

# FIRST HALF-YEAR REPORT 2007

## Financial highlights

(NOK million)	Group				
	6 months		The year		
	IFRS 2007	IFRS 2006	IFRS 2006	NGAAP *)	
			2005	2004	
1. Base profit for the period	127	111	243		
2. Return on equity (base profit)	9,4 %	8,3 %	9,3 %		
3. Capital adequacy (base profit)	11,1 %				
4. Core capital adequacy (base profit)	7,6 %				
5. Net interest income	259	214	459	356	402
6. Profit for the period	97	70	159	128	219
7. Return on equity	6,5 %	4,7 %	5,3 %	5,0 %	8,6 %
8. Return on assets	0,29 %	0,29 %	0,29 %	0,29 %	0,37 %
9. Net operating expenses/average assets	0,10 %	0,12 %	0,11 %	0,15 %	0,13 %
10. Total assets	186.888	150.294	172.365	135.935	109.355
11. Total loans outstanding	112.478	85.018	99.059	81.385	68.090
12. New loans disbursed	19.697	14.866	35.877	22.449	25.269
13. New bond debt	38.525	29.414	56.530	45.087	33.615
14. Public sector borrowers and guarantors	60,8 %	67,7 %	60,8 %	70,9 %	75,9 %
15. Capital adequacy **)	12,1 %	14,0 %	12,2 %	13,1 %	17,1 %
16. Exchange rate NOK/USD	5,9034	6,2424	6,2551	6,7687	6,0386

\* NGAAP represents figures that have been prepared on the basis of accounting principles used by the Eksportfinans group up until 31 December 2006

\*\* Capital adequacy for 2006 and prior periods are not adjusted to reflect IFRS

## Definitions of Financial Highlights

- Base profit for the period:** Profit for the period excluding line item unrealized gains/(losses) on other financial instruments at fair value net of related tax effect. The Eksportfinans group's business model is mainly to hold financial instruments outside the trading portfolio until maturity and collect the cash flows. Fair value is not the best reflection of the business model and the expected future cash flows. Under the going concern assumption, changes in fair values can be viewed as temporary variations that will not be realized and that will be null at the maturity date of each transaction. Fair value has been used to reduce the effects of accounting mismatch due to the measurement rules under IFRS. Base profit for the period is more comparable with profit for the period prior to the implementation of IFRS (prior to 2006), than profit for the period according to IFRS.
- Return on equity (base profit):** Base profit/average equity excluding accumulated unrealized gains/(losses) on other financial instruments at fair value and adjusted for proposed not distributed dividends.
- Capital adequacy (base profit) and Core capital adequacy (base profit):** The capital in the calculation does not include accumulated unrealized gains/(losses) on other financial instruments at fair value.
- Capital adequacy (base profit) and Core capital adequacy (base profit):** The capital in the calculation does not include accumulated unrealized gains/(losses) on other financial instruments at fair value.
- Return on equity:** Profit for the period/average equity adjusted for proposed not distributed dividends.
- Return on assets:** Net interest income including provisions/average assets.
- Net operating expenses/average assets:** Net operating expenses (administrative and operating expenses + depreciation - other income)/average assets.
- Total loans outstanding:** Consists of Loans and receivables due from customers and part of Loans and receivables due from credit institutions in the balance sheet. Accrued interest and unrealized gains/(losses) are not included, see note 4.

## Other highlights

The Eksportfinans group experienced continued growth in volumes and results in the first half-year of 2007.

Total lending from the Eksportfinans group was NOK 112.5 billion at June 30, 2007, compared to NOK 85.0 billion at the same time in 2006. New lending from the group in the first six months of 2007 was NOK 19.7 billion, compared to NOK 14.9 billion in the equivalent period in 2006.

The positive development within the Norwegian maritime sector and the oil and gas industry continued in the first half-year of 2007, leading once again to increased demand for export related loans from Eksportfinans. New export-related lending in the first half-year of 2007 reached NOK 10.2 billion. The growth in total export-related loans was NOK 6.3 billion in the first half-year of 2007, equivalent to an increase of 15 percent since year-end 2006.

Eksportfinans' wholly owned subsidiary Kommunekreditt Norge AS disbursed NOK 9.5 billion in new loans in the first half-year of 2007. The growth in total lending to the municipal sector in the first half-year of 2007 was NOK 7.1 billion, equivalent to 12 percent since year-end 2006.

New funding in the first half-year of 2007 amounted to NOK 38.5 billion through 375 individual trades, compared with NOK 30.5 billion and 341 trades for the same period in 2006.

Group base profit in the first half-year of 2007 was NOK 127 million, which was NOK 16 million higher than in the corresponding period last year. The increase was mainly due to higher volumes of lending and liquidity placements. Profit for the period was NOK 97 million, compared to NOK 70 million in the same period last year.

## Export lending

The strong demand for new export loans continued during the first half of 2007.

The volume of outstanding export loans was NOK 48.2 billion at June 30, 2007 compared to NOK 41.9 billion at the end of 2006 and NOK 32.9 billion at the end of the first half-year of 2006. New disbursements of export-related loans was NOK 10.2 billion at the end of the first half-year of 2007, compared to NOK 11.1 billion at the same time in 2006.

New financing of capital goods was NOK 7.4 billion during the first half-year of 2007, of which NOK 6.1 million was financing under the officially supported export financing scheme. In the same period in 2006, the figures were NOK 4.9 billion and NOK 2.4 billion respectively.

The volume of the order book was approximately NOK 36 billion at June 30, 2007, compared to NOK 18 billion at the same time in 2006. The increase in the volume of new loan disbursements was related to financing of exports of capital goods, primarily within the maritime sectors such as shipbuilding, ship equipment and offshore oil and gas projects. The

maritime industry in Norway has experienced very favorable market conditions over the past two years, due in part to the current high oil prices. Strong demand for products offered by the Norwegian maritime industry has resulted in a higher demand for the services offered by Eksportfinans. In addition, an environment of higher interest rate levels has made the officially supported fixed rate financing scheme (CIRR) attractive to buyers of Norwegian capital goods.

## **Local government lending**

Total outstanding loans from Kommunekreditt Norge AS at June 30, 2007 amounted to NOK 64.2 billion, compared to NOK 52.0 billion at June 30, 2006 and NOK 57.1 billion at year-end 2006. Kommunekreditt disbursed NOK 9.5 billion in new loans in the first half-year of 2007. New loans in the same period in 2006 were NOK 3.8 billion.

The total demand for new loans to municipalities, municipal counties and municipal companies was relatively stable in the first half-year of 2007 compared to the same period in 2006. Of the NOK 9.5 billion in new disbursements in the first half-year of 2007, NOK 5.8 billion was related to this market.

During the last year, Kommunekreditt has extended its activities to include loans to the public sector with guarantees from banks and loans to banks refinancing loans to companies in the public sector. These activities are the result of extended strategic cooperation with Eksportfinans' owner banks in the public sector market. Loans with traditional public guarantees require higher credit weighting than bank guarantees, thus this strategy will allow higher loan volumes without decreasing Kommunekreditt's capital ratio. In the first half-year of 2007 Kommunekreditt disbursed NOK 3.7 billion in loans to banks and loans with bank guarantees.

## **Funding**

In the first half-year of 2007 Eksportfinans issued three Global benchmark transactions. The first was a JPY 50 billion transaction with a 7 year maturity issued in January, jointly led by Mitsubishi UFJ and Mizuho. The second benchmark transaction was a USD 1 billion transaction issued in February with a 5 year tenor. This transaction was jointly led by Goldman Sachs, JP Morgan and Nomura. The third Global benchmark of the period was issued in June, and was a USD 1 billion transaction of 10 years maturity with Credit Suisse, Goldman Sachs and JP Morgan as lead managers.

The proprietary web-based platform for pricing, execution, and documentation of structured Medium Term Notes, eFunding, has now been adopted by 23 arranger banks. Since becoming operational, eFunding has generated around 12,500 individual price quotes, of which about half were calculated outside of Eksportfinans' working hours. The percentage of all activities under Eksportfinans' Euro Medium Term Note Program conducted online via the eFunding platform is around 40 percent.

## Results

**Net interest income** was NOK 259 million in the first half-year of 2007. This was NOK 45 million higher than for the corresponding period in 2006. The increase was mainly due to a higher volume of lending and liquidity placements. The return on assets was 0.29 percent in the first half-year of 2007, the same return on assets as for the corresponding period in 2006 and the year 2006 as a whole.

**Net other operating income** was minus NOK 26 million in the first half-year of 2007, the same amount as for the corresponding period in 2006.

### Changes in net other operating income

(NOK millions)	First half year 2007	First half year 2006	Change
Commissions and income related to banking services	3	3	0
Commissions and expenses related to banking services	4	3	1
Net gains/(losses) on trading portfolio and foreign currencies	(1)	1	(2)
Net realized gains/(losses) on other financial instruments at fair value	14	26	(12)
Net unrealized gains/(losses) on other financial instruments at fair value	(42)	(57)	15
Other income	4	4	0
<b>Net other operating income</b>	<b>(26)</b>	<b>(26)</b>	<b>0</b>

The reduction in net realized gains on other financial instruments at fair value was mainly due to reduced gains on the repurchase of Eksportfinans' own bonds, where the activity was particularly high in 2006. Under IFRS a large volume of financial instruments is measured at fair value and net unrealized gains/(losses) on other financial instruments at fair value may vary from one reporting period to another. Net unrealized gains/(losses) on other financial instruments is a consequence of the IFRS implementation.

**Total operating expenses** totaled NOK 98 million in the first half-year of 2007, up NOK 8 million from the corresponding period in 2006.

Net operating costs in relation to average assets were 0.10 percent in the first six months of 2007, compared to 0.12 percent for the corresponding period in 2006 and 0.11 percent for the year 2006 as a whole.

**Profit for the period** was NOK 97 million in the first six months of 2007, up NOK 27 million for the corresponding period in 2006. **Return on equity** was 6.5 percent in the first six months of 2007, up from 4.7 percent in the corresponding period in 2006.

**Base profit for the period** was NOK 127 million in the first six months of 2007, up NOK 16 millions from the corresponding period last year. The increase was due to higher net interest income. Base profit is profit excluding the line item Net unrealized gains/(losses) on other financial instruments at fair value net of 28 percent tax (see definition on page 1 for further description). **Return on equity calculated on base profit** was 9.4 percent in the first six months of 2007, up from 8.3 percent in the corresponding period in 2006.

## The Balance Sheet

Total assets amounted to NOK 186.9 billion at June 30, 2007, compared to NOK 172.4 billion at year end 2006 and NOK 150.3 billion at June 30, 2006. The growth in total assets since year end 2006 was mainly due to increased lending volume.

Liquidity placed in commercial paper and bonds amounted to NOK 65.7 billion at June 30, 2007. The corresponding volume at the end of 2006 was NOK 63.9 billion.

Debts incurred by issuing commercial paper and bonds came to NOK 174.1 billion at June 30, 2007. The corresponding figure at the end of 2006 was NOK 160.6 billion.

The capital adequacy ratio for the group was 12.1 percent at June 30, 2007, compared with 12.2 percent at the end of 2006 and 14.0 percent at June 30, 2006. The decrease compared to year end 2006 was due to the balance sheet growth. The capital adequacy ratio at June 31, 2007 is based on IFRS accounts and IFRS adjusted capital adequacy requirements from the Norwegian authorities. Capital adequacy ratios for 2006 have not been recalculated.

Oslo, August 9, 2007

EKSPORTFINANS ASA  
The Board of Directors

## INCOME STATEMENTS

Parent company					Group					
Second quarter		6 months		The year	Second quarter		6 months		The year	
2007	2006	2007	2006	2006	2007	2006	2007	2006	2006	
(NOK million)										
1,986	1,193	3,755	2,252	5,251	Interest and related income	2,015	1,214	3,816	2,300	5,353
1,883	1,105	3,557	2,085	4,894	Interest and related expenses	1,883	1,106	3,557	2,086	4,894
<b>103</b>	<b>88</b>	<b>198</b>	<b>167</b>	<b>357</b>	<b>NET INTEREST INCOME</b>	<b>132</b>	<b>108</b>	<b>259</b>	<b>214</b>	<b>459</b>
					Commissions and income related to banking services	2	2	3	3	6
					Commissions and expenses related to banking services	2	2	4	3	7
(2)	(9)	(1)	1	5	Net gains/(losses) on trading portfolio and foreign currencies	(2)	(9)	(1)	1	5
					Net realised gains/(losses) on other financial instruments at fair value	7	23	14	26	42
(75)	(68)	(81)	(106)	(222)	Net unrealised gains/(losses) on other financial instruments at fair value	(47)	(25)	(42)	(57)	(117)
4	5	10	10	18	Other income	1	2	4	4	6
<b>(66)</b>	<b>(50)</b>	<b>(59)</b>	<b>(70)</b>	<b>(162)</b>	<b>NET OTHER OPERATING INCOME</b>	<b>(41)</b>	<b>(9)</b>	<b>(26)</b>	<b>(26)</b>	<b>(65)</b>
<b>37</b>	<b>38</b>	<b>139</b>	<b>97</b>	<b>195</b>	<b>TOTAL INCOME</b>	<b>91</b>	<b>99</b>	<b>233</b>	<b>188</b>	<b>394</b>
36	33	71	63	124	Salaries and other administrative expenses	41	39	83	74	145
5	4	10	8	19	Depreciation	5	4	10	8	19
2	5	4	7	12	Other expenses	3	6	5	8	13
<b>43</b>	<b>42</b>	<b>85</b>	<b>78</b>	<b>155</b>	<b>TOTAL OPERATING EXPENSES</b>	<b>49</b>	<b>49</b>	<b>98</b>	<b>90</b>	<b>177</b>
-	-	-	-	-	Write-downs on loans	-	-	-	-	-
<b>(6)</b>	<b>(4)</b>	<b>54</b>	<b>19</b>	<b>40</b>	<b>PRE-TAX OPERATING PROFIT</b>	<b>42</b>	<b>50</b>	<b>135</b>	<b>98</b>	<b>217</b>
(2)	(1)	15	6	8	Taxes	12	14	38	28	58
<b>(4)</b>	<b>(3)</b>	<b>39</b>	<b>13</b>	<b>32</b>	<b>PROFIT FOR THE PERIOD</b>	<b>30</b>	<b>36</b>	<b>97</b>	<b>70</b>	<b>159</b>

## BALANCE SHEETS

Parent company			(NOK million)	Group		
30.06.07	30.06.06	31.12.06		30.06.07	30.06.06	31.12.06
			Loans and receivables due from credit institutions	24 270	17 392	21 407
83 360	69 050	75 977	Loans and receivables due from customers	88 723	69 369	78 954
28 778	17 016	23 598	Securities	65 709	55 223	63 920
65 709	55 222	63 920	Financial derivatives	7 146	6 896	6 979
7 146	6 896	6 978	Investments in group companies	-	-	-
518	518	518	Intangible assets	23	25	25
23	25	25	Fixed assets and investment property	223	228	224
222	226	222	Other assets	794	1 161	856
794	1 160	840				
<b>186 550</b>	<b>150 113</b>	<b>172 078</b>	<b>TOTAL ASSETS</b>	<b>186 888</b>	<b>150 294</b>	<b>172 365</b>
			Deposits by credit institutions	45	47	47
45	47	47	Borrowings through the issue of securities	174 052	138 683	160 555
174 052	138 683	160 555	Financial derivatives	6 616	5 949	5 302
6 629	5 958	5 300	Taxes payable	50	44	99
38	36	79	Deferred tax liabilities	133	130	104
94	119	82	Other liabilities	1 042	335	950
1 041	334	948	Accrued expenses and provisions	63	50	57
58	46	52	Subordinated debt	1 421	1 552	1 604
1 421	1 552	1 604	Capital contribution securities	558	564	618
558	564	618				
<b>183 936</b>	<b>147 339</b>	<b>169 285</b>	<b>Total liabilities</b>	<b>183 980</b>	<b>147 354</b>	<b>169 336</b>
			Share capital	1 594	1 594	1 594
1 594	1 594	1 594	Share premium reserve	162	162	162
162	162	162	Reserve for unrealised gains	-	-	-
214	355	214	Other equity	1 055	1 114	1 273
605	650	823	Profit for the period	97	70	-
39	13	-				
<b>2 614</b>	<b>2 774</b>	<b>2 793</b>	<b>Total shareholders equity</b>	<b>2 908</b>	<b>2 940</b>	<b>3 029</b>
			<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>186 888</b>	<b>150 294</b>	<b>172 365</b>
<b>186 550</b>	<b>150 113</b>	<b>172 078</b>				

## STATEMENTS OF CHANGES IN EQUITY

(NOK million)	Parent company					
	Share capital*	Share premium reserve*	Reserve valuation variances*	Reserve unrealised gains*	Other equity	Total equity
EQUITY AS AT DECEMBER 31, 2005						
(NGAAP)	1,594	162	137	0	684	2,577
IAS 10 - Dividends	0	0	0	0	115	115
IAS 16 - Fair value of property	0	0	0	102	0	102
IAS 19 - Pension commitments	0	0	0	0	(46)	(46)
IAS 28 - Investment in associate	0	0	(137)	0	3	(134)
IAS 39 - Fair value of financial instruments	0	0	0	391	0	391
IFRS implementation tax effects	0	0	0	(138)	9	(129)
EQUITY AS AT JANUARY 1, 2006	1,594	162	0	355	765	2,876
Profit for the period	0	0	0	0	13	13
Dividends paid	0	0	0	0	(115)	(115)
EQUITY AS AT JUNE 30, 2006	1,594	162	0	355	663	2,774
EQUITY AS AT JANUARY 1, 2007						
Profit for the period	0	0	0	0	39	39
Dividends paid	0	0	0	0	(218)	(218)
EQUITY AS AT JUNE 30, 2007	1,594	162	0	214	644	2,614

\* Restricted equity

(NOK million)	Group					
	Share capital	Share premium reserve	Reserve valuation variances	Reserve unrealised gains	Other equity	Total equity
EQUITY AS AT DECEMBER 31, 2005						
(NGAAP)	1,594	162	0	0	821	2,577
IAS 10 - Dividends	0	0	0	0	115	115
IAS 16 - Fair value of property	0	0	0	0	102	102
IAS 19 - Pension commitments	0	0	0	0	(54)	(54)
IAS 28 - Investment in associate	0	0	0	0	0	0
IAS 39 - Fair value of financial instruments	0	0	0	0	365	365
IFRS implementation tax effects	0	0	0	0	(121)	(121)
EQUITY AS AT JANUARY 1, 2006	1,594	162	0	0	1,229	2,985
Profit for the period	0	0	0	0	70	70
Dividends paid	0	0	0	0	(115)	(115)
EQUITY AS AT JUNE 30, 2006	1,594	162	0	0	1,184	2,940
EQUITY AS AT JANUARY 1, 2007						
Profit for the period	0	0	0	0	97	97
Dividends paid	0	0	0	0	(218)	(218)
EQUITY AS AT JUNE 30, 2007	1,594	162	0	0	1,152	2,908

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## CASH FLOW STATEMENTS

Parent company			(NOK million)	Group		
Second quarter 2007	2006	Year 2006		Second quarter 2007	2006	Year 2006
39	13	32	<b>Net income after taxes</b>	97	70	159
<b>Provided by operating activities:</b>						
(49)	(9)	(38)	Accrual of contribution from the Norwegian government	(49)	(9)	(38)
26	31	31	Contribution paid by the Norwegian government	26	31	31
71	108	223	Unrealised losses (reversal of unrealised losses) on financial instruments at fair value	32	59	116
10	8	19	Depreciation	10	8	19
<b>Changes in:</b>						
(159)	(99)	(359)	Accrued interest receivable	(221)	(109)	(407)
24	(1 023)	(666)	Other receivables	41	(1 023)	(684)
238	(174)	588	Accrued expenses and other liabilities	259	(164)	627
<b>200</b>	<b>(1 145)</b>	<b>(170)</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>195</b>	<b>(1 137)</b>	<b>(177)</b>
(17 265)	(11 081)	(28 691)	Disbursement on loans	(19 697)	(14 866)	(35 877)
2 500	6 855	10 831	Principal collected on loans	4 945	10 323	17 729
(8 334)	(11 060)	(17 217)	Net increase in financial investments	(8 334)	(11 060)	(17 217)
0	(100)	(100)	Investment in group companies	0	0	0
(8)	(10)	(17)	Purchases of fixed assets	(8)	(11)	(18)
0	0	1	Net proceeds from sales of fixed assets	0	1	1
<b>(23 107)</b>	<b>(15 396)</b>	<b>(35 193)</b>	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(23 094)</b>	<b>(15 613)</b>	<b>(35 382)</b>
0	(100)	(100)	Change in debt to credit institutions	0	(100)	(100)
4 682	(1 701)	3 732	Net change in commercial paper debt	4 682	(1 701)	3 732
38 525	29 414	56 530	Proceeds from issuance of bond debt	38 525	29 414	56 530
(20 496)	(12 057)	(25 846)	Principal payments on bond debt	(20 496)	(12 057)	(25 846)
0	467	469	Change in subordinated debt and preferred capital securities/ capital contribution securities	0	467	469
(218)	(115)	(115)	Dividends paid	(218)	(115)	(115)
<b>22 493</b>	<b>15 908</b>	<b>34 670</b>	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>22 493</b>	<b>15 908</b>	<b>34 670</b>
(4)	(21)	(20)	Effect of exchange rates on cash and cash equivalents	(4)	(21)	(20)
<b>(418)</b>	<b>(654)</b>	<b>(713)</b>	<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(410)</b>	<b>(863)</b>	<b>(909)</b>
157	870	870	Cash and cash equivalents at beginning of period	192	1 101	1 101
<b>(261)</b>	<b>216</b>	<b>157</b>	<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(218)</b>	<b>238</b>	<b>192</b>

Cash equivalents are defined as bank deposits with maturity less than 3 months.  
Other bank deposits are included in the line "Net increase in financial investments".

## NOTES TO FINANCIAL STATEMENTS

### 1. TRANSITION TO IFRS AND ACCOUNTING PRINCIPLES

The second quarter accounts of 2007 for the parent company and the consolidated accounts have been prepared according to International Financial Reporting Standards – (IFRS). Through December 31, 2006, The Eksportfinans group's accounts were presented in accordance with generally accepted accounting principles in Norway (NGAAP) and in line with accounting legislation and regulations from the Norwegian Ministry of Finance. Reconciliation of the impact on the equity upon the transition to IFRS is presented in the statement of changes in equity. Comparable accounts for 2006 according to IFRS have been prepared. The effects on the income statement and equity of the transition to IFRS for the second quarter 2006 are presented at the end of this note. The interim accounts have been prepared in accordance with IAS 34, Interim Financial Reporting.

The consolidated financial statements include the accounts of Eksportfinans ASA and its wholly owned subsidiary Kommunekreditt Norge AS.

Below is a description of the most important accounting principles affected by the transition to IFRS. Further descriptions of the impacts of the transition to IFRS and explanations of the policy choices made have been presented in a separate publication available on the Eksportfinans' website [www.eksportfinans.no](http://www.eksportfinans.no) – “IFRS Transition Document”.

#### Application of IFRS 1 – First time adoption of IFRS

The Company has implemented IFRS in accordance with IFRS 1. These interim financial statements have been prepared in accordance with those IFRS standards effective at the time of preparing these statements (July 2007). The effects of transition to IFRS are booked directly to equity. The financial report for the second quarter includes restated comparative figures for 2006.

The Company has made the following exceptions from the duty to restate the opening balance sheet retrospectively as outlined in IFRS 1:

- Properties for use and investment property have been recorded at fair value as of January 1, 2006.
- Pension liabilities that were unrecorded as of January 1, 2006 in compliance with previous accounting regulations, have been charged against equity.
- Business combinations recorded prior to January 1, 2006 have not been restated.

Comparable figures have been prepared for 2006, which implies that the formal opening balance sheet (transition date) is per January 1, 2006. The Company will publish its first annual report in accordance with IFRS at December 31, 2007.

#### Recognition of assets and liabilities under IFRS

Assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument and derecognition will occur when the contractual rights to receive or pay cash flows expires or when the Company transfers substantially all the risk and rewards of the instrument. The Company has acquired certain loan agreements from banks for which the bank provide a repayment guarantee, therefore retaining the credit risk of the loans. Under IFRS these loans are classified as loans to credit institutions.

#### The fair value option

The Eksportfinans group has elected to apply the fair value option available under IAS 39. This implies that a large proportion of financial instruments on the balance sheet are measured at fair value.

The Company's balance sheet can be divided into three main portfolios: the trading portfolio, the 108-agreement portfolio and the remaining transactions, here called the banking portfolio. The banking portfolio comprises the following financial instruments: lending, liquidity placements including deposits and securities, borrowings, hedging derivatives and cash collateral in relation to swaps.

The fair value option has been preferred for all transactions in the banking portfolio to reduce the effects of accounting mismatch that would otherwise be the result of different principles of measurement on financial instruments. Eksportfinans has a conservative risk profile and a limited market risk exposure. However, hedge accounting in accordance with IFRS would not remove the effects of the mismatch and would in addition be time-consuming to apply. Hedge accounting implies bifurcation of embedded derivatives in the Company's structured bond issues even though the bonds have a perfectly

matching swap. In addition, the Company's hedging policy involves the use of basis currencies which is not necessarily Norwegian kroner, the Company's functional currency. IAS 39 has very specific rules regarding cross currency hedging that cannot be applied by the Company and simultaneously maintain a cost-efficient operation. Even if hedge accounting under IAS 39 could have been applied, it would have led to income volatility due to changes in fair values caused by interest rate changes, because of a much higher volume of liabilities than assets are hedged with derivatives.

#### **Fair value measurement methods and techniques**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Calculations are based on the going concern assumption.

Financial instruments, for which offsetting markets risk can be identified with a reasonable degree of probability, are recorded at mid-market rates on the balance sheet date. Other financial securities, both on the asset and on the liability side, are valued at bid or ask prices.

#### **Instruments traded in an active or regulated market**

Most bonds and certificates are valued in an active market. In addition to this, there are derivatives issued through institutions like currency forwards and futures and interest rate swaps that also are traded in an active market. For instruments traded in an active market, quoted prices from stock exchanges, brokers, or an individual pricing vendor are used. In cases where the instrument are not priced as a whole, it is decomposed, and each part is priced on an individual basis, also here using prices quoted in the market.

#### **Instruments not traded in an active market**

Financial instruments which are not traded in an active market are valued through different valuation techniques. When valuing a standard, simple financial instrument, recognized models are used based on data observable in the market. With regards to the more complex products, recognized theoretical models are used, applying market information whenever possible. The structured interest rate products are valued through a general Black Derman Troy model.

Fixed rate and structured issues are examples of financial instruments which are not traded in an active market.

A significant part of the Company's issuances are characterized through their composition of several structural elements, the so-called structured issuances. The prices of these issuances could be linked to the prices of certain share indices, interest rates, and or exchange rates. All bonds and corresponding swaps in the funding portfolios are valued at fair value.

#### **Financial derivatives at fair value**

Under IFRS, all derivatives are recorded at fair value with gains or losses resulting from changes in fair value recorded in profit or loss.

#### **Embedded derivatives in the 108-agreement at fair value**

Part of the Company's lending activity is covered by an agreement with the Norwegian authorities (the 108-agreement) which has been established in order to offer exporters of capital goods financing on terms that are in accordance with the OECD regulations. Full coverage of interest and exchange rate risk for borrowing, lending and liquidity is provided under this agreement. Under the agreement payment differences compared to an already agreed fixed cash flow is debited or credited to the authorities. The 108-payment differences also include the interest rate subsidy to the exporters.

The 108-agreement is considered in accordance with IAS 39 to contain embedded derivatives, consequently separate derivative transactions must be constructed and measured at fair value. Separate accounting for these embedded derivatives at fair value result in considerable increases in the Company's income volatility.

#### **Other financial instruments measured at fair value**

Transactions under the trading and banking portfolio are measured at fair value.

#### **Financial assets and liabilities measured at amortized cost**

Lending, borrowing and liquidity under the 108-agreement are measured at amortized cost using the effective interest method. On disbursement of a loan, amortized cost is the nominal amount adjusted for premiums/discounts on disbursement, direct costs and fees. When using the effective interest method, the internal rate of return for the loan is calculated. The internal rate of return is set by discounting contractual cash flows based on the expected life of the loan over the amortized cost on disbursement.

Eksportfinans does not have a significant risk for credit losses in its loan portfolio and have correspondingly not booked any impairment losses on loans measured at amortized cost.

**Guarantees issued**

Under IFRS, guarantees issued will be recognized initially on the balance sheet at fair value. The fees that the Company receives over the life of the guarantee are amortized to income on a straight-line basis over the period of the obligation.

**Pension liabilities**

Actuarial gains and losses and vested plan changes not recorded according to NGAAP, are charged directly to equity as of January 1, 2006 in accordance with IFRS 1. For actuarial gains and losses arising after the transition to IFRS a portion of the actuarial gains and loss will be recorded in the profit and loss account when the difference exceeds the greater of 10 percent of the pension liability or 10 percent of the plan assets.

**Building for own use and investment property**

The Company owns the property in Dronning Mauds gt. 15 which is used as the Group's head office. Part of the building (38%) can be sold separately and is rented out.

Under IFRS, the property has been measured at fair value at transition and the adjustment is reflected in the transition adjustment reported to equity in accordance with IFRS 1. This led to an increase in the value of the property of NOK 102 million. The fair value as at January 1, 2006 is NOK 220 million. The part of the building that can be sold separately is classified as an investment property in accordance with IAS 40. The fair value of the property is distributed with NOK 142 million to building for own use and NOK 78 million to investment property. The revalued amount of the building will represent the new cost basis for the property to be depreciated over its remaining economic useful life less any potential impairment in accordance with IAS 16 for both building for own use and investment property.

**Intangible assets**

Intangible assets with indefinite lives are not amortized. Other intangible assets with finite lives are amortized over their expected useful lives. An assessment for impairment will be made on each reporting date based on expected future cash flow connected to the asset. Assets generating joint cash flows are considered collectively.

**Shares in subsidiary**

The shares in the wholly owned subsidiary Kommunekreditt AS are valued at cost in the accounts of the parent company Eksportfinans ASA.

**Classifications in the income statement**

Interest and the interest effect on economically hedging instruments are booked as interest income or expense in the profit and loss accounts. Other changes in fair value on transactions measured at fair value with changes in fair value recognized in the profit and loss account are included in net gain/loss on financial instruments measured at fair value.

**Classifications in the balance sheet**

Interest accrued but not paid or received is presented in the same line item as the underlying asset or liability to which the interest relates.

The fair value of each derivative contract is reported as an asset or a liability depending on the fair value on the reporting date. Under IFRS the net fair value of the embedded derivatives in the 108-agreement are recognized at the balance sheet as an asset or a liability depending on the net fair value at the reporting date.

In accordance with IFRS proposed dividends are classified as a part of equity until the dividends is approved by the annual general meeting.

**Transition to IFRS – effects on the income statement for first half-year 2006**

The following tables show the effects from the implementation of IFRS on the first half-year 2006 income statement and equity figures respectively. Similar tables of effects for 2006 is prepared in the “IFRS – New International Accounting Standards for Eksportfinans ASA” transition document.

First half-year 2006						
Parent company			Group			
NGAAP	IFRS	Change	NGAAP	IFRS	Change	
2,252	2,252	0	2,300	2,300	0	Interest and related income
2,067	2,085	18	2,067	2,086	19	Interest and related expenses
<b>185</b>	<b>167</b>	<b>(18)</b>	<b>233</b>	<b>214</b>	<b>(19)</b>	<b>NET INTEREST INCOME</b>
21	0	(21)	0	0	0	Income from investments in group companies
3	3	0	3	3	0	Commissions and income related to banking services
3	3	0	3	3	0	Commissions and expenses related to banking services
8	1	(7)	8	1	(7)	Net gains/(losses) on trading portfolio and foreign currencies
0	25	25	0	26	26	Net realised gains/(losses) on other financial instruments at fair value
0	(106)	(106)	0	(57)	(57)	Net unrealised gains/(losses) on other financial instruments at fair value
10	10	0	4	4	0	Other operating income
39	(70)	(109)	12	(26)	(38)	<b>NET OTHER OPERATING INCOME</b>
<b>224</b>	<b>97</b>	<b>(127)</b>	<b>245</b>	<b>188</b>	<b>(57)</b>	<b>TOTAL INCOME</b>
63	63	0	74	74	0	Salaries and other administrative expenses
7	8	1	7	8	1	Depreciation
6	7	1	7	8	1	Other operating expenses
76	78	2	88	90	2	<b>TOTAL OPERATING EXPENCES</b>
0	0	0	0	0	0	Write-downs on loans
<b>148</b>	<b>19</b>	<b>(129)</b>	<b>157</b>	<b>98</b>	<b>(59)</b>	<b>PRE-TAX OPERATING PROFIT</b>
35	6	(29)	44	28	(16)	Income taxes
<b>113</b>	<b>13</b>	<b>(100)</b>	<b>113</b>	<b>70</b>	<b>(43)</b>	<b>PROFIT FOR THE PERIOD</b>

Parent company	(NOK million)	Group
<b>2,690</b>	<b>EQUITY AS AT JUNE 30, 2006 - NGAAP</b>	<b>2,690</b>
0	IAS 10 - Dividends	0
101	IAS 16 - Fair value of property	101
(46)	IAS 19 - Pension commitments	(54)
(156)	IAS 28 - Investment in associate	0
285	IAS 39 - Fair value of financial instruments	308
(100)	Tax effects on IFRS adjustments	(105)
<b>2,774</b>	<b>EQUITY AS AT JUNE 30, 2006 - IFRS</b>	<b>2,940</b>

## 2. CAPITAL ADEQUACY

Capital adequacy is calculated in accordance with the regulations in force from the Banking, Insurance and Securities Commission. New regulations in line with the international Basel II rules were introduced at January 1, 2007. The Company adopted the option under the regulations to prolong the period in which the capital requirement is calculated according to the rules prevailing in 2006. However, new regulations have been adopted in calculating the eligible regulatory capital, which take into consideration the present accounting rules under IFRS. The capital adequacy minimum requirement is 8 percent of risk-weighted assets and off-balance sheet items.

### Risk-weighted assets and off-balance sheet items

Parent company			Group					
30.06.07		(NOK million)	30.06.07		30.06.06 *		31.12.06 *	
Book value	Risk-weighted value		Book value	Risk-weighted value	Book value	Risk-weighted value	Book value	Risk-weighted value
150 848	29 036	Total assets	151 142	30 504	124 460	25 347	139 237	28 506
	2 406	Off-balance sheet items		2 405		2 984		3 193
	31 442	Total risk-weighted value banking portfolio		32 909		28 331		31 699
	5 435	Total risk-weighted value trading portfolio		5 435		3 069		4 665
	36	Total currency risk		36		74		40
	36 913	Total risk-weighted value		38 380		31 474		36 404

### The company's eligible regulatory capital

Parent company									
30.06.07		(NOK million and as a percentage of risk-weighted value)	30.06.07		30.06.06 *		31.12.06 *		
		Core capital (share capital, other equity, capital contribution securities)							
3 071	8,3 %		3 354	8,7 %	3 005	9,5 %	3 018	8,3 %	
		Additional capital (subordinated debt)							
1 336	3,6 %		1 294	3,4 %	1 400	4,5 %	1 408	3,9 %	
4 407	11,9 %	Total regulatory capital	4 648	12,1 %	4 405	14,0 %	4 426	12,2 %	

\* Capital adequacy for 2006 is not adjusted to reflect IFRS.

### 3. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

Parent company			Group		
30.06.07	30.06.06	31.12.06 (NOK million)	30.06.07	30.06.06	31.12.06
59	1,166	633	103	1,188	668
(364)	(83)	(133)	(364)	(83)	(133)
19,802	16,149	18,635	24,290	16,149	20,670
63,684	51,482	56,577	-	-	-
179	336	265	241	138	202
83,360	69,050	75,977	24,270	17,392	21,407

\*) Consists of net outstanding value of the hedge elements in agreements relating to loans acquired from banks. The value of the loans acquired and the hedge elements under the agreements are both classified as "Loans and receivables due from credit institutions" in accordance with IFRS because not substantially all risk and rewards have been transferred.

### 4. LOANS

Parent company			Group		
30.06.07	30.06.06	31.12.06 (NOK million)	30.06.07	30.06.06	31.12.06
28,498	16,853	23,342	88,188	68,869	78,389
280	163	256	535	500	565
28,778	17,016	23,598	88,723	69,369	78,954
83,486	67,631	75,211	24,290	16,149	20,670
28,498	16,853	23,342	88,188	68,869	78,389
111,984	84,484	98,553	112,478	85,018	99,059
98,968	78,767	90,580	99,462	79,301	91,086
13,016	5,717	7,973	13,016	5,717	7,973
111,984	84,484	98,553	112,478	85,018	99,059
12,248	8,005	8,457	12,248	8,005	8,457
11,415	7,422	8,570	11,415	7,422	8,570
24,567	17,505	24,882	24,567	17,505	24,882
63,684	51,482	56,577	64,178	52,016	57,083
70	70	67	70	70	67
111,984	84,484	98,553	112,478	85,018	99,059

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

30.06.07	30.06.06	31.12.06	(NOK million)
1,643	644	1,832	Oil and gas
3,986	3,968	4,119	Pulp and paper
27	29	28	Engineering and construction
239	291	273	Aluminum, chemicals and minerals
101	-	436	Aviation and shipping
169	175	172	Hydro electric power
3,252	3,457	3,393	Consumer goods
6,079	4,088	6,003	Banking and finance
5,044	4,787	4,414	Real estate management
3,986		4,119	IT and telecommunication
41	66	93	Other categories
24,567	17,505	24,882	Total

## 5. NON-PERFORMING LOANS AND LOAN LOSSES

Parent company			Group			
30.06.07	30.06.06	31.12.06	(NOK million)	30.06.07	30.06.06	31.12.06
			Interest and principal-payments more than			
1,2	5,9	0,4	90 days past due	1,2	5,9	0,4
			Not matured principal on loans with			
12,1	23,4	3,2	payments more than 90 days past due	12,1	23,4	3,2
13,3	29,3	3,6	Total	13,3	29,3	3,6
0	0	0	Loan impairment charges	0	0	0

The company considers all receivables to be secured in a satisfactory manner and no impairment charges have been made.

## 6. SECURITIES

Parent company			Group			
30.06.07	30.06.06	31.12.06	(NOK million)	30.06.07	30.06.06	31.12.06
28,787	17,486	25,247	Trading portfolio	28,787	17,486	25,247
36,922	37,736	38,673	Securities at fair value through profit and loss	36,922	37,737	38,673
65,709	55,222	63,920	Total	65,709	55,223	63,920

## 7. FIXED ASSETS AND INVESTMENT PROPERTY

Parent company			Group			
30.06.07	30.06.06	31.12.06	(NOK million)	30.06.07	30.06.06	31.12.06
137	140	138	Building at own use	137	140	139
76	77	76	Investment property	76	77	76
213	217	214	Total building	213	217	215
9	9	8	Other fixed assets	10	10	9
222	226	222	Total	223	228	224

**8. OTHER ASSETS**

Parent company			Group		
30.06.07	30.06.06	31.12.06 (NOK million)	30.06.07	30.06.06	31.12.06
119	68	98 Interim account 108-Agreement	119	68	98
18	1 081	701 Cash collateral	18	1 081	701
657	11	41 Other	657	12	57
794	1 160	840 Total	794	1 161	856

**9. BORROWINGS THROUGH THE ISSUE OF SECURITIES**

Parent company			Group		
30.06.07	30.06.06	31.12.06 (NOK million)	30.06.07	30.06.06	31.12.06
10,373	604	6,047 Commercial paper debt	10,373	604	6,047
161,856	137,687	155,007 Bond debt	161,856	137,687	155,007
		Accrued interest and adjustment to			
1,823	392	(499) fair value on debt	1,823	392	(499)
174,052	138,683	160,555 Total	174,052	138,683	160,555

**10. OTHER LIABILITIES**

Parent company			Group		
30.06.07	30.06.06	31.12.06 (NOK thousands)	30.06.07	30.06.06	31.12.06
304	284	336 Grants to mixed credits	304	284	336
715	23	537 Cash collateral	715	23	537
22	27	75 Other short-term liabilities	23	28	77
1,041	334	948 Total	1,042	335	950

**11. SEGMENT INFORMATION**

(NOK million)	30.06.07	30.06.06	31.12.06
<b>Net interest income</b>			
Eksportfinans	198	167	357
Kommunekreditt	61	47	102
<b>Total Group</b>	<b>259</b>	<b>214</b>	<b>459</b>
<b>Net income after taxes</b>			
Eksportfinans	39	13	32
Kommunekreditt	58	57	127
<b>Total Group</b>	<b>97</b>	<b>70</b>	<b>159</b>
<b>Total assets</b>			
Eksportfinans	122,347	97,905	114,881
Kommunekreditt	64,541	52,389	57,484
<b>Total Group</b>	<b>186,888</b>	<b>150,294</b>	<b>172,365</b>
<b>Total equity</b>			
Eksportfinans	2,096	2,255	2,275
Kommunekreditt	812	685	754
<b>Total Group</b>	<b>2,908</b>	<b>2,940</b>	<b>3,029</b>

The segments are measured according to the company accounts of Eksportfinans ASA and Kommunekreditt Norge AS, after elimination of intragroup transactions. Intragroup transactions are undertaken on normal commercial terms.

The company's two largest shareholders are considered to be related parties.

**Material transactions with related parties in 2007:**

(amounts in NOK millions)	Acquired loans <sup>1)</sup>	Deposits <sup>2)</sup>	Guarantees issued <sup>3)</sup>	Guarantees received <sup>4)</sup>
Balance January 1	10 229	590	2 595	6 959
Change in the period	(236)	(23)	110	(278)
Balance June 30	9 993	567	2 705	6 681

All transactions with related parties are made on market terms

- 1) The Company acquires loans from banks. The loans are part of the Company's ordinary lending activity, as they are extended to the export industry. As the selling banks provide guarantee for the loans, not substantially all the risk and rewards are transferred to the Company in accordance with IAS 39-20, thus the loans are classified as loans due to credit institutions in the balance sheet.
- 2) Deposits made by the Company.
- 3) Guarantees issued by the Company to support the Norwegian export industry.
- 4) Guarantees provided to the Company from the related parties.