. Percentage points



Source: Norges Bank Investment Management



Positive contribution from all strategies in 2017 Contribution. Percentage points

Strategy

Fund allocation

Security selection

Asset management

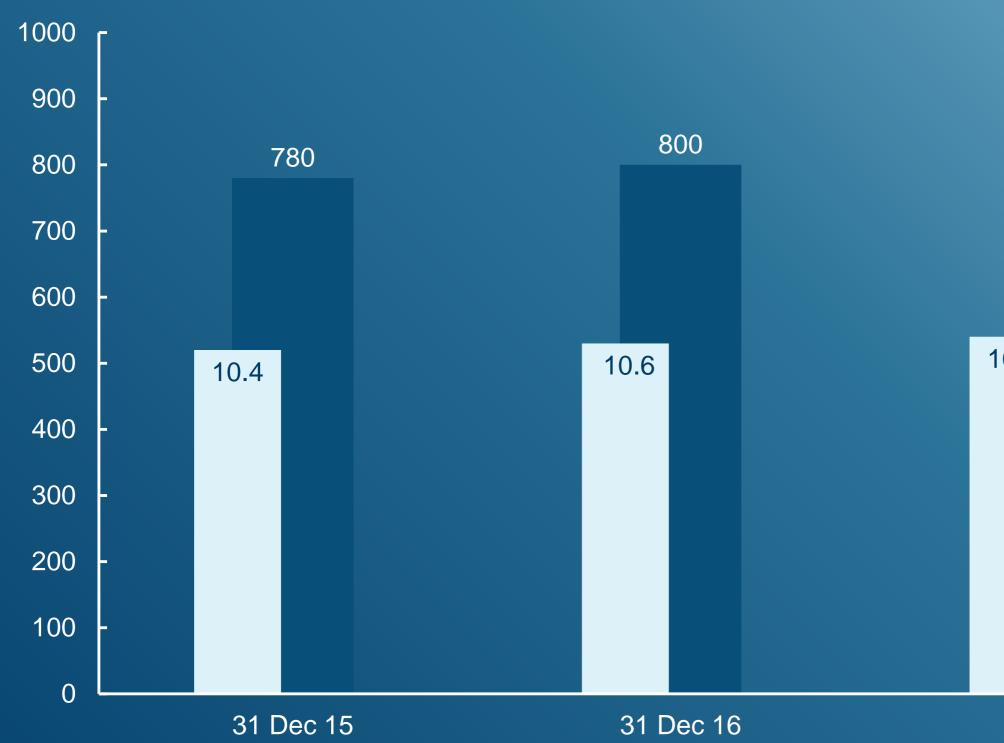
Total





2017	Last five years
0.22	-0.07
0.40	0.14
0.08	0.22
0.70	0.29

We have to expect large value fluctuations Expected volatility. Billion kroner (left axis) and percent (right axis)



Source: Norges Bank Investment Management



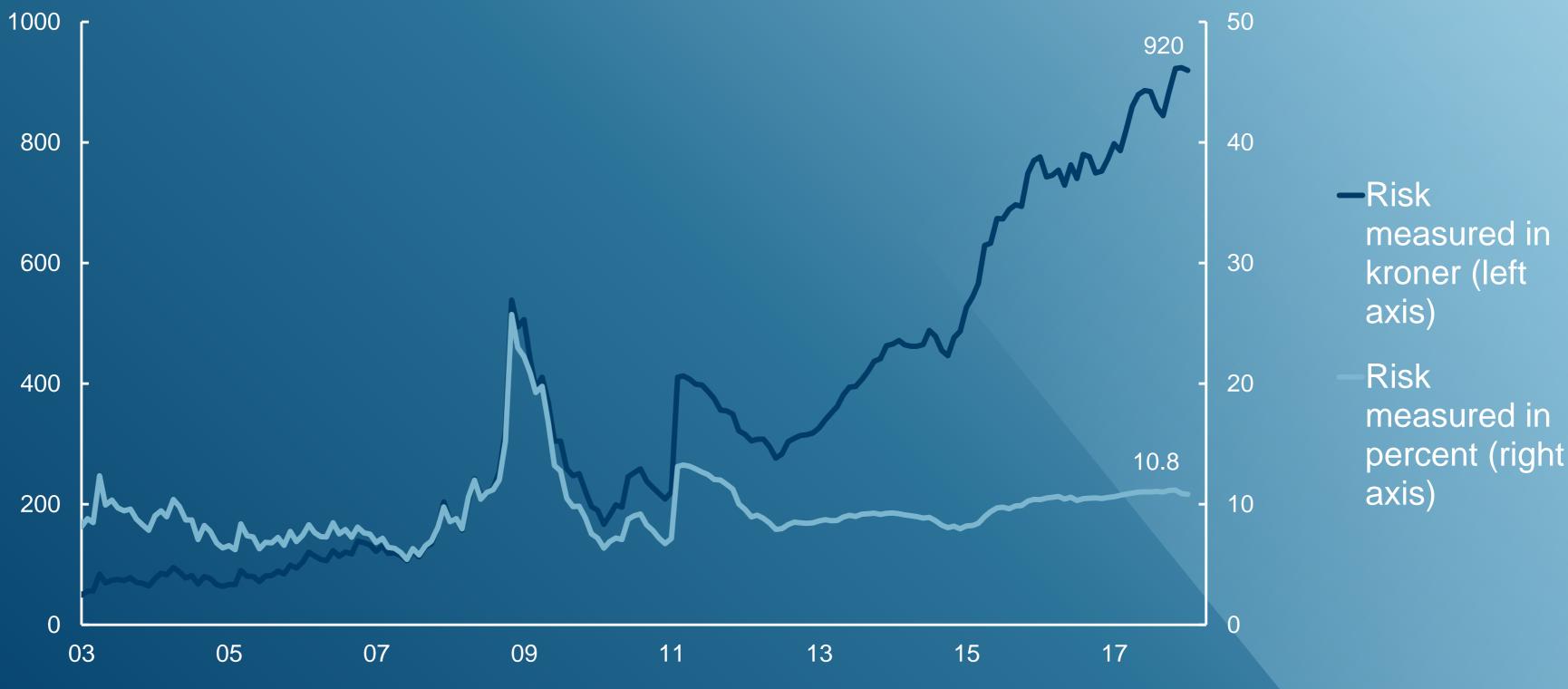
C)20	J	20
	20	-	18
		-	16
		-	14
		-	12
0.8		-	10
		-	8
		-	6
			4
		-	2
			0

Risk measued in kroner

Risk measured in percent

31 Dec 17

We have to expect even large value fluctuations Billion kroner (left axis) and percent (right axis)



Source: Norges Bank Investment Management

FINANCIAL MARKETS IN 2017



Equity markets in 2017 Measured in USD (Stoxx in EUR). Indexed (31.12.2016 = 100)



Source: Bloomberg

- —FTSE Global All Cap (global)
- -Stoxx Europe 600 (Europe, EUR)
- -MSCI Asia Pacific (Asia)
- -S&P 500 (USA)
- -Stoxx Europe 600 (Europe, USD)

Emerging equity markets in 2017 Measured in USD. Indexed total return (31.12.2016 = 100)



20

Emerging equity markets last 5 years Measured in USD. Indexed total return (31.12.2012 = 100)



FTSE All CapFTSE EM

Different stock sectors in 2017 Measured in USD. Indexed total return (31.12.2016 = 100)

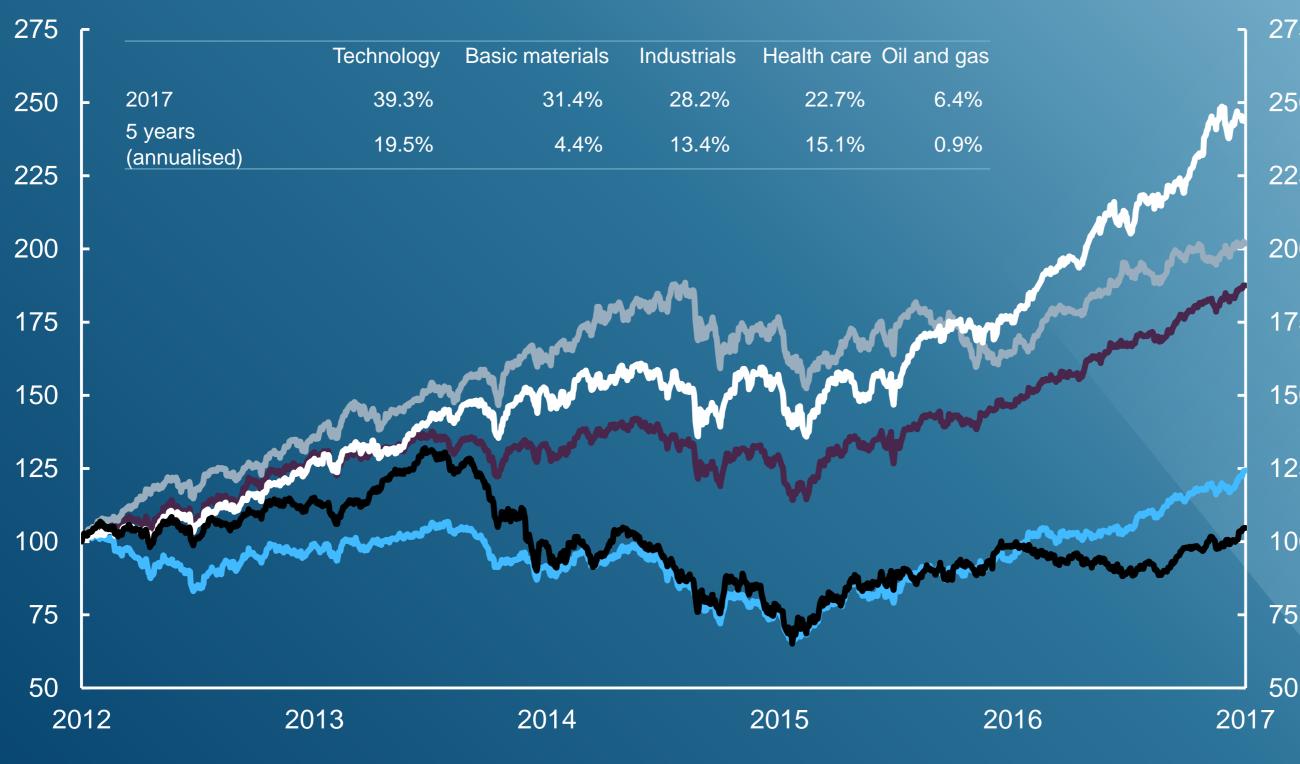




Basic materials
Industrials
Telecom
Technology
Oil and gas

22

Different stock sectors 2013 to 2017 Measured in USD. Indexed total return (31.12.2012 = 100)



Source: FTSE

(5	
50	
25	-Basic materials
00	-Industrials
75	
50	-Health care
25	-Technology
00	—Oil and gas
5	

Negative real interest rates Inflation-linked government bonds. 10 years to maturity. Percent



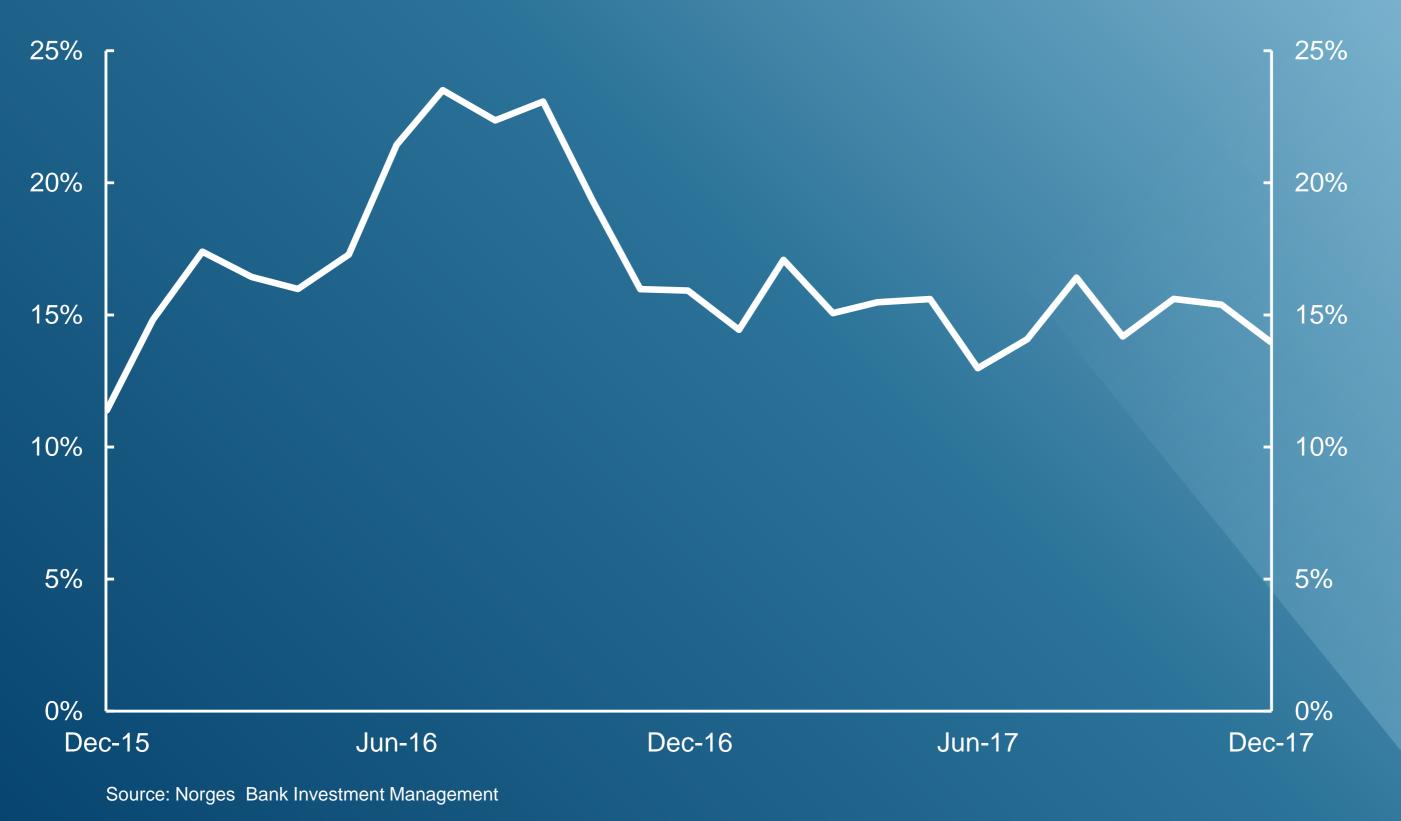


-USA

-Germany

-United Kingdom

Still large holdings with negative rates Percent of fixed-income investments



Currency markets in 2017 Measured against USD. Indexed (31.12.2016 = 100)*



* Declining curve indicates weaker exchange rate against USD Source: WM Reuters

26

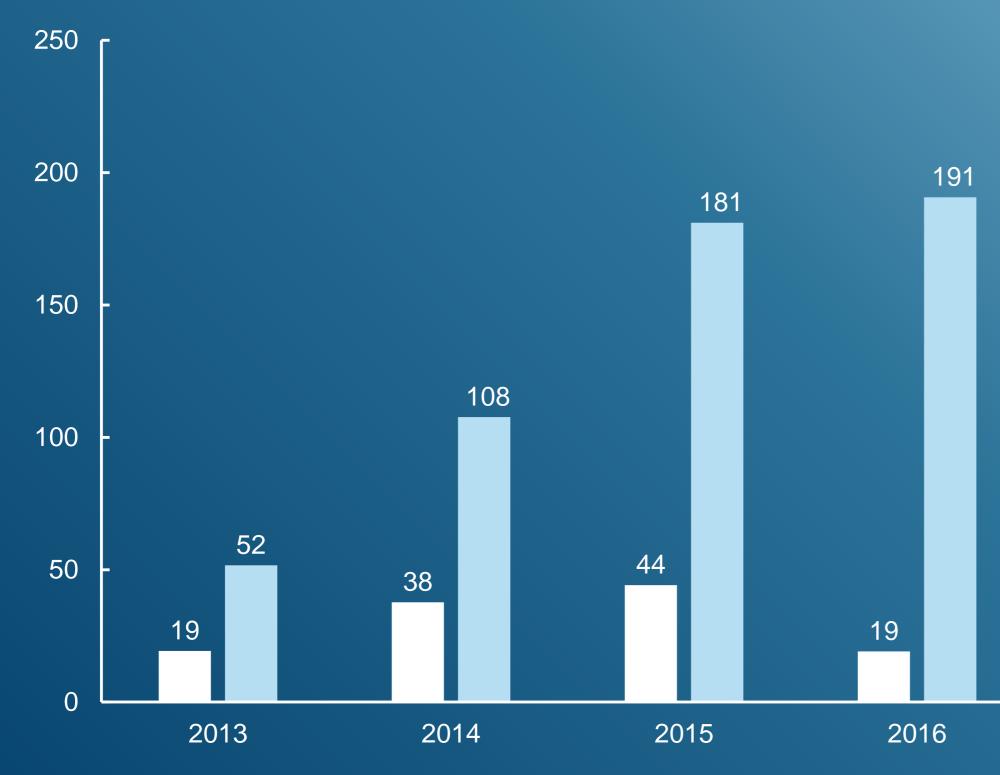
Currency markets in 2017 Emerging markets. Measured against USD. Indexed (31.12.2016 = 100)*



Source: WM Reuters

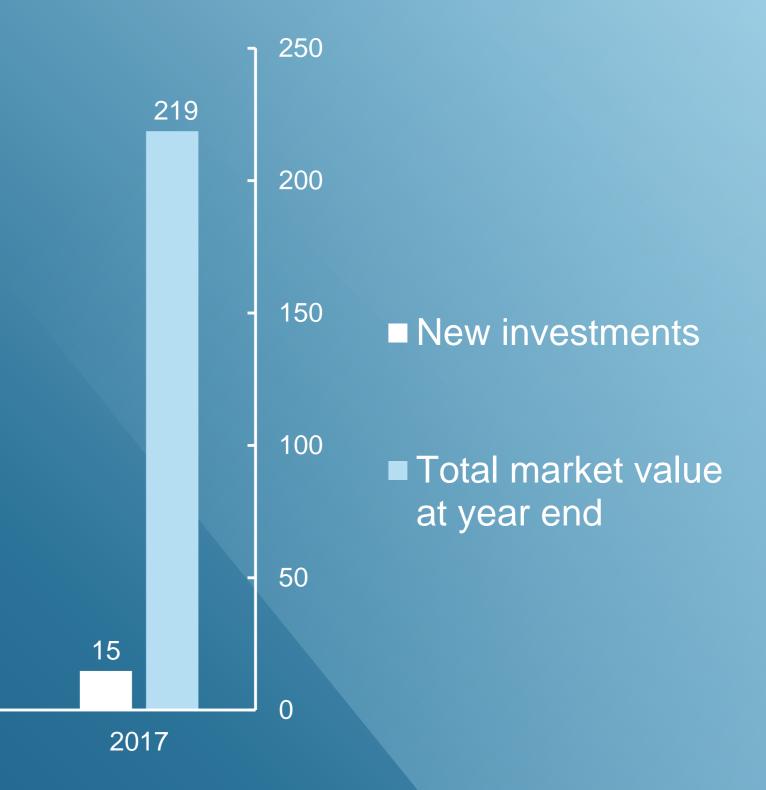
27

Unlisted real estate investments Billions of kroner



Source: Norges Bank Investment Management





New real estate investments in 2017

Five largest

Location	Share (percent)
Five properties in Omotesando, Tokyo	70.0
6-8 boulevard Haussmann, Paris	100.0
Schützenstrasse 26, Berlin	100.0
375 Hudson Street, New York	48.0
1101 New York Avenue NW, Washington, D.C.	49.0

Fransaction amount (local currency)	Transaction amount (NOK)
JPY 92.8 billion	6.8 billion
EUR 462.2 billion	4.3 billion
EUR 425.0 billion	4.0 billion
USD 223.0 billion	1.8 billion
USD 190.8 billion	1.6 billion

New real estate investments in 2017



10 Piccadilly, London



Schützenstrasse 26, Berlin





5-3-2 Minami-Aoyama, Minato, Tokyo



263-269 Oxford Street, 1 to 4 Princes Street, London



6-8 boulevard Haussmann, Paris



6-31-17 Jingumae, Shibuya, Tokyo



900 16th Street, NW, Washington, D.C.



375 Hudson Street, New York



5-3-27 Minami-Aoyama, Minato, Tokyo





1101 New York Avenue, NW, Washington, D.C.



20 Air Street, London



6-12-18 Jingumae, Shibuya, Tokyo



1-8-10 Jingumae, Shibuya, Tokyo

Responsible investment 2017



CEO

01 2017 REMUNERATION OF THE CEO ASSET MANAGER PERSPECTIVE

n structures are a distinct issue of interest to shareholders, with likely implications for the well-function-ing of financial markets. This note views remuneration as an expression of corporate governance and discusses commonly used incentive plans and alternative remuneration schemes.

Agency theory remains relevant to executive remuneration in listed companies because CEO incentives do not match thos of shareholders. It is therefore in the interest of shareholders to better align the actions of the CEO with their interests. Requiring the CEO to be a long-term shareholder seems to

be an underutilised strategy for aligning the interests of the CEO with those of shareholders. This should supplement the tion of a board of directors that effectively monit ement and is accountable to shareholders.



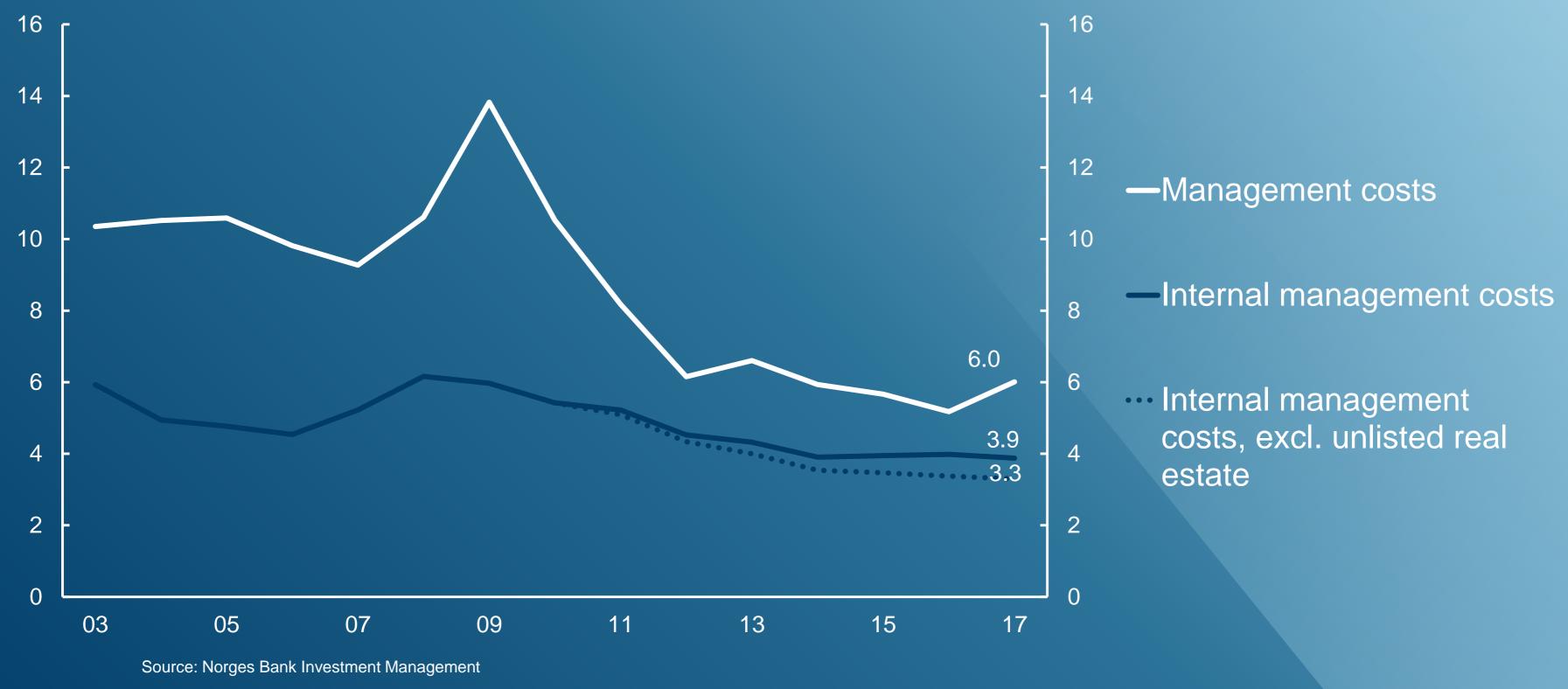
REMUNERATION POSITION PAPER

NORGES BANK

TAX AND TRANSPARENCY EXPECTATIONS TOWARDS COMPANIES ANTI-CORRUPTION EXPECTATIONS TOWARDS COMPANIES

31

Stable internal management costs Management costs. Basis points



Five new members of the fund's leader groups





Per Løken Romain Veber Chief Investment Officer US Chief Investment Officer Europe NBREM NBREM



Hege Gjerde **Chief Financial Officer** NBIM



Sirine Fodstad Chief HR Officer NBIM



Carine Smith Ihenacho NBIM

Chief Corporate Governance Officer

New publications in 2017





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Published on website 27 February 2018 www.nbim.no

- Holding lists
- GIPS report
- Monthly returns
- Main external service providers
- Overview of external managers
- Detailed tables on return and risk
- Approved issuers of government bonds

GOVERNMENT PENSION FUND GLOBAL

ANNUAL REPORT

IORGES BANK

Comprehensive reporting

- Press conference annual report 2017
- Additional information on responsible investment 2017
- Additional information on return and risk 2017
- Additional information on real estate investments 2017







27 February 2018 13 February 2018 6 March 2018 13 Mars 2018



Public information available on our website www.nbim.no

- Submissions to the Ministry of Finance
 - Investment advice
- Discussion notes
 - Analyses that may form the basis for the fund's investment strategy and advice to the Ministry of Finance
- Asset manager perspectives
 - The fund's views and reflections on issues topical for the financial industry
- Expectations documents
 - The fund's expectations to companies regarding specific focus areas
- Position papers
 - The fund's position on specific ownership topics
- Public reports



Highlights

The return was 13.7 percent in 2017

•	Equity	19.4	percent
•	Fixed income	3.3	percent
•	Unlisted real estate	75	percent

- The return on the fund was 1,028 billion kroner
- The return on equity and fixed-income investments was 0.7 percentage point higher than the return on the benchmark index
- The market value of the fund grew to 8,488 billion kroner
- Asset allocation at the end of the year:
 - Equity 66.6 percent
 - Fixed income
 - Unlisted real estate

- 30.8 percent
- 2.6 percent



GOVERNMENT PENSION FUND GLOBAL ANNUAL REPORT 2017

