

EKSPORT
FINANS

NORWAY

FINANCIAL REPORT

Q2
2018



FINANCIAL HIGHLIGHTS	3
BOARD OF DIRECTORS REPORT	4
Results	4
Balance sheet	4
Lending	5
Securities	5
Liquidity	5
Organization.....	6
Prospects for the second half-year of 2018.....	6
Events after the balance sheet date	6
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONDENSED BALANCE SHEET	8
CONDENSED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CASH FLOW STATEMENT	10
NOTES TO THE ACCOUNTS	11
RESPONSIBILITY STATEMENT	25

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FINANCIAL HIGHLIGHTS

The information for the second quarters ended June 30, 2018 and 2017 are unaudited.

(NOK million)	Second quarter		First half-year	
	2018	2017	2018	2017
Net interest income	33	52	68	114
Net other operating income/(loss)	44	(97)	54	(328)
Profit/loss for the period	41	(61)	55	(213)
Total comprehensive income ¹⁾	(3)	(61)	(17)	(213)
Return on equity ²⁾	2.5%	(3.5%)	1.7%	(6.1%)
Net return on average assets and liabilities ³⁾	(0.27%)	0.45%	(0.19%)	0.26%
Net operating expenses / average assets ⁴⁾	0.47%	0.49%	0.47%	0.47%
Total assets	19,426	25,731	19,426	25,731
Loans outstanding ⁵⁾	10,235	14,744	10,235	14,744
Public sector borrowers or guarantors ⁶⁾	45.9%	43.6%	45.9%	43.6%
Core capital adequacy	102.0%	72.3%	102.0%	72.3%
Leverage ratio	31.6%	25.3%	31.6%	25.3%
Exchange rate NOK/USD ⁷⁾	8.1588	8.3870	8.1588	8.3870

Definitions

- 1) Figures are not comparable due to the transition to IFRS 9 as of January 1, 2018. Total comprehensive income for the period includes net gains on financial instruments at fair value of NOK 54 million and net losses on financial liabilities booked as other comprehensive income of NOK 96 million for the first half-year of 2018 compared to net losses on financial instruments at fair value of NOK 328 million for the first half-year of 2017. For the second quarter of 2018 net gains on financial instruments at fair value amount to NOK 44 million and net losses on financial liabilities booked as other comprehensive income of NOK 59 million compared to net losses on financial instruments at fair value of NOK 97 million in the second quarter of 2017.
- 2) Return on equity: Profit/loss for the period/average equity (average of opening and closing balance).
- 3) Net return on average assets and liabilities: The difference between net interest income/average interest generating assets and net interest expense/average interest-bearing liabilities (average of daily calculations for the period).
- 4) Net operating expenses (salaries and other administrative expenses + depreciation + other expenses - other income)/average assets (average of opening and closing balance).
- 5) Total loans outstanding: Consists of loans due from customers and part of loans due from credit institutions in the balance sheet. Accrued interest and unrealized gains/(losses) are not included. For more information, see notes 4, 5 and 6 to the accompanying condensed financial statements.
- 6) The ratio of public sector loans (municipalities, counties and Norwegian and foreign central government, including the Norwegian Export Credit Guarantee Agency (GIEK) as borrowers or guarantors) to total lending.
- 7) Exchange rate at balance sheet date.

BOARD OF DIRECTORS REPORT

Results

Second quarter 2018

Net interest income was NOK 33 million in the second quarter of 2018 compared to NOK 52 million in the same period in 2017. The decrease was mainly due to reduction of interest generating assets.

Profit for the period was NOK 41 million in the second quarter of 2018 compared to negative NOK 61 million in the second quarter of 2017. The profit in 2018 is mainly due to the profits from the sale of the ABS portfolio (as explained in the section "Securities"), while the negative figure in 2017 is mainly due to unrealized losses on Eksportfinans' own debt (as explained in the section "First half-year 2018").

First half-year 2018

Net interest income was NOK 68 million in the first half-year of 2018, compared to NOK 114 million for the first half-year of 2017. The decrease was mainly due to the reduction of interest generating assets.

Net other operating income was positive NOK 54 million for the first half-year of 2018, compared to negative NOK 328 million for the same period in 2017. In the first half-year of 2018, this figure consisted mainly of unrealized gains on Eksportfinans' securities portfolio.

Due to the transition to IFRS 9 as of January 1, 2018, the credit spread effect of fair value adjustments on Eksportfinans' own debt is recognized in other comprehensive income in the first half-year of 2018, while this amount is included in net other operating income in 2017. In the first half-year of 2017, the credit spread effect of fair value adjustments on own debt included in net other operating income, was negative NOK 313 million.

Total operating expenses amounted to NOK 49 million in the first half-year of 2018,

compared to NOK 70 million in the same period in 2017. The main reason for the decrease is the high advisory fees during the first half-year of 2017.

Profit for the first half-year of 2018 was NOK 55 million, compared to negative NOK 213 million for the first half-year of 2017. The difference is mainly due to the explanation above related to IFRS 9 implementation in 2018.

Total comprehensive income was negative NOK 17 million for the first half-year in 2018, compared to negative NOK 213 million in the same period in 2017. The fluctuations in these figures are primarily due to unrealized losses and gains on Eksportfinans' own debt, as explained above.

Balance sheet

Total assets amounted to NOK 19.4 billion at June 30, 2018, compared to NOK 22.4 billion at December 31, 2017, and NOK 25.7 billion at June 30, 2017. The reduction was due to scheduled repayments of debt.

Outstanding bond debt was NOK 11.2 billion at June 30, 2018, compared to NOK 14.0 billion at December 31, 2017 and NOK 15.2 billion at March 31, 2017.

On May 22, 2018, the extraordinary general assembly of Eksportfinans decided on an equity distribution of NOK 500 million provided approval from the Financial Supervisory Authority of Norway (Finanstilsynet). This approval was granted on June 26, 2018. The equity and capital figures as of June 30, 2018 reflect this reduction in equity. The equity has been disbursed in the third quarter of 2018.

The core capital ratio was 102.0 percent at June 30, 2018, compared to 94.2 percent at December 31, 2017 and 72.3 percent at June 30, 2017. The increase is due to a reduction in risk weighted assets.

Lending

The volume of total outstanding loans was NOK 10.2 billion at June 30, 2018, compared to NOK 12.2 billion at December 31, 2017 and NOK 14.7 billion at June 30, 2017. The decrease in outstanding loans is a function of maturing loans in combination with no new lending.

Securities

The securities portfolio was NOK 6.0 billion at June 30, 2018, compared to NOK 5.9 billion at December 31, 2017 and NOK 4.8 billion at June 30, 2017.

During April 2018, the company sold its entire ABS portfolio of around NOK 2.5 billion to the market generating a gain of around NOK 45 million. The proceeds have been reinvested in the company's liquidity reserve portfolio, thereby further strengthening the company's liquidity.

Liquidity

At June 30, 2018, short-term liquidity amounted to NOK 6.4 billion, consisting of the securities portfolio of NOK 6.0 billion and cash equivalents of NOK 0.4 billion.

The company manages liquidity risk both through matching maturities for assets and liabilities and through stress-testing for the short and medium term. A maturity analysis of financial liabilities based on expected maturities is included in note 16 to the accompanying condensed financial statements.

The table below shows cumulative liquidity, as measured by short-term liquidity as of June 30, 2018, plus maturing loans and minus maturing bond debt, based on estimated maturities.

Liquidity reserves combined with the company's liquidity contingency plans constitute a robust liquidity situation.

Table: Estimated cumulative liquidity

(NOK billion)	Estimated debt maturing ²⁾	Estimated loan receivables maturing ³⁾	Estimated cumulative liquidity ⁴⁾
Short-term liquidity June 30 2018 ¹⁾			6.4
2018	0.2	1.4	7.6
2019	4.3	2.7	6.1
2020	0.9	2.1	7.2
2021	2.0	1.2	6.5
2022	0.2	0.9	7.1
2023	0.1	0.5	7.4
2024	0.0	0.4	7.9
Thereafter	3.7	1.1	5.2
Total	11.4	10.2	

- 1) Short-term liquidity is comprised of the sum of the liquidity reserve portfolio (at fair value) and cash equivalents.
- 2) Principal amount of issued debt securities. The column includes single- and multi-callable issues. Includes principal cash flows of derivatives economically hedging structured bond debt. For the structured bond debt with call and trigger options, the expected maturity is estimated using a sophisticated valuation system. The actual maturities might differ from these estimations.
- 3) Represents principal amount of loan receivables.
- 4) Represents estimated cumulative liquidity at year-end (calculated as the amount at prior period end minus estimated long-term debt maturing during period plus estimated loans receivable during the period) except for the first row which states the actual liquidity at June 30, 2018. The column representing long-term investments maturing in previous tables has been extracted following the sale of ABS the portfolio described above.

Contingency plans comprise repo of securities, issuance of bond debt and sale of assets.

Organization

Geir Ove Olsen, the CFO of Eksportfinans, has taken up the position as Chief Executive Officer as of July 1, 2018. His predecessor, Geir Bergvoll, left the company on the same date.

Prospects for the second half-year of 2018

The balance sheet will continue to decrease in line with maturing loans, debt and investments. The distribution of equity mentioned above will contribute to a reduction in the balance sheet. This is likely to affect the company's financial performance in terms of lower income going forward.

Accumulated unrealized gains due to fair value measurements of Eksportfinans' own debt amounted to NOK 274 million (net of derivatives) as of June 30, 2018. As debt comes closer to maturity, these gains will continue to be reversed as unrealized losses.

Eksportfinans' liquidity reserves remain adequate, also subsequent to the distribution of NOK 500 million to the owners. The over-capitalization of the company remains a key issue of the board. It will continue its attempts to optimize the capital structure going forward.

The board will monitor developments in the international capital markets and their impact on the company's balance sheet and liquidity closely going forward. Appropriate liquidity contingency plans are maintained.

Events after the balance sheet date

There are no events after the balance sheet date materially affecting the financial statements.

Oslo, August 17, 2018
EKSPORTFINANS ASA
The board of directors

Condensed statement of profit or loss and other comprehensive income

The information for the three and six months ended June 30, 2018 and 2017 is unaudited.

(NOK million)	Second quarter		First half-year		Note
	2018	2017	2018	2017	
Interest and related income	75	118	156	245	
Other similar income	48	61	93	114	
Interest and related expenses	90	127	181	245	
Net interest income	33	52	68	114	
Net commissions related to banking services	0	0	0	0	
Net gains/(losses) on financial instruments at fair value	44	(97)	54	(328)	2,15
Net other operating income/(loss)	44	(97)	54	(328)	
Total operating income	77	(45)	122	(214)	
Salaries and other administrative expenses	21	33	44	61	
Depreciations	0	0	0	1	
Other expenses	2	3	5	8	
Total operating expenses	23	36	49	70	
Pre-tax operating profit/(loss)	54	(81)	73	(284)	
Taxes	13	(20)	18	(71)	
Profit/(loss) for the period	41	(61)	55	(213)	
<i>OCI, Items that will not be reclassified to profit or loss:</i>					
Change in fair value attributable to change in the credit risk of financial liabilities designated at FVPL	(59)	0	(96)	0	
Remeasurements of post employment benefit obligations, before tax	0	0	0	0	
Income tax relating to these items	(15)		(24)		
Other comprehensive income	(44)	0	(72)	0	
Total comprehensive income	(3)	(61)	(17)	(213)	

The accompanying notes are an integral part of these condensed financial statements. Figures are not comparable due to the transition to IFRS 9 as of January 1, 2018.

Condensed balance sheet

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017	Note
Loans due from credit institutions ¹⁾	1,308	1,860	2,037	4,6,7
Loans due from customers ²⁾	9,448	11,360	13,574	5,6,7
Securities	6,007	5,901	4,811	8
Repurchase receivable	0	0	675	
Financial derivatives	1,033	1,336	1,499	
Deferred tax asset	326	320	309	
Fixed assets	2	2	3	9
Other assets	1,302	1,619	2,823	10
Total assets	19,426	22,398	25,731	
Deposit by credit institutions	0	0	606	
Bond debt ³⁾	11,176	13,950	15,209	11
Financial derivatives	900	773	2,161	
Taxes payable	0	0	6	
Other liabilities	919	730	765	12
Provisions	145	142	132	
Total liabilities	13,140	15,595	18,879	
Share capital	2,771	2,771	2,771	
Reserve for unrealized gains	212	212	81	
Other equity	3,303	3,820	4,000	
Total shareholders' equity	6,286	6,803	6,852	
Total liabilities and shareholders' equity	19,426	22,398	25,731	

- 1) Of NOK 1,308 million at June 30, 2018, NOK 1,250 million is measured at fair value through profit or loss and NOK 58 million is measured at amortized cost. Of NOK 1,860 million at December 31, 2017, NOK 1,774 million is measured at fair value through profit or loss and NOK 86 million is measured at amortized cost. Of NOK 2,037 million at June 30, 2017, NOK 1,918 million is measured at fair value through profit or loss and NOK 119 million is measured at amortized cost.
- 2) Of NOK 9,448 million at June 30, 2018, NOK 4,057 million is measured at fair value through profit or loss and NOK 5,392 million is measured at amortized cost. Of NOK 11,360 million at December 31, 2017, NOK 4,723 million is measured at fair value through profit or loss and NOK 6,637 million is measured at amortized cost. Of NOK 13,574 million at June 30, 2017, NOK 5,481 million is measured at fair value through profit or loss and NOK 8,093 million is measured at amortized cost.
- 3) Of NOK 11,176 million at June 30, 2018, NOK 5,650 million is measured at fair value through profit or loss and NOK 5,526 million is measured at amortized cost. Of NOK 13,950 million at December 31, 2017, NOK 7,171 million is measured at fair value through profit or loss and NOK 6,779 million is measured at amortized cost. Of NOK 15,209 million at June 30, 2017, NOK 6,487 million is measured at fair value through profit or loss and NOK 8,722 million is measured at amortized cost.

The accompanying notes are an integral part of these condensed financial statements.

Condensed statement of changes in equity

(NOK million)	Share capital ¹⁾	Reserve unrealized gains	Other equity	Comprehensive Income ²⁾	Total equity
Equity at January 1, 2017	2,771	81	4,213	0	7,065
Actuarial gains/(losses) and other comprehensive income	0	0	0	0	0
Profit/(loss) for the period	0	0	0	(213)	(213)
Equity at June 30, 2017	2,771	81	4,213	(213)	6,852
Equity at January 1, 2018	2,771	212	3,820	0	6,803
Equity distribution ³⁾	0	0	(500)	0	(500)
Actuarial gains/(losses) and other comprehensive income	0	0	0	(72)	(72)
Profit/(loss) for the period	0	0	0	55	55
Equity at June 30, 2018	2,771	212	3,320	(17)	6,286

- 1) Restricted equity that cannot be paid out to the owners without a shareholder resolution to reduce the share capital in accordance with the Public Limited Companies Act under Norwegian Law.
- 2) The allocation of income for the period between the reserve for unrealized gains and other equity show that if the allocation was performed at this date, it would have reduced the reserve for unrealized gains by NOK 6 million and other equity by NOK 11 million. The closing balances would have been NOK 206 million for the reserve for unrealized gains, and NOK 3,309 million for other equity.
- 3) An equity distribution of NOK 500 million was authorized by the Financial Supervisory Authority of Norway on June 26, 2018. The distribution has taken place in the third quarter of 2018.

The accompanying notes are an integral part of these condensed financial statements.

Condensed cash flow statement

(NOK million)	First half-year	
	2018	2017
Pre-tax operating profit/(loss)	73	(284)
Provided by operating activities:		
Accrual of contribution from the Norwegian government	(27)	(58)
Unrealized losses/(gains) on financial instruments at fair value	(83)	308
Depreciation	1	1
Principal collected on loans	1,917	3,386
Purchase of financial investments (trading)	(5,979)	(9,783)
Proceeds from sale or redemption of financial investments (trading)	5,858	12,369
Contribution paid by the Norwegian government	80	100
Taxes paid	0	(17)
Changes in:		
Accrued interest receivable	95	224
Other receivables	252	(170)
Accrued expenses and other liabilities	(394)	(292)
Net cash flow from operating activities	1,793	5,784
Proceeds from sale or redemption of financial investments	0	1,030
Net cash flow from financial derivatives	59	(34)
Net cash flow from investing activities	59	996
Change in debt to credit institutions	0	605
Net proceeds from issuance of commercial paper debt	313	253
Repayments of commercial paper debt	(694)	0
Net proceeds from issuance of bond debt	0	2,000
Principal payments on bond debt	(1,955)	(9,898)
Net cash flow from financing activities	(2,336)	(7,040)
Net change in cash and cash equivalents ¹⁾	(484)	(260)
Cash and cash equivalents at beginning of period	941	1,010
Effect of exchange rates on cash and cash equivalents	(10)	(2)
Cash and cash equivalents ¹⁾ at end of period	447	748

1) Cash equivalents are defined as bank deposits with original maturity less than three months. See note 4.

The accompanying notes are an integral part of these condensed financial statements.

Notes to the accounts

1. Accounting policies

Eksportfinans' half-year condensed interim financial statements have been presented in accordance with International Financial Reporting Standards (**IFRS**), in line with IFRS as adopted by the European Union (**EU**). The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

Except for the adoption of IFRS 9, described below, the accounting policies and methods of computation applied in the preparation of these condensed interim financial statements are the same as those applied in Eksportfinans' annual financial statements of 2017. Those financial statements were approved for issue by the Board of Directors on February 15, 2018 and included in the company's Annual Report for the year-end December 31, 2017. These policies have been consistently applied to all the periods presented. These financial statements should be read in conjunction with the annual report on for the year ended December 31, 2017. Judgments made in the preparations of these financial statements are the same as those made in the year-end financial statements. The interim financial statements do not include risk disclosures and should be read in conjunction with the annual financial statements.

Eksportfinans has adopted IFRS 9 as issued by IASB with a date of transition of January 1, 2018, which resulted in changes in the accounting policies compared to those applied in the financial statements for the year ended December 31, 2017. The impact of the adoption of IFRS 9 on recognition, classification and measurement of financial instruments as well as the new accounting policies adopted have been described in note 34 of our financial statements for the year ended December 31, 2017.

IFRS 9 introduced a consequential amendment to paragraph 82(a) of IAS 1, which is effective for accounting periods beginning on or after January 1, 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement. As a consequence, Interest income on financial assets measured at amortised cost are included in the line item "Interest income" using the effective interest rate. Interest income on financial asset measured at fair value through profit and loss (incl derivatives) are included in the line item "Other similar income" using the contractual interest rate. Figures related to interest income for comparative period is restated accordingly.

IFRS 15 "Revenue from contracts with customers" establishes a five-step model that applies to revenue arising from contracts with customers. The new rules have no material impact on the company's financial statements.

New and amended standards (IFRSs) and interpretations (IFRICs) issued but not effective for the financial year beginning January 1, 2018, and not early adopted by the company and the group.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The amendments were endorsed by the EU-commission in 2017. The company does not currently intend to early adopt the amendments. The company's assessment is that the new standard will change the accounting of the property lease in Dronning Mauds gate 15 which mainly affects the company's balance sheet.

The information for the three and six months ended June 30, 2018 and 2017 is unaudited. The information as of and for the year ended December 31, 2017 is derived from the company's audited consolidated financial statements as of and for the year ended December 31, 2017.

2. Net gains/(losses) on financial instruments at fair value

Net realized and unrealized gains/(losses) on financial instruments at fair value

(NOK million)	Second quarter		First half-year	
	2018	2017	2018	2017
Securities held for trading	(29)	0	(30)	0
Securities designated as at fair value at initial recognition	0	(2)	0	(2)
Financial derivatives	0	(4)	0	(9)
Other financial instruments at fair value	0	(7)	2	(9)
Net realized gains/(losses)	(29)	(13)	(28)	(20)
Loans and receivables	(1)	2	1	11
Securities ¹⁾	82	27	87	69
Financial derivatives ²⁾	92	(31)	(304)	(66)
Commercial paper debt ^{3) 4)}	(1)	0	0	0
Bond debt ^{3) 4)}	(99)	(80)	298	(320)
Other	0	(2)	0	(2)
Net unrealized gains/(losses)	73	(84)	(82)	(308)
Net realized and unrealized gains/(losses)	44	(97)	54	(328)

1) Net unrealized gains/(losses) on securities:

(NOK million)	Second quarter		First half-year	
	2018	2017	2018	2017
Securities held for trading	82	23	87	53
Securities designated as at fair value at initial recognition	0	4	0	16
Total	82	27	87	69

2) The Portfolio Hedge Agreement (terminated at December 31, 2017) is included with a loss of NOK 0 million as of June 30, 2018 and a loss of NOK 92 million as of June 30, 2017.

3) In the first half-year of 2018, Eksportfinans had an unrealized gain of NOK 298 million (loss of NOK 320 million in the corresponding period of 2017) on its own debt.

4) In the first half-year of 2018, Eksportfinans had an unrealized gain of NOK 298 million of financial liabilities classified as level 3 in the fair value hierarchy (loss of NOK 320 million in the corresponding period of 2017).

See note 15 for a presentation of the above table including effects from economic hedging.

3. Capital adequacy

Capital adequacy is calculated in accordance with the CRD IV regulations in force from the Financial Supervisory Authority of Norway. These regulations were implemented as of September 30, 2014. The company has adopted the standardized approach to capital requirements.

Eksportfinans' leverage ratio¹⁾ was 31.6 % at June 30, 2018, compared to 31.1 % at December 31, 2017 and 25.3 % at June 30, 2017.

Risk-weighted assets and off-balance sheet items

(NOK million)	June 30, 2018		Dec 31, 2017		June 30, 2017	
	Book value	Risk-weighted value	Book value	Risk-Weighted value	Book value	Risk-Weighted Value
Total assets	19,426	5,406	22,398	6,429	25,731	8,324
Operational risk		491		490		588
Total risk-weighted value		5,897		6,919		8,912

The company's regulatory capital

(NOK million and in percent of risk-weighted value)	June 30, 2018		Dec 31, 2017		June 30, 2017	
Core capital ²⁾	6,014	102.0%	6,517	94.2 %	6,446	72.3%
Total regulatory capital		102.0 %	6,517	94.2 %	6,446	72.3%

1) Indicates the ratio of the core capital divided by the book value of assets.

2) Includes share capital, other equity, and other deductions and additions in accordance with the Norwegian capital adequacy regulations.

4. Loans due from credit institutions

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Cash equivalents ¹⁾	447	941	748
Other bank deposits and claims on banks ²⁾	0	0	0
Loans to other credit institutions, nominal amount (also included in note 6) ³⁾	827	873	1,224
Accrued interest on loans and unamortized premium/discount on purchased loans	40	56	77
Adjustment to fair value on loans	(6)	(10)	(12)
Total	1,308	1,860	2,037

1) Cash equivalents are defined as bank deposits with maturity of less than three months.

2) The company has entered into agreements to acquire loans from shareholders and other banks active in the Norwegian market for export financing. The company has placed an initial deposit with the selling bank, which is used as consideration for these purchases. The amounts in the table represent remaining deposit or overdraft related to these agreements.

3) The company has acquired certain loan agreements from banks for which the selling bank provides a repayment guarantee, therefore retaining the credit risk of the loans. Under IFRS these loans are classified as loans to credit institutions. Of the loans to credit institutions these loans amounted to NOK 127 million at June 30, 2018, NOK 161 million at December 31, 2017 and NOK 176 million at June 30, 2017.

5. Loans due from customers

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Loans due from customers, nominal amount (also included in note 6)	9,407	11,312	13,519
Accrued interest on loans and unamortized premium/discount on purchased loans	29	34	36
Adjustment to fair value on loans	12	14	19
Total	9,448	11,360	13,574

6. Total loans due from credit institutions and customers

Nominal amounts related to loans due from credit institutions (note 4) and customers (note 5), respectively.

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Loans due from credit institutions	827	873	1,224
Loans due from customers	9,407	11,312	13,519
Total nominal amount	10,234	12,185	14,743
Commercial loans	4,860	5,558	6,650
Government-supported loans	5,374	6,627	8,094
Total nominal amount	10,234	12,185	14,743
Ships	4,929	6,085	4,515
Capital goods	2,994	3,664	7,485
Export-related and international activities ¹⁾	1,003	1,105	1,394
Direct loans to Norwegian local government sector	601	621	641
Municipal-related loans to other credit institutions	700	700	700
Loans to employees	7	10	10
Total nominal amount	10,234	12,185	14,743

1) Export-related and international activities consist of loans to the following categories of borrowers:

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Shipping	950	1,047	1,325
Real estate management	53	58	64
Oil and gas	0	0	5
Total nominal amount	1,003	1,105	1,394

7. Loans past due or impaired

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Interest and principal installment 1-30 days past due	0	0	0
Not matured principal on loans with payments 1-30 days past due	0	0	0
Interest and principal installment 31-90 days past due	1	13	0
Not matured principal on loans with payments 31-90 days past due	4	3	0
Interest and principal installment more than 90 days past due	13	11	8
Not matured principal on loans with payments more than 90 days past due	8	17	21
Total loans past due	26	44	29
Relevant collateral or guarantees received ¹⁾	26	44	0
Fair value adjustment on loans past due	0	0	0
Impairments on loans measured at amortized cost	0	0	0

1) The company considers all loans to be secured in a satisfactory manner. For these transactions, amounting to NOK 26 million, the Norwegian government, through the Norwegian Export Credit Guarantee Agency (GIEK), guarantees approximately 90 percent of the amounts in default. The remaining 10 percent are guaranteed by private banks, most of them operating in Norway. Where applicable, claims have already been submitted in accordance with the guarantees.

The loss allowance is 0 for all periods presented.

The following table shows the book value of loans measured at amortized cost in each stage as defined by IFRS 9.

(NOK million)	June 30, 2018
Stage 1	0
Stage 2	0
Stage 3	26
Total loans measured at amortized cost	26

8. Securities

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Trading portfolio	6,007	5,901	4,672
Repurchase receivable	0	0	675
Other securities at fair value through profit and loss	0	0	1,174
Total	6,007	5,901	5,486

9. Fixed assets

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Intangible assets	0	0	1
Other fixed assets	2	2	2
Total fixed assets	2	2	3

10. Other assets

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Settlement account 108 Agreement	114	173	142
Cash collateral provided	868	823	2,042
Collateral deposit ¹⁾	306	617	629
Other	14	6	10
Total other assets	1,302	1,619	2,823

1) The collateral deposit relates to a USD 37.5 million deposit of collateral for the benefit of Citibank N.A. to cover Eksportfinans' day to day settlement activity. This amount can be adjusted up or down depending on settlement activity of Eksportfinans. Citibank is entitled to at any time without prior notice to Eksportfinans to set-off or transfer all or part of the deposit in or towards satisfaction of all or any part of the secured obligations.

11. Bond debt

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Commercial paper debt	0	394	253
Bond debt	11,635	13,693	15,392
Adjustment to fair value on debt	(551)	(327)	(574)
Accrued interest	92	190	138
Total bond debt	11,176	13,950	15,209

12. Other liabilities

(NOK million)	June 30, 2018	Dec 31, 2017	June 30, 2017
Grants to mixed credits	10	12	15
Cash collateral received	403	564	718
Equity distribution	500	0	0
Other short-term liabilities	6	154	32
Total other liabilities	919	730	765

13. Segment information

The company is divided into two business areas: Lending and Securities. The company also has a treasury department responsible for the day-to-day risk management and asset and liability management. Income and expenses related to treasury are divided between the two business areas. For income and expenses between the segments, the transactions are at arm's length.

Income and expenses divided between segments:

(NOK million)	Lending		Securities	
	First half-year		First half-year	
	2018	2017	2018	2017
Net interest income ¹⁾	52	82	16	32
Net Commissions and related to banking services ²⁾	0	0	0	0
Net gains/(losses) on financial instruments at fair value	2	0	51	(11)
Income/expense allocated by volume ³⁾	1	(5)	0	(4)
Net other operating income	3	(5)	51	(15)
Total operating income	55	77	67	17
Total operating expenses	25	33	24	37
Pre-tax operating profit/(loss)	30	44	43	(20)
Taxes	8	11	10	(5)
Profit/loss for the period	22	33	33	(15)

- 1) Net interest income includes interest income directly attributable to the segments based on Eksportfinans' internal pricing model. The treasury department obtains interest on Eksportfinans' equity and in addition the positive or negative result (margin) based on the difference between the internal interest income from the segments and the actual external funding cost. Net interest income in the treasury department is allocated to the reportable segments based on volume for the margin, and risk weighted volume for the interest on equity.
- 2) Income/(expense) directly attributable to each segment.
- 3) Income/expense, other than interest, in the treasury department has been allocated to the business areas by volume. These are items included in net other operating income in the income statement.

14. Material transactions with related parties

The company's two largest shareholders, DNB Bank ASA and Nordea Bank AB, are considered to be related parties in accordance with IAS 24 Related Party Disclosures. All transactions with related parties are made on market terms.

(NOK million)	Deposits ¹⁾	Guarantees issued ²⁾	Guarantees received ³⁾	Repo facility ⁴⁾	PHA ⁵⁾
Balance January 1, 2018	536	0	4,115	0	0
Change in the period	(209)	0	(728)	0	0
Balance June 30, 2018	327	0	3,387	0	0
Balance January 1, 2017	701	103	5,333	0	(540)
Change in the period	(193)	(103)	(1,239)	606	(43)
Balance June 30, 2017	508	0	4,094	606	(583)

1) Deposits made by the company.

2) Guarantees issued by the company to support the Norwegian export industry.

3) Guarantees provided to the company from the related parties.

4) Non-committed Repo facility with DNB Bank ASA.

5) The PHA was a derivate portfolio hedge agreement with the majority of Eksportfinans' shareholders, effective from March 1, 2008. It stated that it would offset losses up to NOK 5 billion in the liquidity portfolio held as of February 29, 2008. The agreement would also offset any gains in the portfolio as of the same date. Payments to or from the company related to the losses or gains, respectively, in the portfolio, would take place on the last day of February each year, with the first payment in 2011. The agreement expired with the maturities of the bonds included in the contract, with the latest maturity on December 31, 2023. The balances above show the related parties' share of the fair value of the contract as of the balance sheet date. A negative balance indicates that Eksportfinans owed money to the related parties.

As of March 1, 2016 the agreement was renegotiated to reduce the amount for losses covered from NOK 5 billion to NOK 1.5 billion. This was due to the reduction of the underlying portfolio. Eksportfinans would pay a monthly fee of NOK 5 million to the participants in the agreement which was reduced to NOK 1.5 million as of March 1, 2016 due to the reduction of the guarantee amount.

On December 21, 2017, the parties to the portfolio hedge agreement of March 1, 2008, as amended, agreed to terminate said agreement as of December 31, 2017 on Eksportfinans' request. Settlement of the final value of the portfolio, as of December 31, 2017, and payment of a termination fee of NOK 55 million was made on January 18, 2018. The termination was done due to the reduced size of the portfolio, and Eksportfinans' capabilities of handling the risk of the portfolio.

15. Market risk - effects from economic hedging

Note 2 specifies the net realized and unrealized gains/losses on financial instruments, showing separately the gains/losses related to financial derivatives. When presented to the company's management and Board of Directors, the figures are prepared showing the various financial instruments after netting with related economic hedges, since derivatives are used as economic hedges of the market risk of specific assets and liabilities.

The below table specifies net realized and unrealized gains/(losses) on financial instruments at fair value, netted with related economic hedges.

Net realized and unrealized gains/(losses) on financial instruments at fair value

(NOK million)	Second quarter		First half-year	
	2018	2017	2018	2017
Securities ¹⁾	(29)	(7)	(30)	(11)
Other financial instruments at fair value ¹⁾	0	(6)	2	(9)
Net realized gains/(losses)	(29)	(13)	(28)	(20)
Loans and receivables ¹⁾	8	13	11	30
Securities ¹⁾	76	(26)	81	(24)
Commercial paper debt ¹⁾²⁾³⁾	(1)	0	0	0
Bond debt ¹⁾²⁾³⁾	0	(63)	2	(313)
Other financial instruments at fair value ¹⁾	0	(2)	0	(2)
Net unrealized gains/(losses)	83	(78)	94	(309)
Financial derivatives related to the 108 Agreement ⁴⁾	(10)	(6)	(12)	1
Net realized and unrealized gains/(losses)	44	(97)	54	(328)

1) Including financial derivatives with the purpose of economic hedging.

2) Accumulated net gain on own debt is NOK 274 million as of June 30, 2018, compared to NOK 494 million as of June 30, 2017.

3) In the first half-year of 2018, Eksportfinans had an unrealized gain of NOK 3 million (loss of NOK 313 million in the same period of 2017) on its own debt, net of derivatives.

4) Derivatives related to components of the 108 Agreement. The 108 Agreement is accounted for at amortized cost, hence these derivatives are not included in the effects related to financial instruments at fair value.

Interest, and the interest effect of economic hedging instruments, is classified as interest income or expense in the statement of comprehensive income. Changes in fair value are recorded in the line item 'Net gains/(losses) on financial instruments at fair value'. For the first half-year of 2018 and 2017, the company recorded NOK 233 million and NOK 352 million respectively, of interest income on loans due from credit institutions, loans due from customers and securities and NOK 158 million and NOK 398 million, respectively, of interest expense on commercial paper and bond debt, subordinated debt and capital contribution securities. In the same periods the company recorded positive NOK 16 million, and positive NOK 7 million, respectively, of interest income on economic hedging instruments and positive NOK 23 million and negative NOK 152 million, respectively, of interest expense on economic hedging instruments.

16. Maturity analysis

Maturity analysis of financial assets and liabilities based on expected maturities at June 30, 2018

(NOK million)	Up to and including 1 month	From 1 month up to and including 3 months	From 3 months up to and including 1 year	From up to and including 3 years	From 3 year up to and including 5 years	Over 5 years	Total
Assets							
Loans and receivables due from credit institutions	69	5	21	22	39	47	203
Loans and receivables due from customers	307	544	2,232	4,466	2,037	1,880	11,466
Securities	136	426	3,697	708	5	0	4,972
Derivatives net settled	0	(0)	51	103	103	317	573
Derivatives gross settled (pay leg)	(5)	(605)	(3,593)	(2,630)	(473)	(1,221)	(8,526)
Derivatives gross settled (receive leg)	5	599	3,792	2,564	461	1,279	8,700
Cash collateral	0	868	0	0	0	0	868
Total assets	513	1,836	6,199	5,232	2,172	2,303	18,256
Liabilities							
Deposits by credit institutions	0	0	0	0	0	0	0
Plain vanilla bond debt	9	15	3,902	2,508	51	0	6,486
Structured bond debt	0	33	441	736	482	4,282	5,974
Commercial papers	0	0	0	0	0	0	0
Derivatives net settled	14	23	106	115	115	3	377
Derivatives gross settled (pay leg)	9	1,041	298	320	90	2,867	4,624
Derivatives gross settled (receive leg)	(1)	(1,024)	(250)	(241)	(11)	(2,574)	(4,101)
Cash collateral	0	403	0	0	0	0	403
Total liabilities	31	491	4,497	3,438	727	4,578	13,763

Maturity analysis of financial assets and liabilities based on expected maturities at December 31, 2017

(NOK million)	Up to and including 1 month	From 1 month up to and including 3 months	From 3 months up to and including 1 year	From up to and including 3 years	From 3 year up to and including 5 years	Over 5 years	Total
Assets							
Loans and receivables due from credit institutions	333	5	23	51	48	41	501
Loans and receivables due from customers	526	789	2,270	5,317	2,513	2,220	13,635
Securities	181	217	806	360	44	2,593	4,201
Derivatives net settled	0	28	28	105	105	347	614
Derivatives gross settled (pay leg)	(161)	(1,169)	(299)	(3,101)	(2,435)	(1,183)	(8,348)
Derivatives gross settled (receive leg)	161	1,317	336	3,247	2,449	1,334	8,844
Cash collateral	0	823	0	0	0	0	823
Total assets	1,040	2,011	3,163	5,980	2,723	5,352	20,269
Liabilities							
Deposits by credit institutions	0	0	0	0	0	0	0
Plain vanilla bond debt	7	1,277	89	4,771	1,742	0	7,886
Structured bond debt	80	145	456	1,122	826	4,264	6,894
Commercial papers	0	394	0	0	0	0	394
Derivatives net settled	22	39	146	199	199	11	616
Derivatives gross settled (pay leg)	225	786	213	408	79	2,510	4,221
Derivatives gross settled (receive leg)	(217)	(764)	(194)	(359)	(47)	(2,448)	(4,029)
Cash collateral	0	564	0	0	0	0	564
Total liabilities	118	2,441	711	6,140	2,799	4,337	16,545

Maturity analysis of financial assets and liabilities based on expected maturities at June 30, 2017

(NOK million)	Up to and including 1 month	From 1 month up to and including 3 months	From 3 months up to and including 1 year	From 1 year up to and including 3 years	From 3 year up to and including 5 years	Over 5 years	Total
Assets							
Loans and receivables due from credit institutions	195	5	23	44	60	54	382
Loans and receivables due from customers	534	1,141	2,916	6,083	3,156	2,768	16,598
Securities	1,110	3	727	362	667	2,649	5,518
Derivatives net settled	0	1	57	102	102	366	628
Derivatives gross settled (pay leg)	(1,364)	(200)	(1,223)	(2,583)	(2,592)	(1,545)	(9,507)
Derivatives gross settled (receive leg)	1,379	204	1,393	2,790	2,682	1,751	10,198
Cash collateral	0	2,042	0	0	0	0	2,042
Total assets	1,854	3,196	3,892	6,797	4,075	6,043	25,858
Liabilities							
Deposits by credit institutions	606	0	0	0	0	0	606
Plain vanilla bond debt	8	14	1,575	4,301	2,480	0	8,377
Structured bond debt	43	376	1,074	898	959	4,884	8,234
Commercial paper	0	254	0	0	0	0	254
Derivatives net settled	34	50	188	283	283	21	859
Derivatives gross settled (pay leg)	2,706	694	524	922	95	2,699	7,640
Derivatives gross settled (receive leg)	(2,588)	(628)	(485)	(866)	(68)	(2,685)	(7,321)
Cash collateral	0	718	0	0	0	0	718
Total liabilities	809	1,477	2,877	5,537	3,748	4,918	19,367

The figures in the above table include principal and interest payable (receivable) at nominal value. For the figures in the above table, call and trigger dates as estimated in models are applied in the classification of the maturities. For some issues with call and trigger optionalities, the expected maturity is estimated using a sophisticated valuation system which is further described in the annual financial statements. The actual maturities might differ from these estimations.

17. Fair value of financial instruments

The methodology used for calculating fair values of financial instruments is consistent with the methodology defined in the audited annual report for the fiscal year ending 2017.

17.1 Sensitivity analysis

Loans due from credit institutions or customers:

The following table shows the unrealized loss of each category of loans by increasing the credit spread by 1 basis point as well as the loan category percentage of the total lending portfolio.

(NOK million and percentage)	June 30, 2018		December 31, 2017	
	Sensitivity (1 bp)	Percentage	Sensitivity (1 bp)	Percentage
Direct loans	(0.5)	14.1 %	(0.5)	12.2 %
Loans to municipalities	(0.4)	12.6 %	(0.4)	11.4 %
Guaranteed loans	(0.8)	73.3 %	(1.0)	76.4 %
Total loans		100.0 %		100.0 %

The spreads applied for fair value measurement of the combined total lending portfolio are in the range from 0 basis points to 105 basis points as of June 30, 2018 (from 0 basis points to 105 basis points as of December 31, 2017). For the combined total lending portfolio over the past two years credit spreads have changed 1.3 basis points per month in 95 percent of the time, representing NOK 2.3 million. As of December 31, 2017, a 95 percent confidence interval was 2 basis points representing NOK 3 million.

Securities:

Ekspportfinans retrieved prices and credit spread quotes from two different market makers and pricing vendors as of June 30, 2018. Among the two different quote providers, the major price provider (Bloomberg) covered 82 percent (65 percent as of December 31, 2017).

Bond debt:

The following table shows the unrealized gain of each category of bond debt by increasing the credit spread by 1 basis point:

(NOK million)	June 30, 2018	December 31, 2017
	Sensitivity (1 bp)	Sensitivity (1 bp)
Plain vanilla bond debt	0.9	1.3
Structured bond debt	4.4	4.2

The spreads applied for fair value measurement of bond debt are in the range from 18 basis points to 72 basis points as of June 30, 2018 (from 50 basis points to 92 basis points as of December 31, 2017).

17.2 Financial assets measured at fair value through profit or loss

(NOK million)	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans due from credit institutions	381	870	0	1,251	611	1,163	0	1,774
Loans due from customers	0	44	4,013	4,057	0	33	4,690	4,723
Securities	0	6,007	0	6,007	0	5,901	0	5,901
Financial derivatives	0	386	647	1,033	0	551	785	1,336
Other assets	0	868	0	868	0	1,712	0	1,712
Total fair value	381	8,175	4,660	13,216	611	9,360	5,475	15,446

17.3 Financial liabilities measured at fair value through profit or loss

(NOK million)	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commercial paper debt	0	0	0	0	0	394	0	394
Bond debt	0	0	5,649	5,649	0	0	6,777	6,777
Financial derivatives	0	232	668	900	0	1,338	414	1,752
Other liabilities	0	403	0	403	0	564	0	564
Total fair value	0	635	6,317	6,952	0	2,296	7,191	9,487

Movement of level 3 financial assets

(NOK million)	From January 1, 2018 to June 30, 2018				From January 1, 2017 to June 30, 2017			
	Loans and receivables due from credit institutions	Loans and receivables due from customers	Financial derivatives	Total	Loans and receivables due from credit institutions	Loans and receivables due from customers	Financial derivatives	Total
Opening balance	0	4,690	785	5,475	353	6,260	769	7,382
Total gains or losses ¹⁾	0	(17)	(69)	(86)	(8)	(122)	76	(55)
Settlements	0	(660)	(69)	(729)	(20)	(690)	(15)	(725)
Closing balance	0	4,013	647	4,660	325	5,448	830	6,602
Total gains or losses ¹⁾ for the period in profit or loss for assets held at the end of the reporting period	0	(17)	(65)	(82)	(8)	(122)	81	(49)

*) Presented under the line item 'Net gains/(losses) on financial instruments at fair value' in the statement of comprehensive income.

Movement of level 3 financial liabilities

(NOK million)	From January 1, 2018 to June 30, 2018			From January 1, 2017 to June 30, 2017		
	Bond debt ³⁾	Financial derivatives	Total	Bond debt ³⁾	Financial derivatives	Total
Opening balance	6,777	414	7,191	11,286	823	12,109
Total gains or losses ^{1) 2)}	(224)	260	36	320	(237)	83
Issues	0	0	0	2,000	0	2,000
Settlements	(904)	(6)	(910)	(7,372)	(25)	(7,397)
Transfers	0	0	0	0	0	0
Closing balance	5,649	668	6,317	6,234	561	6,795
Total gains or losses ^{1) 2)} for the period in profit or loss for liabilities held at the end of the reporting period	(357)	264	(93)	376	(233)	143

¹⁾ Presented under the line item 'Net gains/(losses) on financial instruments at fair value' in the statement of comprehensive income.

²⁾ For liabilities, positive figures are represented as losses and negative figures are represented as gains.

³⁾ Structured bond debt and plain vanilla bond debt have been classified as bond debt as of June 30, 2017.

17.4 Fair value of financial assets and liabilities

The following table presents the financial assets and liabilities, with the fair value and carrying value (book value) of each class of financial instrument:

(NOK million)	June 30, 2018		Dec 31, 2017		June 30, 2017	
	Fair value	Carrying value	Fair value	Carrying value	Fair Value	Carrying value
Assets						
Loans due from credit institutions	1,287	1,308	1,829	1,860	1,994	2,037
Loans due from customers	9,783	9,448	11,853	11,360	14,241	13,574
Securities	6,007	6,007	5,901	5,901	4,811	4,811
Repurchase Receivable	0	0	0	0	675	675
Financial derivatives	1,033	1,033	1,336	1,336	1,499	1,499
Other assets	1,302	1,302	1,619	1,619	2,823	2,823
Liabilities						
Deposit by credit institutions	0	0	0	0	606	606
Commercial paper debt	0	0	394	394	0	0
Bond debt	11,021	11,176	13,299	13,556	15,571	15,209
Financial derivatives	900	900	773	773	2,161	2,161
Other liabilities	919	919	729	730	766	765

18. Contingencies

There are no significant contingencies as of June 30, 2018.

19. Events after the balance sheet date

There are no events after the balance sheet date materially affecting the financial statements.

Responsibility statement

The condensed set of financial statements for the period of January 1 to June 30, 2018, is, according to the best of our knowledge, prepared in accordance with IAS 34 – Interim Financial Reporting and in all material respects fairly presents the company's assets and liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the management report includes a fair review of important events that have occurred during the first six month of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the next financial year, and major related parties transactions.

Oslo, August 17, 2018

Sigurd Carlsen
Chair Person

Christian Berg
Deputy Chair Person

Bjørn Berg

Marianne Bergmann Røren

Toril Eidesvik

Rune Helgeland