Ship Finance International LTD
Form 6-K
December 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
For the month of December 2017
Commission File Number: 001-32199

Ship Finance International Limited
(Translation of registrant's name into English)

Par-la-Ville Place
14 Par-la-Ville Road
Hamilton, HM 08, Bermuda
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F x Form 40-F ¨
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .
Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .
Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto are the unaudited condensed interim financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations of Ship Finance International Limited (the "Company") for the nine months ended September 30, 2017.

This report on Form 6-K is hereby incorporated by reference into the Company's two registration statements on Form F-3 (Registration No. 333-213782 and Registration No. 333-213783), each filed with the U.S. Securities and Exchange Commission (the "Commission") on September 26, 2016.

SHIP FINANCE INTERNATIONAL LIMITED

REPORT ON FORM 6-K FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the nine months ended September 30, 2017 and September 30, 2016
and the year ended December 31, 2016
(in thousands of $, except per share amounts)

	Nine months ended September 30,		Year ended December 31,
	2017	2016	2016
Operating revenues			
Direct financing lease interest income - related parties	12,974	17,589	22,850
Direct financing and sales-type lease interest income - other	15,750	—	331
Finance lease service revenues - related parties	27,557	33,759	44,523
Profit sharing revenues - related parties	5,591	44,467	51,470
Profit sharing revenues - other	61	74	74
Time charter revenues - related parties	38,639	42,454	55,265
Time charter revenues - other	138,543	125,603	171,483
Bareboat charter revenues - related parties	5,735	8,132	10,075
Bareboat charter revenues - other	24,279	27,126	34,964
Voyage charter revenues - other	14,352	12,176	19,329
Other operating income	1,295	3,722	2,587
Total operating revenues	284,776	315,102	412,951
Gain/(loss) on sale of assets and termination of charters, net	1,124	(167)	(167)
Operating expenses			
Vessel operating expenses - related parties	44,875	50,758	67,221
Vessel operating expenses - other	53,831	52,257	68,795
Depreciation	65,501	70,555	94,293
Vessel impairment charge	—	—	5,314
Administrative expenses - related parties	598	1,017	1,443
Administrative expenses - other	5,110	6,006	7,629
Total operating expenses	169,915	180,593	244,695
Net operating income	115,985	134,342	168,089
Non-operating income/(expense)			
Interest income - related parties, long term loans to associated companies	11,733	14,006	18,675
Interest income - related parties, other	1,312	643	897
Interest income - other	1,758	739	2,164
Interest expense - other	(68,421)	(52,723)	(71,843)
(Loss)/gain on repurchase of bonds	(847)	(38)	(8,802)
Dividend income - related parties	3,300	10,450	11,550
Other financial items, net	(3,778)	(10,488)	(2,089)
Net income before equity in earnings of associated companies	61,042	96,931	118,641
Equity in earnings of associated companies	20,082	20,946	27,765
Net income	81,124	117,877	146,406
Per share information:			
Basic earnings per share	$0.87	$ 1.26	$ 1.57
Diluted earnings per share	$0.83	$ 1.08	$ 1.50

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the nine months ended September 30, 2017 and September 30, 2016
and the year ended December 31, 2016
(in thousands of $)

	Nine months ended September 30,		Year ended December 31,
	2017	2016	2016
Net income	81,124	117,877	146,406
Fair value adjustments to hedging financial instruments	4,843	(6,280)	9,702
Fair value adjustments to hedging financial instruments in associated companies	760	(402)	1,150
Fair value adjustments to available for sale securities	(3,757)	(95,830)	(93,406)
Other comprehensive income/(loss)	92	45	(38)
Gain/(loss) on hedging financial instruments reclassified into earnings	1,555	—	—
Other comprehensive income/(loss), net of tax	3,493	(102,467)	(82,592)
Comprehensive income/(loss)	84,617	15,410	63,814

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

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
as at September 30, 2017 and December 31, 2016
(in thousands of $, except share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	245,782	62,382
Available-for-sale securities	115,921	118,489
Due from related parties	12,125	17,519
Trade accounts receivable	7,525	3,549
Other receivables	8,238	11,370
Inventories	5,806	5,083
Prepaid expenses and accrued income	2,687	3,608
Investment in direct financing and sales-type leases, current portion	31,941	32,220
Assets held for sale	—	24,097
Financial instruments (short-term): at fair value	38	110
Total current assets	430,063	278,427
Vessels and equipment, net	1,784,504	1,737,169
Newbuildings and vessel purchase deposits	—	33,447
Investment in direct financing and sales-type leases, long-term portion	593,992	523,815
Investment in associated companies	6,572	130
Loans to related parties - associated companies, long-term	312,135	330,087
Long-term receivables from related parties	9,955	9,268
Other long-term assets	14,560	18,992
Financial instruments (long-term): at fair value	5,070	6,042
Total assets	3,156,851	2,937,377
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	467,224	174,900
Due to related parties	621	850
Trade accounts payable	1,017	1,229
Financial instruments (short-term): at fair value	25,574	39,309
Accrued expenses	13,352	13,800
Other current liabilities	16,729	8,882
Total current liabilities	524,517	238,970
Long-term liabilities		
Long-term debt	1,244,919	1,377,974
Financial instruments (long-term): at fair value	48,240	61,456
Other long-term liabilities	237,096	124,882
Total liabilities	2,054,772	1,803,282
Commitments and contingent liabilities		
Stockholders' equity		
Share capital ($0.01 par value; 150,000,000 shares authorized; 101,504,575 shares issued and outstanding at September 30, 2017 and at December 31, 2016)	1,015	1,015
Additional paid-in capital	282,750	282,502
Contributed surplus	680,703	680,703

Accumulated other comprehensive loss	(82,046)	(84,779)
Accumulated other comprehensive loss - associated companies	(216)	(976)
Retained earnings	219,873	255,630
Total stockholders' equity	1,102,079	1,134,095
Total liabilities and stockholders' equity	3,156,851	2,937,377

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 2017 and September 30, 2016
and the year ended December 31, 2016
(in thousands of $)

	Nine months ended September 30,		Year ended December 31,
	2017	2016	2016
Operating activities			
Net income	81,124	117,877	146,406
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	65,501	70,555	94,293
Vessel impairment charge	—	—	5,314
Amortization of deferred charges	7,113	8,349	10,972
Amortization of seller's credit	(934)	(1,009)	(1,324)
Equity in earnings of associated companies	(20,082)	(20,946)	(27,765)
(Gain)/loss on sale of assets and termination of charters	(1,124)	167	167
Adjustment of derivatives to fair value recognized in net income	(4,724)	5,511	(4,399)
Loss/(gain) on repurchase of bonds	847	38	8,802
Interest receivable in form of notes	(635)	(633)	(633)
Other, net	(1,337)	325	365
Changes in operating assets and liabilities:			
Trade accounts receivable	(3,976)	(1,886)	(1,492)
Due from related parties	5,862	12,253	8,433
Other receivables	3,194	(980)	(856)
Inventories	(724)	(242)	(27)
Prepaid expenses and accrued income	921	2,999	2,181
Trade accounts payable	(212)	588	394
Accrued expenses	(449)	(1,495)	1,046
Other current liabilities	2,739	(11,601)	(11,804)
Net cash provided by operating activities	133,104	179,870	230,073
Investing activities			
Repayments from investments in direct financing and sales-type leases	24,296	23,294	30,410
Additions to newbuildings	(81,664)	(182,357)	(188,142)
Proceeds/(payments) from sales of vessels and termination of charters	74,791	29,102	29,102
Net amounts received from/(paid to) associated companies	30,968	181,821	193,517
Other investments and long term assets, net	(15,736)	(12,072)	(25,488)
Net cash provided by/(used in) investing activities	32,655	39,788	39,399
Financing activities			
Shares issued, net of issuance costs	—	243	323
(Repurchase)/resale of bonds, net	(68,383)	(117,509)	(296,800)
Proceeds from issuance of long-term debt	302,104	277,002	522,000
Repayments of long-term debt	(94,123)	(259,700)	(329,303)
Debt fees paid	(1,521)	(238)	(5,099)
Repayment of lease obligation liability	(3,555)	—	(97)
Cash dividends paid	(116,881)	(126,211)	(168,289)
Net cash provided by/(used in) financing activities	17,641	(226,413)	(277,265)
Net change in cash and cash equivalents	183,400	(6,755)	(7,793)
Cash and cash equivalents at start of the period	62,382	70,175	70,175

Cash and cash equivalents at end of the period	245,782	63,420	62,382
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	66,254	49,520	65,184

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the nine months ended September 30, 2017 and September 30, 2016
and the year ended December 31, 2016
(in thousands of $, except number of shares)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Number of shares outstanding			
At beginning of period	101,504,575	93,468,000	93,468,000
Shares issued	—	36,575	8,036,575
At end of period	101,504,575	93,504,575	101,504,575
Share capital			
At beginning of period	1,015	93,468	93,468
Shares issued	—	37	117
Transfer to contributed surplus - reduction in par value	—	(92,570)	(92,570)
At end of period	1,015	935	1,015
Additional paid-in capital			
At beginning of period	282,502	285,859	285,859
Amortization of stock based compensation	248	266	403
Shares issued	—	206	206
Equity component from issuance of convertible bond due 2021	—	—	4,551
Adjustment to equity component arising from partial reacquisition of convertible bond due 2018	—	—	(8,517)
At end of period	282,750	286,331	282,502
Contributed surplus			
At beginning of period	680,703	588,133	588,133
Transfer from share capital - reduction in par value	—	92,570	92,570
At end of period	680,703	680,703	680,703
Accumulated other comprehensive loss			
At beginning of period	(84,779)	(1,037)	(1,037)
Gain/(loss) on hedging financial instruments reclassified into earnings	1,555	—	—
Fair value adjustments to hedging financial instruments	4,843	(6,280)	9,702
Fair value adjustments to available-for-sale securities	(3,757)	(95,830)	(93,406)
Other comprehensive income/(loss)	92	45	(38)
At end of period	(82,046)	(103,102)	(84,779)
Accumulated other comprehensive loss - associated companies			
At beginning of period	(976)	(2,126)	(2,126)
Fair value adjustments to hedging financial instruments	760	(402)	1,150
At end of period	(216)	(2,528)	(976)
Retained earnings			
At beginning of period	255,630	277,513	277,513
Net income	81,124	117,877	146,406
Dividends declared	(116,881)	(126,211)	(168,289)
At end of period	219,873	269,179	255,630
Total stockholders' equity	1,102,079	1,131,518	1,134,095

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

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SHIP FINANCE INTERNATIONAL LIMITED
Notes to the Unaudited Condensed Consolidated Financial Statements

1. INTERIM FINANCIAL DATA

The unaudited condensed interim financial statements of Ship Finance International Limited (“Ship Finance” or the “Company”) have been prepared on the same basis as the Company’s audited financial statements and, in the opinion of management, include all material adjustments, consisting only of normal recurring adjustments considered necessary in order to make the interim financial statements not misleading, in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The accompanying unaudited condensed interim financial statements should be read in conjunction with the annual financial statements and notes included in the Annual Report on Form 20-F for the year ended December 31, 2016. The results of operations for the interim period ended September 30, 2017 are not necessarily indicative of the results for the entire year ending December 31, 2017.

Basis of accounting
The condensed consolidated financial statements are prepared in accordance with US GAAP. The condensed consolidated financial statements include the assets and liabilities and results of operations of the Company and its subsidiaries including variable interest entities in which the Ship Finance is deemed to be the primary beneficiary. All inter-company balances and transactions have been eliminated on consolidation.

The condensed consolidated financial statements are prepared in accordance with the accounting policies described in the Company’s Annual Report on Form 20-F for the year ended December 31, 2016.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" which will replace almost all existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 was effective for reporting periods and interim periods beginning on or after December 15, 2016. In August 2015, the FASB issued ASU 2015-14 "Deferral of the Effective Date" to delay the implementation of ASU 2014-09 by one year, in response to feedback from preparers, practitioners and users of financial statements. Accordingly, ASU 2014-09 is now effective for reporting periods and interim periods beginning on or after December 15, 2017. The Company plans to adopt the amendments in ASU 2014-09 on a modified retrospective basis. We do not expect the adoption of the standard to have a material impact on the consolidated financial statements of the Company. We will be applying the changes in the ASU to our vessels operating on voyage charters, on which we expect to continue recognizing revenue over time. The time period over which revenue will be recognized is still being determined and, depending on the final conclusion, each period’s voyage results could differ materially from the same period’s voyage results recognized based on the present revenue recognition guidance. However, the total voyage results recognized over all periods would not change.

In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 particularly relates to the fair value and impairment of equity investments, financial instruments measured at amortized cost, and the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes. ASU 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is only permitted for certain particular amendments within ASU 2016-01, where financial statements have not yet been issued. ASU 2016-01 will require the Company to recognize any changes in the fair value of certain equity investments in net income. These changes are currently recognized in other comprehensive income.

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 creates a new Accounting Standards Codification Topic 842 "Leases" to replace the previous Topic 840 "Leases." ASU 2016-02 affects both lessees and lessors, although for the latter the provisions are similar to the previous model, but updated to align with certain changes to the lessee model and also the new revenue recognition provisions contained in ASU 2014-09 (see above). ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact of ASU 2016-02 on its consolidated financial position, results of operations and cash flows.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses" to introduce new guidance for the accounting for credit losses on instruments within its scope. ASU 2016-13 requires among other things, the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of ASU 2016-13 on its consolidated financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. It addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption permitted. The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently assessing the impact of ASU 2016-15 on its statement of consolidated cash flows.

In November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash", to address diversity
in practice that exists in the classification and presentation of changes in restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The standard will be effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The impact on the consolidated financial statements of the Company will depend on the facts and circumstances of any specific future transactions.

In January 2017, the FASB issued ASU 2017-01 "Business Combinations (Topic 805) -Clarifying the Definition of a Business" which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is required to be applied prospectively and will be effective for the Company beginning January 1, 2018. The impact on the consolidated financial statements of the Company will depend on the facts and circumstances of any specific future transactions.

In March 2017, the FASB issued ASU 2017-08 "Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities" to amend the amortization period for certain purchased callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The impact on the consolidated financial statements of the Company will depend on the facts and circumstances of any specific future transactions.

In May 2017, the FASB issued ASU 2017-09 "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting" to clarify and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting. ASU 2017-09 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted. The impact on the consolidated financial statements of the Company will depend on the facts and circumstances of any specific future transactions.

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The amendments also simplify the application of hedge accounting in certain situations. ASU 2017-12 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its Consolidated Financial Statements and related disclosures.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-07 "Investments - Equity Method and Joint Ventures" to simplify the transition to the equity method of accounting. ASU 2016-07 eliminates the requirement that when an investment qualifies for the use of the equity method as a result of an increase in the level of ownership, the investor must adjust the investment, results of operations and retained earnings retrospectively as if the equity method had been in effect during all previous periods in which the investment had been held. ASU 2016-07 was effective for fiscal years and interim periods beginning after December 15, 2016. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company for the nine months ended September 30, 2017.

In March 2016, the FASB issued ASU 2016-09 "Compensation - Stock Compensation" to introduce improvements to employee share-based payment accounting. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, the classification of awards as either equity or liabilities and the classification on the statement of cash flows. ASU 2016-09 was effective for fiscal years and interim periods beginning after December 15, 2016. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company for the nine months ended September 30, 2017.

2. GAIN ON SALE OF ASSETS AND TERMINATION OF CHARTERS

(Loss)/Gain on sale of vessels
During the nine months ended September 30, 2017, the VLCC Front Century, the Suezmax Front Brabant, the VLCC Front Scilla and the Suezmax Front Ardenne, which were accounted for as direct financing lease assets, were sold to unrelated third parties in March 2017, May 2017, June 2017 and August 2017, respectively. Losses of $26,000, $1.7 million, $1.1 million and a gain of $0.3 million, respectively, were recorded on the disposals. Sales proceeds included compensation received for early termination of the charters (see Note 15: Related party transactions).

The 1,700 TEU container vessel MSC Alice, which was previously an operating lease asset, was accounted for as a sales-type lease during the nine months ended September 30, 2017, following the commencement of a long-term bareboat charter in April 2017 to MSC Mediterranean Shipping Company S.A. ("MSC"), an unrelated party. The terms of the charter provides a minimum fixed price purchase obligation at the expiry of the five year charter period. A gain of $0.7 million was recorded on the transaction.

Gain on termination of charters
In April 2017, the 2007-built jack-up drilling rig Soehanah was redelivered to us by the previous charterer, PT Apexindo Pratama Duta ("Apexindo"). Ship Finance received a non-amortizing loan note with a term of six years from Apexindo as part of the settlement agreement for the early termination of the charter. The note which has an initial face value of $6.0 million has been recorded at an initial fair value of $2.8 million, resulting as a gain on the termination of the charter.

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3. EARNINGS PER SHARE

The computation of basic earnings per share (“EPS”) is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

The components of the numerator for the calculation of basic and diluted EPS are as follows:

(in thousands of $)	Nine months ended September 30, 2017	September 30, 2016	Year ended December 31, 2016
Basic:			
Net income available to stockholders	81,124	117,877	146,406
Diluted:			
Net income available to stockholders	81,124	117,877	146,406
Interest and other expenses attributable to convertible bonds	17,890	13,494	15,310
Net income assuming dilution	99,014	131,371	161,716

The components of the denominator for the calculation of basic and diluted EPS are as follows:

(in thousands)	Nine months ended September 30, 2017	September 30, 2016	Year ended December 31, 2016
Basic earnings per share:			
Weighted average number of common shares outstanding	93,505	93,494	93,497
Diluted earnings per share:			
Weighted average number of common shares outstanding	93,505	93,494	93,497
Effect of dilutive share options	17	—	—
Effect of dilutive convertible debt	25,264	27,935	14,543
Weighted average number of common shares outstanding assuming dilution	118,786	121,429	108,040

The weighted average number of common shares outstanding excludes 8,000,000 shares issued as part of a share lending arrangement relating to the issue in October 2016 of 5.75% senior unsecured convertible bonds. These shares are owned by the Company and will be returned on or before maturity of the bonds in 2021.

4. OTHER FINANCIAL ITEMS, NET

Other financial items comprise the following items:

(in thousands of $)	Nine months ended September 30, 2017	September 30, 2016	Year ended December 31, 2016
Fair value gain/(loss) of designated derivatives (ineffective portion)	158	(4,979)	482
Fair value gain/(loss) on non-designated derivatives, net	4,567	(533)	3,917
Net cash payments on non-designated derivatives	(4,324)	(3,835)	(4,913)
Other items	(4,179)	(1,141)	(1,575)
Other financial items, net	(3,778)	(10,488)	(2,089)

The net movement in the fair values of non-designated derivatives and net cash payments thereon relates to non-designated, terminated or de-designated interest rate swaps and cross currency interest rate swaps. The net movement in the fair values of designated derivatives relates to the ineffective portion of interest rate swaps and cross currency interest rate swaps that have been designated as cash flow hedges. Changes in the fair values of the effective portion of interest rate swaps that are designated as cash flow hedges are reported under “Other comprehensive income”. In the event that an interest rate swap, or portion thereof, relating to a loan facility is no longer designated as a cash flow hedge, then corresponding gains/losses previously recorded in "Other comprehensive income" are reclassified as "Other financial items, net" in the Consolidated Statement of Operations. The above net movement in the valuation of non-designated derivatives includes $1.6 million reclassifications from "Other comprehensive income" in the nine months ended September 30, 2017 (nine months ended September 30, 2016: $nil reclassified from “Other comprehensive income”; year ended December 31, 2016: $nil reclassified from “Other comprehensive income”).

Other items mainly include bank charges, fees relating to loan facilities and foreign currency translation adjustments.

5. AVAILABLE-FOR-SALE SECURITIES

Marketable securities held by the Company are debt securities and share investments considered to be available-for-sale securities.

(in thousands of $)	September 30, 2017	December 31, 2016
Amortized cost	198,638	197,449
Accumulated net unrealized (loss)/gain	(82,717)	(78,960)
Available-for-sale securities	115,921	118,489

The Company's investment in marketable securities consists of investments in shares and convertible and secured notes which mature in 2019 and 2022. Available-for-sale securities are recorded at fair value, with unrealized gains and losses recorded as a separate component of "Other comprehensive income". The accumulated net unrealized loss on available-for-sale securities included in "Other comprehensive income" at September 30, 2017, was $82.7 million (December 31, 2016: $79.0 million).

The investment in shares at September 30, 2017 consists of shareholding in various related party entities, which is comprised of listed shares in a Frontline Ltd. (“Frontline”) with a carrying value of $66.4 million (December 31, 2016:

$78.2 million), shares in NorAm Drilling Company AS (“NorAm Drilling”) traded on the Norwegian Over the Counter market ("OTC") with a carrying value of $2.3 million (December 31, 2016: $1.4 million), and shares in Golden Close Maritime Corp. Ltd. (“Golden Close”) traded on the Norwegian OTC with a carrying value of $0.2 million (December 31, 2016: $nil). See also Note 15: Related party transactions.

The investment in convertible and secured notes at September 30, 2017, consists of listed and unlisted corporate bonds with a total carrying value of $47.0 million (December 31, 2016: $38.9 million).

The Company recorded no impairment charge in respect of available-for-sale securities in the nine months ended September 30, 2017 or in the year ended December 31, 2016.
The net unrealized loss on available-for-sale securities included in other comprehensive income for the nine months ended September 30, 2017 was $82.7 million (year ended December 31, 2016: $79.0 million). Of this amount, $83.6 million of the unrealized losses relates to our investment in Frontline shares (year ended December 31, 2016: loss of $71.8 million), gain of $1.5 million relates to shares in NorAm Drilling (year ended December 31, 2016: gain of $0.7 million) and loss of $0.5 million relates to shares in Golden Close (year ended December 31, 2016: $nil). The remaining loss of $0.2 million relates to our investments in corporate bonds (year ended December 31, 2016: loss of $7.8 million).

6. VESSELS AND EQUIPMENT, NET

(in thousands of $)	September 30, 2017	December 31, 2016
Cost	2,256,009	2,154,994
Accumulated depreciation	(471,505)	(417,825)
Vessels and equipment, net	1,784,504	1,737,169

During the nine months ended September 30, 2017, the 1,700 TEU container vessel MSC Alice, which was previously an operating lease asset, was accounted for as a sales-type lease. The carrying value of the container vessel was therefore reclassified from vessels and equipment to investment in lease asset.
In addition, the Company took delivery of two newbuilding oil product carriers at an aggregate cost of $115.1 million which was recorded as an addition to vessels and equipment in the nine months ended September 30, 2017.

7. NEWBUILDINGS AND VESSEL PURCHASE DEPOSITS

During the nine months ended September 30, 2017, the Company took delivery of two newbuilding oil product carriers, which were under construction at December 31, 2016. Upon delivery, the vessels were transferred from Newbuildings to Vessels and Equipment, net. Total costs of $81.7 million including capitalized interest of $1.2 million were paid in respect of these newbuildings in the nine months ended September 30, 2017.

As at September 30, 2017, the Company had no further agreements for the construction of newbuilding vessels.

8. INVESTMENTS IN DIRECT FINANCING AND SALES-TYPE LEASES

As at September 30, 2017, the Company had 9 VLCC crude tankers on charter to Frontline Shipping Limited (“Frontline Shipping”), a wholly owned subsidiary of Frontline, a related party. These tankers are on long-term, fixed rate time charters which extend for various periods depending on the age of the vessels, ranging from approximately four to 10 years. The terms of the charters do not provide Frontline Shipping with an option to terminate the charters before the end of their terms.
One of the Company's offshore support vessels is chartered on a long-term bareboat charter to Deep Sea Supply Shipowning II AS ("Deep Sea"), a wholly owned subsidiary of Deep Sea Supply AS, which in turn is a wholly owned subsidiary of Solship Invest 3 AS ("Solship", formerly Deep Sea Supply Plc., a related party). Solship is a wholly owned subsidiary of Solstad Farstad ASA, following the June 2017 merger amongst Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Plc. In September 2017, the Company entered into an amendment agreement relating to this charter which includes a reduction of the charter rate, the introduction of a minimum fixed price put option at expiry of the charter and a charter extension from January 2023 to the end of December 2027.

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In addition to the above 10 vessels leased to related parties, the Company also had two container vessels accounted for as direct financing leases and one container vessel accounted for as a sales-type lease as at September 30, 2017, which are on long-term bareboat charters to MSC, an unrelated party. The terms of the charters provide a fixed price put option or purchase obligation at the expiry of the 15 year charter period for two of the container vessels and a minimum fixed price purchase obligation at the expiry of the five year charter period for the third container vessel.
As at September 30, 2017, the Company had a total of 13 vessels accounted for as direct financing and sales-type leases (December 31, 2016: 14 vessels). The following lists the components of the investments in direct financing and sales-type leases as at September 30, 2017 and December 31, 2016:

(in thousands of $)	September 30, 2017	December 31, 2016
Total minimum lease payments to be received	937,281	862,083
Less: amounts representing estimated executory costs including profit thereon, included in total minimum lease payments	(218,960)	(287,168)
Net minimum lease payments receivable	718,321	574,915
Estimated residual values of leased property (un-guaranteed)	236,424	213,901
Less: unearned income	(328,812)	(232,781)
Total investment in direct financing and sales-type leases	625,933	556,035
Current portion	31,941	32,220
Long-term portion	593,992	523,815
Total investment in direct financing and sales-type leases	625,933	556,035

9. INVESTMENTS IN ASSOCIATED COMPANIES

The Company has certain wholly-owned subsidiaries which are accounted for using the equity method, as it has been determined under ASC 810 that they are variable interest entities in which Ship Finance is not the primary beneficiary.

At September 30, 2017, September 30, 2016 and December 31, 2016, the Company had the following participation in investments that are recorded using the equity method:

	September 30, 2017	September 30, 2016	December 31, 2016
SFL Deepwater Ltd (“SFL Deepwater”)	100%	100%	100%
SFL Hercules Ltd (“SFL Hercules”)	100%	100%	100%
SFL Linus Ltd (“SFL Linus”)	100%	100%	100%

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Summarized balance sheet information of the Company's wholly-owned equity method investees is as follows:

	As of September 30, 2017			
(in thousands of $)	TOTAL	SFL Deepwater	SFL Hercules	SFL Linus
Current assets	96,441	24,706	29,665	42,070
Non-current assets	1,037,911	322,141	310,231	405,539
Total assets	1,134,352	346,847	339,896	447,609
Current liabilities	104,744	25,441	29,310	49,993
Non-current liabilities	1,023,036	319,826	308,716	394,494
Total liabilities	1,127,780	345,267	338,026	444,487
Total stockholders' equity	6,572	1,580	1,870	3,122

	As of December 31, 2016			
(in thousands of $)	TOTAL	SFL Deepwater	SFL Hercules	SFL Linus
Current assets	122,675	33,763	38,351	50,561
Non-current assets	1,094,442	335,229	326,562	432,651
Total assets	1,217,117	368,992	364,913	483,212
Current liabilities	107,026	25,512	29,280	52,234
Non-current liabilities	1,109,961	343,426	335,603	430,932
Total liabilities	1,216,987	368,938	364,883	483,166
Total stockholders' equity	130	54	30	46

Summarized statement of operations information of the Company's wholly-owned equity method investees is as follows:

	Nine months ended September 30, 2017			
(in thousands of $)	TOTAL	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	57,555	16,122	17,215	24,218
Net operating revenues	57,555	16,122	17,215	24,218
Net income	20,082	4,926	5,590	9,566

	Nine months ended September 30, 2016			
(in thousands of $)	TOTAL	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	60,408	16,614	17,501	26,293
Net operating revenues	60,408	16,614	17,501	26,293
Net income	20,946	5,163	4,854	10,929

	Year ended December 31, 2016			
(in thousands of $)	TOTAL	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	80,269	22,088	23,292	34,889
Net operating revenues	80,269	22,088	23,292	34,889
Net income	27,765	6,778	6,424	14,563

SFL Deepwater, SFL Hercules and SFL Linus each own drilling units which have been leased to subsidiaries of Seadrill Limited (“Seadrill”), a related party, as further described below. In September 2017, Seadrill announced that it has entered into a restructuring agreement (the “Restructuring Plan”) with more than 97% of its secured bank lenders, approximately 40% of its bondholders and a consortium of investors led by its largest shareholder, Hemen Holding Ltd, who is also the largest shareholder in the Company. The Company, SFL Deepwater, SFL Hercules and SFL Linus have also entered into the Restructuring Plan, which will be implemented by way of prearranged chapter 11 cases.

SFL Deepwater is a 100% owned subsidiary of Ship Finance, incorporated in 2008 for the purpose of holding two ultra-deepwater drilling rigs and leasing those rigs to Seadrill Deepwater Charterer Ltd. and Seadrill Offshore AS, fully guaranteed by their parent company Seadrill. In June 2013, SFL Deepwater transferred one of the rigs and the corresponding lease to SFL Hercules (see below). Accordingly, SFL Deepwater now holds one ultra-deepwater drilling rig which is leased to Seadrill Deepwater Charterer Ltd. In October 2013, SFL Deepwater entered into a $390.0 million five year term loan and revolving credit facility with a syndicate of banks, which was used in November 2013 to refinance the previous loan facility. In connection with the Restructuring Plan, certain amendments were agreed with the banks under the loan facility, including an extension of the final maturity date by four years. The amendments are subject to approval by the court of the Restructuring Plan. At September 30, 2017, the balance outstanding under the current facility was $231.4 million, and the available amount under the revolving part of the facility was fully drawn. The Company guaranteed $75.0 million of this debt at September 30, 2017. In addition, the Company has given the banks a first priority pledge over all shares of SFL Deepwater and assigned all claims under a secured loan made by the Company to SFL Deepwater in favour of the banks. This loan is secured by a second priority mortgage over the rig which has been assigned to the banks. The rig is chartered on a bareboat basis and the terms of the charter provide the charterer with various call options to acquire the rig at certain dates throughout the charter. In addition, there is an obligation for the charterer to purchase the rig at a fixed price at the end of the charter, which originally expired in November 2023. Subject to approval by the court of the Restructuring Plan, the lease has been extended by 13 months until December 2024. Because the main asset of SFL Deepwater is the subject of a lease which includes both fixed price call options and a fixed price purchase obligation, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary. In the nine months ended September 30, 2017, SFL Deepwater paid dividends of $3.4 million (nine months ended September 30, 2016: $44.7 million; year ended December 31, 2016: $46.3 million).

SFL Hercules is a 100% owned subsidiary of Ship Finance, incorporated in January 2012 for the purpose of holding an ultra-deepwater drilling rig and leasing that rig to Seadrill Offshore AS, fully guaranteed by its parent company Seadrill. The rig was transferred, together with the corresponding lease, to SFL Hercules from SFL Deepwater in June 2013. In May 2013, SFL Hercules entered into a $375 million six year term loan and revolving credit facility with a syndicate of banks to partly finance its acquisition of the rig from SFL Deepwater. The facility was drawn in June 2013. In connection with the Restructuring Plan, certain amendments were agreed with the banks under the loan facility, including an extension of the final maturity date by four years. The amendments are subject approval by the court of the Restructuring Plan. At September 30, 2017, the balance outstanding under this facility was $258.1 million. At September 30, 2017, the available amount under the revolving part of the facility was fully drawn. The Company guaranteed $70.0 million of this debt at September 30, 2017. In addition, the Company has given the banks a first priority pledge over all shares of SFL Hercules and assigned all claims under a secured loan made by the Company to SFL Hercules in favour of the banks. This loan is secured by a second priority mortgage over the rig which has been assigned to the banks. The rig is chartered on a bareboat basis and the terms of the charter provide the charterer with various call options to acquire the rig at certain dates throughout the charter. In addition, there is an obligation for the charterer to purchase the rig at a fixed price at the end of the charter, which originally expired in November 2023. Subject to approval by the court of the Restructuring Plan, the lease has been extended by 13 months until December 2024. Because the main asset of SFL Hercules is the subject of a lease which includes both fixed price call options and a fixed price purchase obligation at the end of the charter, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary. In the nine months ended September 30, 2017, SFL Hercules paid dividends of $3.8 million (nine months ended September 30, 2016: $23.5 million; year ended December 31, 2016: $25.1 million).

SFL Linus is a 100% owned subsidiary of Ship Finance, acquired in 2013 from North Atlantic Drilling Ltd ("NADL"), a related party. SFL Linus holds a harsh environment jack-up drilling rig which was delivered from the shipyard in February 2014 and immediately leased to North Atlantic Linus Charterer Ltd., fully guaranteed by its parent company NADL. In October 2013, SFL Linus entered into a $475 million five year term loan and revolving credit facility with a syndicate of banks to partly finance the acquisition of the rig. The facility was drawn in February 2014. In connection with the Restructuring Plan, certain amendments were agreed with the banks under the loan facility, including an extension of the final maturity date by four years. The amendments are subject approval by the court of the Restructuring Plan. At September 30, 2017, the balance outstanding under this facility was $320.6 million. At September 30, 2017, the available amount under the revolving part of the facility was fully drawn. The Company guaranteed $90.0 million of this debt at September 30, 2017. In addition, the Company has given the banks a first priority pledge over all shares of SFL Linus and assigned all claims under a secured loan made by the Company to SFL Linus in favour of the banks. This loan is secured by a second priority mortgage over the rig which has been assigned to the banks. In February 2015, amendments were made to the lease, whereby Seadrill replaced NADL as lease guarantor. The rig is chartered on a bareboat basis and the terms of the charter provide the charterer with various call options to acquire the rig at certain dates throughout the charter. In addition, the charter includes a fixed price put option at expiry of the charter in 2029. Because the main asset of SFL Linus is the subject of a lease which includes both fixed price call options and a fixed price put option, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary. In the nine months ended September 30, 2017, SFL Linus paid dividends of $7.3 million (nine months ended September 30, 2016: $36.9 million; year ended December 31, 2016: $42.1 million).

SFL Deepwater, SFL Hercules and SFL Linus have loan facilities for which Ship Finance provides limited guarantees, as indicated above. These loan facilities originally contained financial covenants with which both Ship Finance and Seadrill must comply. As part of the Restructuring Plan, the financial covenants on Seadrill will be replaced by financial covenants on a newly established subsidiary of Seadrill, who will also act as guarantor for the obligations under the leases for the three drilling units, on a subordinated basis to the senior secured lenders in Seadrill and new secured notes. The financial covenants on Seadrill have been suspended until the Restructuring Plan is approved by the court or terminated. If the Restructuring Plan is terminated or not approved by the court, there is a risk that the Company, will not be in compliance with the applicable loan covenants and the outstanding amounts under the long-term debt facilities may become due and payable. As at September 30, 2017, Ship Finance was in compliance with all of the covenants under these long-term debt facilities.

10. SHORT-TERM AND LONG-TERM DEBT

(in thousands of $)	September 30, 2017	December 31, 2016
Long-term debt:		
NOK600 million senior unsecured floating rate bonds due 2017	—	65,445
3.25% senior unsecured convertible bonds due 2018	184,202	184,202
NOK900 million senior unsecured floating rate bonds due 2019	95,153	87,801
5.75% senior unsecured convertible bonds due 2021	225,000	225,000
NOK500 million senior unsecured floating rate bonds due 2020	62,767	—
U.S. dollar denominated floating rate debt (LIBOR plus margin) due through 2023	1,166,434	1,017,558
Total debt principal	1,733,556	1,580,006
Less: Unamortized debt issuance costs	(21,413)	(27,132)
Less: Current portion of long-term debt	(467,224)	(174,900)
Total long-term debt	1,244,919	1,377,974

The outstanding debt as of September 30, 2017 is repayable as follows:

(in thousands of $)	
Year ending December 31,	
2017 (remaining three months)	51,939
2018	461,739
2019	277,033
2020	240,026
2021	462,613
Thereafter	240,206
Total debt principal	1,733,556

The weighted average interest rate for floating rate debt denominated in U.S. dollars and Norwegian kroner (“NOK”) was 4.22% per annum at September 30, 2017 (December 31, 2016: 4.20%). This rate takes into consideration the effect of related interest rate swaps. At September 30, 2017, the three month US Dollar London Interbank Offered Rate, or LIBOR, was 1.334% (December 31, 2016: 0.998%) and the Norwegian Interbank Offered Rate, or NIBOR, was 0.81% (December 31, 2016: 1.17%).

NOK600 million senior unsecured bonds due 2017

On October 19, 2012, the Company issued a senior unsecured bond loan totaling NOK600 million in the Norwegian credit market. The bonds bear quarterly interest at NIBOR plus a margin and are redeemable in full on October 19, 2017. The bonds may, in their entirety, be redeemed at the Company's option from April 19, 2017, upon giving bondholders at least 30 business days notice and paying 100.5% of par value plus accrued interest.

Since their issue, the Company purchased bonds with principal amounts totaling NOK454.0 million, net and the remaining outstanding amount of NOK146.0 million was fully redeemed in July 2017, following the exercise of the call option by the Company. Thus, there was no principal amount outstanding as at September 30, 2017 in respect of this bond (December 31, 2016: NOK565 million, equivalent to $65.4 million).

3.25% senior unsecured convertible bonds due 2018

On January 30, 2013, the Company issued a senior unsecured convertible bond loan totaling $350.0 million. Interest on the bonds is fixed at 3.25% per annum and is payable in cash quarterly in arrears on February 1, May 1, August 1 and November 1. The bonds are convertible into Ship Finance International Limited common shares at any time up to 10 banking days prior to February 1, 2018. The conversion price at the time of issue was $21.945 per share, representing a 33% premium to the share price at the time. Since then, dividend distributions have reduced the conversion price to $13.2418 per share. Since issuance, the Company has purchased and canceled bonds with principal amounts totaling $165.8 million and the net amount outstanding at September 30, 2017 was $184.2 million (December 31, 2016: $184.2 million). In addition, subsequent to September 30, 2017, the Company entered into separate agreements with certain holders of the bond loan to convert a portion of the outstanding bonds into common shares. Approximately $121 million in aggregate principal amount of the bonds was converted into common shares of the Company at prevailing market prices.

In conjunction with the bond issue, the Company loaned up to 6,060,606 of its common shares to an affiliate of one of the underwriters of the issue, in order to assist investors in the bonds to hedge their position. The shares that were lent by the Company were borrowed from Hemen Holding Ltd., the largest shareholder of the Company, for a one-time loan fee of $1.0 million. As required by ASC 470-20 “Debt with Conversion and Other Options”, the Company calculated the equity component of the convertible bond taking into account both the fair value of the conversion option and the fair value of the share lending arrangement. The equity component was valued at $20.7 million in 2013 and this amount was recorded as “Additional paid-in capital”, with a corresponding adjustment to “Deferred charges” which are amortized to “Interest expense” over the appropriate period. The amortization of this item amounted to $0.8 million for the nine months ended September 30, 2017.

NOK900 million senior unsecured bonds due 2019

On March 19, 2014, the Company issued a senior unsecured bond loan totaling NOK900 million in the Norwegian credit market. The bonds bear quarterly interest at NIBOR plus a margin and are redeemable in full on March 19, 2019. The bonds may, in their entirety, be redeemed at the Company's option from September 19, 2018, upon giving bondholders at least 30 business days notice and paying 100.5% of par value plus accrued interest. Subsequent to their issue, the Company has purchased bonds with principal amounts totaling NOK142.0 million at September 30, 2017, which are being held as treasury bonds. The net amount outstanding at September 30, 2017, was NOK758 million, equivalent to $95.2 million (December 31, 2016: NOK758 million, equivalent to $87.8 million).

5.75% senior unsecured convertible bonds due 2021

On October 5, 2016, the Company issued a senior unsecured convertible bond loan totaling $225.0 million. Interest on the bonds is fixed at 5.75% per annum and is payable in cash quarterly in arrears on January 15, April 15, July 15 and October 15. The bonds are convertible into Ship Finance International Limited common shares and mature on October 15, 2021. The initial conversion rate at the time of issuance was 56.2596 common shares per $1,000 bond, equivalent to a conversion price of approximately $17.7747 per share. The conversion rate will be adjusted for dividends in excess of $0.225 per common share per quarter. Since issuance, dividend distributions have increased the conversion rate to 60.0416, equivalent to a conversion price of approximately $16.6561 per share. The net amount outstanding at September 30, 2017 was $225.0 million (December 31, 2016: $225.0 million).

In conjunction with the bond issue, the Company loaned up to 8,000,000 of its common shares to an affiliate of one of the underwriters of the issue, in order to assist investors in the bonds to hedge their position. The shares that were lent by the Company were initially borrowed from Hemen Holding Ltd., the largest shareholder of the Company, for a one-time loan fee of $120,000. In November 2016, the Company issued 8,000,000 new shares, to replace the shares borrowed from Hemen Holding Ltd. The Company received $80,000 from Hemen Holding Ltd. upon the return of the borrowed shares. As required by ASC 470-20 "Debt with Conversion and Other options", the Company calculated the equity component of the convertible bond, taking into account both the fair value of the conversion option and the fair value of the share lending arrangement. The equity component was valued at $4.6 million in 2016 and this amount was recorded as "Additional paid-in capital", with a corresponding adjustment to "Deferred charges", which are amortized to "Interest expense" over the appropriate period. The amortization of this item amounted to $0.7 million for the nine months ended September 30, 2017.

NOK500 million senior unsecured bonds due 2020

On June 22, 2017, the Company issued a senior unsecured bond loan totaling NOK500 million in the Norwegian credit market. The bonds bear quarterly interest at NIBOR plus a margin and are redeemable in full on June 22, 2020. The net amount outstanding at September 30, 2017, was NOK500 million, equivalent to $62.8 million (December 31, 2016: $nil, equivalent to $nil).

$49 million secured term loan and revolving credit facility

In March 2008, two wholly-owned subsidiaries of the Company entered into a $49.0 million secured term loan and revolving credit facility with a bank. The proceeds of the facility were used to partly fund the acquisition of two newbuilding chemical tankers, which also serves as security for this facility. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of ten years. At September 30, 2017, the amount available under the revolving part of the facility was $20.0 million. The net amount outstanding at September 30, 2017, was $nil (December 31, 2016: $nil).

$43 million secured term loan facility

In February 2010, a wholly-owned subsidiary of the Company entered into a $42.6 million secured term loan facility with a bank, bearing interest at LIBOR plus a margin and with a term of approximately five years. The facility is secured against a Suezmax tanker. In November 2014, the terms of the loan were amended and restated, and the facility now matures in November 2019. The net amount outstanding at September 30, 2017, was $21.3 million (December 31, 2016: $23.4 million).

$43 million secured term loan facility

In March 2010, a wholly-owned subsidiary of the Company entered into a $42.6 million secured term loan facility with a bank, bearing interest at LIBOR plus a margin and with a term of five years. The facility is secured against a

Suezmax tanker. In March 2015, the terms of the loan were amended and restated, and the facility now matures in March 2020. The net amount outstanding at September 30, 2017, was $21.3 million (December 31, 2016: $23.4 million).

$54 million secured term loan facility
In November 2010, two wholly-owned subsidiaries of the Company entered into a $53.7 million secured term loan facility with a bank, secured against two Supramax dry bulk carriers. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of eight years. The net amount outstanding at September 30, 2017, was $27.3 million (December 31, 2016: $30.2 million).
$75 million secured term loan facility
In March 2011, three wholly-owned subsidiaries of the Company entered into a $75.4 million secured term loan facility with a bank, secured against three Supramax dry bulk carriers. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of approximately eight years. The net amount outstanding at September 30, 2017, was $40.5 million (December 31, 2016: $44.9 million).
$171 million secured loan facility
In May 2011, eight wholly-owned subsidiaries of the Company entered into a $171.0 million secured loan facility with a syndicate of banks. The facility is supported by China Export & Credit Insurance Corporation, or SINOSURE, which provides an insurance policy in favor of the banks for part of the outstanding loan. The facility is secured against a 1,700 TEU container vessel and seven Handysize dry bulk carriers. The facility bears interest at LIBOR plus a margin and has a term of approximately ten years from delivery of each vessel. The net amount outstanding at September 30, 2017, was $101.0 million (December 31, 2016: $110.1 million).
$53 million secured term loan facility
In November 2012, two wholly-owned subsidiaries of the Company entered into a $53.2 million secured term loan facility with a bank, secured against two car carriers. The facility bears interest at LIBOR plus a margin and has a term of approximately five years. The net amount outstanding at September 30, 2017, was $32.1 million (December 31, 2016: $35.5 million). In October 2017, the total amount outstanding under this facility was prepaid and the facility was cancelled.
$45 million secured term loan facility and revolving credit facility
In June 2014, seven wholly-owned subsidiaries of the Company entered into a $45.0 million secured term loan and revolving credit facility with a bank, secured against seven 4,100 TEU container vessels. The facility bears interest at LIBOR plus a margin and has a term of five years. At September 30, 2017, the available amount under the revolving part of the facility was $9.0 million. The net amount outstanding at September 30, 2017, was $36.0 million (December 31, 2016: $36.0 million).
$101 million secured term loan facility
In August 2014, six wholly-owned subsidiaries of the Company entered into a $101.4 million secured term loan facility with a syndicate of banks, secured against six offshore support vessels. One of the vessels was sold in February 2016, and the facility now relates to the remaining five vessels. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and originally had a term of approximately five years. In October 2017, certain amendments were made to the agreement, including an extension of the final maturity date until January 2023. The net amount outstanding at September 30, 2017, was $54.7 million (December 31, 2016: $54.7 million).
$20 million secured term loan facility
In September 2014, two wholly-owned subsidiaries of the Company entered into a $20.0 million secured term loan facility with a bank, secured against two 5,800 TEU container vessels. The facility bears interest at LIBOR plus a margin and has a term of five years. The net amount outstanding at September 30, 2017, was $20.0 million (December 31, 2016: $20.0 million).
$128 million secured term loan facility
In September 2014, two wholly-owned subsidiaries of the Company entered into a $127.5 million secured term loan facility with a bank, secured against two 8,700 TEU container vessels which were delivered in 2014. The facility bears interest at LIBOR plus a margin and has a term of seven years. The net amount outstanding at September 30, 2017, was $103.1 million (December 31, 2016: $109.4 million).

$128 million secured term loan facility
In November 2014, two wholly-owned subsidiaries of the Company entered into a $127.5 million secured term loan facility with a bank, secured against two 8,700 TEU container vessels which were delivered in 2015. The facility bears interest at LIBOR plus a margin and has a term of seven years. The net amount outstanding at September 30, 2017, was $106.3 million (December 31, 2016: $112.6 million).
$39 million secured term loan facility
In December 2014, two wholly-owned subsidiaries of the Company entered into a $39.0 million secured term loan facility with a bank, secured against two Kamsarmax dry bulk carriers. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of approximately eight years. The net amount outstanding at September 30, 2017, was $29.7 million (December 31, 2016: $31.5 million).
$250 million secured revolving credit facility
In June 2015, 17 wholly-owned subsidiaries of the Company entered into a $250.0 million secured revolving credit facility with a syndicate of banks, secured against 17 tankers chartered to Frontline Shipping. Eight of the tankers were sold and delivered to their new owners prior to September 30, 2017, and the facility was secured against the remaining nine tankers at September 30, 2017. The facility bears interest at LIBOR plus a margin and has a term of three years. At September 30, 2017, the facility was fully drawn. Subsequent to quarter end, the Company prepaid $22.4 million towards the facility due to reduced availability as per September 30, 2017. The net amount outstanding at September 30, 2017, was $171.7 million (December 31, 2016: $40.0 million).
$166 million secured term loan facility
In July 2015, eight wholly-owned subsidiaries of the Company entered into a $166.4 million secured term loan facility with a syndicate of banks, secured against eight Capesize dry bulk carriers. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of seven years. The net amount outstanding at September 30, 2017, was $135.2 million (December 31, 2016: $145.6 million).

$210 million secured term loan facility
In November 2015, three wholly-owned subsidiaries of the Company entered into a $210.0 million secured term loan facility with a syndicate of banks, to partly finance the acquisition of three container vessels, against which the facility is secured. One of the vessels was delivered in 2015, and the remaining two vessels were delivered in 2016. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of five years from the delivery of each vessel. At September 30, 2017, the net amount outstanding was $190.3 million (December 31, 2016: $200.2 million).

$76 million secured term loan facility
In August 2017, two wholly-owned subsidiaries of the Company entered into a $76.0 million secured term loan facility with a bank, secured against two product tanker vessels. The two vessels were delivered in August 2017. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of seven years. At September 30, 2017, the net amount outstanding was $76.0 million (December 31, 2016: $nil).
The aggregate book value of assets pledged as security against borrowings at September 30, 2017, was $1,992 million (December 31, 2016: $2,009 million).
Agreements related to long-term debt provide limitations on the amount of total borrowings and secured debt, and acceleration of payment under certain circumstances, including failure to satisfy certain financial covenants. As of September 30, 2017, the Company is in compliance with all of the covenants under its long-term debt facilities.
In addition, the $101.4 million secured term loan facility entered into in August 2014 contains certain financial covenants on Solship. As at September 30, 2017, Solship was in compliance with all covenants under the loan agreement.

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11. FINANCIAL INSTRUMENTS

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates and exchange rates. The Company has a portfolio of swaps which swap floating rate interest to fixed rate, and which also fix the Norwegian kroner to US dollar exchange rate applicable to the interest payable and principal repayment on the NOK bonds. From a financial perspective these swaps hedge interest rate and exchange rate exposure. The counterparties to such contracts are DNB Bank, Nordea Bank Finland Plc., ABN AMRO Bank N.V., NIBC Bank N.V., Skandinaviska Enskilda Banken AB (publ), ING Bank N.V., Danske Bank A/S, Swedbank AB (publ), Credit Agricole Corporate & Investment Bank and Commonwealth Bank of Australia. Credit risk exists to the extent that the counterparties are unable to perform under the contracts, but this risk is considered not to be substantial as the counterparties are all banks which have provided the Company with loans.

The following table presents the fair values of the Company's derivative instruments that were designated as cash flow hedges and qualified as part of a hedging relationship, and those that were not designated:

(in thousands of $)	September 30, 2017	December 31, 2016
Designated derivative instruments - short-term assets:		
Interest rate swaps	38	110
Total derivative instruments - short-term assets	38	110
Designated derivative instruments - long-term assets:		
Interest rate swaps	3,943	4,540
Non-designated derivative instruments - long-term assets:		
Interest rate swaps	1,127	1,502
Total derivative instruments - long-term assets	5,070	6,042

(in thousands of $)	September 30, 2017	December 31, 2016
Designated derivative instruments -short-term liabilities:		
Interest rate swaps	—	—
Cross currency interest rate swaps	—	37,101
Non-designated derivative instruments -short-term liabilities:		
Interest rate swaps	448	—
Cross currency interest rate swaps	25,126	2,208
Total derivative instruments - short-term liabilities	25,574	39,309
Designated derivative instruments - long-term liabilities:		
Interest rate swaps	8,222	10,134
Cross currency interest rate swaps	32,560	41,716
Non-designated derivative instruments - long-term liabilities:		
Interest rate swaps	994	1,388
Cross currency interest rate swaps	6,464	8,218
Total derivative instruments - long-term liabilities	48,240	61,456

Interest rate risk management

The Company manages its debt portfolio with interest rate swap agreements denominated in U.S. dollars and Norwegian kroner to achieve an overall desired position of fixed and floating interest rates. At September 30, 2017, the Company and its consolidated subsidiaries had entered into interest rate swap transactions, involving the payment of fixed rates in exchange for LIBOR or NIBOR, as summarized below. The following summary includes all swap transactions, most of which are hedges against specific loans.

Notional Principal (in thousands of $)	Inception date	Maturity date	Fixed interest rate	
$26,382 (reducing to $24,794)	March 2008	August 2018	4.05% - 4.15%	
$27,302 (reducing to $23,394)	April 2011	December 2018	2.13% - 2.80%	
$40,457 (reducing to $34,044)	May 2011	January 2019	0.80% - 2.58%	
$100,000 (remaining at $100,000)	August 2011	August 2021	2.50% - 2.93%	
$136,467 (reducing to $79,733)	May 2012	August 2022	1.76% - 1.85%	
$87,846 (equivalent to NOK500 million)	October 2012	October 2017	5.92% - 6.23%	*
$32,142 (reducing to $32,142)	February 2013	December 2017	0.81% - 0.82%	
$100,000 (remaining at $100,000)	March 2013	April 2023	1.85% - 1.97%	
$151,008 (equivalent to NOK900 million)	March 2014	March 2019	6.03%	*
$103,063 (reducing to $70,125)	December 2016	December 2021	1.86% - 3.33%	
$106,250 (reducing to $70,125)	January 2017	January 2022	1.56% - 3.09%	
$29,727 (reducing to $19,413)	September 2015	March 2022	1.67%	
$190,313 (reducing to $149,844)	February 2016	February 2021	1.07% - 1.26%	
$63,987 (equivalent to NOK500 million)	October 2017	March 2020	6.86% - 6.96%	*

* These swaps relate to the NOK600 million, NOK900 million and NOK500 million senior unsecured bonds due 2017, 2019 and 2020, respectively, and the fixed interest rates paid are exchanged for NIBOR plus the margin on the bonds. In August 2017, the Company entered into new forward starting cross currency interest rate swap agreements. The swaps are effective from October 2017 and exchange all principal and interest payments under the NOK500 million senior unsecured bonds to USD and to a fixed interest rate at an average of 6.91% per annum. For the remaining swaps the fixed interest rate paid is exchanged for LIBOR, excluding margin on the underlying loans.

The total notional principal amount subject to swap agreements as at September 30, 2017, was $1.2 billion (December 31, 2016: $1.0 billion).

Foreign currency risk management

The Company is party to currency swap transactions, involving the payment of U.S. dollars in exchange for Norwegian kroner, which are designated as hedges against the NOK600 million, NOK900 million and NOK500 million senior unsecured bonds due 2017, 2019 and 2020, respectively. In July 2017, the Company early settled a swap with a notional principal of $17.6 million (equivalent to NOK100 million) from the cross currency swaps relating to the NOK600 million senior unsecured bonds due 2017 and redeemed the remaining outstanding amount of the bonds in full. At September 30, 2017, the remaining swaps related to the redeemed NOK600 million bonds had a notional principal of $87.8 million (equivalent to NOK500 million) and matured in October 2017.

Apart from the NOK600 million, NOK900 million and NOK500 million senior unsecured bonds due 2017, 2019 and 2020, respectively, the majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. Other than the corresponding currency swap transactions summarized above, the Company has not entered into forward contracts for either transaction or translation risk. Accordingly, there is a risk that currency fluctuations could have an adverse effect on the Company's cash flows, financial condition and results of operations.

Fair Values

The carrying value and estimated fair value of the Company's financial assets and liabilities at September 30, 2017 and December 31, 2016 are as follows:

(in thousands of $)	September 30, 2017 Carrying value	September 30, 2017 Fair value	December 31, 2016 Carrying value	December 31, 2016 Fair value
Non-derivatives:				
Available-for-sale securities	115,921			