

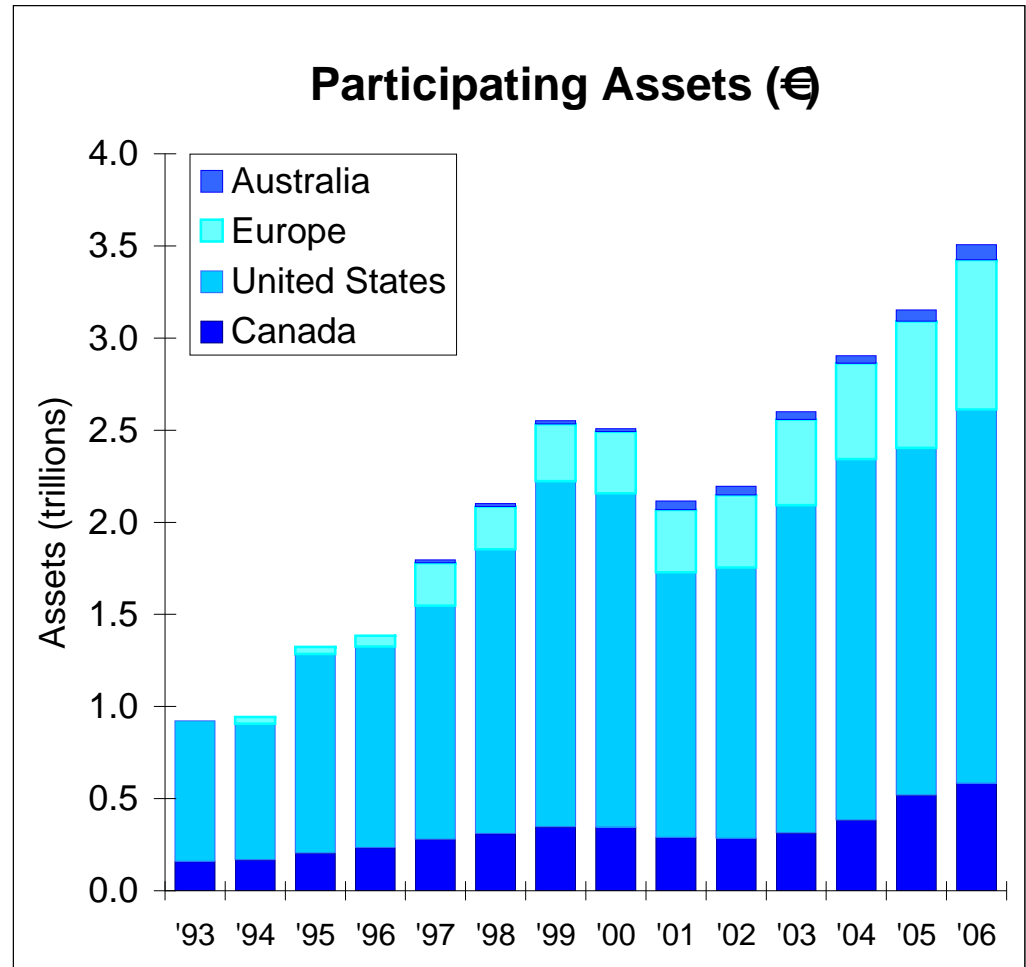
Norwegian Government Pension Fund - Global Investment Benchmarking Results

For the 5 year period ending December 2006



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

- 25 European funds participate with aggregate assets of €815 billion. Included are funds from The Netherlands, Norway, Sweden, Finland, France and Ireland.
- 95 Canadian funds participate representing 70% of Canadian defined benefit assets.
- 133 U.S. pension funds participate. They represent 30% of U.S. defined benefit assets. Total participating U.S. assets were \$2.0 trillion.
- 7 Australian funds participate with aggregate assets of A\$135.2 billion.



The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Custom Peer Group for Norwegian Government Pension Fund - Global

- 19 largest International sponsors from €46.6 billion to €209.3 billion
- Median size €76.5 billion versus your €193.1 billion

- 3 Canadian Funds, 3 European Funds and 13 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 French, 3 Finnish, 1 Irish, 2 Norwegian, 14 Dutch and 4 Swedish. The median size of the European participants is €19 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. Implementation 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 7.0% compares to the Peer median of 10.0% and the European median of 8.2%.

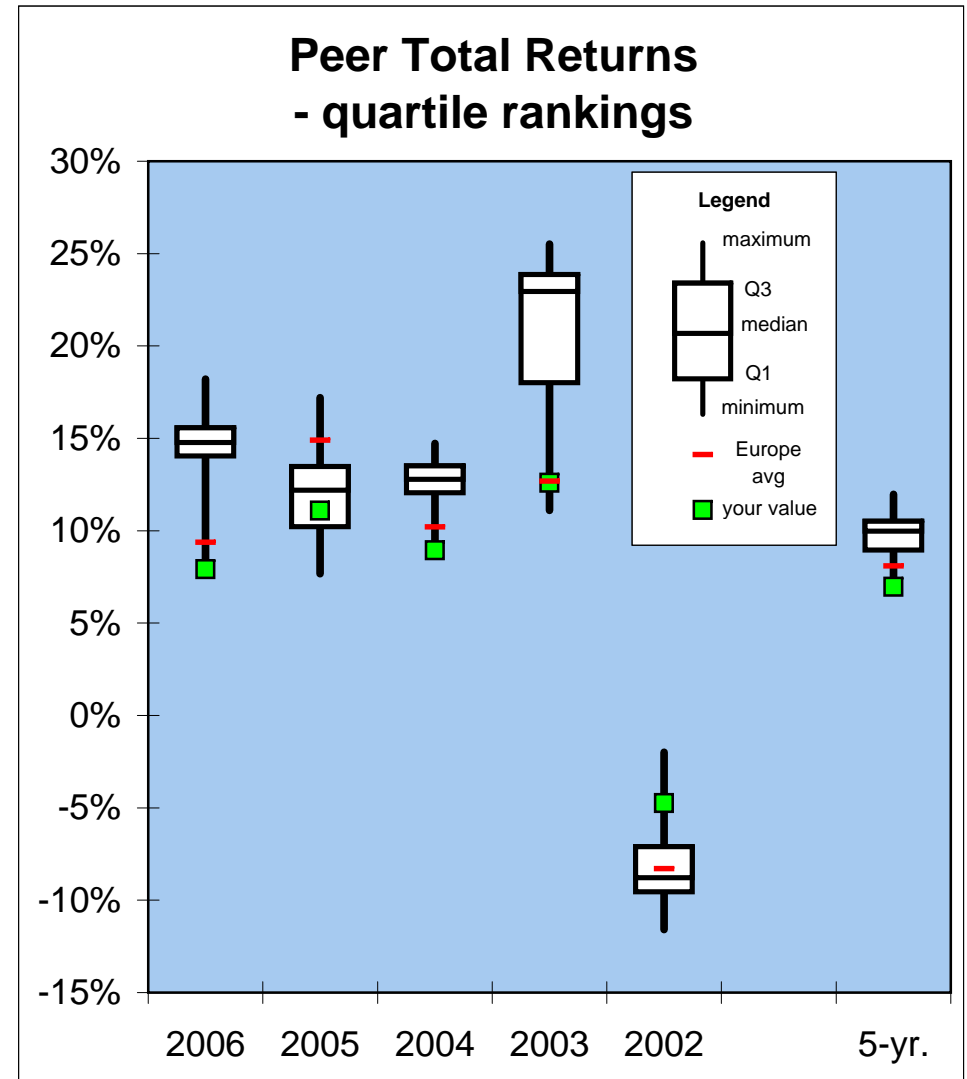
Total Returns do not tell you the reasons behind good or bad relative performance. Therefore, we separate Total Return into its more meaningful components - Policy Return (policy asset mix decisions which tend to be the Board's responsibility) and Implementation Value Added (implementation decision which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

5-yr Returns	Currency		
	Euro	Basket*	USD
Total Fund Return	3.5%	7.0%	12.5%
Policy Return	3.0%	6.5%	11.5%
Implementation Value Added	0.5%	0.5%	0.5%

* 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 6.5% compares to the Peer median of 9.2% and the European median of 7.6%.

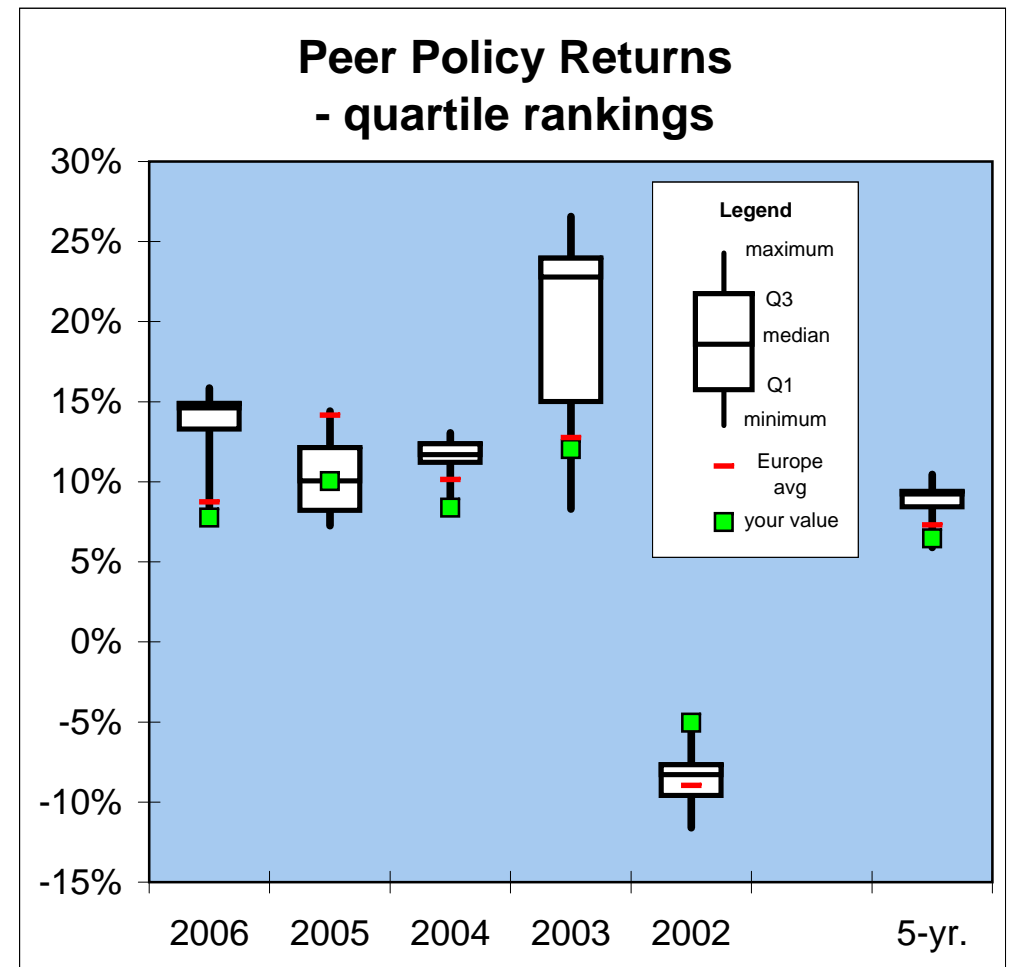
Your Policy Return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

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.



1. Differences in Policy Asset Mix.

Your 5-year average 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 policy asset mix contained more Fixed Income (your 59% versus a Peer average of 32% and European average of 45%). This had a negative impact in the last 4 years (2003 - 2006) when stocks greatly out performed bonds.
- Your policy asset mix did not contain any Real Estate versus an average of 8% for your Peers and 9% for the average European fund. Real Estate was one of the best performing asset classes over this time period.

5-year Average Policy Asset Mix			
Asset Class	Your Fund	Peer Avg	Euro Avg
Equities	41%	53%	45%
Fixed Income	59%	32%	44%
Real Estate & REITS	0%	8%	9%
Hedge Funds	0%	1%	1%
Private Equity	0%	6%	1%
Total	100%	100%	100%

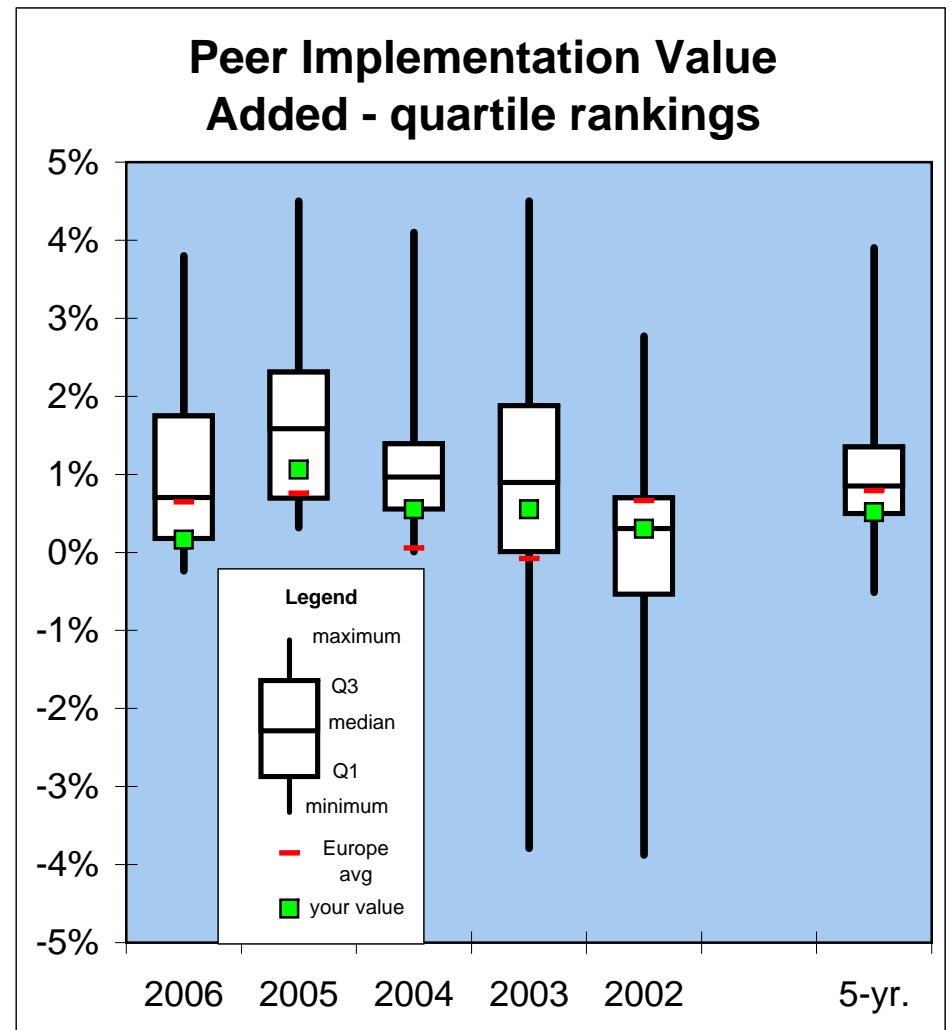
To get a sense of the impact of asset allocation differences we calculated the policy returns of the Peer group and the European funds assuming they had used the Pension Fund – Global’s asset class allocation (41% equities and 59% fixed income). In this 5-year period, their average policy return would respectively have been between 0.7 and 1.4 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. Implementation Value Added

Implementation Value Added is the component of your Total Return from active management. Your 5-yr Implementation Value Added was 0.5%.

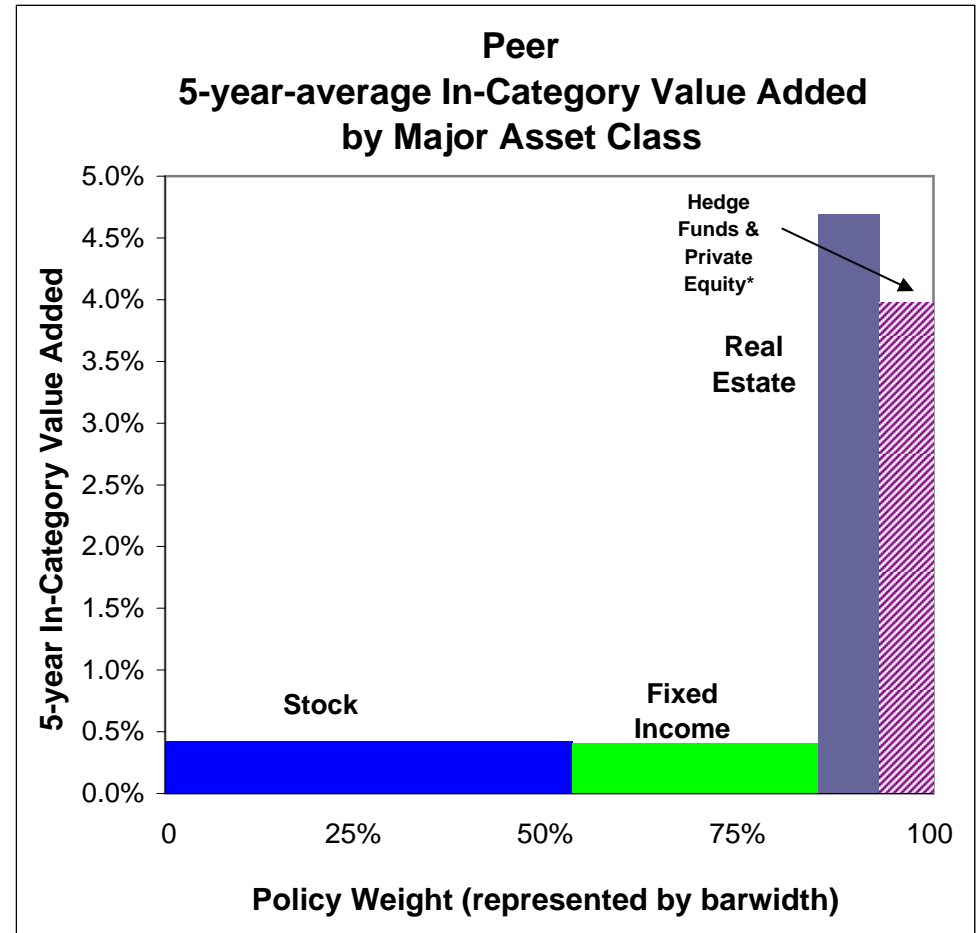
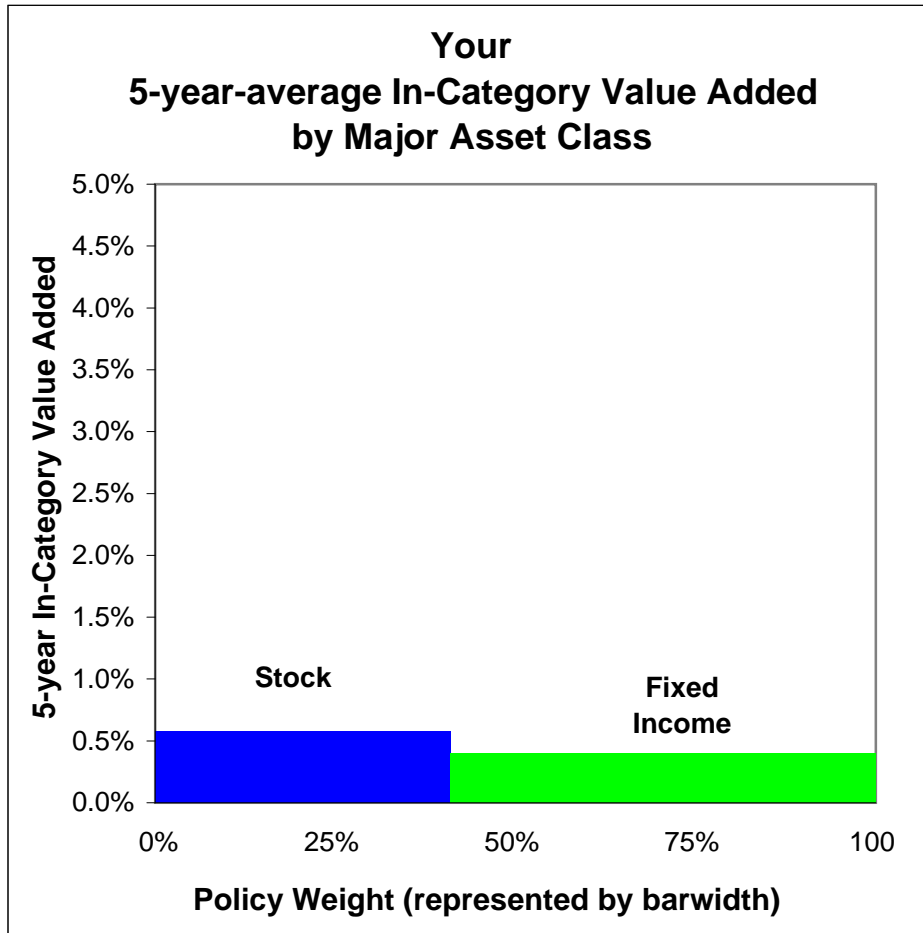
- Your 0.5% compares to a Peer median of 0.8% and a 5-yr European median of 0.8%.
- Implementation value added equals your actual return minus your policy return. Implementation value added can be further broken down into value added from "In-Category" decisions (i.e., actual returns in each asset category minus benchmarks) and value added from "Mix" (i.e., value added resulting from differences between your actual versus your policy asset mix).

Year	Actual Return	Policy Return	Implementation Value Added		
			Total	In-Category	Mix
2006	7.9%	7.8%	0.2%	0.1%	0.0%
2005	11.1%	10.0%	1.1%	1.2%	-0.2%
2004	8.9%	8.4%	0.5%	0.5%	0.0%
2003	12.6%	12.0%	0.6%	0.4%	0.2%
2002	-4.7%	-5.0%	0.3%	0.0%	0.3%
5-yr.	7.0%	6.5%	0.5%	0.4%	0.1%



2. Implementation Value Added
- In-Category by Asset Class

You had positive 5-year In-Category Value Added in both Stock and Fixed Income.



* Comparisons of value added for 'Hedge Funds & Private Equity' must be interpreted with caution because the types of investments and benchmarks can be extremely varied.

In-Category Value Added equals Policy Weights X Value Added within each Asset Category. It does not include Mix Value Added which is caused by difference between your actual holdings versus your policy asset mix.

3. Implementation Risk

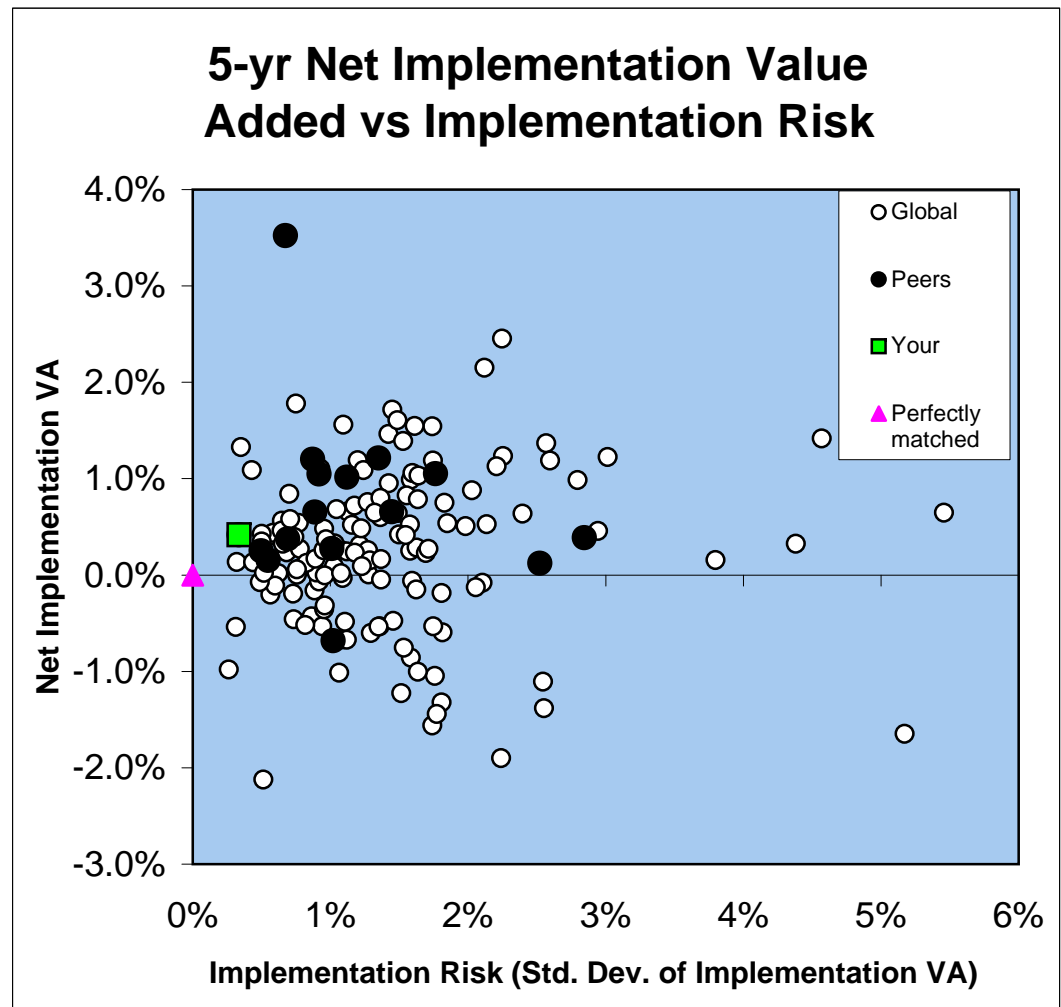
Your 5-yr Implementation Risk of 0.3% was below the Peer median of 1.0%.

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

Net Implementation Value Added equals gross Implementation Value Added minus asset management costs. Your 5-year Net Implementation Value Added was 0.4% (0.5% gross minus 0.1% costs).

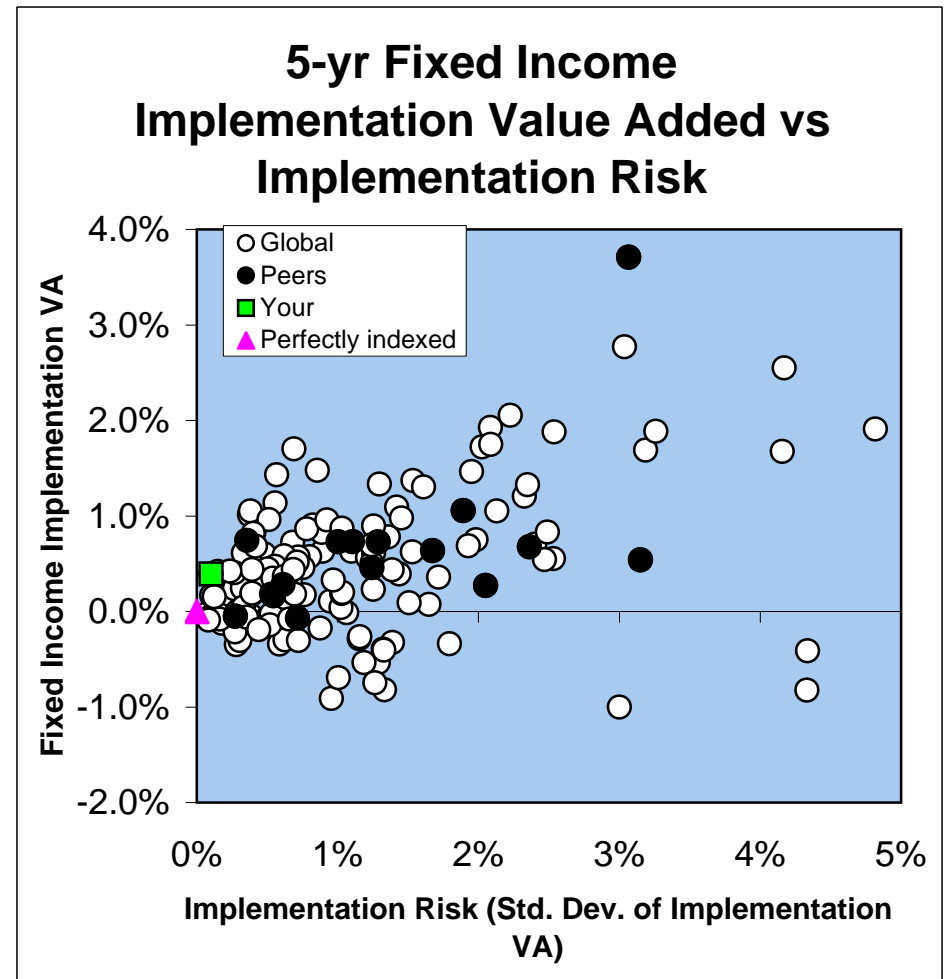
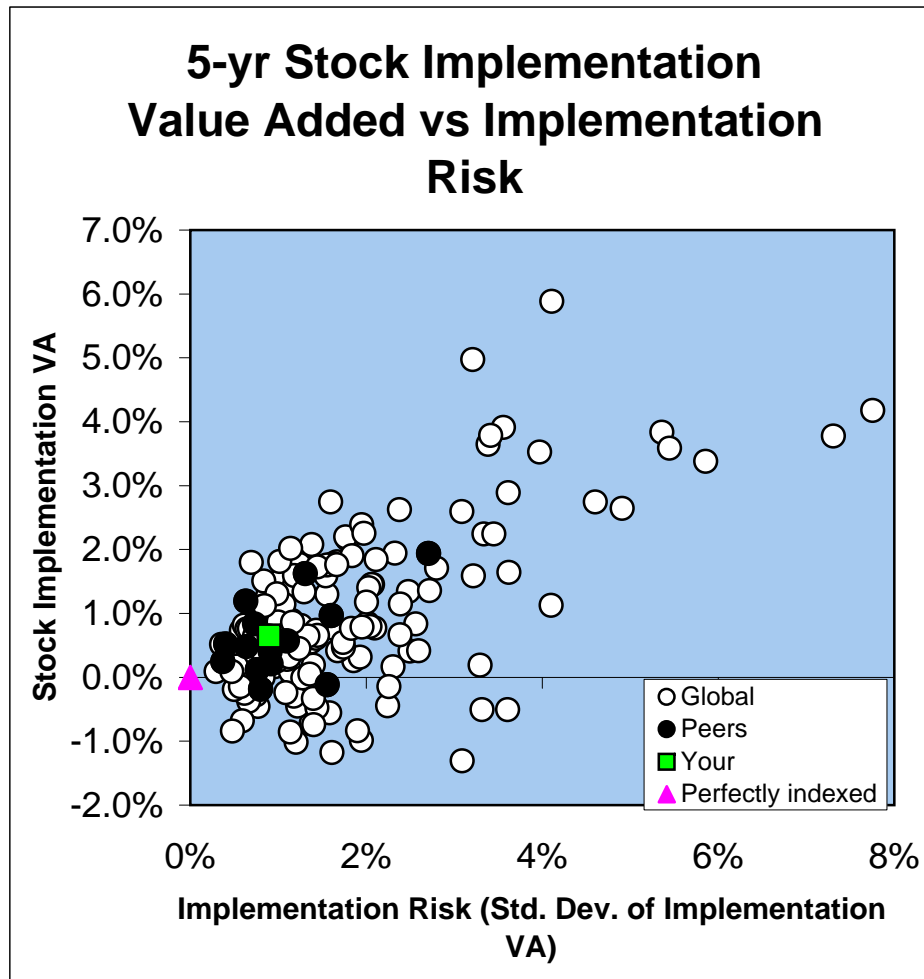
There was a slight positive relationship between Implementation Risk and Value Added over the past 5 years. On average, funds that took more Implementation Risk earned more Implementation Value Added.

Your 5-yr Information Ratio was 1.2. This compares to the Peer median of 0.6 and the European median of 0.3. It is a measure of the return per unit of risk.



3. Implementation 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 0.6% vs the Peer median of 0.5%. Your 5-year Value Added for Fixed Income was 0.4% vs a Peer median of 0.6%.

• Your 5-yr Risk of 0.9% for Stocks was equal to the Peer median and for Fixed Income your Risk of 0.1% was below the Peer median of 1.1%. Your information ratio for Stocks of 0.7 was above the Peer median of 0.6, and for Fixed Income your 3.8 was above the Peer median of 0.4.

4. Costs
- Total

Your asset management costs in 2006 were €189.5 million or 9.8 basis points.

- CEM collects investment costs by major asset classes and 4 different implementation styles.
- Oversight, Custodial & Other cost includes 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)						
Internal			External			
	Passive	Active	Passive	Active: Base Fees	Active: Perform Fees	Total
Stock - Aggregate		25,699		84,974		110,673
Fixed Income - Aggregate		16,348		21,029		37,377
Overlay Programs				0	0	0
Total Investment Management Costs					7.7bp	148,050

Your Oversight, Custodial and Other Asset Related Costs (€000s)			
Oversight of the Fund		25,502	
Trustee & Custodial		15,940	
Consulting and Performance Measurement			
Audit			
Other			
Total Oversight, Custodial & Other Costs		2.1bp	41,442

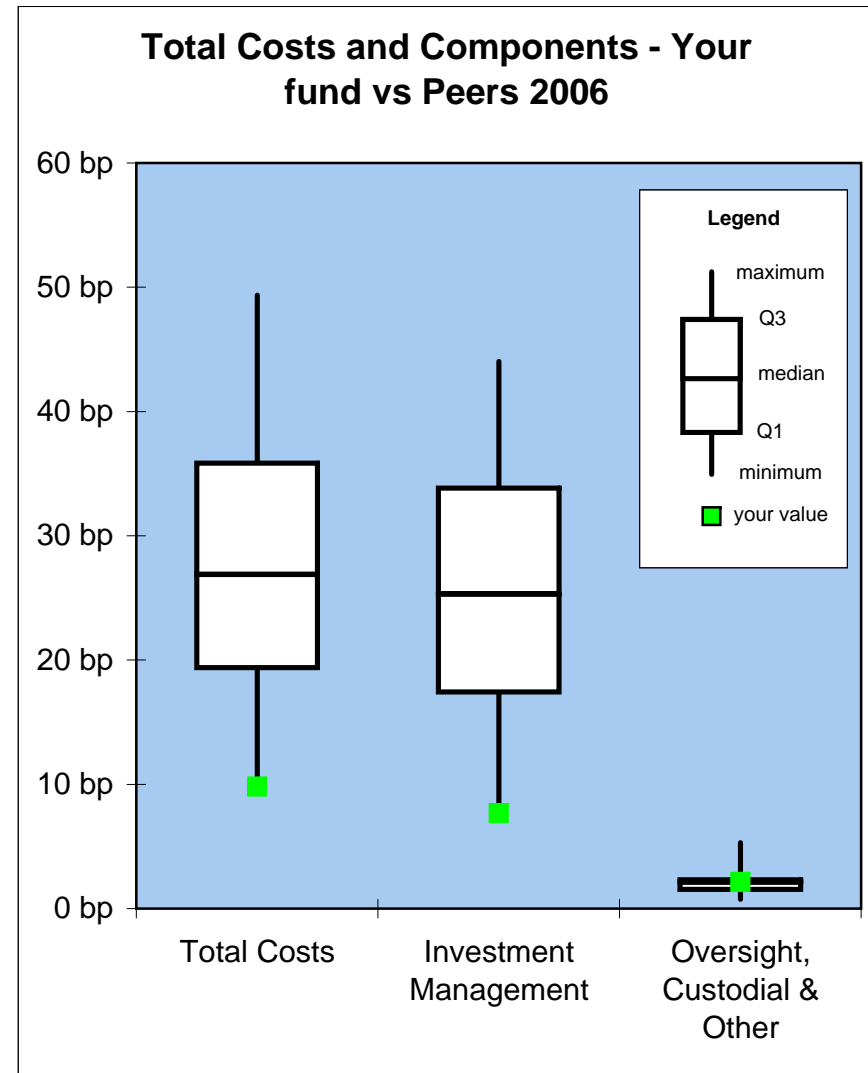
Total Asset Management Costs in €000s	9.8bp	189,492
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4. Costs
- Total

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.



4. Costs
Are they high or
low?

Your Actual Cost was below your Benchmark Cost.

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.

Your Actual Cost of 9.8 bp was below your Benchmark Cost of 10.8 bp. Thus, your fund's Excess Cost was -1.0 bp, suggesting that your fund was low cost by this amount.

The following pages review reasons behind your relative cost performance.

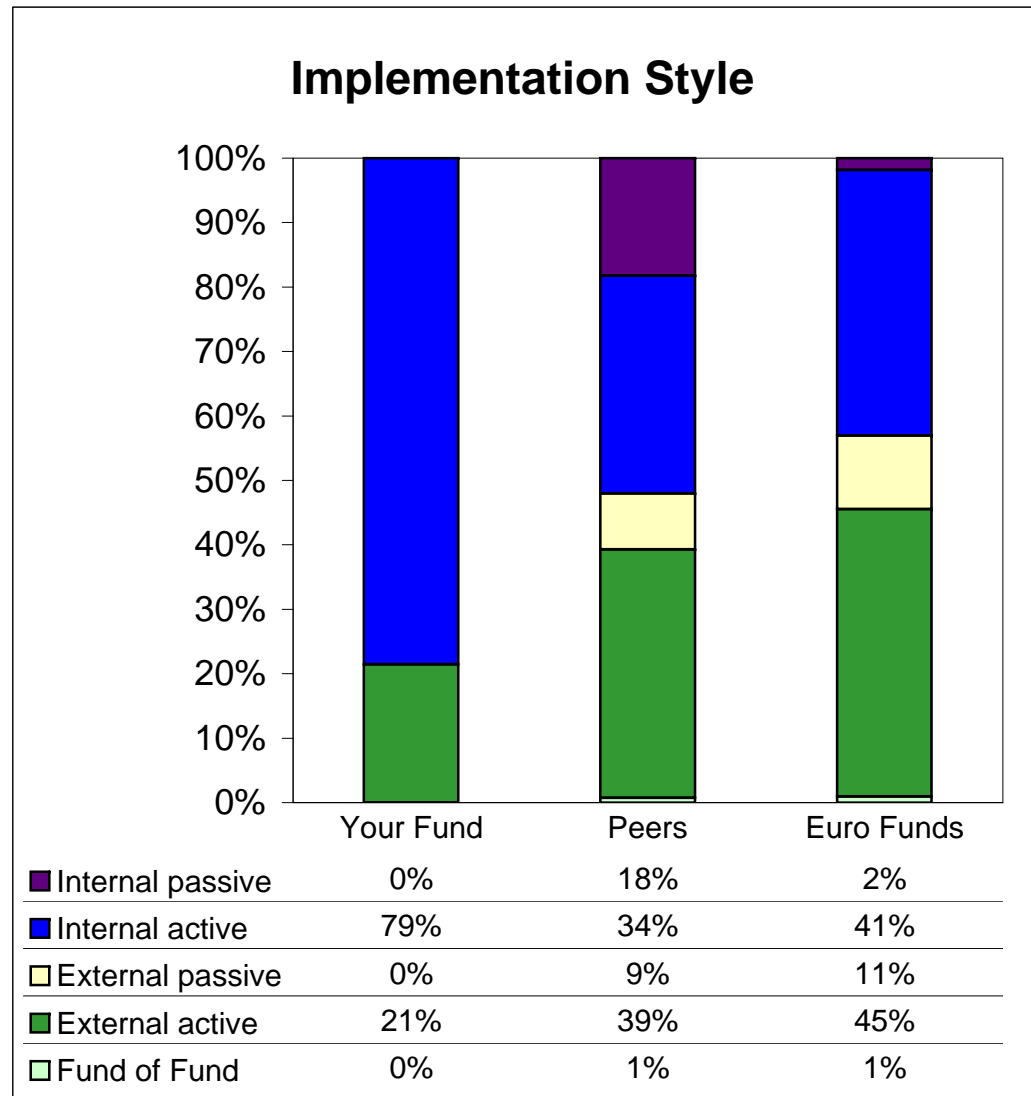
	in €000's	basis points
Your Fund's Actual Cost	189,492	9.8 bp
Your Fund's Benchmark Cost	<u>207,898</u>	<u>10.8 bp</u>
Your Fund's Excess Cost	-18,406	-1.0 bp

4. Costs
Is it Style?

A 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. Your fund used less external active management than your peers (21% versus 39% for your peers).
- Fund of fund usage because it is more expensive than investing directly.



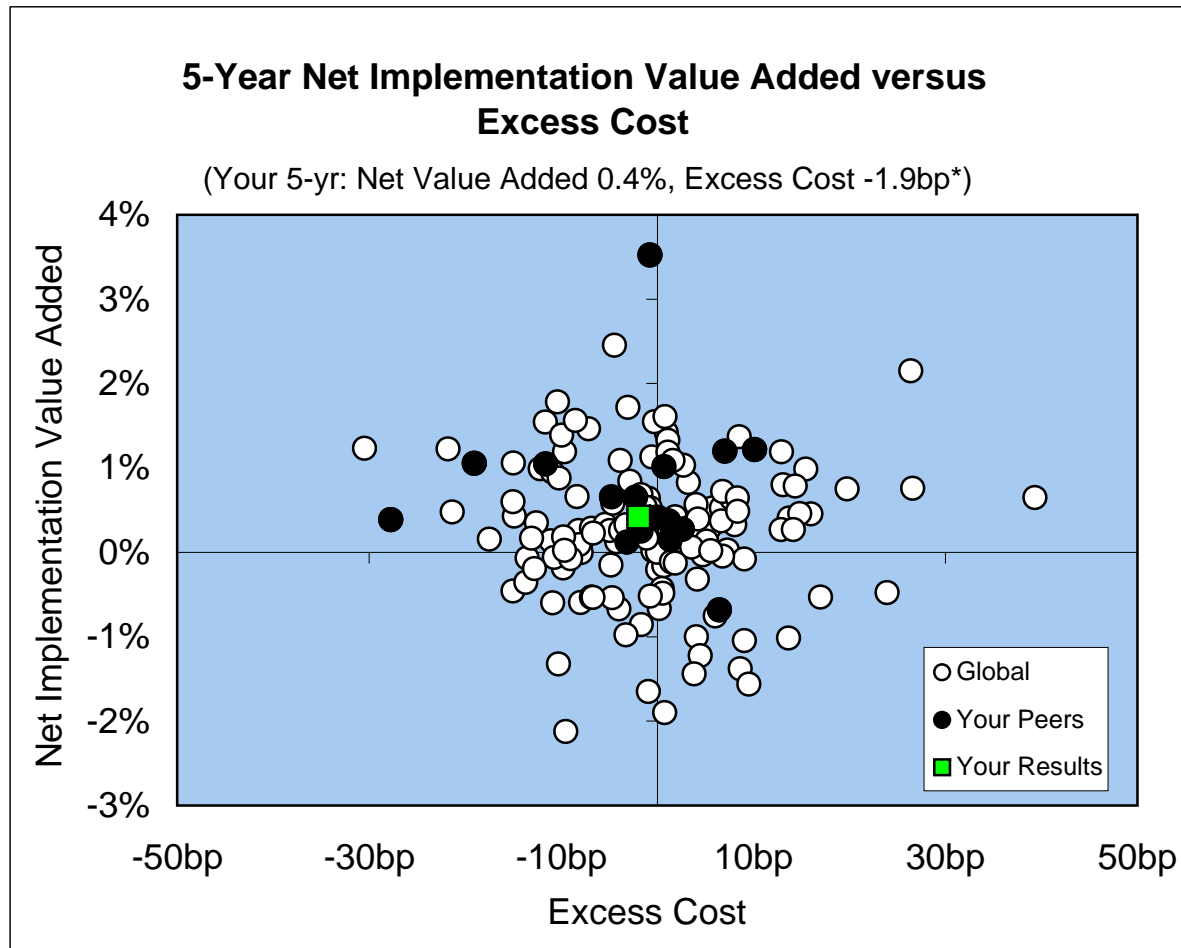
4. Costs
Summary

In summary, your Actual Cost was below your Benchmark Cost primarily because you had a lower cost implementation style.

Your 2006 Excess Cost Breakdown		
	Impact	
	(Savings)/Added Cost in	
	basis	
	€000s	points
<i>Impact of:</i>		
Implementation Style Differences:		
• Less external active management and more lower cost passive and internal management	-33,277	-1.7
• Other Style Differences	14,952	0.8
Paying More or (Less) Than Your Peers for Similar Mandates:		
• External Investment Management Costs	-4,280	-0.2
• Internal Investment Management Costs	-1,133	-0.1
• Overlay Impact	-46	0.0
• Oversight, Custodial & Other Costs	5,378	0.3
Total Excess Cost	-18,406	-1.0

5. Cost Effectiveness
- 5 year

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



* Your 5-year Net Implementation Value Added of 0.4% equals your 0.5% 5-year gross impl. value added minus your 0.1% 5-year-average Actual Cost.

In summary:

1. Policy Return

- Your 5-year Policy Return was below the European median and the peer median. This was a result of several factors including currency and different regional and asset class allocations.

2. Implementation Value Added

- Your 5-year Implementation Value Added was 0.5%. This compares to the European median of 0.6% and the Peer median of 0.8%.
- 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 0.6% vs. the Peer median of 0.5% and your 5-year Value Added for Fixed Income was 0.4% vs. a Peer median of 0.6%

3. Implementation Risk

- Your 5-year Implementation Risk was 0.3%. This was below the European median of 1.0% and below the Peer median of 1.0%.

4. Costs

- Your Actual Cost of 9.8 bps was below your Benchmark Cost of 10.8 bps. Your Actual Cost was below your Benchmark Cost primarily because you had a 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.