GIEK

Annual Report 2017

Content

The picture on the cover page shows Robert Lundeberg working on one of Made for Movements innovative movement aid solutions. In 2017 the Norwegian based company got an important contract with a Spanish customer backed by Export Credit Norway and GIEK.

From left to right are Espen Hugo Holth (Automation Manager), Oscar Olsen (Department Head, PMC and Lumber) and Kim Breitenstein (Senior Project Manager).

Machine exports to China with help from GIEK

Alfsen og Gunderson, headquartered in Oslo, is a major supplier of process engineering solutions and facilities for dust filtration, powder transport, and drying, water and pump technology to Norwegian and foreign industrial customers. GIEK's guarantee is inducing the export to China of heatsetting machinery for felt and fabrics used in paper production.

Alfsen og Gunderson:

- Established in 1926 and since developed into a leading provider of water, air, drying and filtration technology.
- Customers are primarily in industry, offshore, shipping, municipalities and energy production.
- The export contract in question is valued at about EUR 3 million (about NOK 29 million).

GIEKs garanti:

- A supplier credit guarantee of EUR 1.9 million (about NOK 19 million). Lender is Export Credit Norway.
- The buyer is Anhui Taipingyang Special Meshes Co. Ltd., a family-owned Chinese company that supplies the paper industry with felt and fabric paper machine clothing.

By issuing a supplier credit guarantee, GIEK ensures the exporter will be paid at the agreed time. The guarantee comes into play if the buyer goes bankrupt or has trouble paying.

1

Test
Analyze
Window
Help
Any CPU
Google Chrome
Source Control Explorer
ExternalCustomerOrderExportService.cs
RS.CIM.Inventory.Services.StockCountCommandService
StockCountCommandService Members
Private methods
/// <summary>
/// Class that handles import of stock counts.
/// </summary>
public class StockCountImporter
private readonly ILog _log;
private readonly IStockCountsRepository _stockCountsRepository;
private readonly int _stockCountNo;
public StockCountImporter(ILog log, int stockCountNo,
_log = log;
_stockCountsRepository = stockCountsRepository;
_stockCountNo = stockCountNo;
/// <summary>
/// This method uses Task.Factory to start several
/// Transactions are added to the VBDTrans database
/// while a third thread handles the insertion of
/// </summary>
/// <param name="transactions"></param>
public void ImportStockCount(List<Transaction> transactions)
var swtotal = new Stopwatch();
swtotal.Start();
var tasks = new List<Task>();
long stockCountTransactionElapsed

In December, GIEK offered an loan guarantee in connection with Yara's large investment in Porsgrunn, Norway. The guarantee was formally issued in February 2017. From left to right are Yara Porsgrunn Plant Manager Jon Sletten, Executive Vice President of Production Petter Østbø, Norwegian Minister of Trade and Industry Torbjørn Røe Isaksen, Yara Porsgrunn testing officer Rebecca Sian Williams and GIEK's CEO Wenche Nistad.

Chief Executive Officer's foreword

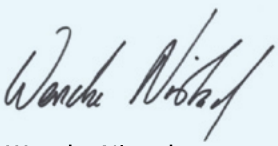
From Norway to the world

GIEK's vision is "From Norway to the world", reflecting our ambition to be an important supporter of export companies across industries, sizes, and in all Norwegian parts of the country. It was therefore gratifying to see that an increasing number of industries and mainland entities used GIEK in 2017 to finance strategic investments, new contracts and expanded production capacity. According to Menon Economics, we contributed to about NOK 10 billion in value creation and laid a foundation for more than 9 600 jobs across the country.

The banks in addition employed GIEK in several types of financings in 2017, attracted in part by new guarantee schemes for both the maritime and mainland industries. In December 2017 we had the extra pleasure of issuing our first loan guarantee for export-related investments in Norway following the launch of that scheme by the Minister of Trade and Industry earlier in the year. The new guarantee lets us mitigate the banks' risk so that they can provide domestic financing for investments that generate exports. We believe this guarantee meets the requirements of smaller companies with export ambitions as well as of established businesses looking to strengthen their position in the export market.

The offshore oil and gas downturn since 2014 hit the shipyard industry hard, but they have since landed contracts to build specialised new cruise ships – an impressive achievement. GIEK helps out by guaranteeing construction loans and long-term financing. Starting in 2018 we also provide a loan guarantee scheme for construction at Norwegian shipyards of vessels to be used in Norway. This scheme will contribute to further industrial realignment while sustaining value creation and employment, especially along the Norwegian coast.

GIEK further seeks to enhance and expand its role. The SME market is a high priority: we will strengthen our cooperation with business clusters and associations and make it easier for the business community to navigate between GIEK and the Norwegian state's other policy instruments. Close collaboration with the banks is important. In general, we will become better at showcasing all the tools provided in our toolbox. There are many to choose from, and their impact can be widespread.



Wenche Nistad
Chief Executive Officer

The Norwegian Export Credit Guarantee Agency (GIEK)

GIEK is a public-sector agency 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, Norwegian lower the 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.

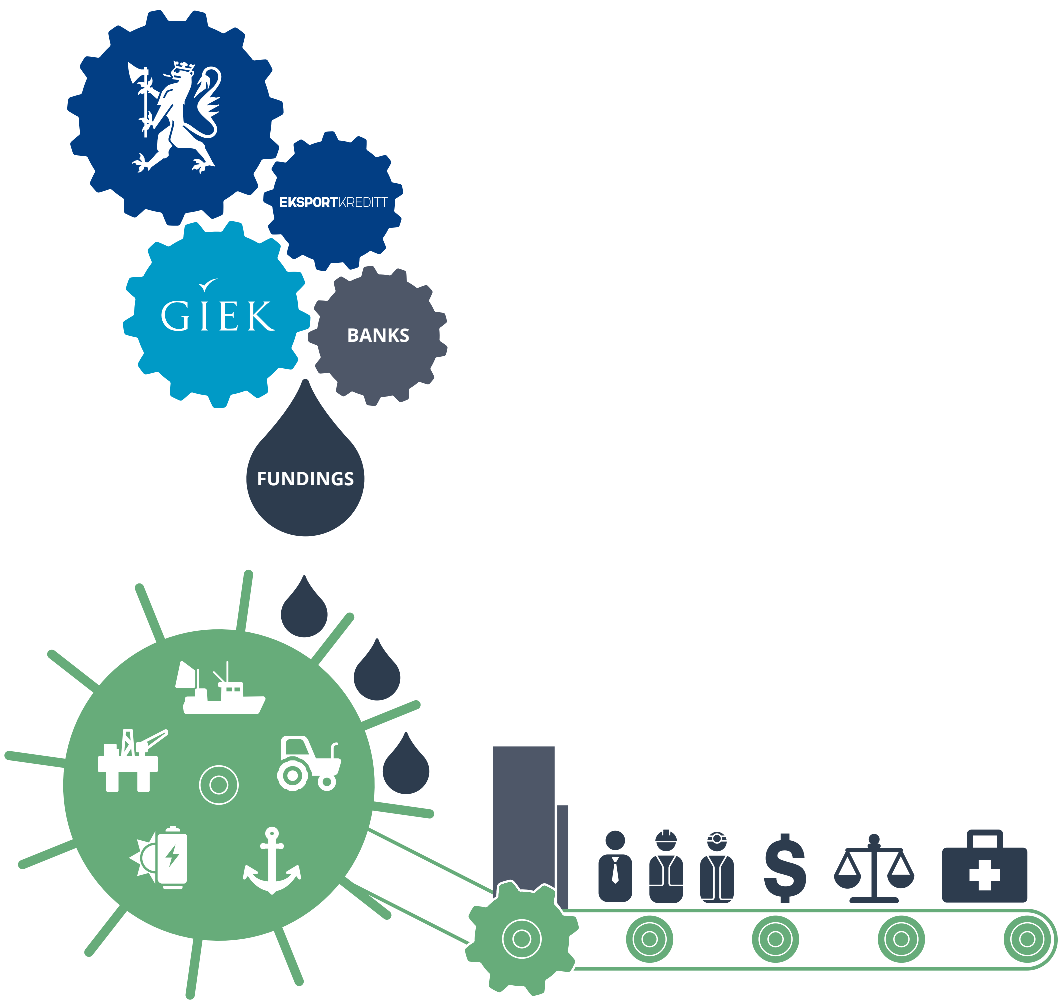
The guarantees are tailored to the needs of Norwegian exporters and foreign buyers, covering political and commercial risk associated with loans made by private or public financial institutions.

Guarantees are provided only when Norwegian goods or services are 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 commercial banking and financial market, and is required to break even financially in the long run.

In addition to issuing export guarantees, GIEK manages three domestic guarantee schemes: one for power purchases, one for shipbuilding at Norwegian yards, and one for ships built at yards in Norway which will be operated in Norway. The latter scheme also includes financing of fishing vessels, ferries, well boats and fast ferries and patrol boats, among others, where the financing will be offered at market terms.

GIEK in the society



Key figures 2017

(all amounts i NOK)

21.5 billion
in export contracts triggered

38.6 billion
179 new guarantee applications

11.8 billion
158 new guarantees issued for exports to 23 countries

15.9 billion
160 new guarantee offers

1.5 billion
Guarantee revenues

2.1 billion
Paid out under guarantee schemes

341 million in profit

– per 31.12.2017

Current guarantees	Guarantee liabilities	Loss provisions and impairments	Employees
438	91.1 billion	7.7 billion	96

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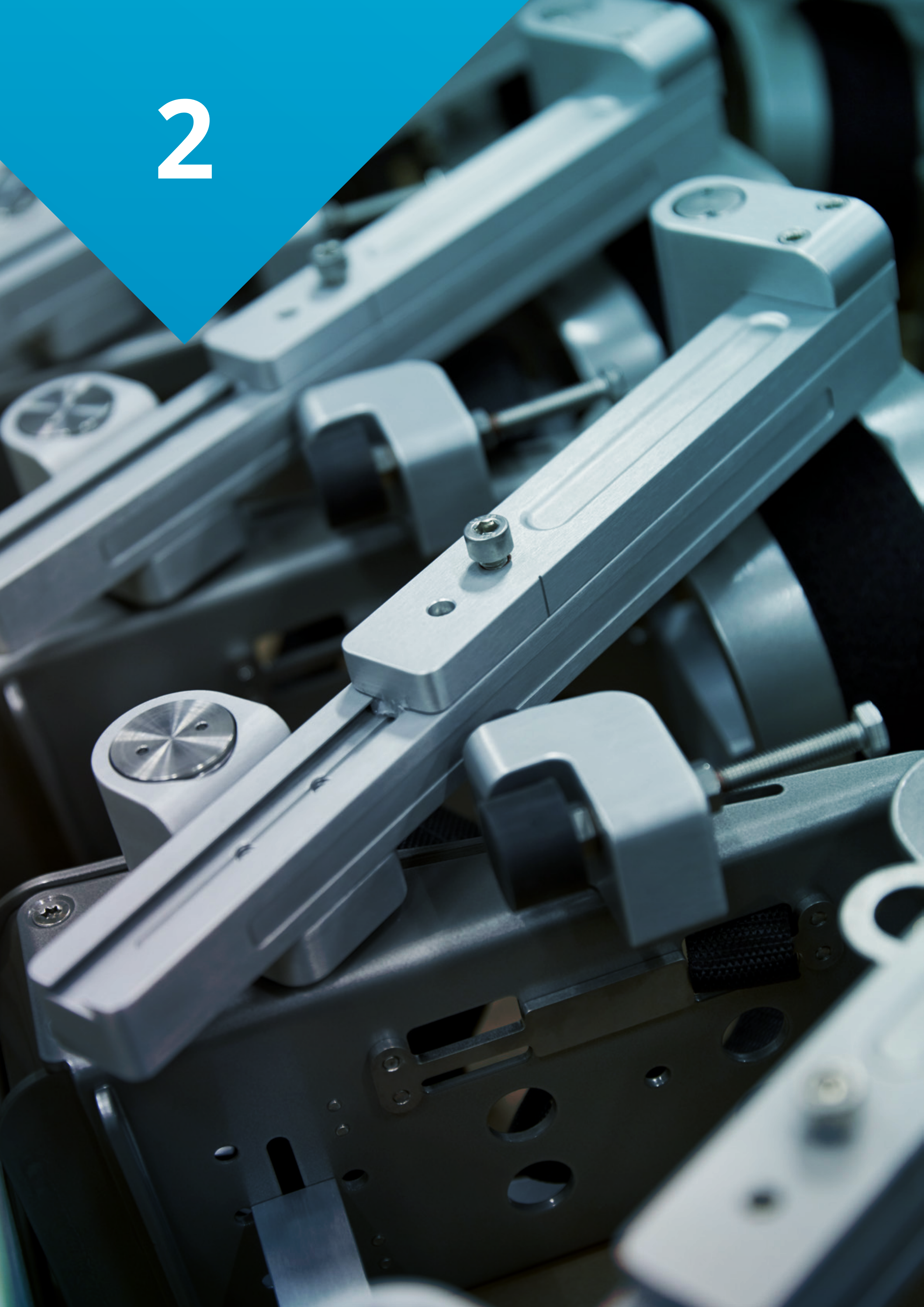

GIEK's purpose and social mission

GIEK's purpose is to promote Norwegian exports and investment by issuing guarantees on behalf of the Norwegian State. At the same time, GIEK is required to break even in the long terms. Goals set by the Ministry of Trade, Industry and Fisheries are:

- GIEK shall promote export contracts by offering competitive export guarantees functioning as a supplement to the bank market.
- GIEK shall help ensure the availability of construction loans on commercial terms.
- GIEK shall help ensure that long-term power contracts can be concluded on commercial terms.
- GIEK shall fulfil the requirement that each scheme, including any loss fund, breaks even in the long term.
- GIEK shall contribute to market financing of construction at Norwegian shipyards when the vessels are to be used in Norway.

GIEK's value creation chain

Direction from MTIF	Activities	Products	User impact 1	User impact 2	Social impact 1	Social impact 2
Exposure limits Risk tolerance Administrative budget	Review applications	Guarantee offers and guarantees	Competitive exporters	Increased Norwegian exports	Increased employment/ production in Norway	Increased value creation in Norwegian economy within sustainable parameters
	Assumes: • Competitive export financing services. • Awareness of the export financing services. • Available capacity under the exposure limit. • Guarantees priced and otherwise designed in accordance with regulations and guidelines.		Assumes: • Competitive bids from the exporter. • The contract is additive.		Assumes: Projects executed do not prevent out more profitable projects.	Assumes: The benefit of the measure implemented exceeds its cost to society.

ROYAL NORWEGIAN MINISTRY OF TRADE, INDUSTRY AND FISHERIES

Secretary General

Your ref	Our ref	Date
	18/335	05 .02.18

To whom it may concern

We hereby confirm that the Norwegian Export Credit Guarantee Agency (GIEK) is an administrative enterprise under the Royal Ministry of Trade, Industry and Fisheries.

GIEK is authorized to manage guarantee schemes by issuing new guarantees as well as managing outstanding guarantees on behalf of the Norwegian government, in accordance with decisions of the Norwegian Parliament, last renewed on December 11th and 20th 2017.

GIEK is not its own legal entity, but a part of the Norwegian State. If there is not enough funds in GIEK to cover losses from guarantees GIEK can borrow funds from the State treasury.

We further confirm that GIEK is authorized to temporarily acquire and sell shares and options on behalf of the Norwegian government, in accordance with decisions of the Norwegian Parliament, last renewed on December 11th 2017.

GIEKs board of directors has given the Chief Executive Officer, Ms Wenche Nistad, the authority to sign on GIEKs behalf, and authorize GIEKs employees accordingly.

This confirmation is valid until December 31st 2018.

Yours sincerely,

Reier Søberg

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Postal address: PO Box 8090 Dep, N-0032 Oslo, Norway
Org. no.: 912 660 680

New buyer credit guarantee to Lindblad Expeditions

The American expedition cruise and adventure travel company Lindblad Expedition Holdings Inc. ("Lindblad") has received financing from Export Credit Norway and GIEK for a new polar expedition vessel from Norway based Ulstein Verft shipyard.

Lindblad is an established global market leader within authentic expedition cruises in the Polar Regions, among others. The company offers adventure travel with focus on extraordinary content, in close cooperation with National Geographic and, through its subsidiary Natural Habitat, with World Wildlife Fund. The company presently operates 12 expedition vessels, of which it owns seven, in addition to two vessels under construction. Lindblad is listed on NASDAQ stock exchange in the U.S. This is the first the guarantee GIEK has issued to Lindblad.

The state-of-the-art new polar vessel is based on the Ulstein X-BOW® CX104v design which provides fuel efficiency while significantly improving guest comfort in rough seas.

The vessel will be built to a high ice class for access deep into polar regions. Focus is on safety and comfort, as well as incorporating innovative sustainability solutions to reduce its environmental impact. The vessel will be equipped with 69 spacious guest cabins and suites will include 12 cabins for solo travellers. A spa and fitness area will include treatment rooms, saunas, a fitness room, a relaxation area and yoga room; and there will be two infinity Jacuzzis. Dining offerings include a main restaurant with outstanding views to the surroundings, and an outdoor barbeque and bistro area.

The guarantee from GIEK is a Buyer credit guarantee of USD 75 million and covers a loan from Export Credit Norway to US-based Lindblad Expedition Holding, Inc ("Lindblad").

Citibank in London acts as an agent and participates in the financing.

The vessel is expected to be delivered from the Ulstein yard in January 2020.

Hans Petter Jørgensen, left, and Trond Nøtland of Alcoa in Mosjøen are pleased the company has entered into a long-term electric power agreement, thanks in part to a GIEK power purchase guarantee. This was the first use of GIEK's Power Purchase Guarantee Scheme, whose purpose is to help power-intensive industrial enterprises entering into long-term power contracts to expand their activities in Norway.

GIEK has guarantees to serve multiple requirements

Guarantees issued by GIEK in recent years have triggered exports from every Norwegian county but Hedmark. See pages 23 for more information about the effect on employment and value creation.

Reducing risk and promoting exports:
GIEK's main objective, on behalf of the state, is to issue guarantees that promote exports and investment for Norwegian exporters. The guarantees reduce the risk to exporters, buyers or their banks in connection with export transactions. This strengthens exporter competitiveness and creates incentives to enter into new contracts.

Designed for Norwegian exporters:
The guarantees are tailored to the needs of Norwegian exporters and foreign buyers, and they function as a supplement to the private financial market. GIEK can mitigate both commercial and political risk. Commercial risk refers to the risk of a private buyer going bankrupt or not making their payments for other reasons. Political risk refers to the risk that a public-sector buyer will fail to pay, or that payments will be prevented by war, expropriation or other actions by the authorities. Investment guarantees cover only political risk. GIEK is bound by confidentiality with regards to applications, offers and developments after guarantees are issued. Issued guarantees are published on giek.no.

Competitive offers:
GIEK's products are meant to be competitive with those of Export Credit Agencies in other countries. Most countries with significant capital goods exports provide government guarantees that mitigate long-term export credit risk for exporters and financial institutions. GIEK's guarantees support exports to countries worldwide.

GUARANTEE SCHEME	PURPOSE	WHO'S APPLYING
Buyer credit guarantee – loans over NOK 100 million	Issued to the buyer's lender in connection with an export transaction.	Both exporter and buyer (possibly also buyer's lender)
Buyer credit guarantee – loans under NOK 100 million	As above.	As above, but a joint financing structure has been created between Export Credit Norway and GIEK
Letter of credit guarantee	Ensures money transfer between the buyer's and the exporter's banks.	Exporter's bank
Building loan guarantee	Secures financing to a Norwegian shipyard for building of new ships.	Shipyard or shipyard's bank
Bond guarantee	Protects foreign buyers from loss if a Norwegian exporter fails to fulfil a contract or an advance payment is lost. GIEK can also protect the exporter against unfair calling on a bond guarantee.	Exporter's bank
Supplier credit guarantee	Ensures that the exporter receives payment for sales on credit to a foreign buyer.	Exporter
Contract guarantee	Protects an exporter from loss during the production period in the event of contract non-performance by a foreign purchaser.	Exporter
Investment guarantee	Protects an investor from loss in countries with high political risk.	Investor or investor's lender
Power purchase guarantee	Ensures payment to power supplier in connection with long-term contracts from energy-intensive industries.	Seller of power or lender
Tender guarantee	Covers tender-related expenses if a bidding company fails to win the job in a project funded by development aid.	Norwegian bidder
Production loan guarantee	GIEK may issue guarantees to Norwegian exporters that require financing of production costs related to a specific export contract.	Exporter's bank
New from 2017: **Loan guarantee for export-related investments in Norway**	GIEK may issue guarantees to a bank that finances a company's investment in Norway if the investment leads directly or indirectly to export.	Exporter's bank
New from 2018: **Domestic ship guarantee**	GIEK may issue guarantees to secure a loan for ship construction or substantial renovation when the vessel is to be partly or wholly built in Norway and for udomestic Norwegian use.	Buyer, buyer's bank or shipyard

GIEK's organisation

GIEK is led by a Board of Directors appointed by the Ministry of Trade, Industry and Fisheries (MTIF) and the Agency's employees (see table below). The organisation tries always to be in tune with the needs of export industries and to maintain a broad interface with banks, new business sectors and markets.

The figure on the opposite page shows GIEK's organisation, with three guarantee departments that are responsible, respectively, for energy and industry (mainland industries); for offshore; and for shipping, yards and offshore projects. The three departments are assisted by the Legal and Risk Advisory Department, with its expertise in law and sustainability, credit and analysis. This department is also responsible for IT and finance. Strategic Staff is responsible for international frameworks, HR, communication and marketing, ministerial liaison, governance and compliance, and procurement.

Although responsibility for governance and compliance resides with the Strategic Staff, 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.

Board of Directors	
Karin Bing Orgland (b. 1959) Board Chairman since 2013	Economics degree from the Norwegian School of Economics (NHH) in Bergen. Works as an independent board member. Chairs the boards of Entur AS, Visit Jotunheimen AS and Røisheim Hotell AS and serves on the boards of Storebrand ASA, KID ASA, Grieg Seafood ASA, HAV Eiendom AS and INI AS. Extensive banking experience from executive positions at DNB.
Torfinn Kildal (b. 1954) Board Vice-Chairman, member since 2011	Economics degree from the Norwegian School of Economics (NHH) in Bergen. Works as an independent board member, with board seats at Aibel AS and Glamox ASA, among other companies. He serves as Board Chairman at Interwell Norway AS, Servi Hydranor Group AS and OSWO AS. Former Managing Director of Kongsberg Maritime AS. Broad operational and management experience in offshore and maritime supply enterprises in Norway and internationally.
Arve Bakke (b. 1952) Board member since 2009	President of the Norwegian United Federation of Trade Unions from 2007-2015. Has worked for the United Federation of Trade Unions and the former Norwegian Union of Iron and Metalworkers since 1984, and before that at the Ulstein-Hatlø shipyard. Also served for 12 years as Chair of the Labour Party's Møre og Romsdal branch. State Secretary in the Ministry of Administration and Planning, 1996-1997. Board member at Bank 1 Oslo Akershus, 2008-2017.
John G. Bernander (b. 1957) Board member since 2013	Law degree from the University of Oslo, with a practicing certificate since 1985. Independent enterprise through Tophdal AS. Chairs the boards of Pareto Shipbrokers AS and Talent Norge AS. Board member at Johan G Olsen AS, Jiffy AS, Kruse Smith AS and Amedia AS. Former Managing Director of the Confederation of Norwegian Enterprise (NHO), Director-General of the Norwegian Broadcasting Corporation (NRK) and Managing Director of the marine insurance company Gard and Viking Heat Engines AS. Member of the Storting (the Norwegian parliament) from 1989-1993, State Secretary in the Ministry of Industry in 1990 and Deputy Chair of the Conservative Party from 1991-1994.
Margrethe Hauge (b. 1971) Board member since 2017	Economics degree from Mannheim in Germany, self-employed in the field of restructuring management. Previously Regional Director of MRC Global with responsibility for the Nordic countries and Germany. Broad international experience in the offshore and maritime industries. Served in group management at TTS Group ASA and Kverneland Group ASA and worked internationally for several years. Board member at Salmar ASA, and formerly at the Administrative Research Fund Foundation of the Norwegian School of Economics (NHH), Codfarmers ASA and Bjørge ASA.
Marit E. Kirkhusmo (b. 1970) Board member since 2014	Law degree from the University of Oslo, lawyer and partner at the law firm of Steenstrup Stordrange DA (SANDS), where she specialises in shipping/offshore and financing. Extensive experience as a lawyer for a variety of actors within these industries. Served for many years as group counsel for the Eitzen Group and was a member of the group's executive board.
Nina Udnes Tronstad (b. 1959) Board member since 2015	MSc in chemical engineering from the Norwegian University of Science and Technology (NTNU). Presently CEO of a private investment company. Has served as a group executive at Kvaerner ASA, President of Kvaerner Verdal AS and group executive at Statoil ASA, and has held various operational and technical management positions at Statoil. She is a board member at Peab AB and Rambøll Group AS, and chairs the board at Technoport.
Martin Sommerseth Jaer (b. 1982) Employee-elected board member since 2018	Msc in economics from the University of Oslo and Fudan University in Shanghai. Has worked in GIEK's Research section since March 2016, focusing on land-, bank- and sector risk, and previously as an analyst at Arctic Securities. For several years he has run an analysis and consulting firm specialising in China and emerging markets.
Morten Calfeldt (b. 1961) Board observer since 2016	Educated at the Royal Norwegian Naval Academy with a focus on operations. Senior account manager at GIEK since 2014, with prior experience in marine insurance and in shipping and offshore banking. Before joining GIEK he worked for Deutsche Bank.

GIEK´s organisation chart per April 2018.

CEO
Wenche Nistad

Chief Credit Officer
Unni Tenold

Strategic Staff
Department Director
Ulla Wangestad

- **Communication and Government relations**
  Head of Section:
  Allon Groth
- **Strategy and International Relations**
  Head of Section:
  Johan Mowinckel
- **Compliance**
  Head of Section:
  Lasse Breiland
- **HR and service**
  Head of Section:
  Anne May Risung
- **Public Procurement**
  Vera Didriksen

Offshore
Department Director:
Britt Skåtun

Shipping, Yards and Offshore Projects
Department Director: Solveig Frøland

Energy and Industry
Department Director:
Ivar Rekve

Legal and Risk Advisory
Department Director
Elizabeth Lee Marinelli

- **Legal**
  Head of Section:
  Ståle Torgersbråten
- **Research**
  Head of Section:
  Terje Mauer
- **Credit**
  Head of Section:
  Olaf Gresvik
- **Finance Department**
  Head of Section:
  Trude Sølvberg
- **ICT and Document Management**
  Head of Section:
  Bent Norman Lund

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The year's activities

New guarantees from GIEK triggered NOK 21.5 billion in export contracts in 2017. That is NOK 9 billion less than in 2016. However, new guarantee applications measured in Norwegian currency are significantly larger, indicating that Norway's export industry is transforming itself at an accelerating pace. Outstanding guarantee liabilities, divided among 438 current guarantees, amounted to NOK 91.1 billion at the end of 2017, as against NOK 98.0 billion and 419 guarantees at the end of 2016.

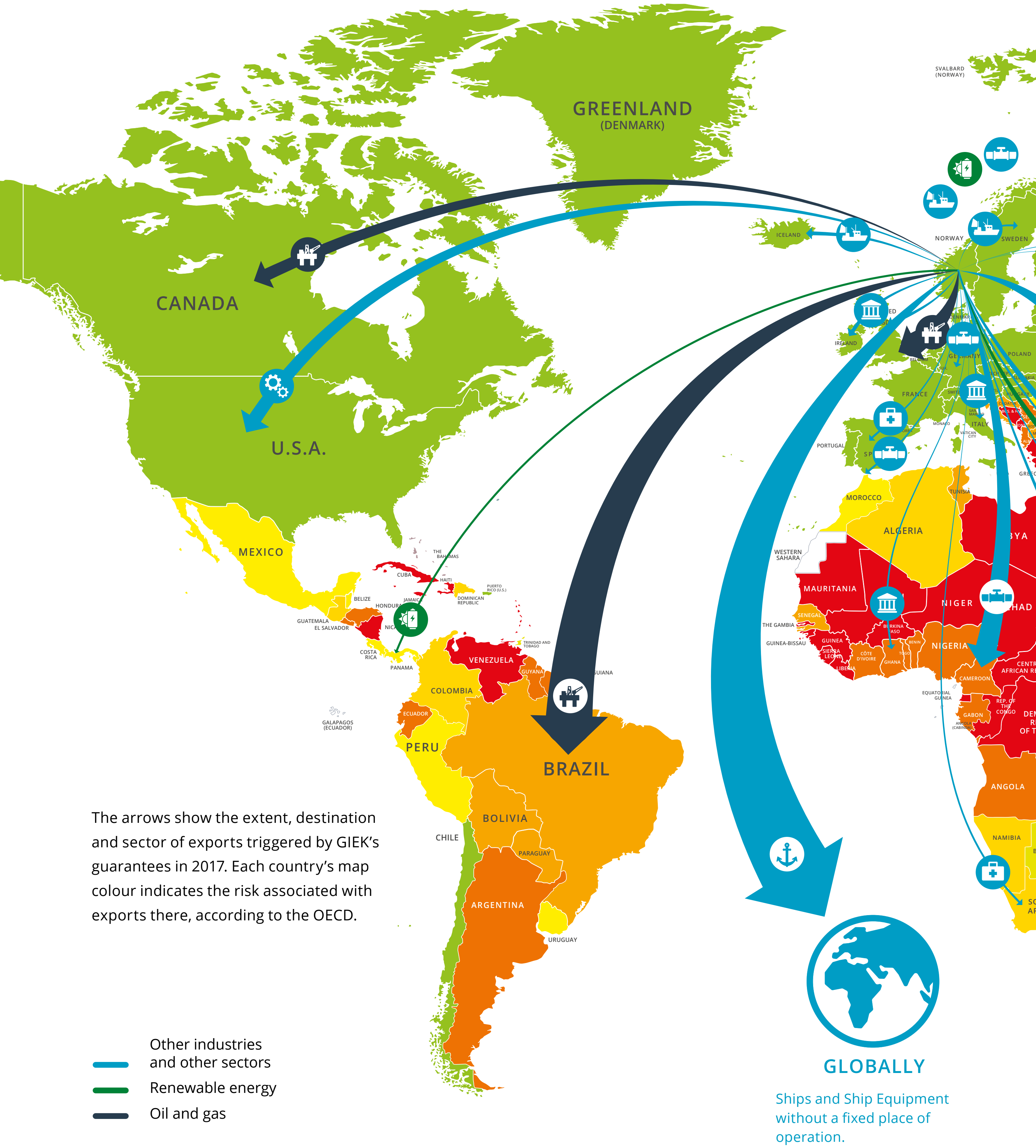
Outstanding guarantee liabilities by industry (figures in NOK millions)

MTIF industry group	MTIF product group	Outstanding liabilities 2016	Outstanding liabilities 2017
Other industries and other sectors	Other	5 423	7 103
	Ships and ship equipment	6 313	9 252
Renewable energy	Other	2 070	2 400
	Ships and ship equipment	28	95
Oil and gas	Other	17 643	13 558
	Ships and ship equipment	66 541	58 663
Total		**98 018**	**91 072**

Key figures for all schemes in 2017

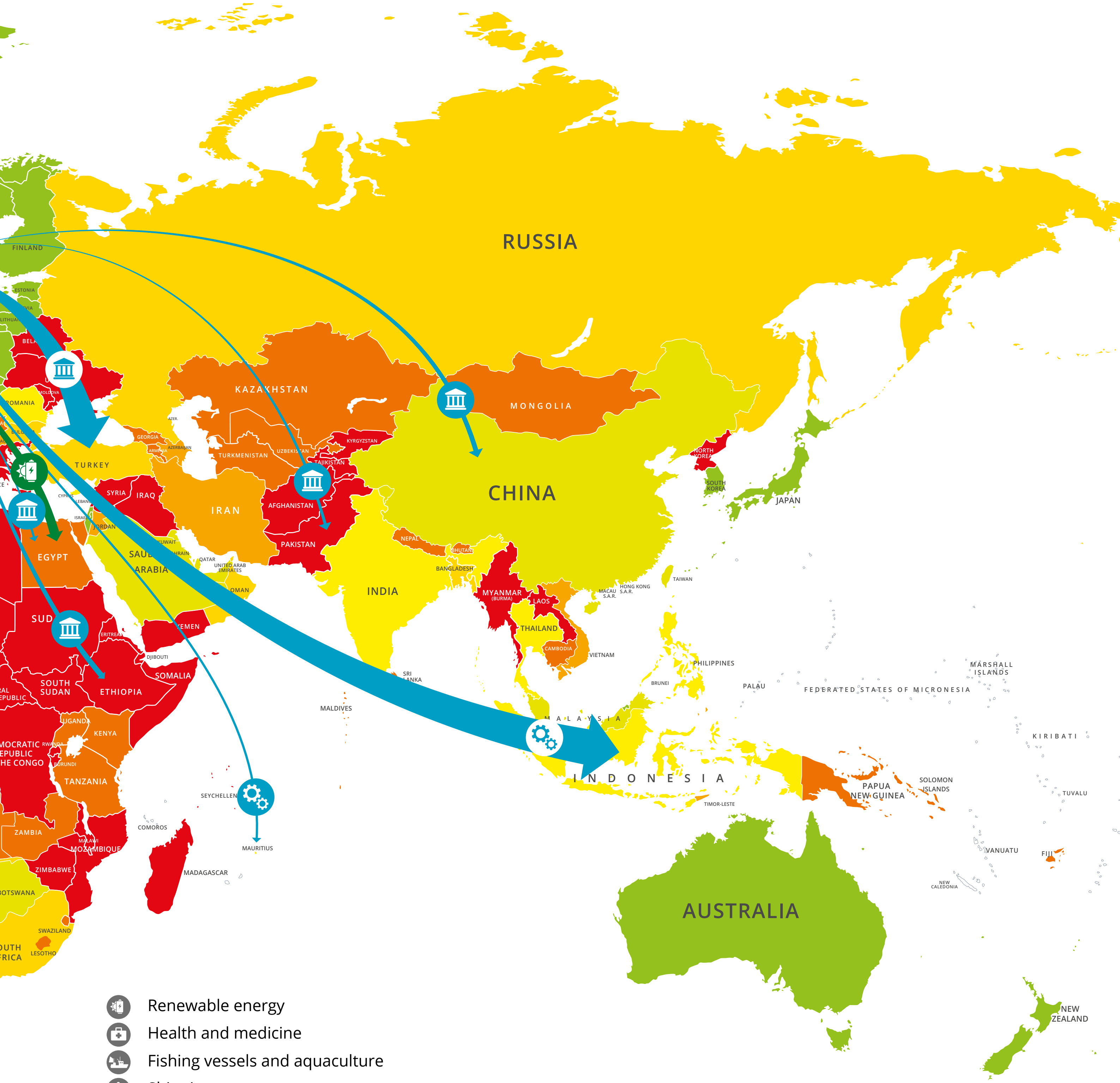
Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Outstanding guarantee liabilities	Unutilised bond framework	Bound under the exposure limit	Guarantee exposure limit
General guarantee scheme	33 186 877	8 496 308	13 073 935	13 881 758	8 404 290	86 510 904	737 545	101 130 207	
Old general guarantee scheme *(being phased out)*						30 934		30 934	
Reinsurance of GK under AGO						317 723		317 723	
Total bound under the exposure limit for AGO								101 478 864	145 000 000
Building loan guarantee scheme	1 854 800	-	2 099 800	212 000	2 847 300	3 038 967		3 250 967	5 000 000
Power purchase guarantee scheme	3 342 563	1 856 330	549 339	-	549 339	549 339		549 339	20 000 000
Developing countries guarantee scheme	260 436	67 658	222 510	454 315		624 125		1 078 440	3 150 000
Total	**38 644 676**	**10 420 296**	**15 945 584**	**14 548 073**	**11 800 929**	**91 071 992**	**737 545**	**106 357 610**	**173 150 000**

Guarantees and risk in 2017



The arrows show the extent, destination and sector of exports triggered by GIEK's guarantees in 2017. Each country's map colour indicates the risk associated with exports there, according to the OECD.

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



Renewable energy
Health and medicine
Fishing vessels and aquaculture
Shipping
Oil and gas technology and ships
Equipment for water transport
Financial services (unspecified)
Other technology

OECD risk categories:

Undefined 0 1 2 3 4 5 6 7

4

GIEK's value to society

New guarantees issued by GIEK in 2017 triggered NOK 21.5 billion in export contracts. Menon Economics, an analysis firm, has conducted a ripple effect analysis that provides a snapshot of GIEK's contribution to exports[1]. The analysis shows that 68 per cent of the contracts, valued at NOK 14.7 billion, would not have been realised without a GIEK guarantee (additionality effect). This additionality effect had a significant impact on sales, employment and value creation. The additionality effect measured in 2017 was proportionally higher than in 2016.

In 2017 Menon Economics conducted a similar analysis of GIEK's additionality effect on Norwegian exports in 2016. It allows us to follow developments over two years with some accuracy. We see the additionality effectfalling as measured in kroner, due to a decline overall in guarantee volume, while GIEK's relative importance increases. Major changes can be seen in the breakdown by industry. The largest effect measured in kroner in 2016 was in the maritime industries, with oil and gas as a strong number two. The additionality effect in other industries was very low. In 2017, the additionality effect was fairly equal across the three categories. This indicates that GIEK is playing an important role in the industrial transition process and that it can provide the guarantees needed to stimulate companies in other industries to develop new export-oriented activities.

The additionality effect that GIEK generates gives rise to employment and value creation in the Norwegian economy. The Menon Economics ripple effect model shows that the additionality effect of GIEK's guarantees in 2017 laid a foundation for some 9,600 jobs and almost NOK 10 billion in value creation.

Geographical employment and value creation

The effects of additionality are spread across Norway, with Møre og Romsdal county as the greatest beneficiary. That is where the largest additional sales effect has been seen. In addition, the companies involved are major purchasers of goods and services. The resulting higher level of activity through the value chain makes the indirect effects of the additional sales more visible. The counties of Buskerud, Sør-Trøndelag and Oslo are also experiencing major indirect employment and value creation effects.

GIEK in addition issued one loan guarantee for export-related investments in Norway and two power purchase guarantees in 2017. Menon Economics has interviewed four respondents – manufacturers/sellers and lenders – in connection with these guarantees. Based on the answers received, the estimated additionality of these guarantees is very high – 99 per cent. In other words, for every NOK 100 in contract amounts, an average of NOK 99 would not have been realised without a guarantee from GIEK.

Customer satisfaction

In addition to the additionality effect on contracts, Menon Economics has analysed customer satisfaction with the level of service. On a scale from 1 to 5, with 1 representing very poor and 5 very good service level, GIEK scores an average of 4.6 when respondents are asked for their overall impression and 4.7 when asked how well GIEK understands the customer's business and financial requirements. Customers are also generally satisfied with the quality of communication and the speed with which they receive feedback from GIEK.

[1] Menon publication No. 18/2018.

GIEK and Export Credit Norway highlight environmental concerns in the Arctic

On 3-15 September 2017, GIEK and Export Credit Norway invited environmental and social rights experts, from the practitioners of the OECD Working Party on Export Credits and Credit Guarantees, to Svalbard to discussions on the conditions affecting the Arctic. The meeting also covered topics within shipping and human rights.

The main discussion was topic on climate, environmental and social issues surrounding the Arctic. As there is proof of changing climate effects in the Arctic, export credit agencies needs to consider what to assess when financing trade within oil and gas, transportation, tourism, fisheries, among others. A group of experts from both non-governmental, public and private sector was invited to provide input to the discussions. – The projections the experts have been showing us indicate that the Arctic will become even more relevant. We are already observing increased activity in the region.

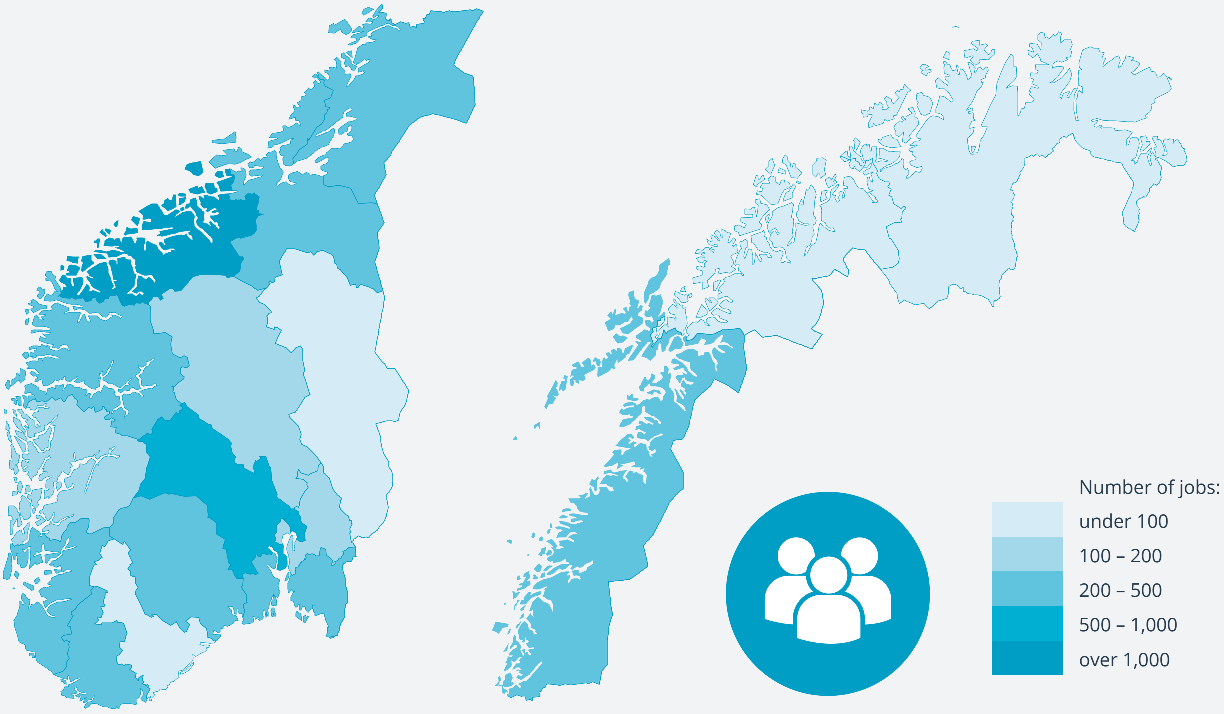
Shipping through Arctic waters and tourism in particular have been increasing the ice is melting at record speed and new passageways are opening up, says Kamil Zabielski, Head of Sustainability Team and Human Rights expert at GIEK. Feedback from participants on the meeting and choice of focus on Arctic challenges has been most positive, according to Zabielski.

– This exhibits a need to increase awareness around the special conditions in the Arctic when assessing applications for projects affecting these areas. One talks about climate change all the time, but there is a need for increased awareness about this in the context of export financing – both local (arctic) and global climate change, says Zabielski.

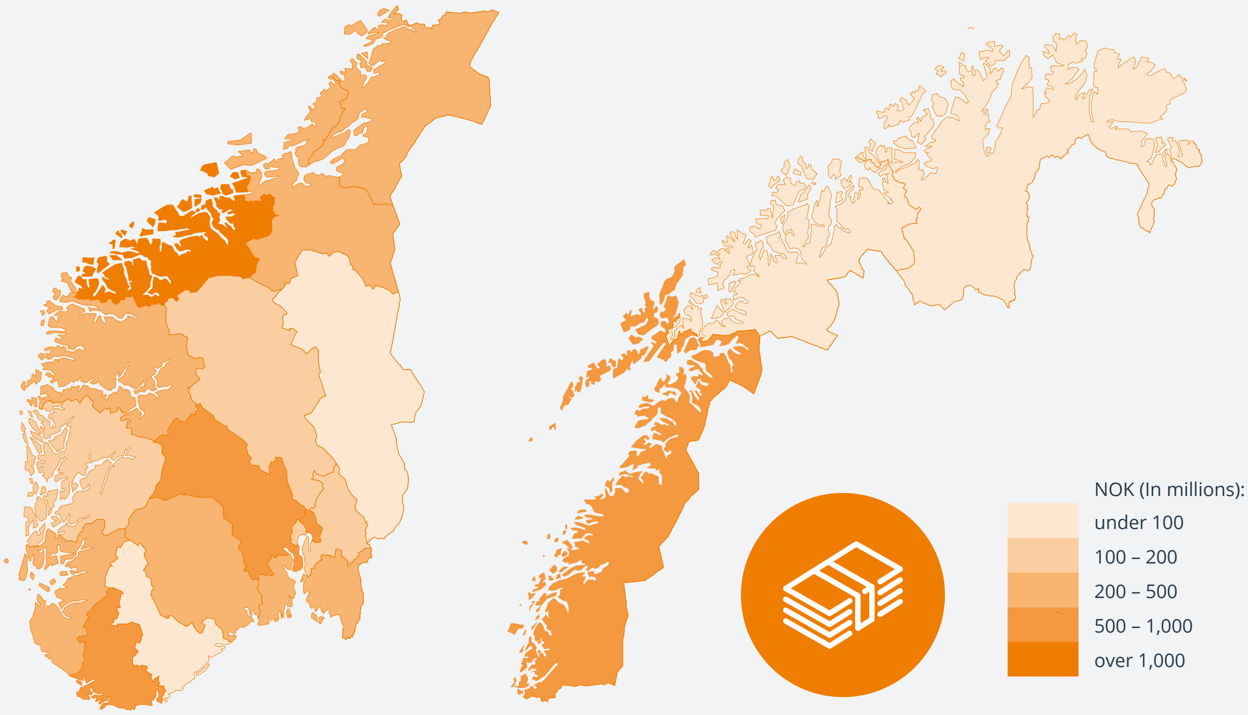
GIEK's role as creditor

In 2016-2017 several offshore shipping companies carried out restructurings of their long-term debt commitments. There was a heightened concern that business activity and technical expertise in the maritime cluster could be weakened as a result of these restructurings. During the winter of 2017, GIEK's role in the processes was a topic of media debate, with questions also being raised about GIEK's mandate. In a series of responses, GIEK clarified its responsibility and mandate as a creditor and emphasised that GIEK's terms for participating in the financing were the same as those of the commercial banks. All the owners and creditors therefore had to accept losses proportionate to their positions and exposures, but the result was that the offshore companies arrived at debt structures appropriate to new market conditions. The shipbuilding industry, meanwhile, has won large new contracts for the construction of cruise vessels, offshore wind farm service vessels and other vessels – with guarantees issued by GIEK.

GIEK employment effects in 2017, by county



GIEK value creation effects in 2017, by county



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Future outlook

While declining in share from 2016 to 2017, the oil and oil services sector continues to dominate GIEK's outstanding liability. Developments in this sector will therefore continue to hold great importance for GIEK in the years to come. Meanwhile, the shipyards have succeeded in reaching out to new market segments, not least the growing market for expedition cruise vessels. Applications, offers and guarantees outside of oil and gas increased in share through 2017, and are expected to increase further in 2018.

Market outlook

Ships and ship equipment
Overall, guarantees related to ships and ship equipment account for NOK 68 billion, or 75 per cent, of outstanding guarantee liabilities. Most of this pertains to vessels used in oil services activities, but other segments, such as shipping, fishing and cruise cruise vessels, are on the rise. Of particular note is the cruise market's high level of activity. Norwegian shipyards have successfully gained a strong position in the market segment for smaller vessels that can operate in the polar regions (expedition cruises). GIEK has contributed to the financing of 10 vessels about to be built in Norway. In our experience, government export credit agencies (ECAs) in other countries have been seen to rather seek exposure primarily with the largest cruise operators.

In 2018 GIEK introduced a new scheme whereby it can guarantee loans to vessels acquisition or major ship remodification, including equipment and services for such vessels, when the vessels are to be wholly or partially constructed at Norwegian shipyards and for domestic use. The new Domestic Ship Guarantee Scheme serves a major need in the shipbuilding industry, and GIEK believes that many companies will take advantage of this guarantee.

Renewable energy
The 38 bond guarantees GIEK issued in connection with Scatec Solar's nine solar power installations in Malaysia and Egypt show how a combination of world-class technology and locally-tailored financing solutions can open up huge market opportunities in the field of renewables. Further, GIEK's first two power purchase guarantees since introducing the Power Purchase Guarantee Scheme in 2009 ensure that Alcoa Norway, in Mosjøen, can access renewable power from wind turbines that are to be built on the island of Kvaløya, west of Tromsø. Additional power purchase guarantee applications are expected, some including wind power projects.

GIEK will continue marketing its services to relevant industry participants and is particularly hopeful that Norwegian companies will win contracts linked to major offshore wind power developments planned for the North Sea in the next few years. To better position itself towards projects for emerging market renewable energy companies, GIEK will intensify its cooperation with multilateral financial institutions and development banks.

Industry and other sectors
GIEK works actively to partake in large transactions where GIEK can expand capacity and add value. The new loan guarantee scheme for export-related investments in Norway, introduced in 2017, has already demonstrated that it meets the needs of Norway's mainland-based export industries, both large and small. GIEK expects to receive more applications for such export-related investment guarantees in the near future.

Oil and gas

The fleet of offshore vessels financed by GIEK is by and large modern. However, the vessels are limited in terms of alternative uses. Many of them are technologically advanced and require continuous maintenance, making them particularly vulnerable for lay up. In many cases, shipowners prefer the units to be in active operations even if generating no earnings, and GIEK expects this to keep rates suppressed.

The recent rise in the oil price provides a basis for somewhat more optimism in the oil and gas industry, but it is hard to ascertain how quickly, and how strongly, investments will respond to higher oil prices and a lower cost level. So far, market developments have largely been as GIEK anti-
cipated in its analyses. GIEK's assessment is that daily rates for offshore vessels and drilling vessels should see an improvement in 2019-2020 as utilisation rates rise, assuming that investments rise from today's low level and that surplus vessel supply is significantly reduced by being phasing out, or scrapped.

Vessel values remain subject to considerable uncertainty in all vessel categories due to oversupply and low day rates. Many of the vessels were ordered in a period when newbuilding prices were well above the current level. In addition, the vessels are technologically advanced, containing a great deal of specialised high-maintenance equipment with strict safety requirements. The less that is spent on maintenance while a vessel is laid up, the more it will cost to restore it to full operation. Added to that are high costs associated with special periodic surveys.

Planned measures and priorities

GIEK's purpose is to promote Norwegian exports and investments abroad. In addition, GIEK has a Power purchase guarantee scheme and a building loan guarantee scheme for construction of ships at Norwegian shipyards as well as a Domestic ship guarantee scheme for loans in connection with construction and major refurbishment of ships that are wholly or partly built at Norwegian shipyards and are to be used in Norway. With the inclusion of its new Loan guarantee for export-related investments in Norway – introduced and first issued in 2017 – GIEK now has a guarantee portfolio with wide-ranging impact in terms of the needs, industries, business sizes and business locations served.

The share of applications, offers and issued guarantees not related to the oil and gas industry increased in 2017. This is due partly to the oil and gas sector's decline in activity in recent years, but also the result of dedicated efforts by GIEK to learn more about guarantee solutions relevant to other parts of the Norwegian business community. As a result we have seen new applications and guarantees in both the maritime and mainland sectors, including the small- and medium-sized business segments (SME). This is in line with the headline and off GIEK's 2017-2020 strategic plan, "From Norway to the world", which emphasises Norway in its entirety. GIEK expects the development to continue.

GIEK's roles as export trigger and creditor have in common the need for a customer-oriented organisation in which 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 lenders.

Test production of salmon at the Norwegian Fish Company's advanced production facility in Mehamn.

New guarantee to ultramodern fish processor in Mehamn

Norwegian Fish Company (NFC) is the first company to use the new loan guarantee for export-related investments in Norway, which was introduced in 2017. With a loan from DNB and GIEK's Loan guarantee for export-related investments in Norway, NFC has set up a state-of-the-art production facility that turns out store-ready, consumer-sized packages of salmon and whitefish, using fresh and frozen raw materials. The fish will be sold under the trademark 'Gamvik'.

Customer:

- Norwegian Fish Company and its subsidiary, Finnmark Fisk.
- Plans to create 40-50 year-round jobs at Norway Seafoods' former plant in Mehamn, Finnmark county.

GIEK's guarantee:

- NOK 30 million loan guarantee for export-related investments in Norway.
- Guarantee is suitable for long-term investments in all businesses that seek to grow internationally, and can be given to banks that finance institutions' investments in Norway.
- The investment must lead directly or indirectly to exports.

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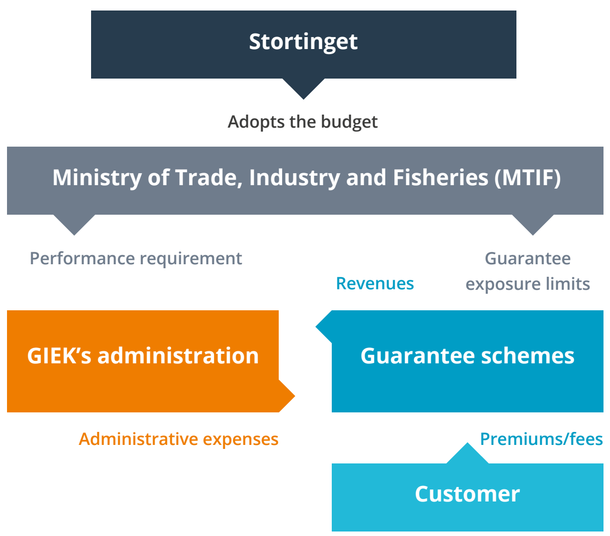
Annual accounts

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 costs in the various guarantee schemes.

The Norwegian Parliament (Stortinget) 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 2017 is provided by special decision (Norwegian: Romertallsvedtak).



Administrative accounts in brief

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

Guarantee scheme accounts (fund accounts) in brief

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 (see page 13). Although separate accounts are kept for each guarantee scheme, the accounts are presented collectively.

GIEK's fund accounts are managed in accordance with Central Government Accounting Atandards (Norwegian: Statlig regnskapsstandard, SRS), except for certain provisions of SRS No. 1 on formatting financial results and balance sheets. The exceptions are detailed in a letter dated 8 September 2016 from the Norwegian Government Agency for Financial Management (DFØ) to the Ministry of Trade, Industry and Fisheries (MTIF). Since the standards do not include special accounting principles for lending and guarantee activities, we follow the principles contained in the Lending Regulations when calculating individual and collective provisions[1]. Special guidelines have been prepared for loss provisions tied to guarantees and claim receivables. The accounting principles employed are described in the accounting principles note for the fund accounts.

[1] Regulations on the accounting treatment of loans and guarantees of financial enterprises, section 2-5, FOR-2004-12-21-1740.

Administrative accounts

Report of the Board of Directors on the administrative accounts (management statement)

GIEK's administrative accounts cover expenditures, including on salaries, rent, consulting fees, etc. The administrative accounts are kept on a cash basis and are self-funded in the sense that individual guarantee schemes cover expenses incurred in accordance with a predefined distribution formula. Accordingly, the annual amount allocated is not a charge on the central government accounts.

In 2017, expenditurs amounted to NOK 165.5 million, compared with NOK 173.9 million in 2016. NOK 180 million had been budgeted for 2017. The unspent NOK 14.5 million is due to multiple factors, but primarily due to reduced travel, lower IT costs and less use of overtime. At year-end 2017, there were 1.9 fewer full-time equivalent administrative positions at GIEK than at the end of 2016, due to some vacant positions being unfilled in 2017. Wages and personnel costs totalled NOK 5.5 million less than had been budgeted for 2017. GIEK paid NOK 4.5 million in financial activity tax in 2017. The financial activity tax was introduced in 2017, and is in GIEK's case calculated at five percent of the salary basis.

In the last couple of years, major IT investments have been made with the aim of improving IT security. This work continued in 2017. GIEK's internal digital tools have been developed further, providing an improved portfolio overview. Systems to improve case-processing efficiency and customer friendliness are also being developed.

In 2018 GIEK expects the market situation to remain challenging, and has budgeted for the same level of wages and resource use as in 2017. The figures accommodate the hiring of a new employee related to establishment of the new Domestic ship guarantee Scheme. Additional investment related to digitisation tools (CRM) is expected, some of it in the form of support provided by the Agency for Public Management and eGovernment (Difi).

Working environment and personnel

At year-end, GIEK's administration consisted of 90.5 full-time equivalent positions, including permanent and temporary employees but not employees on leave. There were 96 employees at the close of 2017 (including employees on leave). The gender distribution was 50 per cent women and 50 per cent men. The management team comprised five women and one man.

GIEK had 16 employees with non Norwegian background backgrounds at the end of the year. 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 2019.

In the spring of 2017, GIEK conducted a working environment survey with a participation rate of 92.5 per cent. The survey distinguished between cause and effect variables and different dimensions of the working environment. It was important for GIEK to choose an effective, research-based tool that could provide insight into the key factors driving commitment and organisation performance. The survey also included the subject of work overload, with GIEK coming out well despite a heavy workload throughout the year.

An additional variable in the work environment survey was a measurement of GIEK's organisational culture based on the theory of competing values (the competing values model, or CVM). It provides valuable insight into perceptions of the present situation and desires for future focus.

In the autumn of 2017 an internal project was launched to establish a competence model for GIEK and to carry out a competence survey with a gap analysis at operational level. The measures derived from the gap analysis will be followed up in 2018. The model will also form the basis of competence dialogue at departmental and individual level.

We have followed up the management development programme with establishment of a management forum for all of the enterprise's managers who have personnel responsibility. The group will meet regularly to review a variety of management topics with a focus on developing good collective leadership at GIEK. In 2017 we also held a course on coaching-based/dialogue-based communication for managers. The course will be continued as a service open to all employees.

Sick leave is low and stable. In 2017, the rate of absence due to sickness was 2.9 per cent, which is a slight increase from the previous year (2.6 per cent). Aside from temporary workers, no new employees began in 2017. Only one employee (1.1 per cent) left in 2017, not counting one employee who completed a fixed-term engagement. There were 96 employees at the end of the year (including four on leave). There were no reports of job-related injuries or accidents in 2017.

GIEK has established effective notification routines and an external alert channel. No notification cases were reported in 2017.

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 work. All job related trips involving aircraft travel are registered in the central government system for purchase of carbon offsets.

The Board of Directors is satisfied the accounts provide an accurate picture of the enterprise in 2017 and that they have been prepared in accordance with requirements set by the Ministry of Trade, Industry and Fisheries and state financial management provisions, including Ministry of Finance circulars.

The accounts have been prepared on the assumption the enterprise will continue as a going concern.

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

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

Oslo, 8 March 2018

Karin Bing Orgland
Board Chairman

Torfinn Kildal
Board Vice-Chairman

Arve Bakke

John G. Bernander

Nina Udnes Tronstad

Marit E. Kirkhusmo

Margrethe Hauge

Martin Sommerseth Jaer

Wenche Nistad
Chief Executive Officer

Part 2 – Appropriation report and general ledger accounts report with notes

a) Note on the accounting principles

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

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

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

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

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

Appropriation accounts reporting

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

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

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

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

General ledger accounts reporting

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

b) Appropriation reporting

The appropriation accounts reporting presents figures that GIEK has reported to the central government accounts. These are presented according to the chapters and items in the appropriation accounts that GIEK has authority to utilise. GIEK has granted no authorisations, as outlined in the note on principles used.

Overview of appropriation accounts, 31 December 2017

Expense chapter no.	Chapter name	Item	Description	Note	Total allocation	Accounts 2017	Increase (-) or decrease in expenses
900	Ministry of Trade, Industry and Fisheries						
		72	Grant to Contingency Scheme for War Risk Insurance of Goods (BSV)	A,B	400 000	400 000	0
					-400 000	-400 000	
2460	Norwegian Export Credit Guarantee Agency (GIEK)						
		24.1	Operating revenues, reimbursement from fund accounts	A,B	-180 000 000	-163 333 635	-16 666 365
		24.2	Operating expenses, preliminary allocation	A,B	180 000 000	163 333 635	16 666 365
2460	Reimbursement of administrative costs	24	Miscellaneous		0	0	0
Total expensed					0	0	
5460	Norwegian Export Credit Guarantee Agency						
		71	Reversal from Old General Guarantee Scheme (GAM)	A,B	-10 400 000	-10 400 000	0
		72	Reversal from Old Special Schemes (SÆR)	A,B	-7 100 000	-7 100 000	0

Revenue chapter no.	Chapter name	Item	Description	Total allocation	Accounts 2017	Increase or decrease (-) in revenue
Total revenues recorded				0	0	
Net reported to appropriation accounts					0	
Capital accounts						
60064001	Central Bank group accounts system/paid in				170 757 998	
60064002	Central Bank group accounts system /paid out				-170 294 316	
724070	Change in open accounts with the Treasury				-463 681	
Total reported					0	

Holdings reported to the capital accounts (31 December)

		31 Dec. 2017	31 Dec. 2016	Change
0	Open accounts with the Treasury	-11 288 281	-10 824 599	- 463 681

Note A Explanation of total allocation expenses

Chapter and item	Transferred from last year	Allocation for the year	Total allocation
90072		400 000	400 000
246024		180 000 000	180 000 000
546071		-10 400 000	-10 400 000
546072		-7 100 000	-7 100 000

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

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

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

c) Overview of general ledger accounts with notes

	Note	2017	2016
Revenues reported to the appropriation accounts			
Fee revenues received	1	0	0
Grant and transfer receipts	1	2 187 000	720 000
Sale and lease revenues	1	163 333 635	173 155 015
Other receipts	1	0	0
Total operating receipts		**165 520 635**	**173 875 015**
Operating expenses reported to the appropriation accounts			
Payroll expenses	2	111 078 104	105 099 547
Other operating expenses	3	52 076 947	64 628 827
Total operating expenses		163 155 051	169 728 374
Net reported operating expenses		**-2 365 585**	**-4 146 641**
Investment and financial income reported to the appropriation accounts			
Financial income received	4	0	0
Total investment and financial income		**0**	**0**
Investment and financial expenses reported to the appropriation accounts			
Investment expenses	5	2 365 585	4 146 641
Share purchase expenses	5,8B	0	0
Financial expenses	4	0	0
Total investment and financial expenses		**2 365 585**	**4 146 641**
Net reported investment and financial expenses		**2 365 585**	**4 146 641**
Collection activity and other transfers to the Norwegian state			
Taxes, fees, charges, etc.	6	0	0
Total collection activity and other transfers to the Norwegian state		**0**	**0**
Grant administration and other transfers from the Norwegian state			
Grant and benefit payments	7	0	0
Total grant administration and other transfers from the Norwegian state		**0**	**0**
Revenues and expenses reported under the common chapters			
Group life insurance account 1985 (ref. chap. 5309, revenue)		0	0
Employer's national insurance contributions account 1986 (ref. chap. 5700, revenue)		0	0
Net accounting scheme for VAT account 1987 (ref. chap. 1633, expense)		0	0
Total reported expenses under common chapters		**0**	**0**
Net reported to appropriation accounts		**0**	**0**
Overview of open accounts with the Treasury			
Assets and liabilities			
Receivables		-1 166 365	-1 517 091
Cash		0	0
Bank accounts containing state funds outside of The Central Bank (Norges Bank)		0	0
Unpaid tax deducted at source		-4 576 059	-4 729 775
Public fees/taxes owed		-4 029 839	-2 942 162
Other liabilities		-1 516 018	-1 635 571
Total open accounts with the Treasury	**8**	**-11 288 281**	**-10 824 599**

Note 1 – Receipts

	2017	2016
Fee revenues received		
Total fee revenues received	**0**	**0**
Grant and transfer receipts		
Export Credit Norway*	850 000	0
Norfund	510 000	320 000
Agency for Public Management and eGovernment (Difi)	427 000	0
Contingency Scheme for War Risk Insurance of Goods (BSV)	400 000	400 000
Total grant and transfer receipts	**2 187 000**	**720 000**
Sale and lease revenues received		
Accrued, uninvoiced revenues , exempt from tax*	163 333 635	173 155 015
Total sale and lease revenues received	**163 333 635**	**173 155 015**
Other receipts		
Total other receipts	**0**	**0**
Total receipts from operations	**165 520 635**	**173 875 015**

* Export Credit Norway is included in "Accrued, uninvoiced revenues , exempt from tax" for 2016.

Note 2 – Payroll expenses

	2017	2016
Wages and salaries	82 484 565	81 013 892
Employer's national insurance contributions and financial activity tax	17 552 279	12 875 009
Pension expenses	8 046 475	8 675 062
Sickness benefits and other reimbursements (-)	-1 847 662	-1 960 071
Other benefits	4 842 446	4 495 657
Total payroll expenses	**111 078 104**	**105 099 547**
Number of full-time equivalents:	91	92

Note 3 – Other operating expenses

	2017	2016
Building rental expenses	10 475 754	10 271 969
Maintenance of buildings and facilities	0	0
Maintenance and renovation of leased premises	50 163	111 159
Other operating expenses for property and premises	904 507	2 619 006
Repair and maintenance of machines and equipment, etc.	0	0
Minor equipment purchases	402 632	532 592
Rental of machines, furnishings, etc.	1 240 185	172 334
Purchase of external services	21 277 289	28 912 500
Travel and travel allowances	5 232 185	6 243 291
Other operating expenses	12 494 231	15 765 975
Total other operating expenses	**52 076 947**	**64 628 827**

Note 4 – Financial income and financial expenses

	2017	2016
Financial income received		
Interest income	0	0
Foreign exchange gain	0	0
Other financial income	0	0
Total financial income received	**0**	**0**
Financial expenses paid		
Interest expenses	0	0
Foreign exchange loss	0	0
Other financial expenses	0	0
Total financial expenses paid	**0**	**0**

Note 5 – Investment and share purchase expenses

	2017	2016
Investment expenses		
Intangible assets, etc.	1 952 585	2 200 281
Land, buildings and other immovable property	0	0
Emergency preparedness purchases	0	0
Infrastructure assets	0	0
Machines and means of transport	0	0
Miscellaneous operating assets, furnishings, tools, etc.	413 000	1 946 360
Total investment expenses	**2 365 585**	**4 146 641**

Note 6 – Collection activity and other transfers to the Norwegian state

	2017	2016
Total collection activity and other transfers to the Norwegian state	**0**	**0**

Note 7 – Grant administration and other transfers from the Norwegian state

	2017	2016
Total grant administration and other transfers from the Norwegian state	**0**	**0**

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

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

	31 Dec. 2017 Spesification of recorded settled accounts with the Treasury	31 Dec. 2017 Spesification of reported open accounts with the Treasury	Difference
Fixed financial assets			
Investments in shares and company units	0	0	0
Bonds	0	0	0
Total fixed financial assets	**0**	**0**	**0**
Current assets			
Customer accounts receivable	0	0	0
Other receivables	0	-1 166 365	1 166 365
Bank deposits, cash, etc.	0	0	0
Total current assets	**0**	**-1 166 365**	**1 166 365**
Long-term liabilities			
Other long-term liabilities	0	0	0
Total long-term liabilities	**0**	**0**	**0**
Short-term liabilities			
Trade creditors	-5 876 210	0	-5 876 210
Unpaid tax deducted at source	-4 333 352	-4 576 059	242 707
Unpaid public fees/taxes	-4 029 839	-4 029 839	0
Other short-term liabilities	-197 189	-1 516 018	1 318 829
Total short-term liabilities	**-14 436 590**	**-10 121 916**	**-4 314 674**
Total	**-14 436 590**	**-11 288 281**	**-3 148 309**

Part B. Specification of investments in shares and company units

	Acquisition date	Number shares	Ownership share	Voting share	Year profit/loss in the company	Company profit/loss for the year	Carring amount in the accounts
Shares							
Company 1							
Company 2							
Company 3							
Carrying amount 31 December 2015							**0**

Guarantee scheme accounts

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

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

The Norwegian Export Credit Guarantee Agency (GIEK) is a public sector agency 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 Norwegian state. GIEK serves as guarantor primarily for Export Credit Norway AS and commercial banks. Guarantees may be issued when Norwegian goods or services are sold 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 2017. Reference is made to the Regulations on Financial Management in Central Government and the Provisions on Financial Management in Central Government as well as 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.

In 2017, GIEK changed its principle of accounting, and now follows the Central Government Accounting Standards known as SRS (Norwegian: statlige regnskapsstandardene, SRS). This change entailed a reclassification of previously recorded fee revenues. This led to an adjustment of NOK 363 million in the form of an increase in liabilities and a reduction in accumulated capital as of 1 January 2016, as well as recalcu-lation of the 2016 financial results to include a NOK 5.4 million increase in fee revenues. In practice the loss buffer is unchanged as it is composed of fees already collected with no risk of loss. Since the SRS standards do not include special accounting principles for lending and guarantee activities, we follow the principles contained in the Lending Regulations when calculating losses.

Overview of developments

For many of GIEK's guarantee customers in the offshore industry, debt service capacity continued to be weak in 2017, and GIEK has participated with other creditors and owners in a number of offshore (oil and gas) restructuring situations. The main objective has been to protect the governments interests securing robust a long-term industrial solutions together with the companies and other financial institutions involved, without undue differential treatment. As part of the restructurings, GIEK has enforced security interests and has converted receivables, accrued premiums and interest into shares. In the process, holding companies were established in accordance with internal regulations for operationalising the guidelines on temporary ownership issued by the Ministry of Trade, Industry and Fisheries (MTIF). Ownership is established to preserve asset values, contractual bases and, if applicable, operations when doing so is regarded as financially sound.

Figures in brackets are 2016 figures.

Outstanding guarantee liabilities

At the end of 2017, NOK 91.1 billion (NOK 98 billion) in guarantee liabilities were divided among 438 (419) current guarantees. In 2017, 158 (93) new guarantees amounting to NOK 11.8 billion (NOK 16.7 billion) were issued along with 160 (168) guarantee offers totalling NOK 15.9 billion (NOK 26.6 billion).

GIEK's exposure to the oil and gas industry remains high, with outstanding guarantee liabilities in the sector of NOK 72.2 billion (NOK 84.2 billion) at the end of 2017. The sector accounted for a 79 per cent share (86 per cent) of GIEK's total outstanding guarantee liabilities as at 31 December 2017. The board is pleased that the proportion of outstanding guarantee liabilities to other industries is growing. This is due to a general need for change in the sector previously dependent on offshore oil and gas, but also to a conscious effort by GIEK to promote awareness and use of its guarantees in other parts of business and industry.

Receivables
In recent years, GIEK has made payments under the guarantee in several cases, and receivables at the end of the year totalled NOK 5.6 billion[1]. Most of the receivables are related to offshore-related situations. GIEK employs several methods to reduce losses, but it is still likely that some of the receivables will result in a loss to GIEK. Future expected losses are recorded in the accounts under impairments.

Revenues, expenses and results
Guarantee premiums and fee revenues amounted to NOK 1.479 billion (NOK 1.474 billion) in 2017. Total revenues, including net interest income of NOK 124 million and a foreign exchange gain of NOK 500,000, came to NOK 1.603 billion (NOK 1.588 billion) in 2017 (2016 figures are revised; see introductory comment).

GIEK's administrative expenses in 2017 were NOK 165.5 million (NOK 173.9 million). In the opinion of the board, GIEK is efficiently operated. Although a great deal of time and resources in 2017 had to be spent on restructuring of existing commitments, special observation and default cases, the amount of overtime work has decreased. There were 96 (100) employees at the end of the year, including four (four) on leave.

Loss provisions and impairments recorded at the end of 2017 totalled NOK 7.66 billion (NOK 7.72 billion). The decline from 2016 affected earnings positively.

The financial results of the guarantee schemes show a combined accounting profit of NOK 341 million, as against a loss of NOK 527 million in 2016 (revised result for 2016; see introductory comment). The profit is added to accumulated capital.

Loss provisions and impairments, in the board's judgement, are sufficient to cover future expected losses, but future losses are always a matter of uncertainty. It remains the assessment of the board that the schemes will break even over time.

[1] GIEK also follows up claims through the Paris Club. Paris Club claims amounted to NOK 340 million at year-end.

As the board sees it, a significant imbalance remains between supply and demand for all types of offshore vessels used in exploration and production of oil, even though a marked increase in oil prices through 2017 has improved the oil companies' willingness to invest, thus lifting market optimism.

The overcapacity of ships and rigs is a barrier, however, to achieving profitability and competitiveness in the short term, more restructuring cases are likely to arise. The important question is how quickly, and how strongly, investments in the oil and gas sector will respond to higher oil prices and a lower cost scenario. To improve the market balance it will be necessary in any case to reduce a significant portion of surplus vessel supply through phase outs and scrapping.

The board highlights the importance of good corporate governance and compliance, as well as continued efforts to combat corruption and support sustainability and the environment while administering guarantee cases.

The board is satisfied with GIEK's handling of difficult cases involving many stakeholders and divergent interests. GIEK's accumulation of solid expertise and experience in this area strengthens the agency's credit assessments and its subsequent handling of default cases. The board views GIEK's internal controls as satisfactory.

Guarantee liability developments

New guarantees and guarantee applications
In 2017, new guarantee liabilities totalling NOK 11.8 billion (NOK 16.7 billion) were assumed in connection with applications received in 2017 and before.

GIEK issued 158 (93) new guarantees in 2017. The relatively high figure for 2017 is a result of many smaller-scale bond guarantees as well as a larger number of small guarantee cases than was the case for 2016. Guarantees were issued in all guarantee schemes except the Developing countries guarantee scheme.

In 2017, NOK 15.9 billion (NOK 26.6 billion) in new guarantee offers were made.

Total guarantee liabilities, including binding guarantee offers (bound under the exposure limit), stood at NOK 106.4 billion (NOK 117.9 billion) at the end of the year.

New applications in 2017 amounted to NOK 38.6 billion (NOK 30.5 billion).

Of the NOK 91.1 billion in outstanding guarantee liabilities at the end of 2017, the General guarantee scheme accounted for NOK 86.8 billion or 95 per cent (97 per cent). A reduction of NOK 12.5 billion related to the guarantee portfolio in the General guarantee scheme occurred in 2017. This repayment frees up risk capacity for contributing to new export financing within today's guarantee exposure limits. The General guarantee scheme's exposure limit is considered sufficient in light of the requirements. .

The Developing countries guarantee scheme has outstanding guarantee liabilities of NOK 600 million, while those of the Building loan guarantee scheme amounts to NOK 3 billion. The latter has a guarantee exposure limit of NOK 5 billion. GIEK has asked the Ministry of Trade, Industry and Fisheries (MTIF) to increase the building loan exposure limit to NOK 8 billion.

New vessels in 2017

GIEK has contributed to the financing of numerous new vessels in 2017 (see table). Some are being built at shipyards in Norway; others are being equipped with Norwegian products at shipyards in other countries. The diversity of ship types is broad, and while shipyard activity is lower than in the 2005-2014 period, skills gained in offshore oil and gas vessel construction are now being transferred to other sectors – such as the cruise segment.

Financial risk

Market risk

Offshore oil and gas remains the dominant industry represented in the guarantee portfolio, making up 79 per cent (86 per cent) of outstanding guarantee liabilities as at 31 December 2017. With few exceptions, the 20 largest companies in GIEK's guarantee portfolio operate within this sector. These companies combined account for NOK 61.1 billion, or 63 per cent, of the exposure (the sum of outstanding liabilities and receivables). The 10 largest companies/business groups have total outstanding guarantees of NOK 46.3 billion, equivalent to 45 per cent of the exposure.

GIEK's exposure is tied to 305 vessels, of which 249 are in the offshore oil and gas sector. The fall in oil prices in 2014 and 2015 have led oil companies to reduce their investments, which means lower demand for all vessel types used in the oil exploration and production segment. The result is a significant imbalance between supply and demand for all offshore vessel types. Vessel valuation is a matter of considerable uncertainty in all vessel categories due to the combination of surplus vessel supply and low day rates. Many of the vessels were ordered during a period when newbuilding prices were significantly higher than those of today.

New ships	Number	NOK billion	Type of ship	Status
New buyer credit guarantees	8	4,3	2 cruise ships, 8 product tankers, 1 FRSU, 1 jack-up, 1 catamaran passenger ferry, 1 live fish carrier, 2 construction vessels	Construction of the cruise ships and FSRU is not complete. Other vessels have been launched and are in service.
New construction loans	12	2,6	5 AHTS vessels, 2 hybrid ferries, 3 cruise ships, 2 car ferries	All under construction except two AHTS vessels delivered in 2017.

The vessels are high-tech, with advanced equipment requiring continuous maintenance. They must also meet strict safety requirements. Shipowners therefore need to assess continuing maintenance costs for laid up vessels in light of future market opportunities and the costs associated with getting the vessels fully operational again. GIEK expects to continue to see more units available than the market has works for, since experience shows that shipowners prefer to keep vessels operational even if no earnings are produced.

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 in 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 assets and customer ability to service the debt obligations. Based on this GIEK 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 within an individual guarantee scheme becomes insufficient. In new schemes, as guarantees and the income derived from them are developed, the funds available for making pay-outs will be limited and loss events could trigger a need to draw on the state's liquidity. Drawing rights have been granted under the Building loan guarantee scheme, but not under the Power purchase guarantee scheme, owing to its low activity level.

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

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

Foreign exchange risk
The portfolio's exposure to foreign currency is high, and 64 per cent (69 per cent) of outstanding liabilities are tied to guarantees denominated in US dollars. One reason for the decline is that GIEK issued large guarantees in both euros and Norwegian kroner in 2017. Changes in the Norwegian krone exchange rate have an influence on revenues, outstanding liabilities and loss provisions.

The guarantee scheme's direct foreign exchange exposure in US dollars and euros is a function of the net realisable value of receivables, bank deposits and provisions made for guarantee liabilities. See Note 8.

The General guarantee scheme accounts for 95 per cent of outstanding guarantee liabilities. Of this amount, 66 per cent is guaranteed in US dollars. To reduce the scheme's foreign exchange risk, bank accounts have been set up in US dollars and in euros. The bank account balances are shown 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 is exposed to currency fluctuations until final provisions have been made. The current practice helps reduce risk. Corresponding mechanisms for the other guarantee schemes have not been established.

At-risk commitments and loss provisions
Although the proportion of outstanding guarantee liabilities tied to the offshore sector has fallen in the past two years, GIEK's risk is highly subject to oil price changes and their impact on activity in oil-related industries. GIEK's guarantee portfolio is still marked by a protracted low level of oil and gas activity. As a result, provisions and impairments remain relatively high. Total provisions and impairments as a share of total exposure increased from 7.5 per cent at the end of 2016 to 7.9 per cent in 2017. While in 2016 there was an increase in impairments on receivables, which contributed to the increase in total provisions and impairments, the year 2017 saw an increase in individual impairments in the current guarantee portfolio.

GIEK complies with the principles laid out in the Lending Regulations and also makes special provisions for large commitments. In earlier years, GIEK's model for calculating loss provisions led to an increasing provision in the collective model; in recent years the provisions have been moved over into provisions based on individual assessments. The board points out that provision levels are based on an overall, best-judgment risk appraisal.

Individual provisions
Developments that occur in individual cases will affect the individual provisions. In addition, changing exchange rates will affect the value of the guarantee portfolio in Norwegian kroner, and by extension any provisions made in individual guarantee cases.

GIEK regularly performs loss assessments of individual debtors and guarantees for which the 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 jurisdiction, with the valuation of real security reduced if there is doubt the security can be realised in a satisfactory manner in the country in question.

Collective provisions
In calculating the size of expected portfolio losses (collective provisions), GIEK makes use of relevant portfolio information such as default probabilities for the companies in the portfolio and collateral assets in the guarantee cases. The latter are based on a careful assessment of real security and, when appropriate, an independent valuation of vessels (or other collateral). Industry-specific downgrades also enter into the calculation.

GIEK makes special provisions for 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. Commercial banks assess concentration risk by sector and country as part of their Pillar II calculations (the equity needs assessment under the Capital Adequacy Regulations) and present these assessments separately from their accounts.

Defaults and receivables
Fifty per cent (NOK 49 billion) of GIEK's exposure is linked to risk points that are under special observation because GIEK-guaranteed loans are in default, the risk of default is elevated, or GIEK has made payments under guarantees and is therefore itself a creditor in the claim against the debtor. The comparable figure for 2016 was 51 per cent (NOK 52 billion).

Receivables as a share of GIEK's exposure (excluding land-based claims in Paris Club agreements) went up in 2017 compared with the prior year. As at 31 December 2017 only 0.9 per cent of GIEK's exposure was tied to non-performing cases, while receivables accounted for 5.8 per cent. GIEK's receivables increased by NOK 377 million from 2016 to 2017, or about 7 per cent. This figure includes the resolution of sizable receivables cases. Payments made under guarantees amounted to NOK 2.1 billion (NOK 3.2 billion). By comparison, receivables increased by NOK 3.2 billion from 2015 to 2016. Paris Club claims only show minor changes.

GIEK is working actively with potential problem situations. Pursuing cases under observation or in default, or in which receivables are due, is laborious and requires special expertise. GIEK has strengthened such expertise internally, and by addressing a number of such cases in recent years has acquired substantial inhouse skills and experience. When appropriate, the agency has also engaged external advisors.

GIEK's work on problem cases is intended as far as possible to prevent the state from sustaining losses. Experience has shown the importance of implementing measures before a 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, commercial banks, bondholders and other creditors. GIEK attaches great importance to cooperation with the banks.

In some cases, however, no way is found which allows the debtor to service the GIEK-guaranteed loans 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 recovery arrangements that could protect the state's interest in the best possible way. The means at its disposal include securing pledged assets, realising collateral, converting guarantees and receivables into ownership shares and negotiating 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 guidelines for administering companies owned by the state as a result of default and recovery cases involving GIEK. Such administration is based on principles set out in the white paper Diverse and value-creating ownership (Meld. St. 27, 2013-2014).

Paris Club claims
A Paris Club claim is an agreement between a state and its creditors regarding 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 amounted to NOK 340 million on 31 December 2017.

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 (Norway's parliament) and communicated to GIEK in an annual allocation letter from the Ministry of Trade, Industry and Fisheries.

GIEK's guarantee schemes are required to break even in the long term by achieving balance between premiums, fee revenues, recoveries, financial income and government grants for loss cover on the one hand and administrative costs, financial costs and payments under guarantee on the other.

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

Although rising oil prices in 2017 have somewhat increased the oil companies' willingness to invest, substantial challenges remain in the sectors that dominate GIEK's guarantee portfolio and overall receivables. It is to be expected that loan terms will be breached in a number of cases and that more loans will become subject to restructuring. Furthermore, several GIEK-guaranteed loans could go into default during this economic downturn, and more payments under the guarantees may arise. For GIEK this will continue to put pressure on resources. GIEK has made every effort to accommodate future losses in its individual and collective loss provisions.

There is a significant likelihood of losses occurring in the portfolio in 2018. GIEK is preparing for this by increasing loss provisions and downgrading outlooks for segments where the exposure is the largest. Given the negative situation in markets dominating GIEK's portfolio, the board wishes to underscore the uncertainty attached to collateral valuations. The market downturn may also affect the terms GIEK will have to establish for new guarantees.

Given GIEK's loss provisions and impairments and its administration of temporary ownership interests to safeguard the state's assets, it is the board's assessment that the General, Development countries and Building loan guarantee schemes will achieve break-even status in the long term. The board is satisfied that GIEK has a plan for the crisis management of its portfolio.

Guarantees were issued in the Power Purchase Guarantee Scheme in 2017 for the first time since the scheme's introduction in 2009. It was a joyous milestone and that may result in more industry participants recognising the guarantee's value to energy-intensive industrial enterprises in Norway that seek to obtain long-term power contracts. Accumulated capital in the Power purchase guarantee scheme is negative.

Beginning in January 2018, GIEK can issue guarantees for ship purchases from shipyards in Norway also when those ships are to be used in Norway. The new Domestic ship guarantee scheme was approved by the Storting (Norway's Parliament) in December 2017 and is to participate in financing for such ships as fishing vessels, ferries, live fish carriers, highspeed vessels and short sea shipping vessels. The board has great faith in the new scheme to help bring more contracts to shipyards in Norway. GIEK's range of guarantee solutions – including the domestic ship guarantee and two new guarantees launched in 2017 (see discussion below) – is now well arrayed, in the board's view, to meet the needs of business and industry for transformation and growth.

GIEK's challenge going forward is the same as in 2017: to minimise portfolio losses while seeking growth in its issuance of guarantees, thereby helping to fulfil the export goal and the break-even requirement alike.

The Board wishes to underscore the uncertainty of forward-looking assessments presented here.

New products and services

GIEK launched two new guarantee solutions in 2017:

- The production loan guarantee (formally approved by the board in December 2016) can be issued to Norwegian exporters who need financing for production costs related to one or more export contracts, regardless of value. GIEK's guarantee can cover up to 50 per cent of loan value. GIEK's terms regarding collateral assets and guarantee premiums are in line with the bank's terms and risk premiums.
- The loan guarantee for export-related investments in Norway was introduced in the summer of 2017, allowing GIEK to provide guarantees to a bank that finances a company's investments in Norway. The investment must lead directly or indirectly to export.

The board was very pleased in December to see both an issuance and an offer of the new loan guarantee for export-related investments in Norway. The issuance was to a newly established SMB in Mehamn, Finnmark county, and the offer was made to an international industrial group in connection with a large investment at its plant in Porsgrunn, Vestfold county. The two cases combined illustrate the guarantee's breadth of application.

GIEK performs no research and development activity of its own.

GIEK's value to society

GIEK's primary social mandate is to promote Norwegian exports and Norwegian investments abroad by issuing guarantees. Exporters have an easier time winning important export contracts when buyers can obtain financing with help from GIEK's guarantees. In 2017, guarantees issued by GIEK triggered NOK 21.5 billion in new Norwegian export contracts to 23 countries. In the past three years, GIEK's guarantees have triggered export contracts valued at an estimated NOK 97 billion.

Figures from Menon Economics[2] show that GIEK's contribution to exports has led to employment of more than 9,600 people and value creation[3] of almost NOK 10 billion.

GIEK's social mandate is also discussed thoroughly in two reports that were completed in 2017. One was commissioned by the Ministry of Trade, Industry and Fisheries (MTIF) and covered both Export Credit Norway and GIEK.

The key conclusion was that the two organisations contribute significantly to increased Norwegian exports: "The schemes help Norwegian exporters to offer their customers competitive export financing. Loans and guarantees from the agencies act as a supplement to the private banking market and significantly expand the range of loans and guarantees available for export purposes," the report states in its summary.

The other report was a "benchmark analysis" in which GIEK and the Norwegian export credit system were assessed in comparison to a number of other countries' guarantee agencies, including those in the Nordic region. The main conclusion is that GIEK's guarantees and Export Credit Norway's loans have a major impact on export volumes and employment. It is particularly gratifying to note that user satisfaction with GIEK is very high and that users perceive the organisation's competence as high. The report concludes that the export financing services available in Norway are relevant, in-demand and well suited to maritime industries. New and small companies, however, find themselves confronted with a fragmented range of instruments. This represents a challenge which GIEK and Export Credit Norway must address in future, both individually and together. As they do so, the board will be paying close attention.

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 Norwegian business and industry. GIEK has its own experts taking part in this activity in conjunction 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

[2] Menon Publication No. 18: "GIEK's ripple effects: How much impact does GIEK have on employment and value creation in 2017?" (in Norwegian).
[3] Measured as the sum of salaries paid and the companies' profit.

exchanging knowledge and levelling the playing field. In 2017, as GIEK sought to document the products and procedure of other guarantee agencies, it received invaluable input through its association with the Berne Union. GIEK has also been an active Berne Union seminar participant, contributing knowledge about the energy markets and about limiting losses in connection with restructurings, among other topics.

GIEK plays an important role in the Norwegian business community. The board believes that in future – with new guarantee products, intensified marketing and even better coordination with other agencies – GIEK can play at least as important a role promoting exports and facilitating profitable investment, transformation and value creation.

Sustainability (environmental and human rights assessment)

GIEK assesses project risks associated with environmental and social conditions 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 held responsible for assessing the risk of human rights violations, and GIEK has been active in supporting this approach. The focus has been on companies 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-centred. Compliance with international standards – IFC[4] Performance Standards in particular – must be documented in cases viewed as entailing high environmental or social risk. Information on these cases is published at www.giek.no.

In 2017 GIEK performed assessments of land-based projects (hydropower, telecommunications towers, aquaculture, water treatment, solar power, thermal energy, industrial production) and of ships and vessels.

[4] International Finance Corporation, a World Bank sister organisation.

GIEK sets minimum standards for working conditions and health, safety and environment (HSE) practices at the yards. GIEK conducts independent assessments in accordance with owner guidelines. The assessments are carried out by third-party consultants and/or by GIEK. In some cases, GIEK demands improvements in shipyard conditions as well as identification and follow-up of improvement measures. Dialogue with customers, shipyards and other stakeholders is emphasised.

GIEK participates actively in international forums on environmental and human rights issues. A key arena in this regard is the OECD, where guarantee agencies work together on compliance with common standards for the environment, working conditions and human rights.

In September 2017, GIEK organised a seminar in Svalbard for the OECD working group of sustainability experts at export credit institutions. Members from 25 countries participated. Russia and Brazil were also present as observers. The main purpose of the seminar was to raise awareness about climate, environmental and social conditions around and in the Arctic, including what matters should be examined when these institutions consider Arctic region project financing. The meeting in Svalbard also covered shipping and sustainability topics.

GIEK has incorporated anti-corruption assessments into its guarantee application reviews. Corruption risk is included in the risk assessment of all new projects, and for central and/or large projects is monitored continuously throughout the guarantee period. Prior to disbursal of the loan, the exporter and the borrower must provide declarations that to the best of their knowledge the commercial contract and everything related to it are free of corruption. The same applies to the financing of the contract. Other parties, including the exporter's and borrower's other business operations, may also be assessed and/or inspected to reduce the risk of corruption in transactions involving GIEK.

GIEK complies with the OECD Council Recommendation on Bribery and Officially Supported Export Credits. The credit committee and also the Board of Directors discuss the risk assessment of applicable corruption regulations being violated. The Ministry of Trade, Industry and Fisheries expects GIEK to continue prioritising anti-corruption efforts – both in individual cases and in international forums – to help push developments in the desired direction.

Financial results for the guarantee schemes

Total revenues in 2017 amounted to NOK 1.6 billion. All guarantee schemes combined produced a profit of NOK 341 million in 2017, as against a loss of NOK 527 million the previous year (revised figures; see introductory comment). The profit is added to accumulated capital in the guarantee schemes, bringing that amount to NOK 4.0 billion (NOK 3.6 billion).

Recorded loss provisions in the portfolio of current guarantees totalled NOK 5.5 billion (NOK 5 billion) as at 31 December 2017. Based on the description of risk assessment, the board believes the loss provisions at year-end make allowance for the uncertain macroeconomic situation. Having assessed the overall uncertainty, 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 (the Norwegian Parliament) adopts exposure limits for the guarantee schemes and frameworks for GIEK's continued operation. The assumption that GIEK will remain a going concern underpins the annual accounts, and is communicated in the 2018 allocation letter dated 10 January 2018.

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

Administrative accounts

The 2017 accounts show total administrative costs of NOK 165.5 million. The board is satisfied the administration is maintaining effective cost control. More discussion and figures pertaining to the administrative expenses are available in the administrative accounts.

In the opinion of the board, GIEK is efficiently operated. The board would like to thank the administration for its productive efforts over the past year.

The annual accounts are submitted with the assumption that GIEK will remain a going concern. The Office of the Auditor General of Norway is GIEK's external auditor.

Oslo, 8 March 2018

Karin Bing Orgland Board Chairman	Torfinn Kildal Board Vice-Chairman	Arve Bakke
John G. Bernander	Nina Udnes Tronstad	Marit E. Kirkhusmo
Margrethe Hauge	Martin Sommerseth Jaer	Wenche Nistad Chief Executive Officer

Overview of appropriation accounts with notes

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

Specified opening balance	Amount	Comment
General guarantee scheme	-4 994 409 960.82	
Old general guarantee scheme	-46 298 735.57	
Old special schemes	-15 097 842.89	
CIS/Baltic scheme (1994-1998)	0.00	
CIS/Baltic scheme (1999-2002)	-32 271 080.82	
Developing countries guarantee scheme	-92 619 312.45	
Building loan guarantee scheme	-106 416 967.26	
Primary capital, developing countries guarantee scheme	-450 000 000.00	
Power purchase guarantee scheme	-1 149 206.52	
Total opening balance	**-5 738 263 106.33**	

Changes in the period, sub-group	Amount	Comment	Authorisation
Changes entered in appropriation accounts:			
Old general guarantee scheme	10 400 000.00	Chap. 5460, item 71	
Old special schemes	7 100 000.00	Chap. 5460, item 72	
Changes not entered in appropriation accounts:			
General guarantee scheme	-378 691 761.97		Changes during 2017
Old general guarantee scheme	-12 606 365.32		Changes during 2017
Old special schemes	-2 038 426.25		Changes during 2017
CIS/Baltic scheme (1994-1998)	0.00		Changes during 2017
CIS/Baltic scheme (1999-2002)	-122 202.58		Changes during 2017
Developing countries guarantee scheme	-15 227 442.48		Changes during 2017
Building loan guarantee scheme	-46 762 416.04		Changes during 2017
Power purchase guarantee scheme	-243 646.26		Changes during 2017
Total changes in the period	**-438 192 260.90**		

Specified closing balance in the period, sub-group	
General guarantee scheme	-5 373 101 722.79
Old general guarantee scheme	-48 505 100.89
Old special schemes	-10 036 269.14
CIS/Baltic scheme (1994-1998)	0.00
CIS/Baltic scheme (1999-2002)	-32 393 283.40
Developing countries guarantee scheme	-107 846 754.93
Building loan guarantee scheme	-153 179 383.30
Power purchase guarantee scheme	-1 392 852.78
Total closing balance in settlement accounts at the Central Bank	**-5 726 455 367.23**

Sub-group: 81.09.09 Primary capital, developing countries guarantee scheme	
Developing countries guarantee scheme, primary capital	-450 000 000.00
Total closing balance in the period	-450 000 000.00

Total closing balance in settlement accounts at the Central Bank	**-6 176 455 367.23**

Holdings reported to capital accounts (31 Dec.)	2017	2016	Change
Ordinary funds (assets)			
Holdings in accounts at the Central Bank (negative figures are deposits)	-6 176 455 367	-5 738 263 106	-438 192 261

Note on accounting principles

The annual overview of the appropriation accounts is based on information in the bank statement from the Central Bank. The annual allocation letter describes the transfer of surplus liquidity. There are no circumstances relating to GIEK's appropriation accounts that require discussion.

Picture from Norwegian Crystal's advanced plant in Glomfjord.

Solar energy from Glomfjord

In 2017, DNB and GIEK entered into an agreement to issue payment guarantees and letters of credit on behalf of Norwegian Crystals to various suppliers. The materials they provide are used to produce monocrystalline blocks (ingots) for solar panels. The total production is exported, with Asia as the main market.

Customer:

- Norwegian Crystals plant in Glomfjord – located 14 km south of Bodø.
- State-of-the-art manufacturer of ingots based on cheap and clean power, cheap cooling water and advanced furnace expertise.
- Raw materials from suppliers are a prerequisite for providing high-efficiency products.

GIEK's guarantee:

- Payment guarantees and letters of credit – NOK 60 million combined.
- Enables import of large quantities of raw materials used in the production process.

Overview of fund accounts (guarantee scheme accounts; for notes see full annual report on www.giek.no).

Income statement

Amount (NOK 1,000)		General guarantee Scheme		Developing countries guarantee scheme		Building loan guarantee scheme		Energy purchase guarantee scheme		Being phased out (Note 21)		Total all schemes	
	Note	2017	2016*	2017	2016*	2017	2016*	2017	2016*	2017	2016*	2017	2016*
INCOME STATEMENT													
Guarantee premiums	3,18,21	1 286 717	1 298 401	20 654	21 231	41 670	20 333	1 482	0	2 279	4 032	1 352 802	1 343 997
Fee revenues	3,21	116 977	123 804	0	334	9 040	5 730	0	0	0	0	126 017	129 868
Net Foreign currency gain/loss	8	5 231	77 950	-317	2 061	0	0	-621	0	-3 771	-1 655	523	78 357
Net interest income	9	122 317	34 144	428	432	539	556	4	12	356	478	123 644	35 622
TOTAL REVENUES		**1 531 241**	**1 534 299**	**20 766**	**24 058**	**51 248**	**26 619**	**865**	**12**	**-1 135**	**2 856**	**1 602 985**	**1 587 844**
OPERATING EXPENSES													
Administrative expenses	10	154 049	164 930	1 547	519	4 749	6 926	1 138	519	128	260	161 612	173 155
Other operating expenses	11	3 421	2 730	0	0	0	0	0	0	0	0	3 421	2 730
TOTAL OPERATING EXPENSES		**157 470**	**167 660**	**1 547**	**519**	**4 749**	**6 926**	**1 138**	**519**	**128**	**260**	**165 032**	**175 885**
PROFIT/LOSS BEFORE PROVISIONS AND FUND IMPAIRMENT		**1 373 771**	**1 366 639**	**19 219**	**23 539**	**46 499**	**19 693**	**-273**	**-508**	**-1 263**	**2 596**	**1 437 953**	**1 411 959**
PROVISIONS AND FUND IMPAIRMENT													
Net change in individual provisions for guarantee liabilities	5	1 052 894	220 511	0	0	46 600	50 000	0	0	2 941	-2 624	1 102 435	267 887
Net change in collective provisions for guarantee liabilities	5	-400 474	72 859	-46 620	-9 956	-35 963	-64 037	16 137	0	-86	-223	-467 007	-1 357
Net change in individual claim receivables	6	273 799	1 660 917	0	2 894	0	150	96	0	0	0	273 895	1 663 961
Net change in collective claim receivables	6	967	0	0	0	0	0	0	0	0	0	967	0
Net change individual impairment of moratorium agreements	7	-3 085	-1 837	-960	-1 008	0	0	0	0	-3 176	-4 088	-7 221	-6 934
Net change shares and temporary ownership	17	176 435	0	0	0	0	0	0	0	0	0	176 435	0
NET CHANGE IN PROVISIONS AND FUND IMPAIRMENT		**1 100 536**	**1 952 450**	**-47 581**	**-8 071**	**10 637**	**-13 887**	**16 233**	**0**	**-321**	**-6 935**	**1 079 504**	**1 923 557**
PROFIT/LOSS BEFORE TRANSFERS TO/FROM THE NORWEGIAN STATE	12	**273 235**	**-585 811**	**66 800**	**31 610**	**35 862**	**33 580**	**-16 506**	**-508**	**-943**	**9 531**	**358 449**	**-511 598**
Norwegian state grants/transfers	12,18	0	0	0	0	0	0	0	0	-17 500	-15 600	-17 500	-15 600
PROFIT/LOSS FOR THE PERIODE		**273 235**	**-585 811**	**66 800**	**31 610**	**35 862**	**33 580**	**-16 506**	**-508**	**-18 443**	**-6 069**	**340 949**	**-527 198**
Allocations													
Transferred to/from accumulated capital		273 235	-585 811	66 800	31 610	35 862	33 580	-16 506	-508	-18 443	-6 069	340 949	-527 198

*The figures are restated due to the implementation of a new overnmental accounting standard (SRS).

Balance sheet

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.17	31 Dec.16*	31 Dec.17	31 Dec.16*	31 Dec.17	31 Dec.16*	31 Dec.17	31 Dec.16*	31 Dec.17	31 Dec.16*	31 Dec.17	31 Dec.16*
FINANCIAL ASSETS													
Shares	17	50 024	1 243	0	0	0	0	0	0	0	0	50 024	1 243
TOTAL FINANCIAL ASSETS		50 024	1 243	0	0	0	0	0	0	0	0	50 024	1 243
RECEIVABLES													
Receivables in connection with payment under guarantee	6,18	5 334 325	4 954 493	13 567	13 567	0	0	0	0	264 443	266 863	5 612 335	5 234 923
Individual impairment of receivables	6	-1 779 918	-2 377 829	-11 753	-11 753	0	0	0	0	-228 609	-229 819	-2 020 280	-2 619 401
Collective impairment of receivables	6	-983	0	0	0	0	0	0	0	0	0	-983	0
Receivables, moratorium claims	7,13	119 531	138 069	34 228	38 787	0	0	0	0	186 605	202 750	340 364	379 606
Impairment, moratorium claims	7	-18 932	-20 987	-7 129	-7 757	0	0	0	0	-95 890	-97 741	-121 951	-126 485
Other receivables	16	215 195	247 677	1 859	2 104	9 319	3 666	8	0	1	0	226 382	253 447
TOTAL RECEIVABLES		3 869 219	2 941 424	30 772	34 946	9 319	3 666	8	0	126 550	142 053	4 035 868	3 122 089
BANK DEPOSITS													
Bank deposits in NOK		5 369 051	4 987 556	557 847	542 619	147 084	106 245	1 393	1 149	90 935	93 668	6 166 309	5 731 237
Bank deposits in foreign currency		996 644	1 452 416	0	0	0	0	0	0	0	0	996 644	1 452 416
TOTAL BANK DEPOSITS	9	6 365 695	6 439 972	557 847	542 619	147 084	106 245	1 393	1 149	90 935	93 668	7 162 953	7 183 653
TOTAL ASSETS		10 284 937	9 382 639	588 618	577 566	156 403	109 911	1 401	1 149	217 484	235 721	11 248 845	10 306 986
ACCUMULATED CAPITAL													
Accumulated capital													
Paid-in primary capital, Developing countries	18	0	0	450 000	450 000	0	0	0	0	0	0	450 000	450 000
Accumulated capital		4 062 580	3 789 346	69 057	2 256	59 803	23 942	-25 357	-8 851	-632 323	-613 880	3 533 761	3 192 812
TOTAL ACCUMULATED CAPITAL	12	4 062 580	3 789 346	519 057	452 256	59 803	23 942	-25 357	-8 851	-632 323	-613 880	3 983 761	3 642 812
PROVISIONS													
Individual provisions for guarantee liabilities	5	3 602 979	2 625 839	0	0	96 600	50 000	0	0	14 379	11 792	3 713 958	2 687 630
Collective provisions for guarantee liabilities	5	1 742 268	2 163 960	43 149	90 856	0	35 963	16 758	0	285	387	1 802 460	2 291 166
TOTAL PROVISIONS		5 345 247	4 789 799	43 149	90 856	96 600	85 963	16 758	0	14 664	12 179	5 516 419	4 978 796
LIABILITIES													
Debt relief plan, residual amount for settlement	13	0	0	0	0	0	0	0	0	833 764	833 764	833 764	833 764
Debt to Ministry of Trade, Industry and Fisheries	14,18	0	0	0	0	0	0	10 000	10 000	0	0	10 000	10 000
Received, not earned income	21	850 860	803 876	26 413	34 453	0	0	0	0	779	3 058	878 052	841 387
Other liabilities	15,18	26 249	-381	0	0	0	6	0	0	600	600	26 849	227
TOTAL LIABILITIES		877 109	803 495	26 413	34 454	0	6	10 000	10 000	835 143	837 422	1 748 665	1 685 377
TOTAL LIABILITIES AND ACCUMULATED CAPITAL		10 284 937	9 382 639	588 618	577 566	156 403	109 911	1 401	1 149	217 484	235 721	11 248 845	10 306 986

*The figures are restated due to the implementation of a new overnmental accounting standard (SRS).

Overview of cash flow

Cash flow from operations – 2017	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Receipts						
Guarantee premium revenues	1 396 165	12 869	36 051	1 482	0	1 446 566
Fee revenues received	100 846	0	9 040	0	0	109 886
Receivables paid in	758 816	0	0	0	0	758 816
Interest and dividend income	119 879	428	539	4	356	121 206
Other receipts	16 511	3 477	-34	-8	14 539	34 484
Total receipts	**2 392 216**	**16 774**	**45 595**	**1 478**	**14 895**	**2 470 958**
Payments						
Administrative costs	154 061	1 547	4 756	1 139	128	161 631
Guarantee costs	30 443	0	0	96	0	30 539
Claim receivables	2 051 281	0	0	0	0	2 051 281
Claim receivables received in the form of shares	192 271	0	0	0	0	192 271
Other payments	7 515	0	0	0	0	7 515
Total payments	**2 435 572**	**1 547**	**4 756**	**1 234**	**128**	**2 443 237**
Net cash flow from operations	**-43 356**	**15 227**	**40 839**	**244**	**14 767**	**27 721**
Cash flow from investment activities						
Net cash flow from investment activities	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow from financial activities						
Net cash flow from financial activities	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow associated with transfers						
Disbursals of grants and transfers to others	0	0	0	0	-17 500	-17 500
Net cash flow associated with transfers	**0**	**0**	**0**	**0**	**-17 500**	**-17 500**
Effect of exchange rate changes on cash and cash equivalents	**-30 921**	**0**	**0**	**0**	**0**	**-30 921**
Net change in cash and cash equivalents	**-74 277**	**15 227**	**40 839**	**244**	**-2 733**	**-20 700**
Cash and cash equivalents at start of period	6 439 972	542 619	106 245	1 149	93 668	7 183 653
Cash and cash equivalents at end of period	**6 365 695**	**557 847**	**147 084**	**1 393**	**90 935**	**7 162 953**

Reconciliation	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Allocation of profit/loss for the period (to accumulated capital)	273 235	66 800	35 862	-16 506	-18 443	340 949
Change in trade creditor liabilities	12	0	6	0	0	19
Effect of exchange rate changes	-5 231	317	0	621	3 771	-523
Items classified as cash flow associated with transfers	0	0	0	0	17 500	17 500
Change in other accrual items	-311 372	-51 890	4 971	16 128	11 939	-330 224
Net cash flow from operations	**-43 356**	**15 227**	**40 839**	**244**	**14 767**	**27 721**

Overview of cash flow

Cash flow from operations – 2016	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Receipts						
Guarantee premium revenues	1 289 188	24 414	16 999	0	2	1 330 603
Fee revenues received	118 404	334	5 730	0	0	124 468
Receivables paid in	0	0	0	0	0	0
Interest and dividend income	33 482	432	556	12	478	34 960
Other receipts	12 518	9 016	0	0	19 366	40 900
Total receipts	**1 453 592**	**34 195**	**23 286**	**12**	**19 847**	**1 530 931**
Payments						
Administrative costs	151 218	1 685	20 477	1 585	913	175 879
Guarantee costs	21 091	0	150	0	0	21 241
Claim receivables	3 140 185	0	0	0	0	3 140 185
Claim receivables received in the form of shares	1 151	0	0	0	0	1 151
Other payments	10 397	2 894	0	0	0	13 291
Total payments	**3 324 043**	**4 579**	**20 627**	**1 585**	**913**	**3 351 747**
Net cash flow from operations	**-1 870 451**	**29 616**	**2 658**	**-1 573**	**18 933**	**-1 820 816**
Cash flow from investment activities						
Net cash flow from investment activities	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow from financial activities						
Net cash flow from financial activities	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow associated with transfers						
Disbursals of grants and transfers to others	0	0	0	0	-15 600	-15 600
Net cash flow associated with transfers	**0**	**0**	**0**	**0**	**-15 600**	**-15 600**
Effect of exchange rate changes on cash and cash equivalents	**-93 987**	**0**	**0**	**0**	**-82**	**-94 070**
Net change in cash and cash equivalents	**-1 964 438**	**29 616**	**2 658**	**-1 573**	**3 251**	**-1 930 485**
Cash and cash equivalents at start of period	8 404 410	513 003	103 587	2 722	90 417	9 114 138
Cash and cash equivalents at end of period	**6 439 972**	**542 619**	**106 245**	**1 149**	**93 668**	**7 183 653**

Reconciliation	AGO	ULA	BYG	KRA	U avvikl.	Sum alle ordninger
Allocation of profit/loss for the period (to accumulated capital)	-591 210	31 610	33 580	-508	-6 069	-532 597
Change in trade creditor liabilities	-148	0	-6	0	0	-155
Effect of exchange rate changes	-77 950	-2 061	0	0	1 655	-78 357
Items classified as cash flow associated with transfers	0	0	0	0	15 600	15 600
Change in other accrual items	-1 201 142	68	-30 915	-1 065	7 748	-1 225 306
Net cash flow from operations	**-1 870 451**	**29 616**	**2 658**	**-1 573**	**18 933**	**-1 820 816**

Notes to the accounts

1) Accounting principles

GIEK is a public-sector enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) whose objective is to promote Norwegian exports and investments abroad. This is to be achieved by issuing guarantees on behalf of the Norwegian state. As a public-sector enterprise GIEK submits a separate set of accounts (the administrative accounts) for all administrative and personnel expenses; see Chapter 6, Annual accounts, Part 1. The administrative accounts are entered into the central government budget and accounts.

GIEK keeps separate accounts for its individual guarantee schemes, hereafter referred to as the fund accounts. Fund accounts are not part of the central government accounts. The fund accounts are approved by the board. These annual accounts concern the fund accounts.

The annual accounts are configured in accordance with Central Government Accounting Standards (SRS). Since these standards do not include special accounting principles for lending and guarantee activities, GIEK follows the principles contained in the Lending Regulations (Regulation No. 1740 of 21 December 2004) when calculating individual and collective provisions. Special guidelines have been prepared for loss provisions tied to guarantees and claim receivables.

The accounts format is based on central government accounting standard 1 ("Format for profit and loss account and balance sheet") and has been tailored to GIEK's guarantee scheme operations in accordance with a dispensation granted by the Norwegian Government Agency for Financial Management (DFØ). There are no other deviations from Central Government Accounting Standards.

The annual accounts for the General guarantee scheme, Developing countries guarantee scheme, Building loan guarantee scheme, Power purchase guarantee scheme and the guarantee schemes being phased out consist of a profit and loss account, balance sheet, cash flow statement and notes to the accounts. The accounts for guarantee schemes being phased out are presented collectively, with key figures for each shown in Note 20. This concerns the Old general guarantee scheme, the Old special schemes and the CIS/Baltic scheme 1999–2002.

All figures are presented in thousands of Norwegian kroner (NOK 1 000) unless otherwise stated in the notes.

In some notes, the most practical way to identify the schemes is by initials. The following initialisms (corresponding to the scheme names in Norwegian) are used for the seven guarantee schemes that GIEK administers:

General guarantee scheme	AGO
Developing countries guarantee scheme	ULA
Building loan guarantee scheme	BYG
Power purchase guarantee scheme	KRA
Old general guarantee scheme	GAM
Old special schemes	SÆR
CIS/Baltic scheme 1999–2002	SUB

The accounting treatment of individual items is explained below.

Revenues

Guarantee premiums

The guarantee schemes generate revenues primarily through premiums on current guarantees. There are two main types of guarantee premium: per annum and prepaid ("up front"). As a rule, both premium types are recognised in the accounts when the underlying loan is disbursed. Per annum premiums comprised of interest and instalments on the underlying loan are paid in arrears. Per annum revenue relating to several accounting periods is periodised in accordance with the remaining guarantee liability, meaning that revenue is proportionately higher when the guarantee is new and the liability highest. Up-front premiums are periodised on a straight-line basis over the term of the guarantee.

Fee revenues

Fee revenues that exceed direct internal administrative costs are recognised as income when earned. The portion of fee revenues that cover administrative costs are recognised directly.

Other revenues
Recoveries and revenues from moratorium agreements are recognised at payment. As these revenues are uncertain, recognition at payment accords with the prudence principle as set forth in Central Government Accounting Standards.

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

Other revenues are recognised when earned.

Operating expenses

The fund accounts have no employees, and all administrative expenses, including personnel costs, appear in the administrative accounts, as GIEK is a public-sector enterprise. The administrative expenses shown in the administrative accounts are charged to individual guarantee schemes in accordance with a predefined distribution formula. The distribution formula is regularly updated.

Other operating costs are expensed as incurred.

Provisions for guarantee liabilities
GIEK divides provisions for guarantee liabilities into two categories: individual and collective. Individual provisions reflect the best estimate of what the guarantee schemes could lose on specified individual commitments. Collective provisions reflect known market conditions or other factors which could result in guarantee scheme losses but have yet to be identified in a particular commitment. The provisions reflect best estimates. The fund accounts adhere to the Lending Regulations' principles pertaining to the calculation of individual and collective provisions; special guidelines governing loss provisions for guarantees have been prepared. In GIEK's estimation, the credit risk associated with its guarantees has characteristics identical to loan risk, so GIEK has chosen to comply with section 2-5 of the Lending Regulations with regard to loss provisions for lending which are analogous to provisions for guarantees in favour of section 3-1 of the Lending Regulations, which pertains to loss provisions for guarantees.

The criterion for calculating losses on individual guarantees is objective evidence that a guarantee has fallen in value. Objective evidence that a guarantee has fallen in value includes observable data known to GIEK, such as significant financial problems on the part of a debtor, a payment default or a payment deferral that has been granted. Provisions are made for groups of guarantees when there is objective evidence of value declines in groups of guarantees that share risk characteristics. In determining such collective provisions, guarantees are divided into groups with similar risk characteristics affecting debtors' ability to fulfil their obligations to the financial institutions for which GIEK has provided a guarantee.

The model for collective provisions is based on assessment of the portfolio, and is to take into account losses that have occurred or may occur, but have not been detected at the time the accounts are submitted. The computation is primarily based on exposure at the balance sheet date, probability of default and expected realisable value of any collateral.

The probability of default is calculated using a proprietary default matrix tool supplied by Standard & Poor's. The matrix is employed because the limited scope of GIEK's portfolio makes its portfolio history a poor basis for estimating default probabilities. Changes in the default matrix lead to changes in the collective provision. In the fiscal years 2014, 2015 and 2016, GIEK used the S&P matrix dating from 2014. In 2017, an updated matrix (from 2017) was employed on the collective model. This had an effect on the loss provision that was similar in degree to the updating of other basis data; it is presented together along with other estimate deviations in the 2017 financial results. Changes in macro economic conditions may arise on the balance sheet date that are not fully reflected in the underlying portfolio calculations. If macro conditions change suddenly, an attempt should be made to have them reflected in the provision level using a macro factor. The macro factor is determined through market assessment and may be market-, industry- or country-specific. When calculating loss provisions, account is also taken of the expected value of real security. This is calculated on the basis of updated information about the real security's value less an adjustment factor to allow for the fact that asset disposal may occur in a challenging situation. Additional allowance is made for the fact that a vessel or other real asset security may be situated in jurisdictions where realising the security may prove a challenge. The model also uses updated information on discount rate and portfolio term. GIEK's overall guarantee portfolio contains several major commitments (defined as commitments constituting more than 25 percent of a guarantee scheme's bank holdings). In accordance with the regulations for large commitments, banks are not to have individual exposures exceeding 25 percent of core capital. Therefore, when calculating collective provisions in the fund accounts, a special provision has been made for exposure to large commitments.

In the collective provisions no provision has been made relating to concentration risk for country and sector, as doing so 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 assessments pursuant to Capital Adequacy Regulations) and present these assessments separately from their accounts.

The model for collective provisions is considered cautiously and allows for losses that could arise anytime during the term of the guarantee. Basis data and assumptions are updated regularly, and the estimate is updated as basis data changes.

Payments under guarantee and impairment of receivables

When a pay-out is made under a guarantee, the guarantee scheme is subrogated to the guarantee recipient's claim against the debtor. The claim is recognised as a receivable in the balance sheet when payment under the guarantee takes place.

Net receivables in the balance sheet represent the recoverable amounts estimated by GIEK for these receivables. Impairment is taken for the portion of a receivable that is considered unrecoverable at the end of each period. Impairments are evaluated in the same manner as provisions for current guarantees.

Claims under moratorium agreements

Moratorium agreements are debt repayment agreements stemming from international creditor collaboration in the Paris Club. The claims have arisen as a result of payments under guarantee due to political risk. The net change in principal is fully recognised when the agreement is signed, except for forward items which are recognised when the guarantee schemes take over the claim at the time of pay-out. The profit and loss account is also affected by changes that take place in current agreements, such as accrued contractual interest, interest on arrears, consolidation of agreements, debt cancellation, foreign exchange gains/losses and floating interest rates.

Debt cancellation

Impairment is taken for the portion of moratorium claims thought to be unrecoverable at period-end. It is assumed that compensation will be received for debt relief that is stipulated by the Norwegian state in excess of the debt relief agreed in the Paris Club (international debt agreements). The value of claims incorporated into the debt relief plan (see below) is set through the plan. It is assumed that compensation will be received for debt relief that is stipulated by the state in excess of the debt plan unless the state via the Ministry of Foreign Affairs has given clear indication that compensation will not be provided.

The debt relief plan

The debt plan covers some moratorium claims and liabilities of certain countries that have not been addressed in the Paris Club. The Storting (Norway's Parliamant) adopted the Norwegian plan in December 1997 along with the 1998 central government budget. The plan applies to claims under old schemes and was updated in 2004. Under the debt relief plan, guarantee scheme claims against countries included in the plan may be cancelled without new government appropriations by netting them against a specified limit. The debt relief plan facility's limit was established on the basis of the claims' value at the time of the plan's adoption and classified as debt to the state. This debt, called the balance for settlement, decreases as claims are waived (and settled). The debt relief plan facility's balance for settlement is recorded as the amount granted less approved settlements. The debt relief plan facility is a preliminary allocation and does not represent an accounting obligation.

Foreign exchange
Receivables, bank deposits and provisions in foreign currencies are converted to Norwegian kroner (NOK) at the rate applicable on the balance sheet date. Loss provisions are made every six months, and the period's loss cost in foreign currency is converted using the average exchange rate for the six months in question. Guarantee premiums and fee revenues in foreign currencies are converted using the monthly average exchange rate. Foreign currency effects are shown as net foreign exchange gain/loss.

Reducing foreign exchange risk
Bank accounts are set up in US dollars and euros to offset foreign exchange risk for the General Guarantee Scheme. The guarantee scheme's direct exposure is a function of the net realisable value of receivables, bank deposits and provisions made for guarantee liabilities. The purpose of having the various currency accounts is to reduce foreign exchange risk by offsetting receivables and bank deposits against loss provisions. This offsetting is done every six months, though with the ability to buy and sell in conjunction with major portfolio changes independent of the six-month period's end point. Due to infrequent trading in foreign currencies, the guarantee scheme is exposed to currency fluctuations at all times. Current practice, however, helps reduce the risk significantly.

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

Reinsurance
GIEK reinsures guarantee liabilities for GIEK Kredittforsikring AS (GK) on market-based terms that are renegotiated annually. The guarantee schemes receive a share of the insurance premium and simultaneously pay a fee ("ceding commission") to GK as compensation for its work on GIEK's behalf. Provisions for guarantee liabilities and the estimated value of any relevant claims are based on information GK provides in addition to GIEK's own assessments.

Dividends
The guarantee schemes recognise dividends received on the date of receipt, as operating revenue.

Tax
The guarantee schemes are exempt from taxation. Neither tax costs nor deferred tax liabilities are entered for the guarantee schemes.

Shares
Shares are recorded at cost. If their value falls below cost basis, the value is written down to fair value if the drop in value is not considered temporary.

All shares are in companies created with the intention of assuming temporary ownership of assets pledged as security. For that reason these companies' accounts are not consolidated as part off the guarantee scheme accounts.

Accumulated capital
This accounting item shows the accumulated capital of the guarantee schemes. Net profit/loss for the year is recognised in (covered by) this item. The effect of changes in accounting principles as well as corrections of substantial errors made in previous years are accounted for within accumulated capital.

Central government's group account system
Government agencies are included in the central government's group account system. Under the group account system all payments received and disbursed are reconciled on a daily basis against an agency's settlement accounts at Norges Bank (The Central Bank).

Self-insurance principle
Norway's central government acts as a self-insurer. Accordingly, no items intended to reflect alternative net insurance costs or obligations are included in the balance sheet or profit and loss account.

2) Changes in accounting principles

Until 2016 the fund accounts were prepared as far as practicable in accordance with principles set forth in the Accounting Act. Starting with fiscal 2017, the fund accounts are prepared pursuant to the central government accounting standards (SRS). GIEK has elected to restate the 2016 figures that were based on the Accounting Act with SRS-based figures, as far as it is practicable to do so. The change in accounting principles means that fee revenues previously recognised in their entirety upon receipt are now recognised as income when earned, i.e. over the term of the guarantee. New principles were introduced on 1 January 2017 and accounts dating back to 1 January 2016 were revised. Fee revenues for 2016 increased by NOK 5 million as a consequence of the revision. In the balance sheet as per 31 December 2016, deferred revenues increased by NOK 363 million in relation to the submitted accounts because under newly employed principles these revenues are to be periodised over the term of the guarantees and appear as a liability in the accounts.

Correspondingly, accumulated capital has been reduced. This form of revenue recognition will continue over the terms of the guarantees. The extent of the correction was unknown at the time the 2016 accounts were presented. In practice the loss buffer is considered unchanged, since the amount has been paid in and will not be returned even if the guarantee is redeemed or defaulted on.

Also revised accordingly are the notes that contain a specification of, or reference to, fee revenues from 2016.

See also Note 12.

3) Revenues from guarantees

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

Guarantee pricing also depends on other factors, such as project risk, bank participation and other conditions of guarantee issuance, as well as GIEK's opportunity to establish collateral in the form of deposits or other types of security.

Processing fees, commitment fees and other types of fees may also be charged. The fees often reflect the business models of banks and/or other financial institutions that work with GIEK in connection with guarantee issuance. Fee revenues are periodised over the term of the guarantee.

Guarantee premiums 2017	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Per annum premiums	1 200 318	12 614	41 670	1 482	-	1 256 083
Reinsurance premiums	7 435	-	-	-	-	7 435
Up-front periodised premiums	78 964	8 041	-	-	2 279	89 283
Total guarantee premiums	**1 286 717**	**20 654**	**41 670**	**1 482**	**2 279**	**1 352 802**

Guarantee premiums 2016	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Per annum premiums	1 217 129	13 588	20 333	-	-	1 251 050
Reinsurance premiums	6 960	-	-	-	-	6 960
Up-front periodised premiums	74 311	7 643	-	-	4 032	85 987
Total guarantee premiums	**1 298 401**	**21 231**	**20 333**	**-**	**4 032**	**1 343 997**

Fee revenues 2017	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Processing fees	39 023	-	503	-	-	39 527
Commitment fees	33 794	-	10 212	-	-	44 006
Miscellaneous	44 160	-	-1 676	-	-	42 484
Total fee revenues	**116 977**	**-**	**9 040**	**-**	**-**	**126 017**

Fee revenues 2016	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Processing fees	56 717	20	-	-	-	56 737
Commitment fees	20 499	-	3 305	-	-	23 804
Miscellaneous	46 587	314	2 425	-	-	49 326
Total fee revenues	**123 804**	**334**	**5 730**	**-**	**-**	**129 868**

4) Composition of the guarantee portfolios

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

Total outstanding guarantee liabilities		
Distribution by sector	**31 Dec. 2017**	**31 Dec. 2016**
Oil/gas	72 221 569	84 184 320
Energy	4 370 036	4 387 578
Shipping	8 784 407	6 088 969
Industry	2 423 910	2 219 061
Water, sewerage and waste management	711 971	188 236
Other	2 560 099	949 667
Total	**91 071 992**	**98 017 831**

Total outstanding guarantee liabilities (31 December 2017)						
Distribution by product:	**AGO**	**ULA**	**BYG**	**KRA**	**Being phased out**	**Total all schemes**
Buyer credit guarantee	84 481 824	624 125	0	0	30 934	85 136 882
Bond guarantee	1 125 741	0	0	0	0	1 125 741
Supplier credit guarantee	2 086	0	0	0	0	2 086
Letter of credit guarantee	374 238	0	0	0	0	374 238
Investment guarantee	344 935	0	0	0	0	344 935
Loan guarantee for export-related investments in Norway	30 000	0	0	0	0	30 000
Power purchase guarantee	0	0	0	549 339	0	549 339
Building loan guarantee	0	0	3 038 967	0	0	3 038 967
Reinsurance GK	317 723	0	0	0	0	317 723
Other	152 081	0	0	0	0	152 081
Total	**86 828 627**	**624 125**	**3 038 967**	**549 339**	**30 934**	**91 071 992**
Collateralised	76 %	100 %	100 %	0 %	0 %	77 %

For the unsecured guarantees, 40 per cent of guarantee recipients have investment-grade rating or state risk.

Total outstanding guarantee liabilities (31 December 2016)						
Distribution by product:	**AGO**	**ULA**	**BYG**	**KRA**	**Being phased out**	**Total all schemes**
Buyer credit guarantee	93 614 966	782 328			54 613	94 451 907
Bond guarantee	385 623					385 623
Supplier credit guarantee	64 610					64 610
Letter of credit guarantee	134 706					134 706
Investment guarantee	418 125					418 125
Other	308 556					308 556
Reinsurance GK	315 687					315 687
Building loan guarantee			1 938 617			1 938 617
Total	**95 242 273**	**782 328**	**1 938 617**	**0**	**54 613**	**98 017 831**
Collateralised	73 %	100 %	71 %	0 %	0 %	74 %

For the unsecured guarantees, 45 per cent of guarantee recipients have investment-grade rating or state risk.

5) Provisions for guarantee liabilities

31 Dec. 2017	Liabilities	Provision	%
AGO	86 828 627	5 345 247	6.2 %
ULA	624 125	43 149	6.9 %
BYG	3 038 967	96 600	3.2 %
KRA	549 339	16 758	3.1 %
GAM	30 934	14 665	47.4 %
SÆR	0		0.0 %
SUB	0		0.0 %
Total	**91 071 992**	**5 516 419**	**6.1 %**
Individual provisions		3 713 958	
Collective provisions		1 802 461	
Total		**5 516 419**	

31 Dec. 2016	Liabilities	Provision	%
AGO	95 242 273	4 789 799	5.0 %
ULA	782 328	90 856	11.6 %
BYG	1 938 617	85 963	4.4 %
KRA	0	0	0.0 %
GAM	54 613	12 179	22.3 %
SÆR	0		0.0 %
SUB	0		0.0 %
Total	**98 017 831**	**4 978 796**	**5.1 %**
Individual provisions		2 687 630	
Collective provisions		2 291 166	
Total		**4 978 796**	

The provision for guarantee liabilities consists of exchange rate changes and changes in provisions in the profit and loss account. Developments in these items can be seen in the following tables:

Individual provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provision for guarantee liabilities 1 Jan. 2017	2 625 839	0	50 000	0	11 792	2 687 630
Year's change in guarantee liability provision	1 052 894	0	46 600	0	2 941	1 102 435
Unrealised foreign exchange losses on provision	-75 755	0	0	0	-353	-76 108
Provision for guarantee liabilities 31 Dec. 2017	**3 602 979**	**0**	**96 600**	**0**	**14 379**	**3 713 958**

Collective provisions:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Provision for guarantee liabilities 1 Jan. 2017	2 163 960	90 856	35 963	0	387	2 291 165
Year's change in guarantee liability provision	-400 474	-46 620	-35 963	16 137	-86	-467 007
Unrealised foreign exchange losses on provision	-21 218	-1 086	0	621	-16	-21 699
Impairment of guarantee liabilities 31 Dec. 2017	**1 742 269**	**43 149**	**0**	**16 758**	**285**	**1 802 461**

Changes in the provisions are attributable both to changes in guarantee liabilities and to re-estimations, by country or case, of the risk of loss. No provisions are made for offers under the guarantee.

Individual provisions in the guarantee portfolio rose in 2017. The increase is due several factors affecting individual cases which deteriorated during the year. A large share of GIEK's portfolio is in industries where future earnings are highly uncertain, as reflected by lower market valuations of the collateral assets.

Collective provisions declined in 2017 due to changes in several factors used in the model. One important reason is that default probability within the portfolio has decreased.

The default probabilities derived from the default matrix that GIEK acquired have fallen in all rating classes when compared with the data basis used in 2016. Loss provision calculations take into account the jurisdiction where collateral is situated by downgrading the value of real security if warranted by its geographical location. Provisions have also been made due to high exposure to particular customers/business groups. This is the case for exposures that would have exceeded banking regulatory limits for exposure to individual customers. The principles used in calculating provisions and impairments are also discussed in Note 1.

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

6) Receivables related to payments under guarantees and associated impairments

Upon pay-out under a guarantee, GIEK is subrogated to the guarantee recipient's claim against the debtor. This receivable is recognised on the balance sheet at the time of pay-out. Measures are taken to collect receivables. Recoveries related to reinsurance are also included in this accounting item. Net receivables on the balance sheet represent the recoverable value that GIEK has estimated for these receivables. In the same way and at the same time that the guarantee portfolio is risk assessed, the receivables on the balance sheet are assessed. This assessment is done every six months. Receivables connected to payments under guarantees break down as follows:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Value of receivables connected to payments under guarantees 1 Jan. 2017	**2 576 664**	**1 814**	**0**	**0**	**37 044**	**2 615 522**
Net addition/repayment of claims	1 276 593					1 276 593
Year's change in impairment of receivables	-242 107	0	0	0	0	-242 107
Foreign exchange gains	-57 725	0	0	0	-1 210	-58 935
Value of receivables 31 Dec. 2017	**3 553 425**	**1 814**	**0**	**0**	**35 834**	**3 591 072**
Degree of impairment	33.4 %	86.6 %	0.0 %	0.0 %	86.4 %	36.0 %
Receivables connected to payments under guarantees	5 334 325	13 567	0	0	264 443	5 612 335
Individual impairments of receivables	-1 779 918	-11 753	0	0	-228 609	-2 020 280
Collective impairments of receivables	-983	0	0	0	0	-983
Value of receivables 31 Dec. 2017	**3 553 425**	**1 814**	**0**	**0**	**35 834**	**3 591 072**

The following table is an overview of changes in impairment of receivables, payments under guarantees in 2017 and payments received on impaired ordinary receivables (recovery).

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Write-offs	724 634	0	0	0	0	724 634
GK change in impairment of ordinary receivables	7 206	0	0	0	0	7 206
Change in individual impairment of ordinary receivables	-490 700	0	0	0	0	-490 700
Change in collective impairment of ordinary receivables	967	0	0	0	0	967
Loss and change in impairment of receivables	**242 107**	**0**	**0**	**0**	**0**	**242 107**
Change in value of receivables and expensing of new receivables	0	0	0	0	0	0
Expenses incurred in relation to payment of claims	35 443	0	0	96	0	35 539
GK recognition of previous write-offs	-766	0	0	0	0	-766
Recognition of previous write-offs	-2 019	0	0	0	0	-2 019
Other changes in receivables and related costs	**32 658**	**0**	**0**	**96**	**0**	**32 754**
Net change in claim receivables	**274 766**	**0**	**0**	**96**	**0**	**274 861**
Net changes in individual claim receivables	273 799	0	0	96	0	273 895
Net changes in collective claim receivables	967	0	0	0	0	967
Other changes in receivables and related costs	**274 766**	**0**	**0**	**96**	**0**	**274 861**

Payments under guarantees for the General guarantee scheme (AGO) amounted to NOK 2.051 billion.

7) Claims under moratorium agreements

Moratorium agreements are debt repayment agreements with five countries achieved through international creditor collaboration in the Paris Club. Claims arise from payments made under the guarantees on grounds of political risk. In new agreements the principle amount is classified as a claim, and all claims are value-assessed. The value of claims is also affected by changes in current agreements, such as accrual of contractual interest, payment of interest on arrears, consolidation of agreements, debt cancellation, realised foreign exchange gains/losses and floating interest rates. For moratorium agreements covered by Norway's debt relief plan, the plan has stipulated expectations on debt relief and hence the value of the claims, as well as compensation in the form of reduced debt to the Norwegian state. Please see Note 13 for a discussion of the debt relief plan.

Moratorium agreements are entered in the balance sheet as claims and are distributed among the guarantee schemes in the following manner:

	AGO	ULA	Being phased out	Total all schemes
Value of claims under moratorium agreements 1 January 2017	**117 083**	**31 029**	**105 009**	**253 121**
Net addition/repayment of claims under moratorium agreements	-12 984	-2 787	-12 691	-28 463
Foreign exchange gains	-4 723	-1 403	-2 929	-9 056
Year's change in impairments of claims under moratorium agreements	1 225	260	1 327	2 811
Change in debt relief plan facility	0	0	0	0
Value of claims under moratorium agreements 31 Dec. 2017	**100 600**	**27 099**	**90 715**	**218 413**
Claims under moratorium agreements	119 531	34 228	186 605	340 364
Impairment of claims under moratorium agreements	-18 932	-7 129	-95 890	-121 951
Value of claims under moratorium agreements 31 Dec. 2017	**100 600**	**27 099**	**90 715**	**218 413**

8) Foreign currency exposure

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

Guarantee liabilities including reinsurance GK (NOK 1 000)						
	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
USD	57 269 544	506 999			30 934	57 807 477
NOK	15 652 046		3 038 967			18 691 013
EUR	12 929 259	117 126		549 339		13 595 723
GBP	227 607					227 607
Other	750 173					750 173
Total	**86 828 627**	**624 125**	**3 038 967**	**549 339**	**30 934**	**91 071 992**

Matters specific to the General guarantee scheme
Bank accounts have been set up in USD and EUR to offset the guarantee scheme's currency risk. The guarantee scheme's direct currency exposure is a function of value-assessed receivables, bank deposits and provisions made for guarantee liabilities. The purpose of having the different currency accounts is to reduce currency risk by offsetting receivables and bank deposits against loss provisions. The offsetting is done every six months, though with the ability to buy and sell in conjunction with major portfolio changes independent of the six-month period's endpoint.

Exposure 31 December 2017:

Figures in USD 1 000 and EUR 1 000	USD	EUR
Value-assessed receivables	366 716	6 000
Bank deposits	59 559	51 346
Impairment on outstanding guarantee liabilities	-393 394	-59 011
Total exposure	**32 881**	**-1 664**

Other guarantee schemes
Similar mechanisms to reduce foreign exchange risk have not been established for the other guarantee schemes.

Overview of currency effects for all schemes:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Realised foreign exchange gain/loss	1 555	0	0	0	0	1 555
Unrealised foreign exchange gain/loss on receivables	-62 448	-1 403	0	0	-4 139	-67 991
Unrealised foreign exchange gain/loss on bank deposits	-30 848	0	0	0	0	-30 848
Unrealised foreign exchange gain/loss on impairment of guarantee liability	96 972	1 086	0	-621	369	97 806
Net foreign exchange gain/loss	**5 231**	**-317**	**0**	**-621**	**-3 771**	**523**

9) Bank deposits and interest

Each guarantee scheme has at least one bank account with the Central Bank (Norges Bank). A separate account has been set up for each scheme at Nordea, along with separate currency accounts at Nordea for the General guarantee scheme. In addition, GIEK has a non-interest-bearing account with Norges Bank containing the primary capital of the Developing countries guarantee scheme (ULA). As at 31 December 2017 GIEK's individual schemes had the following bank deposits, converted into NOK 1 000 at the exchange rate applicable on the balance sheet date:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest-bearing with Norges Bank	5 369 051	107 847	147 084	1 393	90 935	5 716 309
Non-interest-bearing with Norges Bank	0	450 000	0	0	0	450 000
USD deposits with Nordea	490 831					490 831
EUR deposits with Nordea	505 813					505 813
Bank deposits 31 December 2017	**6 365 695**	**557 847**	**147 084**	**1 393**	**90 935**	**7 162 953**

The accounts held with Norges Bank are included in the government's central group account system. In addition, the Building loan guarantee scheme has a NOK 600 million drawdown facility with MTIF. This was not utilised in 2017.

Net interest income is distributed as follows:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Interest income on bank deposits	15 240	428	539	4	356	16 568
Interest on receivables	107 077	0	0	0	0	107 077
Interest costs	0	0	0	0	0	0
Net interest income	**122 317**	**428**	**539**	**4**	**356**	**123 644**

Interest rates are set on a semi-annual basis.
Bank deposits related to paid-in primary capital for the Developing Countries Guarantee Scheme are kept in a non-interest-bearing account at Norges Bank.

10) Administrative costs

The guarantee schemes have no employees. All services are provided by GIEK's administration and charged as administrative costs. GIEK's administrative costs are charged to the various guarantee schemes, while other tasks that GIEK performs are charged according to a distribution formula fixed annually. The distribution formula reflects underlying costs and workload.

Summary of GIEK's administrative costs in 2017 with comparative figures for 2016:

	2017	2016
Wages and salaries	82 485	81 014
Employer's national insurance contributions and financial activity tax*	17 552	12 875
Pension contributions	8 046	8 675
Personnel costs, etc.	2 995	2 536
IT operations and contracts	13 308	19 509
Travel	5 232	6 243
Expert assistance	11 989	14 247
Building operations and furnishings	13 295	15 102
Misc. operating expenses (courses, meetings, offices, etc.)	8 432	12 954
Total administrative expenses	**163 334**	**173 155**
Administrative costs related to other schemes**	2 187	720
Total administrative costs charged to administrative accounts	**165 521**	**173 875**
Charged to General guarantee scheme	155 690	164 930
Charged to Developing countries guarantee scheme	1 552	519
Charged to Building loan guarantee scheme	4 818	6 926
Charged to Power purchase guarantee scheme	1 143	519
Charged to schemes being phased out	131	260
Total distributed administration costs	**163 334**	**173 155**
Repaid in connection with previous years	-1 722	0
Total charged to fund accounts	**161 612**	**173 155**
Charged to other actors**	2 187	720
Repaid in connection with previous years	1 722	0
Total charged to administrative accounts	**165 521**	**173 875**

* Financial activity tax from 2017 onwards.

** GIEK's administration oversees operation of the Contingency scheme for war risk insurance of goods (BSV) and the Tender guarantee scheme for Norfund as well as providing services in the field of sustainability on a commercial basis on behalf of Export Credit Norway AS. In 2017, GIEK was allocated NOK 400 000.

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

11) Other operating costs

Other operating costs consist of the following:

Other operating costs 2017	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
GK Ceding Commission (costs associated with reinsurance)	3 699	0	0	0	0	3 699
Purchase of credit information and other costs	0	0	0	0	0	0
Impairment customer receivables	-278	0	0	0	0	-278
Bank fees and rounding of øre	0	0	0	0	0	0
Total	**3 421**	**0**	**0**	**0**	**0**	**3 421**

Comparative figures for 2016:

Other operating costs 2016	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
GK Ceding Commission (costs associated with reinsurance)	2 442	0	0	0	0	2 442
Purchase of credit information and other costs	10	0	0	0	0	10
Impairment customer receivables	278	0	0	0	0	278
Bank fees and rounding of øre	0	0	0	0	0	0
Total	**2 730**	**0**	**0**	**0**	**0**	**2 730**

12) Accumulated capital

Starting with fiscal 2017, the fund accounts are prepared pursuant to Central Government Accounting Standards (SRS). GIEK has elected to restate the 2016 figures. Fee revenues for 2016 increased by NOK 5.4 million as a consequence of the revision. The implementation effect of transitioning to SRS has been charged to accumulated capital as at 1 January 2016.

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Paid-in primary capital	0	450 000	0	0	0	450 000
Accumulated capital 31 Dec. 2015	4 738 017	-29 353	-9 638	-8 343	-607 811	4 082 871
Total accumulated capital 31 Dec. 2015	**4 738 017**	**420 647**	**-9 638**	**-8 343**	**-607 811**	**4 532 871**
Implementation effect	362 861	0	0	0	0	362 861
Accumulated capital 1 January 2016	**4 375 157**	**420 647**	**-9 638**	**-8 343**	**-607 811**	**4 170 011**
Profit/loss 2016 revised	-585 811	31 610	33 580	-508	-6 069	-527 198
Accumulated capital 31 Dec. 2016 equals accumulated capital 1 Jan. 2017	**3 789 345**	**452 257**	**23 942**	**-8 851**	**-613 880**	**3 642 813**
Profit/loss 2017	273 235	66 800	35 862	-16 506	-943	358 449
State transfers	0	0	0	0	-17 500	-17 500
Accumulated capital 31 December 2017	**4 062 580**	**519 057**	**59 803**	**-25 357**	**-632 323**	**3 983 761**

Transfers to/from the Norwegian state

The Old General Guarantee Scheme and Old Special Schemes annually pay to the Treasury a sum determined by the the Norwegian Parliament – NOK 17.5 million for 2017. From 2008 through 2017, accumulated transfers have amounted to NOK 1.784 billion.

Beyond short-term needs and annually estimated administrative costs, up to NOK 450 million of the Developing countries guarantee scheme's funds are to be held in the primary capital fund. The guarantee scheme regulates its liquidity through transfers to/from this fund.

The fund is shown with paid-in primary capital of NOK 450 million on the balance sheet for the Developing countries scheme. The primary capital fund is non-interest-bearing.

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

13) Debt relief plan facility

Under the debt relief plan GIEK's claims against certain countries may be cancelled, without new appropriations being made, by netting the claims against a specified limit. The Norwegian debt relief plan was adopted by the Norwegian Parliament in December 1997 along with the central government budget for 1998. The debt relief plan was updated in 2004. Note 7 discusses claims under moratorium agreements.

The debt relief plan facility was utilised as follows in 2017:

	GAM	SÆR	Total
Remaining debt plan limit 1 Jan. 2017	829 685	4 080	833 764
Debt cancellation			0
Remaining debt plan limit 31 Dec. 2017	**829 685**	**4 080**	**833 764**

The debt relief plan facility is a budgetary limit stipulated by the Ministry of Foreign Affairs from which GIEK is compensated for debt relief according to terms set by the Ministry of Foreign Affairs. If debt relief is approved without coverage by the debt relief plan facility, it will negatively affect the profit and loss account of the guarantee schemes being phased out. As a result, the remaining limit under the debt relief plan presently exceeds remaining debt plan claims.

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

GIEK has received NOK 10 million for establishment of the Power purchase guarantee scheme. This is recorded as debt to MTIF. Guarantees have now been issued from the scheme for the first time since it was introduced. In 2017, two guarantees totalling NOK 550 million were issued.

15) Other liabilities

Other liabilities as at 31 December 2017 consist of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Unpaid administrative costs	0	0	0	0	0	0
Other ledger entries	26 249	0	0	0	600	26 849
Total other liabilities	**26 249**	**0**	**0**	**0**	**600**	**26 849**

Comparative figures as at 31 December 2016:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Unpaid administrative costs	148	0	6	0	0	155
Other ledger entries	-528	0	0	0	600	71
Total other liabilities	**-381**	**0**	**6**	**0**	**600**	**227**

16) Other receivables

Other receivables as at 31 December 2017 consist of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Accrued, not received revenues from guarantees	212 026	1 848	9 285	0	0	223 159
Other receivables and outstanding amounts	3 169	11	34	8	1	3 223
Total other receivables	**215 195**	**1 859**	**9 319**	**8**	**1**	**226 382**

Comparative figures as at 31 December 2016:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Accrued, not received revenues from guarantees	246 946	2 104	3 666	0	0	252 715
Other receivables and outstanding amounts	731	0	0	0	0	731
Total other receivables	**247 677**	**2 104**	**3 666**	**0**	**0**	**253 447**

17) Shares

Company	Acquisition date	Ownership share	Voting share	Company profit/loss for the year[1)]	Company equity as per balance sheet[1)]	Balance sheet value (in capital accounts)[1)]	Balance sheet value (in enterprise accounts)[1)]
Box Topco AS	22 Dec. 2015	N/A[2]	N/A[2]	-9 513 804	50 023 727	50 023 727	50 023 727
FPSO Invest DAC	24 Oct. 2016	N/A[2]	N/A[2]	N/A[2)]	N/A[2)]	37	37
Total						**50 023 764**	**50 023 764**

1) Amounts in whole NOK.
2) Company was established in October 2016 and is therefore not required to render accounts for 2017.
The accounts for 2017 were not ready when the fund accounts were submitted.

No dividends were paid by the companies in 2017.
The accounts of AGO and Box Topco AS are not consolidated, as the intention with these companies is to assume temporary ownership of collateralised assets.

18) Related parties

We have defined the following institutions as related parties: GIEK Kredittforsikring AS, Export Credit Norway AS, the Ministry of Trade, Industry and Fisheries (MTIF), Box Topco AS, Box Holdco AS and FPSO Invest Dac. Transactions between GIEK and related parties, with the exception of MTIF, are based on commercial terms.

Relationships of significant importance are described below.

Export Credit Norway AS
Export Credit Norway is wholly owned by MTIF and administers export financing on behalf of the Norwegian state. The guarantee schemes guarantee NOK 57.7 billion (NOK 61.9 billion) of Export Credit Norway's lending portfolio. For this, GIEK receives premiums and fee revenues from the borrowers on market terms, which in 2017 amounted to NOK 976 million (NOK 938 million) in premiums and NOK 90 million (NOK 99 million) in fee revenues. In addition, Export Credit Norway pays NOK 850 000 for services in the area of sustainability.

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

1. A primary capital fund of NOK 450 million is established for the Developing countries guarantee scheme. The exposure limit for this scheme is seven times the primary capital fund (NOK 3.15 billion). In 2018, management of the primary capital fund was transferred from MTIF to GIEK, with NOK 300 million then in the fund. An additional NOK 150 million was transferred to the primary capital fund in 2009.

2. Transfer of bank deposits. For the Old general guarantee scheme and Old special schemes, annual transfers equivalent to bank deposits at the beginning of the year, less NOK 25 million, are made to MTIF. In 2017, this amounted to NOK 17.5 million.

3. The Power purchase guarantee scheme has a debt of NOK 10 million to MTIF.

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

19) Liquidity risk

GIEK issues guarantees on behalf of the Norwegian state. GIEK has no liquidity risk since procedures have been established to draw on the state's liquidity. If the liquidity available in an individual guarantee scheme is insufficient, MTIF will be informed and the drawdown facility will be used so that GIEK can administer the Norwegian state's obligations.

The table sets out the maturities for the underlying loans GIEK has guaranteed:.

	< 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	Total
Guaranteed loans	372 334	520 558	2 344 156	15 771 912	72 063 032	91 071 992
of which in foreign currency	20 230	143 645	420 470	12 069 669	59 665 181	72 319 195

20) Key figures 2017 for guarantee schemes being phased out

	GAM	SÆR	SUB	Total
Profit and loss account				
Total revenues	-979	-295	138	-1 135
Total operating costs	81	32	15	128
Profit/loss before fund provisions	-1 060	-326	122	-1 263
Net changes in fund provisions	-11	-310	0	-321
Profit/loss before transfers to/from the Norwegian state	-1 049	-16	122	-943
Transfers to/from the Norwegian state	-10 400	-7 100	0	-17 500
Profit/loss for the year	**-11 449**	**-7 116**	**122**	**-18 443**
Balance sheet				
Receivables	117 147	9 402	0	126 550
Bank deposits	48 505	10 036	32 393	90 935
Total assets	**165 652**	**19 439**	**32 393**	**217 484**
Earned capital	-679 475	14 759	32 393	-632 323
Provisions	14 664	0	0	14 664
Liabilities	830 463	4 680	0	835 143
Total liabilities and capital	**165 652**	**19 439**	**32 393**	**217 484**

Before transfer to the Norwegian state, the combined profit/loss for all guarantee schemes being phased out was a loss of NOK 900 000. After transfer of NOK 17.5 million to MTIF, the combined profit/loss for guarantee schemes being phased out was a loss of NOK 18.4 million.

21) Deferred revenues

Deferred revenues as at 31 December 2017 consisted of:

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Up-front premiums for accrual	474 672	26 413	0	0	779	501 863
Arrangement fees for accrual	218 557	0	0	0	0	218 557
Processing fees for accrual	122 773	0	0	0	0	122 773
Advance premiums	34 858	0	0	0	0	34 858
Total other receivables	**850 860**	**26 413**	**0**	**0**	**779**	**878 052**

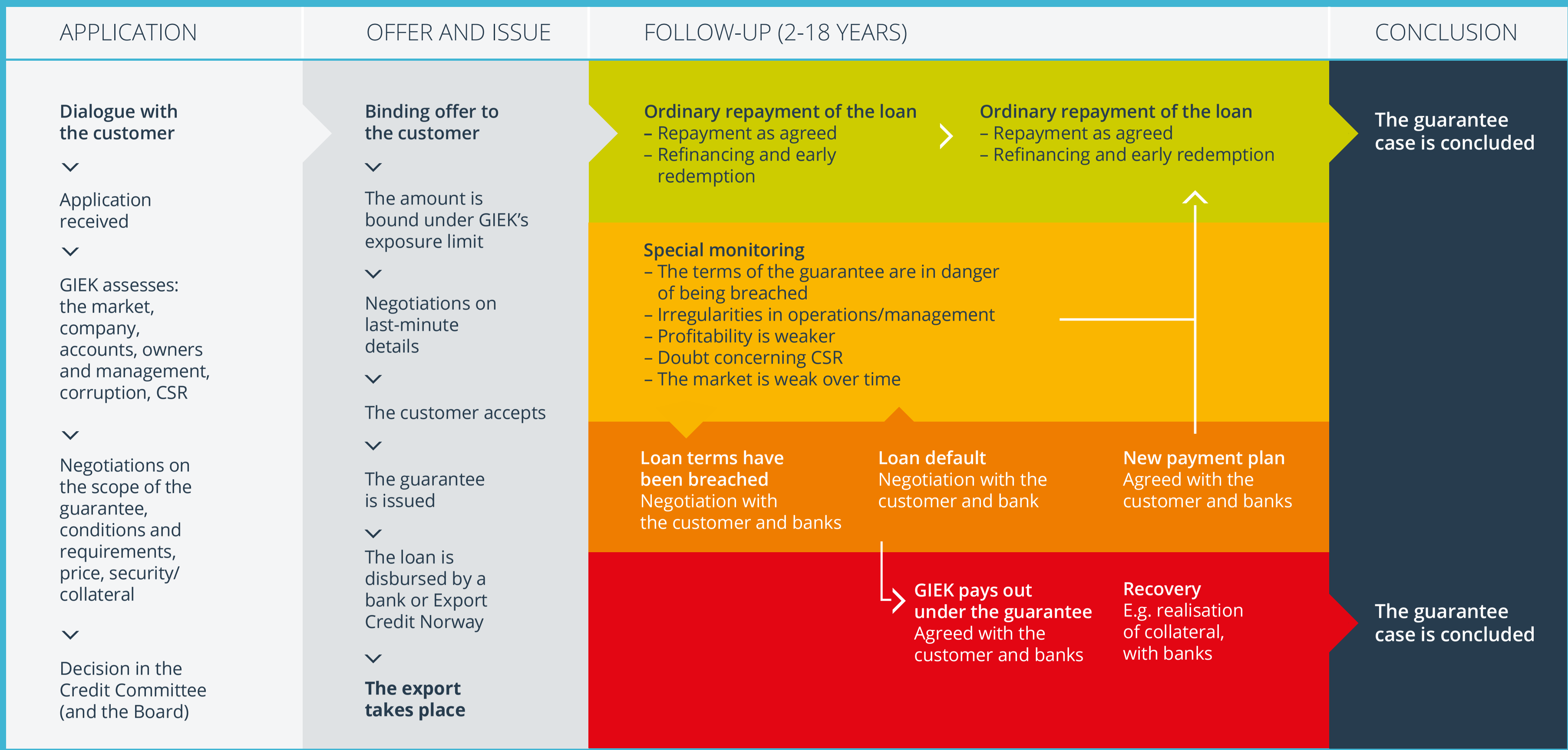
Comparative figures as per 31 December 2016 (revised):

	AGO	ULA	BYG	KRA	Being phased out	Total all schemes
Up-front premiums for accrual	446 414	34 453	0	0	3 058	483 925
Arrangement fees for accrual	221 399	0	0	0	0	221 399
Processing fees for accrual	136 062	0	0	0	0	136 062
Advance premiums	0	0	0	0	0	0
Total other receivables	**803 876**	**34 453**	**0**	**0**	**3 058**	**841 387**

22) Events after the balance sheet date

The guarantee funds have receivables and guarantees involving customers where restructuring and negotiations have taken place after the balance sheet date. New information and new circumstances have been taken into account in loss provisions and impairments in the accounts submitted.

The Guarantees: Careful preparation, close follow-up



GIEK is a key partner for exporters and their customers as well as for Norwegian and international financial institutions with expertise and strong networks in Norway and elsewhere in the world. The agency's guarantees mitigate risk to the financial institutions, increasing their capacity to provide financing. The guarantees can also mitigate the risk of loss to Norwegian exporters and foreign buyers in connection with payment and delivery.

Exporters 2017:

AKVA GROUP
Alcoa
aqualine
Borregaard
ELTEK A Delta Group Company
FRAMO an Alfa Laval brand
GCRIEBER
GSM TOWERS
indra navia
INRIGO
KLEVEN
KONGSBERG
made for movement
norwegian crystals
Norwegian Fish Co.
NOV
reMarkable
Scatec Solar Improving our future™
VARD™ a Fincantieri company
VISMA

Banks 2017:

ABN·AMRO
BNP PARIBAS The bank for a changing world
citi
Danske Bank
DNB
DVB
EKSPORTFINANS NORWAY
Nordea
SEB
SpareBank 1 SR-BANK
SpareBank 1 SMN
SPAREBANKEN MØRE
SparebankenVest
Swedbank

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Photo page 11: Lindblad Expeditions

Photo page 12: Alcoa norway

Photo page 27: NFC

Photo page 49: Norwegian Crystals

Photo page 4, 8, 20, 22, 24, 28: iStock

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Design: Miksmaster, www.miksmaster.no · Print: RK Grafisk, Oslo