

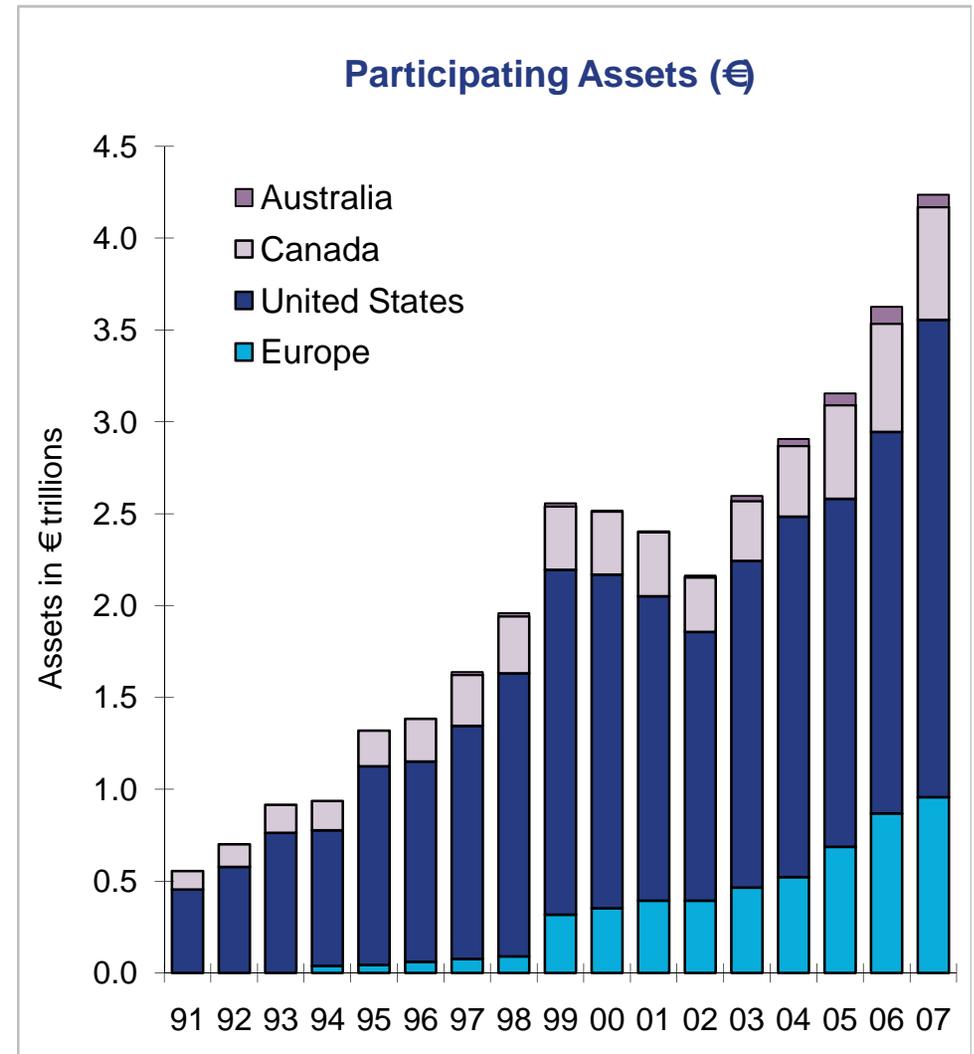
Norwegian Government Pension Fund - Global Investment Benchmarking Results

For the 5 year period ending December 2007



This benchmarking report compares your cost and return performance to CEM's extensive pension database.

- 25 European funds participate with aggregate assets of €958 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, France and Ireland.
- 186 U.S. pension funds participate. They represent 40% of U.S. defined benefit assets. Total participating U.S. assets were €2.6 trillion.
- 88 Canadian funds participate representing 70% of Canadian defined benefit assets.
- 11 Australian/New Zealand funds participate with aggregate assets of €87 billion.



The most valuable comparisons for cost performance are to your custom peer group.

Custom Peer Group for Norwegian Government Pension Fund - Global

- 19 largest international sponsors from €51.4 billion to €351.4 billion
 - Median size €85.3 billion versus your €239.9 billion
- 3 Canadian Funds, 4 European Funds and 12 US Funds make up the International Peer Group.
- In the report there are also comparisons to all of the European participants. There are 25 participants; 1 Danish, 1 French, 4 Finnish, 1 Irish, 2 Norwegian, 13 Dutch and 3 Swedish. The median size of the European participants is €21 billion.

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Policy Return	How did the impact of your policy asset mix decision compare to other funds?
2. Value Added	Are your implementation decisions (i.e., mostly active management) adding value?
3. Implementation Risk	How much risk was taken to obtain your implementation value added?
4. Costs	Are your costs reasonable? Costs matter and can be managed.
5. Cost Effectiveness	Net implementation value added versus excess cost. Does paying more get you more?

Your 5-year total return of 8.9% compares to the Peer median of 13.9% and the European median of 10.2%.

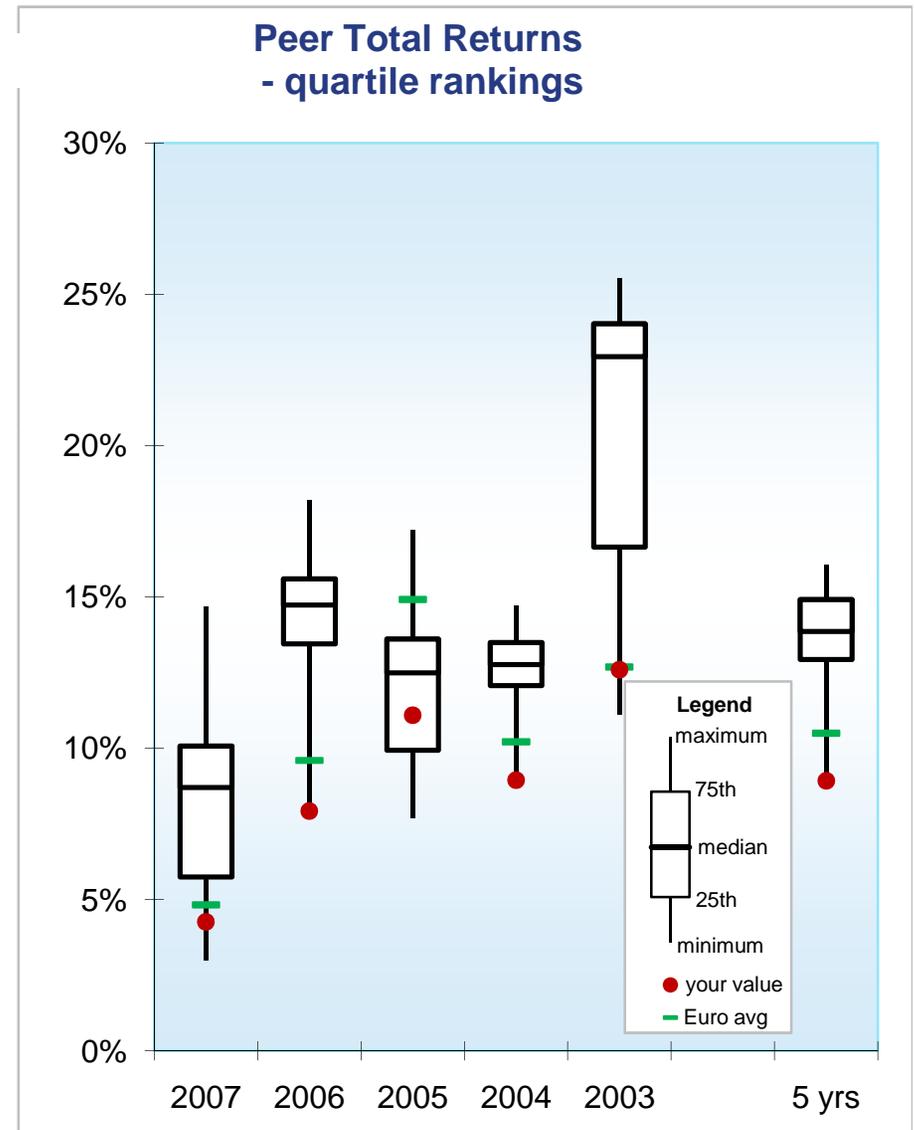
Total Returns do not tell you the reasons behind good or bad relative performance. Therefore, we separate Total Return into its more meaningful components - Policy Return (policy asset mix decisions which tend to be the Board's responsibility) and Implementation Value Added (implementation decision which tend to be management's responsibility).

Norwegian Gov't Pension Fund - Global 5-year Returns	Currency		
	Euro	Basket*	USD
Total Fund Return	5.8%	8.9%	13.1%
Policy Return	5.4%	8.5%	12.7%
Implementation Value Added	0.4%	0.4%	0.4%

* Benchmark portfolio's currency basket

The currency basket measure is the relevant measure when assessing the Pension Fund's performance against the stated objective of maximising the Pension Fund's international purchasing power.

Note: The Pension Fund – Global's total return and policy return are reported in the fund's "Currency Basket". Other funds' Total and Policy Returns are reported in local currency. Comparing these returns is difficult because of currency fluctuations. Value Added comparisons are much more meaningful.



1. Policy Return

Your 5-year policy return of 8.5% compares to the Peer median of 13.2% and the European median of 10.1%.

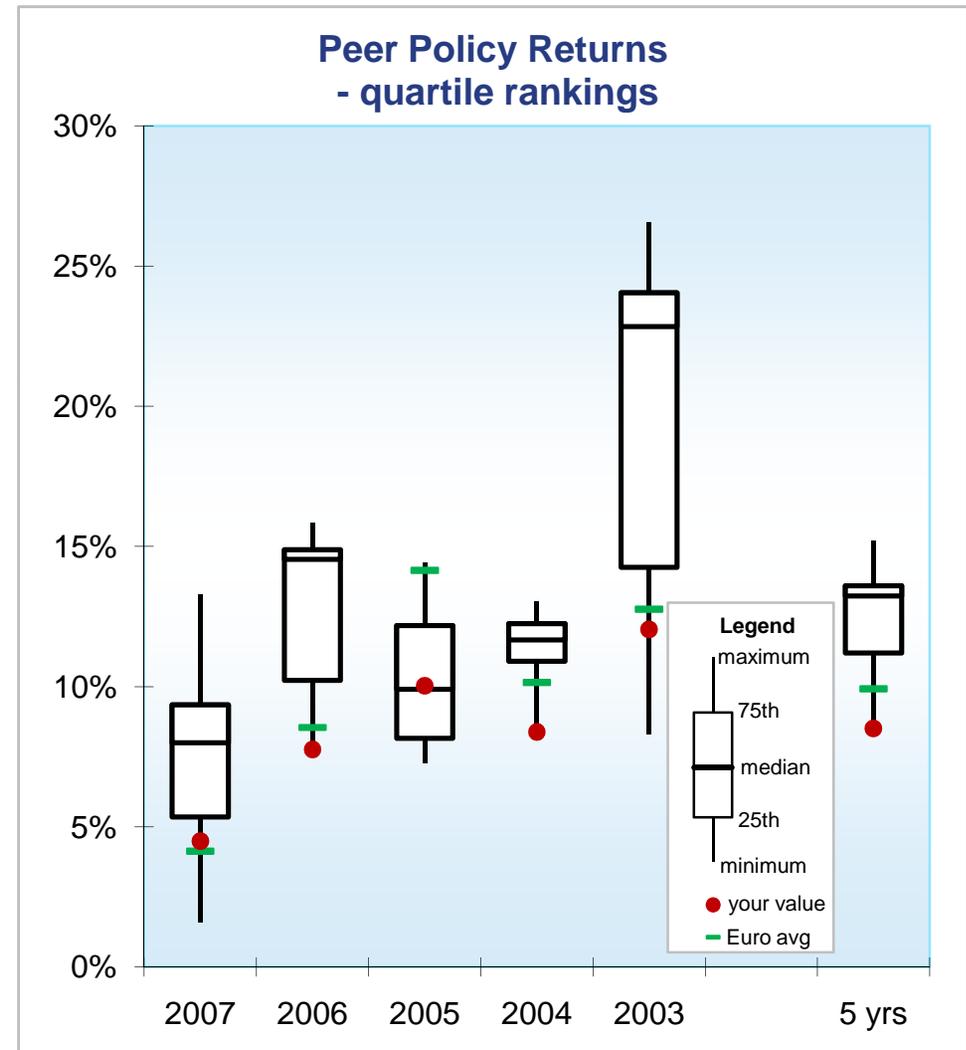
Your policy return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

Having a higher or lower relative policy return is not necessarily good or bad. This is because your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.

Investment policy is based on considerations like risk tolerance and long-term capital markets prospects. In this context a five year period is short. If the comparisons had been made for other periods, the results could be different.



Your policy asset mix compares to the Peer and European averages as follows:

- Your policy asset mix is more Globally diversified than the Peer and the European average. When comparing the policy return with other funds, this had large impact due to both market return differences between regions and currency fluctuations. The dollar has for instance depreciated against the Euro, so your return would have been much higher if it had been reported in dollars.

- Your fund had more fixed income than the peer or European averages: your 53% versus a peer average of 38% and European average of 43%.

- Your fund did not have any allocation to real estate, hedge funds or private equity whereas the peer funds had allocations of 10%, 1% and 6% respectively. The European funds allocations were 9%, 2% and 2%.

2007 Policy Asset Mix			
Asset Class	Your Fund	Peer Avg	Euro Avg
Stocks	47%	46%	44%
Fixed Income	53%	38%	43%
Real Assets**	0%	10%	9%
Hedge Funds	0%	1%	2%
Private Equity	0%	6%	2%
Total	100%	100%	100%

** Real Assets includes Real estate, REITs, Infrastructure and Commodities

To get a sense of the impact of asset allocation differences we calculated the policy returns of the Peer group and the European funds assuming they had used the Pension Fund – Global’s asset class allocation over the past 5 years (43% equities and 57% fixed income). In this 5-year period, their average policy return would have respectively been between 1.7 and 2.8 percentage points lower than their actual policy return. The difference in this five year period is mostly a result of a different allocation to real estate and public and private equity.

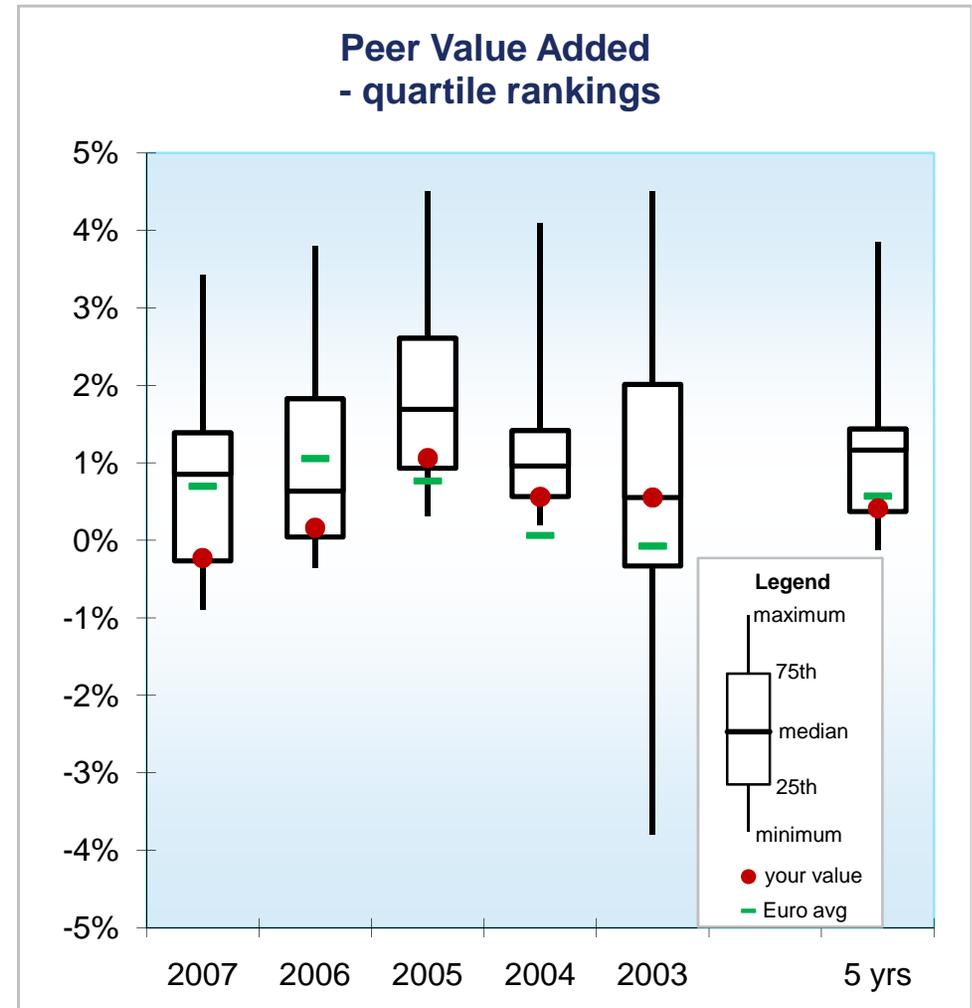
2. Value Added

Value added is the component of your total return from active management. Your 5-year value added was 0.4%.

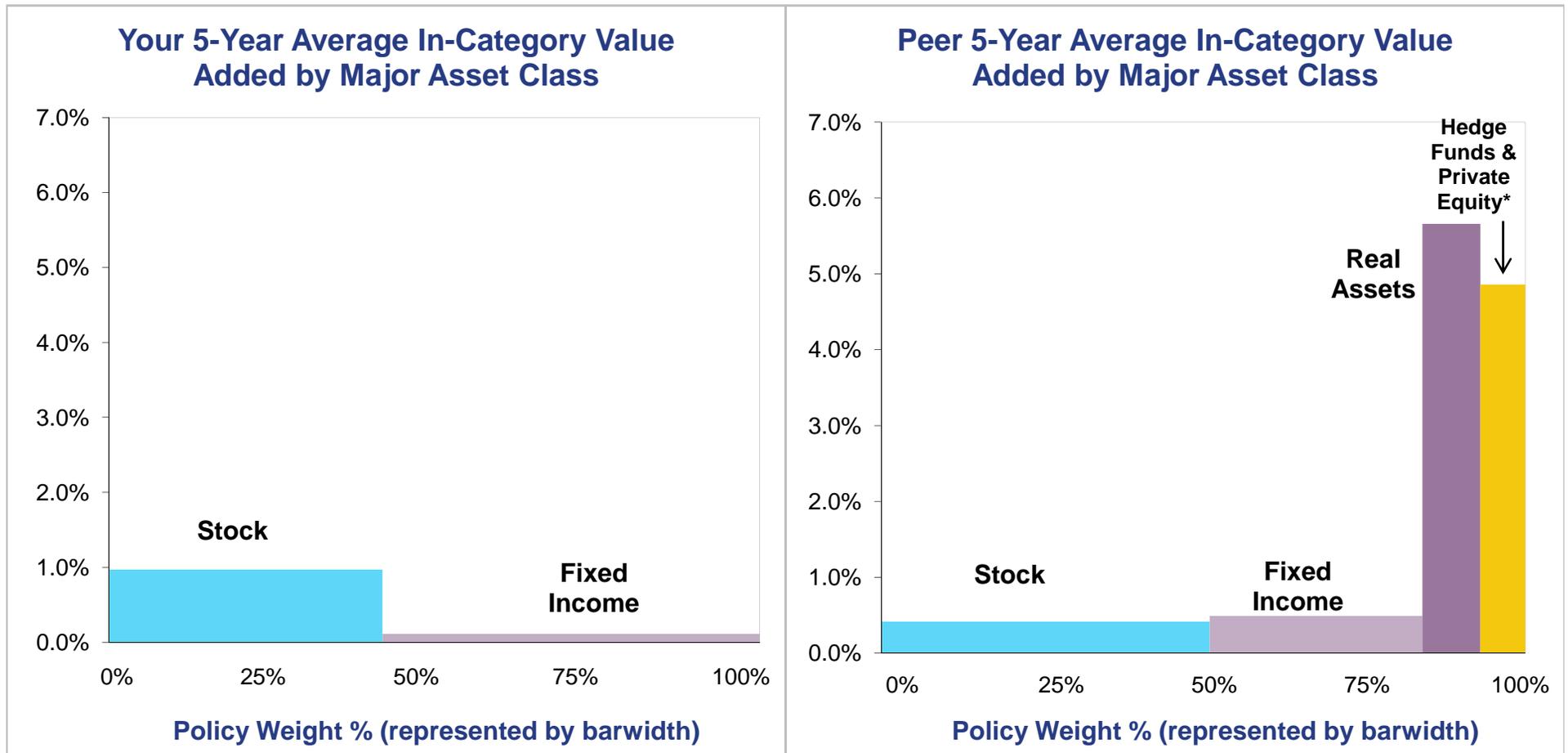
Your 5-year value added of 0.4% compares to a median of 1.2% for your peers and 0.4% for the Euro.

Year	Total return	Policy return	Value added		
			Total	In-category	Mix
2007	4.3%	4.5%	-0.2%	-0.2%	0.0%
2006	7.9%	7.8%	0.2%	0.2%	0.0%
2005	11.1%	10.0%	1.1%	1.1%	0.0%
2004	8.9%	8.4%	0.6%	0.6%	0.0%
2003	12.6%	12.0%	0.5%	0.5%	0.0%
5-year	8.9%	8.5%	0.4%	0.4%	0.0%

- Implementation value added equals your actual return minus your policy return. Implementation value added can be further broken down into value added from "In-Category" decisions (i.e., actual returns in each asset category minus benchmarks) and value added from "Mix" (i.e., value added resulting from differences between your actual versus your policy asset mix).



You had positive 5-year in-category value added in stock and fixed income.



* Comparisons of value added for private equity & hedge funds must be interpreted with caution because the types of investments and benchmarks can be extremely varied.

3. Implementation Risk

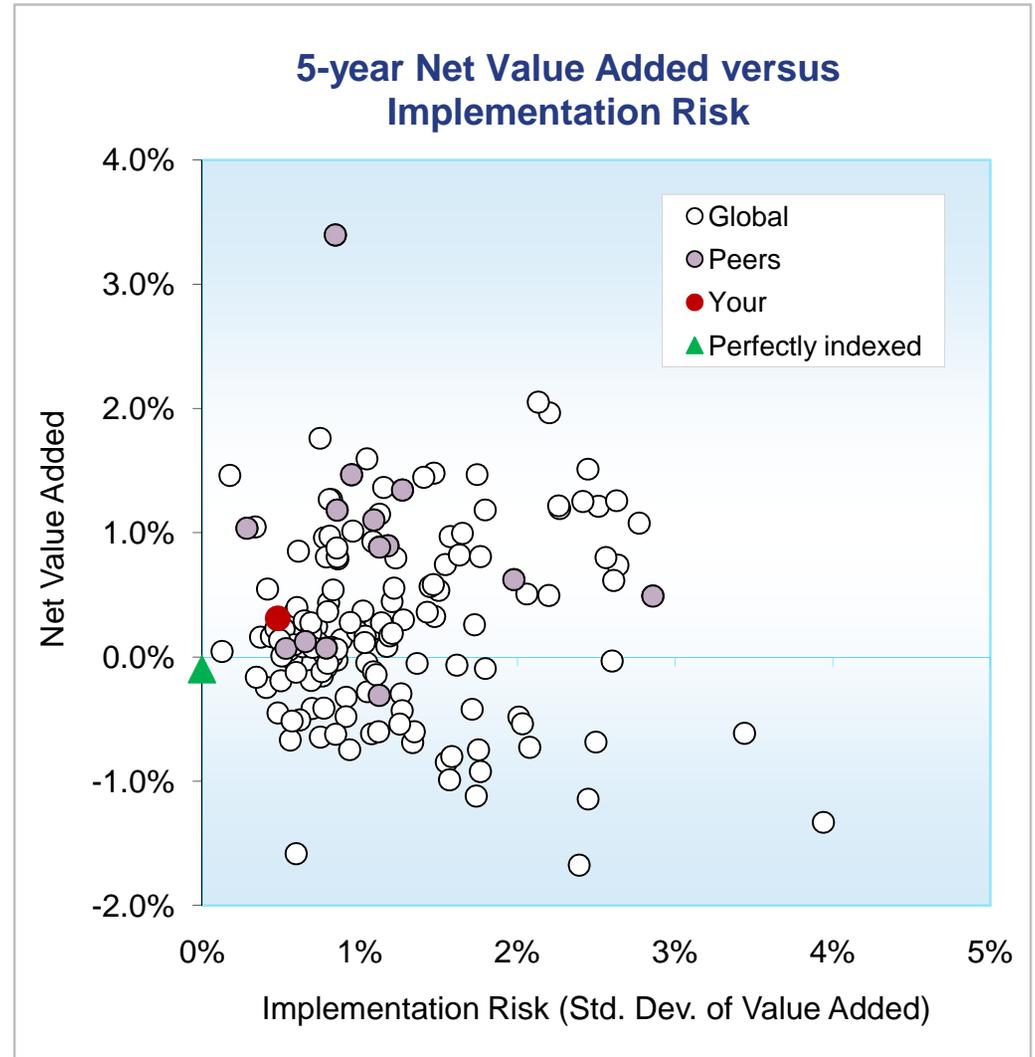
Your 5-year implementation risk of 0.5% compares to the European median of 0.8% and peer median of 0.9%.

"Implementation Risk" is the risk of active management. CEM defines Implementation Risk as the standard deviation of your Net Implementation Value Added.

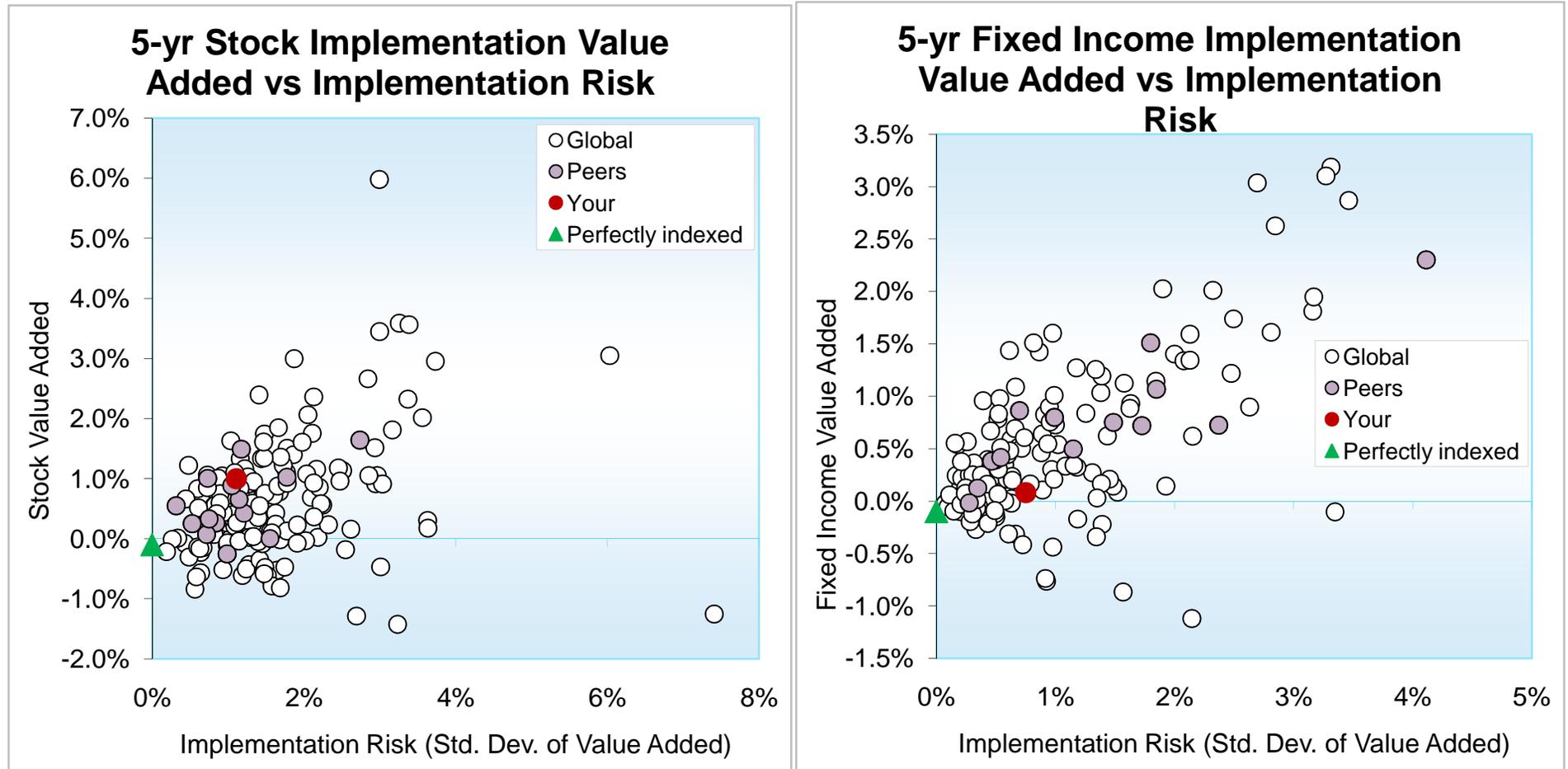
Net value added equals gross value added minus asset management costs. Your 5-year net value added was 0.3% (0.4% gross value added minus 0.1% cost).

There was a slight positive relationship between implementation risk and value added over the past 5 years. On average, funds that took more implementation risk earned more value added.

Your 5-yr information ratio was 0.6. This compares to the peer median of 0.8 and the European median of 0.4. It is a measure of the return per unit of risk.



Your 5-yr Risk for both Stock and Fixed Income compared to the Peer and Global Funds.



• Your 5-yr Value Added for Stocks was 1.0% vs the Peer median of 0.6%. Your 5-year Value Added for Fixed Income was 0.1% vs a Peer median of 0.5%.

• Your 5-yr Risk of 1.1% for Stocks compares to the Peer median of 1.1% and for Fixed Income your Risk of 0.7% compares to the Peer median of 1.0%. Your information ratio for Stocks of 0.9 compares to the Peer median of 0.6, and for Fixed Income your 0.1 compares to the Peer median of 0.6.

4. Costs

Your asset management costs in 2007 were €225.2 million or 9.4 basis points.

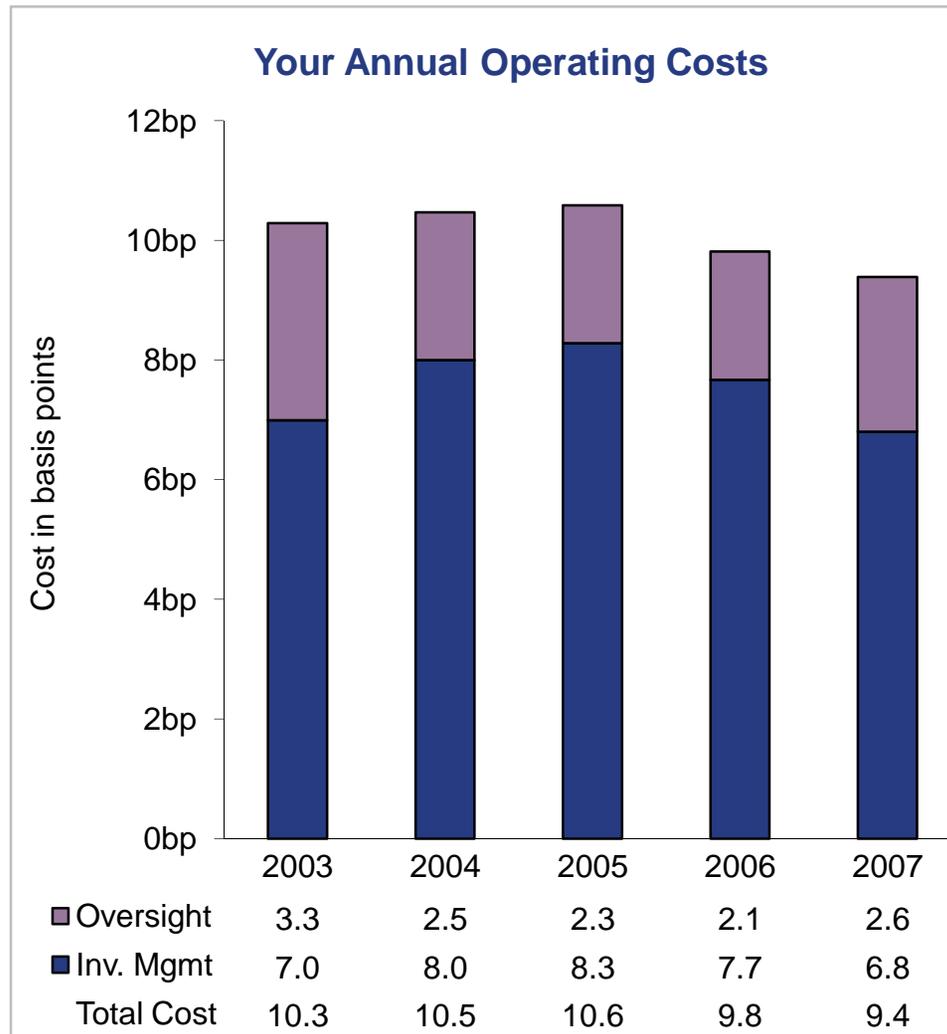
- CEM collects investment costs by major asset classes and 4 different implementation styles.
- Oversight, custodial & other costs include all costs associated with the oversight and administration of the investment operation, regardless of how these costs are paid. Costs pertaining to benefit administration, such as preparing checks for retirees, are specifically excluded.

Your Investment Management Costs (€000s)					
	<u>Internal</u>		<u>External</u>		Total
	Passive	Active	Passive	Active: base	
Stocks		30,166		59,471	89,637
Fixed Income		28,230		11,762	39,992
Performance Fee				33,505	33,505
Total Investment Management Costs				6.8bp	163,134

Your Oversight and Other Asset Related Costs (€000s)		
Oversight of the fund		38,468
Trustee & custodial		23,616
Consulting and performance measurement		
Audit		
Other		
Total oversight, custodial & other costs		2.6bp

Total asset management costs	9.4bp	225,218
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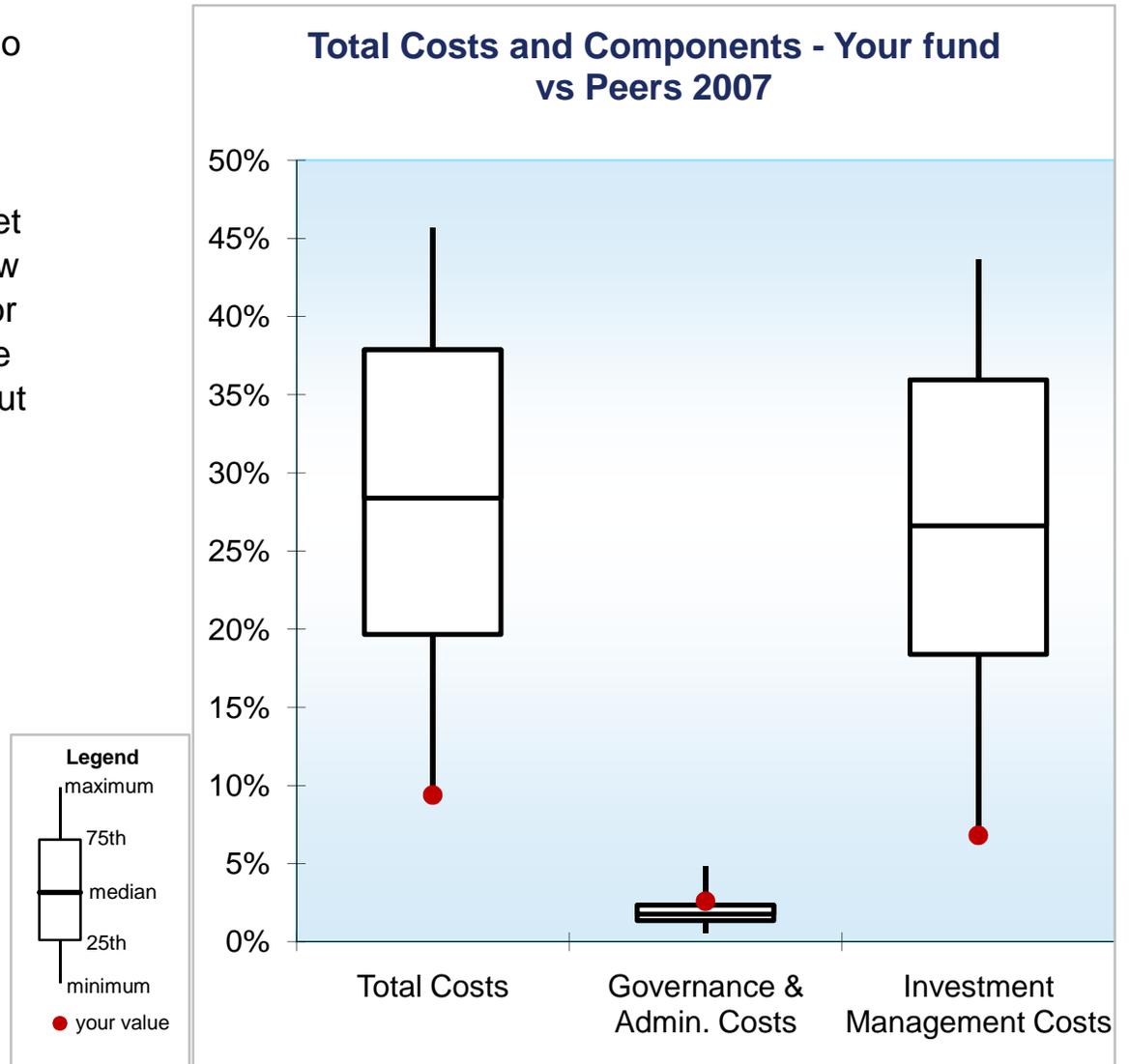
Your costs have remained quite stable between 2003 and 2007.



Your total costs compare to your peers as follows:

Total cost comparisons are interesting but do not provide any insight into why costs are different between funds.

These figures are not adjusted for size, asset mix or implementation style. On the next few pages we use a benchmark cost to adjust for differences between funds and provide more insightful comparisons and conclusions about your relative cost performance.



Benchmark cost analysis suggests that your fund was low cost by 1.9 basis points.

To assess your cost performance, we start by calculating your benchmark cost. Your benchmark cost is an estimate of what your cost would be given your asset mix and the median costs that your peers pay for similar services. It represents the cost your median peer would incur if it had your asset mix.

Your total cost of 9.4 bp was lower than your benchmark cost of 11.3 bp. Thus, your fund's cost savings was 1.9 bp, suggesting that your fund was low cost by this amount.

	In €000's	Basis Points
Your actual cost	225,218	9.4 bp
Your benchmark cost	<u>271,466</u>	<u>11.3 bp</u>
Your excess cost	-46,248	-1.9 bp

You were low cost primarily because you paid slightly less for similar mandates and had a slightly lower cost implementation style.

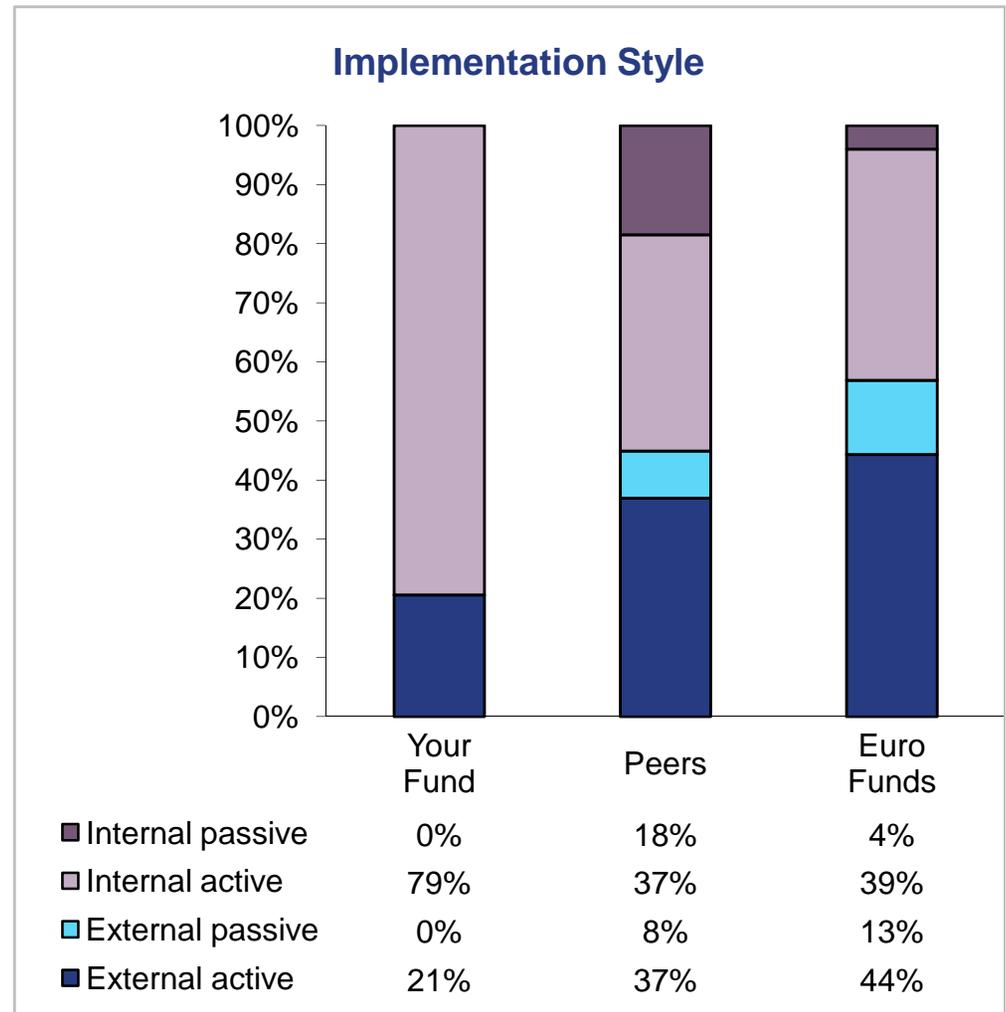
Reasons for Your Low Cost Status		
	<u>Excess Cost/ (Savings)</u>	
	€000s	bps
1. Paying more or (less) than your peers for:		
• External investment management costs	(28,737)	(1.2)
• Internal investment management costs	(11,689)	(0.5)
• Oversight, custodial & other costs	<u>23,521</u>	<u>1.0</u>
	(16,905)	(0.7)
2. Implementation style differences:		
• Less external active management and more lower cost internal management	(41,941)	(1.7)
• Lower use of overlays	(11,373)	(0.5)
• Other style differences	<u>23,971</u>	<u>1.0</u>
	(29,343)	(1.2)
Total Savings	(46,248)	(1.9)

Each of these reasons is examined in detail on the following 5 pages.

Another key cause of differences in cost performance is often differences in implementation style.

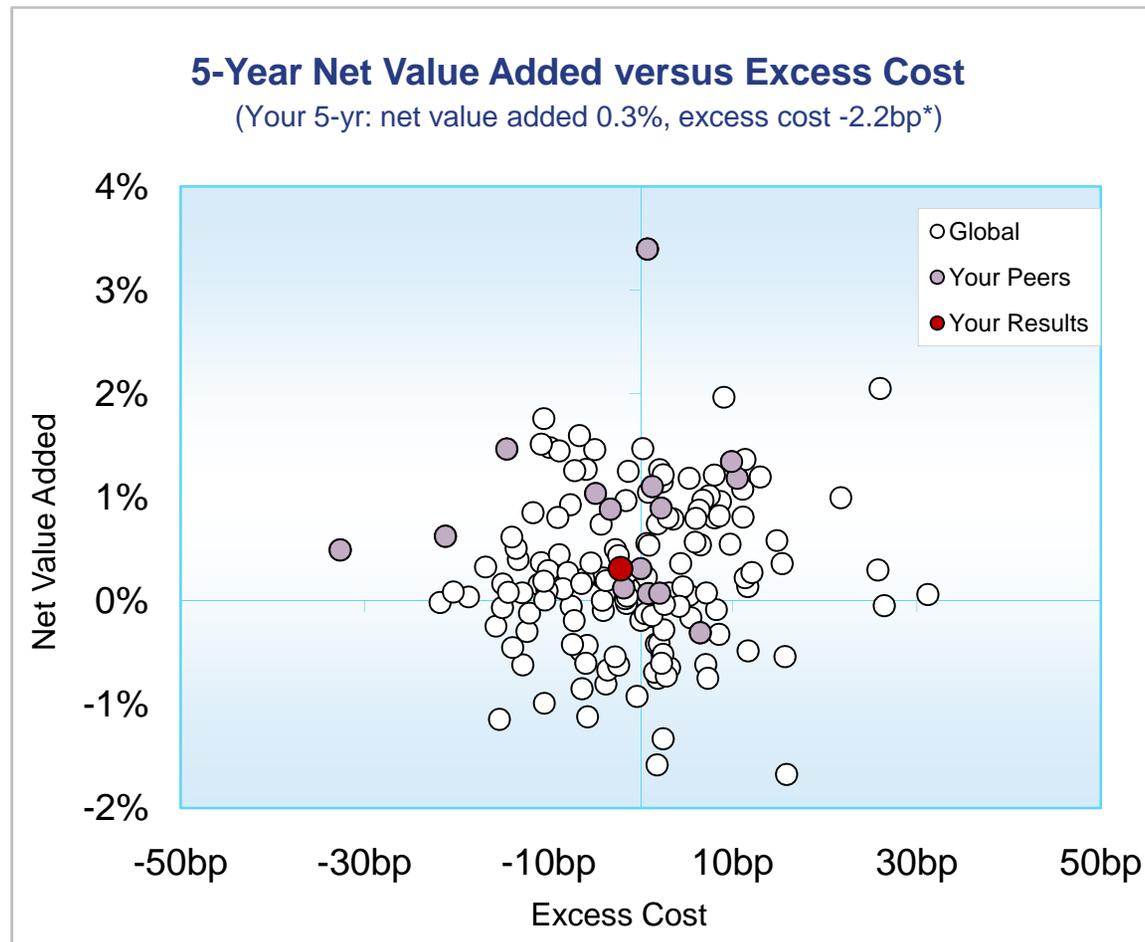
The greatest cost impact is usually caused by differences in:

- External active management because it tends to be much more expensive than either internal management, or passive management. You used less external active management than your peers (21% versus 37% for your peers).
- Fund of funds usage for real estate and private equity because it is more expensive than direct fund investment.



5. Cost Effectiveness

Your 5-year performance placed you in the positive value added, low cost quadrant.



¹ Your 5-year net value added of 0.3% equals your 0.4% year gross value added minus your 0.1% cost.
 Your 5-year excess cost of -2.2bp is the average of your excess cost for the past 5 years.

In summary:

1. Policy Return

Your 5-year policy return was 8.5%. This compares to the European median of 10.1% and the peer median of 13.2%. This was a result of several factors including currency and different regional and asset class allocations.

2. Value Added

Your 5-year implementation value added was 0.4%. This compares to the European median of 0.4% and the peer median of 1.2%.

- Other funds have made some of the Implementation Value Added in markets you do not invest in, like Private Equity and Real Estate. Your 5-yr Value Added for Stocks was 1.0% vs. the Peer median of 0.6% and your 5-year Value Added for Fixed Income was 0.1% vs. a Peer median of 0.5%

3. Implementation Risk

Your 5-year implementation risk was 0.5%. This was below the European median of 0.8% and below the peer median of 0.9%.

4. Costs

Your actual cost of 9.4 bps was below your Benchmark Cost of 11.3 bps. This suggests that your fund was low cost.

You were low cost primarily because you paid slightly less for similar mandates and had a slightly lower cost implementation style.

5. Cost Effectiveness

Your 5-year performance placed you in the positive value added, low cost quadrant on the cost effectiveness chart.