



GIEK



Annual Report 2015

GIEK – The Norwegian Export Credit Guarantee Agency

is a public-sector enterprise that reports to the Ministry of Trade, Industry and Fisheries (MTIF). GIEK promotes Norwegian exports by issuing guarantees on behalf of the state. The guarantees help buyers abroad with financing, lower the risk of loss by Norwegian exporters and international buyers, and level the competitive playing field for Norwegian companies abroad. Norwegian state guarantees represent a high degree of security for exporters and banks alike.

The guarantees are tailored to the needs of Norwegian exporters and foreign buyers, covering both political and commercial risk linked to loans issued by private or public financial institutions. Guarantees may be provided only in cases where Norwegian goods or services are delivered abroad or an export transaction promotes Norwegian value creation in some other way. GIEK issues guarantees for exports to countries around the world.

GIEK is a supplement to the private banking and financial market, and is required to break even in the long run.

In addition to export guarantees, GIEK manages two domestic guarantee schemes, one for energy purchases and the other for shipbuilding at Norwegian shipyards.

GIEK in 2015

In the last 10 years GIEK has contributed to significant exports of oil and gas technology. GIEK's guarantees have figured in large financing packages alongside products from other guarantee institutions, banks and financial institutions. In 2015, challenging conditions in the oil industry weakened the ability of shipping companies and other borrowers to service debt guaranteed by GIEK. This part of GIEK's guarantee portfolio has therefore come under substantial pressure. Throughout the year, GIEK rigorously monitored its current guarantees and maintained close dialogue with the affected companies as well as private and public financial institutions.

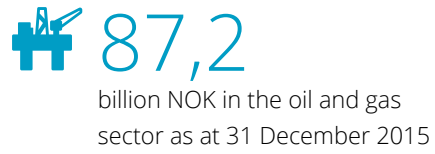
At the same time, GIEK has observed a rise in interest in export guarantees among mainland industries and oil industry suppliers that are undergoing a restructuring. Looking forward, GIEK will remain a skilled, stable and supportive partner for all export businesses, helping to achieve new Norwegian export successes.

This annual report describes GIEK's various guarantee schemes and its achievements in 2015. It is written in Norwegian in accordance with a government template provided by the Norwegian Government Agency for Financial Management.

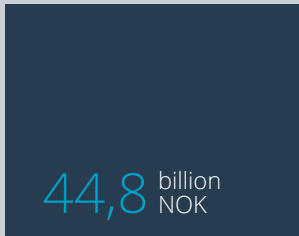
GIEK submits two sets of accounts. The administrative accounts show the financial condition of GIEK's operational organisation. The guarantee scheme accounts (fund accounts) show revenues and expenses for the different guarantee schemes.

The guarantee scheme accounts (fund accounts) are prepared in accordance with the Accounting Act wherever applicable. The Report of the Board of Directors regarding the 2015 guarantee scheme accounts (section VI.2.1) is written pursuant to the Accounting Act.

Key figures



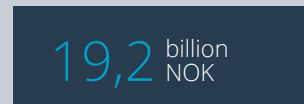
GIEK has in 2015
triggered in exports for



Issued 126 new guarantees
with a combined value of



Issued 165 new guarantees offers
with a combined value of



Received 208 new applications
totalling



431 current guarantees as at 31 December 2015



GIEK issued guarantees for exports to 37 countries in 2015

Guarantee revenues came to 1,6 billion in 2015

1,2 billion was paid out under the guarantee
schemes in 2015

Recorded provisions of 4,8 billion as
at 31 December 2015

Accounting profit of 121 million
in 2015



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With close monitoring of existing guarantees, a large application volume and extensive outreach activity, GIEK has concluded a year of activity consistent with its social mission of contributing to increased exports and serving as a responsible steward of its outstanding guarantee liability. The most demanding task in 2016 and beyond will be the monitoring of outstanding guarantees involving companies affected by the oil industry downturn.

Chief Executive Officer's foreword

The year 2015 has been a challenging one for most of our clients in the oil services sector. Companies are restructuring and instituting the financial and organisational measures needed to deal with weaker markets and heavier debt burdens. GIEK is doing its part, in cooperation with other parties, to set up long-term financial arrangements suited to individual circumstances. Yet GIEK also remains a driving force for new exports, and is collaborating with an ever-wider range of export industries.

GIEK devotes substantial resources to meetings and dialogue with its oil services customers. The specific financial solutions arrived at jointly by the parties vary according to the particular situation of the company in question. For GIEK it is also important to ensure that the industry as a whole preserves its unique expertise and competitive edge until the market improves.

In 2015 GIEK's two main roles, as export stimulus and creditor, became even more visible. On the one hand GIEK is to be a long-term professional manager of guarantees linked to exports that have already taken place. On the other, GIEK must issue new guarantees that trigger new exports.

Due to lower demand in the oil and gas industry, GIEK's issuance of new guarantees in the final four-month period of 2015 was the lowest since 2007. As 2016 opens, there are signs of somewhat higher demand for guarantees.

New export opportunities

GIEK is prepared for the possibility that oil prices could remain low for several years, with correspondingly lower demand for guarantees from the Norwegian supply sector. This is reflected in the agency's loss provisions. GIEK will be a stable and capable partner for all export industries, regardless of economic conditions. It is gratifying that more mainland industries have begun using GIEK's services, including traditional oil industry sub-contractors now transitioning to new markets and products. A variety of export industries and enterprises have benefitted from a significantly weaker Norwegian krone in 2015.

In times of change such as this, exporters expect GIEK to have the capacity to secure financing to increase export opportunities for new businesses and industries, and to new markets. To increase its relevance and its accessibility to new users, GIEK has strengthened its cooperation with Export Credit Norway and Innovation Norway. This cooperative arrangement allows GIEK to meet with small and medium-sized businesses across the country, as well as with local banks. New exporters have been taking advantage of the simplified export financing available to small and medium-sized businesses and enterprises in transition.

Long-term manager

Some of the biggest buyers of Norwegian exports in recent decades have been Norwegian shipping companies. GIEK has arranged financing for vessels and rigs which have then been leased for jobs worldwide. After construction, GIEK remains guarantor, along with the financial institutions, until the export loans are fully repaid. Shipping companies today face a challenging situation. In cooperation with other interested parties, GIEK will act constructively to find workable solutions for each case.

When doubt arises about a customer's future ability to service debt, GIEK is quick to initiate dialogue with borrowers, partner financial institutions and other stakeholders. GIEK expends considerable resources managing the increased risk to its guarantee portfolio, and is prepared to take difficult decisions.

Restructurings are likely to crop up throughout the supply chain as a consequence of weaker cash flows and revised or terminated vessel contracts in the offshore industry. At year-end, GIEK's bank deposits were solid.

The organisation

Through its organisational model, GIEK seeks continuously to adapt to export industry needs. As a result of a major reorganisation in late 2014, GIEK has successfully established a wider circle of contacts in new industries and markets. Through its annual report, several newsletters, social media, the Export Conference and other outreach activities, GIEK is doing more than ever to make new users aware of the available guarantees.

The new organisational model has also resulted in a clearer decision-making and authorisations structure, and has facilitated closer monitoring of guarantee cases with elevated risk in the offshore oil and gas sectors. GIEK had 94 employees at the end of 2015. The agency's recruitment efforts have succeeded in achieving a good balance in terms of gender and diversity. The staff are 48 per cent women and 52 per cent men, and 18 per cent of our employees have an immigrant background. GIEK's staff have the expertise to cope with a demanding market and to support and assist new Norwegian exporters.

With close monitoring of existing guarantees, a large application volume and extensive outreach activity, GIEK has concluded a year of activity consistent with its social mission of contributing to increased exports and serving as a responsible steward of its outstanding guarantee liability. The most demanding task in 2016 and beyond will be the monitoring of outstanding guarantees involving companies affected by the oil industry downturn.



Wenche Nistad
Chief Executive Officer

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I. Summary of the Board of Directors

In 2015, guarantees from GIEK helped trigger NOK 44.8 billion in new Norwegian export contracts, an increase from NOK 28.5 billion in 2014. These new exports are contributing to economic growth and job creation in many parts of the country. In the oil and gas industry, meanwhile, the fall in orders and contracts has pressed many of GIEK's existing customers. GIEK is therefore continuing to carefully review its guarantee portfolio in 2016 while working to trigger new exports and stimulate growth in other industries.

At year-end GIEK had 431 current guarantees linked to prior exports, representing total outstanding liabilities of NOK 100.2 billion. Some 126 new guarantees were issued, worth NOK 16.3 billion.

It is the board's view that the guarantee schemes trigger a significant quantity of exports. Few new guarantees were issued in the second half of 2015, but demand has picked up again in early 2016, and the board has noted growing interest from other industries, such as renewable energy, high technology and fisheries and aquaculture.

The 2015 financial result for the guarantee schemes combined was a profit of NOK 121 million, compared to NOK 734 million the year before. The decline was mainly due to increased loss provisions as a result of increased credit risk in the offshore portfolio. Total revenues amounted to NOK 1.7 billion, while loss provisions were raised by NOK 1.5 billion to NOK 4.8 billion in all. GIEK has accumulated capital for redemption of guarantee obligations.

GIEK's guarantee portfolio reflects Norwegian exports over the past 10 years and is highly concentrated in the oil and gas industry. The significant drop in oil prices over the past 18 months has led to increased risk in the guarantee portfolio and correspondingly higher provisions for possible future losses.

GIEK is receiving a larger number of requests for renegotiation of terms and instalment deferrals to avoid default under loan agreements in which GIEK is a guarantor. Amended borrowing terms have been granted across about half of the portfolio, and an increasing share of the portfolio is considered to be at risk of losses. Most of the guarantees are nonetheless being serviced in accordance with their payment schedules. Repayments in 2015 amounted to NOK 15 billion.

The board remains of the opinion that the schemes will break even over time.

¹ The sum of outstanding liabilities and offers – 'bound under the exposure limit' – for all schemes was NOK 124.6 billion as at 31 December 2015.

I. Board Chair's comments

Responsible guarantee manager and export facilitator

At the end of the year, prior exports by the oil and gas supplier industry accounted for 87 per cent of GIEK's guarantee portfolio, measured in Norwegian kroner. By number of guarantees, the industry represents more than 50 per cent (229 of 431). This reflects the industry's large role in Norwegian exports. Such concentration in the guarantee portfolio leads to significant challenges when the industry experiences a decline in cash flow as a result of contract terminations and fewer new contracts.

GIEK made considerable loss provisions already in 2014, when analysis showed increasing portfolio risk and greater uncertainty with regard to collateral assets. In 2015 provisions increased by NOK 1.5 billion, to a total of NOK 4.8 billion. Provision has been made for uncertainty over collateral values and the portfolio's concentration in individual companies. Current earnings in 2015 have been sufficient to cover the increase in loss provisions. Recorded loss provisions and accumulated capital together amount to NOK 9.3 billion.

The split between collective and individual loss provisions has changed as individual companies have reported difficulties. So far, a very small portion of the loss provisions has had to be paid out under the guarantees. The board expects that GIEK will have to draw more on its accumulated capital going forward.

GIEK's role is to contribute to long-term, sustainable arrangements. GIEK actively monitors current guarantees and is in close dialogue with the industry, affected companies and other financial institutions. The agency considers it likely that significantly declining activity will lead to restructuring and consolidation in the offshore industry. In concert with borrowers and other financial institutions, GIEK will work constructively to help ensure the industry's future competitiveness. The board is aware that the industry's downturn will mean losses for owners, lenders and GIEK.

In recent years GIEK has strengthened its expertise to ensure sound credit management, market understanding and monitoring of vulnerable guarantee positions. It is important for GIEK, in the current difficult market situation, to have a clear understanding of the

risks it faces. The organisation's analytical capacity, risk models and credit expertise have been expanded, and it has shown great adaptability in a challenging situation. A reorganisation at the beginning of 2015 has increased capacity in customer relations units and management. GIEK also has access to external specialists when needed.

Norway's oil and gas supply industry has developed world-class technology and holds a leading position internationally in several market segments. It is still one of the country's dominant export industries. Both the supply industry and other industries have demonstrated a capacity for change, and GIEK is committed to supporting this process with competitive financing. On the strength of their technology, expertise and experience, a number of traditional suppliers to the oil and gas industry have secured international contracts in other industries. The weak krone makes mainland industries more competitive. GIEK has seen growing interest in its services across several business sectors, particularly among small and medium-sized businesses and in renewable energy.

The board believes that GIEK can play an important role in restructuring processes and in situations where access to capital is limited. GIEK has the relevant experience, having dealt with similar situations following the 2008 financial crisis. GIEK's guarantee exposure limits still offer capacity to help in the financing of good projects.

In 2015 the board continued to improve procedures for assessing corruption risk associated with export financing. Corruption assessments are an important part of any credit assessment. The board is concerned over revelations related to corruption in Brazil and is paying special attention to the unfolding events and remediation efforts there.

Extensive work on corporate responsibility and the environment is being carried out in individual cases as well as in international cooperation with other export guarantee institutions.

GIEK serves as a specialist adviser to higher-level public authorities and provides guidance to companies,

exporters, financial institutions and other partners. Its guidance to enterprises includes the subject of anti-corruption efforts.

In the board's view GIEK's different roles – of export facilitator, creditor and adviser – have become clearer, and the board is satisfied with the new organisational model, which is proving well suited to the changing market situation.

Goal achievement

In the board's assessment, GIEK fulfilled the objective of promoting Norwegian exports and investments abroad in 2015. The board is satisfied with GIEK's efforts and its achievement of the four goals contained in the 2015 allocation letter from the Ministry of Trade, Industry and Fisheries and specified in section II.1 below. In section III, The year's activities and results, closer consideration is given to each individual goal.

GIEK's administration

It is the board's assessment that GIEK's administration has costs under control and has submitted annual accounts consistent with its budget. In 2015, GIEK's administrative expenses were NOK 159 million, compared to NOK 160 million budgeted. In the board's view GIEK is efficiently run. See further sections II.4.1, III.4.5 and VI.1.

Resource use is affected by the number of applications received, their complexity and the monitoring of current guarantees, especially cases under special scrutiny or in default. In addition, GIEK expends resources advising and reporting to the Ministry of Trade, Industry and Fisheries and other ministries and public bodies.

The board wishes to thank GIEK's staff for their commitment and excellent work in the past year.

Oslo, 3 March 2016



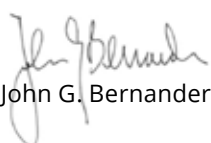
Karin Bing Orgland
(styreleder)




Torfinn Kildal
(nestleder)



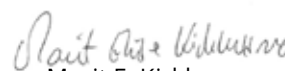
Arve bakke




John G. Bernander



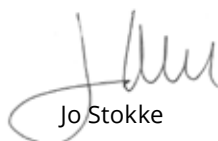
Nina Udnes Tronstad



Marit E. Kirkhusmo



Maria Borch Helsengreen



Jo Stokke



Wenche Nistad
(administrerende direktør)

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II. Introduction to the agency and key figures

II.1. Authority, scope of responsibility and primary goals

The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF). GIEK's objective is to promote Norwegian exports and investment by providing long-term guarantees on behalf of the Norwegian state.

II.2. Role in society

Exports generate more revenue for Norway than taxes and fees combined, and account for 40 per cent of gross domestic product, according to Statistics Norway. In the coming years, a high and stable level of export revenues will be crucial to preserving welfare and employment in Norway.

GIEK's guarantees represent a competitive advantage for exporters, providing security to both parties as well as their bankers after the export has taken place. More information on the individual guarantees is provided below, in section II.3.

GIEK is one of the government agencies under the Ministry of Trade, Industry and Fisheries for which exports are a primary mission; see Figure 1. Export Credit Norway provides export loans (mainly with guarantees from GIEK). GIEK Kredittforsikring² issues policies on credits of up to two years for Norwegian companies that sell goods and services in Norway and abroad. Innovation Norway, for its part, assists with a variety of support schemes and market positioning, and advises exporters both in Norway and at several external offices in key markets.

² The state-owned limited company GIEK Kredittforsikring AS is not to be confused with the Government agency GIEK, although the two were formerly one organisation. GIEK Kredittforsikring was spun out of GIEK in 2001, and was placed directly under the Ministry of Trade, Industry and Fisheries with effect from 1 January 2015.

GIEK's 2015 goals

- GIEK shall promote export contracts by offering competitive export guarantees and functioning as a supplement to the market.
- GIEK shall help ensure the availability of building loans on commercial terms.
- GIEK shall help ensure that long-term electricity contracts can be concluded on commercial terms.
- GIEK shall fulfil the requirement that each scheme, including any loss fund, break even in the long term.

II. Introduction to the agency and key figures

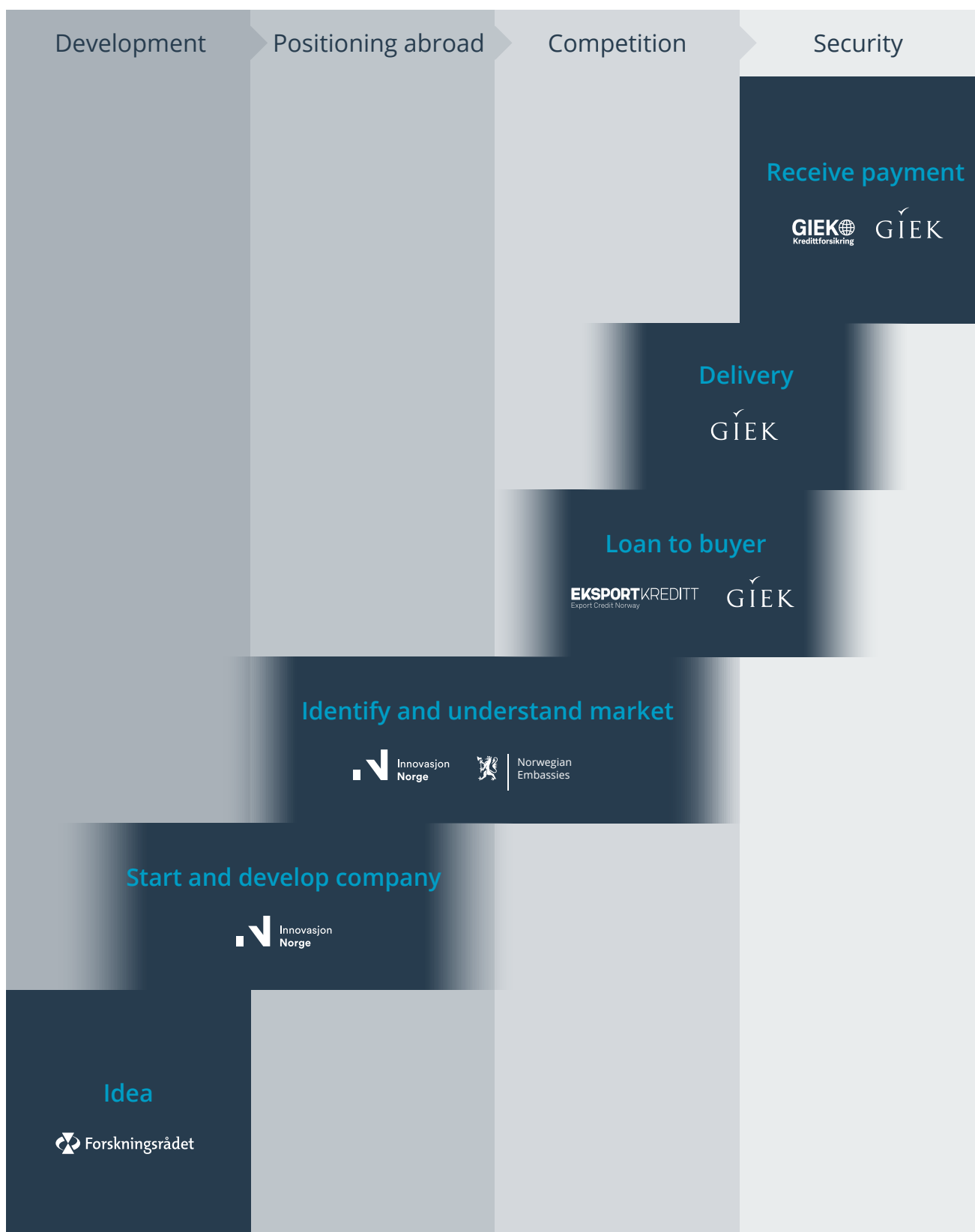


Figure 1 shows GIEK's position in relation to other government agencies that offer export support: Export Credit Norway, Innovation Norway and GIEK Kredittforsikring. While other agencies help exporters with development and positioning, GIEK's role is to trigger specific contracts by guaranteeing financing, payment or delivery. GIEK also cooperates with diplomatic and consular missions in important export markets.

II. Introduction to the agency and key figures

With the aim of promoting Norwegian exports and foreign investment, GIEK contributes to the government's efforts to ensure that Norwegian competitiveness. GIEK helps the Ministry of Trade, Industry and Fisheries (MTIF) to achieve its goals related to greatest possible economic growth within a sustainable framework, including in particular the goal of enterprises that succeed in international markets. Stable, predictable and competitive financing terms can play a major role in determining whether or not Norwegian companies win contracts.

Through the years, the four state-owned promoters of exports have strengthened their distribution of information about one another's activities, and more frequently refer exporters to one another as needed.

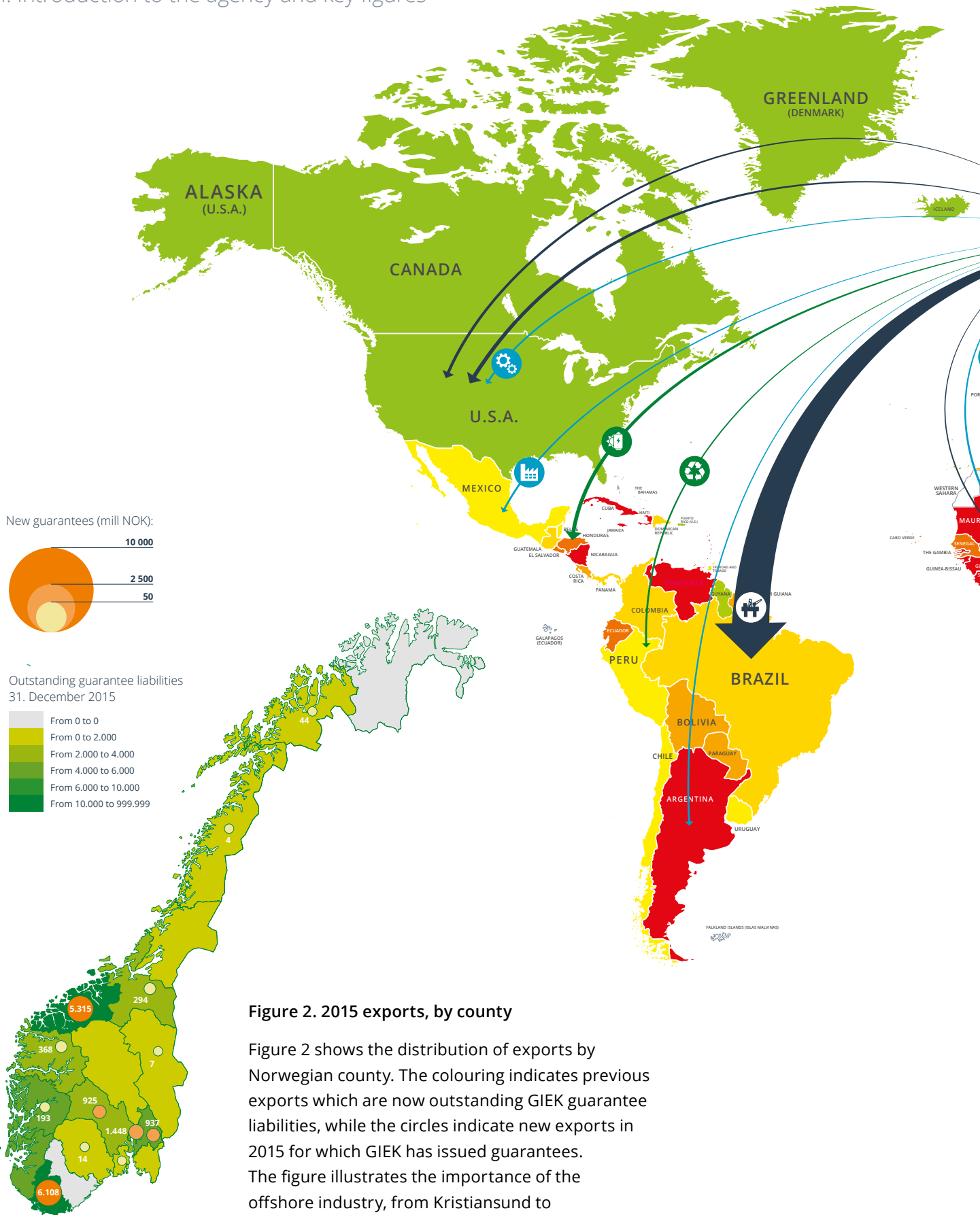
These measures form part of the government's effort to simplify daily routines by reducing 'time wasters' and streamlining regulations, and support achievement of the MTIF's goals of efficient use of society's resources and increased innovation and adaptability; see the Ministry of Trade, Industry and Fisheries' budget proposal for 2016 (Prop. 1 S (2015–2016)).

It is important for both exporters and their buyers abroad that state export financing be relevant and user friendly. GIEK and Export Credit Norway cooperate closely because in most cases loans and guarantees both are sought. The application process has been simplified and coordinated in terms of both customer experience and internal procedures. In 2015, joint customer surveys were prepared for use starting in 2016.



The Export Award is given as part of an annual competition between Norwegian exporters that is organised by GIEK, GIEK Kredittforsikring and Export Credit Norway. The award highlights the importance of exports to Norway and recognises companies that have succeeded in creating value and employment at home by investing abroad. In 2015, the winner was Lerøy Seafood.

II. Introduction to the agency and key figures



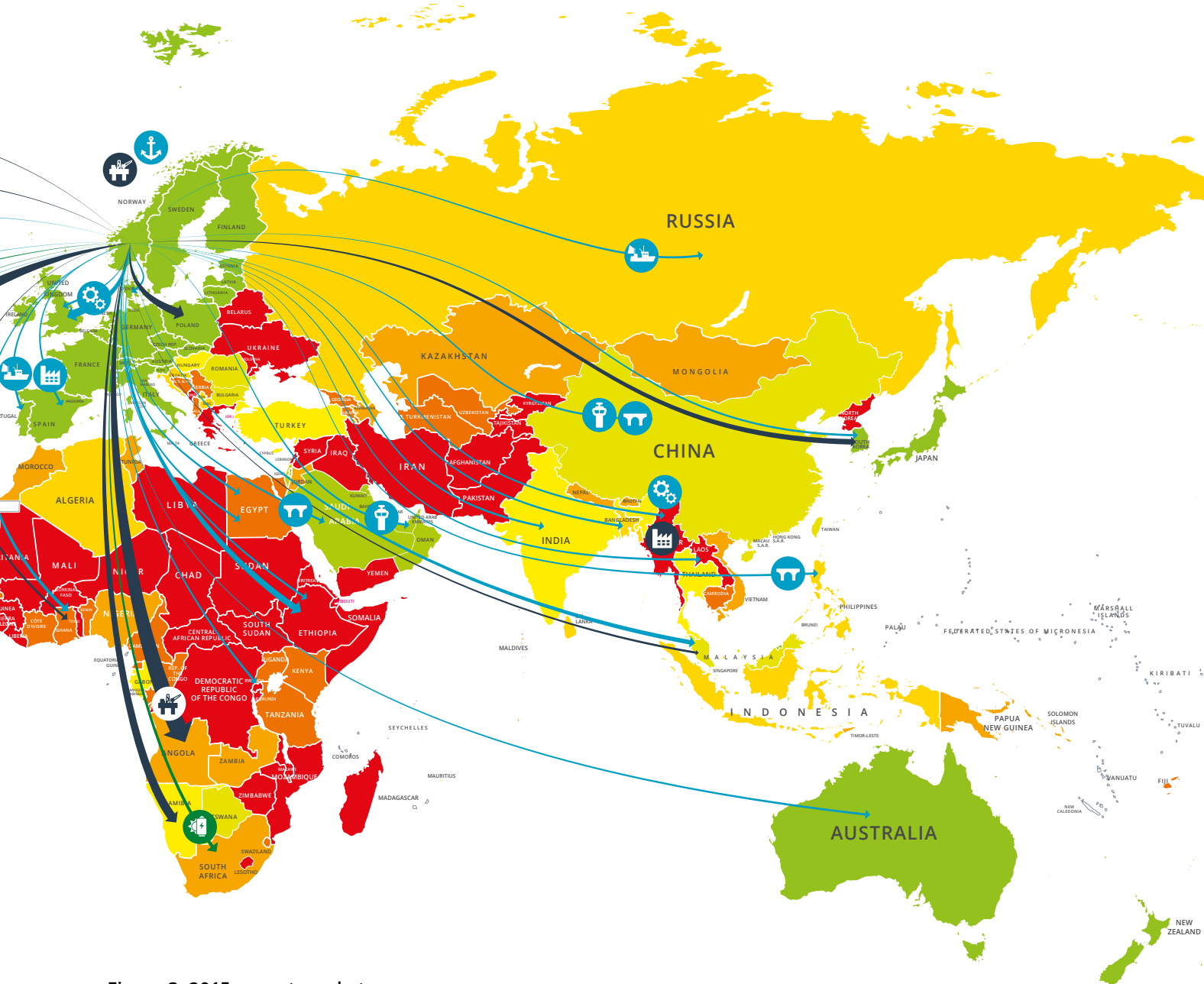


Figure 3. 2015 export markets

Figure 3 shows the export destinations of goods and services for which GIEK has issued guarantees, broken down by industry.

- Other industries and other sectors
- Renewable energy
- Oil and gas

- Communications technology
- Renewable energy
- Building and construction
- Fishing vessels and aquaculture
- Shipping
- Oil and gas technology and ships
- Industry
- Recycling
- Other technology

OECD risk category:



Source: OECD Country Risk Classification per januar 2016

II. Introduction to the agency and key figures

II.3. Guarantees and schemes

GIEK offers guarantee arrangements to promote Norwegian exports. Its guarantees reduce risk to the buyer, exporter or financial institution, depending on the guarantee product employed. Guarantees are issued through one of GIEK's four guarantee schemes. The following is an overview of the different guarantee types and schemes.

II.3.1. Guarantee types

GIEK's guarantees reduce risk for exporters, buyers or their banks, depending on the guarantee product employed in connection with an export transaction. Lower risk gives the parties an incentive to enter into a contract and increases exporters' competitiveness. The guarantees are tailored to the needs of Norwegian exporters and foreign buyers, and are a supplement to the private financial market.

GIEK's products are meant to be competitive with those of guarantee institutions in other countries. Most countries with notable capital goods exports provide public guarantees that lower long-term export credit risk for exporters and financial institutions. GIEK's guarantees support exports to countries worldwide.

GIEK can mitigate both commercial and political risk. Commercial risk is defined as the risk of a private buyer going bankrupt or not paying for some other reason. Political risk is the risk that a public buyer will fail to pay, or that war, expropriation or other action by public authorities will prevent payment. Investment guarantees cover only political risk. GIEK maintains confidentiality with regard to applications, guarantee offers and developments after guarantees are provided. Issued guarantees are published at www.GIEK.no.

When GIEK guarantees a loan or other financial transaction, the state, through GIEK, assumes the risk. GIEK's main purpose is to issue guarantees that promote exports. The guarantees are denominated in Norwegian kroner.

The most common types of guarantee issued by GIEK are:

Buyer credit guarantee: Secures the buyer's loan in connection with an export contract. The guarantee is

issued for two to 10 years, though up to 12 years for ships, and up to 18 years for renewable energy projects and potable water and sewerage projects.

Supplier credit guarantee: Ensures that the exporter receives payment for sales on credit to a foreign buyer.

Contract guarantee: Ensures that the exporter does not suffer loss during the production period as a result of a foreign buyer's failure to perform the contract.

Investment guarantee: Secures the investor against loss in countries with high political risk.

Bond guarantee: Secures the foreign buyer against loss if the Norwegian exporter does not fulfil its offer, if the advance payment is lost, or if the exporter does not carry out delivery. Such guarantees are often required for an export contract to be signed. GIEK can also secure the exporter against unwarranted claims under issued bond guarantees.

Letter of credit: Secures the monetary transfer between the buyer's bank and the exporter's bank.

Building loan guarantee: Secures loans to Norwegian yards for the construction of new ships.

Energy guarantee: Guarantees payment related to major contracts for the purchase or sale of electricity.

Tender guarantee: Covers expenses related to a tender if an enterprise fails to win the assignment when a project is financed by development aid.

II.3.2. Guarantee schemes

The guarantees are issued within one of four frameworks established by the Ministry of Trade, Industry and Fisheries (MTIF): the General Guarantee Scheme, the Developing Countries Guarantee Scheme, the Building Loan Guarantee Scheme and the Energy Purchase Guarantee Scheme. Each scheme has a clearly defined purpose with its own rules and an exposure limit for the total amount of all guarantees under the scheme.

The schemes are intended to promote Norwegian exports (except for the Energy Purchase and Building Loan schemes) and are subject to Norwegian laws and regulations and international agreements.

GIEK also administers a tender guarantee scheme on behalf of Norfund. The schemes are required to break even in the long term: see section III.4.

Each sector's percentage of total outstanding liability has remained virtually unchanged over the past three years, with about 85 per cent of outstanding liability linked to oil and gas, 10 per cent to other industries and sectors, and the rest to renewable energy.

The General Guarantee Scheme is GIEK's largest and most utilised guarantee scheme. The buyer credit guarantee is the most important type of guarantee issued under the scheme, but most other types can be provided here as well. The purpose of the scheme is to promote Norwegian exports in all sectors. The oil and gas supply industry was the largest user of the scheme, accounting for 87 per cent of guarantee liabilities.

Of the scheme's NOK 145 billion guarantee exposure limit, utilisation in 2013–2015 was as follows:

	Bound under the exposure limit* (NOK 1 000)	Exposure limit utilisation
2013	108 475 000	75 %
2014	127 389 927	88 %
2015	121 375 730	84 %

* Bound under the exposure limit" is the sum of outstanding liabilities and offers, including reinsurance of GIEK Kredittforsikring AS.

The Developing Countries Guarantee Scheme may be used if the export in question 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 limit at any time is equivalent to seven times the primary capital. It is up to GIEK to decide whether to issue a guarantee under the General Guarantee Scheme or the Developing Countries Guarantee Scheme. The need for the scheme increased in 2015. Most guarantee types can be issued under this scheme.

Of the scheme's NOK 3.15 billion guarantee exposure limit, utilisation in 2013–2015 was as follows:

	Bound under the exposure limit* (NOK 1 000)	Exposure limit utilisation
2013	426 000	14 %
2014	476 846	15 %
2015	2 414 600	77 %

* Bound under the exposure limit" is the sum of outstanding liabilities and offers, including reinsurance of GIEK Kredittforsikring AS.

The table shows that in 2015 more cases were suitable for the Developing Countries Guarantee Scheme.

The Building Loan Guarantee Scheme helps secure bank loans for shipbuilding at Norwegian yards during construction. There is no requirement for the ships to be exported. Only building loan guarantees may be issued under the scheme.

Of the NOK 5 billion guarantee exposure limit, utilisation in 2013–2015 was as follows:

	Bound under the exposure limit* (NOK 1 000)	Exposure limit utilisation
2013	1 347 000	27 %
2014	2 014 337	40 %
2015	769 780	15 %

* Bound under the exposure limit" is the sum of outstanding liabilities and offers.

The decline in 2015 is attributable to less need for state risk mitigation in the market.

The Energy Purchase Guarantee Scheme is designed to help provide Norwegian industry with long-term electricity purchase agreements. Only energy guarantees can be issued under the scheme. No such guarantees have been issued since the scheme was established, but the scheme may be of indirect help to the industry in obtaining favourable electric power agreements in the market. Several long-term energy purchase agreements will have to be renewed towards the end of this decade, possibly stimulating demand for guarantees under the scheme.

The scheme's guarantee exposure limit is NOK 20 billion.

The Tender Guarantee Scheme reimburses a Norwegian supplier for costs incurred in connection with tenders for aid projects in developing countries. The scheme is administered on behalf of Norfund.

GIEK also administers some older guarantee schemes which are in the process of being phased out. Moreover, GIEK serves as the 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.

Board of Directors



Karin Bing Orgland | Board Chair

Born 1959. Board Chair at GIEK since August 2013. Economics degree from the Norwegian School of Economics (NHH) in Bergen. Works as an independent board member, with board seats at Norske Skog, Grieg Seafood, Norwegian Finans Holding, HAV Eiendom AS, Røisheim Hotell og Eiendom and INI AS. Has extensive experience from several executive positions at DNB.



Torfinn Kildal | Deputy Board Chair

Born 1954. Board member at GIEK since February 2011. Economics degree from the Norwegian School of Economics (NHH) in Bergen. Works as an independent board member, with seats at Aibel, OSWO, Glamox, Lønne Service and Pres-Vac Engineer. He serves as Board Chair at Interwell, Servi Hydranor and OSWO. Former Managing Director of Kongsberg Maritime, from which he resigned in 2010. Broad operational and management experience in offshore and maritime supply enterprises in Norway and abroad.



Arve Bakke | Board member

Born 1952. Board member at GIEK since August 2009. President of the Norwegian United Federation of Trade Unions since 2007. Has worked for the United Federation of Trade Unions and the former Norwegian Union of Iron and Metalworkers since 1984, and spent 10 years before that at the Ulstein-Hatlø shipyard. Also served as Chair of the Labour Party's Møre og Romsdal branch for 12 years. State Secretary in the Ministry of Administration and Planning, 1996–1997.



**Maria Borch Helsingreen
Board member**

Board 1966. Board member at GIEK since August 2012. Holds an economics degree from the Norwegian School of Economics (NHH) in Bergen, where she also qualified as a state-authorized accountant. Currently CFO at TV2, and has extensive experience from board service at Argentum Fondsinvesteringer and from serving as CFO of DnbNOR Asset Management and as a partner at Arthur Andersen.



John G. Bernander | Board member

Born 1957. Board member at GIEK since August 2013. Has a law degree from the University of Oslo. Board member and adviser at Viking Heat Engines. He served as Managing Director of the Confederation of Norwegian Enterprise (NHO) from 2009–2012, as Director-General of the Norwegian Broadcasting Corporation from 2001–2007 and as Managing Director of the marine insurance company Gard from 1993–2001.



Marit E. Kirkhusmo | Board member

Born 1970. Board member at GIEK since August 2014. Holds a law degree from the University of Oslo. Works as lawyer and partner at the law firm Ræder, where she specialises in shipping/offshore and finance. She has extensive experience of advising a range of industry stakeholders on legal issues. She also served as group counsel for the Eitzen Group for many years, and sat on the executive board of the group's parent company.



Nina Udnes Tronstad | Board member

Born 1959. Board member at GIEK since August 2015. Earned a degree in industrial chemistry from the Norwegian University of Science and Technology (NTNU). She works as Senior Vice President for Procurement and Subcontracting at Kværner, and has previously served as group executive at Kværner, President of Kværner Verdal and group executive at Statoil. Has held various management positions in operations and technology at Statoil. Board member at Trelleborg AB, Peab AB and Nordox, and deputy board member at NTNU.



**Jo Stokke
Board employee representative**

Born 1953. Employee representative on the board since January 2016. He holds a degree in law from the University of Oslo and has served as a part of GIEK's legal team since January 2015. He has previously worked as a lawyer for Christiania Bank og Kreditkasse/Nordea and been a partner at the law firm Schjødt.



Morten Calfeldt | Board observer

Born 1961. Observer on the board since January 2016. A graduate of the Royal Norwegian Naval Academy, operational line. Senior vice president at GIEK since February 2014. Previous experience in marine insurance and bank customer relations for shipping/offshore customers. Worked at Deutsche Bank before joining GIEK.



Wenche Nistad
Chief Executive Officer

Born 1952. Has an economics degree from the Norwegian School of Economics (NHH) in Bergen. CEO of GIEK since 2005. Prior to that she served as CEO of Hadeland Glassverk, President and CEO of Luxo and Assistant Bank Director at Bergen Bank/ DNB. Board Chair of GIEK Kredittforsikring since 2011.



Britt Skåtun
Director, Offshore

Born 1970. Economics degree from the Norwegian School of Economics (NHH) in Bergen. Employed by GIEK since 1998, where she first worked on matters involving the former Soviet Union, the Baltic countries and Latin America, and later with shipping and offshore. Before the reorganisation in 2014, she was office manager in the Guarantee Department.



Solveig Frøland | Director, Shipping, Yards and Offshore Projects

Born 1964. An economist and authorised financial analyst with an MBA in finance from the Norwegian School of Economics (NHH) in Bergen. Employed at GIEK since 2014. Before that she spent 20 years at Nordea as a senior customer relations officer in shipping, offshore and oil services. Specialist expertise in international project finance and restructuring of vulnerable guarantee positions.



Øyvind Ajer
Director, Energy and Industry

Born 1961. Lawyer educated at the University of Oslo. Joined GIEK's Legal Department in 1988 and worked on remediation measures following the Ship Export Campaign. Later appointed office manager and acting director of the Legal Department. From 2001 until the reorganisation in 2014, he served as director of the Guarantee Department.



Ulla Wangestad
Director, Strategic Staff

Born 1958. Holder of a law degree from the University of Oslo and a master's in management from BI Norwegian Business School. Employed at GIEK since 2011, having served as director of the Legal Department until the reorganisation last year. Previously worked as a lawyer at Lindorff, and as a lawyer and head of the insurance law department at Gjensidige.



Elizabeth Lee Marinell
Director, Legal and Risk Advisory

Born 1965. Holds an MBA from Columbia University in New York City and a BA in economics and finance from Vanderbilt University in Tennessee in the United States. Employed at GIEK since 2010, serving as director of credit and risk management before the 2014 reorganisation. Before that, she headed the department of Financial Institutions and Funds at Norfund. From 1993–2004 she worked as a vice president of Citibank.



Cay Bakkehaug
Director, Administration

Born 1960. Holds an MBA from the Norwegian School of Economics (NHH) in Bergen and a cand. mag. degree in economics, ICT and education from Buskerud University College. Department director at GIEK since 2011. Former assistant director at Norsk Hydro. From 2002–2007 he was deputy managing director of the South Norway Regional Health Authority, and has subsequently been financial and investment director at Entra Eiendom and CFO of Komplett.

II. Introduction to the agency and key figures

II.4. The organisation

The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise subordinate to the Ministry of Trade, Industry and Fisheries (MTIF) and located at Støperigata 1 in Oslo.

GIEK is led by a board of eight members, seven of whom are appointed by MTIF and one of whom represents GIEK's employees. The employees also have one observer on the board.

GIEK's administration consisted of 89.4 full-time equivalent positions at the end of 2015. This figure includes permanent and temporary employees, but not employees on leave. There were 94 employees at year-end. Fourteen new employees were hired and seven changed department/section and were assigned new duties during the year. Five employees (5.9 per cent) left in 2015, one of them after completing a fixed-term appointment.

GIEK's organisation seeks continuously to stay oriented to export industry needs. As a result of a reorganisation in late 2014, GIEK has succeeded in establishing a broader contact network in new industries and markets. There are three guarantee departments with responsibility, respectively, for energy and industry; offshore; and shipping, yards and offshore projects. The guarantee departments are assisted by a department with expertise in law, credit operations and analysis. In addition, there is a strategic staff and administration.

In the new organisational structure, the Chief Credit Officer holds an independent position and reports directly to the CEO. Responsibility for governance and compliance is clearly delineated in the organisation, with the responsible persons reporting directly to the CEO and the board.

See www.GIEK.no for an updated organisational chart.

II.4.1. Key figures from the administrative accounts

The administrative accounts are reported in accordance with Ministry of Finance Circular R-115.

Tabell 1. Administrative expenses in NOK and in per cent of preliminary allocation (utilisation rate)

	Adm. expenses (NOK 1 000)	Utilisation rate
2013	123 156	94,7 %
2014	147 472	95,4 %
2015	158 562	99,1 %

GIEK maintains good budget control.

Table 2. Salaries as share of administrative costs

	Salaries (NOK 1 000)	% of adm.
2013	54 544	44,3 %
2014	65 583	44,5 %
2015	71 204	44,9 %

GIEK administers a substantial portfolio, as its salary costs reflect.

Table 3. Selected key figures, past three years

	Full-time equivalent positions	Preliminary allocation	Adm. expenses (NOK 1 000)	Utilisation rate	Pay (NOK 1 000)	Pay (% of adm.)	Payroll costs per full-time equivalent	Adm. costs per full-time equivalent (NOK)	Consulting costs (NOK 1 000)	Consulting costs (% of adm.)
2013	74,4	130 000	123 156	94,7 %	54 544	44,3 %	733,1	1 655,3	26 088	21,2 %
2014	80,9	154 600	147 472	95,4 %	65 583	44,5 %	810,7	1 822,9	20 793	14,1 %
2015	89,4	160 000	158 562	99,1 %	71 204	44,9 %	796,5	1 773,6	18 673	11,8 %

GIEK has spent more on salaries and less on consulting fees, which could indicate a shift towards more activities being resolved internally.

Table 4. Additional selected figures, past three years

	Effektivitet adm./innt.	Risiko ansvar/årsverk	Risiko avsetn./ansvar
2013	7,1 %	1 101 461	3,0 %
2014	9,1 %	1 103 986	3,7 %
2015	9,3 %	1 120 415	4,8 %

Revenue – Total revenue from fund accounts

Liability – Outstanding guarantee liabilities, all schemes, in whole NOK thousands

Provision – Loss provision for guarantee liability

GIEK is run efficiently. Going forward, GIEK will expend more resources on cases with elevated risk. Administrative costs per case may rise as a result of changes in the application pool which could make additional specialisation necessary in sectors and markets in which GIEK has not operated in recent years.

GIEK uses less than NOK 1 for each NOK 10 in revenue (9.3 per cent in 2015). Outstanding guarantee liability per full-time equivalent exceeds NOK 1 billion kroner (NOK 1.1 billion in 2015). In recognition of the recent increase in risk, GIEK has raised its loss provisions for guarantee liability (to 4.8 per cent in 2015). Provisions for receivables come in addition.

Export financing – a very useful instrument

– *Export financing is a very useful instrument, says Per Knutsen, general manager of Drammen Yard. In 2015 GIEK issued a guarantee of NOK 16.8 million in connection with the sale of offshore cable carousels to the company's Swedish sister company, Drammen Yards Leasing, which leases out the carousels in EU and world markets. The guarantee covers loans from Export Credit Norway.*

Drammen Yard has long traditions in shipbuilding and as a supplier of cable carousels to the offshore market, but has in recent years directed its attention to the offshore wind sector. Cable carousels are as relevant for cable-laying to offshore wind parks as for oil operations and subsea installations. The carousels are designed so that ordinary offshore vessels can be repurposed as “plug and play” cable-laying ships within a few days. Fully loaded carousels can be hoisted or shoved onto the vessel and installed in a few hours.

– *“There is great potential for this type of equipment in the offshore wind sector, and there will be as much investment in offshore wind as in the oil industry, and possibly more. I’m astounded how few Norwegian companies are operating in this market, says Knutsen. In his view, offshore wind offers clear opportunities for more Norwegian suppliers that have traditionally served the oil sector.*

Drammen Yard’s sister company in Sweden is the contact point for leasing to the international market, but the carousels are built and modified in Norway.

– *It’s easier to hire out to the EU market from Sweden, says Knutsen. He says the company leases to both the oil and offshore wind sectors, and receives inquiries from around the world.*

Increased interest in export financing

Drammen Yard also sells directly to customers from Norway. According to Knutsen, these customers previously showed no interest in financing, but the situation in the oil and gas sector has changed things.

– *Now that times aren’t so good, export financing is attractive. We have noticed demand for it increasing, and use export financing actively in our marketing, says Knutsen. He expects the company to apply for more loans and guarantees on behalf of international buyers in the future.*



“It’s interesting and exciting to see a company traditionally involved in shipbuilding transitioning first to become an equipment supplier to the oil and gas industry and then expanding into offshore wind. At GIEK, we are pleased to be helping more Norwegian exporters to exploit the opportunities available in new segments and markets.”

*Anders Gerlach Nilsen,
GIEK customer relations officer, Shipping, Yards and Offshore Projects*





III. The year's activities and results

Table 5. Key 2015 figures for all guarantee schemes

Scheme (value in NOK 1 000)	New applications	Current applications	New guarantee offers	Current guarantee offers	New guarantee liability	Outstanding guarantee liability*	Unutilised bond framework	Bound under the exposure limit	Guarantee exposure limit
AGO	34 667 833	18 402 800	17 310 338	22 363 801	15 396 287	97 694 990	678 756	120 737 547	145 000 000
GK AGO						638 183		638 183	
BYG	3 930 102	3 525 352	422 500	-	790 200	769 780		769 780	5 000 000
KRA	-	601 095	-	-	-	-		-	20 000 000
ULA	2 578 250	2 538 647	1 423 790	1 465 271	94 212	949 328		2 414 600	3 150 000
GAM						112 807			
Total	41 176 185	25 067 894	19 156 628	23 829 072	16 280 699	100 165 090	678 756	124 560 110	173 150 000

Tabell 5: Overview of guarantees, offers and applications as at 31 December 2015.

Total outstanding guarantee liability, including GIEK Kredittforsikring (GK). Excluding GK: NOK 99.5 billion.

In several tables, the abbreviations shown correspond to the Norwegian names of the schemes: AGO (General Guarantee Scheme), ULA (Developing Countries Guarantee Scheme), BYG (Building Loan Guarantee Scheme), KRA (Energy Purchase Guarantee Scheme), GAM (Old General Guarantee Scheme), SÆR (Old Special Schemes) and SUS (CIS/Baltic Scheme).

Table 6. Number of applications, guarantee offers and guarantee liabilities

Guarantee Scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Current guarantees
AGO	189	84	160	56	123	412
BYG	10	8	1	0	2	2
KRA	0	2	0	0	0	0
ULA	9	9	4	5	1	5
GAM						12
Total	208	103	165	61	126	431

III. The year's activities and results

Table 7. Sector distribution

Industry group	Product group	Current applications (NOK millions)	Current offers (NOK millions)	Outstanding liability
Other industries and other sectors	Annet	11 975,5	8 316,8	6 135,1
Other industries and other sectors	Ships and ship equipment	755,7	676,0	4 350,3
Renewable energy	Other	3 005,2	1 300,7	2 415,6
Renewable energy	Ships and ship equipment	0,0	0,0	101,1
Oil and gas	Other	580,7	613,4	17 069,5
Oil and gas	Ships and ship equipment	8 750,8	12 922,2	70 093,5
Total		25 067,9	23 829,1	100 165,1

Oil and gas

The downturn in the oil and gas sector continued throughout 2015, and exports from Norwegian shipyards and the maritime supply industry have been significantly reduced. Since few new ships have been contracted for in this sector, the number of applications for new buyer credit guarantees has fallen significantly. Some applications have been received, however, during the year GIEK helped Norwegian shipyards secure new contracts. Given the deteriorating market conditions in the oil and gas industry, there are few profitable projects in this sector.

The industry is experiencing overcapacity following a period of very high investment. Lower oil prices cause less demand for offshore vessels and drilling rigs, and profitability in the sector is expected to remain poor until 2020. GIEK can issue contract and performance guarantees which make it easier for exporters to succeed internationally and which support the utilisation of available resources in the oil and gas industry. Current market conditions indicate a greater focus on service and maintenance contracts than on new financing of capital-intensive investments.

To meet the export industry's need for good financing and guarantee schemes, GIEK continuously considers whether to adjust its products within the current regulatory framework. Generally speaking, GIEK is favourably inclined towards building loan guarantee applications from the engineering industry. Guarantees are available not only to shipyards, but also to exporters of subsea equipment and projects. The expectation is that altered market conditions in the oil and gas sector may also make building loan financing more appealing

for these exporters. Information on availability is a high priority. GIEK continues to intensify its collaboration with Export Credit Norway and Innovation Norway. GIEK watches the oil and gas sector closely, conducting thorough analyses. These analyses form the basis for the agency's credit assessments. The weak market has led to increased default risk in GIEK's guarantee portfolio. Considerable resources have therefore been devoted to monitoring the existing portfolio in 2015. GIEK monitors its outstanding guarantees with care, and initiates dialogue with borrowers and cooperating banks as soon as doubt arises about a customer's debt-service capability. Because of the demanding offshore market, several customers have needed changes in their debt terms and conditions, and some have also had to postpone payments.

Many such cases involve large creditor groups, and the processes are resource intensive. GIEK is determined to be a predictable and constructive partner to the companies. Nonetheless, we see that financing structures differ greatly from company to company, as do funding sources. What constitutes a sustainable solution will therefore often vary, with tailoring required for each individual company. For GIEK, it is important to arrive at arrangements that are balanced, in which owners and the various creditor groups contribute in proportion to their security and priority.

GIEK has noticed a decline in demand for ship equipment intended for drilling vessels and offshore ships built at shipyards abroad, and received fewer guarantee applications relating to the financing of such vessels than in previous years.

Renewable energy

Applications for financing of renewable energy projects are largely focused on emerging markets, often high-risk countries offering good profit opportunities for investors. Far from the majority of applications are financed with GIEK guarantees. A typical example of a project realised in 2015 was the 50 MW solar park Agua Fria in Honduras, for which GIEK guaranteed some of the long-term financing. Scatec Solar AS is both EPC contractor and part owner of the project.

There has been an increase in the number of renewable energy applications. Some are situated in countries for which a guarantee under the Developing Countries Guarantee Scheme may be granted. The combined value of guarantee offers would then reach the scheme's exposure limit. Exporters need predictability as to whether sufficient risk capacity is available under the scheme.

Another type of project for which GIEK has issued guarantees is the 165 MW offshore Nobel Wind project in Belgium. Commercial banks showed a great deal of interest in the project, and GIEK's primary role is to be one of several contributors to the financing.

In 2015, guarantees were issued for the financing of crew vessels, which will perform service and maintenance tasks at offshore wind farms. Among these were two crew vessels for Umoe Wind based on new designs and technology originally developed by Umoe for the Norwegian Navy, and two service vessels designed by Havyard and delivered to Esvagt A/S of Denmark. GIEK also issued a contract guarantee for Havyard in connection with the contract it signed with Esvagt A/S.

The Norwegian share of export contracts for renewable energy projects is generally small. Limited capital goods are produced in Norway for such projects. Many of the actors participate either very early in the value chain, and thus have a total project share that is too small for the project to be fully financed with GIEK guarantees, or as project developers, with specialised expertise in project development, project management and related services.

Industry and other sectors

GIEK experienced a significant increase in the number of new applications from traditional exporting industries in 2015. Compared with 2014, the increase was 37 per cent, and compared with 2013, the number of new applications has almost doubled. Most of the increase is related to applications for guarantees valued at less than NOK 50 million. No specific industry or geographic area is responsible for the increase. Guarantees to businesses situated onshore help diversify GIEK's guarantee portfolio. However, an increase in applications from new industries and for new markets requires resources for credit assessment and monitoring.

It will take time before it is clear whether the increase in the number of applications leads to an increased number of guarantees. Historically, a small portion of the applications in this segment results in guarantees. Many are dropped because the buyer finances the purchase by other means. In some cases, moreover, the would-be exporter loses the contract to a competing supplier, or the buyer may choose not to make the investment after all. Finally, a substantial number of applications fail to meet GIEK's conditions for issuing a guarantee.

Ten guarantees for nine different exporters were issued for mainland industry in 2015. Four of the exporters had not previously taken advantage of GIEK's products. There is also considerable variation among the cases with regard to industry and geography, as illustrated by examples of guarantees provided in 2015:

- Buyer credit guarantee for the financing of Norwegian-owned AKVA Group Denmark's contract with the project company FIFAX AB for the construction of land-based aquaculture facilities with a capacity of 3,200 tonnes of rainbow trout in Åland, the Finnish archipelago.
- Buyer credit guarantee related to EFD Induction AS's sale of a pipe-welding system to Mexico's Maquilacero SA de CV, which buys, processes and sells metal products and materials.
- Supplier credit guarantee for the financing of Eltek AS's power supply systems for 200 telecommunications towers in Myanmar, owned by Apollo Myanmar Ltd.

III. The year's activities and results

Ships and ship equipment

GIEK's guarantee portfolio in ships and ship equipment is mainly related to the financing of vessels delivered from Norwegian shipyards and vessels built abroad but equipped with Norwegian supplies. The financed fleet includes passenger ferries and tankers. Demand for such buyer credit guarantees has remained approximately the same, and the risk of default in the portfolio is moderate. GIEK received several applications from Norwegian equipment manufacturers in 2015 for contract guarantees ensuring payment for the sale of ship equipment and design packages abroad.

Marketing

In late 2014 GIEK and Export Credit Norway launched a simplified system for the financing of export contracts valued at up to NOK 100 million. There is additional simplification for export contracts valued at up to NOK 30 million. Due to exchange rate developments, especially in the US dollar and the euro, the latter simplification was expanded in the autumn of 2015 to apply to export contracts of up to NOK 50 million in value. Because of Norway's changed economic conditions, businesses must seek out new buyers and markets. Along with Export Credit Norway, GIEK has taken direct contact with a number of offshore industry sub-contractors that may have independent export potential going forward. Such attention to enterprises in transition, whether existing companies or start-ups relying on strong offshore industry expertise and technology, will be maintained in 2016.

In 2015 GIEK's Energy and Industry Department devoted substantial resources to promote and provide information about the simplified solution. Informational material was produced and some 30 customer events were held, four of them abroad. GIEK and Export Credit Norway arranged some of the meetings, while others were organised in cooperation with Innovation Norway, local business associations, banks and chambers of commerce. These efforts form part of ever closer cooperation with Export Credit Norway and Innovation Norway in particular.

Applications received for mainland business sectors have increased from 80 in 2014 to 111 in 2015.

GIEK is an important partner for us



– We greatly appreciate the good cooperation we've had with GIEK, and we have achieved a lot together. GIEK makes sure Norway is contributing to the crucial development of renewable electricity supply in developing countries. GIEK is an essential partner for us to succeed with our growth strategy for the period to 2020," says Scatec Solar CEO Raymond Carlsen.

GIEK's guarantees are supporting Scatec Solar's Aqua Fria project in Honduras, covering loans from Export Credit Norway up to USD 62 million. The buyer in Honduras is Proderssa, a company owned by Scatec Solar, Norfund and local partner PEMSA.

Agua Fria is part of a larger initiative under which the Honduran authorities plan to create several hundred

megawatts of new renewable energy production capacity. The 60 MW power plant will make Honduras' electricity production less dependent on imported fossil fuels. Today, fossil fuel combustion accounts for more than half the electricity produced in Honduras. The Central American nation has a goal of covering 60 per cent of its energy consumption from renewable sources by 2020.

This is an important and exciting project in GIEK's commitment to renewable energy. We are proud to be able to assist the company by issuing a buyer credit guarantee to Export Credit Norway. GIEK can guarantee up to 90 per cent of an export credit if Norwegian deliveries account for at least 30 per cent of the export contract. In renewable projects, the guarantees can have terms of up to 18 years. GIEK has previously issued a variety of bond guarantees and buyer credit guarantees in connection with Scatec Solar projects in South Africa and the Czech Republic.

*Odd Solheim,
GIEK customer relations officer, Renewable Energy*



III. The year's activities and results

Reporting on goals contained in the 2015 allocation letter

III.1. Goal 1: Promote export contracts by offering competitive export guarantees and functioning as a supplement to the market

GIEK is to offer competitive export guarantees to buyers of Norwegian exporters and serve as a supplement to the private financial market. For that reason, GIEK must stay informed about government export financing in other countries. Guarantees provided under the General Guarantee Scheme and Developing Countries Guarantee Scheme help to achieve this goal.

The board considers GIEK's guarantee products to be both competitive and supplementary to private financing opportunities.

General Guarantee Scheme

The General Guarantee Scheme accounts for 98 per cent of the total guarantee portfolio. Under it, 189 new applications were received and 160 new guarantees offers were made in 2015. During the year, 123 new guarantees were provided with a total value of NOK 15.4 billion. Overall guarantee liability at the end of 2015 was NOK 98.3 billion kroner. Figure 4 shows the change in outstanding liability under the General Guarantee Scheme during the course of 2015.

Guarantee scheme for investment in and exports to developing countries (Developing Countries Guarantee Scheme) The Developing Countries Guarantee Scheme may be used if an investment or exports promote development in a country defined as middle-income or lower by the OECD, and the transaction entails too much risk for the General Guarantee Scheme.

Interest in the Developing Countries Guarantee Scheme rose in 2014, especially for exports related to renewable and other energy production. In 2015 four new guarantee offers were made under the scheme. There have also been enquiries and applications classified under the scheme after processing. Some of these applications are for large guarantee amounts. For mainland cases under the Developing Countries Guarantee Scheme, a long time traditionally passes from the application date to issuance of a guarantee. There is always uncertainty as to whether such applications will reach the offer stage.

In 2015, one guarantee was issued, for NOK 94.2 million. Total guarantee liability at year-end stood at NOK 949.3 million.

The scheme secures predictability for companies that invest in projects in developing countries by ensuring that financing remains in force even if the risk scenario changes while projects are being developed.

Figure 4. Outstanding liability in the General Guarantee Scheme – changes during 2015

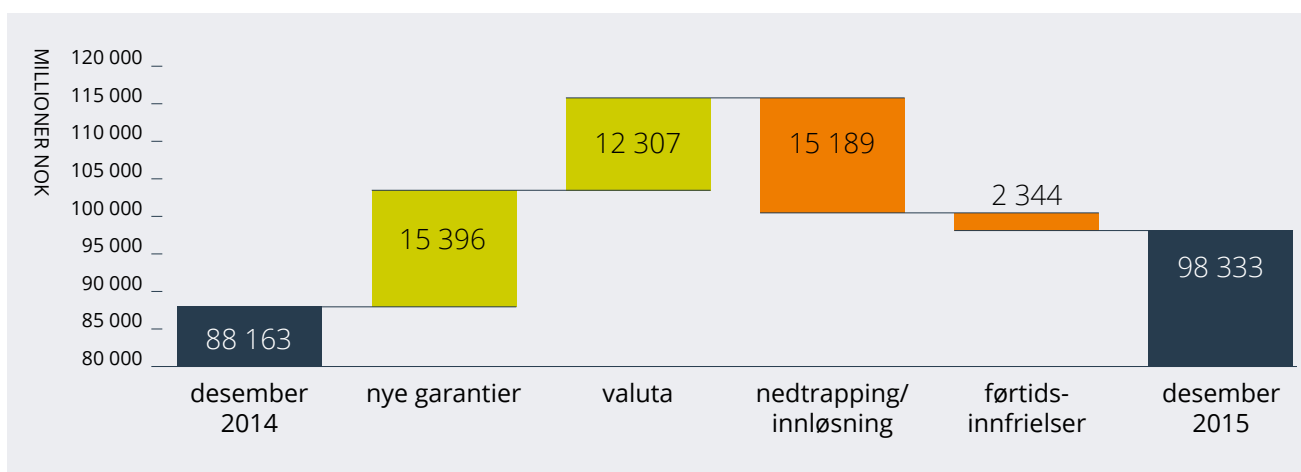


Figure 4 shows the change in outstanding liability in 2015, from the end of 2014. During the year, liability grew through new guarantees and currency effects. Reduction and repayment, along with early redemptions, had the opposite effect, reducing outstanding liability. Further description is provided in section III.4.2, Portfolio assessments.

GIEK in comparison with other export credit institutions

GIEK's guarantee range, both the products and the schemes, has many similarities with what other European countries offer through their export credit agencies.

To a great extent, GIEK shares the risk in guarantee cases with banks, and often on similar terms. This practice means that the guarantee premium is usually market-based, and that GIEK's guarantee coverage is generally lower, percentagewise, than that of other export credit institutions. To date this does not appear to have had much effect on utilisation of GIEK's offers. An offsetting factor, according to user feedback, is GIEK's flexible, solution-oriented approach and effective case processing.

Some other countries have special schemes or products that guarantee the general operating credit of exporters. GIEK's contribution to the financing of Norwegian companies' working capital is limited to guaranteeing building loans for ships and offshore installations. Norway does not offer credits that include a gift element (mixed credits) and therefore cannot offer guarantee coverage of loans to countries the World Bank has classified as low-income countries. Several of the countries do have commercial borrowing opportunities, however. GIEK is able to provide guarantees in connection with commercial borrowing.

The OECD agreement regulating ship export financing is deficient because it does not regulate the setting of premiums. Important countries, moreover, are not party to the OECD agreement. As a result, Norwegian shipowners have received very favourable state-backed financing offers from shipyards in the Far East. GIEK is assisting the Ministry of Trade, Industry and Fisheries in negotiations for a new and improved ship agreement that includes major shipbuilding nations not currently members of the OECD.

A number of countries offer long-term export credits. All the Nordic countries except Iceland have operational schemes that extend loans as well as export guarantees. Norwegian lending has been maintained through the creation of Export Credit Norway. In countries where borrowing costs are high, as in southern Europe, export loans have become more expensive and are offered with shorter terms.

III.2. Goal 2: Help ensure the availability of building loans on commercial terms

GIEK shall help ensure that Norwegian shipyards, offshore yards and other relevant operations obtain construction loans. By issuing buyer credit guarantees, GIEK helps increase business activity. It is not necessary for the constructions to be exported to qualify for a guarantee.

The board considers the goal to have been achieved through the Building Loan Guarantee Scheme.

Guarantee scheme for building loans for ships, vessels and offshore installations (Building Loan Guarantee Scheme)

Ten applications totalling NOK 3.9 billion in value were received in 2015, and one new guarantee was offered. Two new guarantees were issued in 2015, and the new guarantee liability was NOK 790.2 million. Total guarantee liability at the end of 2015 was NOK 769.8 million.

GIEK's building loan scheme is well known in the market. Demand for building loan guarantees has been moderate, as there has been less need for government risk relief in the market. There are signs of this beginning to change, and GIEK has noticed a rise in interest in the scheme.

GIEK can issue guarantees for up to 50 per cent of bank building loans to shipyards in Norway on the same terms as a financial institution or bank. In this way GIEK helps Norwegian shipyards obtain the building loans they need as well as the resulting shipbuilding contracts.

At the request of the industry, the building loan guarantee regulations were improved with effect from 1 May 2015. The minimum payment during the construction period can now be reduced below 20 per cent of the contract amount following an individual assessment.

III. The year's activities and results

III.3 Goal 3: Help ensure that long-term electricity contracts are concluded on commercial terms

By offering guarantees for energy purchase agreements, GIEK shall help ensure that actors in the electricity market can enter into long-term agreements on commercial terms.

Since its inception GIEK has made the scheme known to potential users in the electricity markets. The reason for the weak demand for energy guarantees so far may be that potential users have not needed risk relief from GIEK to obtain contracts on commercial terms.

In the board's view the market is aware of the scheme, but it is too early to conclude whether the scheme's goal has been achieved.

Guarantee scheme for power purchases by energy-intensive industry (Energy Purchase Guarantee Scheme)

GIEK received no guarantee applications under the scheme in 2015, and two applications are under consideration. No guarantee offers have been made and there is no outstanding liability under the scheme. All the same, costs have been recorded under the scheme, which has therefore operated at a loss so far.

Guarantees can be issued for electricity sellers or for financial institutions financing an energy purchase. The scheme extends only to energy-intensive industries in certain sectors with an annual energy consumption of at least 10 GWh. To be covered by the scheme, an energy purchase agreement must be for a minimum of seven years and a maximum of 25.

Energy-intensive industries have a long-term planning horizon and have begun to evaluate ways of powering their industrial facilities after the expiration of existing power agreements around 2020.

III.4. Goal 4: GIEK shall fulfil the requirement that each scheme, including any loss fund, break even in the long term

To achieve the goal of long-term balance, GIEK needs sufficient expertise and capacity to perform risk assessment and follow-up of individual cases. GIEK must take measures to secure assets in case of default and to limit final losses associated with payments under the guarantees.

The break-even requirement is discussed in the Main Instructions for the Norwegian Export Credit Guarantee Agency (GIEK) adopted on 11 December 2015 and in the Regulations for the guarantee schemes of the Norwegian Export Credit Guarantee Agency (GIEK) adopted on 17 December 2015.

The break-even requirement is defined in section 2.1 of the *Regulations for the guarantee schemes of the Norwegian Export Credit Guarantee Agency*:

The term balance for the various guarantee schemes means that balance shall be achieved between premiums, recoveries, financial income and any grants for coverage of losses on the one side, and administration costs, financial expenses and payments under guarantees on the other. Accounts for each guarantee scheme are used to measure the degree to which the break-even requirement has been achieved. Transfers of capital from GIEK to the Treasury must be made visible in the accounts of the different guarantee schemes.

The board's opinion is that in 2015 GIEK fulfilled the requirement that all guarantee schemes break even in the long term. No guarantees have yet been issued under the Energy Purchase Guarantee Scheme, but that in itself does not alter the assumption that the objective of long-term balance can be achieved.

III.4.1. Combined overview of guarantee schemes

Table 8. Combined overview of guarantee liability, claims, loss provisions and capital 2015

Amounts in NOK 1 000	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Guarantee liability (outstanding liability) 31 Dec. 2015	98 333 174	949 328	769 780	0	112 807	100 165 090
Loss provision for guarantee liability 31 Dec. 2015	4 575 761	103 517	100 000	0	15 380	4 794 657
Receivables related to payments under guarantees 31 Dec. 2015	1 704 224	10 673	0	0	267 779	1 982 676
Individual impairments of receivables 31 Dec. 2015	709 340	8 859	0	0	230 277	948 475
Receivables under moratorium agreements 31 Dec. 2015	150 021	42 032	0	0	271 579	463 632
Impairment of moratorium agreements 31 Dec. 2015	22 113	8 406	0	0	149 821	180 340
Total capital 31 Dec. 2015	4 738 017	420 647	-9 638	-8 343	-607 811	4 532 871
Loss provision as % of guarantee liability	4,7 %	10,9 %	13,0 %	-	13,6 %	4,8 %
Impairment as % of guarantee receivables	41,6 %	83,0 %	-	-	86,0 %	47,8 %
Impairment as % of receivables under moratorium agreements	14,7 %	20,0 %	-	-	55,2 %	38,9 %
Total capital as % of guarantee liability	4,8 %	44,3 %	-1,3 %	-	-538,8 %	4,5 %

Table 8 shows each guarantee scheme's loss provisions, impairments and total capital, both in NOK and as a percentage of outstanding guarantee liability at the end of 2015.

Table 9. Key figures

Amounts in NOK 1 000	AGO	ULA	BYG	KRA	GAM	S/ER	SUB	Total all schemes
Invoiced premiums (*)	1 010 809	3 494	9 383	0	0	0	0	1 023 686
Other revenues	225 672	213	5 170	0	0	0	0	231 054
Reinsurance premiums	8 369	0	0	0	0	0	0	8 369
Recovery (**)	6 934	1 332	0	0	4 271	3 406	0	15 943
Compensation (***)	-1 180 347	0	0	0	0	-	0	-1 180 347
Total	71 437	5 038	14 553	0	4 271	3 406	0	98 705

(*) Accruals have been deducted so that the figure shown conforms to cash-basis accounting.

(**) Includes recoveries on moratorium agreements.

(***) Costs excluded.

Table 9 shows key figures from the cash accounts: premium payments, net recovery and payments under guarantees in 2015

As in several other tables, the abbreviations shown correspond to the Norwegian names of the schemes: AGO (General Guarantee Scheme), ULA (Developing Countries Guarantee Scheme), BYG (Building Loan Guarantee Scheme), KRA (Energy Purchase Guarantee Scheme), GAM (Old General Guarantee Scheme), S/ER (Old Special Schemes) and SUS (CIS/Baltic Scheme).

III. The year's activities and results

III.4.2. Portfolio assessments

The portfolio consists of 431 current guarantees, compared with 458 at the end of 2014. Outstanding liabilities at year-end totalled NOK 100.2 billion, of which the General Guarantee Scheme represents 98 per cent.

"Bound under the exposure limit" is the sum of outstanding liabilities and offers for all the schemes. This amounted to NOK 124.6 billion as at 31 December 2015. Included in this amount is reinsurance of GIEK Kredittforsikring AS (NOK 600 million) and unused and the unutilised proportion of the bond framework.

Seventy-six per cent of GIEK guarantees are denominated in US dollars. Therefore, even small fluctuations in the dollar have a major impact on GIEK's portfolio and exposure limit utilisation. In 2015, the Norwegian krone depreciated by 18.4 per cent against the US dollar. That represented an increase of NOK 12.3 billion in outstanding liability for the General Guarantee Scheme.

The number of new guarantees in the final four months of 2015 fell to the lowest level recorded in any four-month period since 2007. In the final four months of 2015, 24 new guarantees were issued with liability amounts totalling NOK 400 million, a decrease from the 42 new guarantees representing NOK 7.6 billion in liabilities issued in the second four months of 2015.

NOK 15.2 billion in liability reductions/repayments occurred in 2015. Early redemptions for 2015 amounted to NOK 2.3 billion, which was considerably lower than the NOK 18.3 billion level for 2014. The bond market was an important source of early redemptions in 2014, but since the autumn of 2014 this market has been nearly "closed" to GIEK's oil and offshore customers due to conditions in the offshore market.

Exposure to offshore sectors and large companies

Oil and gas made up 87 per cent, or NOK 87.2 billion, of the outstanding liability at year-end. That represents more than 50 per cent of the number of guarantees (229 of 431).

GIEK's portfolio is concentrated around a small number of large commitments, with little sector diversification. The portfolio's concentration risk is therefore high. Oil and gas binds approximately NOK 101 billion of GIEK's exposure limit.

The 10 largest companies/business groups in the portfolio account for guarantees totalling NOK 46.5 billion, or 46 per cent of outstanding liability.

Brazilian exposure

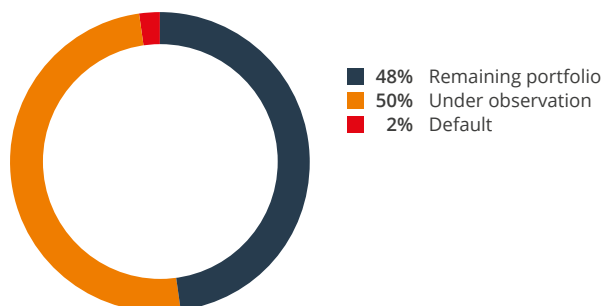
GIEK's exposure in Brazil represents 22 per cent of the guarantee portfolio, making the country one of GIEK's largest markets abroad. Non-Brazilian companies that own vessels under contract in Brazil account for NOK 11.6 billion of the liabilities, while Brazilian companies account for NOK 9.9 billion.

Petrobras is currently the world's largest deepwater operator and the company with the largest deepwater reserves. Brazil is the single market where activity is expected to be highest in the current decade, and will thus remain a key market for the offshore industry. However, the likelihood is growing that investments will be lower and will occur later than originally planned; several downward revisions have already been made to previous investment plans.

Petrobras is under pressure financially, and the company's credit rating has been downgraded. A very serious corruption scandal emerged in 2015, affecting the company's management and causing significant losses. GIEK has monitored the corruption risk closely through external review of regulations and individual contracts.

III.4.3. Default cases

On the basis of overall financial risk, GIEK assesses its loss provisions individually and collectively every four months. The governing principle is that potential loss is calculated as a combined function of default probability, exposure in the event of default, and the expected value of realised assets in a disposal situation.



Overview of default cases, size and status

The number of cases in default is small but grew in 2015. GIEK had 12 guarantees, spread among nine risk points, in default as at 31 December 2015. All were under the General Guarantee Scheme.

Payments under guarantees amounted to a total of NOK 1.2 billion. Recoveries other than under Paris Club agreements came to NOK 2.7 million.

In 2015, total claims against GIEK increased significantly. Since 2014 the increase has been 128 per cent, to just over NOK 2.4 billion at the end of 2015. Of that amount, the General Guarantee Scheme accounted for NOK 1.9 billion. Large individual payments have been made, the largest concerning a 2013 default in Brazil. GIEK has paid NOK 877 million to Export Credit Norway under the guarantee, and provided a supplementary loan of NOK 156 million. With that, GIEK took over the NOK 1.1 billion secured claim against the debtor. Several smaller pay-outs under relating to defaults on loans guaranteed by GIEK also increased the claims total during the year. Older cases (passive and Paris Club claims) have undergone only minor changes during this time.

The decline in activity in the shipping and offshore segment resulted in a considerable number of GIEK's risk points being placed under observation in 2015. Currently, about 30 companies are under special observation by GIEK. Most are related to the oil and gas industry and/or receive a significant proportion of their earnings from this sector. GIEK has guarantee liability at several of these risk points, so the number of guarantees "under pressure" has increased significantly.

In several of the companies, efforts are under way to amend covenants, defer repayments, change capital structures, restructure operations or make other adaptations in response to lower revenues and collateral asset values.

In addition to the above, GIEK reinsured GIEK Kredittforsikring for NOK 638 million and set aside NOK 27 million in loss provision in 2015. GIEK also has NOK 145 million in receivables in its balance sheet, reflecting payments made under guarantees in the reinsured portfolio. This claims portfolio is nearly 100 per cent impaired.

See also the Report of the Board of Directors in section VI.2.1.

III.4.4. Loss provisions

Table 10. Changes in loss provisions 2015 (by four-month period)

All schemes	1 Jan. 2015	Change Jan.-Apr.	Change May-Aug.	Change Sept.-Dec.	31 Dec. 2015
Balance 1 Jan. 2015	3 305				3 305
Changes, individual		6	1 131	248	1 384
Changes, collective		843	- 1 237	- 19	- 413
Agio/disagio		- 31	340	210	519
Balance and increase	3 305	818	233	439	4 795

Table 10 shows the changes in GIEK's loss provisions in the first and second four-month reporting periods, and the third in connection with the annual accounts.

Guarantee loss provisions increased from NOK 3.3 billion at the beginning of the year to NOK 4.8 billion at the end. In the first four-month period, loss provisions were increased by NOK 818 million, including currency effects. In the second four-month period, the provisions were maintained (excluding currency adjustments) but loss assessments led to changes in the balance between collective and individual provisions. In the final four-month period, individual loss provisions were increased further. The US dollar remains strong against the Norwegian krone, resulting in foreign exchange losses (disagio).

See also the Report of the Board of Directors in section VI.2.1.

III. The year's activities and results

III.4.5. Administrative accounts

GIEK is run efficiently in relation to the risks it faces. It is assumed that the effects of relocating to new offices and introducing a new case-processing system (Globus) will be felt in 2016–2017. The 2017 budget proposal has taken this into account. The administrative accounts are reported in accordance with Ministry of Finance Circular R-115.

Table 11. Selected key figures, past three years

	Full-time equivalent positions	Preliminary allocation	Adm. expenses (NOK 1 000)	Utilisation rate	Pay (NOK 1000s)	Pay (% of adm.)	Payroll costs per full-time equivalent	Adm. costs per full-time equivalent	Consulting costs (NOK 1 000)	Consulting costs (% of adm.)
2013	74,4	130 000	123 156	94,7 %	54 544	44,3 %	733,1	1 655,3	26 088	21,2 %
2014	80,9	154 600	147 472	95,4 %	65 583	44,5 %	810,7	1 822,9	20 793	14,1 %
2015	89,4	160 000	158 562	99,1 %	71 204	44,9 %	796,5	1 773,6	18 673	11,8 %

GIEK has spent more on salaries and less on consulting fees, which may indicate a shift towards more activities being performed internally.

GIEK is run efficiently. Going forward, GIEK will expend more resources on cases with elevated risk. Administrative costs per case may rise as a result of changes in the application pool which could make additional specialisation necessary in sectors and markets in which GIEK has not operated in recent years. GIEK uses less than NOK 1 for each NOK 10 in revenue (9.3 per cent in 2015). Outstanding guarantee liability per full-time equivalent exceeds NOK 1 billion kroner (NOK 1.1 billion in 2015). In recognition of the recent increase in risk, GIEK has raised its loss provisions for guarantee liability (to 4.8 per cent in 2015). Provisions for receivables come in addition.

Figures from other comparable institutions in the Nordic region are being included in the reporting for 2016. It is thought that the figures will be delayed by one year, as the review at the Nordic meeting usually takes place in the spring, after the annual report is prepared.

III.4.6. Paris Club cases and recovery

State creditors coordinate activities in the Paris Club and renegotiate state-to-state claims. Claims stem largely from defaulted state-guaranteed export credits from GIEK. A Paris Club receivable is an agreement between a state and its creditors for repayment of the state's debt.

Table 12. Additional selected figures, past three years

	Efficiency adm./revenue	Risk liability/full-time equivalents (NOK)	Risk provision/liability
2013	7,1 %	1 101 461	3,0 %
2014	9,1 %	1 103 986	3,7 %
2015	9,3 %	1 120 415	4,8 %

Revenue – Total revenue from fund accounts
Liability – Outstanding guarantee liabilities, all schemes, in whole NOK thousands
Provision – Loss provision for guarantee liability

GIEK had NOK 464 million outstanding as at 31 December 2015, of which NOK 127 million was in default. The figure excludes accrued default interest.

The debt plan amounted to NOK 834 million at the end of 2015. NOK 4 million of the unused portion related to the Old Special Schemes, and NOK 830 million to the Old General Guarantee Scheme.

Other reporting:

III.5. Cooperation with other institutions

For a large part of GIEK's guarantees, Export Credit Norway participates as lender. GIEK and Export Credit Norway have developed a joint exporter declaration, and GIEK evaluates corporate social responsibility (CSR) and environmental matters on behalf of both institutions. This cuts down on work for customers and financial institutions alike. GIEK advises Export Credit Norway on environmental and human rights issues.

For small and medium-sized contracts, GIEK and Export Credit Norway have a joint application form, a joint set of products on offer and simplified documentation. The scheme is marketed specifically to small and medium-sized businesses.

In 2015 GIEK, Export Credit Norway, Innovation Norway and GIEK Kredittforsikring sought to improve their dialogue with Norwegian companies that wish to export. The purpose was to clarify where the companies can direct enquiries, and to give them better guidance and services.

III.6. Small and medium-sized businesses

GIEK's new guarantees in 2015 triggered exports valued at NOK 44.8 billion.

GIEK finances a variety of projects of great size, while many of the participating Norwegian exporters are small or medium-sized businesses. The Norwegian contract is often a portion of the project, and can therefore be managed by smaller companies even if the overall project is large. Of the NOK 44.8 billion in exports triggered, about NOK 15 billion originated from small and medium-sized businesses. The following list ranks exports by project size for supplier and buyer credits. (Note that their sum is smaller than the total, since letters of credit and bonds are excluded.)

- Projects under NOK 30 million have triggered exports of NOK 56.6 million, divided among seven guarantees.
- Projects between NOK 30 million and NOK 100 million have triggered exports of NOK 207.6 million, divided among four guarantees.
- Projects between NOK 100 million and NOK 1 billion have triggered exports of NOK 4.9 billion, divided among 11 guarantees.
- Projects over NOK 1 billion have triggered exports of NOK 3.2 billion, divided among 13 guarantees.

III.7. Norwegian interest

GIEK is mandated to promote Norwegian exports and Norwegian investment abroad. GIEK's guarantees are generally for contracts in which the exported items are produced in Norway. Article 3.1 of GIEK's articles of association gives that the agency greater discretion to issue guarantees in cases that fall outside the normal export guarantee criteria if export transaction financing is seen as promoting Norwegian interests to a considerable degree. Following the amendment of GIEK's governing documents (see section IV.5 of this report), this discretion is, as of 2016, described in section 3.2 of the Regulations for the guarantee schemes of the Norwegian Export Credit Guarantee Agency.

GIEK issued two guarantees under the "Norwegian interest" provision in 2015.

III.8. Contingency Scheme for War Risk Insurance of Goods

The Contingency Scheme for War Risk insurance of Goods (Norwegian abbreviation BSV) entered into force on 1 January 2004 in accordance with the Act of 12 December 2003 No. 115 relating to state war-risk insurance. This report is issued by GIEK in its capacity as secretariat for the scheme pursuant to the agreement of 16 December 2003 with the Ministry of Trade, Industry and Fisheries (MTIF).

Organisation and administration

The Ministry of Trade, Industry and Fisheries (MTIF) is responsible for the state's Contingency Scheme for War Risk insurance of Goods. The scheme's purpose is to maintain and stimulate cargo transport in a crisis or war situation where private provision of transport insurance ceases. To fulfil this duty, an agreement on the secretariat role has been concluded with GIEK, and an insurance forum with seven members has been appointed. As long as the insurance service is inactive, these three actors work together to evaluate implementation of potential measures to ensure satisfactory contingency capacity. As the scheme's secretariat, GIEK undertakes most of the practical work. MTIF has strategic responsibility and the insurance forum provides professional input.

If the scheme were activated, the informal cooperation would be replaced by a formal structure through which MTIF issues instructions and delegates authority to a board responsible for the secretariat's daily operation and management. The board is appointed by MTIF. The secretariat (GIEK) is to provide insurance directly, and will be expanded to accommodate the skills and staffing level warranted by the situation at hand. Staff are to be drawn from GIEK and the largest cargo insurance companies in Norway. The companies have agreed to contribute personnel at cost.

Insurance forum

One of the insurance forum's duties is to keep MTIF updated on the main trends in the cargo insurance market, including the reinsurance market. The insurance forum's members will introduce and propose measures to MTIF if a need to activate the scheme is anticipated. In 2015, neither GIEK nor the insurance forum advised MTIF to activate the scheme. Nor were there any situations in which doubt arose as to whether such advice would be appropriate.

Very pleased with the terms and efficient processing

– Loans and guarantees from Export Credit Norway and GIEK have been crucial in obtaining quick and solid financing for the project,” says Ole Henning Christiansen, the CEO of Safelink AS. In 2015 the company, based in Skien, Norway, used export financing in connection with the sale of three heave compensators to US-based Safelink Rentals LLC, which it co-owns, for leasing to oil service companies Technip and Subsea 7. The compensators are being used at large subsea installations off the west coast of Africa.

Safelink availed itself of GIEK and Export Credit Norway’s joint application for loans and guarantees on contracts under NOK 50 million.

– We are very happy with the procedure involved in getting the financing in place,” says Christiansen. We have had joint meetings with GIEK and Export Credit Norway, and the dialogue between the two has been seamless. Financing and building our products without export financing would have taken far longer.

– Our ambition, he adds, – is to develop the technology further and grow so that Safelink eventually becomes a natural and integral part of the offshore industry’s advanced crane systems. Technip and Subsea 7 are among the biggest players in the sector, and we now have both on our customer list. These contracts have been very important for us, in order to demonstrate the technology and take a larger share of the market.

Safelink’s heave compensators are attached between the crane and the equipment to be lowered to the ocean floor, and compensate for wave effects and the physical forces acting at the sea surface and below it. The compensators used by Technip have a net weight of about 30 tonnes and can handle 300 tonnes of lift.



GIEK has issued a buyer credit guarantee for two loans to Safelink Rentals LLC in the United States totalling EUR 3.36 million. GIEK’s guarantee covers 90 per cent of the loans granted by Export Credit Norway, while supplier credits from the exporter make up the remaining 10 per cent. In joint financing arrangements for contracts under NOK 50 million, the requirement of participation by a commercial bank may be waived.

*Georg Kervel,
GIEK senior customer relations officer, Energy and Industry*



IV



IV. Management and oversight at GIEK

IV.1. Internal controls and risk management

GIEK's activities involve large sums, so sound internal controls are important. In 2015 GIEK worked to adapt, strengthen and raise the level of its expertise in governance, risk management and control. There has been a special focus on strengthening governance and oversight processes related to guarantee issuance.

In developing governance and oversight practices, GIEK has emphasised tailoring them to its risks, liabilities and size so as to ensure appropriate and efficient administration. GIEK's ambition is to ensure that further developments are integrated, management-driven and tailored to its activities.

GIEK has implemented a range of measures to raise its level of management and oversight. The following list describes the most important measures that have been implemented:

- Introduction of a new organisational model, adapted to the challenges faced by GIEK
- Update of GIEK's strategic plan and associated action plan
- Preparation of GIEK strategies for human resources, IT and communications, including emergency response planning and testing
- Implementation of a broad, unified planning process within the administration to ensure shared, comprehensive targets and associated action plans and integrated risk assessment
- Improvement in the loss provision process over the past two years in accordance with adopted instructions and implemented models
- Implementation of a credit assessment process and a portfolio monitoring process tailored to the credit risk held by GIEK. This includes improvement of modelling tools
- Integration of planning process results with individual targets and development discussions

- Creation of a new section in GIEK with special responsibility for corporate governance and compliance
- Commencement of work to establish, develop and structure GIEK's internal governing documents
- Establishment of new authorisation structure tailored to the new organisation
- Review and formalisation of forums and meeting places within GIEK
- Preparation of individual instructions to all employees, and updates of their employment contracts
- Review and revision of GIEK's procedures and rules relating to corruption, social responsibility and the environment

The administration, in cooperation with the internal auditor, has developed a customised maturity model and evaluation methodology for determining the status and long-term ambition level for management and oversight of the associated action plan. The resulting heightened awareness in the organisation has contributed to increased quality in management and control processes. The evaluation methodology is based on the COSO framework and the standards in the Financial Management Regulations.

Work on the maturity model has helped identify areas GIEK will be working with in the next two years:

Comprehensive governance

- Formalisation and upkeep of governing documents
- Creation of a document setting out the main principles and framework for governance and oversight
- Continuation of agency planning (follow-up and update of action plans)
- Establishment of comprehensive management and reporting tools to monitor the agency and its individual departments (including the monitoring of established governance parameters)
- Continuation of efforts to clarify the distinction between operational and control functions

IV. Styring og kontroll i virksomheten

Comprehensive risk management

Further develop and implement comprehensive risk management that is integrated with the other processes, as well as performance-based and results-based management in GIEK. Risk management will be more consistent than today with the Financial Management Regulations and guides issued by the Norwegian Government Agency for Financial Management. In addition to operational and commercial risk management, the overall risk management system will extend to all levels and areas of activity involving risk for GIEK. It will ensure uniform risk reporting across the whole organisation as well as of individual types of risk (taking into account the risks GIEK has a mandate to manage). While managing the key types of risk related to GIEK's core operations, such as credit risk, political risk and others, the risk management system will also ensure that GIEK's individual parts and the organisation as a whole systematically assess the risks related to:

- Performance and result requirements
- Reliable financial reporting and financial management
- Compliance with laws and regulations

Internal auditing at GIEK in 2015 followed the board-approved, risk-based annual plan for internal auditing. The audits in 2015 were focused particularly on compliance. Some areas have been identified where processes and procedures can be improved further. The Office of the Auditor General of Norway made useful recommendations in connection with the annual audit for 2014 and the interim audit for 2015. GIEK is implementing measures based on the recommendations from the audits.

Against this background, the board considers the administration's efforts in 2015 to further develop and strengthen internal controls at GIEK to have been satisfactory.

The guarantees: Careful preparation, close follow-up

MEETING CUSTOMERS

Inform about
GIEK guarantees



Contact customers
and potential
customers



Advise customers
and potential
customers

APPLICATION

Dialogue with
the customer



Application
received



GIEK assesses:
the market,
company,
accounts, owners
and management,
corruption, CSR



Negotiations on
the scope of the
guarantee,
conditions and
requirements,
price, security/
collateral



Decision in the
Credit Committee
(and the Board)

OFFER AND ISSUE

FOLLOW-UP (2-18 YEARS)

CONCLUSION

- Binding offer to the customer
- ✓
- The amount is bound under GIEK's exposure limit
- ✓
- Negotiations on last-minute details
- ✓
- The customer accepts
- ✓
- The guarantee is issued
- ✓
- The loan is disbursed by a bank or Export Credit Norway.
- ✓
- The export takes place.

Ordinary repayment of the loan

- Repayment as agreed
- Refinancing and early redemption

Ordinary repayment of the loan

- Repayment as agreed
- Refinancing and early redemption

Special monitoring

- The terms of the guarantee are in danger of being breached
- Irregularities in operations/management
- Profitability is weaker
- Doubt concerning CSR
- The market is weak over time

Loan terms have been breached

Negotiation with the customer and banks

Loan default

Negotiation with the customer and bank

New payment plan

Agreed with the customer and banks

GIEK pays out under the guarantee

Agreed with the customer and banks

Recovery

E.g. realisation of collateral, with banks

The guarantee case is concluded

The guarantee case is concluded

IV. Management and oversight at GIEK

IV.2. Personnel

IV.2.1. Organisational development

The organisational changes introduced by GIEK on 1 December 2014 strengthened the agency's core operations in 2015, thus providing useful assistance in an increasingly demanding market.

The new organisational model has resulted in clearer decision-making and approval structures while facilitating improved reporting and management procedures in relation to the MITF and board of directors. Greater collaboration between guarantee departments and an improved distribution of tasks and procedural responsibility have been achieved.

In 2015 human resources was put in focus, and a separate working group was appointed to develop a human resources strategy. Included in this work was the preparation of a skills and resources plan, a revised tool for target and development discussions and increased focus on internal communications.

A management development programme has been initiated to clarify expectations for individual and collective management performance at GIEK. The target group is all managers with personnel responsibility. As part of the programme, management principles describing good governance at GIEK have been developed. A 360-degree management evaluation was carried out towards the end of the year, and will be followed up with action plans and additional measures in 2016.

At year-end GIEK had 94 employees, including temporary employees and trainees. That represents an increase of 10 employees in 2015. Five employees (5.9 per cent) left GIEK in 2015, one of them after completing a fixed-term appointment. Fourteen new employees joined the agency in 2015. Seven employees changed department/section and were assigned new duties.

IV.2.2. Working environment

In 2015 an employee-satisfaction survey was conducted, with generally good results. This year's survey included a number of new criteria, with attention given to factors affecting employee commitment and motivation. Department and section meetings were held, and an action plan linked to improvement areas was defined. GIEK aims to conduct a similar survey every two years, and will carry out a procurement process in 2016 to select a future supplier and model for such surveys. GIEK has an occupational health service that offers all employees an annual health check. The working environment at GIEK is considered good.

GIEK moved into modern new offices in December, a change which has contributed positively to the working environment and overall well-being.

IV.2.3. Equality and diversity

Table 13. GIEK's administrative employees by position and gender (all employees, including trainees, as at 31 December)

		Gender balance			Monthly salary	
		Men %	Women %	Total (N)	Men	Women
Total, GIEK	2015	52	48	94	67.286	63.459
	2014	52	48	84	-	-
CEO	2015	0	100	1	-	-
	2014	0	100	1	-	-
Department directors*	2015	33	67	6	102.900	96.160
	2014	60	40	5	95.569	101.850
Section heads/technical directors	2015	82	18	11	77.295	84.883
	2014	67	33	3	-	-
Office managers	2015	100	0	1	-	-
	2014	43	57	7	70.167	75.846
Senior advisers	2015	51	49	66	65.917	61.271
	2014	57	43	60	63.823	58.460
Advisers	2015	0	100	4	-	39.465
	2014	0	100	3	-	39.108
Higher executive officers	2015	50	50	2	-	-
	2014	50	50	2	-	-
Junior executive officers	2015	0	100	1	-	-
	2014	0	100	2	-	31.917
Trainees	2015	100	0	2	26.425	-
		100	0	1	-	-

* There have been personnel changes in the management group between 2014 and 2015..

The gender distribution is 48 per cent women and 52 per cent men. The management team consists of five women and two men. At the end of the year GIEK had 17 employees with an immigrant background, which corresponds to 18 per cent of all employees. The gender distribution of salary at all levels of seniority is well balanced, and GIEK strives to maintain this balance.

IV. Management and oversight at GIEK

IV.2.4. Inclusive Workplace

GIEK is an Inclusive Workplace (IA) enterprise with an action plan for the period to 2018. Absence due to illness is stable and low. In 2015, absence due to illness was 3.3 per cent, down from the previous year's 4.4 per cent. The average age of all employees was 47; for women, the average was 45, and for men 48.

Seven per cent were 30 years of age or younger, and 13 per cent were 60 or older. GIEK seeks to employ people in different age groups. From the year they turn 62, employees receive an extra 11 days off in addition to the extra holiday week everyone receives from the year they turn 60.

Tabell 14. Employment status

		Number of employees	Part-time		Temporary employment		Parental leave		Sickness due to certified illness	
		Total	M %	W %	M %	W %	M %	W %	M %	W %
GIEK	2015	94	4,3	3,2	5,3	3,2	0	2,1	1,6	5,6
	2014	84	4,8	3,6	6,0	1,2	1,2	1,2	1,0	4,0

IV.2.5. Protection from harassment

GIEK has safety representatives, a working environment committee, employee representatives, an occupational physician and an HR manager serving as channels for attending to health, safety and the environment (HSE). GIEK's ethical guidelines include suggestions and procedures for employees to address censurable conditions. GIEK has prepared an HSE system with routines for preventing and dealing with potential incidents of bullying. Other measures related to gender equality or gender discrimination have not been considered necessary.

IV.2.6. Pay and working conditions

In connection with annual wage negotiations, GIEK has for several years compared itself to other state agencies that also use the state salary scale. GIEK has improved the average pay level in recent years. Wage setting is gender neutral.

In terms of salary level, GIEK continues to lag somewhat behind the private enterprises (such as banks, insurance companies and law firms) with which it competes for labour resources. This is especially the case for executives and employees with extensive experience.

IV.2.7. Responsibility for trainees

GIEK is an apprenticeship company, and has hired two trainees whose duties are in IT operations.

IV.3. Social responsibility and the environment

GIEK and Export Credit Norway have introduced a joint exporter's declaration on anti-corruption efforts, and assess corruption risk for specific projects. GIEK evaluates environmental and human-rights risks on behalf of both institutions, saving work for customers and financial institutions alike.

IV.3.1. Anti-corruption

When GIEK processes a guarantee application, the applicant and the exporter are informed in writing of the criminal and civil law consequences of corruption. Exporters, guarantee applicants and other relevant parties are urged to have rules and control measures to counteract corruption. GIEK's employees may investigate whether a given enterprise has adopted rules to prevent corruption and whether they are in fact practiced. This is considered an important element in GIEK's credit assessments.

The most important corruption provisions in the Norwegian Penal Code are contained in sections 387–389; see also section 15. These provisions provide a natural starting point for GIEK's anti-corruption work. Another key document is the OECD Council's Recommendation on Bribery and Officially Supported Export Credits. Anti-corruption legislation in other countries may also have significance for Norwegian enterprises.

GIEK requires exporters, and where relevant other actors, to sign a declaration that neither they nor anyone acting on their behalf in the transaction have been or will be involved in corruption. A guarantee will not be issued unless these declarations are signed. If agents or other intermediaries play a role in a transaction, GIEK requests additional information about matters such as the nature of the agent's work and how compensation is determined.

GIEK has expanded anti-corruption procedures for jurisdictions with a presumed high risk of corruption. GIEK also has routines for the handling of suspected risks and irregularities during the application period, after an application is granted and the guarantee is issued, and during the guarantee period.

IV.3.2. Sustainability (environmental and human-rights assessment)

GIEK has a policy and procedures to ensure that the environment and human rights are safeguarded in projects with GIEK participation. These measures are based on the OECD's guidelines for environmental and social conditions and the UN Guiding Principles for Business and Human Rights. Risk is assessed in all projects. Most applications raise no particular environmental or human rights challenges; in such cases due diligence is performed and requirements are set for compliance with international and local laws, management systems and reporting of accidents and other non-conformances. Where such a risk has been present, systematic efforts have been undertaken to reduce and avoid any negative impact on the environment and human rights. All cases deemed to involve high environmental or social risk must be documented as complying with international standards. GIEK benchmarks these projects primarily against the World Bank Group standards (i.e. IFC performance standards). Information on such cases is published on GIEK's website.

In 2015 GIEK conducted assessments of land-based projects (hydropower, telecommunications towers, aquaculture, water purification, solar power, thermal energy, industrial production) as well as offshore wind projects and mobile units (construction and operation of drillships, supply vessels, etc.). In the case of mobile units, GIEK assesses the operational phase as well as the construction phase in accordance with GIEK policy. Working conditions and HSE issues at shipyards abroad were given special attention. The assessments were carried out by third parties and by GIEK itself. In some cases GIEK issues requirements to improve shipyard conditions and to follow up on improvement measures. Particular emphasis is given to productive dialogue with customers, shipyards and other stakeholders.

GIEK participates actively in international forums on issues related to the environment and human rights. The OECD – where guarantee agencies cooperate on compliance with joint standards for the environment, working conditions and human rights – is a key arena in this regard.

IV. Management and oversight at GIEK

IV.4. Public safety and contingency planning

The internal auditor has conducted an evaluation of the totality of GIEK's preparedness and continuity planning programmes, including public safety and emergency preparedness, physical security, travel, ICT, etc.

- GIEK has implemented several measures on the basis of the internal auditor's recommendations:
- GIEK has established a structure for emergency preparedness that facilitates follow-up and reporting. It is now clear which function holds this responsibility.
- GIEK has further developed its contingency plan so that it now contains both a description of roles and responsibilities and instructions for handling different emergency situations (action cards).
- GIEK has clarified responsibility for planning and implementation of courses, training and exercises in an updated "Preparedness plan for GIEK".

There are still certain measures which should be carried out to further enhance the organisation's ability to prevent and deal with negative events:

- A structure for emergency preparedness has been established, but by description only; it has not yet been implemented.
- The preparedness plan is up to date, but has not yet been implemented in the organisation.
- GIEK has not produced a document or overview of emergency preparedness risks and the organisation's vulnerabilities.
- A plan for the provision of courses, training and exercises has not been developed.

IV.5. "Time wasters" for users

Changes to the simplified process, cooperation with Export Credit Norway

In late 2014 GIEK and Export Credit Norway launched a simplified solution for the financing of export contracts of up to NOK 100 million. In particular, the procedure for export contracts valued at up to NOK 30 million has been streamlined. In the autumn of 2015 the scheme was expanded to include export contracts of up to NOK 50 million, in response to exchange rate developments, especially in the US dollar and the euro. See previous discussion in section III.

Simplified governing documents

In 2015, new multiannual governing documents for GIEK were developed to replace GIEK's articles of association, main instructions and guarantee scheme regulations. Certain elements across the various governing documents had been repetitive. To simplify governance and operations and make GIEK's activities easier to understand, GIEK now has two multiannual governing documents, as of 1 January 2016:

- The Main Instructions, which incorporate elements from the previous main instructions and parts of the articles of association
- The regulations for the guarantee schemes, which contain elements from previous regulations, parts of the articles of association and parts of the regulations governing use of the Developing Countries Guarantee Scheme's primary capital

GIEK's articles of association were simultaneously repealed.

Songa Equinox



GIEK has issued a USD 132 million buyer credit guarantee that covers loans from Export Credit Norway. Norwegian exporters supplying equipment include MHWirth, Kongsberg Maritime, Norsafe, Viking Life-Saving Equipment, Glamox, DNV GL, Cybernetics and Aker Solutions.

Songa Equinox, owner: Songa Offshore

Photo: Songa Offshore

V



V. Future outlook

Oil industry developments

Like other commodity industries, this is a long-term, cyclical industry currently experiencing a challenging period characterised by lower prices. To adapt, oil companies are reducing their investment and exploration budgets. Efficiency measures have been implemented by oil companies and their suppliers to increase productivity and reduce unit costs. The result is a significant drop in the investment level, both internationally and on the Norwegian continental shelf, and a reduction in operating costs.

For suppliers that provide goods and services to the oil and gas industry in Norway and abroad, there are fewer contracts to compete over. Moreover, the advertised contracts are smaller than before. GIEK has observed existing contracts being renegotiated to lower rates in order to secure longer contract coverage. Signed agreements are postponed and in some cases cancelled. This affects the entire value chain, from the Norwegian supply industry to sub-contractors, local communities and shipowners. The situation is most acute along the coast from Kristiansand to Kristiansund. Many companies have reduced their workforce considerably, and further downsizing must be expected in parts of the industry in 2016.

It is important that the industry adapts in a way that preserves an adequate level of personnel, knowledge and expertise for when activity picks up again. GIEK aims to be a predictable and constructive partner for companies. For GIEK, it is important to arrive at balanced solutions when problems arise, with owners and the various creditor groups contributing in proportion to their collateral security and priorities.

GIEK observes that the oil supply industry is creative and adaptable in competing for business in other industries. Moreover, successful restructuring can ensure both skills development and increased robustness for the industry. GIEK is committed to supporting this change process through competitive financing. The weak krone strengthens the competitiveness of parts of Norwegian industry. GIEK has been receiving more inquiries and experiencing an increase in demand from new users in renewable energy and other sectors. GIEK can contribute to restructuring in Norwegian industry through the financing of new export goods to new markets.

GIEK's exposure

Much of GIEK's ship portfolio comprises costly new advanced vessels with competitive advantages in complex projects like those in difficult waters (in the Arctic, for example), deep water or far from shore. The oil in such projects is expensive to produce, so such projects are not profitable with low oil prices. Until 2013, expectations were high that such projects would be realised on a large scale. Accordingly there has been a tremendous surge in the number of high-specification vessels.

Lower oil prices mean reduced demand for all types of vessels in the oil exploration/oil production segment. A significant imbalance has arisen between supply and demand for all types of vessels in the industry. GIEK is cognizant of forecasts that oil prices will remain low for several years. There is considerable uncertainty as to how the market will develop.

It is unclear how high oil prices must rise to bring the markets into balance, but with increased efficiency many projects could become commercially viable at a lower price level than previously thought. The board is particularly concerned about the situation in Brazil, which affects about one-fifth of GIEK's exposure.

GIEK's assessment is that the oil companies will continue to reduce their investment activities and simultaneously realise productivity improvements in all aspects of their operations. All the companies are making adjustments, suggesting weaker demand for vessels. Many units are still under contract, and as these contracts expire, the number of units out of service will increase. Shipyards continue to deliver new units, even though newbuild activity is rapidly declining. The number of older units being scrapped is expected to grow in the future – from a low level. This process has little effect on GIEK, since it finances newbuilds, but may in the long term help improve the supply-and-demand balance in tonnage.

For all vessel types, future valuation is a matter of great uncertainty. Values are expected to fall, but with little or no turnover it is hard to say what an individual vessel is worth today and how far values will fall. The vessels are high-tech, with a great deal of advanced equipment requiring maintenance and high security. The less that is spent on maintenance while a ship is laid up, the more costly it will be to return it to service and restore full operation. Going forward, GIEK expects more units to be available than there are assignments. GIEK has made substantial discretionary provisions for the impairment of collateral security, but there is uncertainty over valuation in the current market.

Export financing was to the solution to landing the contract



– The offer of export financing is important for Element Logic and is used in the sales process with potential customers. Export financing is often essential to getting projects under way, says Dag-Adler Blakseth, CEO of Element Logic.

When Element Logic sold an automated storage system to Bergans Outdoor in Germany, GIEK issued a EUR 1,633,594 buyer credit guarantee for Export Credit Norway.

– Without loans and guarantees from Export Credit Norway and GIEK, the customer would have had to postpone the project due to lack of funding, says Blakseth.

Element Logic is a Norwegian systems integrator that supplies storage and distribution systems. With its in-house warehouse management system (WMS) software, the company buys a variety of components from sub-contractors and provides complete solutions to customers. The components of the “Auto Store” storage system, which was sold to Bergans, are produced by the Norwegian company Hatteland.

DNB is co-guarantor in the transaction

We at GIEK are delighted that our guarantee support can help a small exporter to grow internationally. For smaller contracts, it is possible to apply for both loan and buyer credit guarantees through a joint arrangement with Export Credit Norway. That eases the application process for many smaller exporters.

*Elizabeth Lensberg,
GIEK customer relations officer, Energy and Industry*



VI



VI. Annual accounts

The Norwegian Export Credit Guarantee Agency (GIEK) prepares two sets of accounts. The administrative accounts illustrate the finances of GIEK's operational organisation. The guarantee scheme accounts (fund accounts) show revenues and expenses for the different guarantee schemes.

The Storting (the Norwegian parliament) sets a ceiling for GIEK's administrative expenses in chapter 2460 of the state budget. The total exposure limits for new and old guarantee offers and liabilities in the guarantee schemes are determined by special decision, or romertallsvedtak in Norwegian.

GIEK's administration

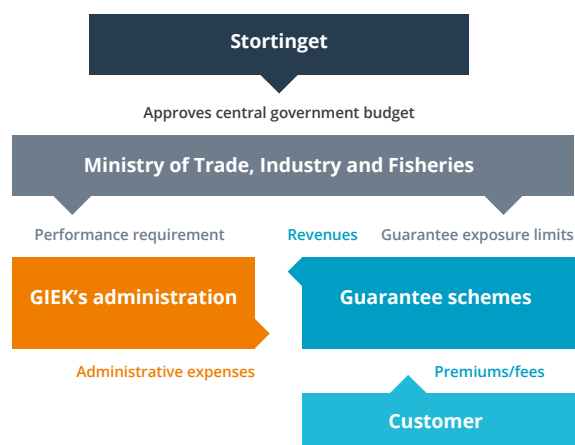
GIEK's staff are employed in GIEK's administration, which manages and administers the guarantee schemes. Administrative expenses are budgeted at net value, and the administrative accounts are kept on a cash basis and are included in the central government budget and central government accounts.

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 predefined distribution formula.

The fund accounts encompass all the GIEK guarantee schemes, as explained in section III, The year's activities and results. Although separate accounts are kept for each guarantee scheme, the schemes are discussed collectively.

The guarantee schemes are managed in keeping with the principles of the Accounting Act wherever applicable. Accrual-basis accounting is generally followed, except in the case of some profit and loss items recorded on a cash basis. In calculating individual and collective provisions, the principles in the Lending Regulations (Regulation No. 1740 of 21 December 2004) are followed. Special guidelines have been prepared for loss provision on guarantees and claim receivables. The accounting principles employed are described in the "Note on accounting principles" in the fund accounts.



VI.1. Administrative accounts

VI.1.1. Management statement by the Board of Directors

GIEK's administrative accounts cover expenditure on salaries, rent, consulting fees, etc. The administrative accounts are kept on a cash basis and are self-funded in the sense that the various guarantee schemes cover the expenses incurred. The annual grant is not a charge on the central government accounts.

Expenditure in 2015 totalled NOK 158.6 million. The 2015 budget was NOK 160.0 million.

Management is satisfied that resource expenditure was kept on budget, with NOK 1.4 million to spare. The accounts provide an accurate picture, and are prepared in accordance with the requirements of the Ministry of Trade, Industry and Fisheries and state financial management provisions, including Ministry of Finance circulars

The Office of the Auditor General of Norway is GIEK's external auditor.

Working environment

GIEK's administration consisted of 89.4 full-time equivalent positions at the end of 2015. This figure includes permanent and temporary employees, but not employees on leave.

The gender distribution is 48 per cent women and 52 per cent men. The management team consists of five women and two men. At the end of the year GIEK had 17 employees with an immigrant background, which corresponds to 18 per cent of all employees. Wage setting is gender neutral.

GIEK has safety representatives, a working environment committee, employee representatives, an occupational physician and an HR manager serving as channels for attending to health, safety and the environment (HSE). GIEK's ethical guidelines include suggestions and procedures for employees to address censurable conditions. GIEK has prepared an HSE system with routines for preventing and dealing with potential incidents of bullying. Other measures related to gender equality or gender discrimination have not been considered necessary. GIEK is an Inclusive Workplace (IA) enterprise with an action plan for the period to 2018.

Absence due to illness is stable and low. In 2015, absence due to illness was 3.3 per cent, down from the previous year's 4.4 per cent. Fourteen new employees were hired in 2015. Seven employees changed department/section and were assigned new duties during the year. Five employees (5.9 per cent) left in 2015, one of them after completing a fixed-term appointment. There were 94 employees at year-end.

No work-related injuries or accidents were reported in 2015.

An employee-satisfaction survey was conducted in 2015 with generally positive results. The working environment at GIEK is considered good.

GIEK moved into new, modern offices in December, a change that has contributed positively to the working environment and general well-being.

GIEK participates in apprenticeship company, and has hired two trainees whose duties are in IT operations.

The accounts are prepared on the assumption the agency will continue as a going concern.

The board wishes to thank the organisation for its commitment and the hard work it has performed in the past year.

Oslo, 3 March 2016

Karin Bing Orkland
(Board Chair)

Torfinn Kildal
(Deputy Board Chair)

Arve bakke

John G. Bernander

Maria Borch Helsingreen

Nina Udnes Tronstad

Marit E. Kirkhusmo

Jo Stokke

Wenche Nistad
(Chief Executive Officer)

VI.1.2. Appropriation report and general ledger accounts report with notes

a) Note on accounting principles

Annual accounts for state agencies are prepared and presented on the basis of detailed guidelines specified in the Provisions on Financial Management in Central Government (“the provisions”). The accounts accord with the requirements in chapter 3.4.1 of the provisions, further provisions in Ministry of Finance Circular R-115 of November 2015 and any additional requirements imposed by the parent ministry.

The appropriation reporting and general ledger accounts reporting are prepared on the basis of chapter 3.4.2 of the provisions, regarding the basic accounting principles:

- a. Accounting follows the calendar year.
- b. The accounts contain all reported expenses and revenues for the accounting year.
- c. Expenses and revenues are shown in gross amounts in the accounts.
- d. The accounts are prepared on the cash-basis principle.

The formats used in the appropriation and general ledger accounts reporting are based on the same principles, but grouped in accordance with different charts of accounts. These principles correspond with requirements in chapter 3.5 of the provisions on how undertakings are to report to the central government accounts. The item “Net reported to appropriation accounts” is identical in both presentations.

The undertaking is affiliated with the central government’s group account scheme at Norges Bank, in accordance with chapter 3.7.1 of the provisions. Gross-budgeted undertakings are not supplied with liquidity through the year, but have drawing rights on their group account. At year-end, the balance of each closing account is reset to zero as at the start of the new year. GIEK is set up as a gross-budgeted undertaking in the Norwegian Government Agency for Financial Management’s accounting module.

Appropriation accounts reporting

The appropriation accounts are formatted with an upper part containing the appropriation reporting and a lower part showing the amounts entered for the enterprise in the capital accounts. The appropriation reporting presents accounting figures reported by the

enterprise to the central government accounts. These are posted in accordance with the chapters and items in the appropriation accounts which the enterprise is authorised to use. The column on total allocation shows the amounts made available to the enterprise in the allocation letter for each central government account (chapter/item). The presentation also shows all financial assets and liabilities entered for the enterprise in the state capital accounts.

Authorisations received to debit another undertaking’s chapter/item (debit authorisations) are not shown in the total allocation column, but are discussed in Note B to the appropriation accounts. Expenses associated with debit authorisations received are recorded and reported to the central government accounts, and shown in the accounts column.

Debit authorisations granted are included in the total allocation column but are not recorded and reported to the central government accounts by the undertaking itself. Debit authorisations that are granted are recorded and reported by the undertaking that has received the debit authorisation and are therefore not shown in the accounts column. Authorisations granted are described in Note B to the appropriation accounts.

General ledger accounts reporting

The general ledger accounts report is formatted with an upper part which shows what has been reported to the central government accounts in accordance with the standard chart of accounts for state agencies and a lower part which presents assets and liabilities included in the open accounts with the Treasury. The general ledger accounts report presents accounting figures the undertaking has reported to the central government accounts in accordance with the standard chart of accounts for state agencies. The undertaking has a group account drawing right in Norges Bank. The allocations are not recorded as revenue and therefore are not shown as revenue in the overview.

b) Bevilgningsrapportering

The appropriation accounts reporting shows figures that GIEK has reported to the central government accounts. They are presented according to the chapters and items in the appropriation accounts that GIEK has authority to utilise. GIEK has granted no authorisations, as outlined in the “Note on accounting principles”.

Overview of appropriation accounts, 31 December 2015

Expense Chapter no.	Chapter name	Item	Description	Note	Total allocation*	Accounts 2015	Increase (-) or decrease in expenses
900	Ministry of Trade, Industry and Fisheries						
		72	Grant to Contingency Scheme for War Risk Insurance of Goods (BSV)	A,B	600 000	600 000	0
					-600 000	-600 000	
2460	Norwegian Export Credit Guarantee Agency (GIEK)						
		24.1	Operating revenues, reimbursement from fund accounts	A,B	-160 000 000	-158 561 852	-1 438 148
		24.2	Operating expenses, preliminary allocation	A,B	160 000 000	158 561 852	1 438 148
2460	Reimbursement of administrative costs	24	Miscellaneous			328	-328
	Total expensed				0	328	
5460	Norwegian Export Credit Guarantee Agency (GIEK)						
		71	Reversal from Old General Guarantee Scheme (GAM)	A,B	-5 100 000	-5 100 000	0
		72	Reversal from Old Special Schemes (SÆR)		-4 400 000	-4 400 000	0
					Total allocation	Accounts 2015	Increase or decrease (-) in revenue
					0	0	0
	Net reported to appropriation accounts					328	
	Capital accounts						
60064001	Norges Bank group accounts system/paid in					159 260 537	
60064002	Norges Bank group accounts system /paid out					-160 407 587	
724070	Change in open accounts with the Treasury					1 146 722	
	Total reported					0	
	Holdings reported to the capital accounts (31 December)						
	Account	Text			2015	2014	Change
		Shares			0	0	0
		Open accounts with the Treasury			1 146 722	-7 173 902	8 320 624

* Total allocation shall not be reduced by any debit authorisations granted. See Note B for further explanation

Note A Explanation of total allocation expenses

Chapter and tem	Transferred from last year	Allocation for the year	Total allocation
90072	0	600 000	600 000
2460024	0	160 000 000	160 000 000
546071	0	-5 100 000	-5 100 000
546072	0	-4 400 000	-4 400 000

The fund accounts cover the costs for the administrative accounts. For that reason no funds have been carried over from last year.

Note B Authorisations used and calculation of possible amounts transferrable to next year

GIEK is self-funded, so amounts transferrable to next year are not applicable.

VI. Annual accounts, part 1 – Administrative accounts

c) Overview of general ledger accounts with notes

	Note	2015	2014
Operating revenues reported to the appropriation accounts			
Fee receipts	1	0	0
Grant and transfer receipts	1	1 040 000	1 930 000
Sale and lease receipts	1	157 521 562	145 541 471
Other receipts	1	0	0
Total operational receipts		158 561 562	147 471 471
Operating expenses reported to the appropriation accounts			
Payroll expenses	2	93 423 833	80 642 696
Other operating expenses	3	58 595 914	50 944 765
Total operating expenses		152 019 746	131 587 461
Net reported operating expenses		-6 541 816	-15 884 010
Investment and financial income reported to the appropriation accounts			
Financial income received	4	-1 368	0
Total investment and financial income		-1 368	0
Investment and financial expenses reported to the appropriation accounts			
Investment expenses	5	6 540 777	15 884 010
Share purchase expenses	5,8B	0	0
Financial expense	4	0	0
Total investment and financial expenses		6 540 777	15 884 010
Net reported investment and financial expenses		6 542 144	15 884 010
Collection activity and other transfers to the state			
Taxes, fees, charges, etc.	6	0	0
Total collection activity and other transfers to the state		0	0
Collection activity and other transfers to the state			
Taxes, fees, charges, etc.	7	0	0
Total collection activity and other transfers to the state		0	0
Revenues and expenses reported under common chapters			
Group life insurance account 1985 (ref. chap. 5309, revenue)		0	0
Employer's national insurance contributions account 1986 (ref. chap. 5700, revenue)		0	0
Net accounting scheme for VAT account 1987 (ref. chap. 1633, expense)		0	0
Total reported expenses under common chapters		0	0
Net reported to appropriation accounts		328	0
Overview of open accounts with the Treasury			
Assets and liabilities			
Receivables		2 006 956	377 827
Cash		0	0
Bank accounts containing state funds outside of Norges Bank		0	0
Unpaid tax deducted at source		-4 091 176	-3 650 868
Public fees/taxes owed		-2 871 710	-2 573 455
Other liabilities		-1 335 189	-1 327 407
Total open accounts with the Treasury	8	-6 291 120	-7 173 902

Note 1 – Operating revenues

	31. Dec. 2015	31. Dec. 2014
Innbetalinger fra gebyrer		
Building fees	0	0
Supervisory fees, electrical safety	0	0
Fees/taxes from sales production of explosive materials in first link of distribution chain	0	0
Total fee receipts	0	0
Grant and transfer receipts		
Grants from other state agencies	1 040 000	1 930 000
Total grant and transfer receipts	1 040 000	-1 930 000
Sale and lease receipts		
Accrued, uninvoiced income, tax-free	157 521 562	145 541 471
Total sale and lease receipts	157 521 562	145 541 471
Other receipts		
Total other receipts	0	0
Total operational receipts	158 561 562	147 471 471

Note 2 – Payroll expenses

	31. Dec. 2015	31. Dec. 2014
Lønn	71 203 657	63 022 371
Arbeidsgiveravgift	11 417 489	10 035 194
Pensjonsutgifter	7 799 400	6 970 386
Sykepenger og andre refusjoner(-)	-1 119 923	-1 945 458
Andre ytelser	4 123 210	2 560 203
Sum utbetalinger til lønn	93 423 833	80 642 696
Antall årsverk:	89	81

Note 3 – Other operating expenses

	31. Dec. 2015	31. Dec. 2014
Rent	7 017 784	5 498 124
Maintenance, buildings and facilities	0	0
Maintenance and renovation, leased premises	1 317 929	175 651
Other operating expenses, property and premises	996 078	1 109 143
Repair and maintenance, machines, equipment, etc.	0	0
Minor equipment purchases	794 486	889 518
Rental of machines, furnishings, etc.	119 046	94 944
Purchase of external services	26 131 075	24 011 623
Travel and travel allowance	6 820 936	7 355 357
Other operating expenses	15 398 581	11 810 405
Total other operating expenses	58 595 914	50 944 765

VI. Annual accounts, part 1 – Administrative accounts

Note 4 – Financial income and financial expenses

	31. Dec. 2015	31. Dec. 2014
Financial income received		
Interest income	0	0
Foreign exchange profit	-1 368	0
Other financial income	0	0
Total financial income received	-1 368	0
Financial expenses paid		
Interest expenses	0	0
Foreign exchange loss	0	0
Other financial expenses	0	0
Total financial expenses paid	0	0

Note 5 – Investment and share purchase expenses

	31. Dec. 2015	31. Dec. 2014
Investment expenses		
Intangible assets, etc.	3 473 249	13 251 882
Land, buildings and other immovable property	0	0
Emergency preparedness purchases	0	0
Infrastructure assets	0	0
Machines and means of transport	0	0
Miscellaneous operating assets, furnishings, tools, etc.	3 067 527	2 632 128
Total investment expenses	6 540 777	15 884 010

Note 6 – Collection activity and other transfers to the state

	31. Dec. 2015	31. Dec. 2014
Total collection activity and other transfers to the state	0	0

Note 7 – Grant management and other transfers from the state

	31. Dec. 2015	31. Dec. 2014
Total grant management and other transfers from the state	0	0

Note 8 – Relationship between settled and open accounts with the Treasury

Part A. Difference between settled and open accounts with the Treasury

	31. Dec. 2015	31. Dec. 2014	Difference
	Specification of recorded settled accounts with the Treasury	Specification of reported open accounts with the Treasury	
Financial fixed assets			
Investments in shares and units	0	0	0
Bonds	0		
Total	0	0	0
Current assets			
Accounts receivable	0	0	0
Other receivables	2 006 956	2 006 956	0
Bank deposits, cash, etc.	0	0	0
Total	2 006 956	2 006 956	0
Long-term liabilities			
Other long-term liabilities	0	0	0
Total	0	0	0
Short-term liabilities			
Trade creditors	-500 660	0	-500 660
Unpaid tax deducted at source	-4 091 176	-4 091 176	0
Public fees/taxes owed	-2 871 710	-2 871 710	0
Other short-term liabilities	-1 335 189	-1 335 189	0
Total	-8 798 736	-8 298 076	-500 660
Total	-6 791 780	-6 291 120	-500 660

Part B. Specification of investments in shares and company units

	Acquisition date	Number shares	Ownership share	Voting share	Profit for the year in the company	Company equity as per balance sheet	Carrying amount in the accounts
Shares							
Company 1							
Company 2							
Carrying amount 31 December 2015							0



Vår referanse 2016/00345-1

Utsatt offentlighet jf. rrevl. § 18(2)

GARANTIINSTITUTTET FOR
EKSPORTKREDITT
Org. nr.: 974760908

Riksrevisjonens beretning

Uttalelse om årsregnskapet (administrasjonsregnskapet)

Riksrevisjonen har revidert Garantiinstituttet for Eksportkreditts (GIEKs) årsregnskap for 2015. Årsregnskapet består av ledelseskomentarer og oppstilling av bevilgnings- og artskontorrapportering med noter per 31.12.15.

Virksomhetsledelsens ansvar for årsregnskapet (administrasjonsregnskapet)

Virksomhetens ledelse er ansvarlig for at årsregnskapet gir et rettviseende bilde i samsvar med regelverk for statlig økonomistyring i Norge, og for slik intern kontroll som ledelsen finner nødvendig for å muliggjøre avleggelse av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Riksrevisjonens oppgaver og plikter

Riksrevisjonens oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov og instruks om Riksrevisjonen og internasjonale standarder for offentlig revisjon (ISSAI). Disse standardene krever at vi etterlever etiske krav og planlegger og utfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for virksomhetens utarbeidelse av et regnskap som gir et rettviseende bilde, med det formål å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av virksomhetens interne kontroll. En revisjon innebærer også en vurdering av hensiktsmessigheten av regnskapspolicyene som er brukt, samt en vurdering av presentasjonen av årsregnskapet.

Etter Riksrevisjonens oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter Riksrevisjonens mening gir Garantiinstituttet for Eksportkreditts (GIEKs) årsregnskap (administrasjonsregnskap) i det alt vesentlige et rettviseende bilde av virksomhetens disponible bevilgninger, inntekter og utgifter i 2015 i samsvar med regelverk for statlig økonomistyring.

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Uttalelse om øvrige forhold

Konklusjon knyttet til administrative bestemmelser om økonomistyring

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til ISSAI-ene, er vi ikke kjent med forhold som tilsier at virksomhetens disponering av bevilgningene er i strid med de administrative bestemmelsene om økonomistyring.

Oslo; 03.03.2016

Etter fullmakt


Hans Conrad Hansen
ekspedisjonssjef


Elisabeth Slaatbråten
avdelingsdirektør

VI.2



VI.2 Accounts for the guarantee schemes

VI.2.1. Annual report of the Board of Directors

VI.2.1.1 About GIEK

The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF), and is located at Støperigata 1 in Oslo. GIEK's main purpose is to promote Norwegian exports by issuing guarantees on behalf of the state. GIEK serves a guarantor primarily for Export Credit Norway and commercial banks. Its guarantees may be issued when Norwegian goods or services are provided abroad, or when an export transaction otherwise promotes Norwegian value creation.

VI.2.1.2 Summary of developments

The decline in the oil industry was sharp in 2015 and is expected to continue in 2016. That means challenging times for exporters, suppliers and shipping companies. GIEK's role is to contribute to long-term, sustainable solutions. At year-end the oil and gas supply industry accounted for 87 per cent of GIEK's guarantee portfolio (measured in Norwegian kroner) and more than 50 per cent of all guarantees issued (229 of 431). GIEK actively monitors current guarantees and maintains close dialogue with the industry, affected companies and other financial institutions. As a consequence of the downturn, the board is prepared for losses to owners, other lenders and GIEK itself.

The year 2015 saw an increase in the number of applications in energy and industry. The board expects that GIEK will process more cases in 2016 from industries other than oil and gas, but that these will account for a lower volume.

At the end of 2015, GIEK's portfolio stood at 431 current guarantees with total outstanding liabilities of NOK 100.2 billion. During the year GIEK issued NOK 16.3 billion in guarantees, as against NOK 21.4 billion in 2014. GIEK's guarantees contributed to export contracts worth NOK 44.8 billion in 2015, compared to NOK 28.5 billion in 2014.

About 76 per cent of GIEK's outstanding liability is denominated in US dollars, and even small fluctuations in the dollar have a large impact on GIEK's portfolio and exposure limit utilisation.

There were more default cases and an increase in receivables in 2015. Several cases are under special observation. Payments under guarantees totalled NOK 1.2 billion in 2015. Recovery in cases handled outside of Paris Club agreements came to NOK 2.7 million. The financial result for the guarantee schemes combined was a profit of NOK 121 million, compared to NOK 734 million the year before. Revenues amounted to NOK 1.7 billion.

Recorded provisions totalled NOK 4.8 billion, an increase of NOK 1.5 billion during 2015. In its year-end loss provisions, GIEK has taken into account the uncertain market situation.

GIEK's portfolio is concentrated around a small number of large commitments, with high sectoral concentration. The bulk of outstanding liabilities are in oil and gas: NOK 87.2 billion, or 87 per cent of the portfolio.

Oil prices were persistently low, and there was an oversupply of offshore vessels and installations in the oil and gas sector. Although some newbuilding continued, the general newbuild activity level declined. Given the great uncertainty in the market, future vessel prices are uncertain. The board attaches great importance to managing the portfolio's increased risk; GIEK is monitoring outstanding guarantees and entering into dialogue at an early stage with borrowers and cooperating banks.

The board continues to focus a great deal of attention on anti-corruption efforts. GIEK's anti-corruption work is based on Norwegian law (Penal Code sections 387–389; see also section 15) and the OECD's 2006 Recommendation on Bribery and Officially Supported Export Credits. GIEK obtains an exporter declaration

³ "Bound under the exposure limit", the sum of outstanding liabilities and offers for all schemes, was NOK 124.8 billion as at 31 December 2015

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and a corruption declaration from customers and conducts special investigations in individual cases as required.

GIEK introduced a new organisational model on 1 December 2014 with the aim of achieving closer contact with existing and new customers and developing dedicated support capacity to handle current guarantee cases. The new organisation made accommodation for increased preparedness associated with more default risk in the oil and gas sector. The board is satisfied with GIEK's handling of extra work associated with challenging cases, even as it pays increased attention to new industries, companies and partners.

VI.2.1.3 Guarantee liability developments

Guarantees

Overall in 2015, new guarantee liabilities valued at NOK 16.3 billion were assumed in connection with applications received in 2015 and earlier. GIEK issued 126 new guarantees in 2015, compared to 163 in 2014. Guarantees were issued in all schemes except the Energy Purchase Guarantee Scheme. In the final four months of the year, there was a marked decline in the issuance of new guarantees.

More offers were made in the September-December period than in the May-August period. For the full year, offers totalling NOK 19.2 billion were made. That represented a significant drop from the NOK 34 billion offered in 2014.

The portfolio is heavily exposed to foreign currency, and 76 per cent of the outstanding liabilities are denominated in US dollars. During 2015 the Norwegian krone depreciated 18.4 per cent against the US dollar. Changes in the dollar have immediate effect on outstanding liabilities and loss provisions. When the dollar strengthens against the Norwegian krone it binds a greater share of the agency's maximum exposure level. On the other hand, GIEK's revenue increases when dollar payments are exchanged into kroner.

Of the total outstanding guarantee liability, the General Guarantee Scheme accounted for NOK 98.3 billion, or 98 per cent. The Developing Countries Guarantee Scheme liability stood at NOK 900 million, and the Building Loan Guarantee Scheme liability at NOK 0.8 billion. The remaining NOK 100 million related to the Old General

Guarantee Scheme, which is being phased out.

New applications for 2015 amounted to NOK 41.2 billion, against NOK 39.9 billion kroner in 2014. In the final four months of 2015 new applications totalling NOK 10.8 billion were recorded, with mainland cases (industry and energy) amounting to NOK 5.1 billion of that.

Total guarantee liabilities including binding guarantee offers (bound under the exposure limit) stood at NOK 124.6 billion at the end of the year.

Samlet garantiansvar inklusive forpliktende tilbud om garantier (bundet under rammen) var ved utgangen av året 124,6 milliarder kroner.

Revenues

Guarantee premiums and fee income from all the schemes totalled NOK 1.6 billion in 2015, compared to NOK 1.5 billion in 2014. Total revenues in 2015 came to NOK 1.7 billion.

VI.2.1.4 Financial risk

Market risk

The portfolio is dominated by relatively few companies with large guarantee amounts. The 10 largest companies or business groups have total guarantees of NOK 46.5 billion, constituting 46 per cent of outstanding liability. The 20 largest business groups in the portfolio together represent NOK 66.7 billion in guarantees, or 66.5 per cent of outstanding liability.

GIEK's exposure to the offshore oil and gas industry includes significant exposure and risk associated with companies active in the North Sea, Latin America and West Africa. Brazil is the single market where activity has been highest this decade. It is therefore a key market for GIEK customers with offshore operations, particularly in deep water. Brazilian exposure makes up 22 per cent of the portfolio.

Future vessel valuations for all types of vessels in the offshore market are highly uncertain. Valuations are expected to fall, but determining current value is hard since there is little turnover at present. The vessels in question are high-tech, and carry a great deal of advanced equipment requiring maintenance and high security. The less that is spent on maintenance while a ship is laid up, the more costly it will be to return it to service and restore full operation.

Ship values are adversely affected by the uncertainty linked to current market developments and by the high cost, given maintenance requirements, of mothballing. GIEK therefore expects more units to be available at any given time than there are jobs to be performed. Shipowners will normally prefer their vessels to be active, even if no earnings result.

Credit risk

GIEK performs thorough credit and risk analyses for all transactions prior to the issuance of any guarantee. During the term of the guarantee, GIEK engages in close dialogue with the customers and the banks involved. Throughout the year GIEK performs its own risk assessments of the parts of the portfolio facing special risks and of the portfolio as a whole. It also conducts its own analyses of developments in relevant segments and markets.

The risk of loss in each exposure is calculated by considering the companies' cash flow in relation to their commitments, collateral assets and customer ability to service debt. That way, GIEK has a good basis on which to evaluate overall portfolio risk.

Liquidity risk

GIEK provides guarantees on behalf of the Norwegian state. There are established procedures for drawing on the state's liquidity if the liquidity available in one of the guarantee schemes is insufficient.

In the event of borrower default, GIEK may step into the commitments and make payments under the guarantee in accordance with the original repayment plan. The liquidity burden is spread over the term of the guarantee. In most cases GIEK has collateral security for the guarantees, the realisation of which could reduce liquidity needs in a default situation.

Foreign exchange risk

The General Guarantee Scheme accounts for 99 per cent of outstanding liabilities, and 76 per cent of that amount is guaranteed in US dollars. The guarantee scheme's direct currency exposure is a function of the net realisable value of receivables, bank deposits and the provisions made for guarantee liability.

To reduce foreign exchange risk in the General Guarantee Scheme, bank accounts have been set up in

dollars and euros. Bank accounts are matched against assets and provisions/liabilities. The currency holdings are balanced to reflect significant portfolio changes, usually at the conclusion of each 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 the four-month period. This practice helps reduce risk. Corresponding mechanisms have not been established for the other guarantee schemes.

VI.2.1.5 At-risk commitments and loss provisions

GIEK's risk, valuations and security issuances are dependent on the economic situation, especially oil price developments and their impact on activity in oil-related industries. A reduced level of oil and gas activity is evident in GIEK's portfolio. Provisions and impairments have accordingly increased over time, not only in amount, but as a share the portfolio. The share of defaulted guarantees has increased, along with the consequent claims, so provisions within these categories have increased. Several cases are under special observation.

As a share of the guarantee portfolio (including claims and exposure in GIEK Kredittforsikring), loss provisions have reached 5.7 per cent, up from 3.6 per cent at the end of 2014. By year-end, recorded loss provisions stood at NOK 4.8 billion. Of this, individual provisions amounted to NOK 2.5 billion and collective provisions NOK 2.3 billion.

GIEK follows the principles laid out in the Lending Regulations and makes additional special provisions for particularly large commitments. GIEK's model for calculating loss provisions initially resulted in an increasing provision in the collective model, before the provisions were moved over to provisions based on individual assessments. The board would point out that provision levels are based on an overall, best-judgment assessment.

Individual provisions

Developments in individual cases are the most important driver of rising provisions. An increase in the guarantee portfolio, due in part to currency fluctuations, also leads in isolation to a rise in provisions.

GIEK regularly performs loss assessments of individual debtors and guarantees whose likelihood of default is elevated. The governing principle is that potential loss is calculated as a combined function of default

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probability, exposure in the event of default, and the expected value of realised assets in a disposal situation. Consideration is also given to the jurisdiction, with the value of real security reduced if there is doubt that the security can be realised in a satisfactory manner in the country in question.

Collective provisions

When GIEK calculates an expected loss in the portfolio (collective provisions), the security values used are based on a careful assessment of real security and if appropriate an independent valuation of the vessel (object). Industry-specific value reductions are also taken into account.

GIEK makes special provisions as a result of heavy exposure to individual customers or groups of companies. This is done for exposures that would have exceeded banking regulatory limits for exposure to individual customers.

GIEK does not, however, take special account of concentration risk by sector or country when making collective provisions, as this is not required by the Lending Regulations. Ordinary banks assess concentration risk by sector and country as part of their Pillar II calculations (equity needs assessment under the Capital Adequacy Regulations), and present these assessments separately from their accounts.

Default

The number of default cases is small but grew in 2015. GIEK had 12 guarantees, spread among nine risk points, in default as at 31 December 2015. All were under the General Guarantee Scheme.

Payments under guarantees amounted to NOK 1.2 billion. Recoveries other than under Paris Club agreements came to NOK 2.7 million.

In 2015, total claims against GIEK increased markedly. Since 2014 the increase has been 128 per cent, to just over NOK 2.4 billion at the end of 2015. Of that amount, the General Guarantee Scheme accounted for NOK 1.9 billion. Large individual payments have been made, the largest concerning a 2013 default in Brazil. GIEK has paid NOK 877 million to Export Credit Norway under the guarantee, and provided a supplementary loan of

NOK 156 million, thus taking over the NOK 1.1 billion secured claim against the debtor. Several smaller payments under defaulted guarantees also increased the claims total during the year. Older cases (passive and Paris Club claims) have undergone only minor changes during this time.

Reinsurance of GIEK Kredittforsikring AS

GIEK reinsured GIEK Kredittforsikring AS⁴ in the amount of NOK 638 million. As at 31 December 2015, NOK 27 million was loss provisioned. GIEK also has a NOK 145 million claim as a result of payments made under guarantees in the reinsured portfolio. This claims portfolio is nearly 100 per cent impaired.

In 2014, as a result of the unrest in Ukraine and sanctions against Russia, GIEK increased its loss provisions for reinsurance liabilities in connection with GIEK Kredittforsikring AS. In the second half of 2015, major portfolio changes occurred, with exposure to Russia and Ukraine falling due in part to a payment under guarantee and in part to a reduction in the scope of defaults and related payments. As a result, GK's own provision estimates now form the basis of GIEK's provisions for GIEK Kredittforsikring's portfolio.

Paris Club claims

GIEK's Paris Club claims amount to NOK 464 million in 2015. A Paris Club claim is an agreement between a state and its creditors for repayment of national debt. State creditors cooperate in the Paris Club and renegotiate state-to-state claims. Norway's claims stem mainly from defaulted export credits guaranteed by GIEK.

VI.2.1.6 Outlook and developments after the balance sheet date

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

GIEK's guarantee schemes shall break even in the long term, by achieving balance between premium revenues, recoveries, financial income and state grants for loss coverage on the one hand and administrative expenses, financial costs and payments under guarantee on the other.

⁴ GIEK managed the shares in GIEK Kredittforsikring AS until the end of 2014..

There have been no significant changes in future prospects since the balance sheet date.

The negative market situation affects the dominant sectors in GIEK's portfolio, and it can be expected that loan terms will be breached in some cases. Experience shows that some loans will be subject to restructuring. Furthermore, several GIEK-guaranteed loans could go into default in an economic downturn, and more payments might have to be made under the guarantees. This could be resource-consuming for GIEK. Through its individual and collective loss provisions, GIEK has sought to make accommodation for future losses.

There is an increased probability of portfolio losses in 2016. GIEK accounts for this with increased loss provisions and outlook downgrades for the market segments where its exposure is greatest. Given the negative situation in dominant markets represented in GIEK's portfolio, the board wishes to emphasise the uncertainty associated with collateral valuations. The market downturn may also influence the terms GIEK will have to establish for new guarantees.

Taking into consideration GIEK's loss provisions, impairments and crisis management planning, the board believes that the General, Development Countries and Building Loan guarantee schemes will break even in the long term. For the Energy Purchase Guarantee Scheme, the board notes that no guarantees have been issued, but that GIEK's administrative expenses have been charged to the scheme, which has negative capital.

The board emphasises that the assessment of future conditions is marked with uncertainty.

VI.2.1.7 New products and services

GIEK introduced no new products or services in 2015 and has had no separate research and development activity.

In 2014 GIEK introduced a joint system with Export Credit Norway for the financing of export contracts up to NOK 100 million in value. Export contracts under NOK 30 million in value are processed in a simplified way. In 2015 this cap was increased to NOK 50 million in response to currency developments, especially in the US dollar and the euro.

VI.2.1.8 GIEK's value to society

The social mandate of GIEK is primarily to promote Norwegian exports and Norwegian investment abroad by issuing guarantees. GIEK makes it easier for exporters to obtain sound financing for their contract partners and to secure important export contracts. GIEK guarantees in 2015 helped trigger NOK 44.8 billion in new Norwegian export contracts, creating value and jobs in large parts of the country.

The board believes GIEK can play an important role in restructuring processes and alleviating the consequences of limited access to capital, using experience gained during the financial crisis. There is capacity remaining under the exposure limits and within the organisation to contribute to the financing of good projects.

VI.2.1.9 Social responsibility and the external environment

GIEK has its own policy and procedures to ensure that environmental standards and human rights are safeguarded in the projects in which GIEK participates. These are based on OECD environmental and social guidelines and on the UN Guiding Principles for Business and Human Rights. GIEK has three experts on the environment and human rights, and advises Export Credit Norway on environmental and social issues.

Risk is assessed in all projects. For most applications, there are no special major environmental or human rights challenges; in such cases due diligence is performed and requirements are set for compliance with international and local laws, management systems and reporting on accidents and other non-conformances. Where such a risk has been present, systematic efforts have been undertaken to reduce and avoid any negative impact on the environment and human rights.

All cases deemed to involve high environmental or social risk must be documented as complying with international standards. GIEK benchmarks these projects primarily against the World Bank Group standards (i.e. IFC performance standards). Information on these cases is published on GIEK's website.

In 2015 GIEK conducted assessments of land-based projects (hydropower, telecommunications towers, aquaculture, water purification, solar power, thermal

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energy, industrial production) as well as offshore wind projects and mobile units (construction and operation of drillships, supply vessels, etc.). In the case of mobile units, GIEK assesses the operational phase as well as the construction phase in accordance with GIEK policy.

Working conditions and HSE issues at shipyards abroad were given special attention. Evaluations were carried out by third parties and by GIEK itself. In some cases GIEK demands improvements in shipyard conditions and follow-up of improvement measures. Dialogue with customers, shipyards and other parties is emphasised.

GIEK participates actively in international forums on issues related to the environment and human rights. The OECD – where guarantee agencies cooperate on compliance with joint standards for the environment, working conditions and human rights – is a key arena in this regard.

GIEK's operations do not cause significant environmental pollution. Waste paper is sorted for recycling, and GIEK's employees mostly take public transport to and from the office. Aircraft travel for work is registered in the government system for the purchase of carbon offsets for all trips.

VI.2.1.10 Financial results for the guarantee schemes

The combined profit for all guarantee schemes was NOK 121 million, compared to NOK 734 million the year before. Revenues in 2015 totalled NOK 1.7 billion. Total loss provisions were NOK 4.8 billion, an increase of NOK 1.5 billion in the course of 2015. Based on the description of risk assessment in section VI.2.1.4

(above), the board believes the loan provisions at year-end make allowance for the uncertain macroeconomic situation. Having assessed the uncertainty in its entirety, the board believes that the accounts presented here provide a true and fair view of the guarantee schemes' financial results at year-end.

The board believes that the liquidity situation on the balance sheet date is acceptable. GIEK issues guarantees on behalf of the Norwegian state. Procedures have been established for drawing on the state's liquidity if the liquidity in a particular guarantee scheme is insufficient.

The state is self-insured and fully liable. The Storting adopts exposure limits for the guarantee schemes and continued operation of GIEK. The assumption that GIEK is a going concern underpins the annual accounts, and is conveyed in the 2016 allocation letter dated 23 December 2015.

The board is unaware of any significant issues in the financial year or since its end that bear on this assumption or on the annual accounts in general.

VI.2.1.11 Administrative expenses

The board is satisfied that the administration maintains effective control of costs and complies with the budget. GIEK's administrative expenses in 2015 came to NOK 159 million, compared to NOK 160 million budgeted. In 2014 the expenses amounted to NOK 148 million, compared to NOK 155 million budgeted. In the board's assessment, GIEK is operated efficiently.

The accounts are prepared based on the going concern assumption.

Oslo, 3 March 2016

Karin Bing Orgland
(Board Chair)

Torfinn Kildal
(Deputy Board Chair)

Arve bakke

John G. Bernander

Maria Borch Helsingreen

Nina Udnes Tronstad

Marit E. Kirkhusmo

Jo Stokke

Wenche Nistad
(Chief Executive Officer)

VI.2.2. Overview of appropriation accounts with notes

Ministry:	Ministry of Trade, Industry and Fisheries
Main group:	81 Account loans from ordinary funds
Sub-group:	81.09.05 Funds managed by the Norwegian Export Credit Guarantee Agency

Specified opening balance

	Amount:	Comment:
General Guarantee Scheme	-6 105 757 139,88	
Old General Guarantee Scheme	-38 202 026,00	
Old Special Schemes	-11 900 059,28	
CIS/Baltic Scheme (from 1999)	-32 033 065,43	
Developing Countries Guarantee Scheme	-68 062 845,39	
Building Loan Guarantee Scheme	-87 857 411,12	
Primary capital, Developing Countries Guarantee Scheme	-450 000 000,00	
Energy Purchase Guarantee Scheme	-2 696 669,19	
Total opening balance	-6 796 509 216,29	

Changes in the period, sub-group

	Amount:	Entered in chapter and item:	Title:
Changes entered in appropriation accounts:			
Old General Guarantee Scheme	5 100 000,00	Chap. 5460, item 71	
Old Special Schemes	4 400 000,00	Chap. 5460, item 72	
Changes not entered in appropriation accounts:			
General Guarantee Scheme	-52 578 689,70		Interest on the fund in 2015
General Guarantee Scheme	733 166 134,14		Other net changes in 2015
Old General Guarantee Scheme	-371 270,58		Interest on the fund in 2015
Old General Guarantee Scheme	-9 981 356,65		Other net changes in 2015
Old Special Schemes	-132 467,32		Interest on the fund in 2015
Old Special Schemes	-6 983 311,25		Other net changes in 2015
CIS/Baltic Scheme (from 1999)	-313 520,68		Interest on the fund in 2015
CIS/Baltic Scheme (from 1999)	310,74		Other net changes in 2015
Developing Countries Guarantee Scheme	-628 091,43		Interest on the fund in 2015
Developing Countries Guarantee Scheme	5 743 334,28		Other net changes in 2015
Building Loan Guarantee Scheme	-884 020,82		Interest on the fund in 2015
Building Loan Guarantee Scheme	-14 845 309,34		Other net changes in 2015
Energy Purchase Guarantee Scheme	-25 324,31		Interest on the fund in 2015
Energy Purchase Guarantee Scheme	0,00		Other net changes in 2015
Total changes in the period	661 666 417,08		

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Specified closing balance in the period, sub-group

	Amount:
General Guarantee Scheme	-5 425 169 695,44
Old General Guarantee Scheme	-43 454 653,23
Old Special Schemes	-14 615 837,85
CIS/Baltic Scheme (from 1999)	-32 346 275,37
Developing Countries Guarantee Scheme	-62 947 602,54
Building Loan Guarantee Scheme	-103 586 741,28
Energy Purchase Guarantee Scheme	-2 721 993,50
Total closing balance in the period	-5 684 842 799,21
<hr/>	
Sub-group:	81.09.09 Primary capital, Developing Countries Guarantee Scheme
Developing Countries Guarantee Scheme, primary capital	-450 000 000,00
Total closing balance in the period	-450 000 000,00
<hr/>	
Total closing balance, main group	-6 134 842 799,21

Note on accounting principles

The annual overview of the appropriation accounts is based on account statement information from Norges Bank. The annual allocation letter details the transfer of surplus liquidity.

There are no significant circumstances related to GIEK's appropriation accounts that should be discussed.

Skandi Africa



GIEK has issued a USD 205 million buyer credit guarantee for the long-term financing of Skandi Africa. The ship, built at Vard Søviknes, was named "Ship of the Year" in 2015 by Skipsrevyen.

Skandi Africa, owned by DOF Subsea Rederi AS

Photo: DOF Subsea

VI.2.3. Overview of fund accounts with notes (accounts for guarantee schemes)

Amount (NOK '1 000)	Note	General Guarantee Scheme		Developing Countries Guarantee Scheme		Building Loan Guarantee Scheme		Energy Purchase Guarantee Scheme		Being phased out (Note 21)		Total all schemes	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Guarantee premiums	3,19	1 338 624	1 216 864	11 090	23 747	9 715	13 227	0	0	5 338	13 959	1 364 768	1 267 797
Fee revenues	3	225 672	238 169	213	337	5 170	10 212	0	0	0	0	231 054	248 719
Net agio/disagio	8	44 371	16 972	-4 076	590	0	0	0	0	13 622	20 347	53 917	37 909
Net interest income	9	53 514	71 380	628	842	884	928	25	53	817	984	55 868	74 187
Dividends	18	0	0	0	0	0	0	0	0	0	0	0	0
Other income		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUES		1 662 181	1 543 386	7 855	25 516	15 769	24 368	25	53	19 777	35 290	1 705 608	1 628 612
Administrative expenses	10	150 176	138 515	464	380	6 186	6 066	464	419	232	162	157 522	145 541
Other operating expenses	11,19	2 808	6 006	0	426	0	0	0	0	0	0	2 808	6 432
TOTAL OPERATING EXPENSES		152 984	144 522	464	805	6 186	6 066	464	419	232	162	160 330	151 974
PROFIT/LOSS BEFORE PROVISIONS AND FUND IMPAIRMENT		1 509 197	1 398 864	7 391	24 711	9 583	18 301	-439	-366	19 545	35 128	1 545 278	1 476 638
Net change in individual provisions for guarantee liabilities	5	1 477 602	278 609	-43 000	43 000	-35 898	-44 102	0	0	-15 194	26 476	1 383 510	303 983
Net change in collective provisions for guarantee liabilities	5	-517 339	161 798	39 460	32 379	64 969	29 064	0	0	-186	-5 023	-413 096	218 218
Net change in claim receivables	6	443 110	171 027	6 438	608	0	0	0	0	0	2 835	449 548	174 469
Net change in impairment of moratorium agreements	7	-1 545	-2 005	-442	-982	0	0	0	0	-2 950	198	-4 936	-2 789
NET CHANGE IN PROVISIONS AND FUND IMPAIRMENT		1 401 828	609 429	2 456	75 005	29 070	-15 038	0	0	-18 330	24 485	1 415 025	693 881
Finance costs		0	35 000	0	0	0	0	0	0	0	0	0	35 000
PROFIT/LOSS BEFORE TRANSFERS TO/FROM THE STATE	12	107 369	754 435	4 935	-50 294	-19 487	33 339	-439	-366	37 875	10 643	130 253	747 757
State grants/transfers to the state	12,13,19	0	0	0	0	0	0	0	0	-9 500	-13 337	-9 500	-13 337
PROFIT/LOSS FOR THE PERIOD		107 369	754 435	4 935	-50 294	-19 487	33 339	-439	-366	28 375	-2 694	120 753	734 420
Allocations													
Transferred to/from accumulated capital		107 369	754 435	4 935	-50 294	-19 487	33 339	-439	-366	28 375	-2 694	120 753	734 420

Amount (NOK '1 000)	Note	General Guarantee Scheme		Developing Countries Guarantee Scheme		Building Loan Guarantee Scheme		Energy Purchase Guarantee Scheme		Being phased out (Note 21)		Total all schemes	
		31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	
BANK DEPOSITS													
Bank deposits in NOK		5 418 580	6 096 408	513 003	518 063	103 587	87 851	2 722	2 697	90 417	82 135	6 128 309	6 787 153
Bank deposits in foreign currency		2 985 830	1 694 161	0	0	0	0	0	0	0	0	2 985 830	1 694 161
TOTAL BANK DEPOSITS	9	8 404 410	7 790 568	513 003	518 063	103 587	87 851	2 722	2 697	90 417	82 135	9 114 138	481 313
RECEIVABLES, CLAIMS													
Receivables in connection with payments under guarantee	6,19	1 704 224	356 156	10 673	4 235	0	0	0	0	267 779	259 589	1 982 676	619 980
Individual impairment of receivables	6	-709 340	-236 371	-8 859	-2 421	0	0	0	0	-230 277	-226 182	-948 475	-464 975
Claims, moratorium agreements	7,14	150 021	142 430	42 032	37 808	0	0	0	0	271 579	272 625	463 632	452 863
Impairment, moratorium claims	7	-22 113	-20 941	-8 406	-7 562	0	0	0	0	-149 821	-149 958	-180 340	-178 461
Other receivables	17,19	233 121	229 152	7 330	629	332	299	0	0	0	0	240 783	230 080
TOTAL RECEIVABLES		1 355 914	470 426	42 769	32 689	332	299	0	0	159 260	156 074	1 558 275	659 488
FINANCIAL FIXED ASSETS													
Shares	18	92	0	0	0	0	0	0	0	0	0	92	0
TOTAL FINANCIAL FIXED ASSETS		92	0	0	0	0	0	0	0	0	0	92	0
TOTAL ASSETS		9 760 416	8 260 994	555 772	550 752	103 919	88 150	2 722	2 697	249 677	238 209	10 672 505	9 140 802
LIABILITIES													
Amount (NOK '1 000)	Note	General Guarantee Scheme		Developing Countries Guarantee Scheme		Building Loan Guarantee Scheme		Energy Purchase Guarantee Scheme		Being phased out (Note 21)		Total all schemes	
		31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	
Individual provisions for guarantee liabilities	14	0	0	0	0	0	0	0	0	833 764	833 764	833 764	833 764
Collective provisions for guarantee liabilities	15,19	0	86	0	0	0	0	10 000	10 000	0	0	10 000	10 086
Provision, prepaid premiums	16,19	-14 164	-8 584	1 166	702	13 557	7 372	1 066	602	1 254	1 022	2 879	1 113
TOTAL PROVISIONS		-14 164	-8 498	1 166	702	13 557	7 372	11 066	10 602	835 018	834 786	846 643	844 964
PROVISIONS													
Individual provisions for guarantee liabilities	5	2 446 382	774 902	0	43 000	0	35 898	0	0	14 753	26 476	2 461 135	880 276
Collective provisions for guarantee liabilities	5	2 129 379	2 334 338	103 517	54 574	100 000	35 031	0	0	627	706	2 333 522	2 424 649
Provision, prepaid premiums		460 801	529 604	30 443	36 764	0	0	0	0	7 090	12 428	498 334	578 795
TOTAL PROVISIONS		5 036 562	3 638 843	133 959	134 338	100 000	70 930	0	0	22 470	39 610	5 292 991	3 883 720
CAPITAL													
Accumulated capital		4 738 017	4 630 648	-29 353	-34 288	-9 638	9 849	-8 344	-7 905	-607 811	-636 186	4 082 871	3 962 117
Paid-in primary capital, Developing Countries Guarantee Scheme	19	0	0	450 000	450 000	0	0	0	0	0	0	450 000	450 000
TOTAL CAPITAL	12	4 738 017	4 630 648	420 647	415 712	-9 638	9 849	-8 344	-7 905	-607 811	-636 186	4 532 871	4 412 117
TOTAL LIABILITIES AND CAPITAL		9 760 416	8 260 994	555 772	550 752	103 919	88 150	2 722	2 697	249 677	238 209	10 672 505	9 140 802

Notes to the accounts

1) Accounting principles

GIEK is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) whose objective is to promote 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, subsequently referred to as the fund accounts. The fund accounts are not part of the central government accounts. The fund accounts in the guarantee schemes are approved by the board.

The annual accounts for the General Guarantee Scheme, Developing Countries Guarantee Scheme, Building Loan Guarantee Scheme, Energy Purchase Guarantee Scheme and guarantee schemes being phased out comprise a profit/loss account, balance sheet and notes to the accounts. The annual accounts have been prepared in accordance with the principles of the Norwegian Accounting Act, as applicable. The structure of the accounts is based on the Annual Financial Statement Regulations for Banks (Regulation No. 1240 of 16 December 1998) and is tailored to the operations of the guarantee schemes. The accounts for the guarantee schemes being phased out are presented together, with key figures for each shown in Note 21. This applies to the Old General Guarantee Scheme, the Old Special Schemes and the CIS/Baltic Scheme 1999–2002. A cash flow analysis has not been prepared.

All figures are stated in thousands of Norwegian kroner (NOK 1 000) unless otherwise stated in the notes. In several notes it is appropriate to use abbreviations for the schemes. The following abbreviations (corresponding to the scheme names in Norwegian) are used for the seven guarantee schemes that GIEK administers:

General Guarantee Scheme	AGO
Developing Countries Guarantee Scheme	ULA
Building Loan Guarantee Scheme	BYG
Energy Purchase Guarantee Scheme	KRA
Old General Guarantee Scheme	GAM
Old Special Schemes	SÆR
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, as applicable. The accounts 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), administrative expenses and transfers to/from the state. The calculation of individual and collective provisions follows 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. A description of the accounting treatment of the individual items is provided below.

Revenues

Guarantee premiums

GIEK generates income primarily through premiums on current guarantees. There are two main types of guarantee premium: per annum and prepayment ("up-front"). As a rule, both types of premium are recognised in the accounts once the underlying loan has been disbursed. The per annum premium falls due in arrears, and comprises interest and instalments on 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. An “arrangement fee” and similar procedural fees fall due upon issuance 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 informational value of 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 consistent with the prudence principle in the Accounting Act.

Interest income and interest expenses related to bank deposits and borrowings (use of drawdown facility) are recognised when they are earned or incurred.

Other income is recognised when earned.

Operating expenses

The administrative accounts are kept in accordance with 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 formula.

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 could lose on specified individual commitments. Collective provisions reflect known market or other conditions that could result in 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 criterion for calculating losses on individual guarantees is that there is objective evidence that a guarantee has fallen in value. Objective evidence that a guarantee has fallen in value includes observable data GIEK has knowledge of, such as serious financial problems on the part of the debtor, payment default or the granting of payment deferral.

Provisions for groups of guarantees are made when there is objective evidence of falls in the value of 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 the 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 on the balance sheet date, the probability of default and the expected value of any security when realised. Changes may occur in macroeconomic conditions as 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 must be made to reflect these factors in the provision level through a macro-factor. The macro-factor is set based on an assessment of the market, and can be market-, sector- or country-specific.

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

No provisions relating to concentration risk for country and sector have 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 present these assessments separately from their accounts.

Payments under guarantee and impairments of receivables

Upon pay-out under a guarantee, GIEK is subrogated to the guarantee recipient's claim against the debtor. The receivable is recognised upon payment under the guarantee.

Net receivables in the balance sheet represent the recoverable value GIEK has estimated for these receivables. Impairment is taken for the part of a receivable that is believed to be unrecoverable at period-end

Claims under moratorium agreements

Moratorium agreements are debt repayment agreements achieved through international creditor collaboration in the Paris Club. The claims have arisen as a result of payments under guarantee based on political risk. The net change in the principal is recognised in its entirety when the agreement is signed, with the exception of forward items which are recognised as income when GIEK takes of the claims on the payment date. The profit and loss account is also affected by changes in current agreements, such as accrued contractual interest, payment of default interest, consolidation of agreements, debt cancellation, foreign exchange gains/losses and floating interest rates.

Debt relief

Impairment is taken for the portion of the moratorium claims assumed to be unrecoverable at period-end. It is assumed that compensation will be received for debt relief decided by the state beyond the debt relief agreed in the Paris Club (international debt agreements). The value of claims included in the debt plan (see below) is specified in this plan. It is assumed that compensation will be 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.

The Debt Relief Strategy Financing Facility

Some moratorium claims and liabilities of certain countries that have not been dealt with by the Paris Club are covered by the Norwegian Debt Relief Strategy Financing Facility, which was adopted by the Storting in December 1997 along with the central government budget for 1998 and applies to claims under old schemes. It was updated in 2004. Under the debt plan, GIEK's claims from countries included in the plan can be cancelled without new state appropriations by netting them against a specified limit. The Debt Relief Strategy Financing Facility limit was set on the basis of the claims' value at the time the plan was adopted, and is recorded as debt to the state. This debt, called the residual amount for settlement, decreases as the claims are waived (and settled). The Debt Relief Strategy Financing Facility (residual amount for settlement) is recorded at granted amounts less approved settlements. The Debt Relief Strategy Financing Facility takes the form of a preliminary allocation and does not represent an accounting obligation.

Foreign exchange

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

Reducing currency risk

Bank accounts are established in USD and EUR to balance the currency risk for the General Guarantee Scheme. The guarantee scheme's direct exposure is a function of the net realisable value of receivables, bank deposits and the provisions made for guarantee liabilities. The purpose of the various currency accounts is to reduce currency risk by balancing receivables and bank deposits against loss provisions. The balancing is done every four months, though with the ability to undertake buying/selling in conjunction with major portfolio changes independent of the four-month period's end point. 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.

Similar mechanisms for reducing currency risk have not been established for the other guarantee schemes.

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 its work on GIEK’s behalf. Provision for guarantee liabilities and valuation of any claims are based on information from GK and GIEK’s own assessments.

Dividends

GIEK recognises dividends received on the date of receipt.

Transactions between related parties

The following institutions are defined as related parties: MTIF, GK, Export Credit Norway and Box Topco. Transactions involving GIEK and GK, Export Credit Norway and/or Box Topco are based on commercial terms.

Tax

As a public enterprise GIEK is tax-exempt. Neither tax costs nor deferred tax liabilities are recorded for the guarantee schemes.

Shares

Shares are recorded at cost. If their value falls below cost, the value is written down to fair value if the drop in value is not temporary. In December 2015, GIEK purchased 75 per cent of the shares in the company Box Topco AS. The company was founded in November 2015 and had no activity in 2015.

The accounts for the General Guarantee Scheme and Box Topco AS are not consolidated, since the intention is that Box Topco will take possession of security assets for temporary ownership.

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 changes in accounting principles or corrections of previous years’ material errors are accounted for within accumulated capital.

2) Changes in accounting principles

There were no changes in the accounting principles in 2015.

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.

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.

Guarantee pricing also depends on other conditions, such as project risk, bank participation and guarantee issuance terms in general, as well as GIEK’s opportunity to establish security in the form of deposits or

other types of security. In addition, administrative fees, commitment fees and other types of fees may be charged. 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. GIEK has estimated that earned, unrecognised fee revenues at the end of 2015 would have been in the range of NOK 80–110 million if fee revenues had been accrued over the guarantee term. The fee revenues in 2015 would have been NOK 75 million lower with accrual.

4) Composition of the guarantee portfolio

The tables below show the distribution of outstanding guarantee liabilities by sector and product

Total outstanding guarantee liabilities		
Distribution by sector	31. Dec. 2015	31. Dec. 2014
Oil/gas	87 163 007	75 893 573
Energy	5 098 224	4 743 688
Shipping	4 080 866	4 470 002
Industry	2 785 965	2 921 897
Water, sewerage and waste management	234 048	282 687
Other	802 979	1 000 595
Total	100 165 090	89 312 444

Total outstanding guarantee liabilities (31 December 2015)						
Distribution by product	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Buyer credit guarantee	96 336 236	949 328	0	0	112 807	97 398 372
Bond guarantee	486 860	0	0	0	0	486 860
Supplier credit guarantee	56 553	0	0	0	0	56 553
Letter of credit guarantee	57 445	0	0	0	0	57 445
Investment guarantee	448 700	0	0	0	0	448 700
Other	309 197	0	0	0	0	309 197
Reinsurance GK	638 183	0	0	0	0	638 183
Building Loan Guarantee	0	0	769 780	0	0	769 780
Total	98 333 174	949 328	769 780	0	112 807	100 165 090
Secured with collateral	76 %	69 %	100 %		0 %	

For the unsecured guarantees, 77 per cent of guarantee recipients have an investment-grade rating or state risk.

Total outstanding guarantee liabilities (31 December 2014)						
Distribution by product:	AGO	ULA	BYG	KRA	Being phased out	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 with collateral	76 %	19 %	100 %		1 %	

For the unsecured guarantees, 31 per cent of guarantee recipients have an investment-grade rating or state risk.

5) Provision for guarantee liabilities

31 December 2015	Liability	Provision	%	31 December 2014	Liability	Provision	%
AGO	98 333 174	4 575 761	4,7 %	AGO	88 162 696	3 109 240	3,5 %
ULA	949 328	103 517	10,9 %	ULA	476 846	97 574	20,5 %
BYG	769 780	100 000	13,0 %	BYG	519 137	70 930	13,7 %
KRA	0	0	0,0 %	KRA	0	0	0,0 %
GAM	112 807	15 380	13,6 %	GAM	152 935	27 163	17,8 %
SÆR	0	0	0,0 %	SÆR	0	0	0,0 %
SUB	0	0	0,0 %	SUB	829	19	2,3 %
Total	100 165 090	4 794 657	4,8 %	Total	89 312 444	3 304 925	3,7 %
Individual provisions		2 461 135		Individual provisions		880 276	
Collective provisions		2 333 523		Collective provisions		2 424 649	
Total		4 794 657		Total		3 304 925	

GIEK reinsures a portion of GIEK Kredittforsikring AS's portfolio. This guarantee liability amounted to NOK 638 million as at 31 December 2015, and the provision for guarantee liability is included in the provision for the General Guarantee Scheme (AGO).

The provision for guarantee liabilities consists of exchange rate changes and changes in provisions in the profit/loss account. Developments in these items are apparent from the following tables:

Individual provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provision for guarantee liabilities 1 January 2015	774 902	43 000	35 898	0	26 476	880 276
Year's change in guarantee liability provision	1 477 602	-43 000	-35 898	0	-15 194	1 383 510
Unrealised currency losses on provision	193 878	0	0	0	3 471	197 349
Provision for guarantee liabilities 31 December 2015	2 446 382	0	0	0	14 753	2 461 135

Collective provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provision for guarantee liabilities 1 January 2015	2 334 338	54 574	35 031	0	705	2 424 649
Year's change in guarantee liability provision	-517 339	39 460	64 969	0	-186	-413 096
Unrealised currency losses on provision	312 380	9 482	0	0	107	321 970
Impairment of guarantee liabilities 31 December 2015	2 129 379	103 517	100 000	0	627	2 333 523

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

The likelihood of default in the portfolio has increased in 2015, as made clear by lower rating, and provisions have increased as a result. A large share of GIEK's portfolio is in industries where uncertainty increased in 2015, and this has led to uncertainty regarding market valuations of collateral security. To account for this uncertainty, market values have been reduced on an industry-

specific basis. Consideration is also given to the jurisdiction in question, with the value of real security being reduced if warranted by geographical location. Additionally, provisions have been made as a result of excessive exposure to individual customers/business groupings. This is done in the case of exposures that would have exceeded banking regulatory limits for exposure to individual customers.

Quantifying the factors mentioned for the calculation of collective provisions is always partly a matter of judgment, and the quantifies reflect GIEK's best estimates.

6) Receivables related to payments under guarantees and associated impairments

Upon pay-out under a guarantee, GIEK is subrogated to the guarantee recipient's claim against the debtor. The receivable is recognised upon payment. Measures are taken to collect receivables. Recoveries in connection with reinsurance are also included in this accounting item.

Net receivables in the balance sheet represent the recoverable value that GIEK has estimated for these receivables. In the same way that the guarantee portfolio is risk assessed, an evaluation is made of receivables in the balance sheet. This assessment is done every four months.

Receivables in connection with payments under guarantees are distributed as follows:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Value of receivables in connection with payments under guarantees 1 January 2015	119 784	1 814	0	0	33 407	155 005
Net additions/repayment of claims	1 178 857	0	0	0	0	1 178 857
Year's change in impairment of receivables	-391 428	0	0	0	0	-391 428
Currency gains	87 671	0	0	0	4 095	91 766
Value of receivables 31 December 2015	994 884	1 814	0	0	37 502	1 034 200
Probability of loss, by percentage of receivables	41,6 %	83,0 %	0,0 %	0,0 %	86,0 %	47,8 %
Receivables in connection with payments under guarantees	1 704 224	10 673	0	0	267 779	1 982 676
Individual impairments of receivables	-709 340	-8 859	0	0	-230 277	-948 475
Value of receivables 31 December 2015	994 884	1 814	0	0	37 502	1 034 200

The following table provides an overview of changes in impairment of receivables, payments under guarantees in 2015, as well as amounts paid in on impaired ordinary receivables (recovery).

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Write-offs	8 243	0	0	0	0	8 243
GK change in impairment of ordinary receivables	-3 669	0	0	0	0	-3 669
Change in impairment of ordinary receivables	386 854	0	0	0	0	386 854
Write-offs and changes in impairment of receivables	391 428	0	0	0	0	391 428
Value change in receivables and expensing of new receivables	0	0	0	0	0	0
Expenses in connection with payments under guarantees	6 203	0	0	0	0	6 203
Value change in connection with reinsurance and expensing of new reinsurance	47 227	6 438	0	0	0	53 665
GK recognition of earlier write-offs	-1 671	0	0	0	0	-1 671
Recognition of earlier write-offs	-78	0	0	0	0	-78
Other changes in receivables and related costs	51 682	6 438	0	0	0	58 120
Net change in claim receivables	443 110	6 438	0	0	0	449 548

Payments under guarantees for the General Guarantee Scheme (AGO) amounted to NOK 1.18 billion.

7) Claims under moratorium agreements

Moratorium agreements are debt repayment agreements with five countries achieved through international creditor collaboration in the Paris Club. These claims result from payments under the guarantees arising from political risk. The principal in new agreements is classified as a claim, and all claims are valued. The value of the claims is also 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 for debt relief and hence the claims 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 in the balance sheet as claims and are distributed by guarantee scheme in the following manner:

	AGO	ULA	Being phased out	Total all schemes
Value of claims under moratorium agreements 1 January 2015	121 489	30 246	122 666	274 402
Net additions/repayment of claims under moratorium agreements	-14 197	-2 532	-16 350	-33 079
Currency gains	18 750	5 405	13 106	37 261
Year's change in impairments of claims under moratorium agreements	1 866	506	2 335	4 707
Change in debt plan	0	0	0	0
Value of claims under moratorium agreements 31 December 2015	127 908	33 626	121 757	283 291
Claims under moratorium agreements	150 021	42 032	271 579	463 632
Impairment of claims under moratorium agreements	-22 113	-8 406	-149 821	-180 340
Value of claims under moratorium agreements 31 December 2015	127 908	33 626	121 758	283 292

8) Currency exposure

In GIEK's guarantee portfolio, guarantee liabilities exist in different currencies. The following table summarises the total currency exposure in NOK by scheme:

Guarantee liabilities including reinsurance GK						
	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
USD	74 654 545	653 459	0	0	112 807	75 420 811
NOK	18 816 105	0	769 780	0	0	19 585 886
EUR	3 938 776	295 870	0	0	0	4 234 646
GBP	325 730	0	0	0	0	325 730
Other	598 017	0	0	0	0	598 017
Total	98 333 173	949 328	769 780	0	112 807	100 165 090

Matters specific to 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 the net realisable value of receivables, bank deposits and provisions made for guarantee liabilities. The purpose of the different currency accounts is to reduce currency risk by balancing receivables and bank deposits against loss provisions. The balancing is done every four months, though with the ability to undertake buying/selling in conjunction with major portfolio changes independent of the four-month period's end point.

Følgende eksponering forelå per 31.12.2015:

Figures in USD 1 000 and EUR 1 000	USD	EUR
Net realisable value of receivables	118 404	6 000
Bank deposits	312 825	24 274
Impairment of guarantee receivables	-334 214	-75 254
Total exposure	97 015	-44 980

Other guarantee schemes

Similar mechanisms to reduce currency risk 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
Realisert kurstap/-gevinst	18 162	1	0	0	0	18 162
Urealisert kurstap/-gevinst på fordringer	106 421	5 405	0	0	17 201	129 027
Urealisert kurstap/-gevinst på bankinnskudd	426 047	0	0	0	0	426 047
Urealisert kurstap/-gevinst nedskrivning garantiansvar	-506 258	-9 482	0	0	-3 579	-519 319
Netto verdivurdering valuta	44 371	-4 076	0	0	13 622	53 917

9) Bank deposits and interest

Each guarantee scheme has at least one bank account at Norges Bank. A work account has been set up for each scheme at Nordea, along with standalone currency accounts at Nordea for the General Guarantee Scheme. In addition, GIEK has a non-interest-bearing account at Norges Bank containing the primary capital of the Developing Countries Guarantee Scheme (ULA). As at 31 December 2015, GIEK had the following bank deposits per scheme converted into NOK 1 000 at the exchange rate applicable on the balance sheet date:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest-bearing at Norges Bank	5 418 580	63 003	103 587	2 722	90 417	5 678 309
Non-interest-bearing at Norges Bank	0	450 000	0	0	0	450 000
USD deposits at Nordea	2 752 421					2 752 421
EUR deposits at Nordea	233 409					233 409
Bank deposits 31 December 2015	8 404 410	513 003	103 587	2 722	90 417	9 114 138

In addition, GIEK has a drawdown facility with the MTIF. This was not used in 2015.

Net interest income is distributed as follow:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest income	53 514	628	884	25	817	55 868
Interest expenses	0	0	0	0	0	0
Net interest income	53 514	628	884	25	817	55 868

Interest rates are set on a semi-annual basis.

Interest rates have been close to 0% for USD accounts.

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

VI. Annual accounts, part 2 – Accounts for the guarantee schemes (fund accounts)

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 formula set annually. The distribution formula reflects underlying costs and workload.

Summary of GIEK's administrative expenses in 2015 with comparative figures for 2014:

	2015	2014
Wages and salaries	71 702	63 426
Employer's national insurance contributions	11 417	10 035
Pension contributions	7 799	7 182
Buildings, machines and furnishings	24 713	26 592
Expert help	18 673	20 793
Other operating expenses	23 217	17 513
Total administrative expenses	157 522	145 541
Administrative expenses, other actors*	1 040	1 930
Total administrative expenses charged to administrative accounts	158 562	147 471
Charged to General Guarantee Scheme	150 176	138 515
Charged to Developing Countries Guarantee Scheme	464	380
Charged to Building Loan Guarantee Scheme	6 186	6 066
Charged to Energy Purchase Guarantee Scheme	464	419
Charged to schemes being phased out	232	162
Total charged	157 522	145 541
Charged to other actors*	1 040	1 930
Total charged to administrative accounts	158 562	147 471

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

Remuneration of the Board of Directors in 2015:

Board of Directors	Remuneration	Period 2015
Karin Bing Orgland	285 417	jan-des
Torfinn Kildal	228 333	jan-des
Arve Bakke	164 833	jan-des
Maria Borch Helsengreen	164 833	jan-des
Nina Udnes Tronstad - new	45 000	aug-des
John G Bernander	164 833	jan-des
Elisabeth Gisvold	89 833	jan-jul
Rolf Tjugum, employee representative	78 750	jan-des
Vibeke Stray, employee representative	164 833	jan-des
Marit Kirkhusmo	164 833	jan-des
Total remuneration	1 551 500	

There is no agreement with the board chair as to severance pay or bonuses.

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 2015	AGO	ULA	BYG	KRA	Being ph. out	Total all schemes
GK Ceding Commission (costs associated with reinsurance)	2 796	0	0	0	0	2 796
Purchase of credit information and other costs	11	0	0	0	0	11
Bank fees and rounding of øre	1	0	0	0	0	1
Total	2 808	0	0	0	0	2 808

Sammenlignbare tall for 2014:

Other operating expenses 2014	AGO	ULA	BYG	KRA	Being ph. out	Total all schemes
GK Ceding Commission (costs associated 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 rounding of øre	-1	0	0	0	0	-1
Total	6 006	426	0	0	0	6 432

12) Capital

	AGO	ULA	BYG	KRA	Being ph. out	Total all schemes
Paid-in primary capital 31 December 2014		450 000				450 000
Accumulated capital 31 December 2014	4 630 648	-34 288	9 849	-7 905	-636 186	3 962 118
Profit/loss 2015 before transfers to the state	107 369	4 935	-19 487	-439	37 875	130 253
State transfers	0	0	0	0	-9 500	-9 500
Accrued capital 31 December 2015	4 738 017	420 647	-9 638	-8 343	-607 811	4 532 871

13) Transfers to/from the state

The Old General Guarantee Scheme and Old Special Schemes annually pay a sum determined by the Storting to the Treasury – NOK 9.5 million for 2015. From 2006 to 2015, accumulated transfers amounted to NOK 2.84 billion; see Note 19 on related parties.

Beyond short-term needs and annually estimated administrative expenses, up to NOK 450 million of the Developing Countries Guarantee Scheme's funds must be held in the primary capital fund. The guarantee scheme regulates its liquidity through transfers to/from the fund. The fund is shown as paid-in primary capital of NOK 450 million in the balance sheet for the Developing Countries scheme.

The primary capital fund is non-interest-bearing.

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

14) The Debt Relief Strategy Financing Facility

Under the Debt Relief Strategy Financing Facility, GIEK's claims from certain countries can be cancelled without new appropriations by netting them against a specified limit. The Norwegian Debt Relief Strategy Financing Facility 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 Relief Strategy Financing Facility was utilised as follows in 2015:

	GAM	SÆR	Sum
Remaining debt plan limit 1 January 2015	829 685	4 080	833 764
Debt cancellation	0	0	0
Remaining debt plan limit 31 December 2015	829 685	4 080	833 764

The Debt Relief Strategy Financing Facility is a framework stipulated by the Ministry of Foreign Affairs in which GIEK is compensated for debt relief according to terms set by the ministry. If debt relief is approved without coverage from the Debt Relief Strategy Financing Facility, it will negatively affect the profit/loss accounts of the guarantee schemes being phased out. As a result, the remaining limit under the Debt Relief Strategy Financing Facility now exceeds the remaining debt plan claims.

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

GIEK has received NOK 10 million for the establishment of the Energy Purchase Guarantee Scheme. No guarantees were issued under this scheme in 2015.

16) Other liabilities

Other liabilities as at 31 December 2015 consist of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Unpaid administrative expenses	-13 564	1 166	13 557	1 066	654	2 879
Other ledger entries	-600	0	0	0	600	0
Total other liabilities	-14 164	1 166	13 557	1 066	1 254	2 879

Comparative figures as at 31 December 2014:

	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

17) Other receivables

Other receivables at 31 December 2015 consist of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Accrued, unpaid income from guarantees	238 271	1 275	332	0	0	239 878
Other receivables and outstanding amounts	-5 150	6 054	0	0	0	905
Total other receivables	233 121	7 330	332	0	0	240 783

Comparative figures as at 31 December 2014:

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

18) Shares

Company	Number of shares	Nominal value NOK	Book value NOK 31 December 2015	Ownership/voting share/
Box Topco AS	1 800	42	91 800	75 %

Box Topco AS was established in November 2015. GIEK purchased 75 per cent of its shares in December 2015. There was no activity in the company in 2015, and the company is not required to issue accounts as at 31 Dec. 2015.

No dividend was paid by Box Topco in 2015. Box Topco's registered office is in Oslo. See Note 19 for additional information about the company.

19) Related parties

GIEK Kredittforsikring AS, Export Credit Norway, the Ministry of Trade, Industry and Fisheries and Box Topco AS are defined as related parties.

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. In exchange, GIEK receives a proportionate share of the guarantee premium and premium for excess loss (XL) coverage. For 2015 this amounted to NOK 8.4 million (NOK 17 million).

GK is compensated for its work through a percentage of GIEK's guarantee premium (ceding commission). In 2015, GIEK's cost was NOK 56.5 million (NOK 67 million), composed of NOK 2.8 million in ceding commission and NOK 53.7 million in respect of change in value and expensing of reinsurance.

As at 31 December 2015, GIEK has a claim on GK totalling NOK 887 927 and debts to GK of NOK 0.

Two GIEK employees sat on GK's Board of Directors until April 2015. CEO Wenche Nistad was the Board Chair and received NOK 61 167 for this in 2015. Georg Kervel received NOK 36 433 in 2015 for his service as a board member.

Eksportkreditt Norge AS

Export Credit Norway is wholly owned by the MTIF and administers export financing on behalf of the state. The guarantee schemes guarantee NOK 62 billion (NOK 45.5 billion) worth of Export Credit Norway's lending portfolio. For this, GIEK receives premiums and fee revenues on market terms, which in 2015 amounted to NOK 884 million (NOK 686 million) in premiums and NOK 198 million (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 Guarantee Scheme. The exposure limit for this scheme is seven times the primary capital fund (NOK 3.15 billion). The management of the primary capital fund was transferred from the MTIF to GIEK in 2008, with NOK 300 million in the fund. An additional NOK 150 million was transferred to the primary capital fund in 2009.
- 2 Transfer of bank deposits. For the Old General Guarantee Scheme and Old Special Schemes, annual transfers equivalent to bank deposits at the beginning of the year, less NOK 25 million, are made to the MTIF. In 2015, this amounted to NOK 9.5 million.
- 3 The Energy Purchase Guarantee Scheme has a debt of NOK 10 million to the MTIF.

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

Box Topco AS

In November 2015 GIEK purchased 75 per cent of the shares in Box Topco AS. Box Topco will become owner of collateralised objects in cases where GIEK views ownership as the best way to safeguard a collateralised object's value. As at the balance sheet date, Box Topco had not assumed ownership of any assets.

GIEK has provided a NOK 16 800 loan to Box Topco AS. The loan was provided on market terms. There was no activity in the company in 2015.

20) Liquidity risk

GIEK issues guarantees on behalf of the Norwegian state. GIEK does not have liquidity risk since procedures have been established to draw on the state's liquidity. If the liquidity available in an individual guarantee scheme is insufficient, the MTIF will be informed and the drawdown facility will be used so that GIEK can administer the Norwegian state's obligations.

The table sets out the maturity dates for the underlying loans GIEK has guaranteed:

	< 1 month	1-3 months	3 months-1 year	1-5 years	> 5 years	Total
Guaranteed loans	32 600	74 217	1 833 702	9 930 264	88 294 307	100 165 090
of which in foreign currency	27 230	71 605	937 444	9 569 295	70 618 196	81 223 770

21) Key figures 2015 for guarantee schemes being phased out

	GAM	SÆR	SUB	Total
Profit/loss account				
Total revenues	16 595	2 769	413	19 777
Total operating expenses	77	77	77	232
Profit/loss before fund provisions	16 518	2 692	335	19 545
Net change in fund provisions	-17 274	-1 037	-19	-18 330
Profit/loss before transfers to/from the state	33 791	3 729	354	37 875
Transfers to/from the state	-5 100	-4 400		-9 500
Profit/loss for the year	28 691	-671	354	28 375
Balance sheet				
Bank deposits	43 455	14 616	32 346	90 417
Receivables	140 604	18 655	0	159 260
Total assets	184 059	33 271	32 346	249 677
Liabilities	829 978	4 880	160	835 018
Provisions	22 470	0	0	22 470
Accrued capital	-668 389	28 391	32 186	-607 811
Total liabilities and capital	184 059	33 271	32 346	249 677

Before transfer to the state, the total result for all guarantee schemes being phased out was a profit of NOK 37.9 million. After transfer of NOK 9.5 million to the MTIF, the combined result for guarantee schemes being phased out was a profit of NOK 28.4 million.

22) Events after the balance sheet date

As at the date of accounts, no information has emerged regarding significant matters of consequence for the 2015 accounts.



Vår referanse 2016/00345-1

Utsatt offentlighet jf. rrevl. § 18(2)

GARANTIINSTITUTTET FOR
EKSPORTKREDITT
Org. nr.: 974760908

Riksrevisjonens beretning

Uttalelse om årsregnskapet (fondsregnskapet)

Riksrevisjonen har revidert Garantiinstituttet for Eksportkreditts (GIEKs) årsregnskap for 2015. Årsregnskapet (fondsregnskapet) består av resultat- og balanseoppstilling, noteopplysninger og styrets beretning, samt oppstilling av bevilgningsrapportering med noter.

Virksomhetsledelsens ansvar for årsregnskapet (fondsregnskapet)

Virksomhetens ledelse er ansvarlig for at årsregnskapet (fondsregnskapet) gir et rettviseende bilde i samsvar med regelverk for statlig økonomistyring i Norge og regnskapsloven "så langt det passer" jfr Hovedinstruks for GIEK av 11.12.2015 pkt 5.2. Virksomhetsledelsen har ansvaret for intern kontroll som ledelsen finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Riksrevisjonens oppgaver og plikter

Riksrevisjonens oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov og instruks om Riksrevisjonen og internasjonale standarder for offentlig revisjon (ISSAI). Disse standardene krever at vi etterlever etiske krav og planlegger og utfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet som er utformet for å gi et rettviseende bilde ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for virksomhetens utarbeidelse av årsregnskapet, med det formål å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av virksomhetens interne kontroll. En revisjon innebærer også en vurdering av hensiktsmessigheten av regnskapspolicyene som er brukt, rimeligheten av regnskapsestimater som er utarbeidet av ledelsen, så vel som en vurdering av den presentasjonen av årsregnskapet.

Etter Riksrevisjonens oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter Riksrevisjonens mening gir Garantiinstituttet for Eksportkreditts (GIEKs) årsregnskap (fondsregnskap) i det alt vesentlige et rettviseende bilde av virksomhetens samlede tildeling og beholdninger rapportert i likvidrapport og kapitalregnskapet i samsvar med regelverk for statlig økonomistyring, og den finansielle stillingen per 31. desember 2015 og resultater for det avsluttede regnskapsåret i samsvar med regnskapsloven "så langt det passer", jfr Hovedinstruks for GIEK av 11.12.2015 pkt 5.2.

Presisering til fondsregnskapet etter regnskapsloven

1. I samråd med Nærings- og fiskeridepartementet, har Garantiinstituttet for Eksportkredit (GIEK) gjort enkelte tilpasninger til regnskapslovens bestemmelser. Disse tilpasningene er omtalt i note 1, og vi vil spesielt henlede oppmerksomheten til opplysninger om "Gjeldsplan" og "Gebyrinntekter". I tillegg vil vi henvise til opplysninger om gebyrinntekter i note 3.

Forholdet har ingen betydning for vår konklusjon om regnskapet.

Oslo; 03.03.2016

Etter fullmakt


Hans Conrad Hansen
ekspedisjonssjef


Elisabeth Slaatråten
avdelingsdirektør

VII



VII. Words and expressions

ACCUMULATED CAPITAL <i>Opparbeidet kapital</i>	Accumulated profits. The state does not withdraw a dividend from this capital before the guarantee schemes are wound up.	CHARTER PARTY <i>Certeparti</i>	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 would be signed by an oil company and a shipping company, for example. The shipping company uses the income to pay down the loan and the guarantee relating to the vessel.
BERNE UNION	International Union of Credit and Investment Insurers – an international organisation for public and semi-public guarantee agencies and for private agencies that administer state guarantee schemes.	CLAIM PAY-OUT <i>Utbetaling under garanti</i>	<i>See payment under the guarantee.</i>
BOND FRAMEWORK <i>Bondramme</i>	GIEK's bond guarantee relieves parts of a bank's risk tied to a guarantee 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 as a guarantee the exporter will meet his contractual obligations. A bond framework is a relief agreement between GIEK and a bank with regard to certain exporter. Such an agreement makes it easy for the bank to seek relief for guarantees up to a stated maximum amount.	CO-GUARANTOR <i>Medgarantist</i>	A commercial bank or other actor that shares risk with GIEK.
BOUND UNDER THE EXPOSURE LIMIT <i>Bundet under rammen</i>	The sum total of current guarantees and binding offers of guarantee, stated in NOK. This total must never exceed the exposure limit – the ceiling determined by the Storting (Norway's parliament). Interests and costs are not included in this calculation.	COLLATERAL <i>Sikkerhet</i>	When GIEK requires security for a guarantee, it is to be 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.
BREAK-EVEN (REQUIREMENT) <i>Balanse (-krav)</i>	GIEK guarantees are issued under four different schemes. The break-even requirement is defined in the Regulations for the guarantee schemes: "The term balance for the various guarantee schemes means that balance shall be achieved between premiums, recoveries, financial income and any grants for coverage of losses on the one side, and administration costs, financial expenses and payments under guarantees on the other. Accounts for each guarantee scheme are used to measure the degree to which the break-even requirement has been achieved. Transfers of capital from GIEK to the Treasury must be made visible in the accounts of the different guarantee schemes."	COMMITMENT <i>Engasjement</i>	At GIEK: a guarantee or group of guarantees.
BUYER CREDIT <i>Kjøperkreditt</i>	Credit provided by a financial institution in the exporter's country to a buyer or the buyer's bank abroad.	COVENANTS	Key financial figures or conditions which the exporter or customer must fulfil while a guarantee is current, such as equity ratio, approval of new loans, etc.
BUYER CREDIT GUARANTEE <i>Långivergaranti</i>	GIEK's most commonly used guarantee; it is provided to a lender.	DEFAULT <i>Mislighold</i>	A debtor's breach of the loan agreement. Payment default refers to 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.
		DRAWDOWN PERIOD <i>Opptrekkperiode</i>	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 guarantee's term.
		EARLY REDEMPTION <i>Førtidsinnfrielse</i>	Customer's repayment of an entire loan and guarantee before the agreed time. Early redemption occurs mostly when the customer refinances a loan guaranteed by GIEK.
		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.

VII. Words and expressions

EXPORTS <i>Eksport</i>	Exports that qualify for a GIEK guarantee must consist of goods, services or investments. In practice, what GIEK guarantees are capital goods (machinery, equipment) and associated services, usually for two years. As a general rule, 30 per cent of the contract must be of Norwegian origin, or there must be some other relevant Norwegian interest involved.	LETTER OF CREDIT <i>Remburs</i>	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 will be paid, but can also provide security for the buyer that the exporter will dispatch the goods before receipt of payment. GIEK can relieve some the risk borne by the exporter's bank.
EXPOSURE LIMIT <i>Ramme</i>	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 2015.	LIABILITY <i>Ansvar</i>	An amount for which GIEK has guaranteed by issuing a guarantee, and which GIEK will have to pay out if the loan is defaulted and must be compensated for in full (interest and costs will come in addition).
FEE <i>Gebyr</i>	An administrative one-off charge levied by 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.	LOSS <i>Tap</i>	<i>See payment under the guarantee.</i>
FUNDS <i>Fonds</i>	<i>See schemes</i>	LOSS PROVISION <i>Tapsavsetning</i>	Provisions made from profit reflect the uncertainty of a guarantee or group of guarantees.
GIEK KREDITTFORSIKRING <i>GK Kredittforsikring</i>	A state-owned company that provides short-term guarantees for less than two years. GIEK Kredittforsikring was originally spun off from GIEK as a subsidiary and remained under GIEK until the end of 2014. Since 2015, GIEK Kredittforsikring has reported directly to the Ministry of Trade, Industry and Fisheries, though it still reinsures some of its risk with GIEK.	MORATORIUM (AGREEMENT) <i>Moratorie (-avtale)</i>	An agreement that defers a debtor country's payment of debt to a creditor country. Used especially for agreements organised by the Paris Club.
GUARANTEE <i>Garanti</i>	(Previously called a policy or a guarantee policy.) Under a guarantee, 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 must compensate for this loss. The customer pays GIEK a premium and fee for this. Once the guarantee has been fully paid down, it is removed from the portfolio, outstanding liabilities and bound under the exposure limit.	NORWEGIAN INTEREST <i>Norsk interesse</i>	A guarantee from GIEK must relate to a specific export contract and its associated financial transaction. In exceptional cases, GIEK may accept a low share of exported Norwegian goods and services if the contract in some other way promotes Norwegian value creation.
IMPAIRMENT <i>Nedskrivning</i>	The fall in value of an asset in the balance sheet; at GIEK, often a receivable.	OFFER OF GUARANTEE <i>Tilbud om garanti</i>	If the application for a guarantee is 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.
LENDER <i>Långiver</i>	A company providing loans to the importer/ buyer/debtor. Most GIEK guarantees are buyer credit guarantees tied to loans provided by Export Credit Norway and/or commercial banks.	OUTSTANDING LIABILITY <i>Utestående ansvar</i>	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".
		PARIS CLUB <i>Parisklubben</i>	An association of certain industrialised creditor countries, hosted by France, for restructuring/refinancing of state-to-state debt. GIEK administers moratorium agreements because some developing countries have defaulted on loans taken out to pay Norwegian exporters.

PAYMENT UNDER THE GUARANTEE <i>Utbetaling under garanti</i>	<p>(Previously called “claim pay-out”). If GIEK has guaranteed an exporter’s or importer’s loan or other liability, and that 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 collateral in the goods, the collateral might be realised. If GIEK’s payment was greater than the income derived from selling the asset, the difference is considered a loss.</p>	REINSURANCE <i>Refsikring</i>	<p>A way of reducing one’s own risk by passing it on to another insurance company or financial institution. For example, GIEK may use another guarantee agency to reinsure some of the risk associated with certain of its own guarantees, while GIEK Kredittforsikring reinsures some of its risk with GIEK.</p>
POLICY <i>Garanti</i>	<p><i>See guarantee</i></p>	REVENUE <i>Inntekt</i>	<p>GIEK receives three main types of revenue from the schemes: from customers (premiums and fees); from the state (grants, primary capital, etc.); and from Norges Bank (interest on bank deposits). With the Storting’s approval, a small proportion of revenues finances GIEK’s annual operations.</p>
MORATORIE (-AVTALE)	<p>Avtale som utsetter et debitorlands betaling av gjeld til et kreditorland. Brukes særlig om avtaler i regi av Parisklubben.</p>	RISK <i>Risiko</i>	<p>GIEK has two main types of risk in its portfolio: commercial and political risk. Most cases involve both types.</p>
POLITICAL RISK <i>Politisk risiko</i>	<p>Risk that loans will not be repaid because of political issues. For GIEK, the term covers risk of war, social unrest, expropriation and intervention by the authorities. State buyers may also represent political risk.</p>	SCHEME <i>Ordning</i>	<p>A system stipulated by the Storting to cover certain risks by means of issuing guarantees. GIEK is assigned an exposure limit (upper limit or ceiling, in NOK) for each scheme. Each scheme issues a financial statement and needs to break even in the long term. The General Guarantee Scheme is the primary scheme, but GIEK has separate schemes for shipbuilding loans, energy purchases and developing countries. In addition, GIEK manages a tender guarantee scheme for participation in aid projects on behalf of Norfund.</p>
PORTFOLIO <i>Portefolje</i>	<p>At GIEK: The sum total of guarantees.</p>	SUPPLEMENT TO THE MARKET <i>Supplement til markedet</i>	<p>GIEK does not compete with commercial banks; if banks wish to guarantee an entire loan, GIEK remains outside the transaction. When GIEK guarantees the greater part of a loan, banks can take a smaller share. GIEK thus strengthens exports while expanding the capital markets.</p>
PREMIUM <i>Premie</i>	<p>The price a customer pays for a guarantee from GIEK. Premiums are paid either at the same time as principal payments during the loan’s term or in advance, when the guarantee is issued. One of two main types of revenue at GIEK.</p>	SUPPLIER CREDIT <i>Leverandørkreditt</i>	<p>Credit provided by an exporter to a buyer abroad.</p>
PRIMARY CAPITAL <i>Grunnfond</i>	<p>For the Developing Countries Guarantee Scheme, the Storting has allocated “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 scheme capital.</p>	TERM <i>Løpetid</i>	<p>The duration of a guarantee. The term of a buyer credit guarantee is linked to that of the loan. The maximum term for GIEK’s guarantees is regulated by OECD’s “Arrangement on officially supported export credits”.</p>
PRORATA PRINCIPLE <i>Prorata-prinsippet</i>	<p>Principle of sharing risk on equal terms and conditions (although percentages may differ) among several risk-takers.</p>	WAIVER	<p>Permission to deviate from a previously agreed condition in the loan agreement. Made by the bank and guarantor.</p>
RECEIVABLE <i>Fordring</i>	<p>A claim GIEK has on another party.</p>		
RECOVERIES <i>Gjenvinninger</i>	<p>Amounts that GIEK receives from a debtor or from the collection and realisation of collateral after GIEK has paid out a claim. If the recovery is as large as the pay-out, GIEK loses no money on the guarantee (disregarding present value).</p>		



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