



GIEK

GIEK in 2016
Annual Report summary

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The Norwegian Export Credit Guarantee Agency (GIEK)

– 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 foreign buyers obtain financing, lower risk for Norwegian exporters and foreign buyers and level the competitive playing field for Norwegian companies abroad. Norwegian state guarantees provide a high degree of security for exporters and banks alike.

The guarantees are tailored to the needs of Norwegian exporters and foreign buyers, covering political and commercial risk associated with loans made by private or public financial institutions. Guarantees are provided only when Norwegian goods or services are to be delivered abroad or an export transaction will promote 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 financially in the long run.

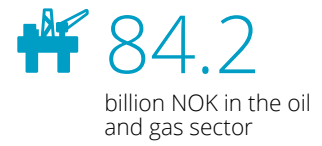
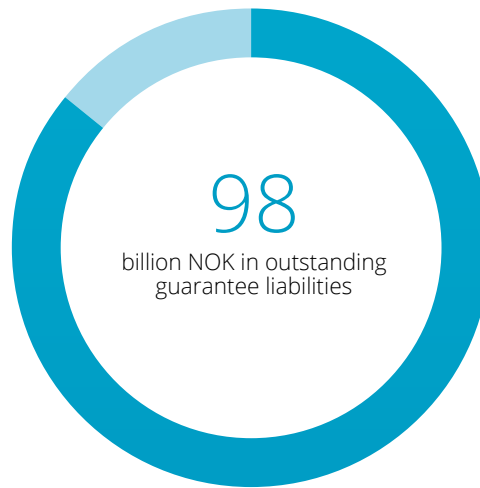
In addition to issuing export guarantees, GIEK manages two domestic guarantee schemes, one for power purchases and the other for shipbuilding at Norwegian yards.

This annual report describes the guarantee schemes and GIEK's achievements in 2016. This is a summary; the complete annual report is available in Norwegian at GIEK.no.

GIEK submits administrative accounts describing the financial condition of GIEK's operational organisation and a separate set of guarantee scheme accounts (fund accounts) that show the revenues and expenses of the different guarantee schemes.

The guarantee scheme accounts are shown all together and configured pursuant to the Accounting Act wherever applicable. The Report of the Board of Directors on the 2016 guarantee scheme accounts is written pursuant to the Accounting Act.

Key figures 2016



419 current guarantees as at 31 December 2016



GIEK issued guarantees for exports to 28 countries in 2016

1.5 billion NOK in guarantee revenues in 2016

3.2 billion NOK paid out under guarantee schemes in 2016

7.8 billion NOK in recorded loss provisions and impairments, an increase of NOK 1.8 billion from 2015

533 million NOK accounting loss in 2016

GIEK had 96 employees with administrative expenses of NOK 173.9 million in 2016.



GIEK is a very important partner

In March 2016, Ponant signed a letter of intent with Vard in connection with the construction of four expedition cruise ships. In August 2016 the contract came into effect and GIEK issued its guarantee.

– The contracts for the four Ponant expedition cruise ships are an important milestone for Vard. These are exciting projects for our employees, and they will have ripple effects in the maritime industry and our communities, says Geir Ingebriksen, the CFO of Vard Group AS.

The four cruise ships will be built at Vard Søviknes, one of five Vard shipyards in Norway. The ships are for expedition cruises and are developed in close cooperation between Ponant, Vard and Vard's majority owner, Fincantieri.

The ships will be delivered in 2018 and 2019. GIEK is guaranteeing loans made by a number of French banks, including BNP Paribas, Crédit Agricole and others.

Solid interest has been shown in GIEK's guarantee schemes from this segment, including from Norwegian shipyards and international buyers.

– International competition for this type of project is tough, and GIEK was a very important partner for Vard in the process of securing these contracts. GIEK is also important to Vard with respect to building loan financing, and we have a good, solutions-oriented cooperation, says Geir Ingebriksen, the CFO of Vard Group AS.



Cruise ship construction demands high standards of quality and expertise, making it more suitable for Norwegian shipyards and suppliers to take a position in this segment. The order from Ponant represents a significant export contract for Norway and helps to maintain and develop our maritime industry expertise. GIEK is proud to contribute to realignment and growth in new markets for Norwegian shipyards.

*Anders Gerlach Nielsen,
First Vice President, Shipping, Yards and Offshore Projects, GIEK.*

Executive summary



New GIEK guarantees triggered export contracts valued at NOK 30.5 billion in 2016. The contracts have helped maintain and create jobs and growth. Feedback received from export industries indicates that two thirds of the exports in question probably would not have occurred, or would have been significantly delayed, without the instruments GIEK provides. Even so, the figure is NOK 14.3 billion lower than in 2015, reflecting what was a challenging year for key industries, for GIEK, and for the Norwegian economy.

The maritime clusters are important centres of expertise and major exporters, even though activity has fallen. There are still profitable projects in the oil and gas supply industry, which accounted for NOK 84.2 billion of GIEK's outstanding liabilities at year-end 2016.

As a government agency, GIEK is to be transparent, predictable and professional. The board and GIEK as a whole emphasise the importance of good, close cooperation between owners, banks and other capital market actors, and they seek sound industrial approaches in restructuring cases.

At the end of 2016 outstanding guarantee liabilities totalled NOK 98 billion, divided among 419 current guarantees. Ninety-three new guarantees valued at NOK 16.7 billion were issued during the year, and 168 guarantee offers totalling NOK 26.6 billion in value were made.

A handwritten signature in black ink, appearing to read 'Karin Bing Ormland'.

Karin Bing Ormland | Chair, Board of Directors



2016 has been a demanding year for the organisation. GIEK has devoted considerable resources to dialogue with our oil services customers. We have worked closely with the banks, owners and other creditors to achieve sustainable financial solutions.

GIEK has also built new relationships with companies, banks and other government actors to trigger new exports. It is gratifying to see that the shipyards have found new customers in new markets, such as the cruise industry. We have also noted a number of new contracts for mainland companies as part of the realignment of Norwegian industry.

In 2016 GIEK signed a framework agreement with the Saipem oil services group for NOK 6.2 billion in loan guarantees. The agreement facilitates delivery of Norwegian goods and services to the company through 2017.

GIEK is helping Norwegian shipyards to secure new building contracts outside the offshore petroleum industry, such as for ferries, cruise ships and wind turbine service vessels. GIEK's long-term loan guarantees to the buyers of ships and ship equipment, along with our guarantees of building loans issued to shipyards, have been effective in realising the shipyard contracts.

A handwritten signature in black ink, appearing to read 'Wenche Nidstad'.

Wenche Nidstad | Chief Executive Officer

Introduction to the agency and key figures

The Norwegian Export Credit Guarantee Agency (GIEK) is a public enterprise under the Ministry of Trade, Industry and Fisheries (MTIF). GIEK's purpose is to promote Norwegian exports and investment by issuing long-term guarantees on behalf of the state. This purpose is to be achieved by GIEK while fulfilling a requirement to break even in the long run.

GIEK and our mandate

GIEK is part of the Government's effort to ensure Norwegian competitiveness and for the Ministry of Trade, Industry and Fisheries to achieve the goal, within sustainable parameters, of maximising overall value creation in the Norwegian economy, including in particular the goal of having companies succeed in international markets. Stable, predictable and competitive financing terms can have a great effect on whether Norwegian companies win contracts or not.

GIEK's operating framework for 2016 was established by the Storting (parliament) in its consideration of the 2016 central government budget, and adopted on 11 December 2015; see Prop. 1 S (2015–2016) as related to the Ministry of Trade, Industry and Fisheries, and Recommendation 8 S (2015–2016). The allocation letter sets goals, priorities and performance requirements for GIEK in 2016. The letter also provides guidelines for certain areas of operation and assigns specific tasks to be completed in 2016, but it does not provide an exhaustive overview of the agency's duties. GIEK's authority and responsibilities are stated in the Main Instructions for the Norwegian Export Credit Guarantee Agency (GIEK), adopted on 11 December 2015.

GIEK's 2016 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.

In order to achieve its goals, GIEK has declared a vision of promoting exports "From Norway to the whole world" in its strategic plan for 2017–2020. The strategic plan builds further on the results chain drawn up in conjunction with the Ministry of Trade, Industry and Fisheries and reproduced in the 2017 allocation letter.



Effective cooperation secures contract in developing country

Bergen Engines won a contract with the Abul Khair group in Bangladesh in 2015. The export contract was secured in part thanks to a EUR 22 million guarantee and loan from GIEK and Export Credit Norway to Abul Khair Steel & Power Ltd. GIEK is guaranteeing 90 per cent of the loan by Export Credit Norway AS, while HSBC is co-guarantor with responsibility for the remaining 10 per cent.

Bergen Engines has supplied power systems to stationary facilities since 1950 and has established a solid base in the growing country of Bangladesh.

The loan and guarantee are financing the purchase of eight gas engines and associated services for the construction of a 50 MW gas power plant in Chittagong. The gas power plant will ensure a stable supply of electricity for steel production by the Abul Khair group. Plans call for its completion in 2017.

– It's exciting to see that Bergen Engines won a contract from a solid company in a challenging market with the help of financing from GIEK and Export Credit Norway. GIEK is proud it can help exporters use state financing to exploit opportunities and grow internationally in new markets, says Astrid Etienne, Senior Vice President, Head of Team, Energy and Industry, GIEK

Bangladesh badly needs to increase power generation in the country, but we've found that it can be difficult for customers to obtain funding. GIEK's guarantee was a crucial part of this transaction, and our good cooperation ensures that we can continue exporting power systems to developing countries like Bangladesh.

*Jon Erik Røv,
Director of Sales & Services, Bergen Engines AS*



Figure 1. GIEK's results chain

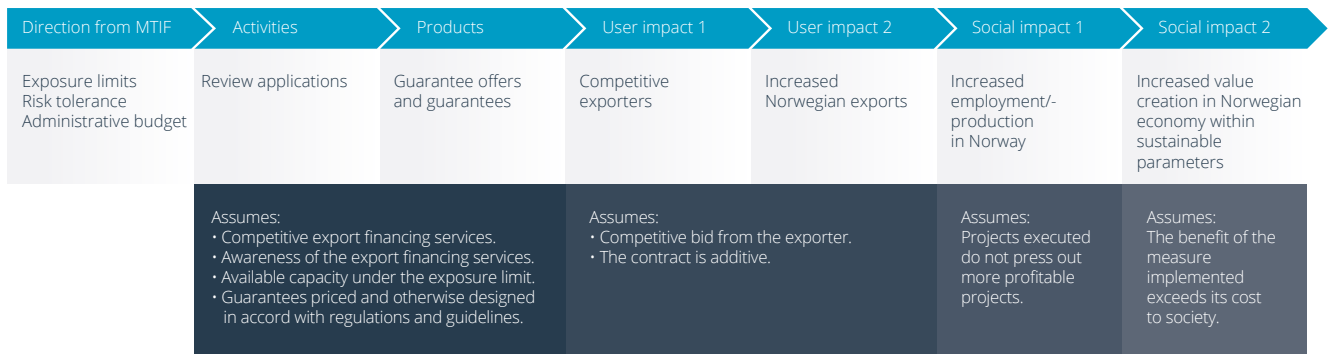


Figure 1 shows the correlations between input factors, activities, products/services and the resulting impacts on users and society.

Social impact

In 2016, at the request of GIEK and Export Credit Norway, Menon Economics measured the additionality¹ and analysed the ripple effects of the combined export finance services of the two agencies. The ripple effects analysis provides a snapshot of GIEK's contribution to Norwegian exports, and shows a combined employment contribution of 13 000 people and a combined value creation contribution of NOK 14.7 billion. The findings are discussed in "The year's activities and results".

Cooperation

GIEK cooperates closely with Export Credit Norway AS and guarantees about 74 per cent of Export Credit Norway's loans. For exporters and their buyers abroad it is important that government export financing be competitive and user friendly. Buyers of Norwegian goods often want a state

guarantee (from GIEK) for a state loan (from Export Credit Norway). Both organisations are working hard to simplify and coordinate the application process for customers as well as the internal review process. Both organisations make their own decisions in individual cases.

In the course of 2016 GIEK and Export Credit Norway expanded their cooperation with GIEK Kredittforsikring AS and Innovation Norway so the agencies could learn more about each other and refer exporters among themselves with greater frequency. Representatives of the organisations have travelled around the country together and met with about 80 companies to present a common array of products and services and listen to the needs of the companies. They also serve as hosts for the Export Conference (see box).

¹ Measured for GIEK and Export Credit Norway together. In the estimates of additionality and ripple effects there is therefore reason to believe that Export Credit is responsible for some of the additionality calculated as GIEK's.

EKSPORT KONFERANSEN

Export Conference

The Export Prize is an annual competition among Norwegian export companies. The prize is awarded at the Export Conference, organised by GIEK, GIEK Kredittforsikring AS and Export Credit Norway AS. Innovation Norway has joined as an organiser in 2017. The prize helps to highlight the importance of exports for Norway and to honour companies that have succeeded in creating value and employment at home by investment abroad. In 2016, the winner of the prize was StormGeo.



EKSPORT PRISEN

Export Prize



Figure 2. The government export support system

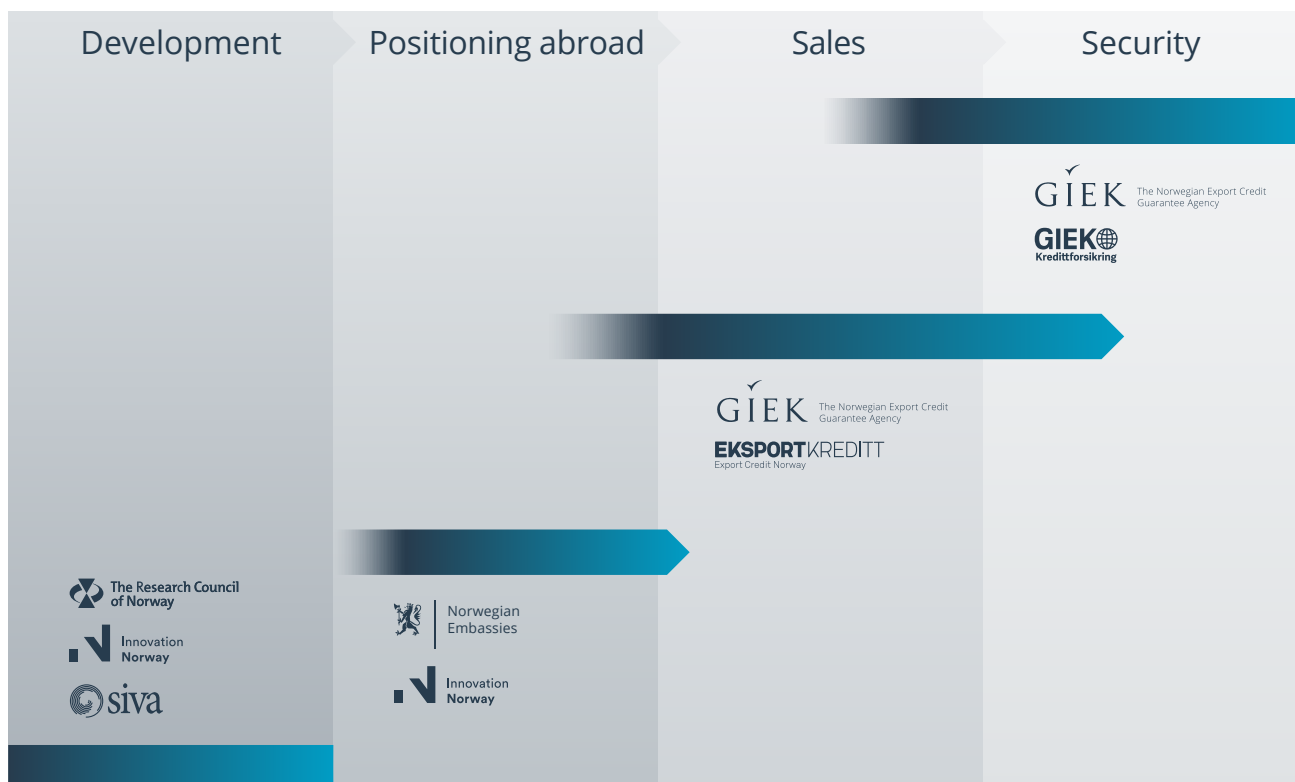
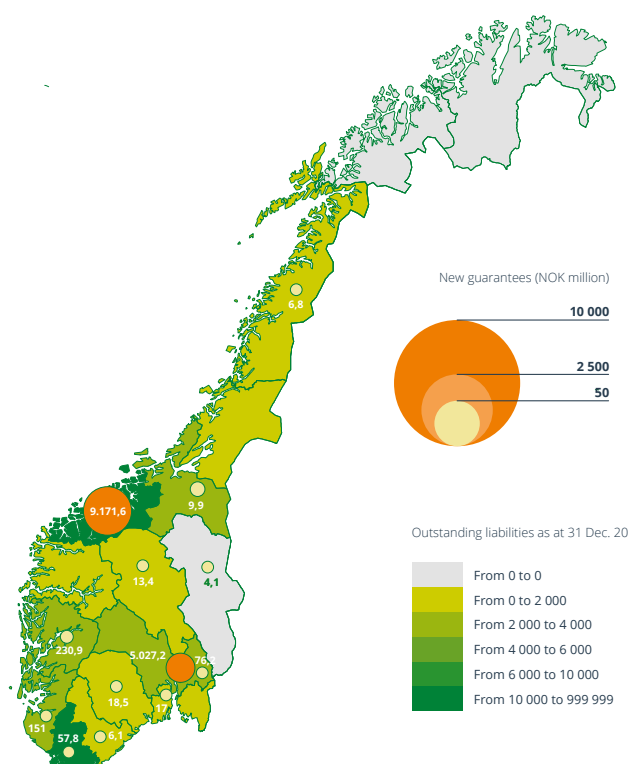


Figure 2 shows GIEK’s position in relation to other government agencies that provide export support: Export Credit Norway, Innovation Norway and GIEK Kredittforsikring. While other agencies help exporters to develop and position themselves, GIEK’s role is to trigger actual contracts by guaranteeing financing, payment or delivery. GIEK also cooperates with foreign service missions in important export markets. This arrangement is undergoing change as the organisations expand their services to exporters and strengthen their coordination with one another.

Figure 3. 2016 exports, by county

Figure 3 indicates Norwegian exports by county of origin. The map colours indicate prior exports that now represent outstanding guarantee liabilities at GIEK, while the circles indicate new exports in 2016 for which GIEK has issued guarantees.



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 under one of GIEK's four guarantee schemes. An overview of the guarantee types and guarantee schemes follows.

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. Guarantees thus increase exporter competitiveness.

The guarantees are tailored to the needs of Norwegian exporting companies and foreign buyers, and are a supplement to the private-sector financial market.

GIEK's products are meant to be competitive with those of guarantee institutions in other countries. Most countries with capital exports of substantial scale provide government guarantees that lower long-term export credit risk for exporters and financial institutions. GIEK's guarantees support exports to countries all over the world.

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-sector buyer will fail to pay or that war, expropriation or other action by public authorities will hinder payment. Investment guarantees cover only political risk. GIEK maintains confidentiality with regard to applications, guarantee offers and developments related to guarantees already issued. Guarantees that have been issued are published at giek.no.

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

The most common guarantee types issued by GIEK are:

Buyer credit guarantee: Issued to the buyer's lender in connection with export contracts.

Letter of credit guarantee: Ensures money transfer between the buyer's and the exporter's banks.

Building loan guarantee: Secures loans made to Norwegian shipyards for new ship construction.

Bond guarantee: Protects the foreign buyer from loss if a Norwegian exporter does not fulfil the terms of its offer, if an advance payment is lost, or if the exporter fails to carry out delivery. Such guarantees are often required for an export contract to be signed. GIEK can also protect the exporter against unfair calling on a bond guarantee.

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

Contract guarantee: Protects an exporter from loss during the production period in the event the foreign purchaser fails to perform the contract.

Investment guarantee: Protects the investor from loss in countries with high political risk.

Power purchase guarantee: Ensures payment in connection with major contracts for the purchase or sale of electricity.

Tender guarantee: Covers tender-related expenses if an enterprise fails to win the assignment in a project funded by development aid.

Production loan guarantee

Starting in 2017, GIEK can provide guarantees to Norwegian exporters that require financing of production costs related to a specific export contract worth more than NOK 50 million.

GIEK mitigates the risk of a bank extending credit to a Norwegian exporter, offering cover of up to 50 per cent of loan value. The loan has to be for the execution of specific export contracts.

The premium GIEK charges for a production loan guarantee is equal to the bank's risk premium, and GIEK insists on collateral terms equal to those accepted by the bank. In addition, payment pursuant to the export contract terms must be secured.

The guarantee schemes

GIEK's guarantees are issued within one of four frameworks established by the Ministry of Trade, Industry and Fisheries: the general guarantee scheme, the developing countries guarantee scheme, the building loan guarantee scheme and the power purchase guarantee scheme. Each scheme has a clearly defined purpose with its own regulations and an upper exposure limit for the sum total of all guarantees under the scheme. Each individual scheme is required to break even in the long term.

The guarantee schemes are intended to promote Norwegian exports (except for the Energy Purchase and Building Loan schemes) and are governed by Norwegian laws and regulations and international agreements. On behalf of Norfund, Norway's development finance institution, GIEK also administers a tender guarantee scheme.

The general guarantee scheme accounts for 97.2 per cent of GIEK's total outstanding liabilities of NOK 98 billion; see Tables 1 and 2. Combined new outstanding liabilities during the year show a 16.7 per cent increase in new guarantees. Loss provisions and impairments represented 7.8 per cent of total outstanding liabilities and receivables at year-end.

The general guarantee scheme is GIEK's largest and most widely used guarantee scheme. The most important type of guarantee issued under the scheme is the buyer credit guarantee, but most other types of guarantee can be granted under this scheme. The purpose of the scheme is to promote Norwegian exports and investment in all sectors.

The developing countries guarantee scheme may be used if the export in question would stimulate development in a poor country and the transaction contains 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 its limit at any time is equal to seven times the primary capital.

Applicants do not specifically apply for a guarantee under this scheme. Instead, GIEK decides whether a guarantee is to be issued under the general guarantee scheme or the developing countries scheme. Most types of guarantees can be issued under this scheme.

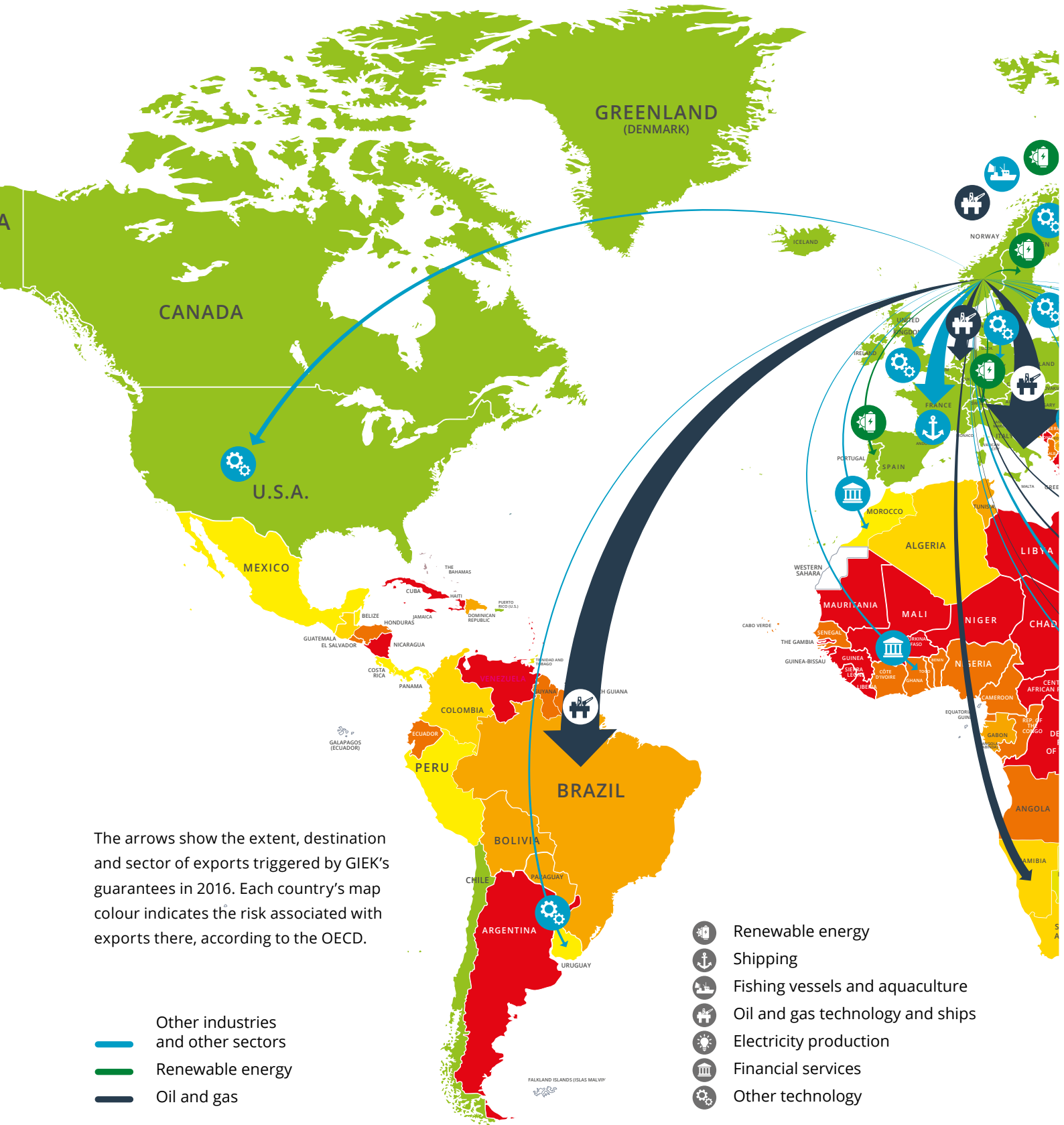
The building loan guarantee scheme helps to secure bank loans for shipbuilding at Norwegian yards during construction. There is no requirement for the ship in question to be exported. Only building loan guarantees can be issued under the scheme.

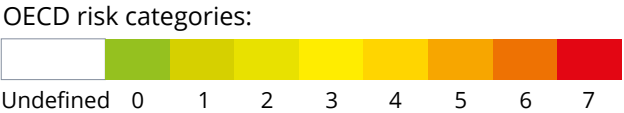
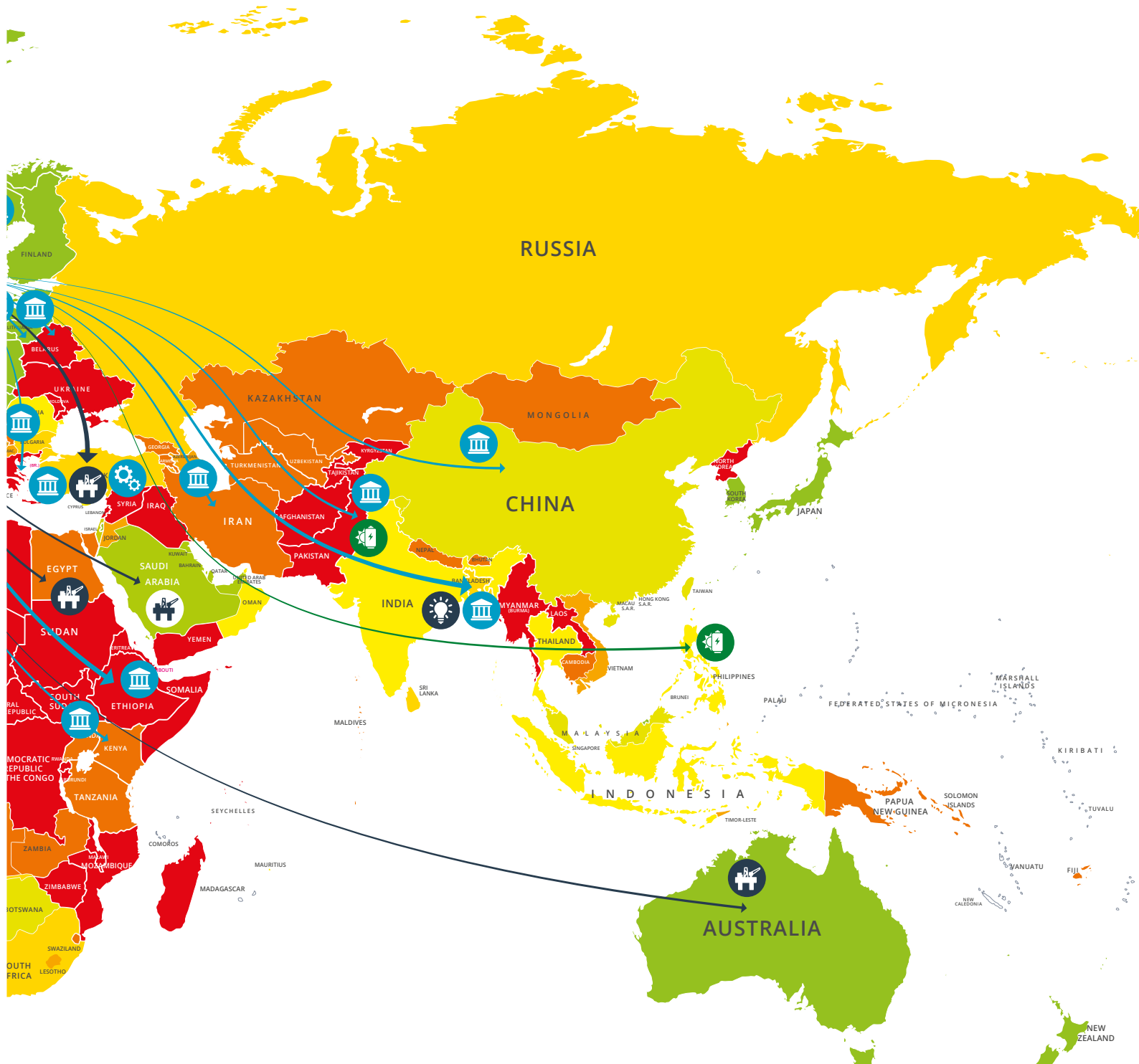
The energy purchase guarantee scheme is designed to provide Norwegian industry with long-term power purchase agreements. Only power purchase guarantees can be issued under the scheme. No such guarantees have been issued since the scheme was created, but the power guarantee scheme may be of indirect help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

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.

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 on BSV for, respectively, Norfund and the Ministry of Trade, Industry and Fisheries.

Guarantees and risk in 2016





The year's activities and results

New guarantees from GIEK triggered NOK 30.5 billion in export contracts in 2016. That is NOK 14.3 billion less than in 2015, and reflects a difficult year for industries important to GIEK and the Norwegian economy. At the end of 2016, GIEK's outstanding guarantee liabilities stood at NOK 98 billion, divided among 419 current guarantees, as against NOK 100.2 billion and 431 guarantees in 2015; see table 1 and table 2.

Table 1. Key figures for all schemes, 2016, figures in NOK thousands

Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Outstanding guarantee liabilities	Unutilised bond framework	Bound under the exposure limit	Guarantee exposure limit
General Guarantee Scheme	27 700 445	12 347 925	23 665 439	16 934 308	14 747 351	94 926 586	750 208	112 611 102	
Old General Guarantee Scheme (being phased out)						54 613		54 613	
Reinsurance of GK under General Guarantee Scheme						315 687		315 687	
Total bound under the exposure limit for General Guarantee Scheme								112 981 402	145 000 000
Building Loan Guarantee Scheme	2 841 021	367 500	2 965 314	1 045 337	1 919 874	1 938 617		2 983 954	5 000 000
Energy Purchase Guarantee Scheme	-	-	-	-	-				20 000 000
Developing Countries Guarantee Scheme	-	171 130	-	1 199 899	43 228	782 328		1 982 227	3 150 000
Total	30 541 466	12 886 555	26 630 753	19 179 544	16 710 453	98 017 831	750 208	117 947 583	173 150 000

Table 2. Number of applications, guarantee offers and guarantee liabilities, 2016

Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Current guarantees
General Guarantee Scheme	221	76	148	81	79	394
Building Loan Guarantee Scheme	21	2	20	7	13	12
Energy Purchase Guarantee Scheme						
Developing Countries Guarantee Scheme		3		4	1	5
Old General Guarantee Scheme						8
Old Special Schemes						
Total	242	81	168	92	93	419

Results of GIEK's activities in 2016

New guarantees issued by GIEK in 2016 have triggered NOK 30.5 billion in export contracts.

The ripple effects analysis by Menon Economics provides a snapshot of GIEK's contribution to exports, and it is estimated that GIEK in 2016 helped realise exports valued at more than NOK 27 billion and the employment of 13 000 people at exporting companies and sub-contractors. The contribution to value creation was estimated at NOK 14.7 billion.

Table 3. Additional effect of GIEK's activities on Norwegian industry, 2016

	Direct effect	Indirect effect	Total
Increased exports	NOK 27 billion		
Employment	3 625	9 550	13 175
Value creation	NOK 4.2 billion	NOK 10.5 billion	NOK 14.7 billion

The direct employment effect is based on the employment structure of exporters that gained contracts with guarantees from GIEK. The biggest effect was observed in Møre og Romsdal county, where exporting companies were able to employ over 1 600 people due to the increased exports.

Menon's ripple effects analysis also shows direct effects from the additional exports in GIEK's portfolio on the exporting companies' sales. On the basis of the companies' employment in the different counties, Menon concludes that the role played by GIEK in 2016 was greatest in Møre og Romsdal county. GIEK's guarantees helped exporters in Møre og Romsdal increase their revenues by NOK 15.5 billion in 2016. The impact can be tied to the maritime businesses in the Blue Maritime Cluster Global Centre of Expertise in Møre og Romsdal county.

While Møre og Romsdal county experienced the largest direct value creation effects, the most substantial indirect effects were felt in Oslo and in Rogaland county. In all, GIEK added about NOK 14.7 billion to the value creation of Norwegian industry in 2016, of which about NOK 4.2 billion occurred at the exporting companies and NOK 10.5 billion elsewhere, through purchases from subcontractors.

Figure 4. GIEK employment effects in 2016, by county

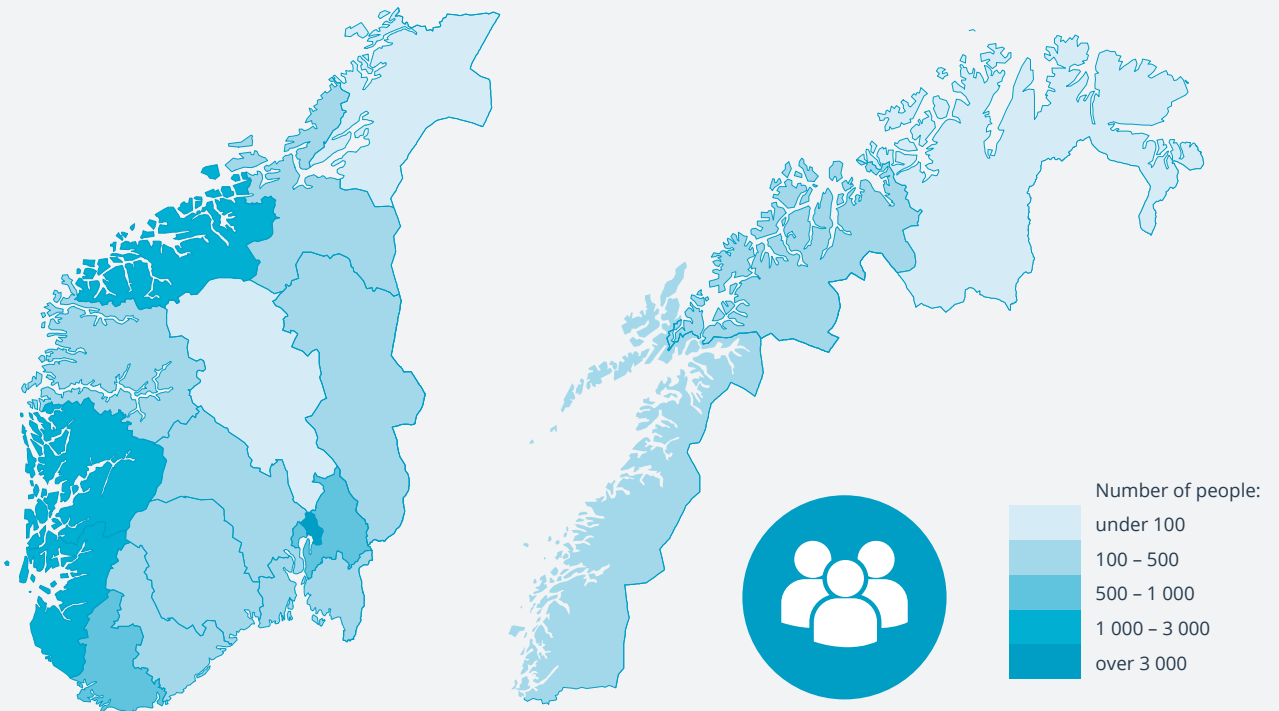
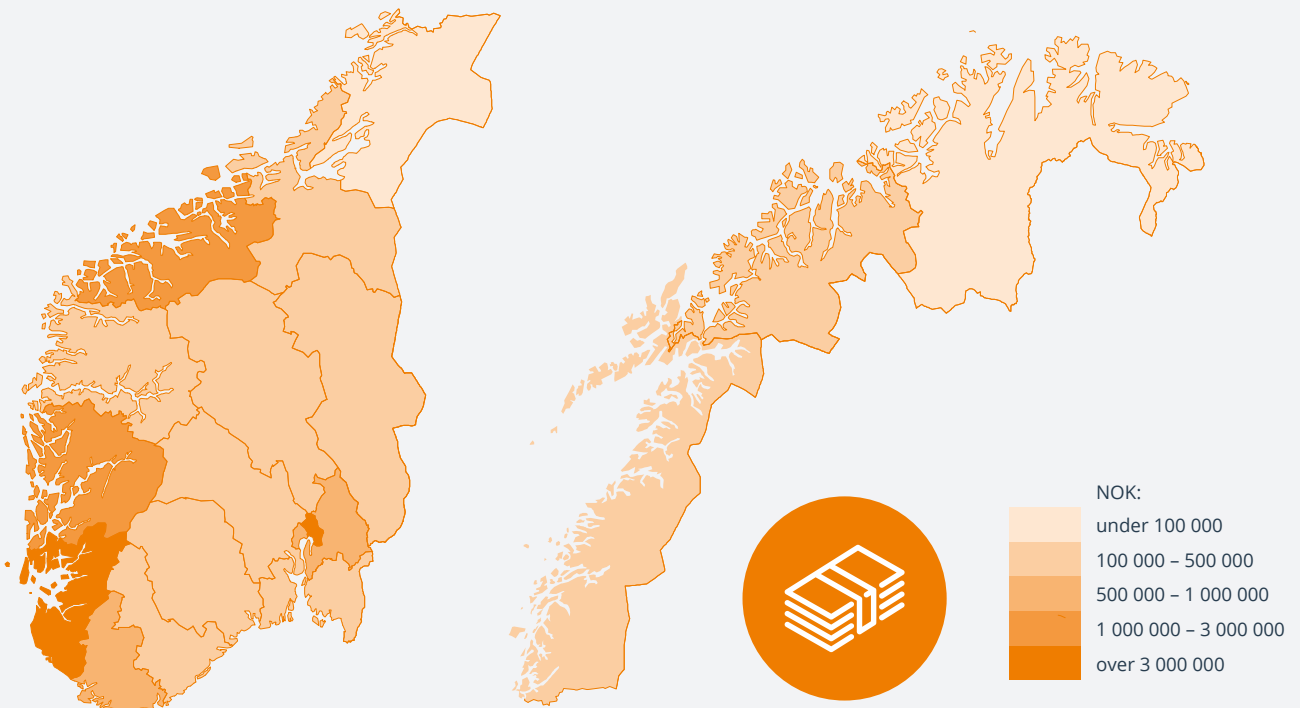


Figure 5. GIEK value creation effects in 2016, by county



Industrial distribution

Menon (2017) shows the direct and indirect value creation effects as distributed by industry. Table 4 shows that effects of GIEK operations on employment and sales effects are greatest in the maritime industries, and that the greatest value creation effect occurs in the oil and gas industry, where the direct value creation effect amounts to NOK 2.6 billion. The difference between the effects on sales and employment can be explained in large part by the economic downturn in the maritime industry, whose value added share is lower than before.

Table 4. Additional effect by industry, 2016

Industry (Menon)	Value creation (NOK millions)		Employment	
	Direct effect	Indirect effect	Direct	Indirect
Maritime	1 580	7 470	1 990	6 600
Oil and gas	2 590	2 970	1 630	2 910
Other industries	10	40	5	40
Total	4 180	10 480	3 625	9 550

Table 5. Industry distribution, GIEK's guarantee portfolio

MTIF industry group	MTIF product group	Current applications, NOK millions, 31 Dec. 2016	Current offers, NOK millions, 31 Dec. 2016	Outstanding liabilities, NOK millions, 31 Dec. 2016
Other industries and other sectors	Other	7 898	6 661	5 423
	Ships and ship equipment	1 680	1 888	6 313
Renewable energy	Other	1 078	3 534	2 070
	Ships and ship equipment	0	0	28
Oil and gas	Other	291	1 571	17 643
	Ships and ship equipment	1 940	5 526	66 541
Total		12 887	19 180	98 018

The year's activities and results

Ships and ship equipment

GIEK's guarantee portfolio of ships and ship equipment is mainly related to the financing of vessels delivered by Norwegian shipyards and vessels built abroad but equipped with Norwegian supplies. Overall, guarantees for ships and ship equipment come to NOK 72.9 billion, or 74 per cent of outstanding guarantee liabilities.

GIEK's guarantee portfolio encompasses 292 vessels, of which 244 are in the offshore oil and gas sector and 48 in shipping, fishing and cruising.

This represents an increase of 16 vessels, due in part to a number of vessels involved in restructuring arrangements. Four guarantees with a combined value of NOK 2.4 billion were also issued to a customer in the cruise sector in 2016.

Renewable energy

GIEK has worked with many renewable energy applications. Not all have led to the issuance of a guarantee. Among the guarantees issued are the following:

GIEK provided support to Sparebank 1 SMN in connection with advance payment guarantees issued on behalf of Epcon Evaporation Technology AS for the delivery of a complete evaporation plant for Scandinavian Biogas Södertörn AB, Sweden. The technology reduces energy consumption in the process by 95–98 per cent compared to systems that do not incorporate energy recovery. Epcon is located in Flatåsen, in Trondheim.

Industry and other sectors

In 2016 GIEK experienced a decline of seven per cent in the number of applications from mainland industry sectors compared to 2015. In recent years, however, the application volume has doubled.

The bulk of applications in this segment concerns export contracts valued at less than NOK 50 million. This reflects Norway's industrial structure, with an overweight of smaller businesses spread throughout the country. Exports often go to demanding markets where the chance of having a local or international bank assume risk in conjunction with GIEK is limited.

GIEK and Export Credit Norway's joint product, the SMB loan B, may be appropriate for such projects, as bank involvement is not required in non-OECD countries because the exporter itself participates in the risk sharing.

Many relatively small applications – from a variety of industries, targeting a range of countries – require GIEK to use its credit assessment and credit monitoring resources. Most export finance requests come from small and medium-sized businesses (SMBs).

A number of applications are dropped as a result of the buyer obtaining another type of financing, such as loans or grants from development agencies. Sometimes GIEK receives an application before the exporter has finalised a contract with the buyer. Some guarantee applications are withdrawn because the exporter fails to win the contract, while in other cases the exporter gets the contract precisely because the buyer obtains financing as a result of GIEK's guarantee offer.

A significant number of applications fail to meet GIEK's conditions for issuing a guarantee. To eliminate "time wasters" for companies and GIEK administrators alike, GIEK worked in 2016 to develop new website pages that give better directions to companies.

Sixteen guarantees involving eight different exporters were issued in mainland industry sectors in 2016. Some of the exporters had not previously used GIEK's products.

Oil and gas

Low oil prices throughout the year caused oil companies to reduce investments further, resulting in low demand for all types of vessels in the oil exploration/oil production segment. The reduced demand comes at a time of over-capacity in the industry following a period of very high investment. The imbalance of supply and demand is thus amplified.

Very few new ships were ordered in this sector during the year, and the number of new buyer credit guarantee applications has fallen considerably. During the year GIEK has nonetheless helped Norwegian equipment and service providers obtain new contracts. An example is the offer of a framework agreement to Saipem that can be used for the purchase of Norwegian goods and services going forward. The financing arrangement benefits both small and large suppliers.

The current market situation for offshore oil and gas suggests there will be a greater focus on service, maintenance and upgrade contracts than on new financing for capital-intensive investments.

GIEK saw an increase in building loan guarantee applications from shipyards in 2016. Building loan guarantees are also available to exporters of subsea equipment and projects. We believe the oil and gas sector's changed market conditions could spur interest among these exporters in obtaining building loan financing.

Effective from 2017, GIEK has expanded its guarantee product list to cover production loans linked to export contracts. In such cases GIEK's guarantee will be issued to mitigate a bank's production financing.

GIEK follows the oil and gas industry closely, subjecting it to thorough analysis. The results of its analysis form the basis of its credit assessments. The weakness of the market has increased the risk of default in GIEK's guarantee portfolio. In 2016, substantial resources were committed to reviewing the guarantee portfolio in order to achieve long-term solutions and reduce losses.

A large number of our offshore oil and gas customers have had to revise loan terms and defer repayment, and several customers are in the process of restructuring. Such processes are time-consuming and resource-intensive, requiring agreement among many parties.

GIEK takes an active role in these processes with the aim of securing state interests and putting arrangements into place that are sustainable and balanced. The arrangements have to be adaptable because companies differ in their financial structures and the composition of their funding sources. GIEK does not engage in unfair differential treatment. For GIEK, it is important to arrive at resolutions that are balanced, with the owners and various creditors contributing in proportion to their security and priority.

GIEK has noted low demand for ship equipment designed for drilling vessels and offshore vessels built at shipyards abroad, and it received only one new guarantee application of this kind in 2016.

Market measures

To spread information about GIEK's guarantee schemes to as many exporters as possible, a number of measures and activities were carried out in 2016.

A new customer strategy was developed, and implementation has begun. Its purpose is to systematise the way GIEK attends to current and potential users of its guarantees. The customer strategy includes market measures aimed at Norwegian and international banks as well as buyers in export destination countries.

A closer dialogue was initiated with all relevant commercial banks in Norway, and a series of meetings was held at which GIEK's guarantee arrangements were presented.

New guarantee schemes of relevance to exporters were formulated, including the new production loan guarantee.

A broad-based initiative with Innovation Norway, GIEK Kredittforsikring AS and Export Credit Norway AS was launched in autumn 2016 to present a coordinated set of export financing instruments. The project group has met with nearly 80 companies across the country in a number of industries. The group has gained insight into the companies' ongoing realignment efforts while introducing to them the combined range of export financing products and services. The work will be completed in the first half of 2017, and the group's conclusions are expected to result in valuable input, improved coordination and better tailoring of export finance solutions.

The annual Export Conference was held in April 2016 under the auspices of GIEK, GIEK Kredittforsikring AS and Export Credit Norway AS. In autumn 2016, Innovation Norway was invited to participate in the event as well.

GIEK and Export Credit Norway have conducted joint presentations at a number of places around Norway. GIEK also takes part in conferences in Norway's export markets, including visits to Asia on a regularly scheduled semi-annual basis. The normalisation of relations with China is a spur to GIEK to establish plans for activity aimed at this important market for Norwegian exports.

Future outlook

Although market prospects for the offshore industry are uncertain and international economic developments are hard to predict, GIEK thinks Norwegian exporters have promising opportunities and products with international appeal. It is especially pleasing to note that Norwegian shipyards have found new customers in the shipping and cruise markets.

Market prospects

Ships and ship equipment

Seventy-four per cent of GIEK's outstanding liabilities are related to ships and ship equipment. As of today the bulk is in oil and offshore services; see below. GIEK envisages Norwegian shipyards increasingly winning contracts in the shipping, fishing and cruise segments. We will continue to work actively to assist Norwegian shipyards in winning contracts for diverse vessel types.

Renewable energy

GIEK will continue marketing its products and services to relevant actors, and in the next few years and have particular hopes that Norwegian companies will win contracts in connection with the major offshore wind power development plans in the North Sea. GIEK will cooperate more closely with multilateral financial institutions and development banks so that together we are better positioned for renewable energy projects in emerging markets.

Industry and other sectors

GIEK is working actively to position itself for participation in major transactions where it can have a capacity-expanding effect and add value. Counselling in advance of potential applications will be an important task in this regard. This will be the case especially for some former oil industry suppliers with limited experience exporting.

Oil and gas

Of GIEK's outstanding liabilities, 86 per cent (NOK 84.2 billion) are related to oil and offshore. Of that amount in turn, ships and ship equipment account for 79 per cent (NOK 66.5 billion). Within GIEK's guarantee portfolio, 244 of 292 vessels are for the offshore industry. Lower oil prices have led oil companies to reduce their investments, which means lower demand for all types of vessels used in the oil exploration and production segment. The result is a significant supply-demand imbalance for all vessel types in this category.

The main expectation is for sustained low-to-moderate oil prices for several years to come. GIEK believes the bottom of this cycle is near, but there is great uncertainty as to when market balance will be restored for oil-related vessels.

The fleet of offshore vessels for which GIEK has issued guarantees is largely young and modern. The vessels have limited alternative applications, and it is hard to imagine that vessel supply will be significantly reduced in the short term, given the expected demand. The vessels are advanced and require continuing maintenance, making lay-up undesirable.

GIEK expects more units to be available than there are assignments for, and that owners will prefer to see their vessels in activity even if they are not returning a profit. GIEK therefore expects that fixtures will occur at rates around the threshold of profitability for the shipowners. For offshore service vessels (OSVs) that can be quickly mobilised, rates at about the operating cost level are the logical point of balance. For larger units, rates will go somewhat higher for short assignments, but due to time between assignments the earnings on average are unlikely to exceed operating costs.

Valuations of all vessel types are uncertain because there have been very few transactions involving newer vessels since the crisis began, and the sales that have taken place have been urgent in character. Ship values are thought to have come down significantly, but with little or no turnover it is hard to place a value on individual vessels at present. Many of the vessels were ordered at a time when newbuilding prices were significantly higher than today's. In addition, the vessels are technologically advanced, with a great deal of high-maintenance equipment with strict safety requirements.

The less spent on maintenance while a vessel is laid up, the more expensive it will be to restore it to full operation. Vessel valuations are adversely affected by the present market uncertainty and by the high cost, given maintenance requirements, of mothballing.

GIEK's work, initiatives and priorities

GIEK's purpose is to promote Norwegian exports and investment abroad. GIEK also has a Building Loan Guarantee Scheme for vessel construction at Norwegian shipyards. GIEK will be working to reach new and existing customers alike, and to help them export more. That is why our strategic plan for 2017–2020 introduces the vision "From Norway to the whole world". GIEK's tasks include promoting renewable energy projects, expanding the scope of opportunity for Norwegian exports and contributing to realignment.

This will be done in accordance with the requirement that GIEK break even in the long run. GIEK shall act as a professional manager of its outstanding guarantee portfolio. In restructuring cases, GIEK will contribute to maintaining systemic values where doing so is consistent with its break-even requirement. GIEK aims to reduce the state's loss risk and contribute to long-term arrangements in which shipping company contracts and jobs are maintained.

GIEK's roles as export trigger and creditor have in common the need for a customer-oriented organisation where the right expertise is present at all times. GIEK must remain informed about other countries' government export finance offerings while assessing the need for new products, developing existing products and marketing its guarantees to new and existing customers and their banks.

GIEK will be introducing evaluation as a method in customer teams and projects, and will ensure continual improvement through application of effective tools and mutual feedback processes. In order to maintain strong IT security, GIEK will enter into an agreement with a supplier that can offer a reliable, easy-to-operate and easy-to-manage high-security IT platform. The system must be capable of meeting future needs, and must be scalable and flexible.



Annual accounts

The Norwegian Export Credit Guarantee Agency (GIEK) prepares two sets of accounts. The administrative accounts give the financial status of GIEK's operational organisation. The guarantee scheme accounts (fund accounts) show revenues and expenses in the various guarantee schemes.

The Storting sets a ceiling for GIEK's administrative costs in chapter 2460 of the central government budget, while the total exposure limits for new and old guarantee offers and for liabilities under the guarantee schemes in 2016 is provided by special decision.

GIEK's administration

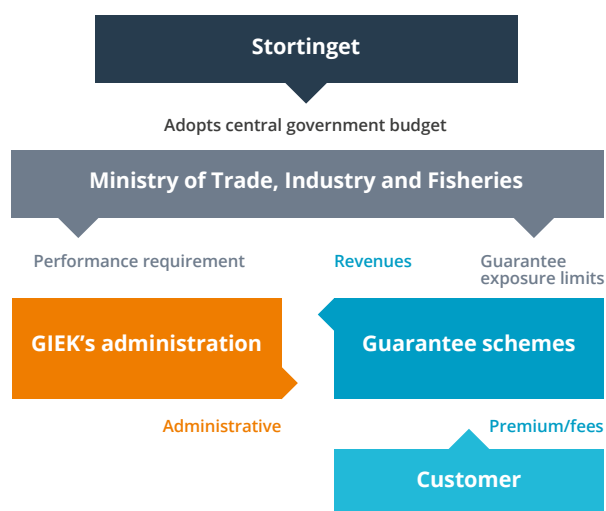
GIEK's staff are employed in GIEK's administration, which manages and administers the guarantee schemes. Administrative expenses are budgeted at net value, and the administrative accounts are kept on a cash basis and are included in the central government budget and central government accounts.

Guarantee schemes

The guarantee schemes have no employees. All services are provided by GIEK's administration and charged to the individual guarantee scheme according to a predefined distribution formula.

The fund accounts encompass all the GIEK guarantee schemes, as explained in "The year's activities and results". Although separate accounts are kept for each guarantee scheme, the accounts are presented 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 certain profit and loss items recorded on a cash basis. In calculating individual and collective provisions, the principles set forth 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 in the full Annual Report (Norwegian).





GIEK's guarantee was a key part of the financing

In 2016 GIEK guaranteed a loan from Export Credit Norway in connection with the financing of seismic equipment for Magseis ASA. The guarantee covers a NOK 30.6 million loan.

Upgrading its equipment was a precondition for Magseis to get the job of mapping oil and gas resources in the Red Sea for BGP International and Saudi Aramco.

The company's Ocean Bottom Seismic technology incorporates the products of several Norwegian suppliers.

Among the largest is Siemens, which has produced the second-generation sensors. Frekhaug Stål has manufactured the sensor housings and Carl Stahl the cables.

– Magseis is an exciting company with innovative technology, and is a good example of Norwegian expertise in the offshore oil and gas industry. GIEK is pleased our guarantees are able to help the company continue to develop and take on major new projects internationally,” says Anders Gerlach Nielsen, GIEK customer relations officer, Shipping, Yards and Offshore Projects.

GIEK's guarantee, along with the loan from Export Credit Norway, was a central part of the financing we needed to secure the ongoing assignment with BGP International and Saudi Aramco. This is Magseis's biggest job to date and it's one of the most advanced seabed seismic projects ever. For smaller technology companies like Magseis, being able to apply for this kind of guarantee from GIEK makes it easier to obtain attractive financing in a market where other financial providers have cut back.

Mikkel Ektvedt, Chief Financial Officer, Magseis



Report of the Board of Directors on guarantee accounts

GIEK keeps complete accounts for each guarantee scheme, but the annual scheme accounts are combined in this presentation.

Report of the Board of Directors on the guarantee scheme accounts (management statement)

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

GIEK's main objective is to promote Norwegian exports by issuing guarantees on behalf of the state. GIEK serves as guarantor primarily for Export Credit Norway AS and commercial banks. Guarantees may be issued when Norwegian goods or services are provided abroad or when an export transaction enhances Norwegian value creation in some other way.

The annual Report of the Board of Directors is written in accordance with the requirements of the MTIF allocation letter for 2016. Reference is made to the Provisions on Financial Management in Central Government and the Ministry of Finance Circular R-115. What follows is the board's annual report on the guarantee schemes. A full accounting of the guarantee schemes is maintained, but this presentation is of combined accounts pursuant to R-115 and the minimum requirements for the board's annual report as specified in the Accounting Act.

Summary of developments

For many of GIEK's guarantee customers in the offshore sector, debt service capacity has been weak for a protracted period, and GIEK has participated with banks in several offshore oil and gas restructuring cases. There shall be no unfair differential treatment, and GIEK seeks to find good, long-term, industrial approaches in collaboration with the industry in question and other financial institutions. At the same time, GIEK's role is to safeguard the state's interest in preventing and reducing losses as a result of the restructurings.

As part of the restructurings, GIEK has had to create limited liability companies, convert guarantees and liabilities into shares and partial ownership of vessels. Like the banks, GIEK considers engaging in short periods of ownership to preserve asset values, contract portfolios and, potentially, operations, when doing so is deemed financially prudent.

At the end of 2016, NOK 98 billion in outstanding guarantee liabilities were divided among 419 current guarantees, as against NOK 100.2 billion and 431 guarantees in 2015. In 2016, 93 new guarantees amounting to NOK 16.7 billion were issued, as were 168 guarantee offers totalling NOK 26.6 billion.

Profitable projects continue to exist in the oil and gas industry, where GIEK had outstanding guarantee liabilities of NOK 84.2 billion at the end of 2016. Exports from the oil and gas supply industry accounted for 86 per cent of GIEK's guarantee portfolio at year-end.

In 2016 GIEK issued new guarantees for cruise ships. The board is pleased to note that Norwegian shipyards have obtained new customers outside the offshore industry, and that the industry and banks continue to regard GIEK as an important partner.

Guarantee revenues came to NOK 1.5 billion out of the total NOK 1.6 billion in revenues, compared with total revenues of NOK 1.7 billion in 2015.

GIEK's administrative costs in 2016 totalled NOK 173.9 million, compared with NOK 158.6 million in 2015. In the opinion of the board, GIEK is effectively managed. Much of its time and resources in 2016 were spent on cases involving restructuring, special observation or default. This attention helps minimise the state's losses on current guarantees, and is therefore correct and necessary from a socio-economic perspective. Recorded loss provisions and impairments totalled NOK 7.8 billion at the end of 2016, an increase of NOK 1.8 billion from 2015. This affected earnings negatively.

The financial result for the guarantee schemes shows a combined accounting loss of NOK 533 million as against a profit of NOK 121 million in 2015. The loss is offset by the profits of previous years, and GIEK's liquidity is good.

It is the board's assessment that loss provisions and impairments are sufficient to cover future expected losses, but future losses are always a matter of uncertainty. As 2017 opens, the extent of loss provisions designated as lost is very limited. GIEK has accumulated capital for fulfilment of guarantee obligations. It is the board's continued assessment that the schemes will break even over time. The board believes GIEK's internal controls are satisfactory.

The board expects that shipowners in the oil and gas sector will continue to face difficulties in 2017, and more restructuring cases are likely to arise. There is little apparent prospect of a significant increase in oil price, and ship and rig overcapacity is an obstacle to achieving profitability and competitiveness.

The board emphasises the importance of good corporate governance and compliance, and in its guarantee cases it continues to prioritise combatting corruption and promoting sustainability and environmental protection. The board is satisfied with GIEK's handling of difficult cases; in such situations GIEK is able to bring solid expertise to bear. At the same time, there is an increased attention on reaching out to new industries, companies, banks and other partners. This shows that the organisational model introduced in 2014 is appropriate.

Guarantee liability developments

Guarantees

In 2016 GIEK took on NOK 16.7 billion in new guarantee liabilities as a result of applications received in 2016 and earlier. In 2015 the figure had been about the same (NOK 16.3 billion).

GIEK issued 93 new guarantees in 2016, as against 126 new guarantees in 2015. Guarantees were issued in all schemes except the Energy Purchase Guarantee Scheme.

In 2016, NOK 26.6 billion in new guarantee offers were made, compared with NOK 19.2 billion in 2015. At the end of the year, total liabilities including binding guarantee offers (bound under the exposure limit) stood at NOK 117.9 billion.

New applications in 2016 amounted to NOK 30.5 billion, as against NOK 41.2 billion in 2015.

The portfolio's exposure to foreign currency is high, and 69 per cent of outstanding liabilities represent guarantees denominated in US dollars; at the end of 2015 the comparable figure was 76 per cent. The change is due to the issuance of large euro-denominated guarantees in 2016. Exchange rate variations for the Norwegian krone affect outstanding liabilities and loss provisions. A strengthened krone expands capacity under the exposure limits, but GIEK's revenues fall when payments made in foreign currency are converted into kroner on a running basis.

Of total outstanding guarantee liabilities, the General Guarantee Scheme accounts for NOK 94.9 billion or 97.2 per cent. In 2016, repayments related to the General Guarantee Scheme's underlying guaranteed loan portfolio totalled NOK 12.9 billion. The repayments free up risk capacity, thus helping GIEK to fund new exports within today's guarantee exposure limits. The limits are deemed sufficient in light of the need.

The Developing Countries Guarantee Scheme has outstanding guarantee liabilities of NOK 800 million, while the Building Loan Guarantee Scheme has NOK 1.9 billion.

Revenues

Guarantee premiums and fee income from all schemes in 2016 came to NOK 1.5 billion, against NOK 1.6 billion in 2015. Total revenues in 2016 were NOK 1.6 billion.

Financial risk

Market risk

Offshore oil and gas remains the dominant industry represented in the guarantee portfolio. With few exceptions, the 20 largest companies in the portfolio operate in this sector. These companies combined account for NOK 65.5 billion and 64 per cent of outstanding liabilities. The 10 largest companies/business groups have total guarantees of NOK 46.3 billion and account for 45 per cent of outstanding liabilities.

GIEK's guarantee portfolio is tied to 292 vessels, of which 244 are in the offshore oil and gas sector. Lower oil prices have led oil companies to reduce their investments, which means lower demand for all types of vessels used in the oil exploration and production segment. The result is a significant imbalance between supply and demand for all offshore industry vessel types.

For all vessel types there is much uncertainty over valuation. The vessels in question are high-tech, with a lot of advanced equipment that must be maintained. They must also meet strict safety requirements. The less spent on maintenance while a ship is laid up, the more expensive it will be to restore it to full operation.

Vessel valuations are affected by the uncertainty associated with 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 assignments for. Shipowners can be expected to prefer having their vessels in activity, even if they are not returning a profit.

Credit risk

GIEK performs thorough credit and risk analyses of all transactions prior to the issuance of any guarantee. During the term of a guarantee, GIEK engages in close dialogue with the customers and banks concerned. Throughout the year, GIEK performs its own assessments of risk in the portfolio's most vulnerable positions and the portfolio as a whole. Separately, it also analyses trends in relevant segment and markets.

The risk of loss in each portfolio position is calculated using the companies' cash flow in relation to their commitments, the collateral value and customer ability to service debt. GIEK then has a sound basis for assessing 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 available liquidity in one of the guarantee schemes becomes insufficient.

In the event of borrower default, GIEK may elect to make payments under the guarantee pursuant to the original repayment plan, or to redeem the entire loan. GIEK assesses how best to employ liquidity on a case-by-case basis, depending on what makes commercial sense and reduces loss.

In most cases GIEK has collateral security for its guarantees, and realising it would reduce liquidity needs in a default situation.

Foreign exchange risk

The General Guarantee Scheme accounts for 97.2 per cent of outstanding liabilities. Of this amount, 69 per cent is guaranteed in US dollars, a decrease from 76 per cent in 2015 due to the issuance of large guarantees in euros. The guarantee scheme's direct foreign exchange exposure is a function of the net realisable value of receivables, bank deposits and provisions made for guarantee liability. See Note 8 in the full Annual Report (Norwegian).

To reduce foreign exchange risk in the General Guarantee Scheme, bank accounts have been created in US dollars and euros. Bank accounts are matched against assets and provisions/liabilities. Currency holdings are balanced to reflect significant portfolio changes, usually at the conclusion of each half-year period. The guarantee scheme will be exposed to currency fluctuations until final provisions have been determined. The current practice helps reduce risk. Corresponding mechanisms for the other guarantee schemes have not been established.

At-risk commitments and loss provisions

GIEK's risk, asset values and pledged collateral vary according to the economic situation, especially oil price developments and their impact on oil-related business activity. The 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 of the portfolio. The share of defaulted guarantees is high, and claims have increased, so provisions within these categories have also increased. Several cases are under special observation.

GIEK complies with the principles laid out in the Lending Regulations and also makes 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 notes 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 general 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.

Consideration is also given to the jurisdiction, with the valuation 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 valuations employed are based on a careful assessment of real security and, where appropriate, an independent valuation of the vessel (object). Industry-specific value adjustments are also taken into account.

GIEK makes special provisions relating to high exposure to individual customers or business groups. This is done for positions 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 a requirement of 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.

Defaults and receivables

Fifty-one per cent (NOK 52 billion) of GIEK's exposure is linked to risk points under special observation because the GIEK-guaranteed loans are in default, the risk of default is elevated, or GIEK has made payments under the guarantees and is therefore itself the creditor in the claim against the debtor.

The share of receivables increased in 2016. Only 0.5 per cent of GIEK's exposure is tied to non-performing cases, while receivables account for 5 per cent. GIEK's receivables increased by NOK 3.2 billion in 2016, or about 130 per cent. The increase is a result of several payments under guarantees during the second half of 2016, in particular two large payments and an increasing share of smaller payments. Passive receivables and Paris Club claims have changed little.

GIEK is working actively with potential problem cases. Pursuing cases under observation or in default, or where receivables are due, is laborious and requires special expertise. GIEK has strengthened this expertise internally and engaged external advisors in several cases where appropriate.

GIEK's work on problem cases is intended to keep the state from sustaining losses wherever possible. Experience has shown the importance of implementing measures before default occurs. When default risk is elevated, monitoring begins at an early stage. An important part of GIEK's work is to clarify risk and identify alternative arrangements. To that end GIEK participates (directly or through advisers) in negotiations between the various stakeholders, including debtors, shareholders, potential investors, other banks, bondholders and other creditors.

In some cases, however, no way is found which allows the debtor to service the GIEK-guaranteed loan as originally agreed. GIEK normally would then have to make a full or partial payment under the guarantee. Even in such cases GIEK works actively to clarify alternative arrangements to ensure optimal recovery, including the securing of pledged assets, realisation of collateral and negotiations with stakeholders.

Managing temporary ownership interests

In order to safeguard the state's interests in default situations, GIEK has authority to acquire and dispose of shares and options for the purpose of securing claims in default and recovery cases. GIEK also has authority to temporarily manage state ownership interests resulting from GIEK's exercise of this authority.

Temporary ownership interests are supervised in accordance with the "Guidelines for the management of companies owned by the state as a result of default and recovery cases involving GIEK". Such management is based on the principles set out in Meld. St. 27 (2013–2014) Diverse and value-creating ownership. Reference is made to Notes 18 and 22 in the full Annual Report (Norwegian).

Reinsurance of GIEK Kredittforsikring AS

GIEK Kredittforsikring AS is owned by the Ministry of Trade, Industry and Fisheries and is listed as a related party in GIEK's accounts. GIEK reinsured GIEK Kredittforsikring AS in the amount of NOK 316 million.

Paris Club claims

A Paris Club claim is an agreement between a state and its creditors for repayment of the state's debt. State creditors coordinate in the Paris Club and renegotiate state-to-state claims. Norway's claims mainly arise from non-performing export credits guaranteed by GIEK.

GIEK's outstanding Paris Club claims amount to NOK 380 million on 31 December 2016.

Outlook and developments after the balance sheet date

GIEK issues guarantees on behalf of the state. Its annual operating and exposure limits are set by the Storting (parliament) 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 government grants for loss cover on the one hand and administrative expenses, financial costs and payments under guarantee on the other.

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

The negative market situation is affecting the dominant sectors in GIEK's portfolio, and there have already been several restructuring cases. It is to be expected that loan terms will be breached in a number of cases and that more loans will be subject to restructuring. Furthermore, several GIEK-guaranteed loans could go into default in this economic downturn, and more payments under the guarantees may arise. For GIEK this will continue to put demand on resources. GIEK has sought to accommodate future losses in its individual and collective loss provisions.

There is a significant likelihood of loss in the portfolio in 2017. GIEK is preparing for this with increased loss provisions and outlook downgrades for segments where the exposure is greatest. Given the negative situation in markets that dominate GIEK's portfolio, the board wishes to highlight the uncertainty associated with collateral valuations. The market downturn may also affect the terms GIEK will have to set for new guarantees.

Given the loan provisions and impairments and GIEK's management of temporary ownership interests in a manner to safeguard the state's assets, it is the board's assessment that the General, Development Countries and Building Loan guarantee schemes will achieve balance in the long term. The board is satisfied that GIEK has a plan for portfolio crisis management.

With regard to the Energy Purchase Guarantee Scheme, the board notes that no guarantees have been issued under it, but that GIEK's administrative costs have been charged to the scheme, which has negative capital.

The board points out that there is uncertainty concerning the assessment of future conditions.

New products and services

In 2016 GIEK worked to develop a guarantee to cover production loans. The guarantee can be provided to Norwegian exporters in need of financing to cover production costs for export contracts valued at more than NOK 50 million. GIEK's guarantee can cover up to 50 per cent of loan value. GIEK's collateral terms are the same as the bank's, and GIEK charges a premium equal to the bank's risk premium.

GIEK has no research and development activity of its own.

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. In 2016 GIEK guarantees helped trigger NOK 30.5 billion in new Norwegian export contracts. Figures provided by Menon Economics² show that GIEK's contribution to exports has led to employment of more than 13 000 people and NOK 14.7 billion in value creation.

Several international agreements regulate GIEK's activities, and GIEK is actively involved in further developing a variety of WTO, OECD and EEA regulations for the benefit of Norway's business community. GIEK has its own experts who participate in this activity, along with the Ministry of Trade, Industry and Fisheries.

If Norwegian exporters are to compete on equal terms, it is important to be aware of the instruments and schemes offered by other countries. The Berne Union, an association of public-sector guarantee agencies and private credit insurers from 80 countries, is an important arena for exchanging knowledge and ensuring equal terms.

In 2016 GIEK organised a Berne Union seminar for members on the risk classification of purchasers and pricing of long-term export guarantees.

The board believes GIEK can play an important role in the Norwegian economy, where we have observed a capacity for realignment in the supplier industry as well as other business sectors. GIEK is committed to the support of all industries and good projects with competitive financing.

² Menon Publication No. 17/2017: GIEK sine ringvirkninger. Hvor stor effect har GIEK på sysselsetting og verdiskaping i 2016? (GIEK's ripple effects: How much effect does GIEK have on employment and value creation in 2016?).

Sustainability (environmental and human rights assessment)

GIEK assesses the risks associated with environment and social conditions of projects to ensure that standards and requirements are met. GIEK's policies and procedures are based on OECD guidelines for environment and social due diligence (OECD Common Approaches) and the UN Guiding Principles for Business and Human Rights.

Increasingly, companies themselves are seen as responsible for assessing the risk of human rights violations, and GIEK has been active in supporting this view. The focus has been on company value chains and how best to use management systems to meet compliance requirements under both international and local laws, as well as how to limit and avoid any negative impact on the environment and human rights.

Due diligence in the transactions is risk-based. Compliance with international standards – IFC Performance Standards in particular – must be documented in cases viewed as entailing high environmental or social risk. Information on these cases is published at giek.no.

In 2016 GIEK performed assessments of land-based projects (hydropower, telecommunications towers, aquaculture, water treatment, solar power, thermal energy, industrial production) and of ships and vessels.

GIEK sets minimum standards for working conditions and health, safety and environment (HSE) practices at ship construction yards and hull yards. GIEK conducts independent assessments in accordance with owner guidelines. The assessments were carried out by third-party consultants and/or by GIEK. In some cases, GIEK demands improvements in shipyard conditions and follow-up 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. A key arena in this regard is the OECD, where guarantee agencies cooperate on compliance with common standards for the environment, working conditions and human rights.

Financial results for the guarantee schemes

All the guarantee schemes combined produced a loss of NOK 533 million in 2016, compared to a profit of NOK 121 million in 2015. Revenues in 2016 totalled NOK 1.6 billion. Total provisions for the year were recorded at NOK 5.0 billion, as against NOK 4.8 billion in 2016.

Based on the description of risk assessment (above), the board believes the loss 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 financial results of the guarantee schemes at the end of the year.

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

The state is self-insured and fully liable. The Storting (parliament) adopts exposure limits for the guarantee schemes and frameworks for GIEK's continued operation. The assumption that GIEK is a going concern underpins the annual accounts, and is communicated in the 2017 allocation letter dated 20 January 2017.

The Board of Directors is unaware of any significant matters occurring during the financial year or since its end that bear on this assumption or on the annual accounts in general.

Administrative expenses

The board is satisfied that the administration maintains effective cost control and is submitting accounts within the budget. In the opinion of the board, GIEK is efficiently operated.

In 2016, NOK 173.9 million was used. The budget for 2016 had been NOK 169.0 million, but was increased to provide enough resources to process new guarantee applications and address difficult cases. The total budget for 2016 therefore came to NOK 174.0 million. Spending thus fell NOK 100,000 short of the amount budgeted. By comparison, expenditures in 2015 came to NOK 158.6 million, as against a budget of NOK 160.0 million.

Working environment and staff

GIEK's administration consisted of 92.4 fulltime equivalent positions at the end of 2016, including permanent and temporary employees but not employees on leave. The gender balance is 49 per cent women and 51 per cent men. The management team consisted of five women and one man. At year-end, GIEK had 16 employees with immigrant backgrounds. Salary determination is gender neutral.

GIEK has safety representatives, a working environment committee, elected representatives and an HR manager as channels for addressing health, safety and environment (HSE) issues. GIEK is an Inclusive Workplace (IA) enterprise with an action plan for the period to 2018.

In 2016, GIEK entered into an agreement with a new occupational health service provider. GIEK's ethical guidelines and procedures underwent revision in 2016, and employees have undergone dilemma training to better understand how they can be implemented in everyday life. A special external alert channel has been established to handle reports of reproachable behaviour or conditions.

In 2016, a two-year leadership programme to increase the level of professionalisation in management roles and improve management by objective in the organisation was concluded. Organisational development continues, with emphasis on enhancing expertise to address a demanding market and provide support to new Norwegian exporters in new markets.

For six months a staff member has been in a Norwegian Labour and Welfare Administration work-training programme, assisting with governance and compliance tasks. GIEK is an apprenticeship company and has employed two trainees whose duties are in IT operations.

Sick leave is low and stable. In 2016, the rate of absence due to sickness was 2.6 per cent, which is down from 3.3 per cent the year before. Nine new employees were hired in 2016. Six employees (6.6 per cent) left in 2016, one of them after completing a fixed-term engagement. There were 100 employees at the end of the year (including employees on leave). There were no reports of job-related injuries or accidents in 2016.

Following a move to new premises in 2016, a workplace assessment was carried out to ensure good ergonomics in work areas.

External environment

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 purchase of carbon offsets for all trips.

The accounts are prepared on a going concern basis.


Oslo, 9 March 2017



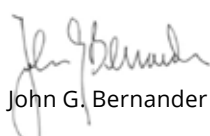
Karin Bing Orgland
(Board Chair)



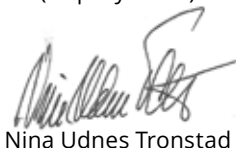
Torfinn Kildal
(Deputy Chair)



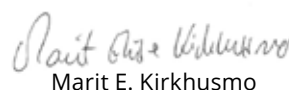
Arve Bakke



John G. Bernander



Nina Udnes Tronstad



Marit E. Kirkhusmo



Jo Stokke



Wenche Nistad
(Chief Executive Officer)

Overview of fund accounts (guarantee scheme accounts; for notes see full annual report (Norwegian))

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	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Guarantee premiums	3,19	1 298 401	1 338 624	21 231	11 090	20 333	9 715	0	0	4 032	5 338	1 343 997	1 364 768
Fee revenues	3	118 404	225 672	334	213	5 730	5 170	0	0	0	0	124 468	231 054
Net agio/disagio	8	77 950	44 371	2 061	-4 076	0	0	0	0	-1 655	13 622	78 357	53 917
Net interest income	9	34 144	53 514	432	628	556	884	12	25	478	817	35 622	55 868
TOTAL REVENUES		1 528 899	1 662 181	24 058	7 855	26 619	15 769	12	25	2 856	19 777	1 582 444	1 705 608
Administrative expenses	10	164 930	150 176	519	464	6 926	6 186	519	464	260	232	173 155	157 522
Other operating expenses	11,19	2 730	2 808	0	0	0	0	0	0	0	0	2 730	2 808
TOTAL OPERATING EXPENSES		167 660	152 984	519	464	6 926	6 186	519	464	260	232	175 885	160 330
PROFIT/LOSS BEFORE PROVISIONS AND FUND IMPAIRMENT		1 361 239	1 509 197	23 539	7 391	19 693	9 583	-508	-439	2 596	19 545	1 406 559	1 545 278
Net change in individual provisions for guarantee liabilities	5	220 511	1 477 602	0	-43 000	50 000	-35 898	0	0	-2 624	-15 194	267 887	1 383 510
Net change in collective provisions for guarantee liabilities	5	72 859	-517 339	-9 956	39 460	-64 037	64 969	0	0	-223	-186	-1 357	-413 096
Net change in claim receivables	6	1 660 917	443 110	2 894	6 438	150	0	0	0	0	0	1 663 961	449 548
Net change in impairment of moratorium agreements	7	-1 837	-1 545	-1 008	-442	0	0	0	0	-4 088	-2 950	-6 934	-4 936
NET CHANGE IN PROVISIONS AND FUND IMPAIRMENT		1 952 450	1 401 828	-8 071	2 456	-13 887	29 070	0	0	-6 935	-18 330	1 923 557	1 415 025
PROFIT/LOSS BEFORE TRANSFERS TO/FROM THE STATE		-591 210	107 369	31 610	4 935	33 580	-19 487	-508	-439	9 531	37 875	-516 997	130 253
State grants/transfers	12,13,19	0	0	0	0	0	0	0	0	-15 600	-9 500	-15 600	-9 500
PROFIT/LOSS FOR THE PERIOD		-591 210	107 369	31 610	4 935	33 580	-19 487	-508	-439	-6 069	28 375	-532 597	120 753
Allocations													
Transferred to/from accumulated capital		-591 210	107 369	31 610	4 935	33 580	-19 487	-508	-439	-6 069	28 375	-532 597	120 753

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. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
BANK DEPOSITS													
Bank deposits in NOK		4 987 556	5 418 580	542 619	513 003	106 245	103 587	1 149	2 722	93 668	90 417	5 731 237	6 128 309
Bank deposits in foreign currency		1 452 416	2 985 830	0	0	0	0	0	0	0	0	1 452 416	2 985 830
TOTAL BANK DEPOSITS	9	6 439 972	8 404 410	542 619	513 003	106 245	103 587	1 149	2 722	93 668	90 417	7 183 653	9 114 138
RECEIVABLES													
Receivables in connection with payments under guarantee	6,19	4 954 493	1 704 224	13 567	10 673	0	0	0	0	266 863	267 779	5 234 923	1 982 676
Individual impairments of receivables	6	-2 377 829	-709 340	-11 753	-8 859	0	0	0	0	-229 819	-230 277	-2 619 401	-948 475
Claims, moratorium agreements	7,14	138 069	150 021	38 787	42 032	0	0	0	0	202 750	271 579	379 606	463 632
Impairment, moratorium claims	7	-20 987	-22 113	-7 757	-8 406	0	0	0	0	-97 741	-149 821	-126 485	-180 340
Other receivables	17,19	247 677	233 121	2 104	7 330	3 666	332	0	0	0	0	253 447	240 783
TOTAL RECEIVABLES		2 941 424	1 355 914	34 946	42 769	3 666	332	0	0	142 053	159 260	3 122 089	1 558 275
FINANCIAL FIXED ASSETS													
Shares	18	1 243	92	0	0	0	0	0	0	0	0	1 243	92
TOTAL FINANCIAL FIXED ASSETS		1 243	92	0	0	0	0	0	0	0	0	1 243	92
TOTAL ASSETS		9 382 639	9 760 416	577 566	555 772	109 911	103 919	1 149	2 722	235 721	249 677	10 306 986	10 672 505
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													
LIABILITIES													
Debt relief plan, residual amount for settlement	14	0	0	0	0	0	0	0	0	833 764	833 764	833 764	833 764
Debt to Ministry of Trade, Industry and Fisheries	15,19	0	0	0	0	0	0	10 000	10 000	0	0	10 000	10 000
Deferred revenues		446 414	460 801	34 453	30 443	0	0	0	0	3 058	7 090	483 925	498 334
Other liabilities	16,19	-381	-14 164	0	1 166	6	13 557	0	1 066	600	1 254	227	2 879
TOTAL LIABILITIES		446 033	446 637	34 454	31 609	6	13 557	10 000	11 066	837 422	842 108	1 327 916	1 344 977
PROVISIONS													
Individual provisions for guarantee liabilities	5	2 625 839	2 446 382	0	0	50 000	0	0	0	11 792	14 753	2 687 630	2 461 135
Collective provisions for guarantee liabilities	5	2 163 960	2 129 379	90 856	103 517	35 963	100 000	0	0	387	627	2 291 166	2 333 522
TOTAL PROVISIONS		4 789 799	4 575 761	90 856	103 517	85 963	100 000	0	0	12 179	15 380	4 978 796	4 794 657
CAPITAL													
Accumulated capital		4 146 807	4 738 017	2 256	-29 353	23 942	-9 638	-8 851	-8 344	-613 880	-607 811	3 550 273	4 082 871
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	4 146 807	4 738 017	452 256	420 647	23 942	-9 638	-8 851	-8 344	-613 880	-607 811	4 000 273	4 532 871
TOTAL LIABILITIES AND CAPITAL		9 382 639	9 760 416	577 566	555 772	109 911	103 919	1 149	2 722	235 721	249 677	10 306 986	10 672 505

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.	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."
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.	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.
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 that the exporter will meet his contractual obligations. A bond framework is a relief agreement between GIEK and a bank with regard to a certain exporter. Such an agreement makes it easy for the bank to seek relief for guarantees up to a stated maximum amount.	BUYER CREDIT GUARANTEE <i>Långivergaranti</i>	GIEK's most commonly used guarantee; it is provided to a lender
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.	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.
		CLAIM PAY-OUT <i>Utbetaling under garanti</i>	<i>See payment under the guarantee.</i>
		CO-GUARANTOR <i>Medgarantist</i>	A commercial bank or other actor that shares risk with GIEK.
		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.
		COMMITMENT <i>Engasjement</i>	At GIEK: a guarantee or group of guarantee

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.	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.
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.	IMPAIRMENT <i>Nedskrivning</i>	The fall in value of an asset in the balance sheet; at GIEK, often a receivable.
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.	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.
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.	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.
ECA	Export credit agency. Export guarantee agency. Institution that issues export guarantees on behalf of a state. The majority of the world's ECAs (including GIEK) are members of The Berne Union.	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).
EXPORTS <i>Ekspor</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.	LOSS <i>Tap</i>	<i>See payment under the guarantee.</i>
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 2016.	LOSS PROVISION <i>Tapsavsetning</i>	Provisions made from profit reflect the uncertainty of a guarantee or group of guarantees.
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.	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.
FUNDS <i>Fonds</i>	<i>See schemes</i>	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.
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.	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.
		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".

Words and expressions

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	REINSURANCE <i>Reforsikring</i>	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.
PAYMENT UNDER THE GUARANTEE <i>Utbetaling under garanti</i>	(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.	REVENUE <i>Inntekt</i>	GIEK receives premiums and fees from customers. In addition, the state pays GIEK for certain services. Interest is also received on some bank deposits. Administrative expenses are covered from guarantee scheme premiums.
POLICY <i>Garanti</i>	<i>See guarantee</i>	RISK <i>Risiko</i>	Risk is the central concept in GIEK's operations. We work with financial risk, in particular the risk of an agreed payment failing to take place. Examples include a buyer not repaying a loan or an exporter using up an advance payment without delivery as agreed. GIEK's guarantees are issued to mitigate two types of risk: commercial and political. Most cases involve both types.
MORATORIE (-AVTALE)	Avtale som utsetter et debitorlands betaling av gjeld til et kreditorland. Brukes særlig om avtaler i regi av Parisklubben.	SCHEME <i>Ordning</i>	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.
POLITICAL RISK <i>Politisk risiko</i>	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.	SUPPLEMENT TO THE MARKET <i>Supplement til markedet</i>	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.
PORTFOLIO <i>Portefolje</i>	At GIEK: The sum total of guarantees.	SUPPLIER CREDIT <i>Leverandørkreditt</i>	Credit provided by an exporter to a buyer abroad.
PREMIUM <i>Premie</i>	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 GIEK's two main types of revenue from customers.	TERM <i>Løpetid</i>	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".
PRIMARY CAPITAL <i>Grunnfond</i>	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.	WAIVER	Permission to deviate from a previously agreed condition in the loan agreement. Made by the bank and guarantor.
PRORATA PRINCIPLE <i>Prorata-prinsippet</i>	Principle of sharing risk on equal terms and conditions (although percentages may differ) among several risk-takers.		
RECEIVABLE <i>Fordring</i>	A claim GIEK has on another party.		
RECOVERIES <i>Gjenvinninger</i>	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).		



Export financing leads to international breakthrough

In 2016 GIEK helped secure an agreement between the Trondheim-based company Inrigo and state-owned Camwater in Cameroon. The loan agreement financing the export contract was signed in early 2017 and entailed a EUR 57.7 million loan from Export Credit Norway to the Republic of Cameroon, guaranteed by GIEK. Innovation Norway Trøndelag buttressed financing with a risk loan to Inrigo.

Cameroon has taken big steps to improve its population's water supply. Inrigo is providing turnkey drinking water systems from Norway as well as engineering, production, construction and assembly of the entire infrastructure,

from water intake to distribution. That includes intake facilities, pumping stations, pipes, basins, buildings and water treatment plants. The facility is modular and manufactured in Vanvikan, in Nord-Trøndelag county.

– Inrigo is a good example of a company that has managed to realign itself to serve new markets. With help from GIEK, Export Credit Norway and Innovation Norway, this company – which primarily used to supply the oil and offshore industry – has succeeded in finding new markets for its products, says Astrid Etienne, Senior Vice President, Head of Team, Energy and Industry, GIEK

This is an international breakthrough for us. A robust new treatment technology, professional expertise, fast delivery and good financing conditions were crucial to our getting the contract. Without financial support and risk mitigation from Export Credit Norway, GIEK and Innovation Norway, this agreement would not have fallen into place.

Reza Hezari
Chief Executive Office, Inrigo AS



Organisation

GIEK is directed by a board appointed by the Ministry of Trade, Industry and Fisheries and by the employees. The board consists of Karin Bing Orgland (Board Chair), Torfinn Kildal (Deputy Chair), Arve Bakke, John G. Bernander, Marit E. Kirkhusmo, Jo Stokke and Nina Udnes Tronstad. With effect from 1 November 2016, Maria Borch Helsingreen has left the board. Morten Calfeldt is an observer.

GIEK's organisation seeks continuously to adapt to the needs of the export industry. The purpose of the present organisation is to accommodate broad interaction with banks, new industries and markets.

There are three guarantee departments: Energy and Industry; Offshore; and Shipping, Yards and Offshore Projects.

The guarantee departments are assisted by the Legal and Risk Advisory Department, with its expertise in law, sustainability, credit and analysis. This department has assumed responsibility for IT and finance from the Administration Department, which was discontinued in 2016.

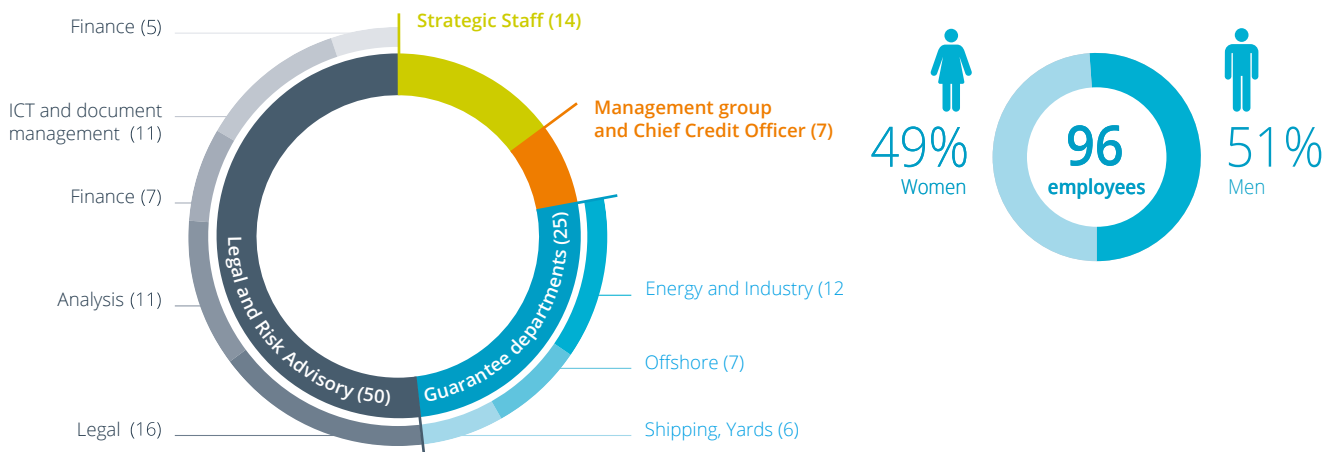
Strategic Staff are responsible for international frameworks, HR, communication, ministerial liaison and governance and compliance as well as procurement, a function transferred from the Administration Department.

Responsibility for governance and compliance resides with the Strategic Staff, but the function reports directly to the CEO and the Board of Directors.

The Chief Credit Officer has an independent position and reports directly to the CEO.

GIEK's administration consisted of 92.4 fulltime equivalents at the end of 2016, including permanent and temporary employees but not employees on leave. The rate of absence due to sickness was low and stable in 2016, at 2.6 per cent, which represents a decrease from the previous year's 3.3 per cent.

Nine new employees were hired in 2016. Six employees (6.6 per cent) left in 2016, one of them after completing a fixed-term engagement. There were 100 employees at the end of the year (including four employees on leave).



The Guarantees: Careful preparation, close follow-up





The Norwegian Export Credit
Guarantee Agency

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A framework agreement for Saipem

In 2016, the Italian oil services company Saipem signed financing agreements for the purchase of Norwegian offshore technology valued at up to EUR 667 million (NOK 6.2 billion). The purchases will be financed with EUR 554 million (NOK 5.2 billion) in loan guarantees, primarily from state-owned GIEK, linked to loan financing from Export Credit Norway AS and banks.

Owner: Saipem