GIEK

The Norwegian Export Credit Guarantee Agency

Annual Report 2014

Norwegian exporters reflect Norwegian society: innovative, productive, willing to change.

However, the competition is tough.

GIEK guarantees provide competitive financing for foreign importers – and security for the Norwegian exporters. Exports worth NOK 28.5 billion were triggered in 2014.

It is important for us to increase the competiveness of small as well as large exporters by means of good dialogues, international finance expertise and astute analysis of key Norwegian export industries.

Contents

This version of the Annual Report 2014 is an excerpt of the formal Annual Report produced according to the reporting requirements of the Ministry of Trade, Industry and Fisheries. The full report is available online (in Norwegian) at giek.no

Key figures 2014

NOK **28.5** billion
in Norwegian export contracts
was financed with
new guarantees
from GIEK in 2014

GIEK issued
163
new guarantees
worth NOK
21,4 billion
in 2014

The Parliament
adopted a total
exposure limit
of NOK
173 billion
for 2014

GIEK had
84
employees
at the end
of 2014

Total outstanding
liabilities at the end
of 2014 came to
NOK
89,3 billion

GIEK received
205
applications
totalling NOK
39,9 billion
in 2014

Our portfolio
consisted of
458 current
guarantees at the
end of 2014

Profits totalled NOK
734 million
in 2014

GIEK provided
guarantees for
48
ships in 2014

The Norwegian Export Credit Guarantee Agency (GIEK)

is a public-sector enterprise under the Ministry of Trade, Industry and Fisheries (MTIF). GIEK's mandate is to promote Norwegian exports, ensure local value creation and serve as a good financial partner and adviser for Norwegian exporters by issuing guarantees on behalf of the state. GIEK is a supplement to the commercial banking market, with financial results that will break even over time.

Our guarantees are adapted to the needs of Norwegian export companies and foreign buyers, covering both political and commercial risk on loans issued by commercial banks or Export Credit Norway. Guarantees can be provided where Norwegian goods or services are delivered abroad, or where an export transaction in some other way promotes Norwegian value creation. GIEK guarantees for export to countries across the world.

Norwegian guarantees mean a high degree of security for exporters as well as banks. Our guarantees increase the competitiveness of Norwegian goods and services in the international market.

GIEK fulfils its social mandate

Karin Bing Orgland
Chair of the Board

GIEK's key social mandate is to promote exports. Exports secure our welfare and jobs and contribute to innovation throughout Norway.

Our guarantee portfolio of NOK 89.3 billion clearly reflects what Norwegian companies do well, and what we as a society make a living on.

Forecasts at the beginning of 2015 indicate falling activities in the oil and gas industry. It is important for us to be a stable and predictable partner for the industry in demanding periods also, and we have increased our industry knowledge and research capacity. GIEK's new organisation will ensure we are a long-term, professional manager of a major guarantee portfolio, making our dialogue with the export industries a high priority.

In 2014 we allocated funds for increasing losses, but nevertheless delivered good results. We have furnished guarantees for export contracts worth NOK 28.5 billion. Much of the value is created in the subcontractor companies.

Overall, GIEK has achieved the goals set for its activity and fulfilled its social mandate.

The exporter's needs are important to us

Wenche Nistad
Chief Executive Officer

A new export contract can open up new markets and create growth in a cornerstone local company. Loss of contracts can have a negative impact on the local community and Norway.

The needs of the exporter are important to GIEK. New guarantee applications totalling NOK 40 billion speaks volumes about the demand in 2014.

In response to our customers, GIEK and Export Credit Norway have simplified the application process when both of our agencies participate in the same financing. In 2015 we will be informing small and medium-sized businesses all over Norway of our new joint product.

Our professionals within finance, industry, law, corporate responsibility and anti-corruption are our most important resource. Together we introduced a new organisation in December that will make us more efficient and more accessible to our customers.

GIEK is here for the exporters – please use us!

Increased focus on customers

GIEK conducted a major organisation project in 2014, implementing the new structure on 1 December. The former guarantee department has been split into three: two departments work with offshore and maritime, while the third works with other industry, renewable energy and other onshore business.

The new management group consists of five women and two men. Four of them will have direct customer contact.

Dedicated departments for shipping, offshore, and industry and energy will enable GIEK to assist companies in an adjustment phase and handle stronger pressure in the 2015 portfolio.

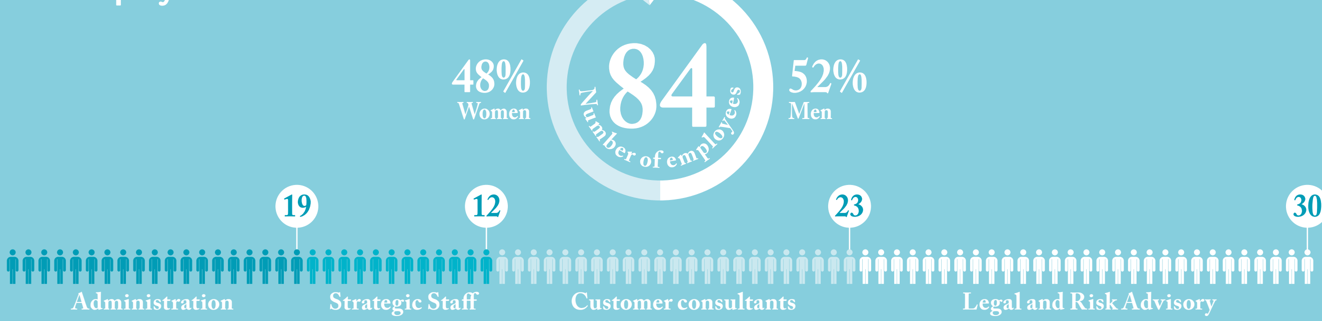
Our new Legal and Risk Advisory department has expertise in law, research and risk assessment. This department will assist in assessing new applications and in the management of existing guarantees. Chief Credit Officer is a new, independent position that reports directly to the Chief Executive Officer.

Strategic Staff is a new department under the CEO that handles enterprise management, HR, international relations, communication and contact with the Ministries. The Administration Department remains in charge of accounting, IT, operations and document management.

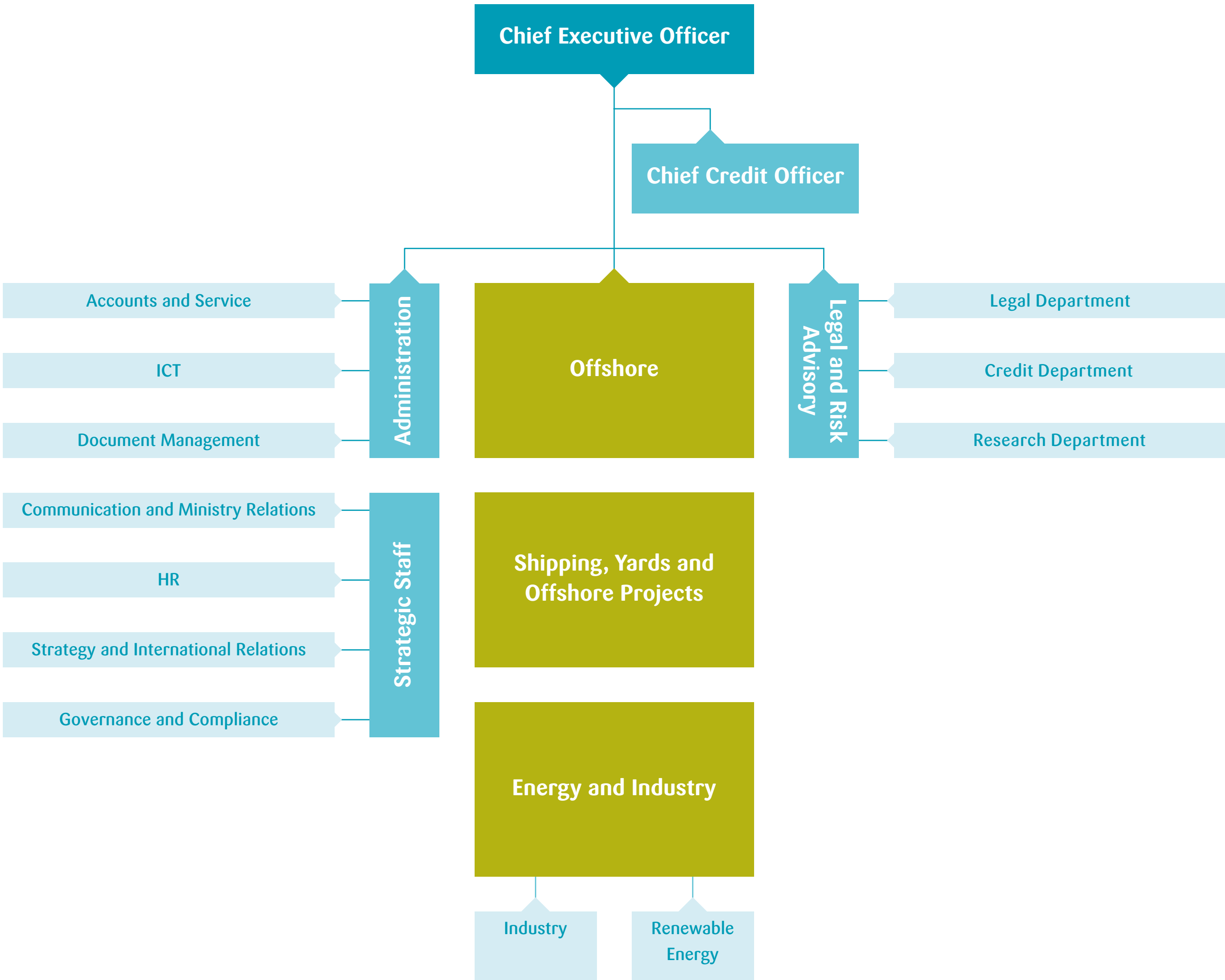
Greater efficiency in GIEK makes it simpler for our customers

Both our portfolio and the number of staff have doubled since 2008. During the same period, GIEK has improved the quality of our case processing and the follow-up of our guarantee portfolio in several areas. At the end of 2014, GIEK had 84 employees, a 71.4 per cent increase since 2009. There is a good gender balance in the organisation.

Our employees in numbers



New organisation from 1 December 2014



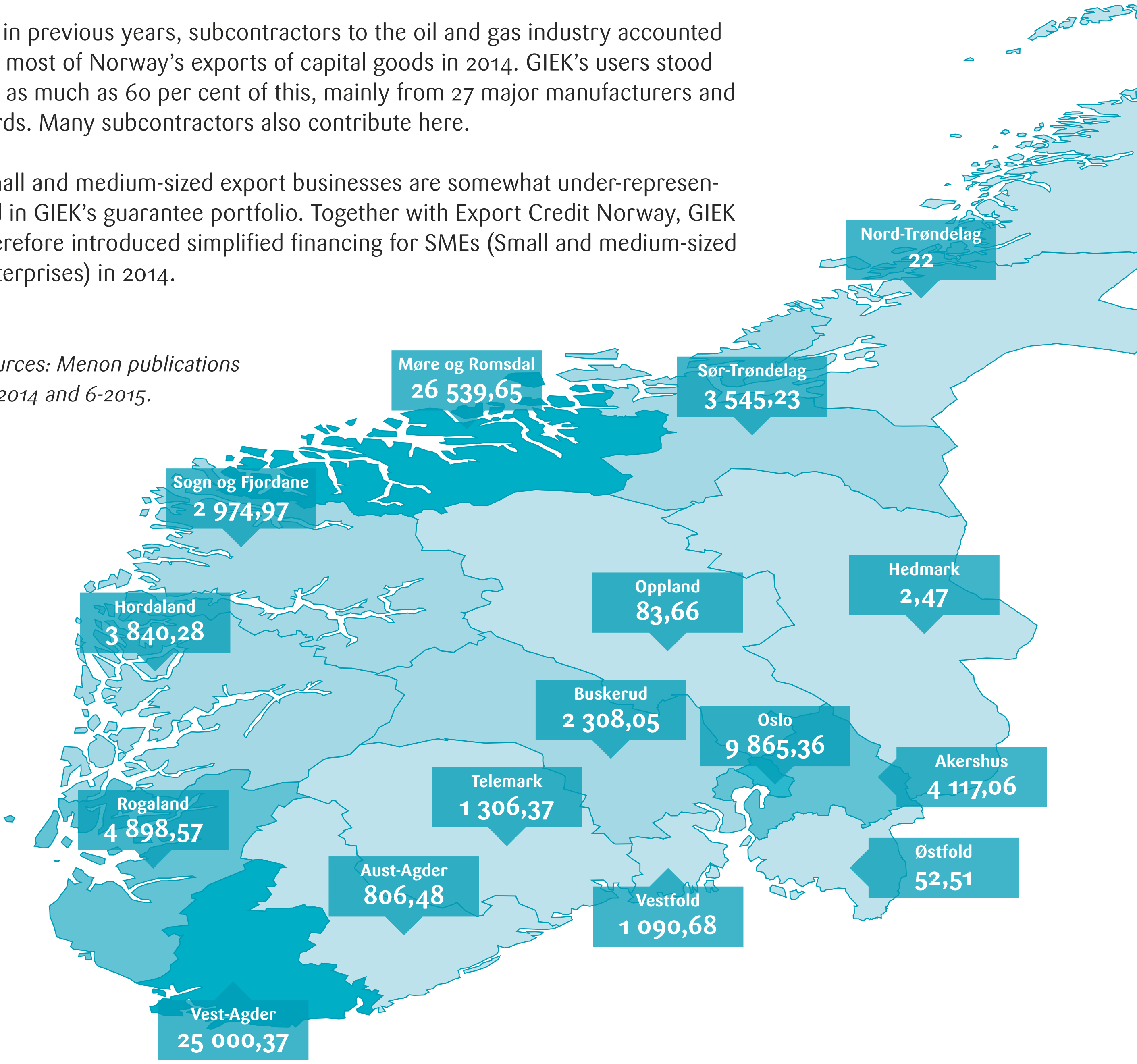
GIEK and society

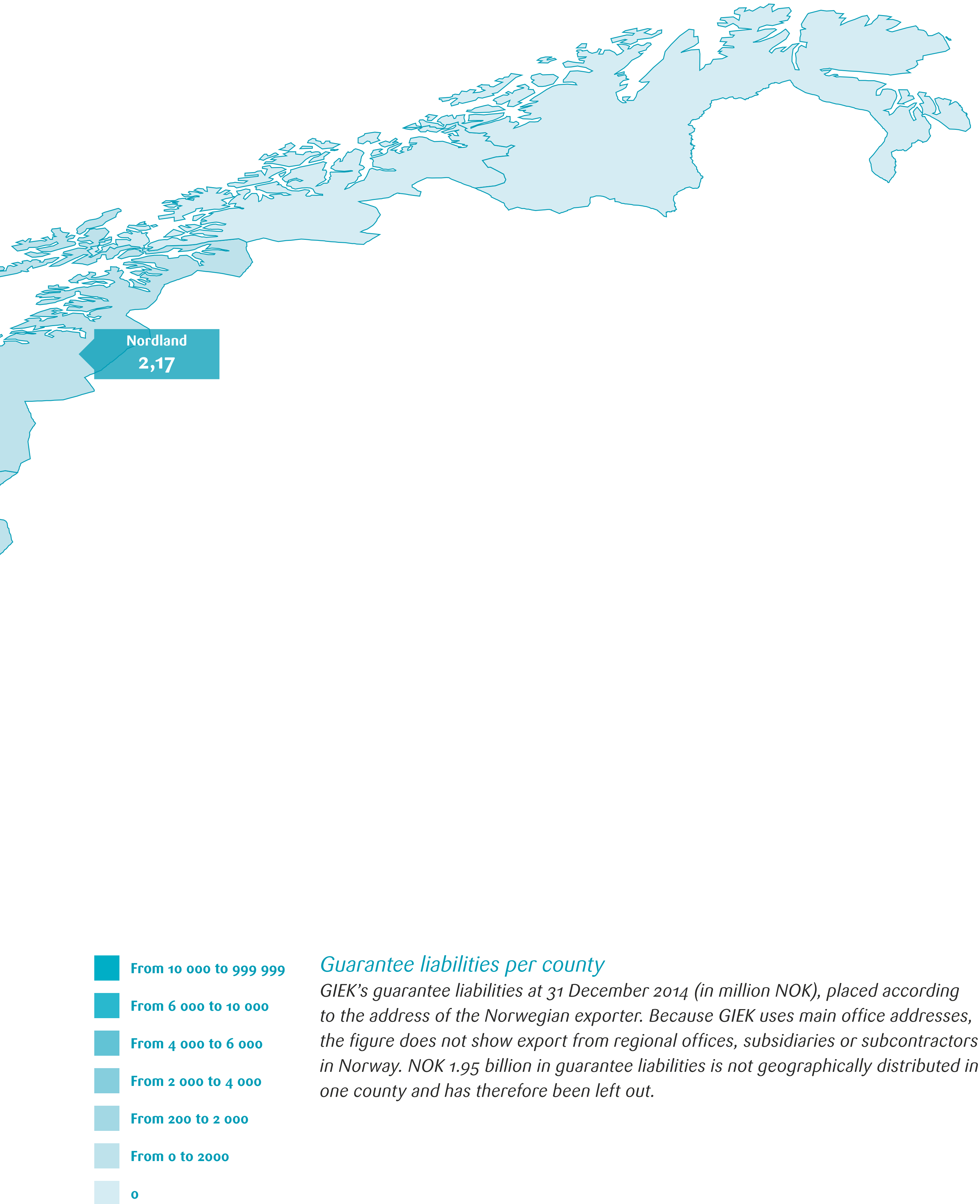
GIEK guarantees were crucial for Norwegian exports worth NOK 22.5 billion in 2012 and about 11,000 jobs. This calculation was performed by Menon Business Economics in 2014.

As in previous years, subcontractors to the oil and gas industry accounted for most of Norway's exports of capital goods in 2014. GIEK's users stood for as much as 60 per cent of this, mainly from 27 major manufacturers and yards. Many subcontractors also contribute here.

Small and medium-sized export businesses are somewhat under-represented in GIEK's guarantee portfolio. Together with Export Credit Norway, GIEK therefore introduced simplified financing for SMEs (Small and medium-sized enterprises) in 2014.

Sources: Menon publications 12-2014 and 6-2015.





Guarantee liabilities per county

GIEK's guarantee liabilities at 31 December 2014 (in million NOK), placed according to the address of the Norwegian exporter. Because GIEK uses main office addresses, the figure does not show export from regional offices, subsidiaries or subcontractors in Norway. NOK 1.95 billion in guarantee liabilities is not geographically distributed in one county and has therefore been left out.

GIEK's history

Expansion of the Government Export Credit Commission to all countries

In 1934, the scheme was expanded to cover all countries and renamed the Government Export Credit Commission. Apart from the Soviet Union, the largest insured export volumes went to Germany, Italy, Greece, Spain and Brazil.

Modernisation of terms and guidelines

In 1951, Nordic cooperation accelerated, and membership of the Berne Union provided a foundation for the modernisation of terms and guidelines.

1929 — 1934 — 1945 — 1951 — 1960

Establishment of the Russia Commission

In the period 1922-1928, the Storting (the Norwegian parliament), made annual grants in support of exports of salted fish, herring and aluminium to the Soviet Union, a large and important market. The first grant totalled NOK 19.3 million. In 1929, the Russia Commission was established under the Ministry of Trade, and the guarantee scheme thus became more permanent.

Establishment of the Export Guarantee Fund

Insurance volumes during World War II are uncertain, but after the war open credit insurance for longer-term production-equipment loans and insolvency and transfer risk insurance became more common. It was also decided that operating profits should be paid into an export guarantee fund. In many respects, this marked the birth of the mechanism that later became GIEK.

The name GIEK arises

In 1960, the fund's name was changed to Guarantee-Instituttet for Eksportkreditt (GIEK). The OECD Trade Committee was established in 1963, as was the guarantee scheme for exports to developing countries. In 1968, the guarantee exposure limit totalled NOK 1.5 billion.

1975

The oil crisis and expanded exposure limits

This decade was characterised by the oil crisis, restructuring in the shipbuilding industry, crisis in the shipping industry and an active counter-cyclical policy. The exchange rate guarantee scheme was launched in 1975, and the interest rate support scheme in 1976. The guarantee exposure limit was increased to NOK 3 billion.

1980

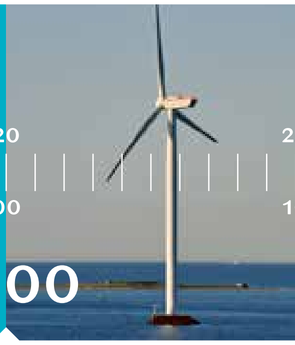
Extensive changes in GIEK

GIEK implemented major organisational and administrative changes in 1980, and was granted wider powers by the Ministry. The same year, GIEK's 31 employees moved to the current premises at Dronning Mauds gate 15, Oslo. The tender guarantee scheme was transferred to GIEK in 1982. In 1987, the exchange rate guarantee scheme was withdrawn and the GIEK Committee was disbanded. A special export guarantee scheme for investments in developing countries was introduced in 1988.

1994

GIEK becomes a public enterprise

GIEK became an independent public enterprise in 1994. The fall of the Berlin Wall boosted demand for guarantees, and a special guarantee scheme was established for former Soviet states. The scheme had two particular objectives: to maintain traditional exports of paper and cellulose to Russia and to secure contracts for the sale of ships. Guarantees were issued under the scheme until 2002.



2000

Establishment of GIEK Kredittforsikring (credit insurance)

New EU rules resulted in pressure, particularly from the EFTA Surveillance Authority (ESA), to demerge GIEK's commercial operation into a separate company. The subsidiary GIEK Kredittforsikring was therefore established in the year 2000.

2014

Strong organisational growth

In 2014, GIEK underwent major restructuring to become more customer-oriented and to adapt to a steep increase in the number of employees, which reached 84 at the end of the year. GIEK had a total exposure limit of NOK 173 billion. With effect from 1 January 2015, follow-up of the state's ownership in GIEK Kredittforsikring (credit insurance) was transferred from GIEK to the Ministry of Trade, Industry and Fisheries.

Photo credits (from left): Scanpix Denmark, NTB Scanpix, John E Jacobsen/Scanpix Denmark, Øystein Søbye/Samfoto

The Board of Directors

Karin Bing Orgland
Chair of the Board

Born in 1959. Karin Bing Orgland has been GIEK's board chair since August 2013, and holds an economics degree from the Norwegian School of Economics (NHH) in Bergen. She works as an independent board member and sits on the boards of Norske Skog, Grieg Seafood, Norwegian Finans Holding, HAV Eiendom AS, Røisheim Hotell og Eiendom and INI AS. She has extensive banking experience from several executive positions at DNB.

Torfinn Kildal
Deputy Chair of the Board

Born in 1954. Torfinn Kildal joined GIEK's board of directors on February 2011 and holds an economics degree from the Norwegian School of Economics (NHH) in Bergen. He works as an independent board member and sits on the boards of Aibel, OSWO, Glamox, Lønne Service and Pres-Vac Engineer. He is also board chair of Interwell, Servi Hydranor and OSWO. The former managing director of Kongsberg Maritime, from which he resigned in 2010, Kildal has broad operational and board experience from the Norwegian and international offshore and maritime supply sectors.

Christine Rødsæther
Board member

Born in 1964. Christine Rødsæther served on GIEK's board from September 2007 to August 2014. A graduate of the University of Bergen Law School, she earned a master's in international transactions from McGeorge School of Law in California. She is a lawyer and partner at the law firm Advokatfirmaet Simonsen Vogt Wiig AS and sits of the boards of Odfjell SE, Tide ASA and on the Ministry of Trade, Industry and Fisheries' strategic council. She has extensive experience with shipping and offshore-related transactions and restructurings.

Arve Bakke
Board member

Born in 1952. Board member of GIEK since August 2009. Arve Bakken has been president of the trade union Norwegian United Federation of Trade Unions since 2007. He has worked for the United Federation of Trade Unions and the former Norwegian Union of Iron and Metalworkers since 1984, and before that spent 10 years working at the Ulstein-Hatlø shipyard. He also served as chair of the Møre og Romsdal branch of the Labour Party for 12 years. His previous appointments include that of State Secretary at the Ministry of Administration and Planning in the period 1996-1997.

Maria Borch Helsengreen
Board member

Born in 1966. A board member of GIEK since August 2012, Maria Borch Helsengreen holds an economics degree from the Norwegian School of Economics (NHH) in Bergen, where she also qualified as a state-authorised public accountant. She is currently CFO at TV2 and has extensive experience from boards, Argentum Fondsinvesteringer, as CFO of DnBNor Asset Management and partner at Arthur Andersen.

John G. Bernander
Board member

Born in 1957. A board member of GIEK since August 2013, John C. Bernander received a law degree from the University of Oslo. He is a board member of and adviser to Viking Heat Engines. He was managing director of the Confederation of Norwegian Enterprise (NHO) from 2009 until 2012, Director-General of the Norwegian Broadcasting Corporation from 2001 until 2007, and managing director of the marine insurance company Gard from 1993 to 2001.

Elisabeth Gisvold
Board member

Born in 1968. A board member of GIEK since August 2013, Elisabeth Gisvold holds an undergraduate degree from BI Norwegian Business School supplemented by studies in economics at the University of Trondheim and advanced interest-rate analysis and corporate finance courses at NHH. She is a senior portfolio manager for the fund management company FORTE Fondsforvaltning. She as extensive experience from the financial markets as a fund manager, investor, adviser and analyst. She has previously worked for companies including Gjensidige NOR, Sparebanken Midt Norge and Danske Bank.

Marit E. Kirkhusmo
Board member

Born in 1970. A board member of GIEK since August 2014, Marit E. Kirkhusmo earned a law degree at the University of Oslo. She is a lawyer and partner at the law firm Ræder DA, where she specialises in shipping and financing. She has extensive experience as a lawyer for various companies within these industries. She was previously group counsel for the Eitzen Group and a member of Camillo Eitzen & Co ASA's group executive board.

Vibeke Stray
Employee-elected board representative

Born in 1978. Vibeke Stray has been the employee representative on the Board since December 2013. She holds an economics degree from BI Norwegian Business School in Oslo. She is a team Leader in GIEK's offshore department, where she has been employed since 2009. She previously worked as an analyst at Ernst & Young and auditor at PwC.

Rolf Tjugum
Board observer

Born in 1972. A board observer since December 2013, Rolf Tjugum holds a law degree from the University of Oslo. He is the office manager of GIEK's legal department, where he has been employed since 2000.

The management

From 1 December 2014

Wenche Nistad
Chief Executive Officer

Born in 1952. Wenche Nistad holds an economics degree from the Norwegian School of Economics (NHH) in Bergen. The head of GIEK since 2005, she previously served as managing director of Hadeland Glassverk, CEO of Luxo and assistant director of Bergen Bank/DNB. She has been the chair of GIEK Kredittforsikring since 2011.

Øyvind Ajer
Director Energy and Industry

Born in 1961. A lawyer from the University of Oslo, Øyvind Ajer started in GIEK's Legal Department in 1988 and worked to put things in order after the "ship export campaign". He was later made office manager and acting director of the Legal Department. From 2001 until the reorganisation in 2014 he was director of the Guarantee Department.

Cay Bakkehaug
Director Administration

Born in 1960. An MBA from the Norwegian School of Economics (NHH) in Bergen and a cand. mag. in economics and ICT from Buskerud University College (SLHK), Cay Bakkehaug has been a department head in GIEK since 2011. He was previously assistant director in Norsk Hydro. From 2002 to 2007 he was deputy managing director of South Norway Regional Health Authority, and then finance and investment director in Entra Eiendom and CFO of Komplett.

Solveig Frøland
Director Shipping, Yards, and Offshore Projects

Born in 1964. Solveig Frøland holds a degree in economics and is an authorised finance analyst with an MBA in finance from the Norwegian School of Economics (NHH) in Bergen. Before joining GIEK in 2014, she worked for 20 years in Nordea as a senior customer relations officer in shipping, offshore and oil service. Solveig has special expertise in international project financing and restructuring of exposed contracts.

Elizabeth Lee Marinelli
Director Legal and Risk Advisory

Born in 1965. Elizabeth Lee Marinelli holds an MBA from Columbia University, New York, with a BA in economics and finance from Vanderbilt University in Tennessee, USA. She has been with GIEK since 2010 and was director of credit and risk management until the reorganisation in 2014. Before this she was head of department in Financial Institutions and Funds in Norfund. In 1993-2004 she was a vice president at Citibank.

Britt Skåtun
Director Offshore

Born in 1970. Britt Skåtun holds an economics degree from Norwegian School of Economics (NHH) in Bergen. She has been with GIEK since 1998, where she first worked with the former Soviet Union, the Baltic countries and Latin America, and later with shipping and offshore. Prior to the 2014 reorganisation she was the office manager of the Guarantee Department.

Ulla Wangestad
Director Strategic Staff

Born in 1958. Ulla Wangestad earned a law degree at the University of Oslo and a master's in management at BI Norwegian Business School. She has been with GIEK since 2011 and was director of the Legal Department until the reorganisation last year. Ulla has previously worked as a lawyer in Lindorff and as head of the insurance law department in Gjensidige.

Construction and seismic vessels from Myklebust Verft

In October, GIEK issued a guarantee for up to NOK 492.5 million to Sparebanken Møre for the building of one construction vessel and one seismic vessel at Myklebust shipyard in Gursken in the Sunnmøre region. This almost century-old yard is part of Kleven Maritime.

"The building loan guarantee scheme is very important to the banks that issue building loans, particularly small, local banks, in making sure the yards receive their financing. However, it is even more important that GIEK helps make funding available to our customers, the shipowners," says Ståle Rasmussen, managing director of Kleven Maritime.

The construction ship Grand Canyon II is being built for Volstad Maritime, while the seismic ship Polar Empress will be built for G.C.Rieber Shipping.

It is impossible to overestimate GIEK's importance for the market and the development of our maritime industry.

CEO Ståle Rasmussen
Kleven Maritime

Guarantees and schemes

GIEK's job is to promote Norwegian export of goods, services and investments abroad, and serve as a supplement to the private banking market. GIEK must provide a competitive offer compared to foreign guarantee agencies. Most countries that have sizable capital goods exports provide public guarantees that cover the exporters' and financial institutions' risk related to long-term export credits. GIEK issues guarantees for exports to countries across the world.

Authority, responsibility and overall goals

GIEK's main objective is to promote Norwegian exports by issuing guarantees on behalf of the Norwegian state. In practice, GIEK primarily issues guarantees to Export Credit Norway AS and commercial banks. Guarantees can be issued where Norwegian goods or services are delivered abroad, or where an export transaction in some other way promotes Norwegian value creation.

GIEK can cover both commercial and political risk. By commercial risk is meant risk associated with a private purchaser going bankrupt or not paying for other reasons. By political risk is meant risk associated with a public purchaser failing to pay, or that war, expropriation or other action by public authorities prevented payment. Investment guarantees cover political risk only. GIEK maintains confidentiality regarding applications, offers of a guarantee and the development in issued guarantees. Issued guarantees are published on www.GIEK.no.

GIEK's goals in 2014 were:

✓ GIEK will contribute to export contracts by providing competitive export guarantees and by acting as a supplement to the market

✓ GIEK will help secure building loans on favourable commercial terms

✓ GIEK will help secure long-term power agreements on favourable commercial terms

✓ GIEK will provide professional advice and expertise

✓ GIEK will meet the objective that the individual scheme must break even in the long term, including any loss funds

Guarantees and schemes

GIEK provides several types of guarantees to meet the need in various types of transactions. Guarantees are issued under a particular scheme, thus committing some of the maximum liability which the Storting has set for that particular scheme.

The guarantees

A guarantee[1] means that the Norwegian state, represented by GIEK, takes over the risk in a loan or other financial transaction. GIEK's main objective is to issue guarantees that promote exports. The guarantees are stated in NOK. GIEK provides the following types of guarantees:

A buyer credit guarantee secures the buyer's loan in connection with an export contract. The guarantee is issued for 2-10 years; for ships, for up to 12 years, and for projects in renewable energy and in drinking water and sewage projects, 18 years.

A supplier credit guarantee ensures that the exporter receives payment for account sales to a foreign buyer.

A contract guarantee ensures the exporter does not suffer a loss in the production period because a foreign buyer does not fulfil the contract.

An investment guarantee secures the investor against a loss in countries with high political risk.

A bond guarantee secures the foreign buyer against a loss if the Norwegian exporter does not comply with his offer, the advance payment is lost, or the exporter does not go through with the delivery.

A letter of credit secures the transfer of money between the buyer's bank and the exporter's bank.

A building loan guarantee secures loans to Norwegian yards for building new ships.

Energy guarantee guarantees payment in relation to major contracts for the sale or purchase of power.

A tender guarantee covers the loss if an enterprise loses a tender competition for a project financed by development aid.

The guarantee schemes

GIEK has four main schemes for the Ministry of Trade, Industry and Fisheries: General Guarantee Scheme, Developing Countries Scheme, Building Loan Scheme and the Energy Purchase Guarantee Scheme. Each scheme has a clearly defined objective with its own criteria and an upper ceiling for the total amount of all guarantees under the scheme.

The schemes are intended to promote Norwegian exports (except for the energy and building loan schemes) and are subject to Norwegian laws and regulations as well as international agreements. GIEK also manages a tender guarantee scheme on behalf of Norfund (The Norwegian Investment Fund for Developing countries). The schemes are intended to break even in the long term.

The General Guarantee Scheme is GIEK's largest and most frequently used scheme, with an exposure limit of NOK 145 billion in 2014. This scheme also had the highest utilisation of the exposure limit. The buyer's credit guarantee is the most important type of guarantee issued under the scheme, but most other types of guarantees are also found here. The purpose of the scheme is to promote Norwegian exports in all sectors. The oil and gas supplier industry was the biggest user of this scheme, with 86 per cent of guarantee liabilities.

The Developing Countries Scheme can be used if the export promotes development in a poor country and the transaction involves too much risk for the General Guarantee Scheme. The scheme has an exposure limit of NOK 3.15 billion, but differs from the other schemes in that the exposure limit at all times amounts to seven times the primary capital. It is up to GIEK to decide whether a guarantee should be issued under the General Scheme or the Developing Countries Scheme. There has been a certain increase in the need for this scheme in 2014. Most types of guarantees can be issued under the scheme.

The Building Loan Scheme helps secure bank loans for shipbuilding at Norwegian yards. There is no requirement for the ship to be exported. Only a building loan guarantee can be issued under the scheme. The exposure limit was NOK 5 billion in 2014.

[1] *GIEK has changed the wording from "offer" to "offer of guarantee", from "policy" to "guarantee" and from "claim payout" to "payments under the guarantee".*

The Energy Purchase Guarantee Scheme is to help provide Norwegian industry with long-term power purchase agreements. Only energy guarantees may be issued under this scheme. No such guarantees have been issued since the scheme was established, but its existence contributes indirectly to the industry obtaining favourable power agreements in the market. Several long-term power agreements will need to be renewed towards the end of this decade and might lead to a demand for guarantees under the scheme.

The Tender Guarantee Scheme reimburses a Norwegian supplier for costs incurred in submitting tenders for aid projects in developing countries. GIEK manages the scheme on behalf of Norfund.

GIEK also administers some older guarantee schemes that are in the process of being phased out. GIEK serves as secretariat for the Contingency Scheme for War Risk Insurance of Goods (BSV). Separate reports are prepared on the Tender Guarantee Scheme and BSV for Norfund and the MTIF, respectively.

Evaluation of GIEK's effect

The analysis firm Menon Business Economics shows in a report dated June 2014[2] that GIEK conducted its social mandate in compliance with the guidance issued by the Government. It was estimated that export contracts worth at least NOK 22.5 billion would not have been signed in 2012 without GIEK's guarantees. The users of GIEK's services and their subsuppliers had a total of 120,000 employees. Around 11,000 Norwegian jobs would have been lost in 2012 without GIEK's guarantees, according to the Menon report (Figure 1).

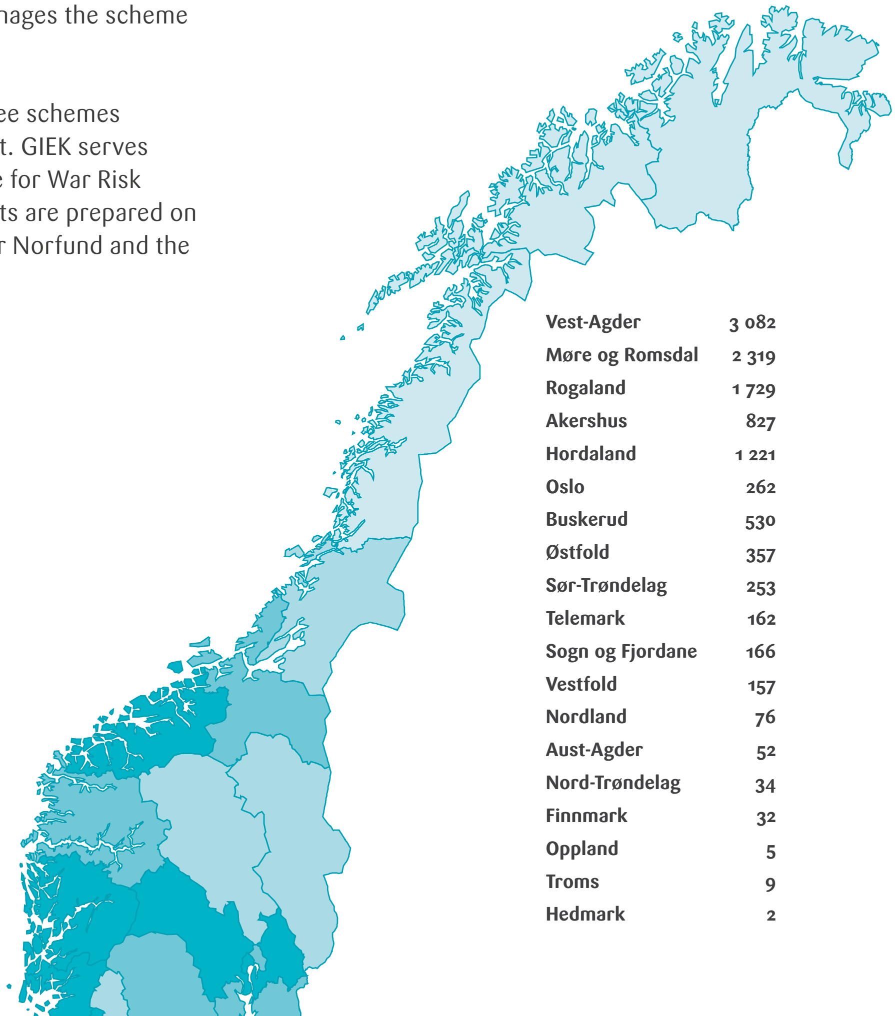


Figure 1: Jobs that would have been lost without GIEK's guarantees in 2012. Source: Menon 2014.

2
Menon Publication no. 14/2014: How much and in what way does GIEK impact on exports? By Sveinung Fjose, Magnus Gulbrandsen, Gjermund Grimsby and Christian Mellbye. The report was commissioned by GIEK.

Renewable energy – guarantees contribute to growth

In 2014, GIEK issued a guarantee of EUR 300,000 for engineering services from the Norwegian company Seatower to build a meteorological station outside Normandy in France. The buyers are a consortium of the three energy companies DONG Energy, EDF EN and WPD Offshore.

The three companies are building a gigantic wind farm outside Normandy, and the meteorological station is the first step, as it will conduct wind measurements in the area. The contract will help qualify Seatower's technology for further use in the project, when the wind turbines are built. In the project, Seatower's proprietary technology for building wind turbine foundations on the seabed will undergo full-scale testing. The technology has been developed since 2008, when the company was established, with support from the Research Council of Norway. The investment in the meteorological station will come to just under EUR 10 million, with the foundations representing about 85 per cent of the cost. The guarantee from GIEK will cover any cost overruns associated with Seatower's delivery.

"Winning contracts abroad requires a great deal of capital, and GIEK's assistance is therefore a real boon for the industry. Capital will represent the biggest barrier to growth in the Norwegian renewables sector over the next few years. GIEK helps the industry develop, since the capital is not tied up in the bank as a guarantee, but can be used as working capital instead," says Peter Karal, CEO of Seatower.

Without the guarantee from GIEK, Seatower would have been forced to place the guarantee sum as a cash deposit in a bank, placing a great strain on the company, according to Karal.

Having our case processed in GIEK was a pleasant experience. The executive officers were knowledgeable and unbureaucratic.

CEO Peter Karal
Seatower

Activities and results in 2014

The sum total of outstanding liabilities and guarantee offers for all schemes for 2014 was NOK 130 billion[3]. For the General Guarantee Scheme, utilisation amounted to 87 per cent of the exposure limit at year-end. Percentagewise, this is the highest utilisation of the scheme for more than three years. GIEK continuously tracks utilisation to make sure no guarantee must be refused due to a lack of capacity within the exposure limit. In the third four-month period, the sum of binding guarantee offers was the highest in over three years (NOK 40.2 billion).

The oil and gas supplier industry is the dominant segment in GIEK's portfolio, representing 86 per cent of outstanding liability at the end of 2014. The number of guarantees is more evenly distributed on the various industries, but oil and gas is still the largest one with a share of 50 per cent (229 of 458).

Figure 2: Total guarantees, offers and exposure limits for the main schemes in 2012–2014, per four-month period. The growth in the last four months of 2014 was largely caused by the change in dollar exchange rates.

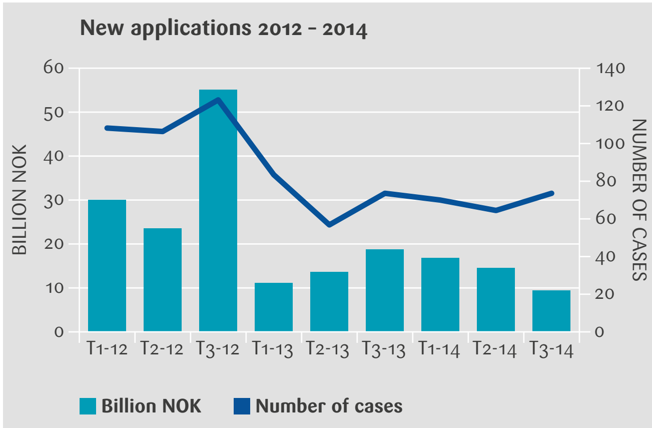
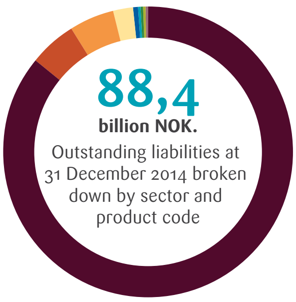


Figure 3: The number of applications received remained stable throughout 2014 (the line), while the sum total in NOK has fallen (the bars). The figure shows the development between the four-month periods.

Industry distribution in the portfolio according to the OECD classification (figures in billion NOK)



85,8 %	75,89	Oil and gas
5,4 %	4,74	Energy
5,1 %	4,47	Shipping
2,3 %	2,02	Manufacture
0,5 %	0,43	Water, sewage and waste management
0,3 %	0,28	Fisheries
0,2 %	0,21	Other
0,2 %	0,20	N/A
0,1 %	0,11	Financial services
0,1 %	0,05	Mining

229	Oil and gas
111	Energy
47	Shipping
22	Financial services
14	Water, sewage and waste management
13	Fisheries
10	Other
7	N/A
4	Manufacture
1	Mining

Figure 4: A few large guarantees within Oil and Gas mean that our guarantee liabilities measured in NOK are dominated by this sector. Looking at the number of cases without regard to their size, the sector distribution is wider. (Reinsurance by GIEK Kredittforsikring AS comes in addition).

3
Including reinsurance by GIEK Kredittforsikring AS totalling NOK 0.9 billion and an unused framework agreement for bonds

Goal 1: Contribute to export contracts by providing competitive export guarantees and by acting as a supplement to the market

During 2014, GIEK contributed to export contracts worth NOK 28.5 billion[4].

In the Board's assessment, GIEK's guarantee offers are competitive and act as a supplement to the private finance market.

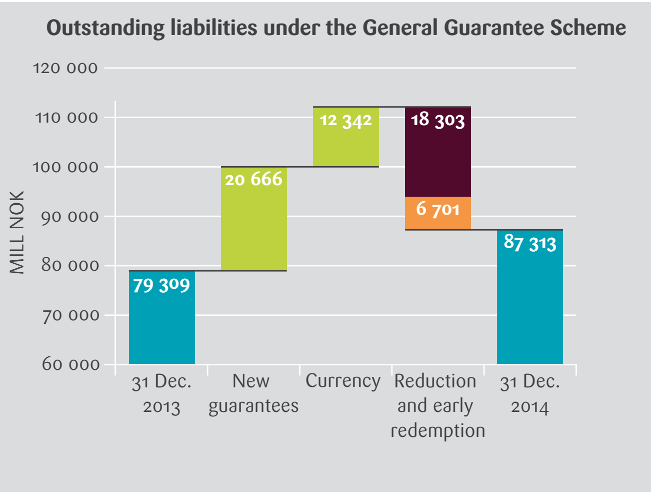


Figure 5: Outstanding liabilities at year-end, plus change through the year in the form of new guarantee liability, a negative currency effect, and the sum of reduction and early redemption. The sum total is outstanding liabilities at the end of 2014. (Without reinsurance by GIEK Kredittforsikring AS).

4
The sum of the total export contracts that GIEK has financed parts of.

Shipping and offshore

The biggest share of outstanding liabilities is in oil and gas and in the maritime sector with NOK 76 billion, corresponding to 86 per cent of our portfolio. Figure 6 shows our exposure in oil and gas broken down by types of vessel, rigs, etc.

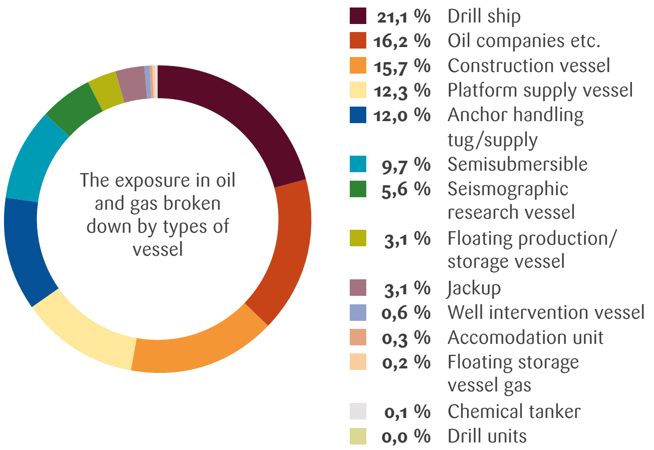


Figure 6: Broken down by type of vessel/rig etc. in percentage of the outstanding liabilities of NOK 76 billion in oil and gas at 31 December 2014.

Other industry

Like their foreign customers, GIEK's users in other mainland industry belong to a variety of sectors. The guarantees are mainly of smaller amounts than within offshore and shipping, and this group of clients demands a high number of Letter of credits (guarantees that provides safe payment between buyer and seller). Number of applications increased in 2014 compared with 2013.

Small enterprises with small export contracts tends to use GIEK to a relatively small extend. GIEK and Export Credit Norway have therefore developed a simplified financing solution for this group of exporters.

Regarding markets, GIEK observed an increased interest in South-East Asia in general and particularly Myanmar. GIEK has worked on several specific cases in 2014 and issued several guarantee offers for this area.

Renewable energy

Renewable energy is a growth area and a priority for GIEK. A dedicated team is focusing on promoting projects in renewable energy. GIEK provides a good, well-adapted export finance offer in line with international regulations.

The market is expected to see significant growth over the next few years. In solar energy, plunging equipment prices has helped bring down cost levels dramatically. Solar energy is now competitive compared with energy produced from fossil sources in several parts of the world. The Norwegian maritime cluster's contribution within offshore wind seems likely to increase going forward, in light of falling activity in oil and gas.

The Norwegian equipment suppliers within hydropower who have a relatively small share of the global market, still face stiff competition from major international companies. Some of the Norwegian companies have therefore entered into strategic alliances with foreign partners.

International export finance regulations allow projects in renewable industry to be offered somewhat better financing terms than other industries, for instance that loans can be paid down over a longer period, following a specific assessment of each project. GIEK is generally willing to make an extra effort for renewable energy projects, provided the risk is considered justifiable. GIEK participates in several forums relevant to the marketing of GIEK's guarantee offers, and enjoys close collaboration with the Intpow industry organisation.

In 2014 GIEK issued guarantees in connection with the funding of two crew boats built at the Fjellstrand AS yard, on assignment from WMO Shipping Company AS, a Danish company. These vessels are transport and service boats for offshore windmills. GIEK also provided guarantees for Seaproof Solutions AS' deliveries of cable protection for the Dong Energy Wind Power AS project Borkum Riffgrund 1 and for Seatower AS' delivery in connection to the construction of a meteorological station in the English Channel. The plan is to use their foundation concept in a windfarm that Electricité de France is planning to build at the same location. GIEK provided bond guarantees under framework agreements on behalf of Norwegian cable manufacturers and hydroelectric equipment suppliers.

For 2015, it is expected that more guarantees will be issued to finance vessels for offshore wind projects as well as some large and small-scale solar energy projects in emerging markets.

Guarantee scheme for investments in and exports to developing countries (Developing Countries Scheme)
The Developing Countries Scheme can be used if the export will promote development in a poor country and the transaction involves too much risk for the General Guarantee Scheme. New guarantee offers totalling NOK 1.05 billion were issued under the Developing Countries Scheme in 2014, mainly in the energy sector. The scheme has also been used to maintain continuous delivery of fish to buyers in Ukraine. Outstanding liabilities amounted to NOK 477 million at the end of the year. There has been an increase in applications and enquiries that are highly likely to come under the scheme. Some of these applications are for large guarantee sums.

Norwegian interests
GIEK is to promote Norwegian exports and Norwegian investments abroad. Normally, GIEK guarantees for contracts where the exported product is produced in Norway. Pursuant to Section 3.1 of GIEK's Articles of Association, GIEK has expanded power to issue guarantees in cases that fall outside the normal conditions for an export guarantee, but where financing an export transaction nevertheless is considered to promote Norwegian interests to an considerable degree.

Goal 2: Help secure building loans on favourable commercial terms

GIEK is to contribute to Norwegian shipyards and offshore yards obtaining building loans. GIEK helps ensure increased activity by offering building loan guarantees.

It is the Board's assessment that the goal of the scheme has been achieved.

Building Loan Guarantee Scheme
GIEK can provide guarantees for up to 50 per cent of a bank's building loan to a yard in Norway, on the same terms as a financial institution or a bank. This way, GIEK can help ensure that Norwegian yards obtain the building loans they need and therefore are awarded contracts to build ships.

Four applications were received, and offers of five new guarantees were provided in 2014. Our new guarantee liability in 2014 amounted to NOK 719 million, and our total guarantee liabilities at the end of 2014 were NOK 519 million.

The demand for building loan guarantees has been moderate in the last few years.

Goal 3: Help secure long-term power agreements on favourable commercial terms

GIEK is to help ensure that the power market companies are able to enter long-term power agreements on favourable commercial terms by offering guarantees for power agreements.

GIEK has since its inception marketed the scheme to potential users in the power market. GIEK believes the absence of a demand for guarantees is not due to lack of knowledge of the scheme, but because potential users so far have not needed risk relief from GIEK in order to obtain agreements on commercial terms.

It is the Board's assessment that the goal of the scheme has been achieved.

Energy Purchase Guarantee Scheme for the purchase of power by the power-intensive industry
Guarantees can be provided to power sellers or to financial institutions that finance purchases of power supplies. The scheme only covers power-intensive industries in certain sectors with an annual power consumption of at least 10 GWh. A power purchase agreement must have a duration of at least seven and a maximum of 25 years in order to qualify for the scheme.

Power-intensive industry has a long planning horizon and is now in the process of assessing potential supply solutions for their industrial plants after the existing power agreements expire around 2020.

Goal 4: Provide professional advice and expertise

GIEK is to be the Ministry of Trade, Industry and Fisheries' specialist agency on guarantees and other relevant export policy issues. GIEK must have the expertise and capacity to advice and follow up the negotiations on new international rules for officially supported export credits (IWG). In addition, GIEK must assist the Ministry in OECD's export credit groups and participate in the Paris Club with the Ministry of Foreign Affairs.

In the Board's assessment, GIEK conducts its duties as a technical advisor with sound expertise. The Board emphasises that GIEK maintains contact with financial institutions, business and industry, funding agencies and international organisations. This is important in order to protect Norwegian interests and to provide good support to the Ministry.

Goal 5: GIEK will meet the objective that each scheme must break even in the long term, including any loss funds

The Ministry of Trade, Industry and Fisheries' risk tolerance regarding the GIEK schemes is largely described by the requirement that the guarantee schemes must break even in the long term (Section 1-7 of the Articles of Association).

Balance (breaking even) is defined in Section 2-1 of the Articles of Association: "*The term balance out for the various guarantee schemes means that balance shall be achieved between premiums, recoveries, financial revenues and any grants for the coverage of losses on the one side, and administration costs, financial expenses and claims paid on the other. Accounts for each guarantee scheme are used to measure the degree to which the balance requirement has been achieved. Transfers of capital from GIEK to the Treasury must be made visible in the accounts of the different guarantee schemes.*"

In the Board's assessment, the risk of the guarantee schemes not breaking even in the long term, is acceptable.

Strategic challenges and focus areas

Risk Management

GIEK has made risk management a special priority in 2014. Good management of risk is important for GIEK's management of the guarantee schemes, and it will remain a focus area.

The Board is satisfied with the administration's work to ensure a high quality in the credit assessment work and risk management in the portfolio. The Board provides a description of this in the Directors' Report and in the separate risk report.

The Board is also satisfied with the work to reach GIEK's goals for 2014 and refers to the separate risk report for a discussion of the risk of not achieving the goals.

Cooperation with Export Credit Norway AS

The Board is satisfied with the cooperation with Export Credit Norway AS and refers to the discussion on new joint solutions for business and industry as a concrete example of how this work has yielded results.

Joint exporter's declaration and collaboration on Corporate Social Responsibility in GIEK and Export Credit Norway:
GIEK and Export Credit Norway have introduced a joint exporter's declaration, and GIEK will now conduct assessments related to CSR and the environment on behalf of both agencies. This cuts down on work for our customers as well as the financial institutions.

Joint financing scheme for small and medium-sized contracts in GIEK and Export Credit Norway
Applicants will only have to deal with one joint application form, one joint offer and simplified documentation. The scheme will be marketed specially to SMEs.

Familiarity with our guarantees

Which exporters use GIEK the most?

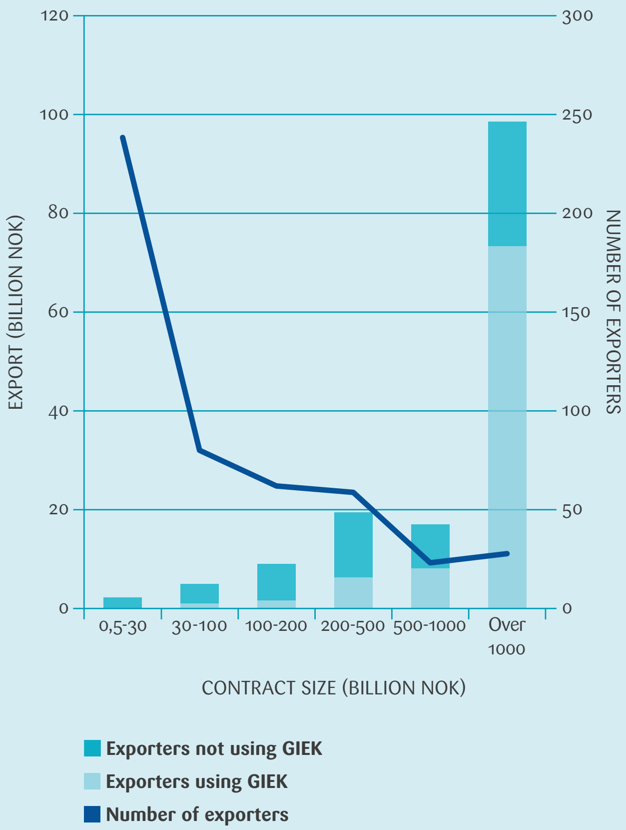
The majority of GIEK's guarantee liabilities concern export of capital goods (goods that provide services over a longer period), in particular vessels and equipment for vessels and rigs.

A new report[5] has found that two thirds of capital goods exports in 2014 came from 27 major companies, each of which had contracts worth more than NOK 1 billion. These largest exporters used GIEK to a great extent. It is important for GIEK that Norway's biggest exporters consider our guarantees relevant as they look to increase their international competitiveness.

Among the smallest exporters, the opposite picture emerges: the NOK 2 billion in exports in 2014 was divided among many small contracts, each amounting to between NOK 0.5 and 30 million. Few of these exporters used GIEK. **In other words, the use of GIEK decreases with the size of the contract and the company**. GIEK and Export Credit Norway have now launched a simplified funding solution for just such small and medium-sized contracts, and this solution will be marketed to smaller businesses throughout Norway in 2015.

Many small companies are already subcontractors to the major exporters, thus benefiting from GIEK's guarantees indirectly. Some of these subcontractors will have to undergo changes and seek new markets in the future, sometimes abroad, and our new funding solution will be relevant for them.

The largest exporters of capital goods used GIEK the most



5 GIEK's share of Norwegian capital goods export: How do GIEK's guarantees reflect Norwegian capital goods export?" MENON publication no. 6/2015 by Lisbeth Iversen Flateland and Sveinung Fjose. The report was commissioned by GIEK.

Nevion gives British viewers Premier League

Sandefjord-based Nevion Europe has used a GIEK guarantee to secure an export contract for the sale of broadcasting equipment to the ADI UK media group in Britain. Nevion cables will be used to broadcast sports events, including Premier League, to British viewers.

"We deliberately use the financing model offered by GIEK and Export Credit as a competitive advantage. Everyone in the export industry needs sales arguments, and being able to present a good financing solution can be the turning point for an agreement. We won ADI as a customer because of this," says Petter Kvaal Djupvik, Chief Operating Officer in Nevion.

In 2014 and 2013, GIEK issued three guarantees totalling GBP 1.15 million for three transactions between Nevion and ADI UK.

Most of Nevion's customers are found in broadcasting and telecommunication, and the company provides solutions for direct transmission of live pictures (point-to-point) as well as for transport of live pictures in larger network systems.

Nevion was established through the merger of Network Electronics and Video Products Group (VPG) in 2008. The company currently has local offices in Los Angeles, the UK, Dubai, Beijing and Singapore.

We deliberately use the financing model offered by GIEK and Export Credit as a competitive advantage.

COO Petter Kvaal Djupvik
Nevion Europe

Annual financial statement

The Norwegian Export Credit Guarantee Agency (GIEK) prepares two sets of accounts. The administration accounts show the financial situation in GIEK's operations organisation. The annual accounts for the guarantee schemes (the fund accounts) show revenues and costs in the various guarantee schemes.

The Storting (the Norwegian Parliament) determines a ceiling for GIEK's administrative costs, which is appropriated via budget chapter 2460 in the state budget, and decide the total exposure limit for new and old offers of guarantees and guarantee liability in 2014 under the guarantee schemes.

GIEK's administration

GIEK's staff is employed in GIEK's administration, which manages and administers the guarantee schemes.

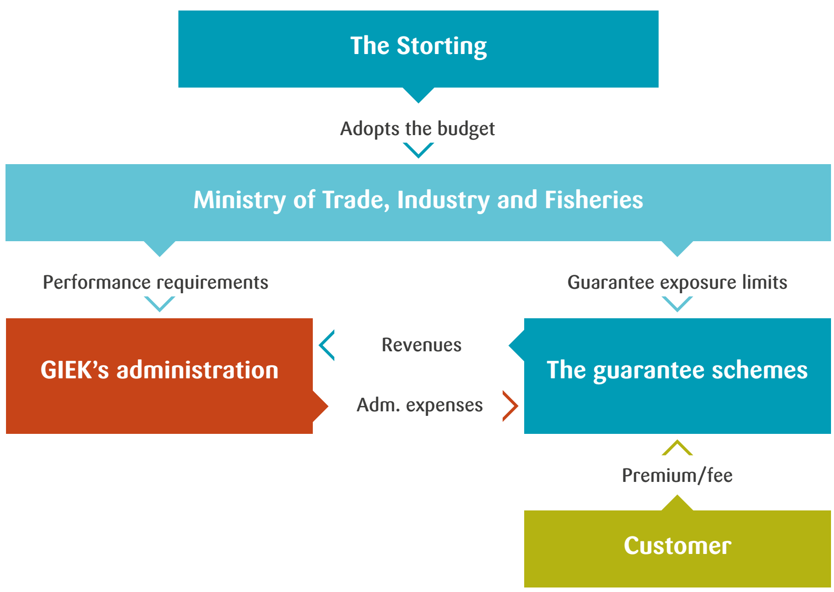
The guarantee schemes have no employees. All services are provided by GIEK's administration and charged to each guarantee scheme according to a pre-defined distribution key.

GIEK's administrative expenses are budgeted at their net value. The administration accounts are recorded according to the cash principle and are included in the central government budget and central government accounts.

The guarantee schemes

The financial statements with notes comprise all the guarantee schemes under GIEK. Separate accounts are kept for each guarantee scheme, but are discussed collectively.

The guarantee schemes are accounted for in line with the principles of the Accounting Act as far as appropriate. The accounts generally follow the accrual basis of accounting, except for some income items posted on a cash basis. When individual and collective provisions are calculated, the principles in the Lending Regulations (Regulations of 21 December 2004 No. 1740) are followed. Special guidelines have been prepared for the provision of losses on guarantees and claim receivables. The accounting policies are described in the Policies Note in the fund accounts.



The Board of Directors' Annual Report

The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) and located in Dronning Mauds gate 15 in Oslo. The primary purpose of GIEK is to promote Norwegian exports by issuing guarantees on behalf of the government. GIEK primarily issues guarantees to Export Credit Norway AS and commercial banks. The guarantees can be issued when Norwegian goods and services are supplied in a foreign country, or where an export transaction in some other way promotes Norwegian value creation.

Summary of developments

In 2014, 163 new guarantees were issued, totalling NOK 21.4 billion. Many loans were refinanced in the bond market during the first eight months of the year, leading to the extraordinary redemption of guarantees worth NOK 16.5 billion. The final four months saw few early redemptions, and the increased size of the portfolio was largely due to a weaker exchange rate for NOK. In all, guarantees worth NOK 18.3 billion were redeemed in 2014.

In the course of the year, GIEK contributed to export contracts worth NOK 28.5 billion. The agency issued three single guarantees of more than NOK 1 billion each, while 136 guarantees were issued with an overall liability below NOK 200 million. On average, GIEK has guaranteed for 51 per cent of the contract amounts. Eight of the ten largest new guarantees relate to oil and gas activity.

The sector distribution in GIEK's guarantee portfolio reflects Norway's overall exports of capital goods, which are dominated by the offshore oil and gas industry. The oil companies cut their exploration and production budgets throughout 2014 due to the high cost level, and this trend was strengthened further by the falling oil price. The sector's insecurity grew in the final four months of the year. GIEK will therefore expect fewer applications related to newbuilds within oil and gas in 2015.

In the Board's opinion, GIEK's exposure through its offshore portfolio has been prudently secured with collateral when the guarantee was issued. The Board points out that there is much uncertainty in the market, and the likelihood of losses has increased during this last year.

The Board has had a particular focus on anti-corruption work in 2014, and has in this connection reviewed GIEK's routines and practices. GIEK's anti-corruption work is based on Norwegian law (Section 276 a - c of the Norwegian Criminal Code) and OECD's "Recommendation on Bribery and Officially Supported Export Credits" from 2006. GIEK obtains an Exporter Declaration and a Corruption Declaration from the customers and conducts special investigations in individual cases when necessary.

The Board is eager for GIEK's application process to be as efficient as possible for the customers. In many cases, Export Credit Norway AS is the most important lender, while GIEK is the chief guarantor. In 2014, the two agencies therefore launched a joint application (instead of the previous two) for loans and guarantees for contracts below NOK 100 million, and this solution is marketed particularly to small and medium-sized companies.

GIEK's organisation and portfolio have had continued growth the last several years. In 2014, GIEK continued the work of developing routines and systems for how to follow up issued guarantees and the portfolio in its entirety. GIEK was reorganised in 2014, introducing the new organisational model on 1 December. The purpose is to be more readily available to existing and new customers, and to have dedicated support capacity to handle current guarantee cases. The new organisation also allows GIEK to be prepared for increasing defaults in the oil and gas sector. GIEK now has three guarantee departments in a matrix organisation.

Developments in guarantee liability

Guarantees

Outstanding guarantee liabilities amounted at year-end to NOK 89.3 billion, compared to NOK 81.9 billion at the end of 2013. An important reason for this increase is the stronger dollar exchange rate. The exchange rate rose from NOK 6.08 at year-end 2013 to NOK 7.43 per dollar at year-end 2014. 70 per cent of GIEK's portfolio is guaranteed in US dollars. The portfolio grows in NOK when the NOK weakens, binding up more of the exposure limits. GIEK's revenues increase when the dollar is stronger, however, because the revenues are continuously changed into NOK.

Of the total outstanding liabilities of NOK 89.3 billion, NOK 88.2 billion came under the General Guarantee Scheme, equivalent to 99 per cent of the total. The building loan scheme accounted for 0.5 billion, while NOK 0.4 billion came under the Developing Countries Scheme. The remaining NOK 0.2 billion were in old schemes that are being phased out.

Total guarantee liabilities including binding offers of guarantees (bound under the exposure limit) came to NOK 130 billion at the end of the year.

GIEK issued 163 new guarantees worth NOK 21.4 billion in 2014 in response to applications received in 2014 or earlier, compared to NOK 19.9 billion divided into 180 applications in 2013[6]. Of the guarantee liabilities, 97 per cent are buyer's credit guarantees. Guarantees have been issued in all schemes except the power guarantee scheme.

Applications

In 2014, GIEK received 205 applications for guarantees, totalling NOK 39.9 billion, compared with NOK 41.7 billion[7] and 213 applications in 2013. The number of applications rose in the last four months of the year, while the NOK amount fell compared with 2013.

Several new applications were received in 2014 that are relevant for the Developing Countries Scheme, mainly concerning renewable energy. New risk for defined importers in Ukraine was from 1 May 2014 guaranteed under the Developing Countries Scheme.

Revenues

Guarantee premiums and fee revenues from all schemes in 2014 came to NOK 1.5 billion, the same level as in 2013.

6
The 2013 Annual Report stated new guarantees worth NOK 24.2 billion distributed on 182 guarantees for 2013, see note 22 for an explanation of this difference.

7
The 2013 Annual Report stated applications totalling NOK 53 billion in 2013, see Note 22.

Financial risk

Market risk

The guarantee portfolio comprises a number of offshore vessels and installations associated with oil fields where the production costs are between USD 20 and 70 per barrel. Many of these vessels are under long-term charter to reputable oil companies, and they are therefore considered relatively well able to service their debt in today's situation. In the current more pressured market it is also an advantage that vessels financed by GIEK are relatively new and modern.

GIEK's exposure to the offshore oil and gas industry entails considerable exposure and risk related to companies with activities in the North Sea, Latin America and West Africa. The most active single market over the past decade has been Brazil, and therefore a key market for GIEK's customers in offshore and particularly deepwater activities. GIEK's exposure in Brazil amounts to 20 per cent of our portfolio.

There is still a high degree of contract fulfilment in the guarantee portfolio, and few new defaults. The oil companies' reduced investment level in 2015 will reduce the chances of new contracts as well as the price that might be obtained for the contracts. If the oil price remains low into 2016, the market situation might lead to less demand for new guarantees.

Credit risk

GIEK conducts careful credit and risk assessments for all transactions before any guarantees are issued. Special analyses are also conducted of developments in relevant segments and markets. Every four months, GIEK assesses the risk in the portfolio's most exposed commitments and in the portfolio overall. GIEK maintains a close dialogue with the customer and cooperating banks during the term of a guarantee.

The risk of a loss in each exposure is estimated by considering the companies' cash flow in relation to their commitments, the collateral values and the customers' ability to service their debt. GIEK thus has a good basis on which to consider the overall risk in the portfolio.

A fair amount of refinancing took place in the bond market during January-April, and even more in May-August, of 2014. This meant that a considerable number of GIEK's guarantees were redeemed early. The bond market prices for financing rose significantly during the last four months of 2014. Refinancing will become more difficult for GIEK's customers. We do not expect early redemptions to free up any guarantee capacity of significance within the exposure limits in 2015.

Liquidity risk
GIEK provides guarantees on behalf of the Norwegian state. Procedures have been established for drawing on the State's liquidity if liquidity in the actual guarantee scheme is insufficient.

Should a lender's contract be defaulted on, GIEK can enter into their commitments and undertake payment under the guarantee in line with the original repayment plan. The liquidity burden is distributed over the term of the guarantee. In most cases GIEK has collateral security for the guarantees, and realisation of such collateral will reduce the need for liquidity in a default situation.

Foreign exchange risk
The General Guarantee Scheme comprises 99 per cent of all outstanding liability, and 70 per cent of this is guaranteed in US dollars. The guarantee scheme's direct currency exposure is a function of valuated receivables, bank deposits and the provisions made for guarantee liability.

In order to reduce the currency risk for the General Guarantee Scheme, bank accounts have been opened in USD and EUR. The bank accounts are matched against assets, provisions and debt. The currency holdings are balanced upon major changes in the portfolio, and usually at the end of every four-month period. The guarantee scheme will thus be exposed to currency fluctuations until the final provisions have been determined, normally one month after the end of each four-month period. The current practice helps reduce the risk. No corresponding mechanisms have been established for the other guarantee schemes.

Risk-exposed contracts and provisions for loss

GIEK's risks, values and collateral depend on the financial situation in general and the oil price in particular. Based on the total financial risk picture, GIEK conducts assessments of individual and collective provisions every four months. Total provisions for the year were NOK 3.3 billion, or 3.7 per cent of the portfolio.

When estimating expected loss in the portfolio (collective provisions), GIEK uses collateral values based on a conservative assessment of real security and the market value of vessels (objects), if relevant. Industry-specific reductions in market value are also included in the assessment. GIEK has a major part of its portfolio in sectors where uncertainty increased towards the end of 2014, and this has led to uncertainty concerning the market value assessments. We have attempted to bear this uncertainty in mind in the above-mentioned industry-specific reductions in market value.

Attention is also paid to jurisdiction, in that we reduce the value of the real securities if there is any doubt that the collaterals may be safely realised in the country in question. Rapid changes in the macro-economic framework conditions and poorer prospects for a large proportion of GIEK's portfolio in 2014, have led to a greater risk that the risk assessments (rating) for GIEK's exposures have not been sufficiently updated. A discretionary increase in the collective loss provision for the exposure group has therefore been made, based on a macro-factor. Determining these factors (reducing the collateral values according to sector, jurisdiction and the macro-factor) in order to calculate collective provisions will always be something of a discretionary judgment, and the calculations conducted represent GIEK's best estimate.

The Export Conference 2014

GIEK together with Export Credit Norway and GIEK Kredittforsikring organised the Export Conference in April 2014 with around 300 participants.

HRH Crown Prince Haakon presented the Export Award 2014 to Jan Tore Leikanger, managing director of Jets Vacuum AS. Siri Hatlen and John G. Bernander represented the jury. The conference and the award presentation are annual events and part of the enterprises' marketing of finance products to Norwegian businesses.

GIEK conducts regular individual loss assessments for some debtors and guarantees with a higher likelihood of default. The general principle is that the probability of a default, our exposure in the event of default and the values we can expect to realise in a disposal situation, together form the basis for calculating a potential loss.

On the other hand, GIEK does not pay particular attention to the concentration risk for the sector or country in our collective provisions, as this is not a requirement in the Lending Regulations. Ordinary banks assess the concentration risk for sector and country as part of their Pillar II calculations (assessment of equity needs according to the Capital Requirement Regulations), and these assessments are separate from preparing the accounts.

GIEK makes special provisions due to our heavy exposure to individual customers and groups of companies. This is done for exposures that would have exceeded the banking regulations' limits for exposure to individual customers.

Commitments are watched closely. GIEK allocated higher provisions in 2014 for our reinsurance liability to GIEK Kredittforsikring AS than previously. This was due to the unrest in Ukraine and the Russian import ban on Norwegian fish.

GIEK's exposure in Paris Club receivables amounted to NOK 453 million in 2014. A Paris Club receivable is an agreement between a state and its creditors concerning repayment of the state's debt. State creditors come together in the Paris Club and renegotiate state-to-state receivables. Norway's receivables stem largely from defaulted state-guaranteed export credits from GIEK.

A working group organised by the MTIF, with GIEK and the Ministry of Finance, has reviewed GIEK's regulations for default and debt collection cases. GIEK's regulations were made clearer and more complete.

Future prospects and developments after the balance sheet date

GIEK issues guarantees on behalf of the State. Therefore, our annual operation and exposure limits are set by the Storting and communicated to GIEK in an annual letter of allocation from the Ministry of Trade, Industry and Fisheries.

GIEK's guarantee schemes must break even in the long term: there must be a balance between premium revenues, recoveries, finance revenues and state allocation for loss coverage on the one hand, and administrative expenses, finance costs and payments under guarantees on the other (cf. Section 2.1 of GIEK's Articles of Association).

The collective provisions allow for a decline in the value of collaterals after the balance sheet date. However, there has been no significant change in future prospects after the balance sheet date.

A financial downturn that impacts the dominating sectors in GIEK's portfolio may cause a breach of loan conditions in some cases. In our experience, some loans might have to be restructured. Furthermore, several GIEK-guaranteed loans might be defaulted in a financial downturn, and payments might have to be made under the guarantees. This might become resource-consuming for GIEK. GIEK has strived to allow for future loss in the individual and collective loss provisions.

GIEK's portfolio is expected to come under greater pressure in the year ahead, with a higher likelihood of loss in the portfolio. GIEK allows for this by increasing provisions for loss and downgrading market views of segments where our exposure is the greatest. With significant changes taking place in the market, the Board would underline the uncertainty associated with valuation of collaterals. The downturn in the market may also affect the terms and conditions GIEK will have to set for new guarantees.

The Export Award 2014 went to Jets Vacuum AS

Based on provisions for loss, write-downs and the preparation of a crisis management plan taking place in GIEK, the Board is of the opinion that each scheme will break even in the long term. The Board emphasises that uncertainty regarding future developments is a normal part of business.

New products and services

GIEK introduced a new buyer's credit guarantee in the second four-month period which simplifies documentation for the customer and makes it easier for GIEK to process the cases.

In December 2014, Export Credit Norway AS and GIEK together launched joint financing for contracts below NOK 100 million, aimed especially at small and medium-sized enterprises (SME). This initiative means that such customers can submit one joint application rather than the previous two. It also means financing without participation by an external bank for contracts under NOK 30 million. Informing relevant companies, banks and partners throughout Norway of this simplification and our new SMB product will be a focus area for us in 2015.

GIEK has no research and development activity of its own.

How GIEK benefits the community

The social mandate of GIEK is primarily to promote Norwegian exports and Norwegian investments abroad through issuing guarantees. GIEK makes it simpler for the exporters to obtain sound financing for their contractual partners and to secure important export contracts.

An analysis[8] conducted in 2014 found that GIEK performs its social mission in line with the guidance issued by the Government. GIEK's guarantees were crucial for Norwegian export contracts : without them, NOK 22.5 billion in export contracts and 11 000 jobs would have been lost in 2012 (a conservative estimate). Without GIEK's guarantees, Norway would according to the report have been a less attractive country to locate export-oriented activity in.

8
Menon publication no. 12/2014: "Hvor mye og på hvilken måte påvirker GIEK norsk eksport?" (How much and in what way does GIEK impact Norwegian exports?) By Sveinung Fjose, Magnus Gulbrandsen, Gjermund Grimsby and Christian Mellbye. The report was commissioned by GIEK.

Working environment

The guarantee schemes have no employees. All services are provided by the GIEK administration and are charged as fees for administrative expenses.

The administration had 67.8 full-time equivalents at the end of 2012, 74.4 full-time equivalents at the end of 2013 and 80.9 full-time equivalents at 31 December 2014. These figures do not include employees on leave.

The gender balance is 48 per cent women and 52 per cent men. The management team consists of five women and two men. At year-end, GIEK had 14 employees with immigrant backgrounds, representing 17 per cent of all employees. The average age of all employees was 46, with women averaging 45 and men 47. Five per cent were 30 years old or younger, and ten per cent were 60 years or older. Salary stipulation is gender-neutral.

GIEK's administration has safety delegates, a working environment committee (AMU), employee representatives, a company doctor and human resources manager as channels for meeting HSE requirements. For ethical guidelines, GIEK has suggestions and procedures for how employees can handle improper behaviour. An HSE system has been prepared with routines for how to prevent and handle cases of bullying. It has not been considered necessary to implement measures related to gender equality or gender discrimination.

GIEK's administration is an Inclusive Workplace (IA) enterprise and prepared in 2014 a revised action plan for the 2014–2018 period.

Absence due to illness is low and stable. Absence due to illness was 4.4 per cent in 2014, a slight increase from the previous year. Eight employees (10.4 per cent) left in 2014, one of them because the contract period expired.

No job-related injuries or accidents were reported in 2014.

A reorganisation was carried out in 2014, following a period of strong growth and development for the administration.

An employee satisfaction survey was conducted in 2013 with generally good results. We aim to conduct a similar survey every second year, and intend to carry out the next survey at the end of 2015 or in 2016. The administration includes a company health service, and all staff are offered a medical check-up every year. Our working environment is still considered good.

GIEK's administration is an apprentice enterprise and we have hired one apprentice who is working in IT operations. In the course of 2015 we plan to expand with one more apprentice.

Corporate social responsibility and external environment

GIEK has policies and procedures to ensure social and environmental issues are considered in the projects where GIEK is involved. While they largely reflect OECD guidelines on environmental and social issues, they go further in some cases. GIEK has three experts on the environment and human rights and is an adviser to Export Credit Norway AS on environmental and social issues.

While most of the applications processed in GIEK have no specific environmental or social challenges, systematic efforts have been made to limit and avoid any negative impact on the environment and human rights where such risks have been present. All cases considered to entail high environmental and social risks must have documentation that they are in compliance with international standards. This work is done in close consultation with the respective customers.

In 2014, GIEK performed CSR assessments of yards in accordance with OECD regulations, with a special focus on working conditions at overseas yards. The assessments were carried out by a third party as well as by GIEK itself. We emphasise a good dialogue with customers and other involved parties.

GIEK is an active contributor in international forums on environmental and social issues. This applies not least to the OECD, where the various guarantee agencies participate in the development of common guidelines to ensure compliance with standards for environmental protection and acceptable working conditions.

GIEK does not pollute the environment to any significant degree. Paper waste is recycled, and GIEK staff largely take public transport to and from the office. Their business travel by air is registered in the Government's system for purchasing carbon credits for all travel undertaken.

Profit/loss for the guarantee schemes

The total for all guarantee schemes shows a profit of NOK 734 million, compared with NOK 1 493 million the year before. Revenues are stable. Provisions for loss have increased by NOK 861 million, including currency effects. Based on the description under "Risk-exposed contracts and provisions for loss", the Board believes it has taken the uncertain macro-economic situation into account in the loss provisions at year-end. On the basis of a general assessment of the overall uncertainty, the Board is of the opinion that the accounts presented provide a true picture of the guarantee schemes' result at the end of the year.

The Board believes the liquidity situation at the balance sheet date is acceptable. GIEK provides guarantees on behalf of the Norwegian state. Procedures have been established for drawing on the State's liquidity if liquidity in the actual guarantee scheme is insufficient.

The State is its own insurer and is liable with its entire balance. The Storting adopts exposure limits for the guarantee schemes and cost limits for operation of GIEK. The Ministry of Trade, Industry and Fisheries communicated these limits for 2014 to GIEK in an allocation letter dated 16 January 2014.

The annual accounts are based on the going concern assumption, which was communicated in the allocation letter for 2015, dated 23 December 2014. The Board is not aware of any significant issues during the accounting year or after the end of the accounting year which might affect this assumption or the annual accounts in general.

Administrative expenses

The Board is satisfied that the administration maintains good control of costs and presents accounts within the budget. GIEK's administrative expenses in 2014 came to NOK 147.5 million, compared with NOK 154.6 million in the budget and NOK 24 million higher than in 2013. GIEK approved the new case processing system Globus on 19 November 2014. The development contract with the supplier is closed, and the warranty period runs for a year from the above date. Maintenance is now conducted through a maintenance contract. So far, the acquisition and implementation of Globus has taken place within the budget.

The administrative expenses of NOK 147.5 million amount to nine per cent of the total revenues from all guarantee schemes, in all NOK 1.6 billion.

GIEK Kredittforsikring AS

GIEK managed the state's ownership in GIEK Kredittforsikring AS (GK) until 31 December 2014. The figures for the 2014 accounting year will not be ready before GIEK's Annual Report is presented. So far this year, GIEK's payouts under a guarantee in connection with reinsurance by GK have totalled NOK 62 million.

The Storting decided in 2014 that the shares in GK should be transferred to the MTIF with effect from 1 January 2015. The value of the shares has previously been listed at NOK 35 million, which equals the equity in GK at the outset. When the shares were acquired, nothing was paid from the General Guarantee Scheme, and it was recognised in the balance sheet as an equity contribution from the MTIF in 2001. The shares were returned to the MTIF without compensation, and for this reason the shares have been written down by NOK 35 million to NOK 0 in 2014.

GIEK will continue to reinsure parts of GK's non-marketable portfolio.

The annual accounts are based on the going concern assumption.

The Board wishes to thank the organisation for its commitment and hard work during the past year.

Karin Bing Orgland (Chair of the Board)	Torfinn Kildal (Deputy Chair of the Board)	Arve bakke
John G. Bernander	Elisabeth Gisvold	Marit E. Kirkhusmo
Maria Borch Helsengreen	Vibeke Stray	Wenche Nistad (CEO)

Norwegian equipment package for Seadrill's drill ships

GIEK guaranteed for three ships from the drilling company Seadrill in 2014: West Jupiter, West Neptune and West Saturn. The guarantee furnished by GIEK for the three ships is worth USD 400 million.

Norwegian exports make up around 40 per cent of equipment on the ships, which were built at the Samsung yard in South Korea. The most advanced high-tech deliveries come from Norwegian suppliers. National Oilwell Varco's Norwegian subsidiary has delivered the drilling packages for the ships, while the Kongsberg Group has delivered systems for dynamic positioning, navigation and automation in addition to the acoustic positioning system, safety system, monitoring and control systems.

GIEK has been and will continue to be extremely important for us and other Norwegian suppliers. Their services provide us, yards and end customers with the security that is needed for the projects to materialise.

President Geir Håøy
Kongsberg Maritime

Ships and rigs financed in 2014

A complete list of units, shipowners and photo credits is found at the very back of this report.

The guarantee scheme's annual financial statement

Financial statement with notes (guarantee scheme accounts)

Amounts in 1000s	Note	General Guarantee Scheme		Developing Countries Scheme		Building Loan Scheme		Power Purchase Guarantee		Being phased out (Note 21)		Total all schemes	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Guarantee premiums	3, 19	1 216 864	1 185 365	23 747	9 734	13 227	11 237	0	0	13 959	3 182	1 267 797	1 209 518
Fee revenues	3	238 169	303 846	337	0	10 212	10 079	0	0	0	0	248 719	313 925
Net agio/disagio	8	16 972	155 970	590	403	0	-2	0	0	20 347	5 784	37 909	162 155
Net interest income	9	71 380	37 981	842	877	928	753	53	60	984	1 164	74 187	40 835
Dividend	18	0	984	0	0	0	0	0	0	0	0	0	984
Other income		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INCOME		**1 543 386**	**1 684 145**	**25 516**	**11 014**	**24 368**	**22 068**	**53**	**60**	**35 290**	**10 130**	**1 628 612**	**1 727 417**
Administrative expenses	10	138 515	119 875	380	323	6 066	1 305	419	183	162	260	145 541	121 946
Other operating expenses	11, 19	6 006	7 560	426	0	0	0	0	0	0	0	6 432	7 560
TOTAL OPERATING EXPENSES		**144 522**	**127 435**	**805**	**323**	**6 066**	**1 305**	**419**	**183**	**162**	**260**	**151 974**	**129 506**
PROFIT/LOSS BEFORE PROVISIONS AND FUND IMPAIRMENT		**1 398 864**	**1 556 711**	**24 711**	**10 691**	**18 301**	**20 763**	**-366**	**-123**	**35 128**	**9 869**	**1 476 638**	**1 597 911**
Net change in individual provisions for guarantee liabilities	5	278 609	101 163	43 000	0	-44 102	80 000	0	0	26 476	0	303 983	181 163
Net change in collective provisions for guarantee liabilities	5	161 798	37 920	32 379	-2 178	29 064	-2 145	0	0	-5 023	-1 392	218 218	32 204
Net change in claim receivable	6	171 027	-2 875	608	-1 711	0	121	0	0	2 835	-29 662	174 469	-34 128
Net change in impairment of moratorium agreements	7	-2 005	-7 314	-982	120	0	0	0	0	198	-82 010	-2 789	-89 204
NET CHANGE IN PROVISIONS AND FUND IMPAIRMENT		**609 429**	**128 894**	**75 005**	**-3 770**	**-15 038**	**77 976**	**0**	**0**	**24 485**	**-113 064**	**693 881**	**90 035**
Finance costs		35 000	0	0	0	0	0	0	0	0	0	35 000	0
PROFIT/LOSS BEFORE TRANSFERS TO/FROM THE STATE	**12**	**754 435**	**1 427 817**	**-50 294**	**14 461**	**33 339**	**-57 213**	**-366**	**-123**	**10 643**	**122 934**	**747 757**	**1 507 875**
State subsidies/transfers to the State	12, 13, 19	0	-984	0	0	0	0	0	0	-13 337	-14 136	-13 337	-15 120
PROFIT/LOSS FOR THE PERIOD		**754 435**	**1 426 833**	**-50 294**	**14 461**	**33 339**	**-57 213**	**-366**	**-123**	**-2 694**	**108 798**	**734 420**	**1 492 756**
Allocations													
Transferred to/from accumulated capital		754 435	1 426 833	-50 294	14 461	33 339	-57 213	-366	-123	-2 694	108 798	734 420	1 492 756

Amounts in 1000s	Note	General Guarantee Scheme		Developing Countries Scheme		Building Loan Scheme		Power Purchase Guarantee Scheme		Being phased out (Note 21)		Total all schemes	
		31 DEC 14	31 DEC 13	31 DEC 14	31 DEC 13	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC 14	31 DEC 13
BANK DEPOSITS													
Bank deposits in NOK		6 096 408	4 475 487	518 063	512 552	87 851	60 221	2 697	4 184	82 135	79 463	6 787 153	5 131 906
Bank deposits in foreign currency		1 694 161	2 007 380	0	0	0	0	0	0	0	0	1 694 161	2 007 380
TOTAL BANK DEPOSITS	9	**7 790 568**	**6 482 867**	**518 063**	**512 552**	**87 851**	**60 221**	**2 697**	**4 184**	**82 135**	**79 463**	**8 481 313**	**7 139 286**
RECEIVABLES													
Receivables in connection with payment	6,19	356 156	189 092	4 235	3 627	0	0	0	0	259 589	251 521	619 980	444 240
Individual write-downs of receivables	6	-236 371	-132 564	-2 421	-1 814	0	0	0	0	-226 182	-222 148	-464 975	-356 526
Receivables, moratorium agreements	7,14	142 430	125 008	37 808	31 967	0	0	0	0	272 625	267 745	452 863	424 720
Impairment of moratorium receivables	7	-20 941	-18 169	-7 562	-6 393	0	0	0	0	-149 958	-144 901	-178 461	-169 463
Other receivables	17,19	229 152	187 145	629	800	299	3 562	0	-1 540	0	1 042	230 080	191 008
TOTAL RECEIVABLES		**470 426**	**350 511**	**32 689**	**28 187**	**299**	**3 562**	**0**	**-1 540**	**156 074**	**153 260**	**659 488**	**533 979**
FINANCIAL NON-CURRENT ASSETS													
Shares	18	0	35 000	0	0	0	0	0	0	0	0	0	35 000
TOTAL FINANCIAL NON-CURRENT ASSETS		**0**	**35 000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**35 000**
TOTAL ASSETS		**8 260 994**	**6 868 378**	**550 752**	**540 739**	**88 150**	**63 782**	**2 697**	**2 643**	**238 209**	**232 723**	**9 140 802**	**7 708 266**

Amounts in 1000s	Note	General Guarantee Scheme		Developing Countries Scheme		Building Loan Scheme		Power Purchase Guarantee Scheme		Being phased out (Note 21)		Total all schemes	
		31 DEC 14	31 DEC 13	31 DEC 14	31 DEC 13	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC	31 DEC 14	31 DEC 13
LIABILITIES													
Debt relief plan, remainder for offsetting	14	0	0	0	0	0	0	0	0	833 764	833 764	833 764	833 764
Debt to Ministry of Trade, Industry and	15,19	86	86	0	0	0	0	10 000	10 000	0	0	10 086	10 086
Other liabilities	16,19	-8 584	6 904	702	323	7 372	1 305	602	183	1 022	860	1 113	9 575
TOTAL LIABILITIES		**-8 498**	**6 990**	**702**	**323**	**7 372**	**1 305**	**10 602**	**10 183**	**834 786**	**834 625**	**844 964**	**853 426**
PROVISIONS													
Individual provisions for guarantee liabilities	5	774 902	442 605	43 000	0	35 898	80 000	0	0	26 476	0	880 276	522 605
Collective provisions for guarantee liabilities	5	2 334 338	1 892 779	54 574	17 286	35 031	5 967	0	0	706	5 204	2 424 649	1 921 236
Provision, prepaid premiums		529 604	649 791	36 764	57 124	0	0	0	0	12 428	26 387	578 795	733 301
TOTAL PROVISIONS		**3 638 843**	**2 985 175**	**134 338**	**74 409**	**70 930**	**85 967**	**0**	**0**	**39 610**	**31 591**	**3 883 720**	**3 177 143**
CAPITAL													
ACCUMULATED CAPITAL		4 630 648	3 876 213	-34 288	16 006	9 849	-23 490	-7 905	-7 539	-636 186	-633 492	3 962 117	3 227 697
Paid-in primary capital, Developing	19	0	0	450 000	450 000	0	0	0	0	0	0	450 000	450 000
TOTAL CAPITAL	12	**4 630 648**	**3 876 213**	**415 712**	**466 006**	**9 849**	**-23 490**	**-7 905**	**-7 539**	**-636 186**	**-633 492**	**4 412 117**	**3 677 697**
TOTAL LIABILITIES AND CAPITAL		**8 260 994**	**6 868 378**	**550 752**	**540 739**	**88 150**	**63 782**	**2 697**	**2 643**	**238 209**	**232 723**	**9 140 802**	**7 708 266**

Notes to the financial statement

1) Accounting policies

GIEK is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) with the objective of promoting Norwegian exports and investments abroad. This is to be achieved by issuing guarantees on behalf of the Norwegian state. GIEK keeps separate accounts for the individual guarantee schemes, also referred to as the fund accounts. The fund accounts are not part of the central government accounts. The financial statement for the fund accounts is approved by the Board in the guarantee schemes.

The annual financial statement for the General Guarantee Scheme, Developing Countries Scheme, Building Loan Scheme, Power Purchase Guarantee Scheme and guarantee schemes being phased out comprise the income statement, statement of financial position and notes to the financial statement. The financial statement has been prepared in accordance with the principles of the Norwegian Accounting Act to the extent appropriate. The presentation of the financial statement has been based on the Annual Financial Statement Regulations for Banks (Regulation No. 1240 of 16 December 1998) and is adapted to the operations of the guarantee schemes. The financial statements for guarantee schemes being phased out are presented together and main figures per scheme are presented in Note 21. This applies to the Old General Scheme, Old Special Schemes, CIS/Baltic Scheme 1994–1998 and CIS/Baltic Scheme 1999–2002. CIS/Baltic Scheme 1994–1998 has been discontinued and excess liquidity was returned to the MTIF in 2014. A cash flow analysis has not been prepared.

All figures are stated in thousand kroner (TNOK) unless otherwise stated in the notes.

In several notes it was appropriate to use abbreviations for the schemes. The following (Norwegian) abbreviations are used for the eight guarantee schemes GIEK administers:

General Guarantee Scheme	**AGO**
Developing Countries Scheme	**ULA**
Building Loan Scheme	**BYG**
Energy Purchase Guarantee Scheme	**KRA**
Old General Scheme	**GAM**
Old Special Schemes	**SÆR**
CIS/Baltic Scheme 1994-1998	**SUS**
CIS/Baltic Scheme 1999-2002	**SUB**

Under GIEK's Articles of Association, the fund accounts are kept according to the principles of the (Norwegian) Accounting Act to the extent appropriate. The financial statement generally follow the accrual basis of accounting except for the following income items posted on a cash basis: fee revenues, income from recovery and income from moratorium agreements (see explanation further down in this note), dividends from GIEK Kredittforsikring AS, administrative expenses and transfers to/from the state. The calculation of individual and collective provisions follow the principles of the Lending Regulations (Regulation No. 1740 of 21 December 2004). Special guidelines have been prepared for provisions for losses on guarantees and claim receivables. Below is an account of the accounting treatment of the individual items.

Income

Guarantee premium

GIEK generates income primarily through premiums of current guarantees. There are two main types of guarantee premiums; per annum and prepayment (”up-front”). As a rule, recognition of the premium for both types of premium starts when the underlying loan has been disbursed. The per annum premium falls due in arrears with interest and principal payments in the underlying loan. Per annum revenue relating to several accounting periods is accrued in relation to the remaining guarantee liability, which provides proportionately more income when the guarantee is new and the liability highest. The up-front premium is accrued on a straight line basis over the term of the guarantee.

Fee revenues

Fee revenues are recognised at the time they are paid. ”Arrangement fee” and other similar procedural fees are due on the payment of the underlying loan. Under the earned income principle in the Accounting Act, any profit element (fee revenues minus share of procedural costs) are accrued over the term of the guarantee. An accrual of the profit element of these fees will not increase the information value in the accounts and GIEK therefore follows the cash principle.

Other income

Recovery and income from moratorium agreements are recognised upon payment. Since this is uncertain income, recognition upon payment is in accordance with the prudence principle in the Accounting Act.
Interest income and interest expense related to deposits and borrowings (in this case the withdrawal authorisation for the Building Loan Scheme) are recognised when they are earned or incurred.
Other income is recognised when earned.

Operating expenses:
The administration accounts are recorded according to the cash principle and are included in the central government budget and central government accounts. Administrative expenses are covered by premium income from the guarantee schemes. The administrative cost is charged to the individual guarantee scheme according to a predefined distribution key.

Other operating expenses are expensed as incurred.

Provisions for guarantee liabilities
GIEK divides provisions for guarantee liabilities into two categories: individual and collective provisions. Individual provisions reflect the best estimate of what GIEK can lose on specified individual commitments, based on knowledge at the balance sheet date. Collective provisions reflect known market or other conditions that could incur losses for GIEK, but have yet to be identified in a single commitment. GIEK follows the principles in the Lending Regulations for calculating individual and collective provisions and has prepared special guidelines for provisions for losses on guarantees.

The criteria for calculating losses on individual guarantees is that there is objective evidence that a guarantees is impaired. Objective evidence that a guarantee is impaired includes observable data GIEK has knowledge of, such as serious financial problems at the debtor, payment default or granted deferment of payment.

Provisions for groups of guarantees are made when there is objective evidence of impairment in groups of guarantees with similar risk characteristics. In assessing a provision for groups of guarantees, guarantees are divided into groups with similar risk characteristics with regard to debtors' ability to fulfil their obligations to financial institutions for which GIEK has provided a guarantee.

The model for collective provisions is based on the valuation of the portfolio, mainly using exposure at the balance sheet date, the probability of default and the expected value of any security when realised. Changes may occur in macroeconomic conditions at the balance sheet date that are not fully reflected in the underlying calculations of the portfolio. If abrupt changes occur in macroeconomic conditions, an attempt shall be made to reflect these factors in the provision level through a macro-factor. The macro-factor is determined based on an assessment of the market and can be market, sector or country specific.

Overall, GIEK's guarantee portfolio has more large contracts (defined as a contract of more than 25% of the guarantee scheme's bank deposits). According to the regulations for large contracts, banks are not permitted to have individual exposures exceeding 25% of subordinated capital. In calculating the collective provisions in GIEK, a special provision for exposure to large contracts has therefore been made.

Provisions relating to concentration risk for country and sector have not been made in the collective provisions, as this is not a requirement in the Lending Regulations. Ordinary banks assess concentration risk by sector and country as part of their Pillar II calculations (equity needs assessment in accordance with the Capital Adequacy Regulations), and these assessments are separate from the preparation of the accounts.

Claim payouts under the guarantee and impairments of receivables
Upon payout under the guarantee, GIEK is subrogated to the exporter's claim against the debtor. The receivable is recognised upon payment under the guarantee.

The net change in the balance sheet represents the recoverable value GIEK has estimated for these receivables. Provision is made for the part of the receivable that is believed to be unrecoverable at period-end.

Claims under moratorium agreements
Moratorium agreements represent debt repayment agreements achieved through international creditor collaboration in the Paris Club. The receivables have arisen as a result of payments under the guarantee due to political risk. The net change in the principal is recognised in its entirety when the agreement is made, with the exception of forward items which are taken to income when GIEK takes possession on the date of payment. The income statement is also affected by changes in current agreements, such as accrued contractual interest, payment of default interest, the consolidation of agreements, debt cancellation, exchange gains/losses and floating interest rates.

Debt relief
A provision for impairment is made for the portion of the moratorium receivables assumed to be unrecoverable at period-end. It is assumed that compensation is received for debt relief decided by the state beyond the debt relief agreed in the Paris Club (international debt agreements). The value of receivables included in the debt plan (see below) is determined through this plan. It is assumed that compensation is received for debt relief decided by the state beyond the debt plan, unless the state via the Ministry of Foreign Affairs has given clear guidance that compensation will not be granted.

Debt plan
Some moratorium receivables and liabilities of certain countries that have not been handled in the Paris Club are covered by the debt plan. The Norwegian Debt Plan was adopted by the Storting in December 1997 along with the central government budget for 1998 and applies to receivables under old schemes. It was updated in 2004. Under the Debt Plan, GIEK's receivables against countries included in the plan can be cancelled without new state appropriations by netting them against a certain limit. The Debt Plan's limit amount was determined on the basis of the receivables' value at the time the plan was adopted, and is posted as debt to the state. This debt, called the residual amount for clearing, decreases as the receivables are remitted (and settled). The Debt Plan (remainder to clearing) is recorded at granted amounts less approved settlements. This Debt Plan is a subsidy and does not represent an accounting obligation.

Foreign currency
Receivables, bank deposits and provisions in foreign currencies are translated to NOK at the balance sheet date. Provision for loss is made every four months, and the period's loss cost in foreign currency is translated to the interim period's average rate. Guarantee premiums and fee revenues in foreign currencies are translated at the monthly average rate. Currency effects are presented as net agio/disagio.

Currency hedging
Bank accounts are established in USD and EUR to balance the currency risk for AGO. The guarantee scheme's direct exposure is a function of valuated receivables, bank deposits and deposits made for guarantee liabilities. The purpose of the various currency accounts is to reduce currency risk by balancing assets and provisions/liabilities. The balancing is done every four months with an opening to undertake buying/selling if there are major changes in the portfolio regardless of interim termination. As a result of low-frequency trading in foreign currency, the guarantee scheme will be exposed to currency fluctuations at all times. Current practice helps, however, to reduce the risk significantly.

Regarding the other guarantee schemes, similar mechanisms for currency hedging have not been established.

Reinsurance
GIEK reinsures guarantee liabilities for GIEK Kredittforsikring AS (GK) on market-based terms that are renegotiated annually. GIEK receives a share of the insurance premium and simultaneously pays a fee ("ceding commission") to GK as compensation for the work performed there. Provision for guarantee liabilities and valuation of any claims are based on information from GK in addition to GIEK's own assessments.

Dividend
GIEK recognises dividends received at date of receipt. Dividends from GIEK Kredittforsikring AS are transferred to the MTIF and recognised as "transfer to the state." The Storting decided that the shareholding in GK was to be transferred to the MTIF with effect from 1 January 2015 so that the proceeds from GK from fiscal year 2015 are paid directly from GK to the MTIF.

Transactions between closely related parties
The following institutions are defined as closely related parties: MTIF, GK and Export Credit Norway (EK). Transactions between GK and EK are based on commercial terms.

Tax
As a public enterprise GIEK is tax-exempt. Neither tax expense nor deferred tax liabilities for guarantee schemes are posted.

Shares
Shares are recorded at cost. If the value falls below cost, their value is written down to fair value if the impairment is not temporary. When the shares in GIEK Kredittforsikring AS (GK) were acquired, nothing was paid from the General Guarantee Scheme and the amount was recorded as an equity contribution from the MTIF in 2001. In 2014, the Storting decided that the shareholding in GK was to be transferred to the MTIF with effect from 1 January 2015.

The accounts for the General Guarantee Scheme (AGO) and GK are not consolidated since the AGO is not an independent legal object and parent company in the traditional sense.

Accumulated capital
The accounting item shows the guarantee schemes' accumulated capital. The net profit (loss) for the year is recognised in (covered by) this item. The effect of any policy changes and corrections of previous years' material errors are accounted for within accumulated capital.

2) Change in accounting policies

There were no changes in accounting policies in 2014.

3) Income from guarantees

Income from guarantees consists of guarantee premiums and fee revenues. Pricing is regulated in part by the OECD's regulations on minimum premiums. These regulations are designed to ensure that member countries do not create competition-distorting effects/benefits for their country's export industry.

Pricing of the guarantees also depends on other conditions such as the project's risk, bank participation and guarantee issuance terms in general, as well as GIEK's capacity to post security in the form of deposits or other security. In addition, case processer, commission and other types of fees may be calculated. The fees often reflect the business models of banks and/or other financial institutions with which GIEK works in connection with guarantee issuance. Fee revenues are recognised at the time they are paid. If fee revenues had been accrued over the guarantee term, GIEK has estimated that earned, unrecognised fee revenues at the end of 2014 would have been in the range of NOK 65-105 million.

4) Composition of the guarantee portfolio

The tables show the distribution of outstanding guarantee liability per sector and product

Total outstanding guarantee liabilities		
Distribution by sector	31 DEC 14	31 DEC 13
Oil/gas	75 893 573	68 424 500
Energy	4 743 688	4 981 930
Shipping	4 470 002	3 885 700
Industry	2 921 897	2 725 154
Water, sewage and waste management	282 687	669 090
Other	1 000 595	1 262 346
Total	**89 312 444**	**81 948 720**

Total outstanding guarantee liabilities (31 December 2014)						
Distribution by product:	AGO	ULA	BYG	KRA	Being phased	Total all schemes
Buyer Credit Guarantee	85 532 810	342 644	0	0	153 764	86 029 218
Bond Guarantee	861 666	0	0	0	0	861 666
Supplier Credit Guarantee	58 926	0	0	0	0	58 926
Letter of Credit Guarantee	259 732	0	0	0	0	259 732
Investment Guarantee	388 249	80 243	0	0	0	468 492
Other	211 553	0	0	0	0	211 553
Reinsurance GK	849 758	53 960	0	0	0	903 718
Building Loan Guarantee	0	0	519 137	0	0	519 137
Total	**88 162 695**	**476 846**	**519 137**	**0**	**153 764**	**89 312 444**
Secured by collateral	76 %	19 %	100 %		1 %	

Of the guarantees that are not secured, 31% of the guarantee recipients have an investment grade rating or government risk.

Total outstanding guarantee liabilities (31 December 2013)						
Distribution per product:	AGO	ULA	BYG	KRA	Being phased	Total all schemes
Buyer Credit Guarantee	77 011 124	360 201	0	0	176 020	77 547 346
Bond Guarantee	1 240 119	0	0	0	0	1 240 119
Supplier Credit Guarantee	64 103	0	0	0	0	64 103
Letter of Credit Guarantee	105 209	0	0	0	0	105 209
Investment Guarantee	401 701	65 680	0	0	0	467 382
Other	487 164	0	0	0	0	487 164
Reinsurance GK	925 044	0	0	0	0	925 044
Building Loan Guarantee	0	0	1 112 353	0	0	1 112 353
Total	**80 234 465**	**425 881**	**1 112 353**	**0**	**176 020**	**81 948 720**

Of the buyer credit guarantees under AGO within oil/gas and shipping (NOK 71.2 billion), 84 per cent are secured. Of the unsecured, 97 per cent have an investment grade rating or government risk. 100 per cent of building loans are secured by collateral. Other products are not secured by collateral.

5) Provision for guarantee liabilities

31 DEC 14	Liability	Provision	%
AGO	88 162 696	3 109 240	3,5 %
ULA	476 846	97 574	20,5 %
BYG	519 137	70 930	13,7 %
KRA	0	0	0,0 %
GAM	152 935	27 163	17,8 %
SÆR	0	0	0,0 %
SUS	0	0	0,0 %
SUB	829	19	2,3 %
Total	**89 312 444**	**3 304 925**	**3,7 %**
Individual provisions		880 276	
Collective provisions		2 424 649	
Total		**3 304 925**	

31 DEC 13	Liability	Provision	%
AGO	80 234 465	2 335 384	2,9 %
ULA	425 881	17 286	4,1 %
BYG	1 112 353	85 967	7,7 %
KRA	0	0	0,0 %
GAM	173 910	5 192	3,0 %
SÆR	0	0	0,0 %
SUS	0	0	0,0 %
SUB	2 110	12	0,5 %
Total	**81 948 720**	**2 443 841**	**3,0 %**
Individual provisions		522 605	
Collective provisions		1 921 236	
Total		**2 443 841**	

GIEK reinsures a portion of GIEK Kredittforsikring AS' portfolio. This guarantee liability amounted to NOK 903 million at 31 December 2014 and the provision for guarantee liabilities is included in the provision for the General Guarantee Scheme (AGO).

Provision for guarantee liabilities consists of exchange rate changes and changes in provisions of the income statement. Developments in these entries appear in the following tables:

Individual provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provision for guarantee liabilities at beginning	442 605	0	80 000	0	0	522 605
Year's change in guarantee liability provision	278 609	43 000	-44 102	0	26 476	303 983
Unrealised foreign exchange losses on	53 688	0	0	0	0	53 688
Provision for guarantee liabilities at end of	**774 902**	**43 000**	**35 898**	**0**	**26 476**	**880 276**

Collective provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provisions for guarantee liabilities at beginning	1 892 779	17 286	5 967	0	5 204	1 921 236
Year's change in guarantee liability provision	161 798	32 379	29 064	0	-5 023	218 218
Unrealised foreign exchange losses on	279 760	4 909	0	0	525	285 195
Provisions of guarantee liabilities at end of	**2 334 338**	**54 574**	**35 031**	**0**	**705**	**2 424 649**

Changes in the provisions reflect both changes in guarantee liabilities and risk reassessment of countries/individual guarantees. No provisions are made for offers under the guarantee.

GIEK has a large proportion of its portfolio in sectors where uncertainty grew towards the end of 2014, and this has led to uncertainty surrounding market value assessments. An attempt has been made to take this uncertainty into consideration through the aforementioned sector-specific downward adjustments of market values. Consideration is also given to jurisdiction, in that the value of the real securities is adjusted downward when dictated by the geographical location.

The rapid change in the macroeconomic conditions and weaker future prospects for a large percentage of GIEK's portfolio in 2014 has led to an increased likelihood that risk assessments (ratings) of GIEK exposures are not sufficiently updated. A discretionary increase was therefore made in the collective loss provision for the group of exposures based on a macro-factor. The determination of these factors (downward adjustment of security values as a result of sector and jurisdiction as well as macro-factor) for calculating collective provisions is always associated with judgment and the calculations are GIEK's best estimate.

GIEK undertakes special allocations as a result of excessive exposure to individual customers/business groupings. This is done for exposures that would have exceeded bank regulatory limits for exposure to individual customers.

6) Receivables related to payments under the guarantee and associated impairment

Upon payout under the guarantee, GIEK is subrogated to the exporter's claim against the debtor. The receivable is recognised upon payment. Measures are taken to collect receivables. Recovery in connection with reinsurance is also found in this accounting entry.

The net change in the balance sheet represents the recoverable value that GIEK has estimated for these receivables. In the same way that the guarantee portfolio is risk evaluated, an evaluation is made of receivables in the balance sheet. This assessment is done at least every four months.

Receivables in connection with payment under the guarantee are distributed as follows:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Value of receivables in connection with payment under	**56 528**	**1 814**	**0**	**0**	**29 373**	**87 714**
Net additions/repayment of claims	136 564	181	0	0	26	136 771
Year's change in impairment of receivables	-109 570	-181	0	0	-2 861	-112 611
Currency gains	36 262	0	0	0	6 869	43 131
Value of receivables at end of year	**119 784**	**1 814**	**0**	**0**	**33 407**	**155 005**
Probability of loss as a percentage of receivables	66,4 %	57,2 %	0,0 %	0,0 %	87,1 %	75,0 %
Receivables in connection with payment under the	356 156	4 235	0	0	259 589	619 980
Individual impairments of receivables	-236 371	-2 421	0	0	-226 182	-464 974
Value of receivables at year-end	**119 784**	**1 814**	**0**	**0**	**33 407**	**155 005**

The following table provides an overview of changes in impairment of receivables, payment under the guarantee in 2014, as well as payments on impaired ordinary receivables (recovery).

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Write-offs	65 009	181	0	0	-1 173	64 016
Change in impairment of ordinary receivables	44 561	0	0	0	4 034	48 595
Loss and change in impairment of receivables	**109 570**	**181**	**0**	**0**	**2 861**	**112 611**
Value change and expensing of receivables	-495	-181	0	0	-26	-702
Expenses in connection with compensation	2 247	0	0	0	0	2 247
Value change and expensing of reinsurance	59 995	608	0	0	0	60 603
GK recognition of earlier write-offs	-54	0	0	0	0	-54
Recognition of earlier write-offs	-236	0	0	0	0	-236
Other changes in receivables and related costs	**61 457**	**427**	**0**	**0**	**-26**	**61 858**
Net change in claim receivable	**171 027**	**608**	**0**	**0**	**2 835**	**174 469**

Payments under guarantees for AGO amounted to NOK 141 million. Payments in connection with reinsurance totalled NOK 61.4 million for AGO and NOK 0.6 million for ULA.

7) Claims under moratorium agreements

Moratorium agreements represent debt repayment agreements with five countries achieved through international creditor collaboration in the Paris Club. These receivables result from compensation payments arising from political risk. The principal in new agreements is set as receivables and the receivables are valuated. The value of the receivables is otherwise affected by changes in current agreements, such as accrued contractual interest, payment of default interest, consolidation of agreements, debt cancellation, realised currency gains/losses and floating interest rates. The Debt Plan has stipulated the expectations about debt relief and hence the receivables' value, as well as compensation in the form of reduced debt to the state, for the moratorium agreements that fall under the plan. Note 14 deals with the Debt Plan.

Moratorium agreements are entered as receivables on the balance sheet, and are distributed by scheme in the following manner:

	AGO	ULA	Being phased out	Total all schemes
Value of receivables in moratorium agreements at beginning of	**106 839**	**25 573**	**122 844**	**255 256**
Net additions/repayment of receivables in moratorium agreements	200	207	-2 718	-2 311
Currency gains	19 356	5 499	14 003	38 859
Changes in impairment of receivables in moratorium agreements	-4 906	-1 033	-11 463	-17 402
Change in debt plan	0	0	0	0
Value of receivables in moratorium agreements at end of year	**121 489**	**30 246**	**122 666**	**274 402**
Receivables, moratorium agreements	142 430	37 808	272 625	452 863
Impairment of moratorium receivables	-20 941	-7 562	-149 958	-178 461
Value of receivables in moratorium agreements at end of year	**121 489**	**30 246**	**122 666**	**274 402**

The following table provides an overview of changes in impairment of receivables, payment under the guarantee in 2014, as well as payments on impaired receivables in moratorium agreements (recovery).

	AGO	ULA	Being phased out	Total all schemes
Change in impairment of moratorium receivables	4 706	826	14 181	19 713
Payment on impaired moratorium receivables	-6 711	-1 808	-13 983	-22 503
Net change in impairment of moratorium receivables	**-2 005**	**-982**	**198**	**-2 789**

8) Currency exposure

In GIEK's guarantee portfolio, guarantee liabilities are in different currencies. The following table gives a summary of the total currency exposure in NOK by scheme:

	Guarantee liabilities including reinsurance GK					
	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
USD	61 915 800	193 700	0	0	153 764	62 263 264
NOK	21 330 796	53 946	519 137	0	0	21 903 879
EUR	3 789 600	229 200	0	0	0	4 018 800
GBP	308 500	0	0	0	0	308 500
Other	818 000	0	0	0	0	818 000

Specific conditions for the General Guarantee Scheme
Bank accounts have been set up in USD and EUR to balance the guarantee scheme's currency risk. The guarantee scheme's direct currency exposure is a function of valuated receivables, bank deposits and provisions made for guarantee liabilities. The purpose of the different currency accounts is to reduce currency risk by balancing assets and provisions/debt. The balancing is done every four months with an opening to undertake buying/selling if there are major changes in the portfolio, regardless of the end of the interim period.

Exposure as of 31 December 2014 was as follows:

Figures in TUSD and TEUR	USD	EUR
Valuated receivables	22 323	6 000
Bank deposits	182 714	37 274
Impairment of guarantee liabilities	-276 954	-33 465
Total exposure	**-71 917**	**9 809**

Other guarantee schemes
Similar mechanisms for currency hedging have not been established for the other guarantee schemes.

Overview of currency effects for all schemes:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Realised exchange losses/gains	23 828	0	0	0	0	23 828
Unrealised exchange losses/gains on receivables	55 619	5 499	0	0	20 872	81 991
Unrealised exchange losses/gains on bank deposits	270 974	0	0	0	0	270 974

9) Bank deposits and interest

Each guarantee scheme has at least one bank account in Norges Bank. A work account has been set up for each plan in Nordea, as well as standalone currency accounts in Nordea for the General Guarantee Scheme. In addition, GIEK has a non-interest-bearing account in Norges Bank consisting of ULA's primary capital fund. At 31 December 2014, GIEK had the following bank deposits per scheme translated into TNOK at the closing rate:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest-bearing in Norges Bank	6 096 408	68 063	87 851	2 697	82 135	6 337 153
Non-interest-bearing in Norges Bank	0	450 000	0	0	0	450 000
USD deposits in Nordea	1 357 550					1 357 550
EUR deposits in Nordea	336 610					336 610
Bank deposits at end of year	**7 790 568**	**518 063**	**87 851**	**2 697**	**82 135**	**8 481 313**

In addition, GIEK has withdrawal authorisation at the MTIF. This was not used in 2014.

Net interest income is distributed as follows:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest income	71 380	842	928	53	984	74 187
Interest expense	0	0	0	0	0	0
Net interest income	**71 380**	**842**	**928**	**53**	**984**	**74 187**

Interest rates are set on a semi-annual basis.

Interest rates have been 0% for foreign currency accounts in USD.

Bank deposits in connection with paid-in primary capital for the Developing Countries Scheme is in a non-interest-bearing account in Norges Bank.

10) Administrative expenses

The guarantee schemes have no employees. All services are provided by GIEK's administration and charged as administrative expenses. GIEK's administrative expenses are charged to the various guarantee schemes and other tasks that GIEK performs according to a distribution key set annually. The distribution key must reflect underlying costs and workload.

Summary of GIEK's administrative expenses in 2014 with comparative figures for 2013:

	2014	2013
Wages and salaries	63 426	53 488
Employers' contribution	10 035	8 498
Pension contributions	7 182	5 650
Buildings, machinery and fixtures	26 592	12 447
Expert help	20 793	26 088
Other operating expenses	17 513	15 776
Total administrative expenses	**145 541**	**121 946**
Administrative expenses other actors*	1 930	1 210
Total administrative expenses charged to adm. account	**147 471**	**123 156**
Charged to General Guarantee Scheme	138 515	119 875
Charged to Developing Countries Scheme	380	323
Charged to Building Loan Scheme	6 066	1 305
Charged to Energy Purchase Guarantee Scheme	419	183
Charged to schemes being phased out	162	260
Total charged	**145 541**	**121 946**
Charged to other actors*	1 930	1 210
Total charged to adm. account	**147 471**	**123 156**

** GIEK's administration operates the Contingency Scheme for War Risk Insurance of Goods (BSV), Tender Guarantee Scheme for Norfund and provides legal services on commercial terms to GIEK Kredittforsikring AS.*

Remuneration of the Board of Directors in 2014:

Board of Directors	Remuneration	Period 2014
Karin Bing Orgland	260 417	Jan-des
Torfinn Kildal	208 333	Jan-des
Arve Bakke	145 833	Jan-des
Maria Borch Helsengreen	145 833	Jan-des
Christine Rødsæther - outgoing	81 667	Jan-jul
John G Bernander	145 833	Jan-des
Elisabeth Gisvold	145 833	Jan-des
Vibeke Stray Employee repr.	145 833	Jan-des
Marit Kirkhusmo - new	64 167	Aug-des
Total remuneration	**1 343 750**	

There is no severance pay or bonus agreement with the chair.

The Office of the Auditor General of Norway is GIEK's auditor. GIEK is not charged for auditing services.

11) Other operating expenses

Other operating expenses consist of the following:

Other operating expenses 2014	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
GK Ceding Commission (costs in connection with reinsurance)	5 989	426	0	0	0	6 414
Purchase of credit information and other costs	18	0	0	0	0	18
Bank fees and øre differences	-1	0	0	0	0	-1
Total	**6 006**	**426**	**0**	**0**	**0**	**6 432**

Comparative figures for 2013:

Other operating expenses 2013	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
GK Ceding Commission (costs in connection with reinsurance)	7 479	0	0	0	0	7 479
Purchase of credit information and other costs	80	0	0	0	0	80
Bank fees and øre differences	1	0	0	0	0	1
Total	**7 560**	**0**	**0**	**0**	**0**	**7 560**

12) Capital

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Paid-in primary capital at 31 December 2013		450 000				450 000
Accumulated capital at 31 December 2013	3 876 213	16 007	-23 490	-7 539	-633 492	3 227 698
Profit/loss 2014 before transfers to the state	754 435	-50 294	33 339	-366	10 643	747 757
State transfers	0	0	0	0	-13 337	-13 337
Total capital at 31 December 2014	**4 630 648**	**415 712**	**9 849**	**-7 905**	**-636 186**	**4 412 118**

13) Transfer to/from the State

The Old General Scheme and Old Special Schemes annually pay a sum decided by the Storting to the Treasury, NOK 13.3 million for 2014. From 2005 to 2014, accumulated transfers amounted to NOK 3,207.3 million, see Note 19 for closely related parties.

Beyond short-term needs and annually estimated administrative expenses, the Developing Countries Scheme funds shall be in the primary capital fund with up to NOK 450 million. The guarantee scheme regulates its liquidity by transferring to/from the fund. The fund is listed as paid-in primary capital of NOK 450 million in the Developing Countries Scheme's balance sheet. The primary capital fund is non-interest bearing.

The accumulated profit/loss in the active schemes remains in GIEK and is not transferred to/from the state.

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14) Debt plan

Under the Debt Plan, GIEK's receivables against certain countries can be cancelled without new appropriations by netting them against a certain limit. The Norwegian Debt Plan was adopted by the Storting in December 1997 along with the central government budget for 1998. It was updated in 2004. Note 7 discusses claims under moratorium agreements.

The Debt Plan was utilised as follows in 2014:

	GAM	SÆR	Total
Remaining debt plan limit at	829 685	4 080	833 764
Debt cancellation	0	0	0
Remaining debt plan limit at end	**829 685**	**4 080**	**833 764**

The Debt Plan is a framework stipulated by the Ministry of Foreign Affairs (MFA) where GIEK is compensated for debt relief on the basis of terms laid down and decided by the MFA. The income statements for the guarantee schemes that are being phased out will be negatively impacted if debt relief is decided without coverage from the Debt Plan. As a result of this, the Debt Plan's remaining limit is now greater than the remaining receivables under the Debt Plan.

15) Debt to the Ministry of Trade, Industry and Fisheries (MTIF)

GIEK has been asked to collect and administer the guarantee premium for state guarantees to the Kongsberg Group for the construction of a composite plant. The MTIF issued the guarantee. A total of NOK 86,258 is listed as debt to the MTIF under the General Guarantee Scheme.

GIEK received NOK 10 million for the establishment of the Energy Purchase Guarantee Scheme. This is listed as debt to the MTIF. Guarantees were not issued under the Energy Purchase Guarantee Scheme in 2014.

16) Other liabilities

Other liabilities at 31 December 2014 consist of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Unpaid administrative expenses	-9 098	702	7 372	602	422	0
Unpaid reinsurance	648	0	0	0	0	648
Other ledger entries	-135	0	0	0	600	465
Total other liabilities	**-8 584**	**702**	**7 372**	**602**	**1 022**	**1 113**

Comparative figures at 31 December 2013:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Unpaid administrative expenses	4 961	323	1 305	183	260	7 033
Unpaid reinsurance	2 454	0	0	0	0	2 454
Other ledger entries	-512	0	0	0	600	88
Total other liabilities	**6 904**	**323**	**1 305**	**183**	**860**	**9 575**

17) Other receivables

Other receivables consist at 31 December 2014 of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Earned, undeposited income from guarantees	226 671	1 237	299	0	0	228 207
Other receivables and outstanding accounts	2 481	-608	0	0	0	1 873
Total other receivables	**229 152**	**629**	**299**	**0**	**0**	**230 080**

Comparative figures at 31 December 2013:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Earned, undeposited income from guarantees	186 198	0	3 562	0	0	189 760
Other receivables and outstanding accounts	947	800	0	-1 540	1 042	1 249
Total other receivables	**187 145**	**800**	**3 562**	**-1 540**	**1 042**	**191 008**

18) Shares

In 2014, the Storting decided to transfer the shareholding in GK to the MTIF with effect from 1 January 2015. The shares have previously been listed at NOK 35 million, equivalent to the equity in GK at start-up. When the shares were acquired, nothing was paid from the General Guarantee Scheme and the amount was recorded as an equity contribution from the MTIF in 2001. The shares were transferred back to the MTIF without compensation and for that reason the shares were written down by NOK 35 million to NOK 0 in 2014.

	Total shares	Nominal value in NOK	Carrying value in NOK at 31 Dec 14	Ownership
GK AS	15 000	1 000	0	100 %

GK's annual accounts with balance sheet and directors' report will be adopted at the General Meeting on 13 April 2015. GK did not pay a dividend in 2014. GK has its registered office in Oslo.

19) Closely related parties

We have defined GIEK Kredittforsikring AS, Export Credit Norway AS and the Ministry of Trade, Industry and Fisheries as closely related parties.

See Note 18 for information about the relationship between GIEK and GIEK Kredittforsikring AS.

GIEK Kredittforsikring AS
The following types of transactions take place between GIEK and GIEK Kredittforsikring AS (GK):

> *Reinsurance: GIEK reinsures guarantee liabilities for GK on market-based terms that are renegotiated annually. GIEK receives a proportionate share of the guarantee premium and premium for excess loss (XL) coverage. For 2014 this amounted to NOK 17.1 million (NOK 20.8 million).*

GK is compensated for its work as a percentage of GIEK's guarantee premium (ceding commission). In 2014, GIEK's cost was NOK 67.0 million (NOK 19.6 million) divided into NOK 6.4 million for ceding commission and NOK 60.6 million for change in value and expensing of reinsurance.

At 31 December 2014, GIEK has a claim on GK of NOK 661,395 and a debt to GK of NOK 648,471.

Two GIEK employees are on the board of GK. CEO Wenche Nistad is the chair and received NOK 204,375 for this in 2014. Georg Kervel received NOK 123,675 in 2014 for his position as board member.

Export Credit Norway AS
Export Credit Norway AS is a wholly owned subsidiary of the MTIF and manages export financing on behalf of the State. The guarantee schemes guarantee NOK 45.5 billion worth of Export Credit Norway's loan portfolio. For this, GIEK receives premiums and fee revenues on market terms, which in 2014 amounted to NOK 686 million in premiums and NOK 137 million in fee revenues.

Ministry of Trade, Industry and Fisheries
The guarantee schemes are under the Ministry of Trade, Industry and Fisheries (MTIF). The following types of transactions take place between GIEK and the MTIF:

1. A primary capital fund of NOK 450 million has been established for the Developing Countries Scheme. The exposure limit for the Developing Countries Scheme is seven times the primary capital fund (NOK 3,150 million). The management of the primary capital fund was transferred from the MTIF to GIEK in 2008, with NOK 300 million. In addition, NOK 150 million was transferred to the primary capital fund in 2009.
2. Transfer of bank deposits. For the Old General Scheme and Old Special Schemes, annual transfers are made to the MTIF equivalent to the size of the bank deposits at the beginning of the year less NOK 25 million. In 2014, this amounted to NOK 13.3 million.
3. The Power Purchase Guarantee Scheme has a debt of NOK 10 million to the MTIF. GIEK has been asked to collect and administer the guarantee premium for state guarantees to the Kongsberg Group for the construction of a composite plant. The MTIF issued the guarantee. A total of NOK 86,258 is listed as debt to the MTIF under the General Guarantee Scheme.

The limits for GIEK's guarantee schemes are adopted by the Storting in connection with the discussion of the central government budget.

20) Liquidity risk

GIEK issues guarantees on behalf of the Norwegian state. GIEK does not have a liquidity risk since there are established procedures for drawing on the state's liquidity If the liquidity available in the individual guarantee is insufficient, the MTIF will be informed and the withdrawal authorisation will be used so that GIEK can handle the Norwegian state's obligations.

21) Main figures 2014 for guarantee schemes being phased out

	GAM	SÆR	SUS	SUB	Total
Income statement					
Total income	31 082	3 357	0	851	35 289
Total operating expenses	83	47	0	32	162
Profit/loss before fund provisions	30 999	3 310	0	819	35 128
Net change in fund provisions	25 348	-869	0	6	24 485
Profit/loss before transfers to/from the state	5 650	4 179	0	813	10 643
Transfer to/from the state	-13 300	0	-37	0	-13 337
Result for the year	**-7 650**	**4 179**	**(37)**	**813**	**-2 694**
Statement of financial position					
Bank deposits	38 202	11 900	0	32 033	82 135
Receivables	134 110	21 964	0	0	156 074
Total assets	172 312	33 864	0	32 033	238 209
Liabilities	829 901	4 803	0	83	834 786
Provisions	39 491	0	0	118	39 610
Earned capital	-697 080	29 062	0	31 832	-636 186
Total liabilities and capital	**172 312**	**33 864**	**0**	**32 033**	**238 209**

The total result for all guarantee schemes being phased out before transfer to the state is a profit of NOK 10.6 million. After transfer of NOK 13.3 million to the MTIF, the overall result for guarantee schemes being phased out was a loss of NOK 2.7 million.

The CIS/Baltic 1994-1998 guarantee scheme was wound up in 2013. All accrued interest was transferred to the MTIF in 2014.

22) Deviations in the annual report for 2013

GIEK upgraded its guarantee database, data warehouse and reporting tools in 2013. In the process, the figures for new guarantees, guarantee offers and applications were tallied incorrectly and then reported in the Annual Report for 2013. The errors were discovered and corrected in 2014.

There was no deviation in the income statement and statement of financial position in connection with the Annual Report for 2013.

Words and expressions

A – F

LIABILITY An amount which GIEK has guaranteed for by issuing a guarantee, and which GIEK will have to pay out if the loan is defaulted and must be fully compensated for (interest and costs will come in addition).

BREAK EVEN (REQUIREMENT) GIEK guarantees are issued under four different schemes. Each scheme must not lose money in the long term. Revenues from the guarantees must therefore on average be greater than losses and other costs. "Long term" is defined as 30-50 years, across several business cycles. GIEK may thus have greater losses than revenues in some years, as long as such years are offset by a net profit in succeeding years.

BERNE UNION International Union of Credit and Investment Insurers – an international organisation for public and semi-public guarantee agencies and for private agencies that manage state guarantee schemes.

BOND FRAMEWORK GIEK's bond guarantee relieves parts of a bank's risk in relation to a guarantee which the bank has issued on behalf of an exporter. There are different types of bond guarantees. The guarantee from the bank may for instance be issued as security for an advance payment from the customer to the exporter, or a guarantee that the exporter meets his contractual obligations.

A bond framework is a relief agreement between GIEK and a bank concerning a certain exporter. Such an agreement makes it easy for the bank to seek relief for guarantees up to a stated maximum amount.

BOUND UNDER THE EXPOSURE LIMIT The sum total of current guarantees and binding offers of guarantee, stated in NOK. This sum must never exceed the exposure limit – the ceiling determined by the Storting (the Norwegian parliament). Interests and costs are not included in this calculation.

CHARTER PARTY A lease contract to charter a ship for a certain voyage or period, with or without crew and equipment. A charter party for an offshore vessel will e.g. be signed between an oil company and a shipping company. The shipping company will use the income to pay down the loan and the guarantee relating to the vessel.

COVENANTS Financial key figures or conditions which the exporter or customer must fulfil while the guarantee is current, e.g. equity-to-assets ratio, approvals of new loans, etc.

ECA Export Credit Agency – financial institution that issues guarantees for export on behalf of a state. The majority of the world's ECAs (including GIEK) are members of The Berne Union.

EXPORTS Exports that qualify for a GIEK guarantee must consist of goods, services or investments. In practice, it is capital goods (machinery, equipment) and associated services that are guaranteed by GIEK, usually for two years. As a main rule, 30 per cent of the contract must be of Norwegian origin, or there must be some other relevant Norwegian interest.

CONTRACT In GIEK: a guarantee or group of guarantees.

CLAIM PAYOUTS See payment under the guarantee.

FUNDS See schemes.

RECEIVABLE A claim GIEK has on another party.

EARLY REDEMPTION The customer pays back the entire loan and the guarantee before the agreed time. Early redemption occurs mostly when the customer refinances a loan guaranteed by GIEK.

G – M

GUARANTEE

(Previously called a policy or a guarantee policy.) A guarantee means that GIEK takes over the risk in a loan or other financial transaction. If the loan is defaulted or the transaction in some other way leads to a loss, GIEK will have to compensate for this loss. The customer pays GIEK a premium and fee for this. Once the guarantee has been fully paid down, it is taken out of the portfolio, outstanding liabilities and bound under the exposure limit.

RECOVERIES

Amounts that GIEK receives from the debtor after GIEK has paid out the claim. If the recovery is as large as the payout, GIEK has lost no money on the guarantee (when disregarding current value).

FEE

An administrative one-off cost in GIEK for processing or facilitating a new guarantee, or for changing an existing guarantee. Fees and premiums are GIEK's two main sources of revenue.

GIEK KREDITTFORSIKRING

A state-owned company that provides short-term guarantees for less than two years. GIEK Kredittforsikring was originally demerged from GIEK to become a subsidiary and remained under GIEK until the end of 2014. GIEK Kredittforsikring reports directly to the Ministry of Trade, Industry and Fisheries from 2015, although it still reinsures some of its risk with GIEK.

PRIMARY CAPITAL

For the Developing Countries Scheme, the Storting has allocated an "initial capital" to compensate for the particularly high risk. This capital is deposited in an account with Norges Bank. The primary capital counts as part of the Developing Countries Schemes' capital.

REVENUE

GIEK receives three main types of revenue from the schemes: from customers (premiums and fees); the state (grants, primary capital, etc.); or Norges Bank (interest on accumulated capital). With the Storting's approval, a small proportion of the revenues finance the operation of GIEK year by year.

BUYER'S CREDIT

Credit provided by a financial institution in the exporter's country to a buyer or the buyer's bank abroad.

SUPPLIER'S CREDIT

Credit provided by an exporter to a buyer abroad.

LENDER

A company providing loans to the importer/buyer/debtor. Most GIEK guarantees are buyer's credit guarantees for loans provided by Export Credit Norway and/or commercial banks.

BUYER'S CREDIT GUARANTEE

GIEK's most commonly used guarantee, it is provided to a lender.

TERM

The duration of a guarantee. A buyer's credit guarantee is linked to the term of the loan. The maximum term for GIEK's guarantees is regulated by OECD's "Arrangement on officially supported export credits".

CO-GUARANTOR

A commercial bank or other actor that shares the risk with GIEK.

DEFAULT

A debtor's breach of the loan agreement. Payment default means a lack of payment and may lead to GIEK paying out under the guarantee. A technical default is a breach of other terms and conditions. See loss, provision, impairment, covenants.

MORATORIUM (AGREEMENT)

An agreement that defers a debtor country's payment of debt to a creditor country. Used especially for agreements organised by the Paris Club.

Words and expressions

N – R

IMPAIRMENT The fall in value of an asset in the balance sheet, in GIEK often a receivable.

NORWEGIAN INTEREST A guarantee from GIEK must relate to a specific export contract and its associated financial transaction. In exceptional cases, GIEK may accept a low proportion of exported Norwegian goods and services if the contract in some other way promote Norwegian value creation.

DRAWDOWN PERIOD Some loans are disbursed to the customer in several parts. The drawdown period is the total period during which the loan is paid out, before the customer begins paying it back. The drawdown period is part of the guarantees term.

SCHEME A system stipulated by the Storting to cover certain risks by means of issuing guarantees. GIEK is given an exposure limit (upper limit, in NOK) for each scheme. Each scheme issues financial statements and needs to break even in the long term. The General Guarantee Scheme is the main scheme, but GIEK also has special schemes for ship building loans, power purchases and developing countries. In addition, GIEK manages a tender guarantee scheme for participation in aid projects on behalf of Norfund.

THE PARIS CLUB An association of some industrialised creditor countries, hosted by France, for restructuring/refinancing of state-to-state debt. GIEK manages moratorium agreements because some developing countries have defaulted on loans that were taken out to pay Norwegian exporters.

POLICY See guarantee.

POLITICAL RISK The risk that loans will not be repaid because of political issues. In GIEK, the term includes war, social unrest, expropriation and intervention by the authorities. State buyers may also be a political risk.

PORTFOLIO (In GIEK:) The total sum of guarantees.

PREMIUM The price which the customer pays for a guarantee from GIEK. The premium is paid at the same time as principal payments during the loan term, or in advance when the guarantee is issued. One of two main types of revenue in GIEK.

PRORATA PRINCIPLE A principle that risk will be shared on equal terms and conditions (although percentages may differ) between several risk-takers.

EXPOSURE LIMIT An upper limit set by the Storting for the sum of current guarantees and offers. GIEK has four guarantee schemes, each with its own exposure limit, totalling NOK 173.15 billion in 2014.

REINSURANCE A way of reducing one's own risk is to pass it on to another insurance company or financial institution. GIEK can e.g. reinsure some of its own risk in certain guarantees from another guarantee agency, while GIEK Kredittforsikring reinsures some of its risk with GIEK.

LETTER OF CREDIT A conditional payment confirmation from the buyer's bank to the exporter's bank and then to the exporter. A letter of credit ensures that the exporter is paid, but it can also provide security for the buyer that the exporter will dispatch the goods before he receives payment. GIEK can relieve some the risk borne by the exporter's bank.

RISK GIEK has two main types of risk in its portfolio: commercial and political risk. Most cases include both types.

S – W

COLLATERAL

When GIEK requires security for its guarantee, this is provided in the form of collateral security and/or guarantees. In the event of default and payment under the guarantee, GIEK can realise the collateral in order to reduce any loss.

SUPPLEMENT TO THE MARKET

GIEK does not compete with commercial banks; if they wish to guarantee the entire loan, GIEK remains outside the transaction. When GIEK guarantees the greater part of a loan, banks can take a smaller share. Hence GIEK strengthens exports while also expanding the capital markets.

LOSS PROVISION

Provisions from the profit are made based on the uncertainty in each guarantee or group of guarantees.

LOSS

See payment under the guarantee.

RETAINED CAPITAL

Accumulated profits. The state does not take out dividend from this capital before the guarantee schemes are wound up. The retained capital will ensure that GIEK is able to pay out under its guarantees without charging it to the state coffers, thus achieving the goal that the schemes must break even in the long term.

OFFER OF GUARANTEE

(If the application for a guarantee was approved, GIEK offers the customer a guarantee. This offer is binding for GIEK and will therefore be included in the amount that is bound under the exposure limit. If the customer accepts the offer and meets certain preconditions, GIEK will issue the guarantee.

PAYMENT UNDER THE GUARANTEE

(Previously called "claim payout"). If GIEK has guaranteed for a loan or other liability at the exporter or importer, and the loan or liability is breached or defaulted, GIEK must pay out to the party covered by the guarantee (the bank, exporter or foreign customer, depending on the type of guarantee). If GIEK has security in the goods, it might realise the collateral. If GIEK's payment was greater than the income derived from selling the asset, the difference is considered a loss.

OUTSTANDING LIABILITY

GIEK's current guarantee portfolio, expressed in NOK. The guarantee liability is "outstanding" since all guarantees are being paid down continuously. The sum of current guarantees and offers is described as "bound under the exposure limit".

WAIVER

Permission to deviate from a previously agreed condition in the loan agreement. Made by the bank and guarantor in a default situation, in order to help the debtor through a difficult period.

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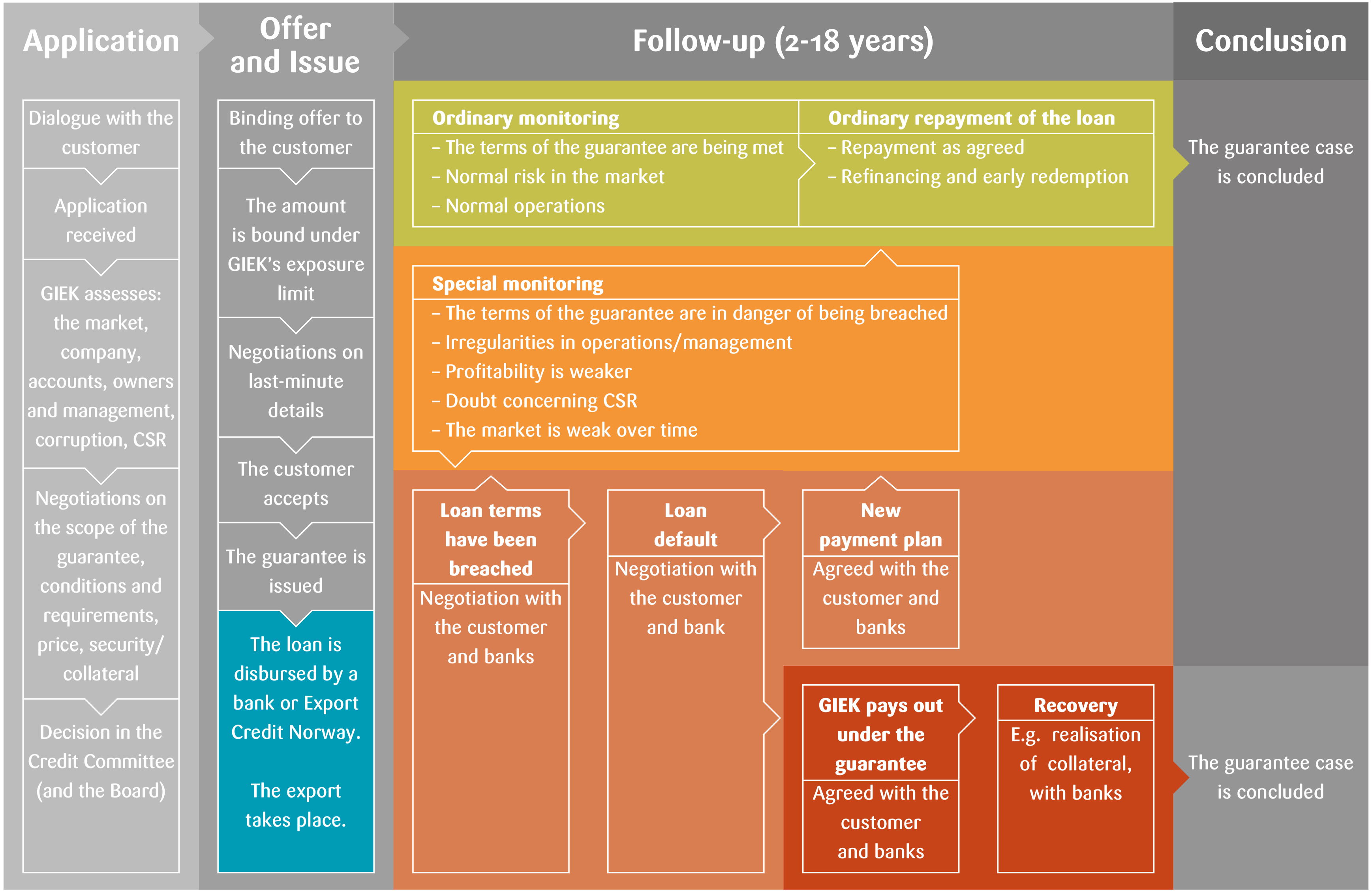
The guarantees: careful preparation, close follow-up



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