

EKSPORT  
FINANS

NORWAY

# FINANCIAL REPORT Q3 2019



Eksportfinans ASA  
[www.eksportfinans.com](http://www.eksportfinans.com)  
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## FINANCIAL HIGHLIGHTS

The information for the three quarters ended September 30, 2019 and 2018 are unaudited.

(NOK million)	Third quarter		First nine months	
	2019	2018	2019	2018
Net interest income	43	32	113	100
Net other operating income/(loss)	11	8	55	62
Profit/loss for the period	27	16	80	71
Total comprehensive income <sup>1)</sup>	23	28	53	11
Return on equity <sup>2)</sup>	1.67 %	1.02 %	1.66 %	1.45 %
Total assets	14,882	18,785	14,882	18,785
Loans outstanding <sup>3)</sup>	6,823	9,495	6,823	9,495
Securities	5,743	5,938	5,743	5,938
Core capital adequacy	111.6 %	104.0 %	111.6 %	104.0 %
Leverage ratio	41.5 %	32.8 %	41.5 %	32.8 %
Exchange rate NOK/USD <sup>4)</sup>	9.0874	8.1777	9.0874	8.1777

### Definitions

- 1) Total comprehensive income includes net losses on financial liabilities at fair value due to changes in own credit risk of NOK 27 million after tax for the first nine months of 2019 and net losses on financial liabilities at fair value due to changes in own credit risk of NOK 60 million after tax for the first nine months of 2018. Accumulated net gain on own debt is NOK 403 million before tax as of September 30, 2019, compared to NOK 290 million before tax as of September 30, 2018.
- 2) Return on equity: Profit/loss for the period/average equity (average of opening and closing balance).
- 3) 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.
- 4) Exchange rate at balance date.

# BOARD OF DIRECTORS' REPORT

## Results

### Third quarter 2019

Net interest income was NOK 43 million in the third quarter of 2019 compared to NOK 32 million in the same period in 2018. The increase was mainly due to a higher floating interest rate in Norwegian kroner (NIBOR).

Profit was NOK 27 million in the third quarter of 2019 compared to NOK 16 million in the third quarter of 2018. The profit in 2019 and 2018 is mainly due to a higher floating interest rate as explained above and unrealized gains on Eksportfinans' securities and lending portfolio.

### First nine months 2019

Net interest income was NOK 113 million in the first nine months of 2019, compared to NOK 100 million in the same period of 2018. The increase was mainly due to a higher floating interest rate as explained above.

Net other operating income was NOK 55 million in the first nine months of 2019, compared to NOK 62 million in the same period of 2018. These figures consisted mainly of unrealized gains on Eksportfinans' securities and lending portfolio.

Total operating expenses amounted to NOK 61 million in the first nine months of 2019, compared to NOK 67 million in the same period of 2018. The main reason for the decrease is a reduction in salaries due to staff reductions.

Profit for the first nine months of 2019 was NOK 80 million, compared to NOK 71 million in the same period of 2018.

The credit spread effect of fair value adjustments on Eksportfinans' own debt is recognized as other comprehensive income. In the first nine months of 2019 this figure was negative NOK 27 million after tax compared to negative NOK 60 million after tax in the same period of 2018.

Total comprehensive income was NOK 53 million in the first nine months of 2019, compared to NOK 11 million in the corresponding period of 2018. 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 14.9 billion at September 30, 2019, compared to NOK 19.2 billion at December 31, 2018 and NOK 18.8 billion at September 30, 2018. The reduction was due to scheduled repayments of debt.

Outstanding bond debt was NOK 7.3 billion at September 30, 2019, compared to NOK 11.3 billion at December 31, 2018 and NOK 11.0 billion at September 30, 2018.

The core capital ratio was 111.6 percent at September 30, 2019, compared to 113.9 percent at December 31, 2018 and 104.0 percent at September 30, 2018.

## Lending

The volume of total outstanding loans was NOK 6.8 billion at September 30, 2019, compared to NOK 8.6 billion at December 31, 2018 and NOK 9.5 billion at September 30, 2018. The decrease in outstanding loans is a function of maturing loans in combination with no new lending.

## Securities

The securities portfolio was NOK 5.7 billion at September 30, 2019, compared to NOK 7.6 billion at December 31, 2018 and NOK 5.9 billion at September 30, 2018.

## Liquidity

At September 30, 2019, total liquidity amounted to NOK 6.0 billion, consisting of the securities portfolio of NOK 5.7 billion and cash

equivalents of NOK 0.3 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 15 to the accompanying condensed financial statements.

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

## Prospects for the remainder of 2019

The balance sheet will continue to decrease in line with maturing loans, debt and investments.

Accumulated unrealized gains due to fair value measurements of Eksportfinans' own debt amounted to NOK 403 million (net of derivatives) as of September 30, 2019. As debt comes closer to maturity, these gains will continue to be reversed as unrealized losses.

Eksportfinans' liquidity reserves remain strong. Appropriate liquidity contingency plans are maintained.

The over-capitalization of the company remains a key issue for the board.

The board will continue to monitor developments in the international capital markets and their impact on the company's balance sheet and liquidity closely going forward.

## Events after the balance sheet date

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

Oslo, November 5, 2019  
EKSPORTFINANS ASA  
The board of directors

## Condensed statement of profit or loss and other comprehensive income

The information for the three- and nine-month periods ended September 30, 2019 and 2018 is unaudited.

(NOK million)	Third quarter		First nine months		Note
	2019	2018	2019	2018	
Interest and related income	35	70	133	226	
Other similar income	63	52	193	145	
Interest and related expenses	55	90	213	271	
<b>Net interest income</b>	<b>43</b>	<b>32</b>	<b>113</b>	<b>100</b>	
Net commissions related to banking services	0	1	1	1	
Net gains/(losses) on financial instruments at fair value	11	9	56	63	2,14
<b>Net other operating income/(loss)</b>	<b>11</b>	<b>8</b>	<b>55</b>	<b>62</b>	
<b>Total operating income</b>	<b>54</b>	<b>40</b>	<b>168</b>	<b>162</b>	
Salaries and other administrative expenses	14	16	52	60	
Depreciations	1	0	3	0	
Other expenses	3	2	6	7	
<b>Total operating expenses</b>	<b>18</b>	<b>18</b>	<b>61</b>	<b>67</b>	
<b>Pre-tax operating profit/(loss)</b>	<b>36</b>	<b>22</b>	<b>107</b>	<b>95</b>	
Taxes	9	6	27	24	
<b>Profit/(loss) for the period</b>	<b>27</b>	<b>16</b>	<b>80</b>	<b>71</b>	
<i>Other comprehensive income - items that will not be reclassified to profit or loss:</i>					
Change in fair value attributable to changes in own credit risk	(5)	16	(36)	(80)	
Remeasurements of post employment benefit obligations, before tax		0		0	
Income tax relating to these items	1	(4)	9	20	
<b>Other comprehensive income</b>	<b>(4)</b>	<b>12</b>	<b>(27)</b>	<b>(60)</b>	
<b>Total comprehensive income</b>	<b>23</b>	<b>28</b>	<b>53</b>	<b>11</b>	

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

## Condensed balance sheet

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018	Note
Loans due from credit institutions <sup>1)</sup>	1,107	1,259	1,451	4,6,7
Loans due from customers <sup>2)</sup>	6,112	7,866	8,709	5,6,7
Securities	5,743	7,607	5,938	
Financial derivatives	914	1,082	1,036	
Deferred tax asset	263	280	316	
Other assets	743	1,131	1,335	8,11
<b>Total assets</b>	<b>14,882</b>	<b>19,225</b>	<b>18,785</b>	
Bond debt <sup>3)</sup>	7,272	11,255	11,040	9
Financial derivatives	529	945	865	
Taxes payable	0	0	0	
Other liabilities	454	453	419	10,11
Provisions	152	150	147	
<b>Total liabilities</b>	<b>8,407</b>	<b>12,803</b>	<b>12,471</b>	
Share capital	2,771	2,771	2,771	
Reserve for unrealized gains	322	322	212	
Other equity	3,382	3,329	3,331	
<b>Total shareholders' equity</b>	<b>6,475</b>	<b>6,422</b>	<b>6,314</b>	
<b>Total liabilities and shareholders' equity</b>	<b>14,882</b>	<b>19,225</b>	<b>18,785</b>	

- 1) Of NOK 1,107 million at September 30, 2019, NOK 1,079 million is measured at fair value through profit or loss and NOK 28 million is measured at amortized cost. Of NOK 1,259 million at December 31, 2018, NOK 1,215 million is measured at fair value through profit or loss and NOK 44 million is measured at amortized cost. Of NOK 1,451 million at September 30, 2018, NOK 1,411 million is measured at fair value through profit or loss and NOK 40 million is measured at amortized cost.
- 2) Of NOK 6,112 million at September 30, 2019, NOK 3,350 million is measured at fair value through profit or loss and NOK 2,761 million is measured at amortized cost. Of NOK 7,866 million at December 31, 2018, NOK 3,669 million is measured at fair value through profit or loss and NOK 4,197 million is measured at amortized cost. Of NOK 8,709 million at September 30, 2018, NOK 3,765 million is measured at fair value through profit or loss and NOK 4,944 million is measured at amortized cost.
- 3) Of NOK 7,272 million at September 30, 2019, NOK 4,375 million is measured at fair value through profit or loss and NOK 2,897 million is measured at amortized cost. Of NOK 11,255 million at December 31, 2018, NOK 6,925 million is measured at fair value through profit or loss and NOK 4,330 million is measured at amortized cost. Of NOK 11,040 million at September 30, 2018, NOK 5,968 million is measured at fair value through profit or loss and NOK 5,072 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 <sup>1)</sup>	Reserve unrealized gains	Other equity	Comprehensive income <sup>2)</sup>	Total equity
Equity at January 1, 2019	2,771	322	3,328	0	6,421
Other comprehensive income	0	0	0	(27)	(27)
Profit/(loss) for the period	0	0	0	80	80
<b>Equity at September 30, 2019</b>	<b>2,771</b>	<b>322</b>	<b>3,328</b>	<b>53</b>	<b>6,475</b>
Equity at January 1, 2018	2,771	212	3,820	0	6,803
Equity distribution <sup>3)</sup>	0	0	(500)	0	(500)
Other comprehensive income	0	0	0	(60)	(60)
Profit/(loss) for the period	0	0	0	71	71
<b>Equity at September 30, 2018</b>	<b>2,771</b>	<b>212</b>	<b>3,320</b>	<b>11</b>	<b>6,314</b>

- 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 3 million and increased other equity by NOK 56 million. The closing balances would have been NOK 320 million for the reserve for unrealized gains, and NOK 3,384 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 took 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 nine months	
	2019	2018
<b>Pre-tax operating profit/(loss)</b>	<b>107</b>	<b>95</b>
Provided by operating activities:		
Accrual of contribution from the Norwegian government	(20)	(41)
Unrealized losses/(gains) on financial instruments at fair value	(51)	(91)
Depreciation	3	1
Principal collected on loans	2,019	2,669
Purchase of financial investments (trading)	(5,108)	(7,643)
Proceeds from sale or redemption of financial investments (trading)	7,105	7,570
Contribution paid by the Norwegian government	80	80
Taxes paid	0	0
Changes in:		
Accrued interest receivable	100	79
Other receivables	368	239
Accrued expenses and other liabilities	(73)	(380)
<b>Net cash flow from operating activities</b>	<b>4,530</b>	<b>2,578</b>
Proceeds from sale or redemption of financial investments	1	0
Net cashflow of financial derivatives	150	89
<b>Net cash flow from investing activities</b>	<b>151</b>	<b>89</b>
Net proceeds from issuance of commercial paper debt	0	313
Repayments of commercial paper debt	0	(692)
Principal payments on bond debt	(4,759)	(2,117)
Equity distribution	0	(500)
<b>Net cash flow from financing activities</b>	<b>(4,759)</b>	<b>(2,996)</b>
<b>Net change in cash and cash equivalents <sup>1)</sup></b>	<b>(78)</b>	<b>(329)</b>
Cash and cash equivalents at beginning of period	430	941
Effect of exchange rates on cash and cash equivalents	3	(11)
<b>Cash and cash equivalents <sup>1)</sup> at end of period</b>	<b>355</b>	<b>601</b>

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' third quarter 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 16, 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 2018. Those financial statements were approved for issue by the Board of Directors on February 12, 2019 and included in the company's Annual Report for the year-end December 31, 2018. 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, 2018. 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 16 "leases" as issued by IASB with a date of transition of January 1, 2019, which resulted in changes in the accounting policies compared to those applied in the financial statements for the year ended December 31, 2018.

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 January 1, 2019. The amendments were endorsed by the EU-commission in 2017. The company has included a right if use asset of NOK 13 million as of January 1, 2019 with a corresponding liability. See note 11 for further details.

The information for the nine months ended September 30, 2019 and 2018 is unaudited. The information as of and for the year ended December 31, 2018 is derived from the company's audited consolidated financial statements as of and for the year ended December 31, 2018.

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

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

(NOK million)	Third quarter		First nine months	
	2019	2018	2019	2018
Securities held for trading	0	0	(1)	(30)
Securities designated as at fair value at initial recognition	0	0	0	0
Financial derivatives	0	0	0	0
Other financial instruments at fair value	3	0	6	2
<b>Net realized gains/(losses)</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>(28)</b>
Loans and receivables	1	(1)	13	0
Securities	5	(4)	62	83
Financial derivatives	134	48	350	(256)
Bond debt <sup>1)</sup>	(130)	(35)	(372)	263
Other	(2)	1	(2)	1
<b>Net unrealized gains/(losses)</b>	<b>8</b>	<b>9</b>	<b>51</b>	<b>91</b>
<b>Net realized and unrealized gains/(losses)</b>	<b>11</b>	<b>9</b>	<b>56</b>	<b>63</b>

1) In the first nine months of 2019, Eksportfinans had an unrealized loss of NOK 372 million of financial liabilities classified as level 3 in the fair value hierarchy (gain of NOK 263 million in the corresponding period of 2018).

See note 14 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 ratio<sup>1)</sup> was 41.5 % at September 30, 2019, compared to 32.5 % at December 31, 2018 and 32.8 % at September 30, 2018.

#### Risk-weighted assets

(NOK million)	Sep 30, 2019		Dec 31, 2018		Sep 30, 2018	
	Book value	Risk-weighted value	Book value	Risk-Weighted value	Book Value	Risk-Weighted value
Total assets	14,882	5,038	19,225	4,933	18,785	5,289
Operational risk		403		403		491
<b>Total risk-weighted value</b>		<b>5,441</b>		<b>5,336</b>		<b>5,780</b>

#### The company's regulatory capital

(NOK million and in percent of risk-weighted value)	Sep 30, 2019		Dec 31, 2018		Sep 30, 2018	
Core capital <sup>2)</sup>	6,071	111.6 %	6,080	113.9 %	6,013	104.0 %
<b>Total regulatory capital</b>	<b>6,071</b>	<b>111.6%</b>	<b>6,080</b>	<b>113.9%</b>	<b>6,013</b>	<b>104.0 %</b>

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)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Cash equivalents <sup>1)</sup>	355	430	601
Loans to other credit institutions, nominal amount (also included in note 6) <sup>2)</sup>	744	813	819
Accrued interest on loans and unamortized premium/discount on purchased loans	9	28	35
Adjustment to fair value on loans	(1)	(12)	(4)
<b>Total</b>	<b>1,107</b>	<b>1,259</b>	<b>1,451</b>

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

2) 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 44 million at September 30, 2019, NOK 113 million at December 31, 2018 and NOK 120 million at September 30, 2018.

## 5. Loans due from customers

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Loans due from customers, nominal amount (also included in note 6)	6,079	7,823	8,676
Accrued interest on loans and unamortized premium/discount on purchased loans	19	32	24
Adjustment to fair value on loans	14	11	9
<b>Total</b>	<b>6,112</b>	<b>7,866</b>	<b>8,709</b>

## 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)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Loans due from credit institutions	744	813	819
Loans due from customers	6,079	7,823	8,676
<b>Total nominal amount</b>	<b>6,823</b>	<b>8,636</b>	<b>9,495</b>
Commercial loans	3,588	4,452	4,567
Government-supported loans	3,235	4,184	4,928
<b>Total nominal amount</b>	<b>6,823</b>	<b>8,636</b>	<b>9,495</b>
Ships	2,137	3,491	4,485
Capital goods	2,524	2,843	2,735
Export-related and international activities <sup>1)</sup>	907	1,017	979
Municipal-related loans to other credit institutions	700	700	590
Direct loans to Norwegian local government sector	550	580	700
Loans to employees	5	5	6
<b>Total nominal amount</b>	<b>6,823</b>	<b>8,636</b>	<b>9,495</b>

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

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Shipping	907	970	929
Real estate management	0	47	50
<b>Total nominal amount</b>	<b>907</b>	<b>1,017</b>	<b>979</b>

## 7. Loans past due or impaired

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
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	0	0	0
Not matured principal on loans with payments 31-90 days past due	0	0	0
Interest and principal installment more than 90 days past due	23	19	14
Not matured principal on loans with payments more than 90 days past due	4	9	12
<b>Total loans past due</b>	<b>27</b>	<b>28</b>	<b>26</b>
Relevant collateral or guarantees received <sup>1)</sup>	27	28	26
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)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Stage 1	2,762	4,213	4,958
Stage 2	0	0	0
Stage 3	27	28	26
<b>Total loans measured at amortized cost</b>	<b>2,789</b>	<b>4,241</b>	<b>4,984</b>

## 8. Other assets

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Settlement account 108 Agreement	72	136	127
Cash collateral provided	637	982	874
Collateral deposit <sup>1)</sup>	0	0	307
Right-of-use asset <sup>2)</sup>	11		
Fixed assets	3	1	2
Other	20	12	25
<b>Total other assets</b>	<b>743</b>	<b>1,131</b>	<b>1,335</b>

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. The deposit was returned to the Company in December 2018.

2) Presented in note 11.

## 9. Bond debt

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Bond debt	7,608	11,944	11,447
Adjustment to fair value on debt	(409)	(820)	(510)
Accrued interest	73	131	103
<b>Total bond debt</b>	<b>7,272</b>	<b>11,255</b>	<b>11,040</b>

## 10. Other liabilities

(NOK million)	Sep 30, 2019	Dec 31, 2018	Sep 30, 2018
Grants to mixed credits	6	7	9
Cash collateral received	425	435	405
Lease liability <sup>1)</sup>	11		
Other short-term liabilities	12	11	5
<b>Total other liabilities</b>	<b>454</b>	<b>453</b>	<b>419</b>

1) Presented in note 11.

## 11. Right-of-use assets and lease liabilities

As of June 30, 2019 the company leases parts of an office building from Eiendomsselskapet Dronning Mauds gt 15 AS. As IFRS 16 was implemented on January 1, 2019, both the right-of-use and lease liability is included in the balance sheet.

The right of use asset is being depreciated using linear method.

(NOK million)	Property
Acquisition of right of use at January 1, 2019	13
Depreciation	2
<b>Carrying amount of right-of-use asset at September 30, 2019</b>	<b>11</b>

The company's lease liabilities has the following maturity of cash outflows:

(NOK million)	June 30, 2019
Less than 1 year	3
1-2 year	7
3-4 years	1
<b>Total undiscounted lease liabilities</b>	<b>11</b>

The interest expense of the lease liability was NOK 0.2 million in the first nine months of 2019, which is included in the income statement as interests and related expenses. The discount rate that is being used is 1.92%.

## 12. 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 nine months		First nine months	
	2019	2018	2019	2018
<b>Net interest income <sup>1)</sup></b>	<b>78</b>	<b>77</b>	<b>35</b>	<b>23</b>
Net Commissions and related to banking services <sup>2)</sup>	0	0	(1)	(1)
Net gains/(losses) on financial instruments at fair value	33	7	18	52
Income/expense allocated by volume <sup>3)</sup>	3	3	2	1
<b>Net other operating income</b>	<b>36</b>	<b>10</b>	<b>19</b>	<b>52</b>
<b>Total operating income</b>	<b>114</b>	<b>87</b>	<b>54</b>	<b>75</b>
<b>Total operating expenses</b>	<b>27</b>	<b>33</b>	<b>34</b>	<b>34</b>
<b>Pre-tax operating profit/(loss)</b>	<b>87</b>	<b>54</b>	<b>20</b>	<b>41</b>
Taxes	22	14	5	10
<b>Profit/loss for the period</b>	<b>65</b>	<b>40</b>	<b>15</b>	<b>31</b>

- 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.

## 13. Material transactions with related parties

The company's two largest shareholders, DNB Bank ASA and Nordea Bank Abp, Norway branch, 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 <sup>1)</sup>	Guarantees received <sup>2)</sup>
Balance January 1, 2019	430	2,990
Change in the period	(222)	(674)
<b>Balance September 30, 2019</b>	<b>208</b>	<b>2,316</b>
Balance January 1, 2018	536	4,115
Change in the period	(20)	(959)
<b>Balance September 30, 2018</b>	<b>516</b>	<b>3,156</b>

- 1) Deposits made by the company.
- 2) Guarantees provided to the company from the related parties.

## 14. 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)	Third quarter		First nine months	
	2019	2018	2019	2018
Securities <sup>1)</sup>	0	0	(1)	(30)
Other financial instruments at fair value <sup>1)</sup>	3	0	6	2
<b>Net realized gains/(losses)</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>(28)</b>
Loans and receivables <sup>1)</sup>	1	10	14	21
Securities <sup>1)</sup>	4	0	19	81
Commercial paper debt <sup>1) 2)</sup>	0	0	0	0
Bond debt <sup>1) 2)</sup>	3	0	3	2
Other financial instruments at fair value <sup>1)</sup>	(3)	1	(3)	1
<b>Net unrealized gains/(losses)</b>	<b>5</b>	<b>11</b>	<b>33</b>	<b>105</b>
Financial derivatives related to the 108 Agreement <sup>3)</sup>	3	(2)	18	(14)
<b>Net realized and unrealized gains/(losses)</b>	<b>11</b>	<b>9</b>	<b>56</b>	<b>63</b>

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

2) In the first nine months of 2019, Eksportfinans had a gain of NOK 3 million (gain of NOK 2 million in the same period of 2018) on its own debt, net of derivatives.

3) 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 nine months of 2019 and 2018, the company recorded NOK 277 million and NOK 350 million respectively, of interest income on loans due from credit institutions, loans due from customers and securities and NOK 149 million and NOK 220 million, respectively, of interest expense on commercial paper and bond debt. In the same periods the company recorded positive NOK 49 million, and positive NOK 21 million, respectively, of interest income on economic hedging instruments and positive NOK 64 million and positive NOK 51 million, respectively, of interest expense on economic hedging instruments.



## 15. Maturity analysis

### Maturity analysis of financial assets and liabilities based on expected maturities at September 30, 2019

(NOK million)	From						Total
	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 years up to and including 5 years	Over 5 years	
<b>Assets</b>							
Loans and receivables due from credit institutions	148	3	3	13	10	23	199
Loans and receivables due from customers	328	354	1,772	2,653	727	1,711	7,545
Securities	2	14	978	3,452	1,469	0	5,915
Derivatives net settled	22	3	30	108	108	256	527
Derivatives gross settled (pay leg)	(121)	(38)	(434)	(2,841)	(356)	(1,376)	(5,166)
Derivatives gross settled (receive leg)	122	22	446	2,821	342	1,469	5,222
Cash collateral	0	637	0	0	0	0	637
<b>Total assets</b>	<b>502</b>	<b>995</b>	<b>2,795</b>	<b>6,205</b>	<b>2,300</b>	<b>2,083</b>	<b>14,880</b>
<b>Liabilities</b>							
Deposits by credit institutions	0	0	0	0	0	0	0
Plain vanilla bond debt	0	1	45	2,452	1	0	2,499
Structured bond debt	25	7	344	625	216	4,453	5,672
Commercial papers	0	0	0	0	0	0	0
Derivatives net settled	6	5	54	26	26	0	117
Derivatives gross settled (pay leg)	260	585	350	412	187	2,756	4,550
Derivatives gross settled (receive leg)	(252)	(572)	(308)	(344)	(84)	(2,577)	(4,137)
Cash collateral	0	425	0	0	0	0	425
<b>Total liabilities</b>	<b>39</b>	<b>452</b>	<b>485</b>	<b>3,171</b>	<b>346</b>	<b>4,633</b>	<b>9,126</b>

### Maturity analysis of financial assets and liabilities based on expected maturities at December 31, 2018

(NOK million)	From						Total
	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 years up to and including 5 years	Over 5 years	
<b>Assets</b>							
Loans and receivables due from credit institutions	3	0	21	41	30	27	123
Loans and receivables due from customers	275	517	2,017	3,472	1,714	1,701	9,695
Securities	2	1,698	1,678	1,686	12	0	5,077
Derivatives net settled	0	29	25	108	108	301	572
Derivatives gross settled (pay leg)	(258)	(720)	(3,239)	(2,442)	(414)	(943)	(8,016)
Derivatives gross settled (receive leg)	261	775	3,434	2,402	401	1,032	8,306
Cash collateral	0	982	0	0	0	0	982
<b>Total assets</b>	<b>284</b>	<b>3,282</b>	<b>3,936</b>	<b>5,265</b>	<b>1,852</b>	<b>2,119</b>	<b>16,738</b>
<b>Liabilities</b>							
Deposits by credit institutions	0	0	0	0	0	0	0
Plain vanilla bond debt	9	45	4,210	2,400	30	0	6,694
Structured bond debt	87	286	99	704	527	4,456	6,158
Commercial papers	0	0	0	0	0	0	0
Derivatives net settled	11	16	71	59	59	0	216
Derivatives gross settled (pay leg)	525	1,635	293	295	218	3,298	6,263
Derivatives gross settled (receive leg)	(506)	(1,582)	(254)	(196)	(98)	(2,993)	(5,628)
Cash collateral	0	436	0	0	0	0	436
<b>Total liabilities</b>	<b>125</b>	<b>836</b>	<b>4,418</b>	<b>3,263</b>	<b>736</b>	<b>4,761</b>	<b>14,139</b>

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

(NOK million)	From						Total
	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 years up to and including 5 years	Over 5 years	
<b>Assets</b>							
Loans and receivables due from credit institutions	61	3	18	41	34	30	186
Loans and receivables due from customers	241	416	2,383	4,051	1,825	1,727	10,642
Securities	1	715	3,163	1,426	12	0	5,317
Derivatives net settled	21	1	29	102	102	303	559
Derivatives gross settled (pay leg)	(4)	(1,517)	(3,583)	(2,134)	(424)	(926)	(8,588)
Derivatives gross settled (receive leg)	4	1,521	3,806	2,091	404	1,000	8,825
Cash collateral	0	874	0	0	0	0	874
<b>Total assets</b>	<b>323</b>	<b>2,013</b>	<b>5,816</b>	<b>5,578</b>	<b>1,952</b>	<b>2,133</b>	<b>17,816</b>
<b>Liabilities</b>							
Deposits by credit institutions	0	0	0	0	0	0	0
Plain vanilla bond debt	8	5	4,165	2,301	31	0	6,509
Structured bond debt	24	(1)	419	695	445	4,113	5,695
Commercial paper	0	0	0	0	0	0	0
Derivatives net settled	14	19	98	89	89	0	308
Derivatives gross settled (pay leg)	103	615	566	377	98	3,043	4,803
Derivatives gross settled (receive leg)	(106)	(600)	(502)	(276)	(14)	(2,694)	(4,191)
Cash collateral	0	405	0	0	0	0	405
<b>Total liabilities</b>	<b>44</b>	<b>442</b>	<b>4,747</b>	<b>3,185</b>	<b>649</b>	<b>4,462</b>	<b>13,529</b>

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.

## 16. 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 2018.

### 16.1 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)	September 30, 2019		September 30, 2018	
	Sensitivity (1 bp)	Percentage	Sensitivity (1 bp)	Percentage
Direct loans	(0.4)	17.0%	(0.5)	15.0 %
Loans to municipalities	(0.3)	13.7%	(0.4)	13.1 %
Guaranteed loans	(0.6)	69.3%	(0.8)	71.9 %
<b>Total loans</b>		<b>100,0 %</b>		<b>100.0 %</b>

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 September 30, 2019 (from 0 basis points to 105 basis points as of September 30, 2018). For the combined total lending portfolio over the past two years credit spreads have changed 1.8 basis point per month in 95 percent of the time, representing NOK 2.4 million. As of September 30, 2018, a 95 percent confidence interval was 0.8 basis points representing NOK 1.3 million.

#### Securities:

Eksportfinans retrieved prices and credit spread quotes from two different market makers and pricing vendors as of September 30, 2019. Among the two different quote providers, the major price provider (Bloomberg) covered 98 percent (89 percent as of September 30, 2018).

#### 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)	September 30, 2019	September 30, 2018
	Sensitivity (1 bp)	Sensitivity (1 bp)
Plain vanilla bond debt	0.3	0.8
Structured bond debt	5.0	4.2

The spreads applied for fair value measurement of bond debt are in the range from 27 basis points to 85 basis points as of September 30, 2019 (from 30 basis points to 97 basis points as of December 31, 2018).

### 16.2 Financial assets measured at fair value through profit or loss

(NOK million)	September 30, 2019				September 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans due from credit institutions	207	872	0	1,079	556	855	0	1,411
Loans due from customers	0	28	3,322	3,351	0	30	3,735	3,765
Securities	0	5,743	0	5,743	0	5,938	0	5,938
Financial derivatives	0	187	727	914	0	443	593	1,036
Other assets	0	637	0	637	0	874	0	874
<b>Total fair value</b>	<b>207</b>	<b>7,467</b>	<b>4,050</b>	<b>11,724</b>	<b>556</b>	<b>8,140</b>	<b>4,328</b>	<b>13,024</b>

### 16.3 Financial liabilities measured at fair value through profit or loss

(NOK million)	September 30, 2019				September 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bond debt	0	0	4,375	4,375	0	0	5,967	5,967
Financial derivatives	0	131	398	529	0	191	673	864
Other liabilities	0	425	0	425	0	405	0	405
<b>Total fair value</b>	<b>0</b>	<b>556</b>	<b>4,773</b>	<b>5,329</b>	<b>0</b>	<b>596</b>	<b>6,640</b>	<b>7,236</b>

#### Movement of level 3 financial assets

(NOK million)	From January 1, 2019 to September 30, 2019				From January 1, 2018 to September 30, 2018			
	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
<b>Opening balance</b>	0	3,638	633	4,271	0	4,690	785	5,475
Total gains or losses <sup>1)</sup>	0	163	126	289	0	15	(106)	(91)
Settlements	0	(478)	(32)	(510)	0	(970)	(86)	(1,056)
<b>Closing balance</b>	<b>0</b>	<b>3,322</b>	<b>727</b>	<b>4,050</b>	<b>0</b>	<b>3,735</b>	<b>593</b>	<b>4,328</b>
Total gains or losses <sup>1)</sup> for the period in profit or loss for assets held at the end of the reporting period	0	163	123	286	0	15	(92)	(77)

1) 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, 2019 to September 30, 2019			From January 1, 2018 to September 30, 2018		
	Bond debt	Financial derivatives	Total	Bond debt	Financial derivatives	Total
<b>Opening balance</b>	6,926	762	7,687	6,777	414	7,191
Total gains or losses <sup>1) 2)</sup>	411	(318)	93	(183)	271	88
Issues	0	0	0	0	0	0
Settlements	(2,962)	(45)	(3,007)	(627)	(12)	(639)
<b>Closing balance</b>	<b>4,375</b>	<b>398</b>	<b>4,773</b>	<b>5,967</b>	<b>673</b>	<b>6,640</b>
Total gains or losses <sup>1) 2)</sup> for the period in profit or loss for liabilities held at the end of the reporting period	121	(296)	(175)	(182)	285	103

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.

## 16.4 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)	Sep 30, 2019		Dec 31, 2018		Sep 30, 2018	
	Fair value	Carrying value	Fair value	Carrying value	Fair Value	Carrying value
<b>Assets</b>						
Loans due from credit institutions	1,107	1,107	1,259	1,259	1,440	1,451
Loans due from customers	6,249	6,112	8,089	7,866	8,985	8,709
Securities	5,743	5,743	7,607	7,607	5,938	5,938
Financial derivatives	914	914	1,082	1,082	1,036	1,036
Other assets	743	743	1,131	1,131	1,335	1,335
<b>Liabilities</b>						
Bond debt	7,315	7,272	11,346	11,255	10,918	11,040
Financial derivatives	529	529	945	945	865	865
Other liabilities	454	454	453	453	419	418

## 17. Contingencies

There are no significant contingencies as of September 30, 2019.

## 18. 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 September 30, 2019, 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 nine months 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, November 5, 2019

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Sigurd Carlsen  
Chair Person

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Toril Eidesvik  
Deputy Chair Person

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Bjørn Berg

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Thomas Falck

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Marianne Bergmann Røren

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Ole Anders Næss