EKSPORTKREDITT
Export Credit Norway

Annual Report 2017

Contents

KEY FIGURES 2017

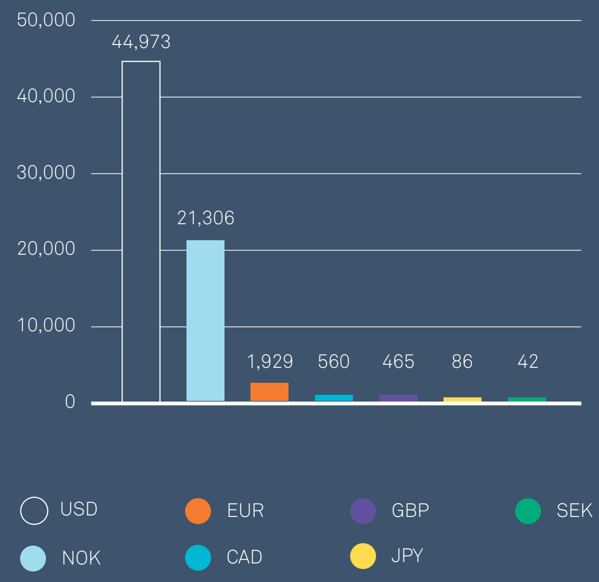
69,359
Total lending balance (NOK million)

16,674
Probability-adjusted order book (NOK million)

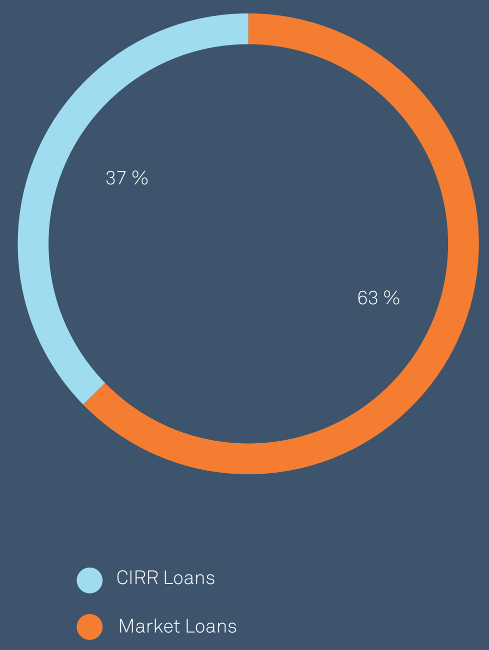
124,418
Application volume (NOK million)

241/64
Loan applications received/number of countries

LENDING BALANCE – CURRENCY DISTRIBUTION (NOK MILLION)



LENDING BALANCE – DISTRIBUTION BY INTEREST RATE



LENDING BALANCE BY INDUSTRY (NOK MILLION)

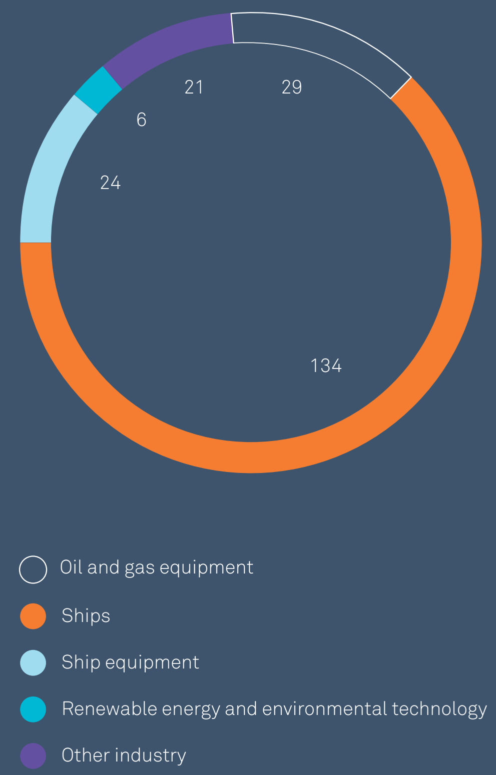
Oil and gas equipment	20,742
Ships	44,056
Ship equipment	2,477
Renewable energy and environmental technology	1,021
Other industry	1,063
Total lending balance	**69,359**

DISTRIBUTION OF LENDING BALANCE BETWEEN CIRR LOANS AND MARKET LOANS

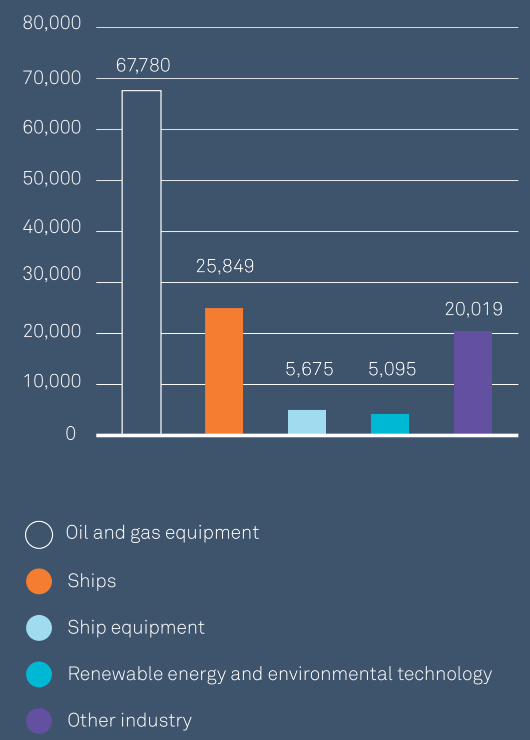
(NOK MILLION)	
CIRR Loans	**43,503**
Market Loans	**25,856**
Total lending balance	**69,359**

Totals in tables and figures may vary due to rounding.

NUMBER OF LOANS BY INDUSTRY



APPLICATION VOLUME BY INDUSTRY (NOK MILLION)



Annual Report 2017

Realistic optimism

As a company mandated to help Norwegian businesses succeed abroad, Export Credit Norway has to be fundamentally optimistic in its view of the Norwegian business sector. Nonetheless, a realistic approach has to be taken to markets that are exposed to competition. Conditions in many of our most important export markets and sectors remain challenging, but there are increasing grounds for optimism on behalf of Norwegian exporters.

As Norges Bank Governor Øystein Olsen concluded in his annual speech this year, the international economy finally looks to be recovering. Thanks to a prolonged period of low interest rates, growth has gained traction in the major industrial nations. Unemployment is lower than before the financial crisis in key economies, and inflation and wage growth are rising from low levels.

Olsen also pointed out that developments abroad are providing increasing impetus, and that exports are rising. Moreover, optimism has returned to the oil industry, and several major development projects are set to boost oil investment over the next few years.

Olsen is right. There are positive signs in the Norwegian economy and among Norwegian businesses. However, this does not automatically mean that the Norwegian export industry can be declared healthy, as the day-to-day situation remains very complex.

Oil optimism is back

The oil industry is one of Norway's most important export segments. The industry's investment appetite is largely determined by oil prices. In 2017, the average oil price was USD 54.25 per barrel, up from USD 43.73 in 2016 – the lowest level since 2004. At the time of writing, oil prices have stabilised above USD 60 per barrel.

As prices have recovered, the Norwegian authorities have received an increasing number of development plans. These plans have not come about by themselves. Rather, oil companies and suppliers have done an impressive job of cutting development costs in recent years. Companies that have not refocused on new industries have adapted to new realities. As a result, oil companies have awarded a series of major contracts to Norwegian oil service players, renewing industry optimism.

Nevertheless, it is vital to remember that international investment appetite is not as high as on the Norwegian continental shelf. Although we are observing weak improvements, it will take some time for activity to pick up in promising offshore markets like Brazil and Mexico. This is why we hope that Norwegian oil and gas equipment suppliers will control costs as activity accelerates on the Norwegian shelf, so that they remain internationally competitive.

Maritime restructuring

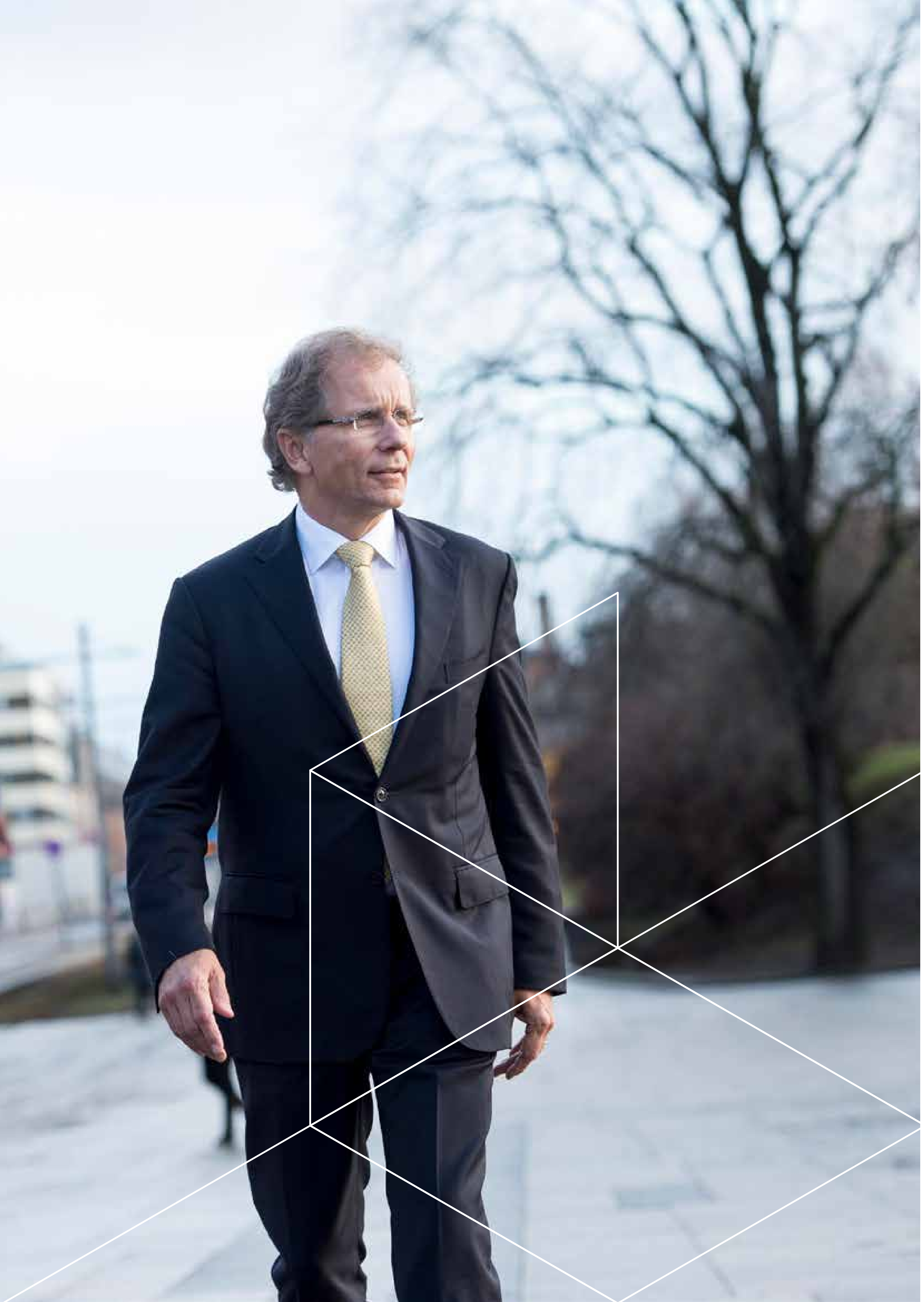
Although the offshore industry is showing weak signs of improvement, activity levels remain low from a historical perspective. We therefore cannot rule out the need for further financial restructuring by customers that are heavily exposed to the offshore sector. We will continue to be a solution-oriented partner for all stakeholders.

As regards the shipyard industry, it has been pleasing to observe ongoing restructuring throughout 2017. The industry continues to fill its order books in an impressive manner, with contracts to build wellboats, fishing vessels, cruise ships, ferries and service vessels for the offshore wind power market. Norwegian ship equipment suppliers are benefiting greatly.

Norwegian shipyards and ship equipment suppliers received a major boost from the authorities at the beginning of 2018 in the form of a new loan and guarantee scheme for purchases of ships built in Norway and intended for use in Norwegian waters. However, we must ensure that the new scheme does not lead the industry to focus too strongly on sales in Norway. The scheme secures a robust activity level for many parts of the supply chain, and thus a foundation for the development of new technologies and solutions. It also provides a basis for the ongoing efficiency improvements the industry needs to remain competitive internationally and thus continue to export.

Focus on SMBs and environmental technology

Export Credit Norway is mandated to assist all industries and enterprises of all sizes. While small and medium-sized businesses (SMBs) in the offshore sector largely follow the major players out into the world, the situation is different in onshore industries, where SMBs largely have to make their own luck. The involvement of the public support system – including Export Credit Norway, Innovation Norway, GIEK and GIEK



Kredittforsikring – should therefore make a difference. This is why the actors of the public support system collaborated in 2017 to simplify SMB processes further and make contact with the public support system easier and more efficient.

Norway needs more exporters. SMBs often require more sales support and guidance than large companies. We want to provide such assistance, and are therefore pleased to have helped generate new export opportunities in the ICT, aquaculture and related equipment, energy and other onshore industries in 2017. We also helped finance deliveries and projects in the wind power and solar power segments. Our industry and environmental technology lending portfolio is dominated by small and medium-sized loans. This evidences strong growth in these sectors, on which we intend to build further going forward.

New export tools

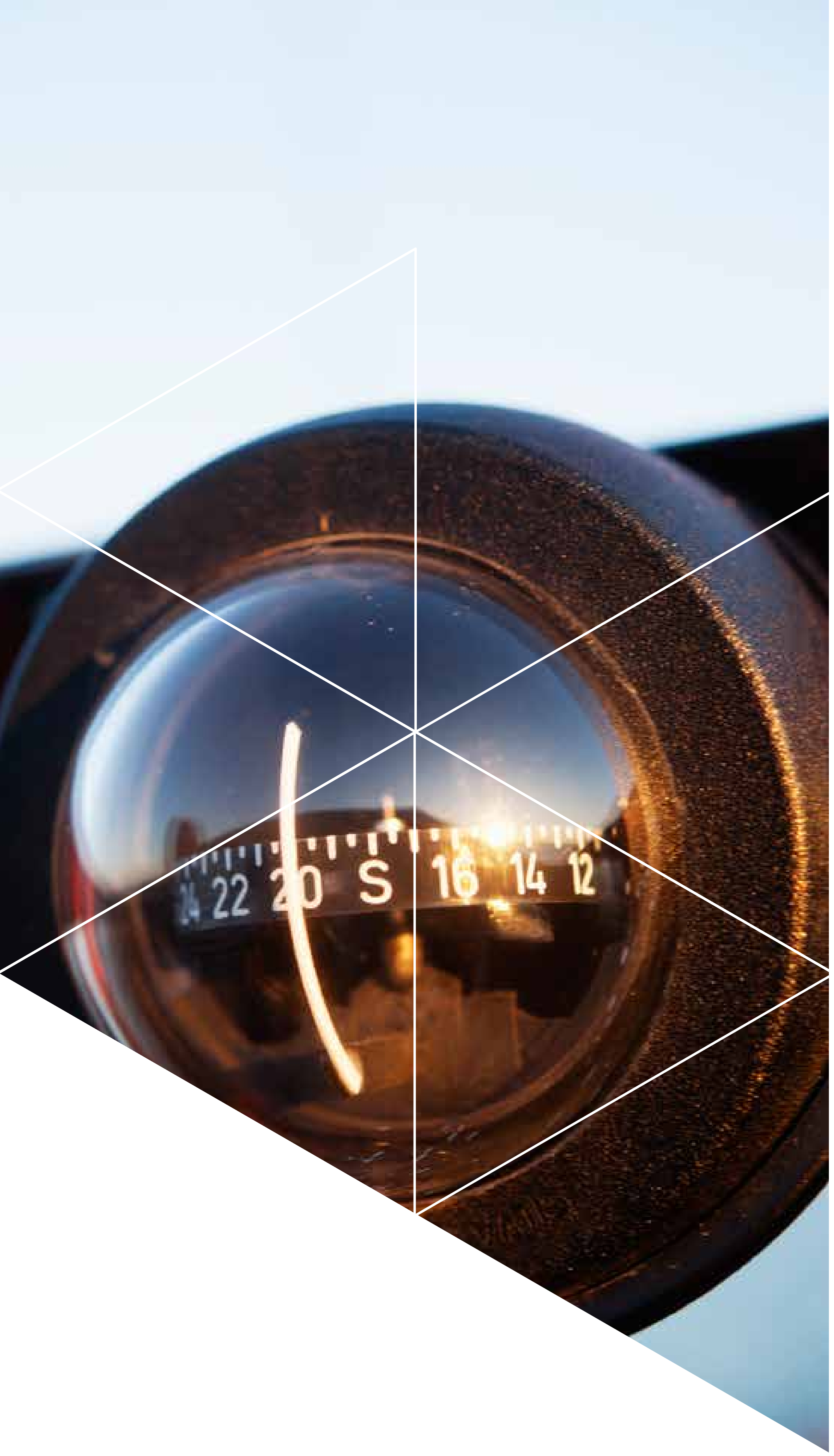
At the same time, we see risks with respect to onshore industries, as 2018 may see the first rise in interest rates for seven years. Higher interest rates and a stronger Norwegian krone may disrupt current positive growth trends. In particular, few onshore segments have undergone the same drastic cost-cutting as offshore industries.

To be able to lift SMBs and new export industries, we have to continue expanding our product portfolio. I have already mentioned the new ship financing scheme. In 2017, Export Credit Norway was also authorised to finance offshore fish farms and work with guarantors with somewhat lower credit ratings. The latter measure permits more extensive cooperation with bank guarantors on transactions in emerging economies and developing countries.

In 2017, Export Credit Norway signed loan agreements totalling NOK 9.8 billion. These are due to be disbursed over the coming years. The lending balance totalled NOK 69.4 billion as at 31 December 2017. Our aim is to boost these figures in 2018. Achieving this target will confirm the continuing relevance of export financing as a helpful tool for both large and small businesses. Effective cooperation between the actors of the public support system and businesses will boost exports of capital goods and services and open up new export markets. Macrotrends are in our favour, but much hard work remains to be done.

This is why we call Export Credit Norway both realistic and optimistic.

Otto Søberg, *Chief Executive Officer*

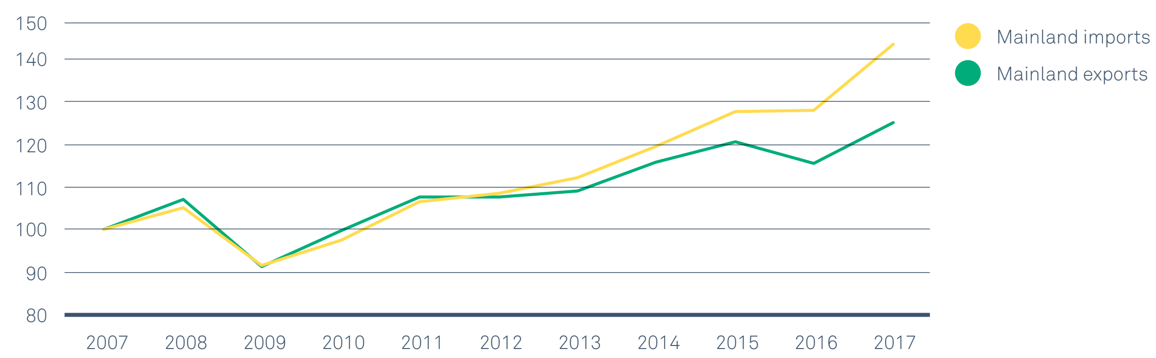


2 Introduction to the company and headline figures

Norway is a small, open economy with a significant dependence on and benefits from foreign trade. The domestic market is small compared to other countries, and foreign trade and investment are important for Norwegian businesses. Norway's industrial structure has necessitated restructuring, innovation and expansion to give the Norwegian economy more diversified support. Norway needs to achieve profitable growth both at home and abroad, and exports of capital goods and services are crucial for the Norwegian business sector.

The mainland trade balance in Norway has weakened significantly in recent years as exports have failed to keep pace with rising imports. From 2007 to 2017, mainland Norway[1] imports increased by 44 per cent, while exports grew by 25 per cent.[2] From 2016 to 2017, mainland exports increased by 8 per cent, but imports by 12 per cent. If Norway is to continue growing as an export nation, it will require a competitive export industry that develops goods and services demanded by export markets.

FIGURE 1 – INDEXED GROWTH IN IMPORTS AND EXPORTS, MAINLAND NORWAY (2007 = 100)



[1] Imports excluding ships and oil platforms.
[2] Source: Statistics Norway.

Against a backdrop of trade policy changes, increasing protectionism, stronger competition in export markets and alterations in the composition of Norwegian exports, it is important to give Norwegian companies competitive framework conditions that enable them to overcome the challenges presented by restructuring and international competition.

2.1. EXPORT CREDIT NORWAY'S OBJECTIVE AND PUBLIC MANDATE

Export Credit Norway manages the export credit scheme on behalf of the Norwegian State and the Ministry of Trade, Industry and Fisheries. The company's primary objective is to promote Norwegian exports by providing competitive, accessible and effective financing.

Promoting Norwegian exports

Fulfilment of the primary objective entails promoting Norwegian exports by ensuring that export credits are available on terms as favourable as those offered by competing countries, subject to compliance with international agreements. Ensuring that customers and partners are sufficiently familiar with the company's products and services is vital in this regard. Other priorities are to ensure effective organisation of the company's operations, including effective risk management, pricing, establishment and follow-up of loans and loan documentation.

Export Credit Norway also helps promote Norwegian exports and ensure the availability of robust export financing by collaborating with GIEK, Innovation Norway and other stakeholders, such as the company's owner, existing and potential guarantors, customers and trade organisations. Such cooperation is key to the general success of the export credit scheme. Export Credit Norway's staff have thorough knowledge of Norwegian exports and export financing. The company serves as an export financing resource centre for its owner, customers and partners.

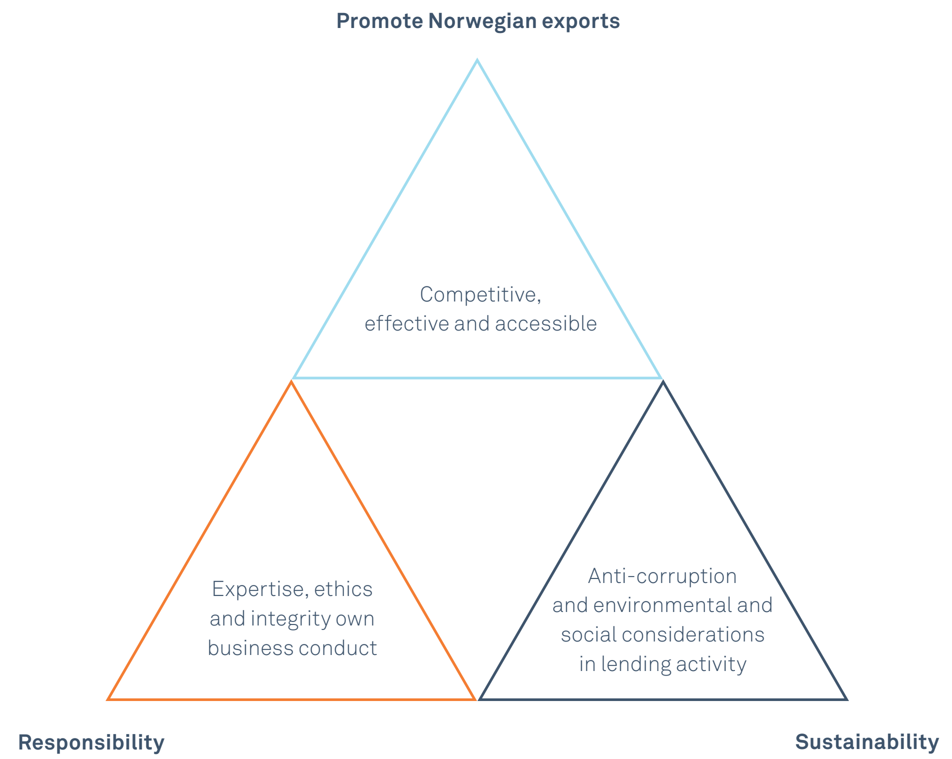
Export Credit Norway's primary objective is also its public mandate. By helping Norwegian exporters to win contracts abroad, the company helps to boost investment and secure jobs in Norway.

There are close links between the company's public mandate and its corporate social responsibility. The public mandate to promote Norwegian exports is supported by efforts to ensure sustainability by integrating environmental and social considerations into the company's lending assessments and loan follow-up. Emphasis is also given to focusing on responsibility in Export Credit Norway's own business conduct and operations. The company's corporate social responsibility is defined as being to promote Norwegian exports in a responsible and sustainable manner. Figure 2 illustrates the links between the company's public mandate and corporate social responsibility.

Responsibility

Robust international guidelines are a fundamental prerequisite for responsible export financing. Export Credit Norway seeks to promote the

FIGURE 2 – EXPORT CREDIT NORWAY'S PUBLIC MANDATE AND CORPORATE SOCIAL RESPONSIBILITY



adoption of sensible framework conditions by supporting international work relating to export financing. This applies particularly to efforts in the OECD and the development of the OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the "Common Approaches"), as well as the the OECD Council Recommendation on Bribery and Officially Supported Export Credits the ("Recommendation"). The company has also adopted the Equator Principles to support the work being done to advance responsible assessment and follow-up of project financing provided by major international banks.[3]

The company aims to provide a positive, motivating working environment for its own staff. Measures to ensure such wellbeing, gender equality and diversity have been integrated into the company's HR, recruitment and pay-related activities. Emphasis is given to ensuring that procedures and processes enable staff to perform their duties in a proper manner and with a high standard of integrity. The company pursues transparent dialogue with its stakeholders regarding processes and results.

Sustainability

It is in the financing of individual transactions that Export Credit Norway can make a difference and best exercise its corporate social responsibility. When seeking to ensure sustainability, it is important to ask the right questions and impose the right requirements on the parties involved in lending transactions, so that projects are implemented responsibly. Breaches of environmental and social conditions can constitute a substantial risk, and caution

[3] See fact box in section 4.1 for further discussion of the Equator Principles.

Annual Report 2017

in this regard is integrated into both the assessments the company conducts when concluding new loan agreements and follow-up of the existing lending portfolio. Export Credit Norway's assignment includes raising awareness among exporters of the need to monitor their supply chains with these matters in mind. The company also invests considerable resources in anti-corruption efforts and measures to combat money laundering.

2.2. REGULATORY FRAMEWORK

Export Credit Norway's business is regulated by the Act relating to Eksportkreditt Norge AS (the Export Credit Act) and the Export Credit Regulations. Together with the OECD Arrangement on Officially Supported Export Credits (the "Arrangement")[4] and its subsidiary agreements, the Regulations determine which contracts may be financed and the terms included in loan agreements.

Export Credit Norway provides loans for export financing in the form of Commercial Interest Reference Rate (CIRR) loans and CIRR-qualified market loans on commercial terms. CIRR loans are fixed-rate loans made in accordance with the Arrangement. The company's credit guidelines state that all loans must be fully guaranteed by state export guarantee agencies and/or financial institutions with solid credit ratings. All loans are recorded in the central government balance sheet, and the Norwegian State is liable for the obligations the company incurs in connection with its lending activities. The company advises its customers on all aspects of the financing process, including sales and marketing of products and services, application processing, commitment, the implementation of loan agreements and loan documentation, and loan disbursement and follow-up. The company gives great emphasis to protecting the State's assets. This is done by ensuring correct loan documentation, pricing and credit assessment, loan follow-up and compliance with applicable rules and regulations.

Export Credit Norway administers the export credit scheme in accordance with the requirements laid down by the authorities. Central government requires the export credit scheme's cash flow to be kept separate from the operations of Export Credit Norway. This is achieved by linking cash flow from the export credit scheme directly with the State's group accounts system, which is administered by Norges Bank (the central bank of Norway). The accounts of the export credit scheme are presented as part of the central government accounts.

[4] The Arrangement on Official Supported Export Credits regulates the terms and conditions that may be offered. The Arrangement also encompasses sectoral agreements containing special terms for projects related to renewable energy and climate technology, coal-fired power stations, aircraft, trains, nuclear energy and ships.

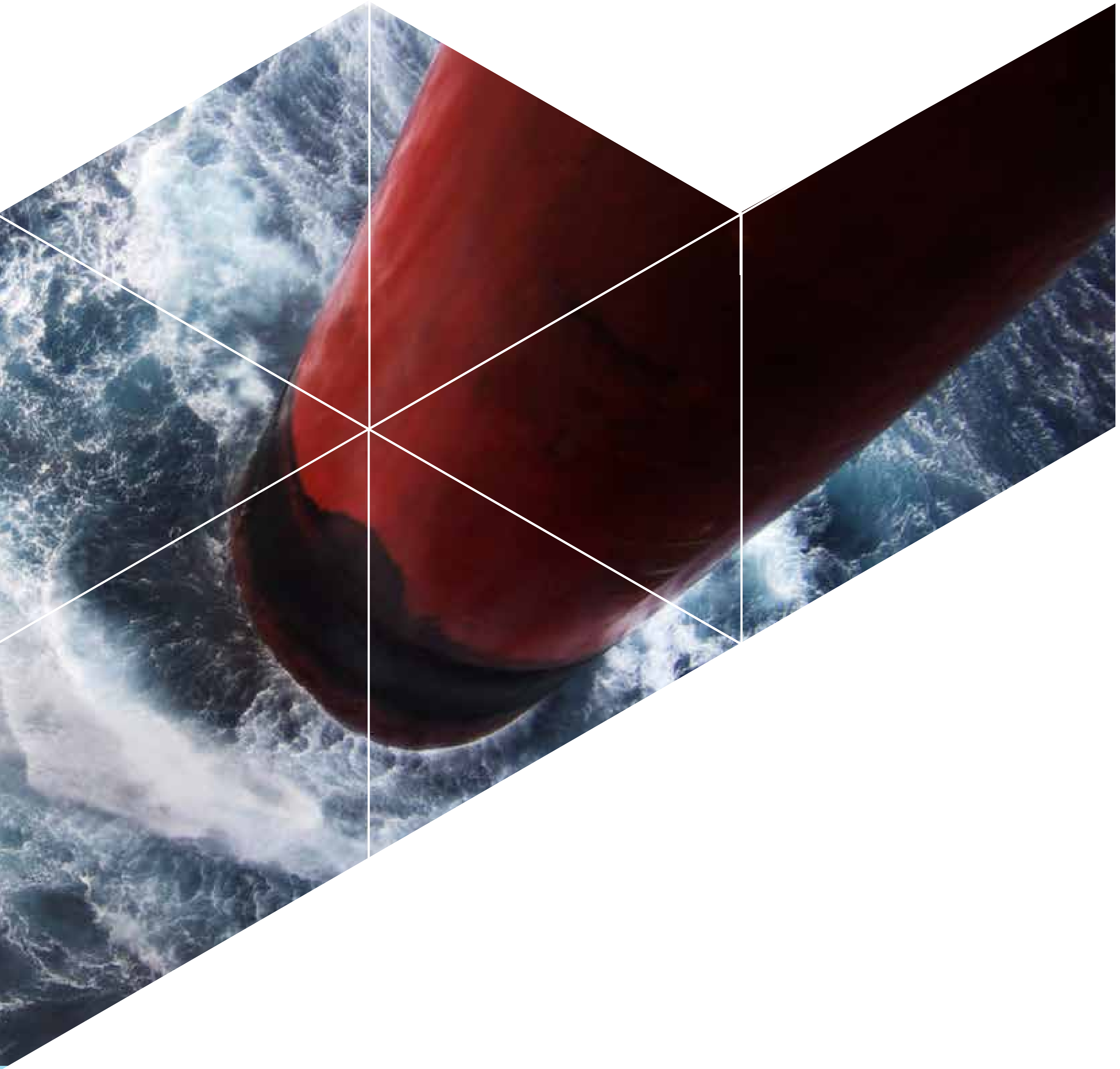
2.3. HEADLINE FIGURES

In 2017, Export Credit Norway received a total of 241 applications representing a combined application volume of NOK 124.4 billion. In comparison, the company received 278 applications amounting to an application volume of NOK 209.1 billion in 2016. Export Credit Norway calculates a probability-adjusted order book, which is the company's best estimate of future loan disbursements linked to received loan applications. The probability-adjusted order book amounted to NOK 16.7 billion as at 31 December 2017, compared to NOK 17.2 billion as at the same date in 2016.

The company signed 22 loan agreements with a combined value of NOK 9.8 billion in 2017. These loans are due to be disbursed over the next couple of years. Total disbursements during the year amounted to NOK 3.4 billion, bringing Export Credit Norway's lending balance to NOK 69.4 billion at year-end.

The company received NOK 1,744 million in interest income from its lending activities in 2017, as well as NOK 21 million in fee income. These figures are on a par with previous years. Repayments amounted to NOK 8.3 billion. The 2017 financial result for lending activities was NOK 762 million excluding the State's calculated borrowing costs and operating and investment grants paid to Export Credit Norway.

The company received NOK 109.7 million in operating and investment grants from central government in 2017, of which NOK 109.2 million was recorded as income. The operating expenses excluding depreciation totalled NOK 104.5 million, and primarily comprised payroll costs, administrative costs and purchases of external services. The annual result for 2017 is a profit of NOK 3.7 million after tax, compared to a post-tax loss of NOK 2.2 million in 2016. The profit made in 2017 is primarily due to cost savings in connection with vacant positions and compensation received from central government in respect of paid financial transaction tax. The company has a strong equity position and little exposure to financial risk.

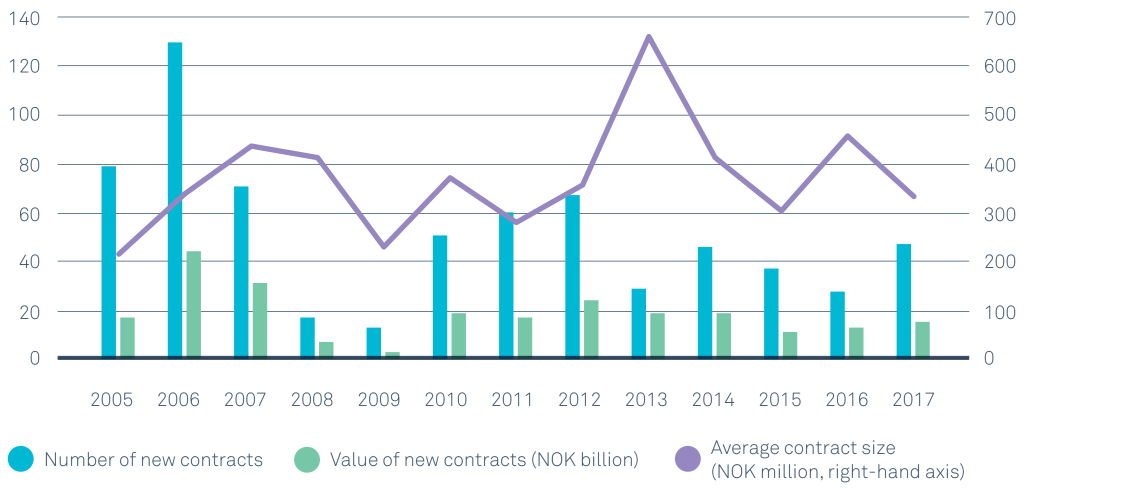


3 Promoting Norwegian exports

Export Credit Norway and Norway at a time of restructuring

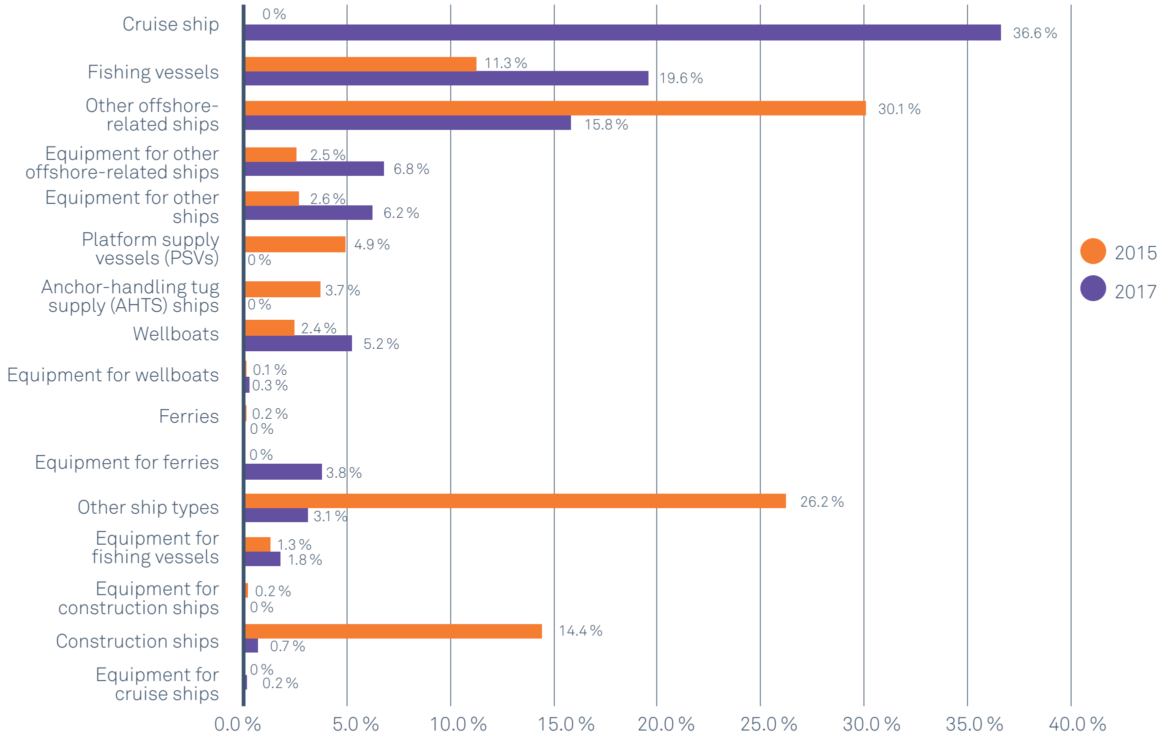
Following several years of demanding market conditions for oil and gas industry suppliers, 2017 – like previous years – featured restructuring in this segment. Shipyards and maritime suppliers have refocused their ship-related activities, away from oil and gas onto e.g. passenger vessels, fishing vessels, wellboats and service vessels for the offshore wind industry. The overall order inflow of Norwegian shipyards in 2017 shows an increase in vessels under contract in both numerical and value terms, compared to earlier years.[5] In 2017, a total of 47 vessels valued at NOK 15.6 billion were ordered, compared to 28 vessels with a value of NOK 12.8 billion in 2016. However, the average order value per ship is falling, reflecting the fact that the fisheries, aquaculture and ferry markets account for the most orders. On the other hand, the average order value is being boosted somewhat by orders for exploration and cruise ships.

FIGURE 3 – NEW CONTRACTS FOR NORWEGIAN SHIPYARDS 2005–2017



[5] Source: Norwegian shipyards.

FIGURE 4 – RELATIVE DISTRIBUTION OF EXPORT CREDIT NORWAY'S APPLICATION VOLUME IN THE MARITIME INDUSTRY, BY SEGMENT, 2015 AND 2017 (%)



The clear reorientation of Norwegian shipyards away from oil and gas towards other segments is reflected in Export Credit Norway's own received applications. Oil and gas-related applications from maritime players accounted for 56 per cent of the application volume in 2015. In 2017, this percentage fell to 23 per cent. Figure 4 shows the distribution of Export Credit Norway's application volume across the different maritime segments in 2015 and 2017.

Annual Report 2017

Export Credit Norway helps bolster the competitiveness of Norwegian shipyards by providing financing for vessels that quality for the export credit scheme. The new ship financing scheme will expand the scope of the export credit scheme, and is therefore expected to boost loan demand. The company is cooperating with yards at an early stage to offer shipping companies long-term vessel financing.

The volume of other capital-good exports from Norway is smaller, and stems from a range of different industries. The weakness of the Norwegian krone against the US dollar and Euro in particular has improved the competitiveness of Norwegian exporters. However, the supply of long-term financing remains limited in a number of industry segments. These macro-changes with effect on the Norwegian export industry have shaped Export Credit Norway's activities and application figures throughout 2017.

To adapt to new market conditions and meet the needs of both larger and smaller exporters, Export Credit Norway identified several priorities in its strategy plan for 2017. The company's aim was to increase awareness of, and implement, sales and business tools that can support and promote proper prioritisation of the company's resources. These efforts have also resulted in more systematic and standardised follow-up of exporters and borrowers. The company has refined its own digital marketing channels, including through the introduction of a new external website and digital application process. The digital application process includes a joint digital application with GIEK for small and medium-sized loans.

Towards the end of 2017, Export Credit Norway adopted a new strategy plan that builds on the previous strategy plan. Within the framework of the company's targets, limits and market trends, Export Credit Norway will give priority to the following during the coming strategy period:

- Promote restructuring in the Norwegian business sector through active, professional marketing measures
- Implement new, approved schemes and develop a broader product range that meets the financing needs of SMBs and larger enterprises
- Ensure productive operation by employing efficient processes and skilled staff
- Provide an accessible and effective range of products and services based on informative communications and digital tools
- Meet the company's corporate social responsibility
- Engage in productive cooperation with other stakeholders

3.1. COMPETITIVE EXPORT FINANCING

3.1.1. Introduction

Export Credit Norway aims to provide competitive export financing.[6] In this context, "competitive" means that Norway's officially supported export credits must be offered on terms as favourable as those available in competing countries, subject to compliance with international agreements. The company is also mandated to support the ongoing development of the international regulatory framework in cooperation with the Ministry of Trade, Industry and Fisheries, and to function as a specialist adviser to the Ministry on relevant export policy issues.

The most important factors influencing whether stakeholders regard Export Credit Norway's products and services as competitive are the repayment period and lending rate. Cooperation with GIEK and banks, as well as follow-up and individual customer service, also play a major role in customer satisfaction.

OECD negotiations on revised interest-setting rules (fixed-rate CIRR) continued in 2017. Although the exact timetable is uncertain, Export Credit Norway expects the negotiations to enter the final stage in 2018.

3.1.2. Marketing and application trends

Export Credit Norway's marketing targets existing and potential customers, both Norwegian and international borrowers and Norwegian exporters. Reduced investment and activity levels across the offshore oil and gas supplier industry continued to present Norwegian companies with challenging market conditions in 2017, and impacted negatively on the financial positions of several offshore-segment borrowers. Export Credit Norway has worked actively with relevant customers in close cooperation with loan guarantors. Close follow-up of borrowers in financial difficulties was a priority task throughout 2017.

During the course of the year, Export Credit Norway received a total of 241 applications representing a combined application volume of NOK 124.4 billion. In comparison, the company received 278 applications amounting to an application volume of NOK 209.1 billion in 2016. Although the application inflow shrank in terms of both numbers and volume from 2017 to 2016, the oil and gas application volume was extraordinarily high in 2016. In value terms, the application inflow in 2017 was on a par with the figure for 2015. For the long-term trend, see Figures 5 and 6.

[6] This part of the annual report concentrates on the number of loan appliactions, the distribution of applications, lending balance, probability-adjusted order book, the effect of the export financing offer, Export Credit Norway's competitiveness and international contribution.

FIGURE 5 - DEVELOPMENT OF ANNUAL APPLICATION TOTALS BY INDUSTRY

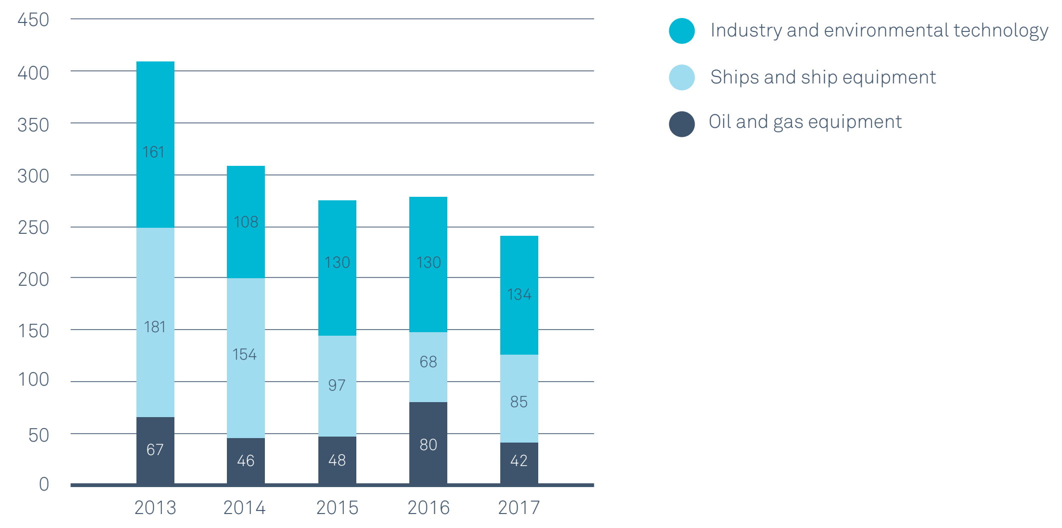
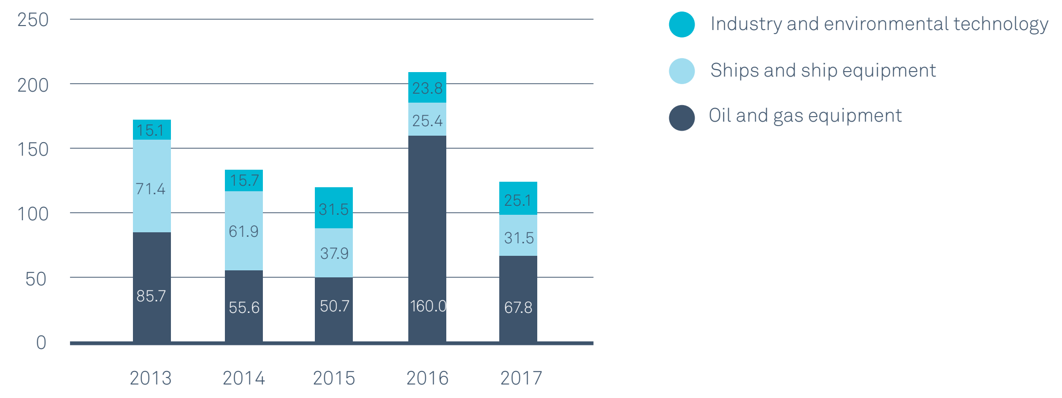


FIGURE 6 - DEVELOPMENT OF ANNUAL APPLICATION VOLUME BY INDUSTRY (NOK BILLION)



Annual Report 2017

FIGURE 7 – NUMBER OF LOAN APPLICATIONS RECEIVED IN 2017 BY INDUSTRY

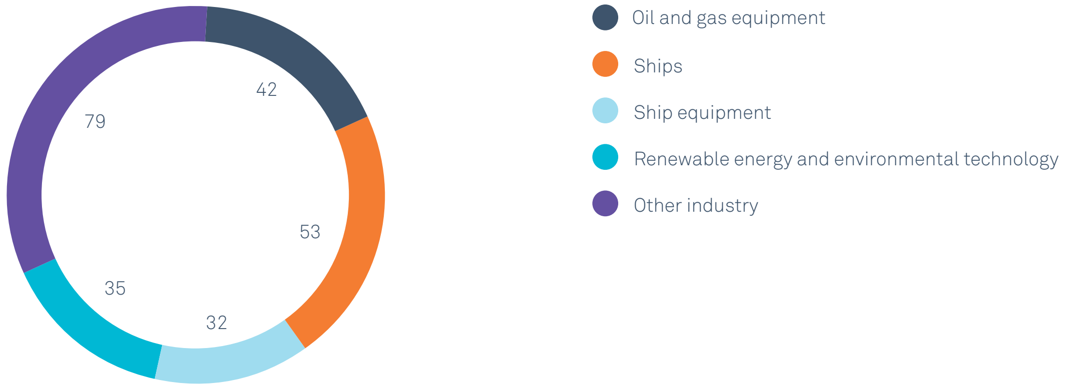
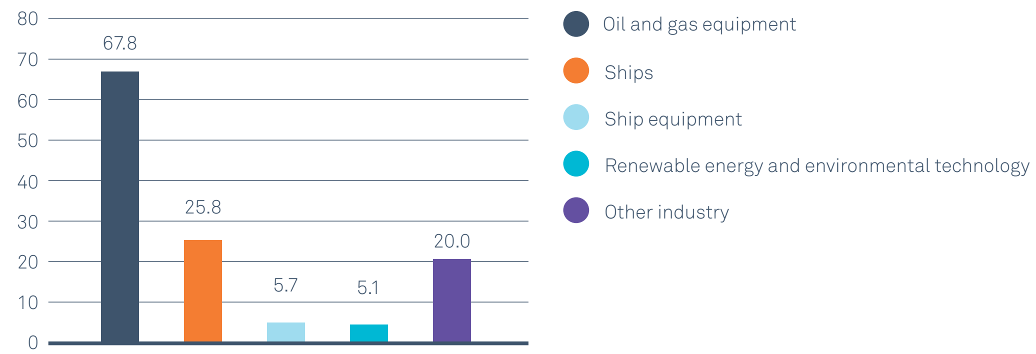


FIGURE 8 – APPLICATION VOLUME IN 2017 BY INDUSTRY (NOK BILLION)



Some 42 loan applications were received from the oil and gas equipment industry in 2017. The drop from 80 in 2016 reflects a decline in the number of oil and gas projects. The ships and ship equipment application total rose from 68 in 2016 to 85 in 2017, driven by restructuring in the maritime industry and increased focus on non-offshore oil and gas segments. In the industry and environmental technology sector, the number of applications totalled 114 in 2017, down from 130 in 2016. Overall, the Norwegian renewables export sector has developed negatively in recent years.

Oil and gas-related applications primarily concern projects such as floating platform units, subsea technology and field developments, for example of subsea installations. There has been a shift in application subject matter in the maritime sector, with non-offshore segments now dominating the order book; see previous discussion. Export Credit Norway designs its outreach marketing activities to stay ahead of these developments, and in 2017 gave priority to targeting growth sectors such as cruise ships, fisheries and aquaculture, and merchant shipping.[7]

As regards mainland businesses – which are primarily involved in small and medium-sized export contracts – Export Credit Norway continued to market its SMB solution[8] in 2017, including though customer events in Norway and abroad and individual customer outreach.

Mainland customer segments are fragmented, and unfortunately too few businesses in the various segments consider Export Credit Norway's products and services an optimal match for their needs. This is strongly linked to the structure of the Norwegian business sector, as most SMB exporters are sub-contractors in national and international supply chains and therefore cannot benefit from end-customer financing.

3.1.3. Order book and lending balance

The probability-adjusted oil and gas equipment order book totalled NOK 3.2 billion at year-end 2017, compared to NOK 4.9 billion at the end of 2016. The decline is due to factors such as cancellations and postponement of projects in the maritime offshore market. The ship and ship equipment probability-adjusted order book amounted to NOK 12 billion as at 31 December 2017, compared to NOK 10.2 billion one year previously. The increase is due to new applications from non-oil and gas industries. The probability-adjusted order book for the industry and environmental technology sector shrank during the course of the year, from NOK 2.1 billion as at 31 December 2016 to NOK 1.5 billion at year-end 2017.

The year-end lending balance amounted to NOK 69.4 billion, compared to NOK 76.5 billion at the end of the preceding year. The decline from 2016 to 2017 is due to lower disbursements and foreign exchange movements.

[7] Merchant shipping includes merchant ships, cruise ships and ferries (i.e. the carriage of goods or passengers).
[8] The new SMB solution was launched at the end of 2014 and is a simplified solution for loans totalling less than NOK 100 million.

Annual Report 2017

FIGURE 9 – PROBABILITY-ADJUSTED ORDER BOOK BY INDUSTRY AS AT 31 DECEMBER 2017 (NOK BILLION)

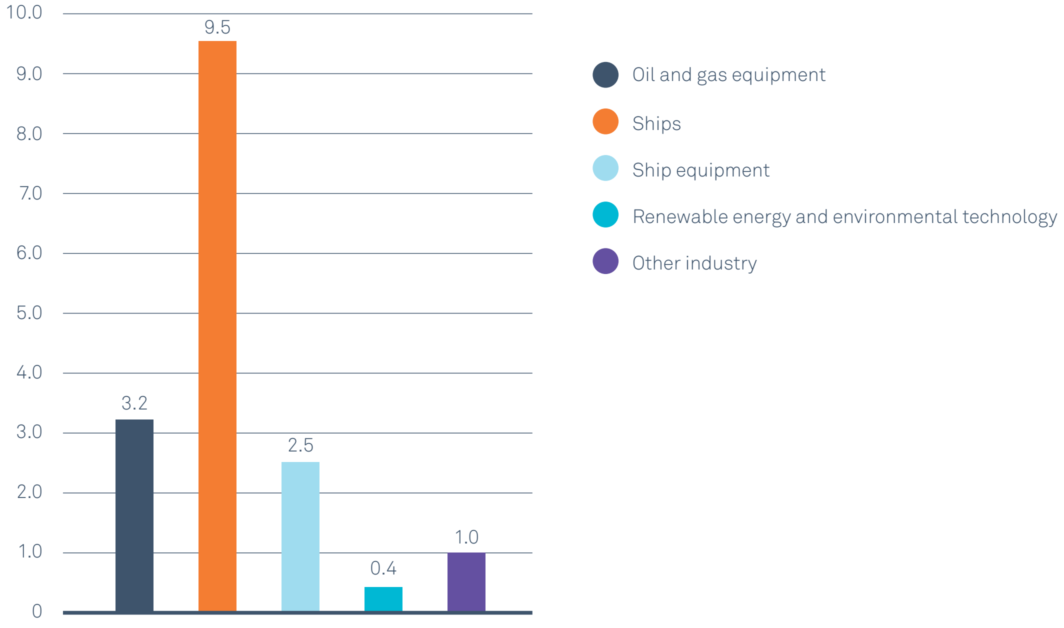


FIGURE 10 – PROBABILITY-ADJUSTED ORDER BOOK BY INDUSTRY AS AT 31 DECEMBER 2017 (NUMBER OF LOANS)

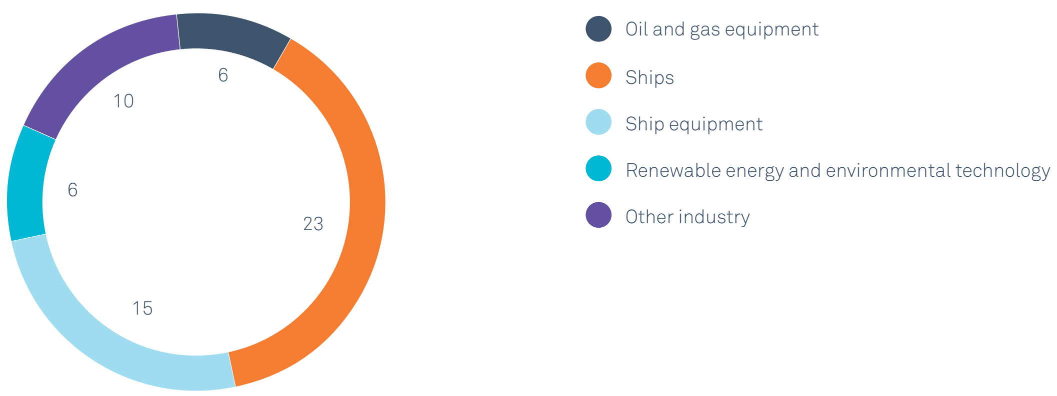


FIGURE 11 – ANNUAL DEVELOPMENT OF THE PROBABILITY-ADJUSTED ORDER BOOK (NOK BILLION)

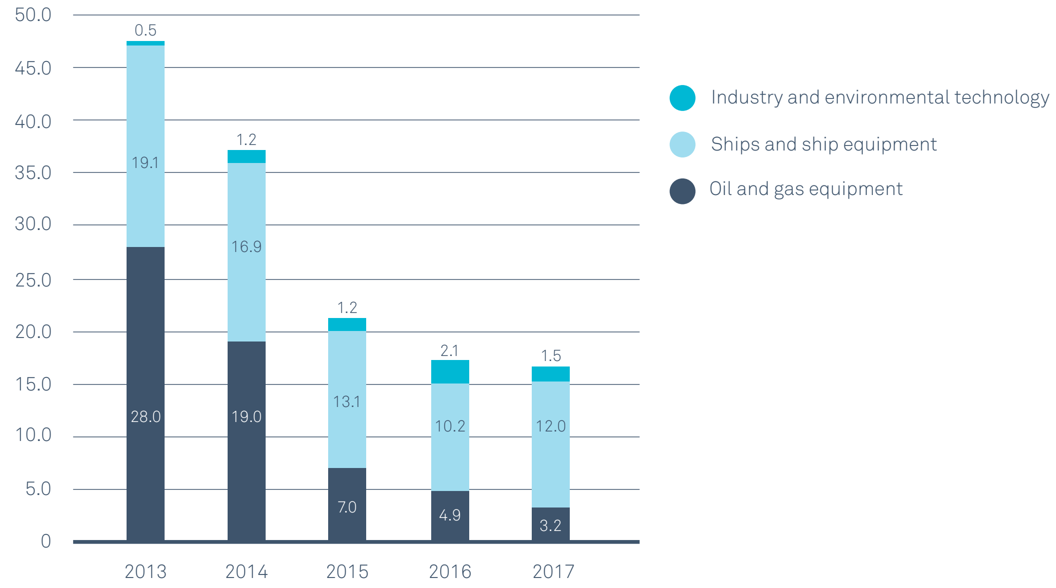


TABLE 1 – PERCENTAGE SHARE OF LENDING BALANCE BY SEGMENT AS AT 31 DECEMBER 2017

	Number of loans	Lending balance (NOK million)	Relative share of lending balance
Industry segment	**214**	**69,359**	**100 %**
Construction ships	32	16,553	23.87 %
Drilling ship equipment	13	12,545	18.09 %
Other offshore-related ships	19	10,128	14.60 %
Platform support vessels (PSV)	50	8,964	12.92 %
Anchor handling tug supply (AHTS) ships	27	7,037	10.15 %
Semi-submersible platform equipment	10	5,708	8.23 %
Jack-up equipment	2	1,526	2.20 %
Equipment for other ships	7	1,024	1.48 %
Other oil and gas equipment	4	963	1.39 %
Equipment for other offshore-related ships	7	687	0.99 %
Ferries	2	630	0.91 %
Well boats	3	509	0.73 %
Equipment for solar power projects	1	389	0.56 %
Offshore wind power vessels	4	367	0.53 %
Defence equipment	1	347	0.50 %
Equipment for wind power projects	1	265	0.38 %
Anchor-handling tug supply (AHTS) equipment	2	259	0.37 %
Platform supply vessel (PSV) equipment	4	235	0.34 %
Fishing vessels	1	235	0.34 %
Water treatment systems	1	211	0.30 %
Energy and electricity development	1	190	0.27 %
Wellboat equipment	2	137	0.20 %
Aquaculture equipment	3	120	0.17 %
Ferry equipment	1	118	0.17 %
ICT	6	82	0.12 %
Infrastructure	3	74	0.11 %
Other industry	6	39	0.06 %
Fishing vessel equipment	1	17	0.02 %

Annual Report 2017

FIGURE 12 – ANNUAL DEVELOPMENT IN DISBURSEMENT TOTALS (NOK BILLION)

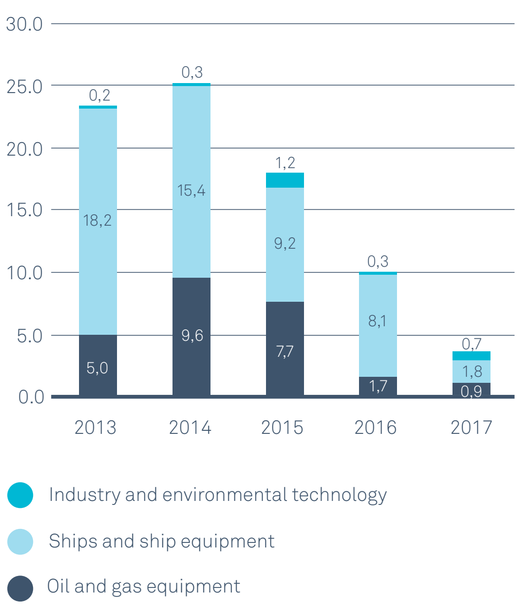
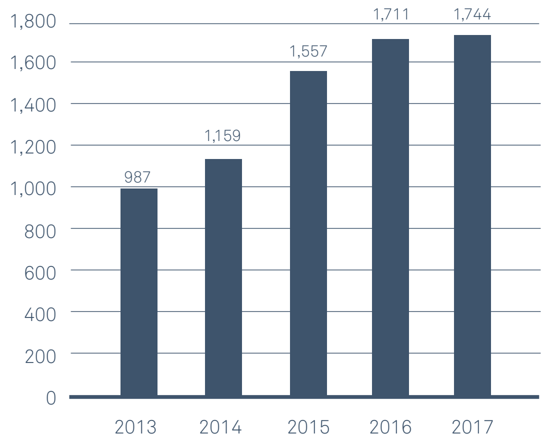


FIGURE 13 – GROSS INTEREST INCOME (NOK MILLION)



3.1.4. Cash flows

New disbursements relating to oil and gas equipment totalled NOK 875 million in 2017, down from NOK 1.7 billion in 2016. In the ship and ship equipment sector, the disbursement total was NOK 1.8 billion, compared to NOK 8.1 billion the previous year. The disbursement volume for the industry and environmental technology sector increased from NOK 281 million in 2016 to NOK 719 million in 2017. Anticipated disbursements in 2018 amount to approximately NOK 7 billion.

The company received NOK 1,744 million in interest income from its lending activities in 2017, as well as NOK 21 million in fee income. These figures are on a par with previous years. Repayments amounted to NOK 8.3 billion. The 2017 financial result for lending activities was NOK 762 million excluding the State's calculated borrowing costs and operating and investment grants paid to Export Credit Norway.

3.1.5. Customer survey results

In 2017, for the fifth year running, Export Credit Norway conducted a customer survey as part of its performance and effectiveness evaluation. For the past two years – 2016 and 2017 – Menon Economics has conducted the survey jointly on behalf of Export Credit Norway and GIEK.

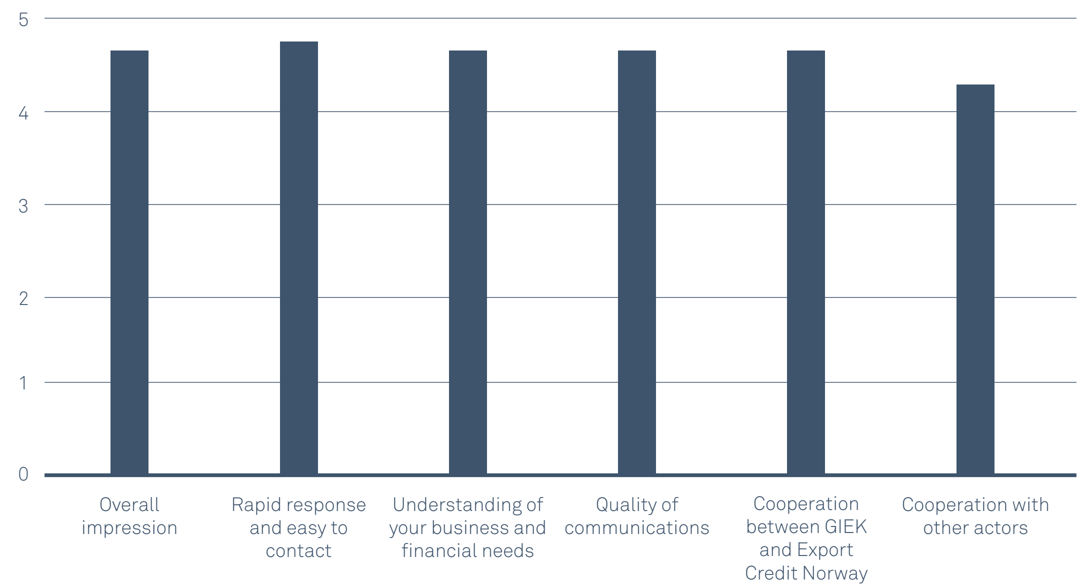
In the survey, respondents are asked questions about GIEK and Export Credit Norway's combined effect, and it is therefore impossible to identify the individual effects of the two organisations. In total, 16 persons were interviewed in connection with the 13 loans disbursed by Export Credit Norway in 2017.[10] The respondents included eight borrowers and eight exporters.

Quality of products, services and customer service

The respondents reported high satisfaction with Export Credit Norway in the customer survey. On a scale from 1 to 5, where 5 is the best score, Export Credit Norway scored an average of 4.6 as regards customers' overall impression of the company. Export Credit Norway also achieved a score of 4.6 for its understanding of customer needs, the quality of communications and its

[10] Number of cases in which a disbursement was made.

FIGURE 14 - AVERAGE SCORE FOR SERVICE QUESTIONS



Source: Customer effect survey 2017, Menon Economics

cooperation with GIEK. The score for cooperation with other private actors was marginally lower, but still high, at 4.3. This is illustrated in Figure 14.

The customer surveys show that total loan costs are the primary reason why customers chose to use Export Credit Norway. This is also confirmed by feedback on the company's competitiveness: some 88 per cent of respondents considered that Export Credit Norway's terms were as competitive as or more competitive than those offered by banks and other private financial institutions.

Some 81 per cent of respondents stated that Export Credit Norway and GIEK make a significant or partial contribution to increased profitability by reducing costs and/or boosting revenues. This helps improve exporter competitiveness.

Further, 88 per cent of respondents considered that the two agencies make a partial or significant contribution in terms of reducing risk. Additionally, 81 per cent indicated that Export Credit Norway helps to expand their export market. This indicates that the two organisations play a key role in assisting relevant enterprises to expand their export activities.

Export Credit Norway and GIEK's effect on product and process innovation is more moderate, with half of respondents stating that the two agencies have made a significant or partial contribution in this area.

Additionality

Menon Economics has quantified the importance of Export Credit Norway's contribution to the promotion of Norwegian exports. The calculation is based on the customer surveys conducted on behalf of the company and GIEK.[11] The respondents were asked about the combined effect of the two agencies' services. Since it is likely that GIEK's guarantees account for some of the calculated additionality, the effect of Export Credit Norway's individual activities cannot be isolated. However, Menon Economics' calculation *only* includes cases in which Export Credit Norway was involved, irrespective of the guarantor.

[11] The additionality figures for Export Credit Norway and GIEK cannot be totalled, since a number of transactions are included in both figures. Due to this overlap, the combined additionality of the two agencies exceeds 100 per cent.

The survey reveals that Export Credit Norway plays an important role in the promotion of Norwegian exports. The company's products and services have high additionality. The survey shows that 72 øre of every one krone of exports financed by Export Credit Norway would not have been realised without the official export credit scheme administered by the company and GIEK.[12] Specifically, this means that the transactions in question would not have been completed without the involvement of the two agencies, or that the contracts would have been worth less.[13]

In the customer effect survey, the respondents were asked what they believed the outcome of the transaction would have been *in the absence* of Export Credit Norway and GIEK's export financing solution. Table 2 shows the percentage of cases associated with each response alternative, and the disbursement percentage attributable to each alternative reply. The table illustrates that in cases where Export Credit Norway acted as lender, 63 per cent of disbursements went to transactions that would not have materialised without export financing.

In 2017, Export Credit Norway's calculated additionality was somewhat lower than in 2016 (82 øre), but significantly higher than in 2015 and earlier years. One explanation of the drop from 2016 to 2017 is that few transactions were completed in 2017, meaning that the additionality calculation may be heavily influenced by large individual deals. Specifically, there was one major transaction in 2017 in which the customer replied that, for various reasons, the transaction would have been completed without Export Credit Norway's involvement. This reduced the calculated additionality figure. However, the respondent emphasised that Export Credit Norway plays a crucial role in most of its transactions, but that it was probably not decisive in this particular instance.

Export Credit Norway's ripple effects

Based on surveys of Norwegian exporters who use Export Credit Norway's services, Menon Economics has estimated the company's additional effect on Norwegian exports at NOK 1.7 billion in 2017. The overall employment and value-creation effects are shown in Figure 15.

The additional exports[14] achieved by Export Credit Norway can be directly linked to approximately 430 jobs in the affected export businesses. Correspondingly, the direct value-creation effect on the involved exporters totals approximately NOK 450 million.

Moreover, the additional exports have given a sales boost to a broad range of underlying Norwegian businesses. This activity has indirect employment and value-creation effects that are attributable to Export Credit Norway. In 2017, the indirect employment effect totalled 710 persons, while the indirect value-creation effect amounted to NOK 690 million. These are also presented in Table 3.

[12] Fifteen out of 16 respondents made use of both Export Credit Norway and GIEK's services. Three of the respondents claimed that the loan was the most important factor in realisation of the contract. Two respondents stated that the loan and the guarantee were equally important, while three respondents said that the guarantee was most important. Eight respondents did not know or did not answer the question. The respondent who only used Export Credit Norway's services stated that the contract would probably have been implemented without the company's involvement, but on a smaller scale and at a later date.
[13] Based on the replies of 14 out of 16 respondents. One of the final two respondents did not know what would have happened without Export Credit Norway's involvement, and this contract was therefore excluded from the calculation. The final respondent replied that the contract would probably have been smaller and realised at a later date without the involvement of the company, but was unable to estimate how much smaller the contract would have been. This contract was therefore excluded from the additionality calculation.
[14] Additional exports are exports which Export Credit Norway has helped to realise and which it is assumed would not have been made without financing from the company and, where relevant, guarantees from GIEK.

TABLE 2 – PROPORTION OF CASES AND PROPORTION OF DISBURSEMENTS ASSOCIATED WITH EACH RESPONSE ALTERNATIVE

Would the same contract have been realised if GIEK and Export Credit Norway had not issued a guarantee and the loan?	Percentage of cases	Percentage of total disbursements
Yes, probably realised on the same scale and with the same timetable	16 %	25 %
Yes, probably realised on the same scale but at a later date	4 %	0 %
Yes, probably realised on a smaller scale but with the same timetable	0 %	0 %
Yes, probably realised on a smaller scale and at a later date	8 %	12 %
No	72 %	63 %
TOTAL	**100 %**	**100 %**

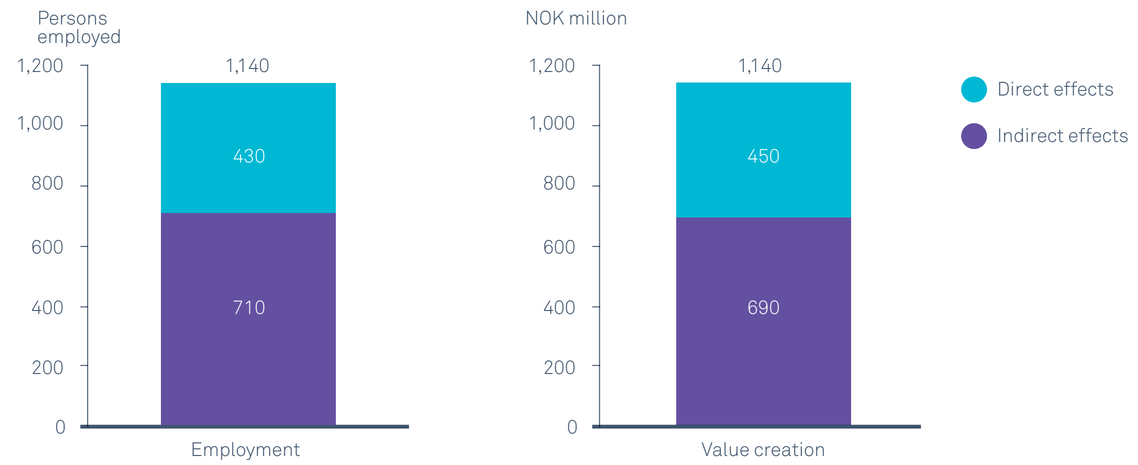
Source: Customer effect survey 2017, Menon Economics

TABLE 3 – ADDITIONAL EFFECT ON NORWEGIAN BUSINESSES OF EXPORT CREDIT NORWAY'S TRANSACTIONS IN 2017

	Direct effect	Indirect effect	Total
Increased exports	NOK 1,7 billion		
Employed persons	430	710	1,140
Value creation	NOK 450 million	NOK 690 million	NOK 1,140 million

Source: Customer effect survey 2017, Menon Economics

FIGURE 15 – OVERALL EMPLOYMENT AND VALUE-CREATION EFFECT ATTRIBUTABLE TO ADDITIONAL EXPORTS TRIGGERED BY EXPORT CREDIT NORWAY



Source: Customer effect survey 2017, Menon Economics

Annual Report 2017

The calculated effect is lower in 2017 than in 2016. This is primarily due to the fact that the loan disbursement total for 2017 is significantly lower than that for the previous year. However, an important change has occurred in the industry composition of the portfolio compared to 2016: there has been a strong increase in additional exports financed by Export Credit Norway in industries excluding maritime and oil and gas. This indicates that Export Credit Norway is contributing to restructuring by Norwegian businesses and encouraging enterprises in other industries to develop export programmes.

Figure 16 shows the spread of the employment effect across Norway's counties.[15] The greatest activity is taking place in Møre og Romsdal, despite the fact that this region has been marked by an economic downturn in recent years. Vestfold and Nord-Trøndelag have also recorded higher activity levels. The rest of the country is also affected through underlying purchases of goods and services, but this effect is both smaller and less certain than the direct effects.

3.1.6. Evaluation of Export Credit Norway and GIEK

The Ministry of Trade, Industry and Fisheries engaged Oslo Economics to evaluate Export Credit Norway and GIEK in 2017. The evaluation topics were the agencies' achievement of targets, whether resource use was efficient and whether the overall range of export financing products and services is effective. The evaluation, in which Export Credit Norway was closely involved, was carried out in the autumn of 2017. The evaluator's final report was sent to the Ministry on 18 December 2017. The Ministry conducted a public consultation on the evaluation in the spring of 2018.

3.1.7. International contribution

Export Credit Norway aims to be a skilled contributor on Norway's behalf to international export financing negotiations under the auspices of the OECD and the International Working Group on Export Credits (IWG). These negotiations are led by the Ministry of Trade, Industry and Fisheries, while the company and GIEK provide specialist technical support.

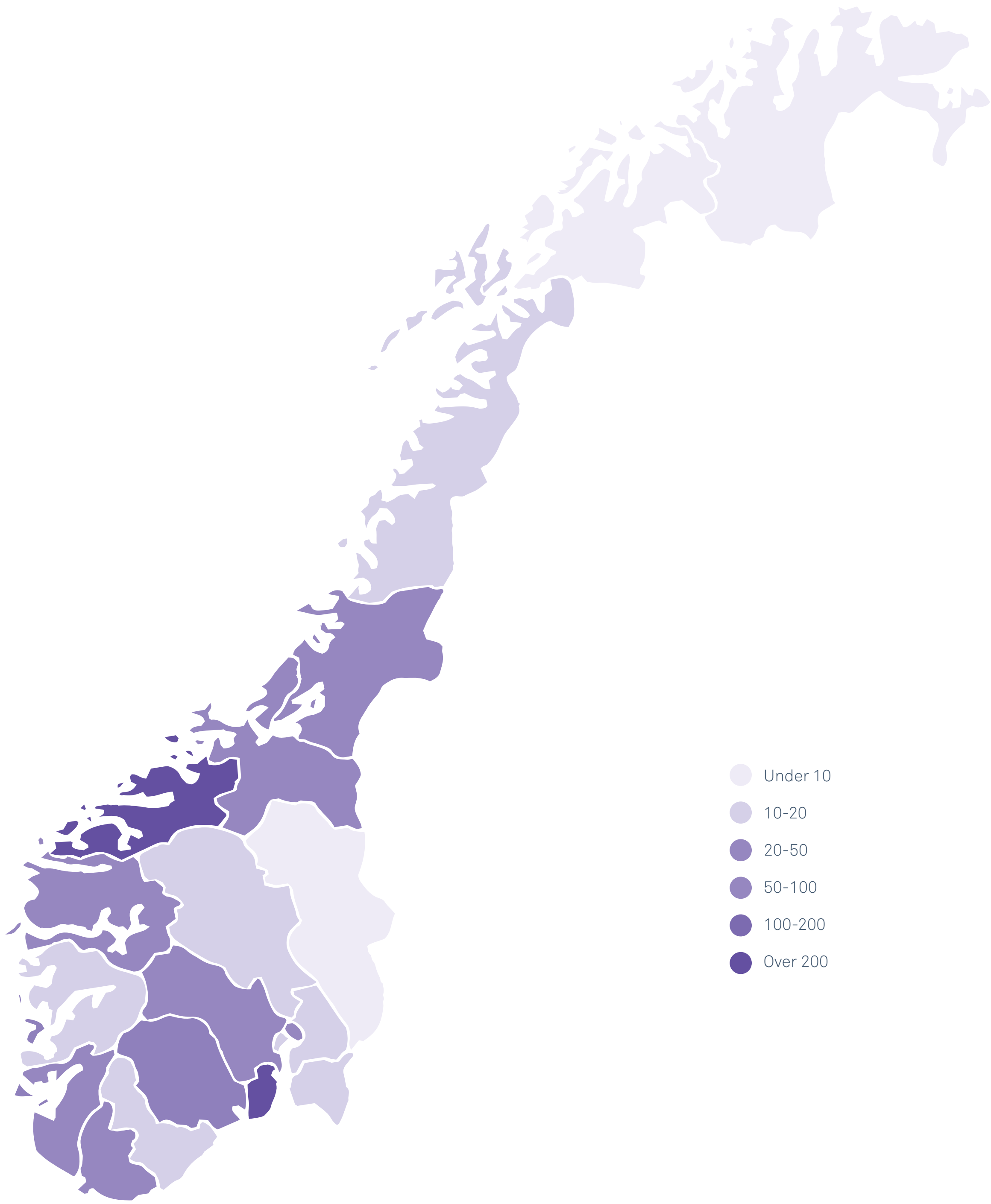
In 2017, Export Credit Norway assisted the Ministry of Trade, Industry and Fisheries with both the development of export financing instruments and, not least, the international negotiations mentioned above. The company functions as a resource centre for the Norwegian authorities in this area.

3.1.8. Future priorities

The company's primary objective with regard to competitive export financing is to provide exporters with a relevant, competitive range of products and services in a changing market. Export Credit Norway's aim is that all Norwegian exporters who could benefit from export financing should be aware of what is on offer. The company further intensified its marketing efforts in 2017. Active marketing to reach all potential customers will continue in 2018, not least by pursuing new strategic initiatives and focusing on the achievement of further synergies through targeted collaboration with Innovation Norway, GIEK and GIEK Kredittforsikring. Customer and stakeholder surveys will also be conducted in 2018.

[15] The figures for the individual counties may differ slightly from the main table due to rounding.

FIGURE 16 - GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT NORWAY'S OVERALL EMPLOYMENT AND VALUE-CREATION EFFECTS



Annual Report 2017

3.2. ACCESSIBLE EXPORT FINANCING

3.2.1. Introductiong

Export Credit Norway is mandated to provide accessible export financing.[16] The term "accessible export financing" refers to known products and services from a company with a strong national and international reputation. The products and services must be accessible for all exporters, including small and medium-sized Norwegian exporters and companies developing new knowledge and technology.

Export Credit Norway makes targeted efforts to ensure that its products and services are perceived as accessible. The measures pursued to secure accessibility are direct contact with companies and cooperation with bodies such as GIEK, Innovation Norway, banks, business associations and different trade organisations. The company is also reinforcing its own marketing efforts by making more effective and coordinated use of analogue and digital channels.

KEY FIGURES

In 2017, Export Credit Norway:

- Received 241 loan applications.
- Had a probability-adjusted order book of NOK 16.7 billion at year-end.
- Signed 22 loan agreements valued at NOK 9.8 billion.
- Disbursed 19 new loans with a lending value of NOK 3.4 billion.
- Had a lending balance of NOK 69.4 billion at year-end.
- Was awarded a score of 4.6 out of 5 by borrowers with regard to their overall impression of the company.
- Helped improve conditions for several enterprises in different ways. In particular, 81 per cent of respondents stated that Export Credit Norway and GIEK make a significant or partial contribution to increased profitability by reducing costs and/or boosting revenues. This helps improve exporter competitiveness.
- Achieved additionality of 72 øre per disbursed krone.
- Contributed to NOK 1.7 billion in increased exports.
- Helped to create or preserve 1,140 jobs.

3.2.2. Targeted marketing

Export Credit Norway employs a combination of different sales and marketing channels in pursuit of its aim of providing accessible export financing to potential and existing customers. Direct relationships and activities concentrated on exporters and purchasers are currently the company's most important sales channels. Direct dialogue with individual customers facilitates development of trust and identification of financing solutions for relevant contracts. The company's new customer service model was fully implemented in 2017. Among other things, it targets marketing initiatives towards the most relevant customers and export contracts. Export Credit Norway now possesses best practice-based management tools for the prioritisation of activities and customer follow-up in connection with marketing efforts.

The company is also actively marketing products, services and activity support through digital channels. A more customer-friendly website was launched in 2017, and plays an important role in the provision of general information about the company and what it offers. 2017 also saw the roll-out of a digital application process on the company website. The latter measure is designed to simplify both customer dialogue and application processing through standardisation of information and documentation requirements.

Export Credit Norway continued its efforts to strengthen indirect sales channels and general marketing activities in 2017. Over the course of the year, 25 customer events were held in Norway and abroad in collaboration with partners. Many of these events were hosted or co-hosted by Innovation Norway. Customer events are generally well-attended by local exporters, and are an important forum for direct contact with companies. Banks, GIEK, Innovation Norway, the Norwegian foreign service, Norwegian Energy Partners, business associations, trade organisations and GIEK Kredittforsikring are further channels that communicate information about the export credit scheme to relevant purchasers and exporters. An important aspect of the company's distribution strategy is therefore to ensure that the company's partners have adequate knowledge of the export credit scheme. Export Credit Norway also makes active use of digital channels to present success stories and relevant news, including about the company's products and services. Other marketing materials, such as presentations and brochures, are updated on an ongoing basis.

In the second half of 2017, the company's marketing department introduced a new organisational model featuring country managers for around 30 countries. The primary tasks of the country managers are to maintain an overview of relevant Norwegian exporters in "their" countries and to ensure that indirect "on-the-ground" sales channels like Innovation Norway, embassies/consulates general and Norwegian Energy Partners have sufficient knowledge and presentation materials to market the company's solutions wherever relevant. The country managers are regularly in touch with these contacts, and work with them to identify Norwegian exporters for whom financing may potentially be a relevant sales argument vis-á-vis international customers.

As well as reaching out to suppliers and purchasers, Export Credit Norway holds regular contact meetings with trade organisations and business associations relevant to the company's customers. In 2017, the company once again arranged the "Export Conference" – a meeting place for all parties interested in the export sector. The conference, which took place in April 2017, was co-hosted by GIEK and GIEK Kredittforsikring. In addition, Innovation Norway was involved as host for the first time. The 2017 Export Award was handed out at the conference.

In 2017, the company executed marketing projects targeting selected industry segments to improve the accessibility of its products and services further. ICT has been a priority area. As part of its "ICT campaign", Export Credit

[16] This part of the annual report concentrates on the marketing activities, SMBs and cooperation with other actors.

Annual Report 2017

BRITISH BREAKTHROUGH FOR VISMA WITH OFFICIAL EXPORT FINANCING

Visma Retail Software secured a contract with the British retailer A.F. Blakemore & Son Limited in 2017, giving the Norwegian IT group a foothold in a new market. The deal was supported by Export Credit Norway and GIEK.

The Visma Retail Software solution, a flexible store data system, has been rolled out to around 600 stores and 1,500 payment terminals. The software offers central head-office, back-office and point-of-sale functionality. In stores, the solutions supports scanning, self-service checkout and mobile point-of-sale (POS) operations, real-time reporting and workflow management.

A.F. Blakemore & Son Limited is one of the UK's largest family-owned businesses, with more than 7,800 employees and sales of GPB 1.35 billion in 2016. The company is one of five SPAR partners in the UK, and a major supplier to the independent UK groceries sector. Export Credit Norway and GIEK provided financing for the customer on behalf of the exporter, Visma.

Norway conducted an analysis and prospecting exercise covering Norway's 500 largest ICT companies, before contacting relevant companies that were not already customers. Based on their business models and their customers' financing needs, Export Credit Norway's products and services are relevant to between 20 and 40 of the 500 companies. The ICT campaign combined analogue and digital marketing activities. Export Credit Norway disbursed several loans linked to ICT deliveries in 2017, including deliveries by Visma and Kongsberg Gruppen.

3.2.3. Cooperation with other actors

In 2017, Export Credit Norway implemented measures to improve knowledge of export-related instruments, both in-house and on the part of Innovation Norway, GIEK and GIEK Kredittforsikring. The objective is to make the products and services offered by the public support system more accessible and familiar to Norwegian exporters. Innovation Norway is an important partner and link with the business sector in this regard. Export Credit Norway also expects cooperation to improve the overall advice given to enterprises by the public support system. As part of these efforts, numerous customer meetings aimed at exporters were arranged in 2017. The company is also hiring resources from Innovation Norway at three of its international offices.

Part of the company's social mandate is to share its insights into the export industry. Export Credit Norway staff are regularly engaged as export industry experts by the media, in public debates and at conferences. Export Credit Norway's spokespersons are regular contributors to the business publication Sysla and the technical journal Teknisk Ukeblad. The company is also invited to present analyses of the export industry as a whole, and individual sectors.

3.2.4. Efforts targeting SMBs

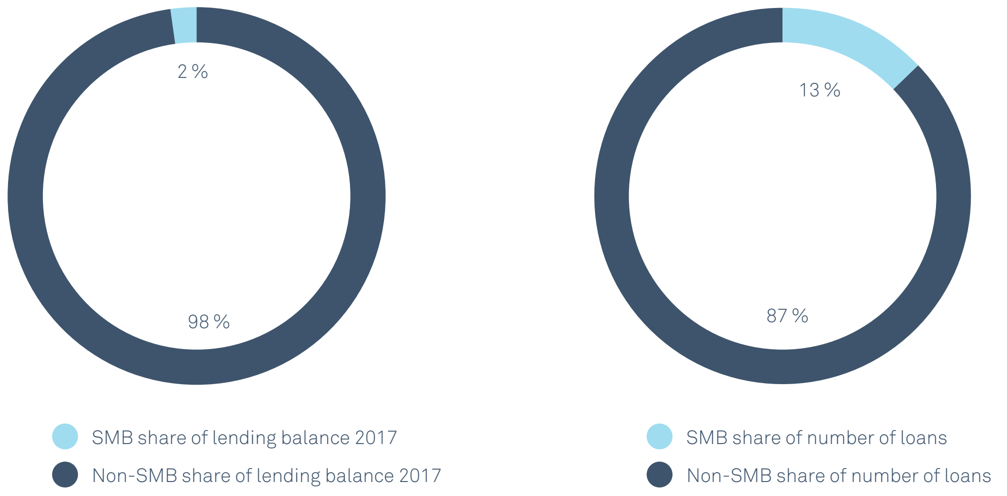
In 2017, Export Credit Norway intensified its efforts to arrange financing for SMB export contracts. The company has refined its customer service model to ensure more strategic marketing, implemented a digital application process and simplified documentation requirements. Moreover, the company has continued to work with GIEK to improve joint customer communications and the loan application process for export contracts valued at less than NOK 100 million. Export Credit Norway also analysed the maritime SMB segment in 2017 to enable the company to reach out to more such enterprises. Analyses of this kind also improve the company's own expertise in the area.

The company received 105 applications from SMBs in 2017. This figure is on a par with 2016, when 106 applications were received. Export Credit Norway gives high priority to SMBs, and has allocated significant resources to efforts in this area. Customer segments in the SMB category are fragmented, and encompass a broad range of industries. This is also reflected in the company's SMB portfolio, which is dominated by suppliers in the ICT, maritime, wind power, aquaculture and other equipment segments. Most exporters who request export sales support from the company are SMBs.

In Export Credit Norway's view, the joint SMB solution launched in collaboration with GIEK at the end of 2014 has helped adapt the end-customer financing solution to the needs of SMBs. However, most SMB exporters are subcontractors in domestic and/or international supply chains. The company has no relevant financing product to offer these exporters, unless multiple Norwegian deliveries are grouped into a package for a specific end customer.

SMBs and larger exporters have different export financing needs, and SMBs often require more support and closer follow-up by Export Credit Norway and GIEK. In terms of value, SMBs account for 2 per cent of the company's lending balance. This means that in 2 per cent of transactions, one or several SMBs constitute the main exporter. In terms of the number of loans in the portfolio, however, the proportion is

FIGURE 17 – SMB SHARE OF LENDING BALANCE AND NUMBER OF LOANS AS AT 31 DECEMBER 2017 (%)



considerably higher, at 13 per cent. The same feature can be observed in the application figures. The SMB share of the 2017 application volume is 13 per cent, whereas SMBs account for 44 per cent of all applications. It should be noted that Export Credit Norway contributes to employment in more SMBs, albeit in their capacity as sub-contractors of larger exporters. Figures 17 and 18 do not take this into account.

KEY FIGURES

In 2017, Export Credit Norway:

- Received 42 loan applications related to oil and gas equipment.
- Received 85 loan applications related to ships and ship equipment – 53 ship applications and 32 ship equipment applications.
- Received 114 loan applications related to industry and environmental technology – 35 environmental technology applications and 79 applications related to other industry.
- Received 105 loan applications from SMBs, representing 44 per cent of the total number of applications.
- Received 39 loan applications related to innovative projects, representing 16 per cent of the total number of applications.
- Arranged 25 customer events in collaboration with Innovation Norway, GIEK, chambers of commerce, banks and business associations.

3.2.5. Future priorities

Through the previously completed strategic projects "sales management" and "marketing channels and digitisation of marketing work", Export Credit Norway has adopted tools for conducting more strategic marketing, on a better analytical foundation, through a combination of digital marketing channels and traditional customer meetings and events. The company intends to capitalise further on these tools going forward. The aim is to market Export Credit Norway's products and services broadly via digital platforms while retaining the capacity to engage in-depth with the most relevant projects. Export Credit Norway will also continue its systematic marketing efforts in collaboration with the other actors of the public support system and trade organisations. The company will also seek close collaboration with banks close to suppliers in local markets. Buyers' market follow-up will be a priority in 2018.

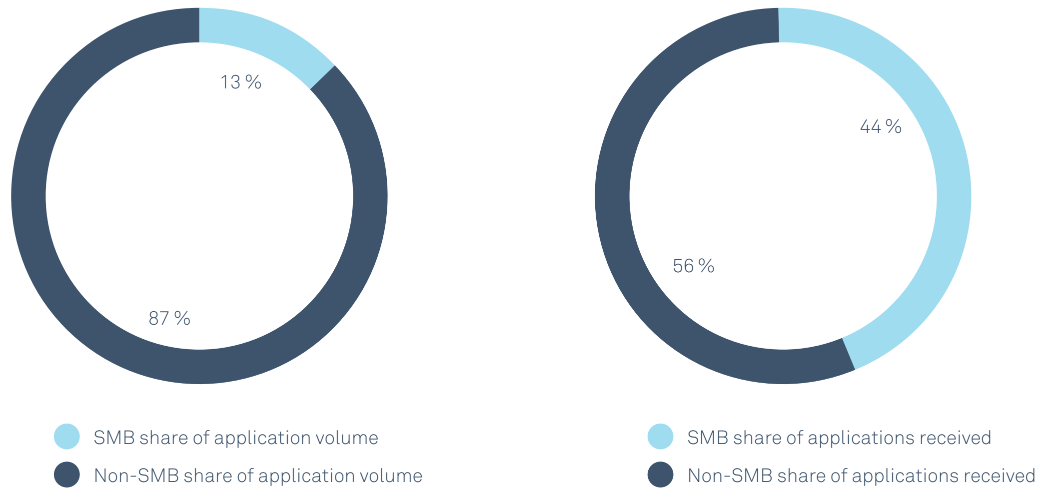
3.3. EFFECTIVE EXPORT FINANCING

3.3.1. Introduction

Effective export financing involves efficient organisation of the company and efficient operations, including application processing, transaction execution and loan monitoring.[17] The company gives priority to effective risk management, including the pricing, establishment and follow-up of loans.

[17] This part of the annual report concentrates on the administration of the lending portfolio, credit and risk exposure, the financial lending result and the operation of Export Credit Norway.

FIGURE 18 – SMB SHARE OF APPLICATION VOLUME AND APPLICATIONS RECEIVED IN 2017 (%)



Trends observed in 2016 continued in 2017, with further growth in the number of applications linked to new industries and segments other than oil and gas drilling packages. Restructuring of existing oil and gas sector loans is also continuing.

The higher number of applications from new industries requires Export Credit Norway to improve its expertise in the structuring of financing processes for projects in segments other than supply of the oil and gas industry. Examples include financing of industrial and energy projects in countries with a low GDP and financing of fishing vessels and marine equipment. In 2017, Export Credit Norway concentrated particularly on increasing its expertise in the field of aquaculture. This growth industry offers considerable export potential, including with regard to capital goods. Export Credit Norway was authorised to issues loans for offshore fish farms to Norwegian borrowers in 2017.

Restructuring efforts are resource-intensive operations for Export Credit Norway.[18] Emphasis has been given to the development of robust procedures and clear authorisations for such work, to ensure that restructurings proceed as efficiently as possible.

3.3.2. The lending portfolio

At the end of 2017, Export Credit Norway's lending portfolio of NOK 69.4 billion encompassed 214 loans. Some 62.7 per cent of the loans were CIRR loans, while 37.3 per cent were market loans. As at 31 December 2017, the largest loan volume was linked to the oil and gas sector. This has been the case for several years. Most of the loans relate to ships or ship equipment, followed by oil and gas equipment, other industry and renewable energy and environmental technology. Figure 19 shows the industry distribution of the number of loans.

The average loan size varies considerably in the different industries. The largest loan sizes are found in the oil and gas sector, where the average loan size is approximately NOK 700 million. The average loan size in the maritime industry is about NOK 300 million for ships and around NOK 100 million for ship equipment. The average environmental technology loan amounts to approximately NOK 170 million, while the average loan size for other industries is NOK 50 million. However, most loans in the industry and environmental technology segment total less than NOK 10 million.

3.3.3. Credit and risk exposure

Under the export credit scheme, loans are

[18] The specialist group for at-risk loans is mandated to ensure that Export Credit Norway conducts adequate and thorough follow-up of loans associated with a material risk of default (at-risk loans).

Annual Report 2017

FIGURE 19 – NUMBER OF MANAGED LOANS BY INDUSTRY AS AT 31 DECEMBER 2017

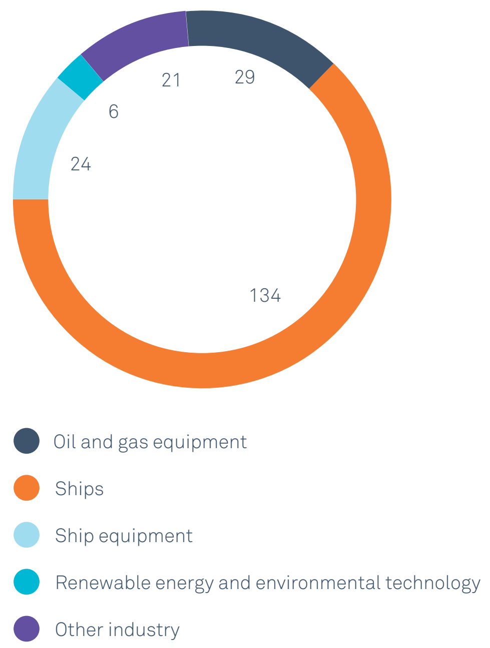


FIGURE 20 – GUARANTOR DISTRIBUTION OF THE LENDING BALANCE AS AT 31 DECEMBER 2017 (%)

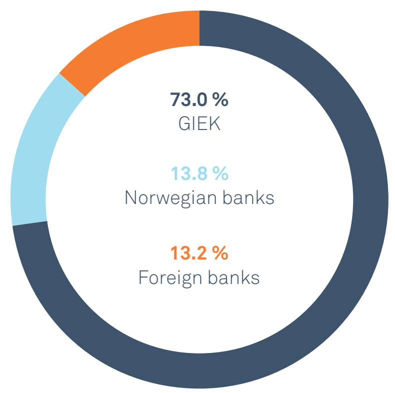


FIGURE 21 – EXPOSURE IN DIFFERENT RATING CATEGORIES AS AT 31 DECEMBER 2017 (NOK MILLION)

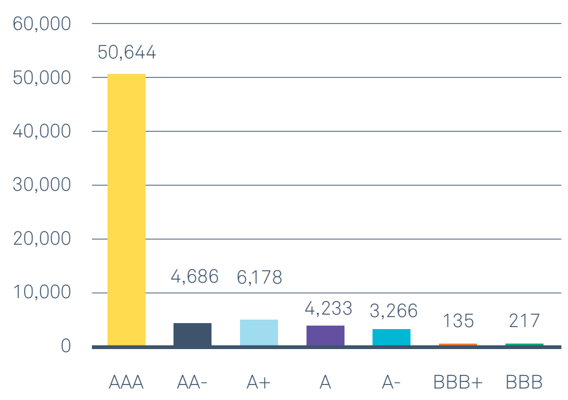


FIGURE 22 – CURRENCY DISTRIBUTION OF THE LENDING BALANCE AS AT 31 DECEMBER 2017 (NOK MILLION)

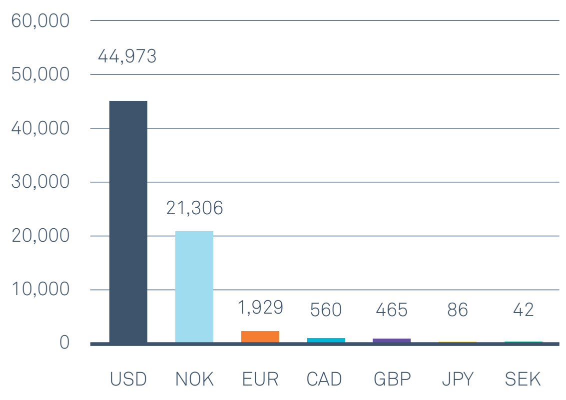
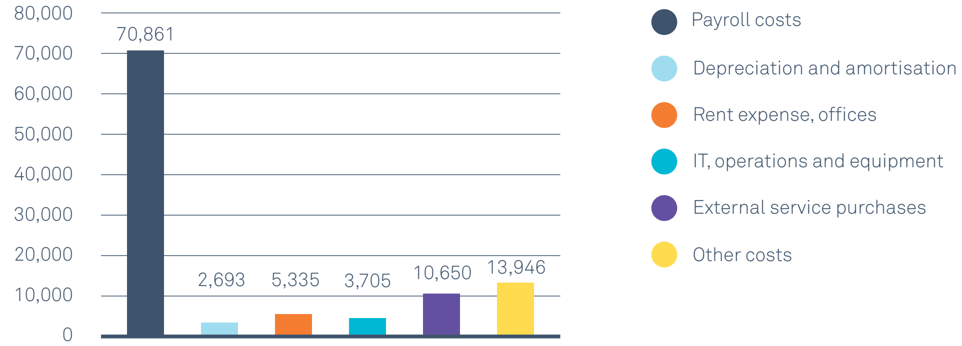


FIGURE 23 – OPERATING EXPENSES 2017 (NOK '000)



recorded in the central government balance sheet, and the State assumes all related risk. Export Credit Norway does not engage in hedging or capital management. All loans must be fully guaranteed by financial institutions and/or state export credit agencies that satisfy the company's rating requirements. Export Credit Norway is focused on applying strong risk management routines to avoid losses in connection with the export credit scheme.

No loan capital was lost in 2017. Export Credit Norway made claims under four of the guarantees provided for its loans during the year.

Credit risk

At the end of 2017, 73 per cent of the lending balance was guaranteed by GIEK. Of the remainder, 14 per cent was guaranteed by Norwegian banks and 13 per cent by foreign banks. At year-end, all loans complied with the established credit risk limits.

The company's credit risk is governed by an overall expected-loss limit for the entire lending portfolio, and by detailed limits for guarantors. The total limit is allocated to rating classes and expressed as a nominal limit denominated in NOK. All financial institutions that guarantee the company's loans are monitored closely. Regular reports are made to the company's board of directors on limit utilisation by all guarantors.

Market risk

Pursuant to section 3 of the Export Credit Regulations on decision-making authority, Export Credit Norway may commit to loans denominated both in NOK and in foreign currencies. Some 69.3 per cent of all loans included in the lending balance at the end of 2017 were denominated in foreign currencies, including 64.8 per cent in USD.

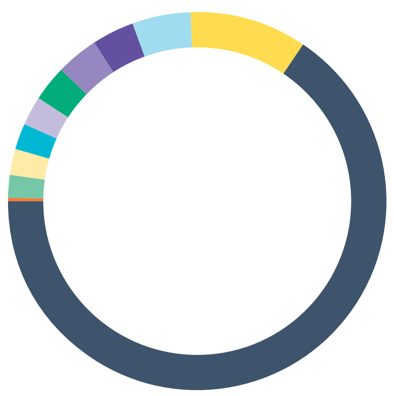
Operational risk

Export Credit Norway's operational risk is primarily linked to ensuring proper documentation, conducting ongoing follow-up of loans – including loan payments – and monitoring at-risk loans. The company addresses this risk by prioritising strong expertise in and reliable processes for loan management and transaction execution. Emphasis is also given to establishing and implementing robust control procedures.

3.3.4. Efficient operations

The Storting (the Norwegian parliament) made an operating and investment grant of NOK 109.7 million to the company for 2017. The company's

FIGURE 24 – OPERATING EXPENSES BY TYPE 2017 (%)*



- 65.6 % Salary and national insurance costs
- 9.9 % Consultancy services
- 5.0 % Rent/operations
- 3.6 % Licence costs
- 3.4 % IT, operations and equipment
- 2.5 % Depreciation
- 3.1 % Travel
- 2.3 % Communication
- 2.3 % Other operational expenses
- 1.8 % Sale costs
- 0.5 % Skills-building
- 0.0 % Database costs

** The total salary costs as a proportion of operating expenses equal the total of Salaries and national insurance costs and Skills-building costs, i.e. 64,3%.*

TABLE 4 – VOLUME FIGURES COSTS 2017 (NOK '000)

	2017	2016	2015
Salary as percentage of operational expenses*	65.6 %	64.3 %	63.7 %
Salary cost per full-time equivalent*	1,477	1,500	1,500
Konsulentandel av driftskostnader	9.9 %	12.7 %	11.9 %

** These items include all staff-related costs, including national insurance contributions, holiday pay, pensions, skills-building measures, etc*

operating expenses for the year, which primarily comprised payroll costs, administrative costs and purchases of external services, amounted to NOK 104.5 million excluding depreciation.

Export Credit Norway's result for the year 2017 was a profit of NOK 3.7 million after tax, compared to a post-tax loss of NOK 2.2 million in 2016. The company enjoys a strong equity position and robust liquidity, and has little exposure to financial risk.

Export Credit Norway's salary and national insurance costs accounted for 66.1 per cent of operating expenses in 2017. The second-largest item in the operational budget is purchases of external services, which amount to 10 per cent of the budget. Export Credit Norway's operational model is based on the outsourcing of certain services. The company completed several large internal projects in 2016, creating a need for external consultants. Five per cent of operating expenses related to travel and marketing. The rent expense has remained unchanged for the past two years. Other operating expenses consist of office costs, telephony, membership contributions and insurance premiums.

The company's overall sick leave rate was 5.9 per cent in 2017, with short-term sick leave at 0.95 per cent and long-term sick leave at 4.95 per cent.

3.3.5. Cost-benefit analysis

The 2017 cost-benefit analysis for the export credit scheme has been drawn up in accordance with the same principles as the analysis for 2016. The analysis shows that net interest income and fee income totalled NOK 762 million in 2017, after the deduction of Export Credit Norway's operating and investment grant. The CIRR scheme[19] contributed net interest income of NOK 511 million in 2017, while the market scheme[20] contributed net interest income of NOK 339 million. Export Credit Norway also received fee income of NOK 21 million. For detailed information on the cost-benefit analysis for the export credit scheme, see Annex 10.1.

TABLE 5 – EFFICIENCY-IMPROVEMENT AND DIGITISATION PROJECTS

Project	Purpose	Joint with GIEK?
Customer portal	Improve the customer experience and user-friendliness for exporters and borrowers.	Yes
Digital application	Effectivise the application process for exporters and borrowers.	Yes
Transaction excellence	Simplify Export Credit Norway and GIEK's joint process for the financing of export contracts valued at less than NOK 100 million.	Yes
Exchange of portfolio data	Improve and effectivise Export Credit Norway and GIEK's procedures through automated data exchange in joint transactions.	Yes
User and customer surveys	Effectivise the conduct of customer and user surveys.	Yes
Sustainability and anti-corruption assessments	Effectivise resource use in joint transactions through sharing of sustainability and anti-corruption resources by the organisations.	Yes
Digital signature	Simplify the signing of documents.	No
Digital maturity analysis	Survey Export Credit Norway's digital maturity, identify room for improvement and generally improve digital expertise.	No

3.3.6. Implemented and planned digitisation and efficiency measures

Export Credit Norway is constantly seeking to simplify both external customer processes and internal operational processes. Cooperation with other actors of the public support system, including GIEK and Innovation Norway, is the most important measure in this regard and for improving awareness of the export credit scheme.

In 2017, Export Credit Norway and GIEK collaborated actively to simplify processes and improve user-friendliness for customers. An overview of projects executed during the year and planned future efficiency-improvement projects is provided above.

Customer portal

The purpose of the project is to improve the customer experience of exporters and Norwegian and foreign borrowers, and to facilitate better coordination between parties to export financing transactions. The planned solution is a self-service, easily accessible portal for joint customers of Export Credit Norway and GIEK that contains relevant information and documentation. The aims are to effectivise customer communications, boost application numbers and fortify data security.

A joint portal will also promote better coordination and harmonisation between Export Credit Norway, GIEK and other transaction parties, including exporters, Norwegian and foreign purchasers and participating banks. It will also refine both internal processes within the two agencies and inter-agency processes. The joint customer portal is primarily designed for the benefit of users. It entails the following improvements:

- Individual exporters, and banks (who often act as the applicant), will expend fewer resources on the application process, which will also advance more quickly.
- A reliable, transparent process may encourage more purchasers to contract with Norwegian exporters, and increase demand for contracts supported by Norwegian export financing.
- Banks are more likely to refer customers to GIEK and Export Credit Norway if they are confident that the agencies' processes are efficient and well-functioning.

The portal will effectivise the operations of, and coordination between, GIEK and Export Credit Norway. A three-stage roll-out is planned for 2019 and 2020.

Digital application

Although Export Credit Norway and GIEK generally use separate application forms, they have a joint form in one instance. In order to

[19] Loans with a CIRR rate (fixed rate).
[20] Loans on market terms.

Annual Report 2017

make the related application process more efficient for joint customers, the two agencies launched a new digital application portal in 2017. In a step-by-step process on Export Credit Norway's website, exporters and borrowers enter information about the purchaser, the exporter and the product or service to be delivered. Once an application is submitted, it is forwarded directly to GIEK and Export Credit Norway's customer relations managers. The digital application process became operational in second half of 2017, and thus far customer feedback has been positive. Ongoing adjustments are being made in response to user experiences. All of Export Credit Norway's applications can now be processed digitally.

Transaction excellence

The purpose of the project is to further simplify GIEK and Export Credit Norway's joint process for the financing of export contracts valued at less than NOK 100 million, often referred to as the "SMB solution". The aim is to offer exporters and borrowers a more streamlined and quicker process under the auspices of the two agencies. In 2018, several steps will be taken as part of the project, including changes to process steps, clearer allocation of responsibility between Export Credit Norway and GIEK, new tools and measurement of processing times for SMB loan applications.

Exporters and borrowers are expected to benefit from a quicker process and clearer definition of responsibilities once the measures are implemented. Roll-out is planned for the first quarter of 2018, and the effects are expected to be felt during the course of the year.

Exchange of portfolio data

Export Credit Norway and GIEK have both purchased licences for two software systems: SLS (a lending system) and QlikView (a reporting tool). The two organisations are cooperating at operational level, with staff collaborating on the gathering of business intelligence (BI) data and database (SQL), QlikView and portfolio monitoring projects. The aim is to improve the BI and QlikView solutions to simplify the two agencies' case-processing and thus improve customer service performance.

The cooperation project is developing solutions for automated data exchange, and provides a broader technical forum for developing expertise related to the solutions. Automated data exchange was launched in 2017, and is due to be expanded in 2018. Automated exchange of data in transactions involving both GIEK and Export Credit Norway will facilitate better control and coordinated provision of information to customers. High data quality will simplify case-processing for both organisations.
Various programming elements in QlikView were discussed in 2017, and improvements were made to both agencies' reporting tools. This work will continue in 2018.

User and customer surveys

Export Credit Norway and GIEK have carried out joint user and customer surveys since 2016. The purpose of the project is to measure customer satisfaction with the two agencies and use the results to calculate other quantitative parameters such as additionality, employment effect and value creation.

The user and customer surveys are conducted on an ongoing basis following loan disbursement, while a broader stakeholder survey is conducted once a year. The annual stakeholder survey focuses on other stakeholders, such as guarantors, banks, other actors of the public support system, trade organisations, international ECAs and representatives of public authorities.

Joint user and customer surveys are advantageous to customers and other respondents, as coordination entails lower costs than in the case of separate surveys. The methodology also benefits GIEK and Export Credit Norway in terms of efficiency and coordination, since combining the surveys reduces respondent fatigue and raises the response rate.

Sustainability and anti-corruption assessments

GIEK has established a dedicated sustainability team comprising three employees, who will primarily assess environmental and social risk in transactions and propose sustainability solutions. The team will also perform assignments for Export Credit Norway, both in transactions involving only the company and in transactions to which both the company and GIEK are party.

The two agencies have also initiated cooperation in the area of anti-corruption. When financing export contracts valued at less than NOK 100 million, Export Credit Norway conducts a corruption assessment on behalf of both organisations. Moreover, a new joint tool for corruption risk assessment is currently being introduced to improve the chances of correct and uniform processing of cases by the two organisations. The aims are further simplification of GIEK and Export Credit Norway's joint processes and effectivisation of both agencies' resource use.

Digital maturity analysis

Export Credit Norway has signed a pilot-project agreement for the integration of its digital signature solution with its internal case-processing/archive system. Integration will allow documents to be distributed for signature directly from the case-processing system, and automatic archiving once all signatures have been obtained. Initially, the solution will only be available for Nordic counterparties, but the supplier is working on the ongoing inclusion of additional countries. The solution was developed and tested before the end of 2017. Customer testing, potential approval and roll-out are planned for the first half of 2018.

Digital maturity analysis

In the fourth quarter of the year, Export Credit Norway decided to analyse its digital maturity. The purposes of the analysis is to create awareness of the company's digitisation status relative to industry standards, and to provide a foundation for more targeted future digitisation initiatives.

Working meetings were held at the end of 2017, and a report containing the evaluation and recommendations was issued in January 2018.

3.3.7. Future priorities

In 2017, Export Credit Norway and GIEK invested substantially in the simplification of application processes and loan documentation for small and medium-sized businesses. Standardisation and simplification remain important objectives for 2018. Consideration is also being given to several other significant effectivisation projects, including a number of joint initiatives with GIEK. Moreover, priority will be given to further improvement of the overall range of products and services offered to Norwegian exporters by the public support system.

3.4. STAKEHOLDERS

Export Credit Norway's most important stakeholders are its customers – in the form of exporters and their purchasers – the company's owner, other actors of the public support system such as GIEK and Innovation Norway, and banks. The company aims to be a credible, relevant and skilled partner that meets stakeholder requirements and expectations.

Export Credit Norway influences exporters and their customers, and its success is directly affected by their success. Moreover, the company works closely with guarantors, who are affected by the company's management of its loans. Export Credit Norway is impacted by, among other things, the requirements guarantors impose on borrowers in transactions. The company's owner (the Ministry of Trade, Industry and Fisheries) formulates Export Credit Norway's mandate. Export Credit Norway's impact on Norwegian industry and businesses, and thus the Norwegian economy, influences the company's owner. Other export credit agencies (ECAs) and international standard-setters, such as the OECD and the Equator Principles (EP), define how export credits should be administered.

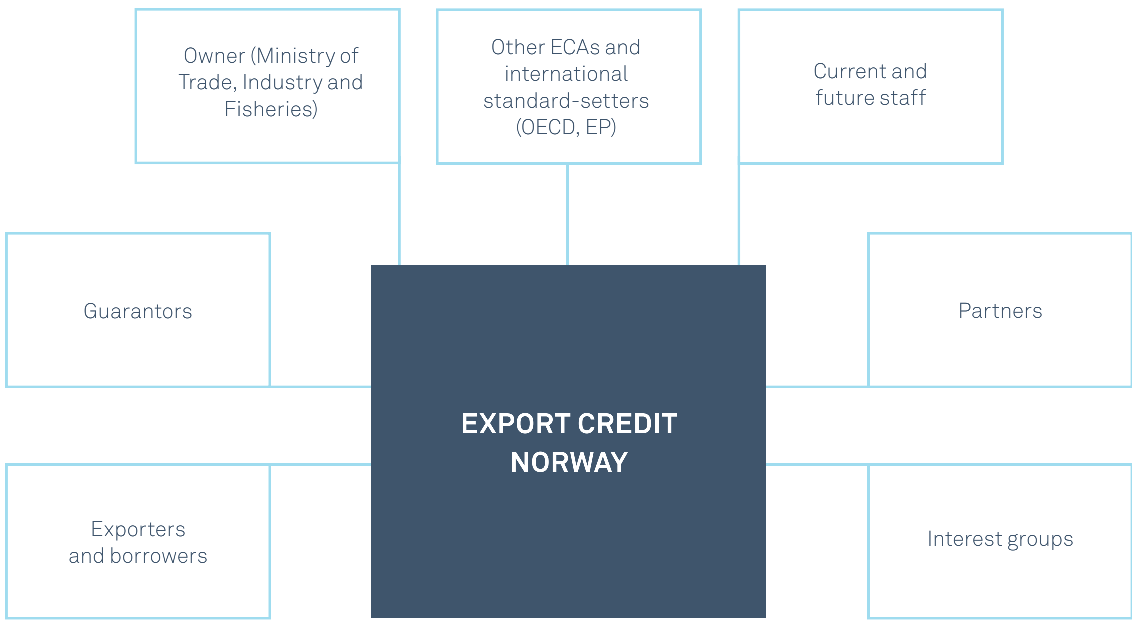
KEY FIGURES

In 2017, Export Credit Norway:

- had 214 loans under management at year-end
- dealt with 18 major changes to loans, including instalment deferments, defaults and restructurings
- made claims under five guarantees
- handled more than 100 waivers in loan transactions[21]
- recorded no breaches of credit or risk exposure limits
- had an acceptable risk profile in terms of credit and risk exposure
- achieved a financial result from lending activities of NOK 762 million
- incurred administrative costs totalling 0.15 per cent of the lending portfolio

[21] A waiver is a deferment or extension in respect of performance of a requirement in loan documentation.

FIGURE 25 – EXPORT CREDIT NORWAY'S STAKEHOLDERS



Export Credit Norway is actively involved in the development of such standards for the benefit of Norway and the international community.

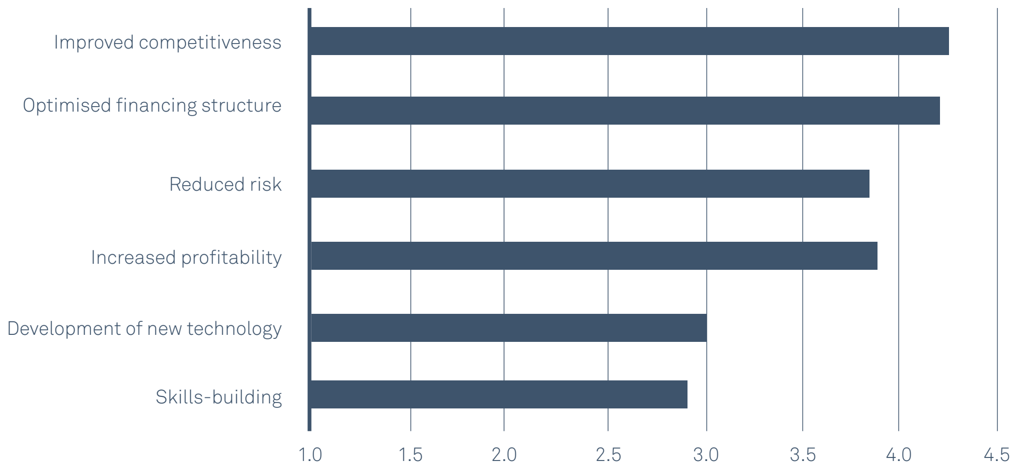
Stakeholder dialogue is a key aspect of Export Credit Norway's daily operations. This dialogue takes a variety of forms, and serves different purposes, depending on the type of stakeholder. For example, meetings with banks and organisations focus on relationship-building, dialogue with businesses is mainly transactional and contact with other ECAs revolves mainly around regulatory and product development. Over the past couple of years, the company has intensified its dialogue with Innovation Norway and GIEK Kredittforsikring regarding joint measures and initiatives. GIEK is a key stakeholder, and Export Credit Norway maintains close dialogue with it at all organisational levels. The company also conducts an annual stakeholder survey; see discussion in section 3.4.1.

3.4.1. Stakeholder survey

Menon Economics has conducted in-depth interviews with 26 stakeholders to survey their views on Export Credit Norway's role in the Norwegian export financing apparatus. The surveyed stakeholders included financial institutions and guarantors (27 per cent), official

Annual Report 2017

FIGURE 26 – STAKEHOLDER ASSESSMENT OF HOW MUCH EXPORT CREDIT NORWAY AND GIEK CONTRIBUTE TO THE FOLLOWING FACTORS, ON A SCALE FROM 1 (VERY LITTLE) TO 6 (VERY MUCH).



Source: Stakeholder survey 2017, Menon Economics

bodies, including the Ministry of Trade, Industry and Fisheries, GIEK and Export Credit Norway itself (27 per cent), trade organisations (35 per cent) and lawyers (11 per cent). These stakeholders view Export Credit Norway's activities from different standpoints, and therefore have detailed knowledge in different areas. Banks and lawyers are often involved in transactions, and thus have a better basis for discussing detailed procedural and product issues, whereas trade organisations and official bodies typically represent a more general perspective.

Export Credit Norway's stakeholders generally appear to be well satisfied with the company's efforts, stating that the financing it provides helps to trigger exports. Additionality is described as especially high outside traditional export sectors like the maritime and supplier industries. Export Credit Norway is regarded as a supplement to the market. Financing from the company also appears to be an important factor in the competitiveness of Norwegian exporters. Stakeholders are generally highly satisfied with the products on offer, and the loan products (with fixed CIRR rates and variable rates) are described as competitive. Cooperation with Export Credit Norway is generally felt to be constructive and professional, and the company is considered to have a good reputation. The company's proactive approach to marketing were highlighted as positive, but some respondents stated that the company should concentrate more on reaching out to exporters in non-maritime and offshore supply sectors.

Effect

The respondents assessed how much, in their view, Export Credit Norway and GIEK help to improve the financial and competitive position of enterprises. Figure 26 shows that the respondents considered that the available financing has the greatest effect on exporter competitiveness and financing structure. It is natural for these factors to achieve the highest score, since they are most directly affected by financing from GIEK and Export Credit Norway.

To a slightly smaller extent, loans help to reduce risk and improve profitability. Financing is only felt to influence exporters' innovation processes and skills-building to a small degree. This is consistent with the views expressed by purchasers and exporters themselves, as well as with previous surveys.

The majority of the respondents in the stakeholder survey stated that loans from Export Credit Norway provide significant additionality. The respondents considered that the loans expand the capacity of the banking sector, allowing commercial banks to become involved in more projects. According to the respondents, this increases the liquidity available in the capital market. Lower risk exposure for banks translates into reduced risk premiums, and thus lower total borrowing costs for customers. Without Export Credit Norway and GIEK's financing products, banks would be unable to invest in as many projects. However, approximately half of the responding banks stated that they also use financing from Export Credit Norway and guarantees from GIEK for projects that could have been realised without state involvement. On the other hand, the stakeholders also emphasised that the available financing influences the number of projects in which banks can invest. Accordingly, even though some individual transactions could have been realised without Export Credit Norway and GIEK, the banks would not have had capacity to take on all of the transactions supported by the two agencies.

The export credit scheme is regarded as a supplement to the commercial banks, not a competitor. This feedback was almost unanimous, and many stakeholders took a very positive view of Export Credit Norway and GIEK's presence in the market. None of the banks stated that the agencies' activities restricted their earnings opportunities.

Quality of products, services and customer service

The fixed-rate CIRR product was identified as especially important and in-demand by respondents. The company's variable rates are considered to be highly competitive, although views varied. Long repayment periods were highlighted as important, particularly where projects entail substantial risk. Some respondents also requested flexible repayment plans for industries with seasonally fluctuating earnings.

The respondents described both Export Credit Norway and GIEK as skilled, professional project-execution partners. This applies particularly to projects governed by established, well-prepared procedures. Parties involved in such projects stated that they were highly satisfied with the cooperation with the two agencies. However, parties engaged in challenging transactions involving multiple entities stated that Export Credit Norway's room for action was somewhat limited in certain contexts. This is probably due to the fact that the company is subject to different rules from commercial banks, and that its room for action therefore can be perceived to be more limited.

As regards cooperation between Export Credit Norway and GIEK, the impressions of the stakeholders were mixed. Transaction outcome may influence stakeholder satisfaction with such cooperation. Several stakeholders requested further simplification of the execution process, particularly with regard to documentation requirements. This is a well-known issue which the two agencies have been working on for several years. These challenges have also been addressed in various collaborative projects in 2017 (see section 3.3.6).

Reputation

Export Credit Norway is generally felt to have a high level of expertise. The majority of the respondents stated that Export Credit Norway is a resource centre for Norwegian business in the field of export financing.

Most stakeholders consider that Export Credit Norway is accessible in terms of both its market presence and the time it takes to respond to enquiries. This is consistent with the findings in the customer survey.

Most respondents took a positive view of Export Credit Norway's targeted corporate social responsibility efforts. Several respondents highlighted the company's proactive, forward leaning approach in this area, and stated that it is important for the company to take the lead in promoting corporate social responsibility. The restrictions and guidelines contained in Export Credit Norway's corporate social responsibility guidance were felt to have little hindering effect on transactions. The overall impression is that customers also consider Export Credit Norway's corporate social responsibility work to be important.

The majority of the small number of respondents who have also worked with ECAs in other countries stated that Export Credit Norway appears to be less bureaucratic and more professional than other ECAs. As in last year's survey, several respondents stated that Export Credit Norway appears to function better than the ECAs of other countries.[22] This feedback was received from banks, lawyers and trade organisations who have dealt with export credit schemes in other countries.

[22] It is important to note that only a few of the respondents had knowledge of ECAs in other countries. The sample of respondents with relevant feedback on this issue is thus far smaller than in relation to other survey questions.

4 Sustainability

4.1. EVALUATION AND FOLLOW-UP OF ENVIRONMENTAL AND SOCIAL CONDITIONS IN TRANSACTIONS

4.1.1. Introduction

Export Credit Norway is a small organisation with few employees and a limited ecological footprint. The primary area in which the company can make a difference is the financing of loan transactions. The company's sustainability objectives are to ask relevant questions and set appropriate requirements to ensure that projects are financed in a sound manner. In many cases, this is a better approach than for Export Credit Norway to refuse to provide financing and the transaction potentially being financed in other ways which do not take adequate account of human and environmental considerations. The issue is environmental sustainability and corporate social responsibility. Follow-up of the company's corporate social responsibility is based on national laws and internationally recognised principles and guidelines.

Export Credit Norway has conducted a materiality analysis examining its public mandate and public responsibility. The materiality analysis was prepared in accordance with Global Reporting Initiative (GRI) methodology for the definition of best practice linked to corporate social responsibility reporting.[23] Since its launch, Export Credit Norway has focused its corporate social responsibility efforts on areas in which the risk exposure is highest and in which it has the greatest opportunity to influence this exposure. This applies primarily to environmental and social considerations and anti-corruption efforts in the company's loan transactions. Export Credit Norway's corporate social responsibility is to ensure sustainability in its loan transactions and to act responsibly in implementing its public mandate to support Norwegian exports. Robust assessment of transactions, loan monitoring, anti-corruption measures and the prevention of money laundering are key measures in this regard.

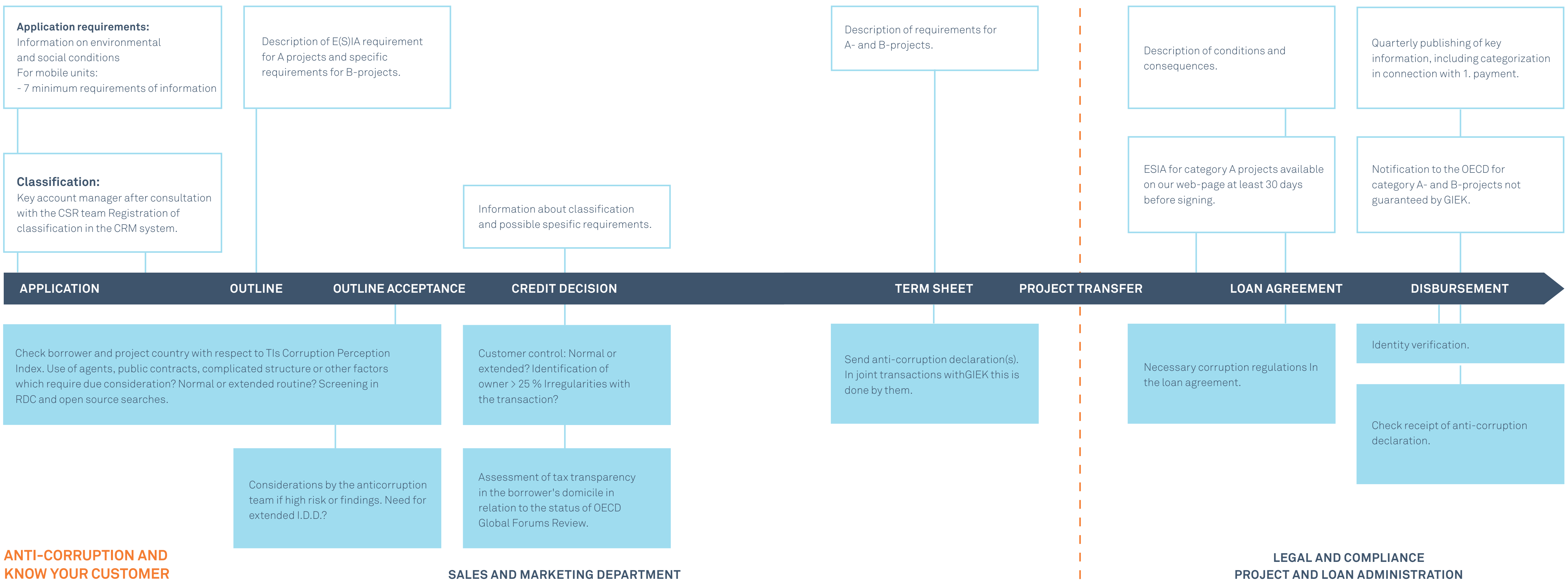
Together with expertise, ethics and integrity, these measures constitute the foundation for Export Credit Norway's corporate social responsibility. Efforts in this area are, and will remain, key in the company's future corporate social responsibility work.

Export Credit Norway follows the OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the Common Approaches), and has also adopted the Equator Principles. See further information in separate fact boxes.

[23] Global Reporting Initiative (GRI) ble grunnlagt i 1997 med mål om å gi et pålitelig og troverdig rammeverk for samfunnsansvarsrapportering tilgjengelig for alle organisasjoner, uansett størrelse, bransje eller geografisk tilhørighet.

Annual Report 2017

FIGURE 27 – OVERVIEW INTERNAL PROCEDURES WITH RESPECT TO SUSTAINABLITY



COMMON APPROACHES

Export Credit Norway applies the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the Common Approaches). These are the OECD's guidelines on assessing and following up on environmental and social conditions in projects for which member states provide officially supported export financing. The aim is to promote a responsible approach to environmental and social risks in projects funded by means of export credits. Cooperation within the OECD has the objective of ensuring competition on equal terms and not to the detriment environmental and social considerations.

EQUATOR PRINCIPLES

Export Credit Norway has also adopted the Equator Principles – guidelines adopted by major international banks on the safeguarding of environmental and social conditions in projects they fund. Through the 10 principles in the guidelines, the banks have undertaken to conduct adequate risk analysis to define, evaluate, manage and monitor environmental and social risk in projects for which they provide financing. The Equator Principles are a set of voluntary guidelines on project financing that are largely based on guidelines issued by the World Bank's body for project cooperation with the business sector, the International Financial Corporation (IFC). Export Credit Norway adopted the principles in 2014.

THE RESPONSIBLE SHIP RECYCLING STANDARD (RSRS)

Export Credit Norway signed up to the Responsible Ship Recycling Standard in the autumn of 2017. Even though the majority of the company's loans relate to the construction of ships, it considers it important to be involved in promoting sustainable solutions for a ship's entire operating life, from cradle to grave. The RSRS was launched by a group of major international shipping banks with the aim of persuading more shipping companies to commit to responsible recycling of ships in accordance with standards in international conventions and EU regulations. Several shipping companies are already following these standards, but many ships are still being broken up on beaches, primarily in Asia, resulting in great harm to both people and the environment. Export Credit Norway fully supports the initiative, and has now included clauses on ship-breaking in its loan agreements.

Annual Report 2017

The Common Approaches and Equator Principles are very similar, and employ the Performance Standards of the International Finance Corporation (IFC), in conjunction with the World Bank EHS Guidelines,[24] as benchmarks and governance measures. Performance levels and steps are generally deemed achievable for new projects based on existing technology and at a reasonable cost. Projects must of course always comply with national legislation and any international regulations and conventions.

Further, Export Credit Norway complies with the OECD's sustainable lending guidelines, which are designed to prevent developing countries from assuming unsustainable debt burdens. The guidelines support the efforts of the IMF and World Bank to help keep developing countries from reaccumulating significant foreign debt after reducing their liabilities to acceptable levels through the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives.

GIEK is an important partner for Export Credit Norway in many areas, including environmental and social risk assessment. A separate cooperation agreement in this area grants Export Credit Norway access to GIEK's environmental and human rights specialists, including in the case of transactions not guaranteed by GIEK.

4.1.2. Assessment and monitoring of environmental and social conditions

All financing applications received by Export Credit Norway are classified, assessed and followed up on by reference to a risk assessment covering social conditions and environmental consequences. The aim is to ensure responsibility and sustainability in relation to environmental and social risks in projects for which Export Credit Norway provides financing. All applications are classified as falling into one of three categories: A, B or C. The categories represent a risk assessment covering environmental consequences and/or social conditions in connection with project implementation. Projects deemed to present a high risk to the environment and/or a risk of negative social consequences are assigned to category A. Projects in category B are deemed to carry a medium risk, while category C represents a low risk of failure to safeguard environmental and social conditions. In 2017, Export Credit Norway made a financing offer for one transaction in category A, seven transactions in category B and 12 transactions in category C.

During the loan disbursement and repayment periods, Export Credit Norway takes steps which are appropriate in view of the transaction's risk level, including the incorporation of conditions into loan documents requiring, for example, independent reports. Generally, all category A transactions, and some in category B, will be subject to specific follow-up requirements. A requirement to report on compliance with action plans to reduce environmental and social risk is particularly common during the construction phase, and is commonly linked to further loan disbursement. As during all other phases of the process, the estimated severity of negative effects will be a deciding factor in determining which measures are appropriate to implement. If the risk of negative impacts is high, the loan agreement may require specific measures and remediation of non-conformances within an appropriate period of time. Failure to remedy within the agreed period may result in the stoppage or delay of loan disbursements. At worst, a default situation may occur. All large transactions (over NOK 100 million) are subject to the requirement to report material claims or complaints against project participants, and Export Credit Norway has the right to conduct a site inspection.

Export Credit Norway has adopted separate guidelines on the assessment of transactions involving non-transparent jurisdictions, i.e. tax havens. Important assessment criteria include openness and information-sharing. In principle, the minimum requirement is that the involved parties must be established in a country that is rated "Largely compliant" or better in the OECD Global Forum overview and that has entered into an information-exchange agreement with Norway. In 2017, the company made one financing offer to a borrower registered in a country that is not rated "Largely compliant" or better, based on the existence of an information-exchange agreement.

Export Credit Norway checks whether potential financing offers to public buyers in low-income countries comply with the public borrowing limits agreed with the International Monetary Fund (IMF) and World Bank, and that loans are otherwise compliant with long-term national development plans.

Materiality analysis

Export Credit Norway has conducted a materiality analysis examining its work in the area of corporate social responsibility. The analysis has provided an important basis for reporting on the company's public mandate and corporate social responsibility. The materiality analysis was prepared in accordance with Global Reporting Initiative (GRI) methodology. Although Export Credit Norway has also taken inspiration from the GRI framework in relevant areas, including reporting principles methodology, the company has chosen not to report in accordance with the GRI.

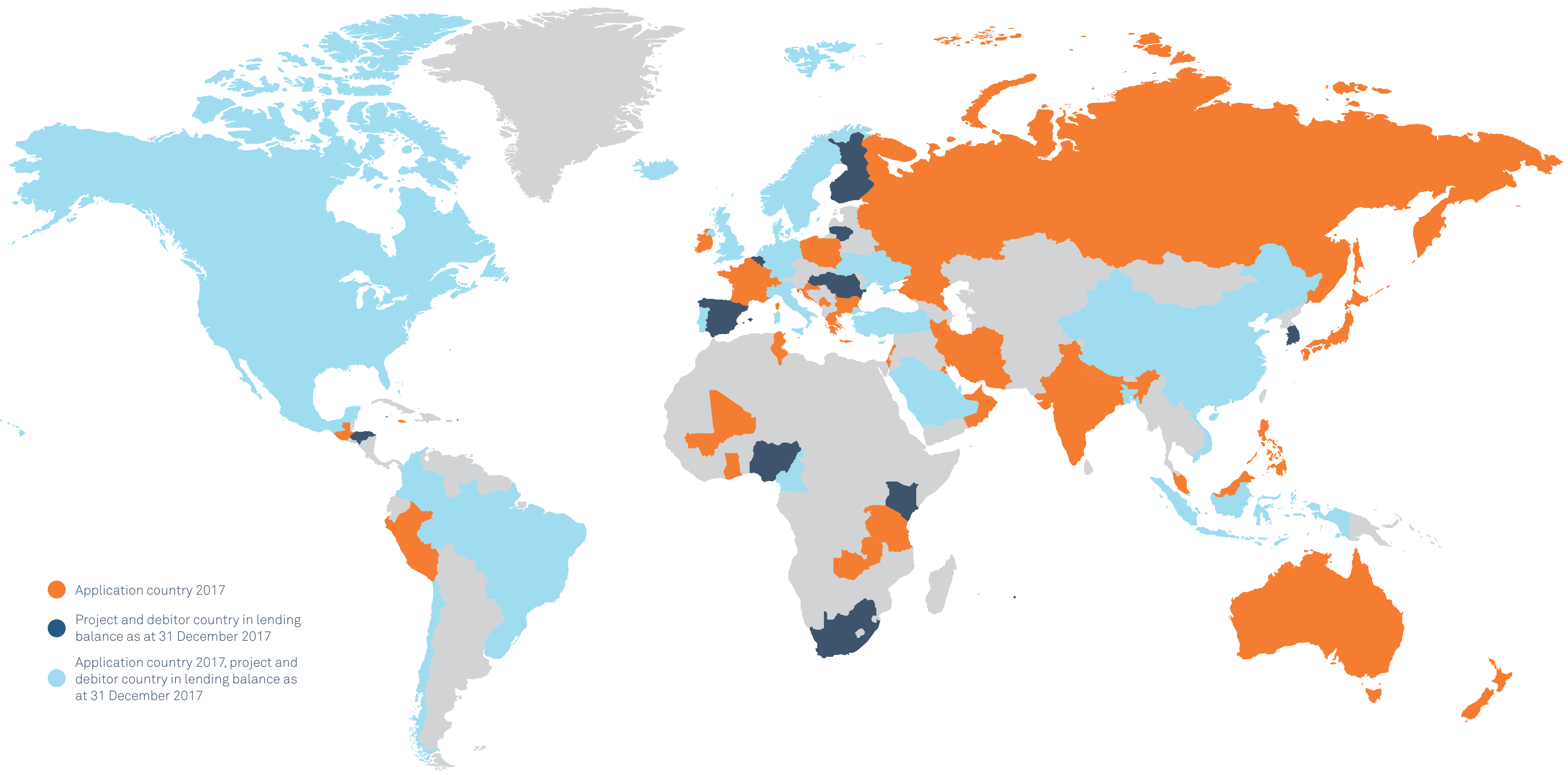
Export Credit Norway is not a member of the UN Global Compact, but nevertheless reports on aspects of material significance to the company's operations. In its reporting on these aspects, Export Credit Norway seeks to comply with UN Global Compact requirements relating to the specification of policies, completed activities, results and expected results. These requirements correspond to those found in section 3-3c of the Norwegian Accounting Act.

4.1.3. Future priorities

The primary focus area will remain the assessment of environmental and social conditions in transactions and the development of greater in-house expertise in this area. Export Credit Norway also aims to increase awareness of such issues among Norwegian exporters,

[24] The World Bank EHS Guidelines are sector-specific, technical reference documents containing general and industry-specific examples of Good International Industry Practice (GIIP) as defined in IFC Performance Standard 3 on resource efficiency and pollution prevention.

FIGURE 28 – COUNTRY DISTRIBUTION APPLICATIONS IN 2017 AND TRANCATIONS AS AT 31 DECEMBER 2017



KEY FIGURES

In 2017, Export Credit Norway:

- Disbursed one loan in category A related to an offshore oil and gas production project. Disbursed five loans in category B, including several related to aquaculture. The remaining transactions were in category C.
- As per the end of 2017, the portfolio included 16 transactions in category A and 19 transactions in category B. The remaining 179 transactions were in category C.
- Visited and assessed more than 10 foreign shipyards in collaboration with GIEK. No loans were disbursed in connection with deliveries by unassessed yards.
- Two transactions lapsed because the borrower considered the questions asked relating to environmental and social risk assessment were too demanding/extensive.
- Disbursed three new loans subject to specific requirements linked to environmental and/or social conditions.
- Disbursed no loans subject to the OECD's guidelines on sustainable lending to low-income countries.
- Disbursed one loan to a central government borrower in Cameroon in connection with the financing of a drinking water facility. At the time of the decision and signature of the loan agreement, Cameroon was not subject to any restrictions on public borrowing pursuant to the OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Lower Income Countries. Such restrictions were introduced in the second half of 2017.
- Provided training on the Equator Principles to 21 members of staff.
- Gave three presentations for all company staff covering Export Credit Norway's work on environmental and social conditions in three specific loan transactions.
- Participated in two seminars of the OECD Environmental and Social Practitioners, a workshop with the OECD Practitioners and Equator Principles Financial Institutions, the annual meeting of Equator Principles signatories and the IFC Community of Learning, as well as several other seminars and presentations.
- Signed up to the Responsible Ship Recycling Standard (RSRS), an initiative taken by leading shipping banks to increase focus on environmental and corporate social responsibility in connection with ship-breaking.
- Participated in cooperation with the other actors of the public support system to focus attention on corporate social responsibility.

Annual Report 2017

both in the transactional context and with regard to risk assessment of environmental and social factors in exporters' own operations and supply chains. Through its work with the OECD and the Equator Principles, Export Credit Norway seeks to promote more uniform assessment of risk and environmental and social requirements in the construction and operation of ships. In 2018, the company will also give further consideration to what it can do to help accelerate the green shift. Increased reporting on climate risk in the portfolio will also be evaluated, and Export Credit Norway will have a closer look to which of the UN Sustainable Development Goals it can provide additional/particular support.

4.2. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING MEASURES

4.2.1. Introduction

Export Credit Norway has a responsibility to ensure that the State's funds are managed responsibly. Confidence in the company on the part of its owner and society in general is entirely dependent on the company having adequate controls and preventive measures in place to address corruption and money laundering risk in transactions. The aim is to help Export Credit Norway to avoid financing export contracts which involve corruption or other irregularities. Its increasing exposure to regions associated with a high risk of corruption demands active efforts by the company to ensure that it has a robust anti-corruption programme and reliable procedures for preventing and discovering irregularities in export contracts.

Export Credit Norway takes a risk-based approach to the prevention of irregularities in the transactions it finances. The risk of corruption, money laundering and other irregularities is evaluated individually in all transactions involving the company. Preventive efforts are adapted to the level of risk. Export Credit Norway has adopted and implemented guidelines and procedures for combating corruption in its transactions. Through these procedures, Export Credit Norway has implemented the requirements of the OECD Recommendation on Bribery and Officially Supported Export Credits. Among other things, Export Credit Norway's anti-corruption procedures commit the company to providing information to customers, gathering information and declarations from exporters and any other applicants, investigating involved parties and including anti-corruption conditions in loan agreements.

Export Credit Norway regards productive collaboration with GIEK and cooperating banks as important for the sharing of anti-corruption knowledge and experience, which in turn facilitate refinement of the company's anti-corruption programme. Such collaboration also ensures that customer processes are well-coordinated and effective.

The company applies the "know your customer" money laundering principle in its evaluation of borrowers pursuant to the Norwegian Money Laundering Act.

4.2.2. Anti-corruption and anti-money laundering efforts in 2017

In the past year, the company has worked with GIEK to develop a new tool for the assessment of different integrity risks in individual loan transactions. The aim is to improve risk analyses and coordinate know-your-customer procedures to achieve an integrated, uniform approach to diverse risks such as corruption, money laundering and sanctions. The tool and its associated procedures are due to be implemented in the first half of 2018. As part of its efforts to ensure objectivity and continuity in its risk analyses, the company also reassigned responsibility for initial investigations and assessments linked to anti-corruption and money laundering from the market department to the legal department at the end of the year. A further decision made in 2017 was to conclude a cooperation agreement with GIEK on the investigation of SMB transactions.

Export Credit Norway's anti-corruption programme emphasises the need to act with appropriate care in each individual loan transaction and to evaluate the involved parties to avoid corruption in connection with financed projects. In 2017, the company's employees received dilemma training focusing on various ethical problems, including internal and external corruption risk. The workload of the company's anti-corruption group, which advises on transactions involving at-risk loans, is increasing. The group considered 20 cases in 2017. Export Credit Norway established an external whistleblowing channel in 2016 to facilitate the submission of external reports. No whistleblowing reports were received in 2017.

4.2.3. Future priorities

Export Credit Norway regards its anti-corruption efforts as an ongoing process, and will continue to focus on minimising the risk of corruption, money laundering and other irregularities in its loan transactions. The company considers it important to maintain strong collaboration with GIEK and cooperating banks to share knowledge and experience and thereby further refine the company's efforts to uncover and prevent money laundering and corruption in transactions. In the year ahead, the company will concentrate on implementing new tools and related procedures for the conduct of corruption and money laundering checks in transactions.

KEY FIGURES

In 2017, Export Credit Norway:

- Dealt with 20 cases submitted to the anti-corruption group for evaluation and advice.
- Arranged five in-house gatherings to provide training or dilemma training on the topics of anti-corruption and sanctions.

Annual Report 2017

5 Responsibility

5.1. HIGH ETHICAL STANDARDS

Export Credit Norway manages large sums on behalf of the Norwegian State, and must maintain high ethical standards and integrity to retain the confidence of its owner and society in general. Export Credit Norway therefore takes active steps to ensure that all employees have high ethical awareness and act with high integrity in relation to issues such as corruption, confidentiality, impartiality and other conflicts of interest. Export Credit Norway's commitment to high ethical standards is clearly expressed in its ethical principles.

Export Credit Norway actively and continuously seeks to promote a positive business culture and sound ethical attitudes. Measures in this regard include providing staff with teaching and training on relevant issues.

The company revised its ethical principles in 2017, as well as all other policies and procedures that operationalise the overarching principles. The update to the principles focused particularly on clarifying that all forms of psychological, sexual and other harassment are unacceptable. The company's ethical principles encompass both ethical commitments in day-to-day operations and ethical commitments in financed transactions.

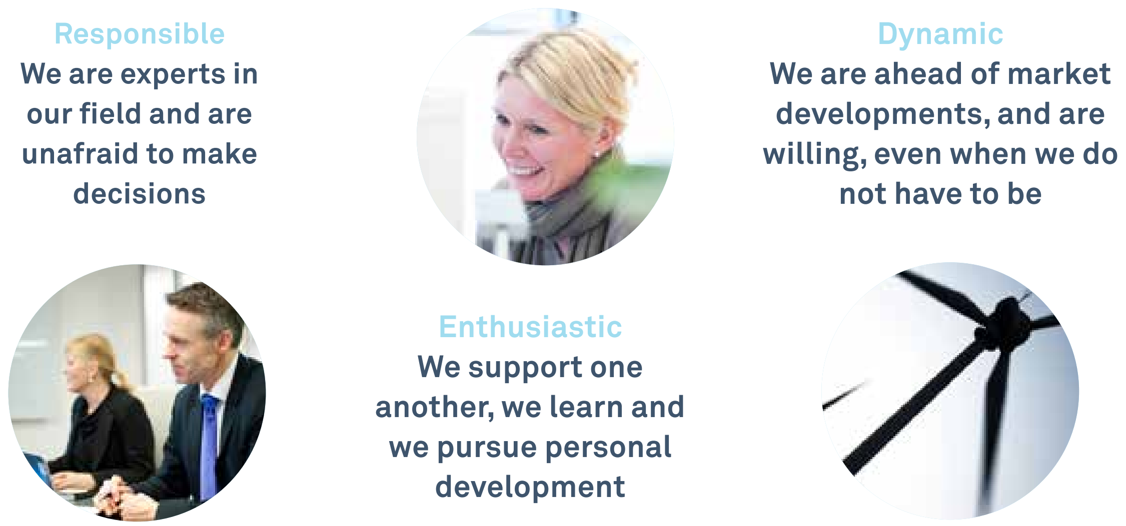
The company's strategy seminar in September 2017 included dilemma training for all employees. The topics covered and discussed included internal corruption, external corruption, know-your-customer procedures, conflicts of interest, insider information, confidentiality obligations, impartiality, travel policy, transparency and whistleblowing.

Export Credit Norway supports transparency about dilemmas and ethical problems, and its ethical principles state that employees have both a right and a duty to report matters in the company which contravene laws or internal rules and guidelines. The company established an external

KEY FIGURES:

In 2017, Export Credit Norway:
- Registered no breaches of ethical guidelines
- Received no internal or external whistleblowing reports
- Conducted 11 in-house ethics training seminars, focusing on topics such as the company's ethical principles, new procedures for personal trading, rules on the handling of inside information, sanctions, new data protection rules and anti-corruption legislation

FIGURE 29 – OUR VALUES



whistleblowing channel in 2016 that permits anonymous reporting. In that connection, the company has also developed and adopted new routines and procedures for dealing with internal and external whistleblowing reports.

In 2017, Export Credit Norway took steps to restrict the risk of conflicts of interest, such as breaches of insider rules and impartiality issues. New procedures have been developed for employee's personal trading. These impose a duty to obtain clearance for trades in listed financial instruments and a duty for employees to report their holdings of securities. The rules also apply to members of the company's board. All departments have received training on the new procedures.

5.2. SPECIALIST ADVISORY BODY TO THE MINISTRY OF TRADE, INDUSTRY AND FISHERIES AND PROMOTER OF SOUND, RESPONSIBLE INTERNATIONAL FRAMEWORK CONDITIONS

Export Credit Norway provides officially supported financing, and is therefore subject to the OECD Arrangement on Officially Supported Export Credits with respect to its lending activities; see further discussion in section 2.2.

The OECD has also adopted common guidelines on environmental and social due diligence[25] and anti-corruption efforts in financed projects. Export Credit Norway applies these guidelines in all project assessments.

[25] See further information about the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the Common Approaches) in section 4.1.

Export Credit Norway is mandated to ensure responsible lending to low-income countries to avoid the accumulation of excessive foreign debt by those countries. This is also regulated by OECD guidelines. Further, the company seeks to improve awareness of the OECD Guidelines for Multinational Enterprises and the work done by Norway's national OECD contact point.[26]

Export Credit Norway participates in international export financing work in close cooperation with GIEK and the Norwegian authorities, through regular meetings of the OECD's Export Credit Groups.

Further, the International Working Group on Export Credits (IWG) has been established for the purpose of agreeing a common set of export financing rules that also apply to new exporters such as China, Brazil and India. Export Credit Norway is contributing by making preparations, developing background information, reporting, and attending international negotiation meetings and meetings of expert groups.

In its capacity as a specialist adviser to the Ministry of Trade, Industry and Fisheries, Export Credit Norway gives priority to collaboration with other relevant export credit agencies to keep its knowledge of the export credit schemes and products on offer in other countries up to date.

KEY FIGURES:

In 2017, Export Credit Norway:

- Maintained its engagement in and follow-up of the OECD's export financing groups. Participated in the OECD's three regular negotiation meetings and in the OECD's expert group on interest.
- Attended negotiation meetings connected to the work of the IWG as part of Norway's delegation.
- Gave priority to international relations in the form of contact with other export credit agencies (ECAs), as well as with non-OECD countries like China. The aim is to support the exchange of information and experience and ensure productive cooperation. Export Credit Norway also attended the annual network meeting with other European ECAs.
- Participated in the annual meeting of Equator Principle signatories, as well as workshops organised by the IFC focusing on discussion and development of IFC Performance Standards.
- Received feedback from the Ministry of Trade, Industry and Fisheries expressing satisfaction with the company's services as a specialist adviser and contributor to international efforts in 2017.

[26] The contact point is mandated to promote the OECD Guidelines for Multinational Enterprises and contribute to the resolution of individual cases concerning compliance with the guidelines.

Annual Report 2017

In addition to OECD agreements and guidelines, Export Credit Norway has also signed up to the Equator Principles; see the discussion in chapter 4. It is important that the company supports international initiatives to promote environmental and social conditions and ensure responsible financing of international projects. Several of the international banks with which the company cooperates closely have also adopted the Equator Principles. The initiative is an important means of focusing attention on the social and environmental aspects of projects.

In its capacity as a specialist adviser to the Norwegian authorities and a member of Norway's delegation, Export Credit Norway is actively involved in preparations for, and participates in, negotiation meetings and the further development of international agreements negotiated by the OECD's Export Credit Groups and the International Working Group on Export Credits (IWG).

5.3. ATTRACT AND RETAIN SKILLED STAFF, GENDER EQUALITY AND DIVERSITY

Export Credit Norway must seek to recruit skilled staff with strong academic abilities and positive attitudes, and with the capability and willingness to contribute to the development of an important company for the Norwegian export industry. Recruitment procedures must promote gender equality and diversity objectives. Before an appointment is made, the gender balance must be considered. Where a need for balancing exists, particular emphasis must be given to attracting candidates from the under-represented gender group in connection with announcement and recruitment.

The company must ensure that staff pay conditions reflect the market, but must not be a pay leader. Further, the staff remuneration system must be predictable. Pay policy must be objective, and efforts must be made to eliminate any unjustified imbalances.

The company must focus on expertise and staff development. All employees must be given the introduction, guidance and training they require to function optimally in their role. Staff development must be supported by an annual staff evaluation, and personal goals and skills-building plans must be adopted. Gender equality and diversity objectives must be met by planning and implementing skills-building measures in the organisation. Export Credit Norway must have a culture and tone that encourage staff to seek out responsibility and challenges. The company must encourage a healthy work-life balance to promote staff wellbeing and engagement and support sustainable operation.

Export Credit Norway focused particularly on skills-building in 2017. During the course of the year, targeted, structured skills-building measures were implemented across the company's departments to eliminate previously identified skill gaps. The further-education funding scheme for staff was maintained. The system for assessing target achievement, employee performance and remuneration were revised in 2017. The objective was two-fold: to ensure that the right incentives are being provided for achievement of the desired culture and results in line with adopted targets and to ensure sufficient emphasis on skills-building measures.

Gender equality and diversity efforts continued in 2017. Ongoing priority measures included ensuring an appropriate gender balance at all levels and in all units in connection with recruitment. In connection with the annual pay settlement, it was considered whether measures were needed to eliminate any unjustified imbalances, but no such need was identified. In the company's view, having clear gender equality and diversity objectives and making systematic efforts in this area are important factors in the development of a positive, attractive workplace.

At the end of 2017:

- 49 per cent of the company's employees were women
- 67 per cent of the board members as a whole and 60 per cent of the shareholder-elected board members were women
- 29 per cent of senior executives were women
- 75 per cent of specialist in-house groups were chaired by women
- 9 per cent of employees had a non-Nordic ethnic background

Export Credit Norway has established four internal specialist groups to ensure appropriate inter-departmental coordination and cooperation on different topics of importance to the company. These are the anti-corruption group, the group for at-risk loans, the corporate social responsibility group and the OECD regulatory group. All of the groups except the at-risk loan group are chaired by women.

Key objectives for Export Credit Norway are to ensure that the company has the necessary skills base to perform future tasks and deal with future challenges effectively, and to optimise the company's organisational structure and staffing level. The systematic skills-building project launched in 2016 was maintained and implemented in 2017. This work will continue in 2018.

Gender equality and diversity efforts will be maintained in 2018, based on the adopted platform and priorities. Consideration will again be given to the need to eliminate any unjustified pay imbalances in the year ahead. Efforts to ensure balanced gender representation at all levels and in all departments will continue.

The company will foster desired skills development and a performance-focused culture in 2018 by working systematically on objectives, follow-up and evaluation. In 2017, the company collaborated with the other actors of the public support system to improve staff knowledge and awareness of the various schemes designed to promote Norwegian exports and business development. These efforts will continue in 2018, with the aim of implementing concrete measures in all the public support system.

5.4. EHS FOR EXPORT CREDIT NORWAY STAFF

Export Credit Norway's working environment committee seeks to develop a fully satisfactory working environment in the company. The committee is mandated to participate in the planning of safety and environmental measures and to monitor developments relevant to staff safety, health and welfare closely.

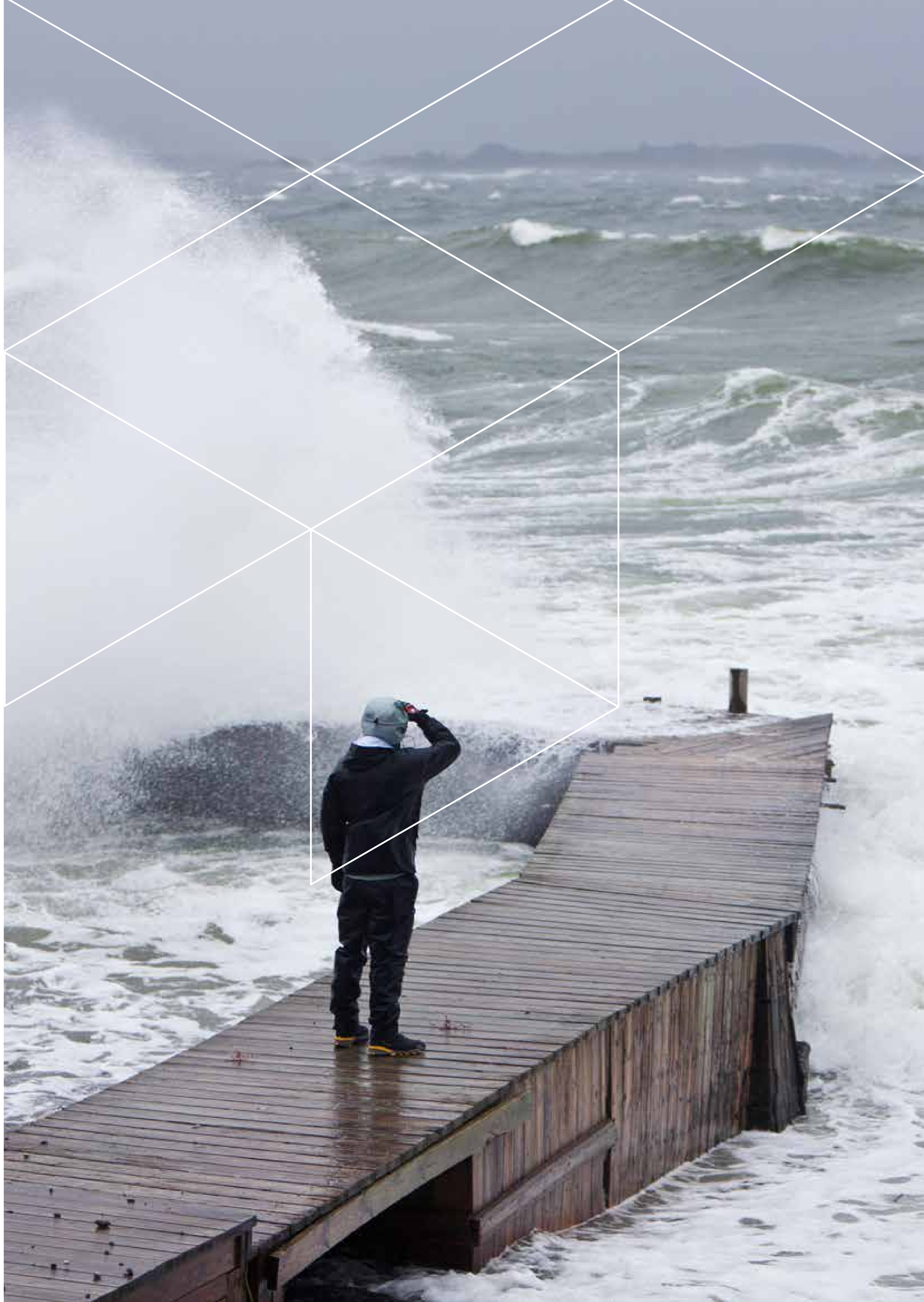
Management and staff must have an equal number of representatives on the committee. A representative from the occupational health service also participates. Chairmanship of the committee rotates between the management and staff representatives. At least two meetings are held every year, and otherwise as needed. Meeting agendas must include sick leave follow-up and injury reports, and staff are invited to submit input and matters for discussion prior to each meeting.

A safety inspection of the company's offices must take place annually. Every second year, staff are offered a health check with the occupational health service. Moreover, an ergotherapist is invited at regular intervals to review and comment on employees' working positions. Export Credit Norway also has a staff health insurance scheme. The safety inspection conducted in November 2017 revealed no deficiencies and thus occasioned no follow-up measures.

The overall sick leave rate was 5.9 per cent in 2017, compared to 2.5 per cent in 2016. The short-term sick leave rate was 0.95 per cent, while the long-term rate was 4.95 per cent. The latter reflects prolonged absence on the part of individual employees. No occupational incidents or accidents resulting in personal injury or physical damage occurred or were reported during the year.

An employee satisfaction survey was carried out by Stamina in the autumn of 2017. The company achieved a high score, with relatively minor changes since the previous survey in 2015.

Export Credit Norway will continue to build a positive, fully satisfactory working environment. The company aims to keep its sick leave rate at a stable, low level. The sick leave rate will be evaluated by reference to a benchmark composed of other enterprises' rates as at year-end 2017. som sist en bra score for selskapet med relativt mindre endringer fra forrige undersøkelse i 2015.



6 Governance at Export Credit Norway

6.1 THE BOARD OF DIRECTORS

Export Credit Norway's directors have a wide range of backgrounds from business, politics and the public sector. The board comprises board chair Else Bugge Fougner, Siri Beate Hatlen, Ingelise Arntsen, Finn Ivar Marum, Øyvind Holte, Fanny Fabricius Bye (employee-elected representative) and Jørgen Hauge (employee-elected deputy representative and observer). All board members are independent. The board met 13 times in 2017.

Else Bugge Fougner
(b. 1944) has served as board chair since June 2012. She holds a law degree from the University of Oslo. Bugge Fougner is an attorney admitted to the Supreme Court and of counsel at Hjort law firm. She is a former Minister of Justice and has considerable board experience from service at a number of major Norwegian enterprises. Bugge Fougner serves as board chair of Kommunalbanken AS and as a board member at Aker Kværner Holding AS and Protector Forsikring ASA. She participated in 13 board meetings in 2017.

Siri Hatlen
(b. 1957) has been a board member since June 2012. She has a Master of Science degree from the Norwegian University of Science and Technology and an MBA from INSEAD. Hatlen serves on the boards of such organisations as the Nobel Peace Center, Entra ASA and Bane NOR SF, and is on both the technology council and the joint board of the Norwegian University of Life Sciences. She is also a director of Lovisenberg Hospital. Hatlen is a former managing director of Oslo University Hospital and executive vice president at Statkraft AS, and has additionally held various positions at Statoil ASA. Hatlen participated in 11 board meetings in 2017.

Finn Ivar Marum
(b. 1967) has been a board member since June 2012. He holds a Master of International Affairs degree from Columbia University. Marum is a division head for direct investments at Norfund. Marum holds board positions at Nortek AS, Formuesforvaltning aktiv forvaltning and African Century Infrastructure Services. He was previously a senior partner at the investment company HitecVision, and has experience from Kistefos AS, Ernst & Young AS and Statoil ASA. Marum participated in 10 board meetings in 2017.

Ingelise Arntsen
(b. 1966) has been a board member since May 2016. She was educated at South Denmark Business School. Arntsen has extensive management experience from various energy companies, including Statkraft, REC ASA, Sway Turbine AS and Sogn og Fjordane Energiverk. She also spent seven years in the shipbuilding industry, working for Kværner Fjellstrand in Hardanger and Singapore. Arntsen is a director of Statkraft ASA and Nammo AS. She participated in 11 board meetings in 2017.

Øyvind Holte
(b. 1949) has been a board member since May 2016. He holds a business degree from the Norwegian School of Economics and an MBA from the University of California, Berkeley. Holte has run his own consultancy firm since February 2016, and additionally serves on the boards of Northcape Capital AS, TS Shipping Invest AS and Stiftelsen Domkirkeboligene, among others. Holte has experience from various financial institutions and shipping and industrial companies, most recently as managing director and head of the Norwegian market at DVB Bank. His previous board experience includes service as a board member at Oslo Børs. Holte participated in 10 board meetings in 2017.

Fanny Fabricius Bye
(b. 1972) (employee-elected representative) has been a board member since June 2016. She holds a master's degree in international relations from the Graduate Institute of International Relations in Geneva. At Export Credit Norway, Bye works as a project manager in the Project and Loan Administration department, and is responsible for the company's corporate social responsibility and sustainability work. Bye participated in 13 board meetings in 2017.

Jørgen Hauge
(b. 1959) (employee-elected deputy representative and observer) has served as observer since June 2016. He has an economics degree, as well as an MBA from the Norwegian School of Economics. Hauge works as a technical specialist in the group for at-risk loans at Export Credit Norway. He previously worked at Eksportfinans ASA, and has additional experience from the Financial Supervisory Authority of Norway. Hauge participated in 13 board meetings in 2017.

Annual Report 2017

6.2. EXECUTIVE MANAGEMENT AND ADMINISTRATION

Export Credit Norway's senior executives have broad industry and export financing experience.

Otto Søberg
is Export Credit Norway's CEO. Søberg has more than 30 years' executive experience from export-focused industries, as well as broad board experience from various exporters and trade organisations.

Eli Skrøvset
is Export Credit Norway's CFO. She holds an economics degree from the Norwegian School of Economics and has extensive energy-sector experience. Skrøvset was previously Finance Director and CFO at Statkraft, and also has experience from the Ministry of Petroleum and Energy. Skrøvset is a director of Avinor AS.

Olav Einar Rygg
is the company's Director of Lending – Ocean Industries, and acted as Export Credit Norway's CEO for its first 100 days of operation, as well as from 1 July to 1 December 2016. Rygg holds an economics degree from the Norwegian School of Economics and has previous experience from the Norwegian Armed Forces, Den norske Hypotekforening, ABB and various executive positions at Eksportfinans ASA, most recently that of Director of Lending.

Ivar Slengesol
is Export Credit Norway's Director of Lending – Industry and Clean Technologies. Slengesol holds an MBA from IMD International (Switzerland), an MA in international politics and economics from Johns Hopkins University School of Advanced International Studies (SAIS) (USA) and a BA in journalism from the University of South Carolina (USA). Slengesol's previous experience encompasses posts as Business Development Director at Eksportfinans ASA and CEO of OceanWind AS, as well as various executive positions at Shell and the World Bank, based in the Netherlands, France and the USA.

Jostein Djupvik
is Director of Project and Loan Administration. He has previously worked for Eksportfinans ASA and the Ministry of Trade and Industry, and studied at the Norwegian School of Economics, the University of Oslo and London School of Economics.

Tobias Hvinden
is Export Credit Norway's Legal Counsel – Head of Legal. He has a law degree from the University of Oslo and a bachelor's degree in business from the University of Colorado at Boulder, USA. Hvinden has previously worked for Eksportfinans ASA as in-house counsel and head of legal and compliance. He has also practised law at the law firms Kvale Advokatfirma DA and Advokatfirmaet Grette DA.

Ellen B. Svaheim
is the company's Head of Communications.[27] She holds an economics degree from Copenhagen Business School (CBS)/ Bodø University College and has additional qualifications in communications and graphic design. Svaheim has previously worked in the communications departments of Eksportfinans ASA and Canon Norge, as well as for Gyro Marketing and Norges Bank Investment Management.

45

At the end of 2017, Export Credit Norway had a total of 45 employees. The majority of the company's staff are economists and lawyers.

[27] Ellen B. Svaheim was on leave until 14 September 2017.

Annual Report 2017

6.3. GOVERNANCE AND COMPANY MANAGEMENT

Export Credit Norway follows the State's good governance principles as described in the white paper Diverse and value-creating ownership (Meld. St. 27 (2013–2014)). Section 8.2.3 of the white paper states that all wholly state-owned companies should comply with the Norwegian Code of Practice for Corporate Governance (NUES) wherever applicable, and as part thereof provide an overall statement on their governance and company management, including an account of any non-conformances with the code.

Export Credit Norway follows the State's principles for good governance and company management, and has prepared a statement on its compliance with NUES. The statement is appended to the company's annual report and is published on its website. Some parts of NUES are not applicable to the company due to its status as a state-owned entity. The inapplicable recommendations concern equal treatment of shareholders, free tradability of shares, summons to general meetings, the nomination committee, guidelines on contact with shareholders outside the general meeting and acquisition of the company.

6.4. THREE LINES OF DEFENCE

Export Credit Norway gives high priority to having a robust, effective risk management and internal control system. The company handles large financial flows, and its tolerance for errors with serious consequences is very low. The company submits two risk assessments per year to the Ministry of Trade, Industry and Fisheries. Export Credit Norway has established three lines of defence in the area of risk management and internal control.

Internal control

Export Credit Norway's internal control and operational management systems are referred to as integrated management systems. Follow-up of these systems was emphasised in 2017.

The aim is to implement a system of internal controls and operational risk management procedures – and associated guidance documents, risk assessments and key controls – that reflects the company's size and complexity.

The system takes an integrated approach to risk management and internal control. The objective of the system is to ensure that all staff at Export Credit Norway incorporate necessary risk awareness into their daily work, so that the company can proactively avoid errors in its ordinary operations and reliably assess future risk.

Export Credit Norway's aim for its internal control measures is that all staff should integrate the necessary focus and control into their daily tasks, and thus function as a first line of defence against errors. Line management has ownership of and responsibility for risk assessment, risk management and risk-reducing measures, including the maintenance of appropriate internal controls.

Compliance og controlling

Export Credit Norway's second line of defence comprises its compliance function – which monitors the company's risk of breaching laws, regulations and guidelines – and its controller function. In organisational and professional terms, the compliance function is part of the legal department, while the controller function is part of the finance department. In 2017, the company focused on further improving the coordination of processes involving both the compliance and the control function.

Internal auditing

The third line of defence is the internal audit function, an independent and objective audit and advisory unit. The internal audit function is mandated to help the company to achieve its aims by ensuring that it adopts a systematic, disciplined approach to evaluating and improving the effectiveness of its risk management, control and management processes. The work of the internal audit function is guided by a risk-based annual audit plan approved by the company's board of directors. The results of completed audit activities and related improvement proposals must be reported in a timely fashion to management, the control functions and the board. The internal audit function reports directly to the board, and is functionally independent of the administration. Export Credit Norway's internal audit function was established in the spring of 2013, and is currently outsourced to PricewaterhouseCoopers.

6.5. RISK MANAGEMENT IN 2017

Export Credit Norway's updated risk assessment for 2017 was sent to the Ministry of Trade, Industry and Fisheries in the autumn of 2017. Risks are assessed by reference to probability and consequence. The colour codes green, yellow and red are used to indicate the degree of severity of a given risk, with red representing the most severe category. No risks were flagged red in the assessment.

6.6. EVENTS IN 2018

No events have occurred in 2018 that have materially altered the company's risk profile. Export Credit Norway's updated risk assessment for 2018 was sent to the Ministry of Trade, Industry and Fisheries in the spring of 2018.

7 Summary and overall performance assessment

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective financing. In an annex to the assignment letter for 2017, the Ministry of Trade, Industry and Fisheries has defined assessment parameters for each of the key terms in the company's primary objective. The company is expected to report on these parameters in its annual report. The assessment parameters are commented on in the annual report, and this chapter provides an overall assessment of the company's performance by reference to the stipulated assessment parameters.

Competitive export financing

Export Credit Norway received 241 loan applications in 2017, slightly fewer than in 2016 but nevertheless a relatively high figure given that some parts of the Norwegian export industry continue to face challenging market conditions. The lending balance amounted to NOK 69.4 billion at year-end. The drop from 2016 is due to fewer disbursements and foreign exchange movements. The foreign exchange movements alone reduced the lending balance by approximately NOK 2.3 billion. The company's probability-adjusted order book totalled NOK 16.7 billion at the end of 2017, marginally down on the previous year.

Menon Economics has calculated Export Credit Norway's additionality. The calculation shows that 72 øre of every one krone of exports financed by Export Credit Norway would not have been realised without the assistance of the company and GIEK. Additionality fell from 2016 to 2017. The decline is primarily due to the small number of transactions completed in 2017 and the resulting strong impact of individual transactions on the additionality calculation. The additionality figure was particularly reduced by one customer's statement that a major transaction would have been implemented even without Export Credit Norway and GIEK's involvement.

In 2017, Export Credit Norway participated in regular negotiation meetings of the OECD's export financing groups and in the OECD's expert group on interest. The company also attended negotiation meetings related to the work of the International Working Group on Export Credits (IWG). Further, the company participated in the annual meeting of Equator Principle signatories, as well as workshops organised by the IFC focusing on discussion and development of IFC Performance Standards. The company has received positive feedback on its international efforts in this area, including from its owner, the Ministry of Trade, Industry and Fisheries.

Export Credit Norway considers that its performance with regard to the key term "competitive export financing" is good.

Annual Report 2017

Accessible export financing
In 2017, Export Credit Norway received 42 loan applications relating to oil and gas equipment. The company received 85 applications in the maritime sector, including 53 applications linked to ships and 32 applications related to ship equipment. In the industry and environmental technology sector, the company received 114 loan applications, of which 35 concerned renewable energy and environmental technology and 79 other industry. Some 39 of the 241 received applications were deemed to relate to innovative projects. Initiatives targeting SMB exporters had high priority in 2017. Export Credit Norway has intensified its efforts to arrange financing for SMB export contracts, including through strategic marketing, digital application processes and simplification of documentation requirements. The company has also collaborated with GIEK on further improvement of joint customer communications and the application process for export contracts valued at less than NOK 100 million. In total, 105 applications were received from SMBs. Export Credit Norway and the other actors of the public support system, banks and stakeholders hosted 25 joint customer events during the year.

The distribution of applications between the company's defined sectors has changed somewhat. The proportion of oil and gas equipment-related applications has fallen, while the number of applications in the maritime sector has increased correspondingly. The application figure for the industry and environmental technology sector remained unchanged from 2016 to 2017.

While the total number of loan applications was only slightly lower than last year's figure, the application volume fell significantly due to the inclusion of certain large applications in 2016 (which had low execution probabilities).

In 2017, Menon Economics interviewed 26 stakeholders to survey their views on Export Credit Norway's role and reputation, its prominence in the market and the importance and quality of its products, services and customer service. The surveyed stakeholders included guarantors, financial institutions, authorities, trade organisations and lawyers. Export Credit Norway's stakeholders were generally well satisfied with the company's efforts, stating that it plays a key role in promoting Norwegian exports, particularly in the shipping and offshore segments and other industries characterised by large one-off deliveries. Export Credit Norway's products and customer service are considered to be competitive. The stakeholders were generally satisfied with the company's service level and expertise. Some respondents stated that processes could be simplified, particularly documentation procedures and cooperation with GIEK. Overall, the stakeholders were highly satisfied with their cooperation with Export Credit Norway.

Export Credit Norway considers that its performance with regard to the key term "accessible export financing" is good.

Effective export financing
At the end of 2017, Export Credit Norway had 214 loans under management. The company's financial result was NOK 762 million excluding grants received for 2017. The company's risk profile with respect to credit and risk exposure was acceptable, and no breaches of adopted credit and risk exposure limits were registered during the year. The company's administrative costs totalled 0.15 per cent of the lending portfolio balance.[28]

Export Credit Norway faces new, more stringent demands as a result of restructuring by Norwegian business in general, and exporters in particular. In order to provide the best possible support to Norwegian industry, the company must have robust, effective processes in place. Although the number of loans under management is slightly lower than in the previous year, many loans are currently generating substantial work related to instalment deferments and loan restructuring.

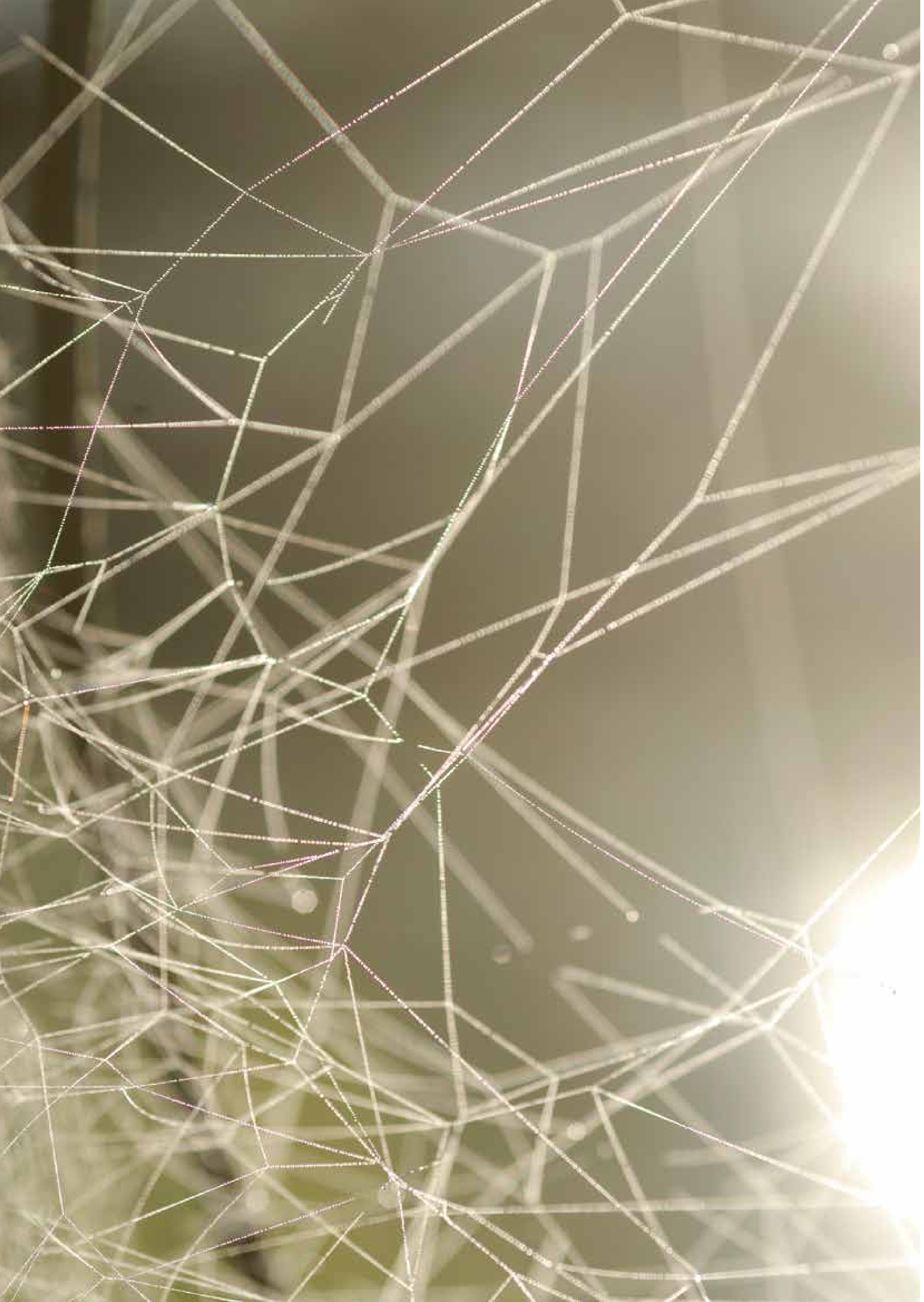
Export Credit Norway completed several internal projects in 2017, both independently and in cooperation with GIEK. These include a procedural review of the loan administration department to effectivise and simplify its work, the joint transaction excellence project with GIEK and a digital maturity analysis. The company also examined marketing channels and opportunities to digitise marketing work. Technology is enabling the company to reach more potential and existing customers, and thus to simplify and effectivise its processes. One example of these efforts is the launch of a joint digital application process (with GIEK) on Export Credit Norway's external website. Further, GIEK and Export Credit Norway have completed a pilot project focused on the establishment of a joint customer portal. The company also invested considerably in an external evaluation of Export Credit Norway and GIEK.

Export Credit Norway considers that its performance with regard to the key term "effective export financing" is good.

Priorities in the assignment letter
The assignment letter identifies several priority areas: protecting the State's assets, awareness of the export credit scheme, corporate social responsibility including anti-corruption and effective public export financing.

In 2017, Export Credit Norway invested extensively in protecting the State's assets. No loan capital has been lost since the company's launch in 2012. Coordination with GIEK is crucial in this regard. The company has continued to raise awareness of the export credit scheme, including through structured marketing and digital channels. Among other things, the company and GIEK launched a digital application process in 2017 to further simplify the process of applying for a loan. In addition, various effectivisation and digitisation measures have been implemented to improve the efficiency of public export financing. Corporate social responsibility has had high priority, and emphasis has been given to having reliable system support in place for this work. 2017 also saw the development of a new tool for assessing different integrity risks in loan transactions.

[28] The distribution of operating expenses by type and cost volume is shown in the figures in section 3.3.4.



8 Annual accounts

8.1. ANNUAL REPORT OF THE BOARD OF DIRECTORS 2017

Highlights in 2017

The mainland economy grew by 1.8 per cent in 2017, the strongest growth recorded since 2014.[29] Oil prices rose significantly in the second half of 2017. Combined with the ongoing weakness of the Norwegian krone, this positive development boosted the competitiveness of Norwegian exporters and facilitated increased exports. However, future growth is dependent on continued willingness to restructure among Norwegian businesses.

In 2017, Export Credit Norway continued to refine marketing initiatives targeting both new and existing customers. The company has invested considerable resources in the follow-up of existing loans, including challenging restructurings. The company has completed several improvement projects, not least a review of the entire transaction process aiming to reduce processing times and improve efficiency. Export Credit Norway has also participated closely in an evaluation of the company and GIEK commissioned by the Ministry of Trade, Industry and Fisheries.

Export Credit Norway received 241 loan applications representing a total application volume of NOK 124.4 billion in 2017. The company disbursed NOK 3.4 billion in new loans – a lower figure than in previous years. The reason for the drop is reduced activity in the maritime and offshore sectors in recent years due to low oil prices. Nevertheless, the company signed 22 new loan agreements with a combined lending volume of NOK 9.8 billion in 2017. This figure is on a par with the last two years. Nine of the signed loan agreements related to the industry and environmental technology sector, and represented a total volume of NOK 1 billion. In the ship and ship equipment sector, 12 agreements with a total volume of NOK 7.9 billion were signed. One agreement with a volume of NOK 821 million was signed in the oil and gas equipment sector. These loan agreements are due to be disbursed in 2018 and 2019. The company's probability-adjusted order book totalled NOK 16.7 billion at year-end, while the lending balance amounted to NOK 69.4 billion.

About Export Credit Norway the export credit scheme

Export Credit Norway is a limited liability company that is wholly owned by the Norwegian State and administered by the Ministry of Trade, Industry and Fisheries. It is based in Oslo. Export Credit Norway administers Norway's export credit scheme, providing export financing in the form of fixed-rate CIRR loans and variable-rate CIRR-qualified market loans.[30] For further information on the export credit scheme, see Export Credit Norway's annual report.

[29] Source: Statistics Norway.

[30] CIRR (Commercial Interest Reference Rate) loans are fixed-rate loans made in accordance with the OECD agreement on officially supported export credits. The interest rate is based on the rate on government bonds in a given currency, and is set by the OECD. CIRR loans may be made in all OECD currencies. Repayment periods vary from two to 12 years. Loans made for certain purposes may have repayment periods of up to 18 years.

Strategy and objectives

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective export financing. The Ministry of Trade, Industry and Fisheries has identified assessment parameters for each sub-objective under the primary objective. These parameters are intended to assist in the assessment of the company's performance. Export Credit Norway reports on the assessment parameters in its annual report. Based on the Ministry's objectives, the company has defined a business strategy setting out measures and initiatives designed to ensure the achievement of targets linked to the main objective and the priority areas. The strategy has been operationalised through related assessment parameters and action plans.

Throughout 2017, Export Credit Norway worked on measures to improve the services offered to Norwegian exporters. A central aspect of these efforts has been to provide exporters with effective commercial and sales support, and to coordinate the activities of different public support instruments. Export Credit Norway and GIEK have focused actively on improving the customer experience and effectivising joint processes. Among other things, the two organisations have launched a digital application process for exporters and borrowers, and simplified their joint loan application process for export contracts valued at less than NOK 100 million. Export Credit Norway has also held several joint customers events in collaboration with other policy instruments.

Market and lending activity

2017 was a year of restructuring in the maritime supplier and oil and gas equipment industries. Various Norwegian shipyards and ship equipment suppliers have successfully identified new market segments in response to the downturn in offshore-related activity, and order books now feature different vessels types than just a few years ago. There has also been a strong and constant stream of new subsea and production unit projects. Aquaculture equipment was a further important market segment throughout the year. The export industry in general has benefited from the continuing weakness of the Norwegian krone against other currencies.

Export Credit Norway recorded the following application volumes in 2017 and 2016:[31]

Table 6: Loan applications

Amounts in NOK million	Number of applications 2017	Number of applications 2016	Application volume 2017	Application volume 2016
Ships	53	39	25,849	18,702
Ship equipment	32	29	5,675	6,712
Oil and gas equipment	42	80	67,780	159,951
Renewable energy and environmental technology	35	51	5,095	12,992
Other industry	79	79	20,019	10,786
Total	**241**	**278**	**124,418**	**209,143**

[31] Several of these projects are likely to lapse, meaning that the probability-adjusted disbursements will be significantly lower.

The company received 241 applications representing a total application volume of NOK 124.4 billion in the course of 2017. In contrast, the company received 278 applications representing an application volume of NOK 209.1 billion in 2016. The reduction in the application volume from 2016 to 2017 is primarily linked to the oil and gas equipment sector, where several large individual applications boosted the volume in 2016. The application volume for the renewable energy and environmental technology sector also fell due to fewer applications from individual undertakings and generally low demand for financing. Experience indicates that less than 10 per cent of registered applications result in a disbursed loan, although there are major variations from industry to industry.

Historically, the majority of applications relating to the offshore sector have concerned financing for offshore ships and rigs. In 2016, Export Credit Norway experienced a shift in application subject matter, with an increase in enquiries regarding funding in the FPSO,[32] subsea technology and field development segments. This trend continued in 2017. A shift in focus is also observable in the maritime sector, where greater emphasis is being given to non-offshore sectors. In 2017, Export Credit Norway received 53 applications representing an application volume of NOK 25.8 billion in the ship sector, compared to 39 applications with an application volume of NOK 18.7 billion in 2016. The company has collaborated with Norwegian shipyards at an early stage to offer shipping companies long-term vessel financing. Going forward, Export Credit Norway's relevance will increase further due to the introduction of a new ship financing scheme. For a description of the new ship financing scheme and further details of application numbers and figures, see Export Credit Norway's annual report for 2017.

ICT was a marketing priority area in 2017. ICT-related applications and disbursements were higher in 2017 than in previous years, and the outlook for this segment is positive.

The export credit scheme's cash flows were as follows in 2016 and 2017:

Table 7: Cash flow statement for the export credit scheme

Amounts in NOK million	2017	2016
New disbursements	3,418	10,121
Interest income	1,744	1,711
Repayments[33]	7,174	8,922
Fee income	21	20

[32] FPSO = Floating Production Storage and Offloading.
[33] Repayments in foreign currencies received in 2017 have been recorded at actual cost, i.e. at the exchange rate used when the repayments are received. The company does not hedge against exchange rate movements.

Annual Report 2017

Export Credit Norway disbursed NOK 3.4 billion in loans in 2017, compared to NOK 10.1 billion in 2016. New disbursements relating to oil and gas equipment totalled NOK 875 million, down from NOK 1.7 billion in 2016. In the ship and ship equipment sector, the disbursement total was NOK 1.8 billion, compared to NOK 8.1 billion the previous year. The disbursement volume for the industry and environmental technology sector increased from NOK 280 billion in 2016 to NOK 719 million in 2017.

Lower volumes for offshore-related suppliers had a strong impact on Export Credit Norway's disbursement totals in 2017. The disbursement volume was significantly lower than in earlier years. Never-theless, new loan agreements totalling NOK 9.8 billion were signed for all industries as a whole. This indicates that the export credit scheme has promoted restructuring, including in maritime and offshore-related segments, see discussion in chapter 3 of Export Credit Norway's annual report for 2017. No individual segments can fully replace the financing volume previously generated by off-shore ships and drilling rigs. The loan market is currently fragmented, and Export Credit Norway is dealing with new purchasers and new suppliers in a broader range of market segments. This requires the company to have an effective communications strategy and efficient processes in place, including digital solutions for reaching customers and meeting the needs in the market.

Despite some improvement in oil prices, restructuring in the oil and gas industry is expected to continue in response to low interest rates and overcapacity. Export Credit Norway has invested considerable resources in and assigned specialist staff to processes intended to protect the State's assets. These processes, which are expected to continue into 2018, primarily involve loan restructuring and the deferment of borrowers' instalments. At the end of 2017, the company had 80 loans for which instalment deferments had been granted, distributed among a total of 18 borrowers. Overall, granted instalment deferments amounted to NOK 5.2 billion at year-end. Export Credit Norway's loans are backed by robust guarantors, and the risk of losses is considered to be small.

As at 31 December 2017, Export Credit Norway was administering 214 loans accounting for a total lending balance of NOK 69.4 billion.[34] Distributed by currencies and industries, the lending balance was as follows at the end of 2017:

Table 8: Lending balance

Amounts in NOK million	CAD	EUR	GBP	JPY	NOK	SEK	USD	Total
Ships	560	648	298	86	19,756		22,708	44,056
Ship equipment			104		697		1,675	2,477
Oil and gas equipment		263			700		19,780	20,742
Renewable energy and environmental technology		442	38		152		389	1,021
Other industry		576	24			42	421	1,063
Total	**560**	**1,929**	**465**	**86**	**21,306**	**42**	**44,973**	**69,359**
Share of total balance	**0.8%**	**2.8%**	**0.7%**	**0.1%**	**30.7%**	**0.1%**	**64.8%**	**100%**

[34] Based on Norges Bank's mid-rates on the final banking day of December 2017: USD:NOK 8.205, EUR:NOK 9.8403, GBP:NOK 11.091, JPY:NOK 7.2886, SEK:NOK 99.96 and CAD:NOK 6.5432.

The currency distribution generally reflects which industries receive the largest loans. While 95 per cent of Export Credit Norway's loans to the oil and gas sector are denominated in USD, the maritime sectors are dominated by both NOK and USD. The proportion of CIRR loans increased from 2016 to 2017. Some 75 per cent of the 2017 disbursement volume comprised CIRR loans, whereas the corresponding figure for 2016 was 61 per cent.

At the end of December 2017, the total order reserve amounted to NOK 25.9 billion, while the probability-adjusted order book totalled NOK 16.7 billion.[35] The probability-adjusted order book for the oil and gas sector amounted to NOK 3.2 billion, while the totals for the maritime sector and renewable energy and other industries were NOK 12 billion and NOK 1.5 billion, respectively.

The board considers that Export Credit Norway has promoted Norwegian exports in 2017 by providing competitive, accessible and effective export financing. The company has engaged in intensive customer-focused activity to ensure high exporter familiarity with the company's products and services. Further, customer surveys show that borrowers regard the company's terms as competitive, and that export financing enjoys positive additionality, i.e. that it triggers new exports. Through joint projects with GIEK, the company has invested considerably in improving operational quality and efficiency, including through digitisation of services offered to exporters and borrowers. Reference is also made to the discussion in the company's annual report.

Initiatives targeting small and medium-sized enterprises

The board is giving priority to Export Credit Norway's initiatives aimed at small and medium-sized enterprises (SMBs) in the export sector. Customer segments in the SMB category are fragmented, and encompass a broad range of industries. This is also reflected in the company's SMB portfolio, which is dominated by suppliers in the ICT, maritime, wind power, aquaculture and other equipment segments. In 2017, Export Credit Norway intensified its efforts to arrange financing for SMB export contracts. The company has refined and fully implemented its customer service model to improve its strategic marketing, introduced a digital application form and simplified its documentation requirements. Moreover, Export Credit Norway and GIEK have collaborated on the implementation of joint customer communications and a joint application process for loans linked to export contracts valued at less than NOK 100 million. For further discussion of Export Credit Norway's SMB-related work, see chapter 3.2 of the annual report for 2017.

Export Credit Norway, *single-entity financial statements*

Export Credit Norway receives a grant under the fiscal budget to cover administration of the export credit scheme. In 2017, the grant amounted to NOK 109.7 million, of which NOK 109.2 million was recognised as income. Operating expenses excluding depreciation totalled NOK 104.5 million, and primarily comprised payroll costs, administrative costs and purchases of external services.

[35] A loan is included in the order book once the customer has accepted the terms in the offer letter.

Annual Report 2017

The annual result for 2017 is a post-tax profit of NOK 3.7 million, compared to a post-tax loss of NOK 2.2 million in 2016. The company has NOK 46.9 million in equity, and little exposure to financial risk. The company's cash flow statement shows that it enjoys strong liquidity. Differences between the operating result and cash flow are due to deferred recognition of the investment grant as income. The company's assets primarily consist of bank deposits, fixtures and intangible assets.

The Storting has approved an operating grant of NOK 112.4 million for Export Credit Norway for 2018.

Pursuant to sections 3-3a and 3-2a of the Accounting Act, the board of directors confirms that the company's annual accounts and the cash flow statement for the export credit scheme provide a true picture of the company's assets and liabilities, financial position and result, and that the accounts have been prepared subject to the going-concern assumption.

No matters have arisen after the end of the financial year that are of significance in the evaluation of the accounts.

Allocation of the annual profit
The board proposes that the profit of NOK 3.7 million be transferred to other equity.

Risk management and internal controls
Risk management guidelines are provided by law and instructions to the company. All loans are recorded in the central government balance sheet. Loans must be 100 per cent guaranteed by financial institutions and/or state guarantee institutions that satisfy the applicable rating requirements.

Export Credit Norway is focused on having reliable risk management procedures in place to avoid losses in connection with the export credit scheme. No losses have been made on disbursed loans since the company's establishment.

Export Credit Norway's operations entail counterparty risk relating to guarantors, market risk and operational risk. In 2017, Export Credit Norway further reinforced its risk management procedures by refining its integrated internal control and operational risk management framework. The system ensures a uniform approach to internal control and risk management work across the organisation, in the areas of risk assessment, governance principles, control activities, roles and responsibilities and reporting follow-up.

In the assessment of these risks, it is important to distinguish between risk linked to the *export credit scheme* and risk associated with Export Credit Norway as a company, as the risk profiles of the scheme and the company may differ.

Counterparty risk
In the administration of the export credit scheme, the company monitors rating levels, key figures and limit utilisation in respect of all guarantors on an ongoing basis. At the end of 2017, all loans were well within the stipulated counterparty risk limits, and the export credit scheme's counterparty risk is considered to be low.

Export Credit Norway's counterparty risk relates to the operation of the company, and is deemed to be limited.

Market risk
At the end of 2017, 69 per cent of all loans included in the lending balance were denominated in foreign currencies, compared with 70 per cent at the end of 2016. Similarly to 2016 (39 per cent), 37 per cent of the lending balance comprised loans on market terms. As at year-end 2017, the Norwegian State had an unrealised foreign exchange gain of NOK 6.6 billion in the portfolio. The company is not permitted to engage in hedging transactions, and the Norwegian State therefore handles currency risk linked to the loans in the company's portfolio along with the State's other exposure.

Export Credit Norway's financial market risk relates to the operation of the company, and is deemed to be limited.

Liquidity risk
The liquidity risk of the export credit scheme is limited, as the scheme has direct access to funds from Norges Bank in connection with loan disbursement.

Export Credit Norway's liquidity risk is limited, as the company receives the operating and investment grants in quarterly instalments.

Operational risk
The operational risk of the export credit scheme and Export Credit Norway are closely linked, since operational errors by the company may affect the administration of the scheme.

The operational risk is primarily linked to the administration of the company's loans, including the handling of risk related to corruption, money laundering, environmental and social conditions and the establishment of correct loan and security documentation. The company is dealing with various restructurings and defaults on existing loans. This work entails operational risk, and considerable efforts are being made to establish robust processes to protect the State's assets. Additional operational risk arises in the company in connection with loan disbursements and interest and instalment receipts, as well as general loan monitoring.

Operational risk monitoring in the company is undertaken by an expert legal team that ensures compliance with laws and regulations and the correctness of loan and security documentation. Further, the company is focused on implementing strong control procedures for ongoing loan follow-up and the receipt and making of payments. The company has also appointed a dedicated in-house group to monitor at-risk loans, and a special anti-corruption group. The company's system for internal controls and operational risk management – its integrated management system – has helped to reinforce systems and procedures for the reduction and improved monitoring of operational risk. Export Credit Norway's collaboration with GIEK is also helping to reduce operational risk, as it provides access to expertise and fosters the exchange of experience.

Other company operations
The risks associated with other operations primarily relate to the successful implementation and continued development of critical systems,

Annual Report 2017

as well as compliance with the requirements imposed on the company by central government.

Research and development activities

Export Credit Norway does not have its own research and development (R&D) programme. The Ministry of Trade, Industry and Fisheries has asked the company to prioritise financing for projects that develop new knowledge and technology. Export Credit Norway evaluates projects for which applications are made with regard to the degree of innovation, in accordance with the OECD classification system. Of 241 project applications, 16 per cent were classified as "highly innovative" or "innovative" in 2017, compared to 21 per cent in 2016.

Governance and company management

Good governance ensures that Export Credit Norway is managed in a sound, efficient manner. This is a crucial prerequisite for achieving the company's long-term objectives, and for its provision of services that meet applicable requirements and expectations.

Export Credit Norway follows the Norwegian State's good governance principles as described in the white paper Diverse and value-creating ownership (Meld. St. 27 (2013–2014)). Section 8.2.3 of the white paper states that all companies wholly owned by the Norwegian State should comply with the Norwegian Code of Practice for Corporate Governance (NUES) wherever appropriate, and as part of such compliance provide an overall statement on their governance and company management, including details of any non-conformances with NUES.

Export Credit Norway has prepared a statement on its compliance with NUES, which is appended to the annual report and published on the company's website. Some parts of NUES are not applicable to the company due to its status as a state-owned entity. The inapplicable recommendations concern equal treatment of shareholders, free tradability of shares, summons to general meetings, the nomination committee, guidelines on contact with shareholders outside the general meeting and acquisition of the company.

Sustainability, social responsibility, gender equality and diversity

The board of directors gives priority to integrating Export Credit Norway's sustainability and social responsibility efforts into its operations and strategy. In 2017, the company focused particularly on in-house skills-building in the area of risk assessment linked to environmental and social conditions in transactions, and further developed its cooperation with GIEK in the fields of sustainability and social responsibility. GIEK's sustainability team helped Export Credit Norway to carry out social responsibility risk assessments. Similarly, the company surveys corruption risk on behalf of both parties to transactions valued at less than NOK 100 million. Assessment of working conditions at foreign shipyards that build ships financed by Export Credit Norway continued in 2017, with a particular emphasis on yards that supply hulls to Norwegian yards. The 2017 annual report contains a discussion of the company's social mandate and social responsibility efforts. Further information on the various aspects of this work can be found in chapter 4 of the annual report. Export Credit Norway does not pollute the external environment other than through the effects of office operations and travel customary for a company of its size and type.

At the end of 2017, the company had 45 employees, as well as four new members of staff due to start on 2 January 2018. The company has an even balance between women and men. As at year-end, 60 per cent of the shareholder-elected board members were women, and women also made up 67 per cent of the board of directors as a whole. The proportion of women in the management group was 29 per cent at year-end.

Export Credit Norway has adopted guidelines and taken steps to ensure that targeted, planned gender equality and diversity efforts are pursued in the company. The company is focused on ensuring a gender balance when recruiting new staff, offering equal opportunities to all employees in terms of skills development, and adjusting pay and remuneration levels to eliminate any unfounded gender differentials. Export Credit Norway practices zero tolerance for all forms of psychological, sexual and other harassment. For further information on gender equality and diversity, see the annual report for 2017.

In addition to its collective pension scheme, Export Credit Norway has also offered a defined-contribution scheme to senior executives earning more than 12G (G = the Norwegian national insurance scheme basic amount). This scheme was introduced before central government issued new guidelines requiring equal pension arrangements for senior executives and other employees. The defined-contribution scheme for salary above 12G has been discontinued as of 1 January 2018.

Working environment and skills-building

Export Credit Norway is a knowledge-based organisation that aims to put the customer first. The company systematically promotes knowledge-sharing to improve its organisational robustness, and in 2017 gave particular emphasis to targeted, systematic skills-building in selected priority areas, in all departments.

Export Credit Norway's leaders aim to manage by clear objectives, promote productive information-sharing and provide clear feedback on completed work. The company expects its staff to take responsibility, give each other constructive, clear feedback, be flexible and contribute to a positive work environment.

The company's overall rate of sick leave was 5.9 per cent in 2017. The short-term sick leave rate was 0.95 per cent, while the figure for long-term sick leave was 4.95 per cent. No work-related accidents or incidents resulting in significant damage or personal injury occurred or were reported during the year. The company's working environment committee met twice in 2017.

Meetings of the board of directors and the remuneration committee

The board of directors held a total of 13 meetings in 2017 – eight ordinary meetings and five telephone/circulation meetings. The board has a remuneration committee which prepares remuneration, pension and HR-related matters for consideration by the board. The remuneration committee held six meetings in 2017, including two telephone/circulation meetings.

Annual Report 2017

Future outlook

Global economic growth picked up in 2017. Particularly in Europe – Norway's primary export market – growth prospects are stronger than for several years. Various reports, including from the European Central Bank, show that access to financing (including for SMBs) has improved over the past three years. Generally speaking, exports by mainland industry have increased in the last three years, driven by a lower krone exchange rate and higher growth in export markets. These macro-drivers are expected to continue providing positive impetus in 2018.

However, the global picture is complex. Banks are now subject to stricter solvency requirements, and are generally cautious about offering long-term loans, particularly in sectors affected by the economic downturn, such as offshore-related industries. Moreover, Norwegian exporters who wish to boost export volumes in non-oil and gas sectors face a considerable ongoing restructuring challenge.

Efforts to help SMBs achieve international growth will remain a priority in the year ahead. Export Credit Norway will work with GIEK to provide comprehensive support to these enterprises. The current range of products and services is not an optimal match for the majority of SMBs. Accordingly, emphasis will be given to evaluating opportunities for further refinement of the product and service range.

The new ship financing scheme, which provides loans to cover the delivery and rebuilding of ships for Norwegian shipping companies by Norwegian shipyards – even if these are not destined for foreign trade or service in the offshore sector – is due to become operational on 1 July 2018. Export Credit Norway expects the scheme to generate activity and foster continued technology development at Norwegian yards. The ship financing scheme is also expected to increase the proportion of other vessel types, such as ferries and fishing vessels, in the portfolio in the longer term.

Oslo, 12. mars 2018

Else Bugge Fougner
Styrets leder

Siri Beate Hatlen
Styremedlem

Ingelise Arntsen
Styremedlem

Finn Ivar Marum
Styremedlem

Otto Søberg
Administrerende direktør

Øyvind Holte
Styremedlem

Fanny Fabricius Bye
Styremedlem

8.2 ANNUAL ACCOUNTS AND NOTES

INCOME STATEMENT

Amounts in NOK '000	Note	2017	2016
Other revenues	2	111,196	102,619
Total operating revenues		**111,196**	**102,619**
Salaries and payroll costs	3, 10, 12	70,861	68,633
Depreciation and amortisation	5	2,693	3,487
Other operating expenses	13,14	33,636	34,552
Total operating expenses		**107,190**	**106,672**
Operating profit		**4,006**	**-4,053**
Financial income		1,400	1,558
Financial expenses		283	351
Net financial items		**1,117**	**1,207**
Profit/loss for the year before tax		**5,123**	**-2,846**
Tax expense	4	1,414	-638
NET PROFIT/LOSS FOR THE YEAR		**3,709**	**-2,208**

The net profit for the year of NOK 3,709 thousand has been transferred to other equity, see Note 9.

BALANCE SHEET

Amounts in NOK '000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	5	1,597	3,329
Means of transport, fixtures and computer equipment	5	497	970
Deferred tax asset	4	5,559	6,973
Total fixed assets		**7,653**	**11,272**
Current assets			
Trade receivables	6	3,160	2,840
Other receivables	6	537	841
Deposit fund pensions	10	3,036	3,289
Bank deposits	7	71,182	65,763
Total current assets		**77,915**	**72,732**
TOTAL ASSETS		**85,568**	**84,004**
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	8	10,000	10,000
Share premium account	8	3,917	3,917
Total paid-in equity		**13,917**	**13,917**
Retained earnings			
Other equity	9	32,999	29,290
Total equity		**46,916**	**43,207**
Provisions for liabilities			
Pension liabilities	10	9,538	9,625
Investment grant not recognised as income	2	2,075	3,573
Other long-term liabilities	10, 12	4,448	5,405
Total provision for liabilities		**16,061**	**18,603**
Current liabilities			
Trade payables	11	4,234	2,880
Payable public taxes and charges	4, 11	5,045	4,197
Other current liabilities	10, 11, 12	13,312	15,117
Total current liabilities		**22,591**	**22,194**
Total liabilities		**38,652**	**40,797**
TOTAL EQUITY AND LIABILITIES		**85,568**	**84,004**

Oslo, 12. mars 2018

Else Bugge Fougner
Styrets leder

Siri Beate Hatlen
Styremedlem

Ingelise Arntsen
Styremedlem

Finn Ivar Marum
Styremedlem

Øyvind Holte
Styremedlem

Fanny Fabricius Bye
Styremedlem

Otto Søberg
Administrerende direktør

CASH FLOW STATEMENT

Amounts in NOK '000	2017	2016
CASH FLOW FROM OPERATIONS		
Grants	109,698	100,786
Interest income	1,172	1,274
Outflows from operations	105,939	102,045
Net cash flow from operations	**4,931**	**15**
CASH FLOW FROM INVESTMENTS		
Investments in tangible fixed assets*	488	208
Net cash flow from investments	**488**	**208**
CASH FLOW FROM FINANCING ACTIVITIES		
Paid-in equity	0	0
Net cash flow from financing activities	**0**	**0**
Net change in cash and cash equivalents during the year	5,419	223
Cash and cash equivalents as at 1 January	65,763	65,540
Cash and cash equivalents as at 31 December	**71,182**	**65,763**

* Purchases of capitalised fixed assets, including intangible assets and fixtures.

Annual Report 2017

NOTE 1 | ACCOUNTING PRINCIPLES

General principles applicable to the annual accounts
The annual accounts have been prepared, and are presented, in Norwegian kroner (NOK). The annual accounts have been prepared in accordance with good accounting practice and, unless explicitly provided otherwise, the provisions of the Accounting Act (including the basic accounting principles), related regulations and final Norwegian accounting standards in their current form as at 31 December 2017.

Where uncertainties have arisen, the company has used best estimates based on the information available at the time the accounts were presented, and the effects of changes in accounting estimates are normally recognised in the income statement. All income and costs have been recognised in the income statement. The annual accounts have been prepared in accordance with uniform principles applied consistently over time. The annual accounts have been prepared based on the going-concern assumption.

Use of estimates and information on significant estimates
The accounting principles described below have required the company to apply estimates and assumptions that have affected items in the income statement and balance sheet. The estimates are based on experience and an assessment of underlying factors. Assessments, estimates and assumptions with a material effect on the accounts are summarised below.

Amortisation and impairment
Amortisation and impairment of tangible fixed assets and intangible assets is based on the assumed economic lifetime of these assets. Future investment decisions will affect expected service life. This may occasion changes to amortisation and impairment profiles, and will impact on future results.

Pensions
The calculation of the fair value of pension liabilities is based on various financial and demographic assumptions. Any change in the applied assumptions will affect the calculated liability. Reference is made to the note on pension liabilities for a more detailed description of the assumptions applied.

Provisions
Certain income statement items include a provision in respect of anticipated future costs. These provisions are based on estimates and the information available at the time the accounts are presented, and may differ from actual future costs. Provisions have primarily been made for the cost of compensation paid in connection with discontinuation of the defined-benefit pension scheme for income below 12 Gs, discontinuation of the defined-contribution scheme for income above 12 Gs and performance-based employee remuneration.

Grant/operating revenues
The company receives a grant approved annually by the Storting (the Norwegian parliament) and awarded by the Ministry of Trade, Industry and Fisheries in an annual assignment letter. The grant is disbursed in equal quarterly instalments, and may take the form of a combined operating and investment grant.

The operating grant is disbursed to reflect the pace of the company's activities, and is fully recognised as operating revenue in the period in which the company performs a given activity. Grants are recognised gross.

The investment grant is recognised gross. It is treated as deferred income, and is recognised in the income statement as an adjustment to amortisation in accordance with the amortisation period for the associated investment. Accrued grants are recognised as operating revenues in the income statement.

Pensions
In 2017, the company primarily operated defined-contribution pension schemes. Contributions to defined-contribution schemes are paid into pension insurance plans. Once the contributions have been paid, there are no further liabilities. Payments into defined-contribution schemes are recognised in the income statement in the period to which a given payment relates.

A number of individual defined-benefit plans remain in operation. The liability recognised in the balance sheet relates to an early-retirement pension scheme and two pension schemes for salary above 12 Gs for persons previously employed by Eksportfinans ASA. The liability represents the present value of the defined benefits on the balance sheet date, adjusted for estimate deviations not recognised in the income statement. The pension liability is calculated annually by an actuary using a linear earnings method and the expected final salary. The net liability recognised in the balance sheet includes employer's national insurance contributions and financial transaction tax.

The net pension cost for the period linked to defined-benefit schemes is included in salaries and payroll costs, and comprises the accrued pension entitlements for the period, the interest expense on the estimated pension liability, the expected return on pension assets, the effect on the income statement of changes in estimates and accrued employer's national insurance contributions and financial transaction tax.

Value added tax
Export Credit Norway sells services that involve the arranging of financing and that are exempt from value added tax pursuant to section 3-6(b) of the Value Added Tax Act.

Classification of assets and liabilities
Assets intended for permanent ownership or long-term use are classified as fixed assets. Other assets are classified as current assets. Receivables falling due for payment within one year of the acquisition date are classified as current assets. Corresponding criteria are applied in the classification of current and long-term liabilities.

Fixed assets
Fixed assets are valued at acquisition cost less deductions for depreciation, amortisation and impairments. Fixed assets are written down to fair value when any impairment in value is not considered to be temporary.

Intangible assets
Intangible assets are recognised in the balance sheet when a future economic benefit linked to the development of an identifiable intangible asset can be identified and related expenses can be reliably measured.

Purchased software is recognised in the balance sheet at acquisition cost (including the cost of making software operational), and is depreciated over its expected useful life (up to five years). Costs relating to the development or maintenance of software are expensed as they arise.

Tangible fixed assets
Tangible fixed assets are recognised in the balance sheet and depreciated on a straight-line basis over their expected economic lifetime. Direct maintenance of such assets is expensed on an ongoing basis under operating expenses, while upgrades and improvements are added to the cost of the asset and depreciated in tandem with it. If the recoverable value of an asset is lower than its book value, the asset is written down to the recoverable amount. The recoverable amount is the higher of net sale value and value in use. Value in use is the present value of the future cash flows the asset is expected to generate.

Current assets
Current assets are valued at the lower of acquisition cost and fair value. Trade receivables are recognised at nominal value less a provision for expected losses. Receivables are written down based on an assessment of delayed payment and other indications that the customer is experiencing payment difficulties.

Current liabilities
Current liabilities are recognised at nominal value in the balance sheet on the date they are incurred.

Taxes
The tax expense comprises taxes payable during the period and changes in deferred tax liabilities/deferred tax assets. Tax payable is calculated based on the taxable profit/loss for the year. The net deferred tax liabilities/deferred tax assets are calculated as 25 per cent of any temporary differences between the accounting and tax values of assets and liabilities, plus any loss carry-forward for tax purposes at the end of the financial year. A net deferred tax asset is recognised in the balance sheet if it is likely that it can be utilised.

Foreign currency
Transactions in foreign currencies are converted using the exchange rate applicable on the transaction date. Monetary items in foreign currencies are converted into NOK using the exchange rate applicable on the balance sheet date. Changes in exchange rates are recognised in the income statement on an ongoing basis during the accounting period, under financial items.

Cash flow statement
The cash flow statement has been prepared in accordance with the direct method. Cash and cash equivalents include bank deposits.

Annual Report 2017

NOTE 2 | GRANT AND OTHER INCOME

In 2017, the company received an operating/investment grant from the Ministry of Trade, Industry and Fisheries totalling NOK 109.7 million, excluding value added tax.

Amounts in NOK '000	2017	2016
Operating grant	109,210	100,578
Investment grant recognised in the income statement during the period	1,986	2,041
Total grants recognised in the income statement	**111,196**	**102,619**
Total operating revenues	**111,196**	**102,619**
Change in investment grant recognised in the balance sheet as at 31 December	-1,498	-1,833
Total grant and other income	**109,698**	**100,786**

NOTE 3 | SALARIES AND PAYROLL COSTS, NUMBER OF EMPLOYEES, REMUNERATION, ETC.

Amounts in NOK '000	2017	2016
Salaries	49,428	48,477
Employer's national insurance contributions and financial transaction tax	10,891	7,258
Pension costs	7,746	9,212
Other personnel costs	2,796	3,686
Total salaries and payroll costs	**70,861**	**68,633**

	2017	2016
Number of permanent employees as at 31 December	45	44
Number of temporary employees	0	4
Number of employees with signed employment agreements who had not yet started work as at 31 December	4	3
Average number of full-time equivalents employed	48	46

NOTE 4 | TAX EXPENSE

Amounts in NOK '000	2017	2016
Calculation of tax payable		
Profit/loss on ordinary operations before tax expense	5,123	-2,846
Permanent differences	532	293
Change in temporary differences	-3,472	45
Basis for tax payable	2,183	-2,508
Tax payable on the profit/loss for the year (25%)	**0**	**0**
Tax payable in the balance sheet comprises		
Tax payable on the profit/loss for the year	0	0
Total tax payable in the balance sheet	**0**	**0**
The tax expense for the year comprises		
Tax payable on the profit/loss for the year	0	0
Change in deferred tax asset	1,414	-638
Total tax expense for the year	**1,414**	**-638**
Breakdown of the basis for deferred tax		
Operating assets	-1,128	-1,021
Net pension liabilities	-14,735	-14,475
Investment grant not recognised as income	-2,075	-3,573
Other temporary differences	-3,975	-6,315
Loss carry-forward	-325	-2,508
Total temporary differences	-22,238	-27,892
Deferred tax (+)/deferred tax asset (-) as at 31 December	**-5,559**	**-6,973**
Reconciliation of nominal and actual tax rates		
Expected tax at nominal rate (25%)	1,281	-711
Effect of permanent differences	133	73
Effect of change in tax rate (25%) on calculation of deferred tax/tax asset	0	0
Tax expense per income statement	**1,414**	**-638**

Annual Report 2017

NOTE 5 | INTANGIBLE ASSETS AND FIXED ASSETS

Amounts in NOK '000	Intangible assets	Fixtures	Computer equipment	Art	Total 2017	Total 2016
Acquisition cost 1 January 2017	12,614	3,576	1,872	28	18,090	18,307
Acquisitions of operating assets	394	94	0	0	488	208
Disposals of operating assets	0	0	0	0	0	425
Acquisition cost 31 December 2017	13,008	3,670	1,872	28	18,578	18,090
Accumulated amortisations 1 January 2017	9,286	2,698	1,808	0	13,792	10,730
Amortisations for the year	**2,126**	**503**	**64**	**0**	**2,693**	**3,487**
Reversed amortisations on assets disposed of	0	0	0	0	0	425
Book value 31 December 2017	**1,597**	**469**	**0**	**28**	**2,094**	**4,299**
Useful life	4-5 years	5 years	3 years			
Depreciation schedule	Linear	Linear	Linear	Not depreciated		

NOTE 6 | TRADE RECEIVABLES AND OTHER RECEIVABLES

Amounts in NOK '000	2017	2016
Trade receivables	1,894	2,663
Disbursements re-invoiced to borrowers	1,104	23
Claims to the State in respect of bad debts	162	155
Total short-term receivables	**3,160**	**2,840**
Total pre-payments to suppliers	**537**	**841**

NOTE 7 | BANK DEPOSITS

As at 31 December 2017, the company held NOK 71.2 million in bank deposits, including NOK 2.4 million in tax deducted at source.

NOTE 8 | SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company's share capital totalled NOK 10 million as at 31 December 2017, made up of 10,000 shares with a nominal value of NOK 1,000 each. All of the shares are owned by the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, and all of the shares carry the same rights.

NOTE 9 | EQUITY

Amounts in NOK '000	Share capital	Premium account	Other equity	Total
Equity 31 December 2016	**10,000**	**3,917**	**29,290**	**43,207**
Profit/loss for the year	0	0	3,709	3,709
Equity 31 December 2017	**10,000**	**3,917**	**32,999**	**46,916**

NOTE 10 | PENSION COSTS

The company is obliged to have an occupational pension scheme pursuant to the Act on Mandatory Occupational Pensions. The company has established a pension scheme which meets the requirements in the Act on Mandatory Occupational Pensions, in the form of a closed, now discontinued, defined-benefit scheme and a defined-contribution scheme. All employees have a contractual early retirement (AFP) pension that applies to the private sector.

Defined-contribution scheme

In 2017, the company operated a defined-contribution scheme for salary below 12 Gs (G = the Norwegian national insurance scheme basic amount) pursuant to the Act on Mandatory Occupational Pensions.

Four senior executives have also been members of a defined-contribution scheme for salary above 12 Gs. The scheme included external funding corresponding to 30 per cent of salary above 12 G. The scheme has been discontinued as of 1 January 2018. Time-limited compensation will be paid for the discontinuation of the scheme.

Defined-benefit scheme

One senior executive and one other employee (retired as of 1 August 2017) transferred from Eksportfinans ASA have individual agreements concerning a defined-benefit scheme for salary above 12 Gs. These agreements have not been discontinued as at 31 December 2017.

See Note 12 for an overview of salaries and other remuneration paid to senior executives. The former employee is the beneficiary of an ongoing early retirement scheme.

The pension costs have been calculated by an actuary in accordance with the recommendations of NRS 6 (Norwegian accounting standard 6). Pension costs and liabilities include employer's national insurance contributions and financial transaction tax.

The company also operates a contractual early retirement (AFP) pension scheme. The scheme must be regarded as a defined-benefit, multi-enterprise scheme, but is for accounting purposes being treated as a defined-contribution scheme until reliable, adequate information is available that allows the company to recognise its proportionate share of the pension scheme costs, liabilities and assets in its accounts. The company's liabilities are thus not recognised as debt in the balance sheet.

NOTE 10 (cont.) | PENSION COSTS

2017 Amounts in NOK '000	
Net pension costs (defined-benefit)	Unfunded scheme
Present value of accrued pension entitlements for the year	367
Interest expense on pension liabilities	167
Expected yield on pension assets	0
Estimate deviations recognised in the income statement	-163
Settlement of defined-benefit scheme for salary below 12 Gs	0
Employer's national insurance contributions and financial transaction tax	101
Net pension costs defined-benefit scheme	**472**

Liabilities recognised in the balance sheet (defined-benefit)	Unfunded scheme
Accrued pension liabilities	-9,292
Pension assets at market value	0
Estimate deviations not recognised in the income statement	-246
Net pension assets (+)/liabilities (-)	**-9,538**
Of which employer's national insurance contributions	1,490

Assumptions	2017	2016
Discount rate	2.40 %	2.60 %
Expected salary increases	2.50 %	2.50 %
Expected adjustment of the national insurance scheme basic amount (G)	2.25 %	2.25 %
Expected pension adjustment	1.35 %	0.00 %
Mortality table applied	K2013	K2013

The assumptions are based on conditions at the time of the preparation of the annual financial statements and on company-specific conditions.

Total net pension costs	2017	2016
Net defined-benefit pension costs	472	-2,092
Employer's national insurance contributions and financial transaction tax on premiums paid into defined-benefit pension scheme	0	653
Expensed early retirement (AFP) pensions	580	551
Replacement of pension scheme	1,945	8,343
Net defined-contribution pension costs	4,749	1,828
Total net pension costs	**7,746**	**9,283**

NOTE 11 | CURRENT LIABILITIES

Amounts in NOK '000	2017	2016
Trade payables	4,234	2,880
Tax payable	0	0
Other public taxes and charges payable	5,045	4,197
Provision for liabilities	4,487	6,855
Provision for holiday pay	4,838	5,010
Pension compensation for discontinuation of pension schemes	3,785	2,733
Pre-payments received from customers	202	519
Total current liabilities	**22,591**	**22,194**

Annual Report 2017

NOTE 12 | REMUNERATION PAID TO SENIOR EXECUTIVES AND THE BOARD OF DIRECTORS

Board declaration on salaries and other remuneration paid to senior executives
The declaration concerning remuneration paid to the CEO and senior executives is consistent with the guidelines for state ownership, including the "Guidelines on salaries and other remuneration paid to senior executives in enterprises and companies in which the state has an ownership interest" (adopted by the Ministry of Trade, Industry and Fisheries with effect from 13 February 2015). The company's guidelines are described below, as is remuneration paid to senior executives. An overview of remuneration paid to the board of directors is provided at the end of the note.

Remuneration guidelines
Export Credit Norway has drawn up guidelines to ensure that salary policies and salary schemes are uniform throughout the company. The company aims to be a competitive, but not leading, salary payer compared to relevant companies. The compensation packages of senior executives must reflect the responsibilities and complexities involved in their position, the company's values and culture, each executive's conduct and performance, and the need to attract and retain key individuals. The schemes are transparent and consistent with good governance principles.

Decision-making process
The remuneration of the CEO is determined by the board of directors on the basis of a recommendation from the remuneration committee, while the CEO determines the remuneration of other executives in consultation with the board.

Remuneration elements
The total remuneration package comprises a fixed salary (main element), performance-related remuneration, benefits-in-kind and pension and insurance schemes.

The fixed salary is subject to annual review, and is set based on factors such as salary development in general and in the finance industry in particular. The annual review takes effect on 1 May of each year.

Performance-related remuneration is subject to annual review, and the scale is set by the company's board on the basis of a recommendation from the remuneration committee. Performance-related remuneration is set based on both an overall assessment and criteria which the employee can influence. These criteria relate to the company's objectives, action plans and values in specific areas (as adopted at the beginning of each year). The company's objectives are operationalised in the form of scorecards intended to support the company's sector policy objectives as defined in the articles of association, as well as the objectives set by the owner. The performance-related remuneration scheme is the same for all employees, including senior executives, and is capped at 1.5 months' fixed salary. The amounts received by individual employees vary. Senior executives are offered benefits-in-kind such as newspapers/magazines and telephone/communication arrangements. Such benefits-in-kind are not material in size compared with an employee's fixed salary.

In addition to the ordinary pension scheme for salary below 12 Gs, four senior executives have been members of a defined-contribution scheme for salary above 12 Gs. This defined-contribution scheme was established before central government adopted new guidelines on 13 February 2015. The company has made adjustments to accommodate the new guidelines with effect from 1 January 2018, even though these did not mandate amendment of previously concluded agreements. Accordingly, the defined-contribution scheme for salary above 12 Gs has been discontinued as of 1 January 2018. The four senior executives will receive limited compensation on the same basis as was applied to the compensation paid in connection with discontinuation of the defined-benefit scheme for income below 12 Gs from 31 December 2016. Compensation will be paid in respect of a six-year period, and will be disbursed monthly over three years, provided that the affected individuals remain employed by the company. One senior executive transferred from Eksportfinans ASA retains an individual agreement concerning a defined-benefit pension for salary above 12 Gs. See Note 10 for a complete overview of pension benefits.

Individual schemes
The CEO has an agreement granting severance pay for up to one year after leaving the company. This arrangement is in accordance with central government guidelines. One senior executive transferred from Eksportfinans ASA has maintained an individual agreement on severance pay. The CEO and most of the senior executives have agreements relating to fixed car benefits. The board members receive fixed board fees.

The company pays no other types of remuneration than those discussed above.

NOTE 12 (cont.) | REMUNERATION PAID TO SENIOR EXECUTIVES AND THE BOARD OF DIRECTORS

Remuneration paid to senior executives

Amounts in NOK '000 2017	Salary [1]	Bonus [2]	Other remuneration [3]	Pension [4]
Otto Søberg [5]	2,605	233	177	157
Eli Skrøvset	1,887	164	174	377
Olav Einar Rygg [6] [11]	1,545	135	174	2,665
Ivar Slengesol	1,416	124	177	323
Tobias Hvinden	1,405	123	184	352
Ellen B. Svaheim	970	38	28	171
Marie Sørli [7]	698	49	15	92
Jostein Djupvik [8]	594	51	81	150

2016	Salary [9]	Bonus [10]	Other remuneration [3]	Pension [11]
Otto Søberg [12]	242	0	14	0
Jarle Roth [12]	1,792	0	92	289
Eli Skrøvset	1,851	162	170	348
Olav Einar Rygg	1,885	132	171	469
Ivar Slengesol	1,506	121	175	316
Tobias Hvinden	1,327	116	181	311
Ellen B. Svaheim	900	43	20	162
Marie Sørli [7]	1,102	73	25	176
Jostein Djupvik [8]	100	9	14	24

[1] Salary, holiday pay and compensation for holding a temporary position disbursed in 2017. The compensation payment was made to Marie Sørli.
[2] Shows bonus accrued in 2017 and disbursed in 2018, including holiday pay due to be disbursed in 2019.
[3] Benefits-in-kind comprise car benefits and all non-cash benefits received during the year, including the taxable proportion of insurance premiums and telecommunications benefits.
[4] Pension includes the defined-contribution pension and compensation for discontinuation of the defined-contribution scheme for salary below 12 Gs for employees transferred from Eksportfinans ASA.
[5] Salary in 2017 excludes pay in respect of 30 days of holiday. The annual salary is NOK 2,900 thousand.
[6] The pension figure includes a payout of NOK 2,151 thousand in respect of the capital value of previously accrued entitlement under the early retirement pension for salary above 12 Gs upon discontinuation of the pension scheme. Of the pension remuneration paid in 2017, NOK 1,886 thousand has accrued in and been paid by Eksportfinans ASA. Pension also includes the defined-contribution pension and compensation for discontinuation of the defined-contribution scheme for salary below 12 Gs for employees transferred from Eksportfinans ASA. A change in value of the defined-benefit scheme for salary above 12 Gs totalling NOK 146 thousand has also been included. See further Note 11.
[7] Marie Sørli was a temporary member of the management group from 1 February 2016 until 15 July 2017. Salary and other remuneration have only been reported for 6.5 months in 2017 and 11 months in 2016.
[8] Jostein Djupvik was on leave from the management group from 1 February 2016 until 15 July 2017. Salary and other remuneration have only been reported for 5.5 months in 2017 and one month in 2016.
[9] Salary, holiday pay and compensation for holding a temporary position disbursed in 2016. Compensation payments were made to Olav Einar Rygg (acting CEO), Ivar Slengesol and Marie Sørli.
[10] Shows bonus accrued in 2016 and disbursed in 2017, including holiday pay due to be disbursed in 2018.
[11] The change in the value of the pension rights reflects both the effect of one year's additional accrual and an adjustment of the present value to reflect previously accrued pension rights. The estimated change in accrued pension rights is calculated as the increase in pension liabilities assuming stable economic prospects. The increase thus includes both pensions accruals during the year and the interest element linked to total accrued pension rights. The table shows the estimated change in value from 1 January to 31 December for all persons.
[12] Jarle Roth left the post of CEO on 30 June 2016 in order to take up a role at another company. Otto Søberg took up the post of CEO as of 1 December 2016.

NOTE 12 (cont.) | REMUNERATION PAID TO SENIOR EXECUTIVES AND THE BOARD OF DIRECTORS

Remuneration paid to the board

Amounts in NOK '000	2017	2016
Else Bugge Fougner (Board chair) [13]	346	330
Siri Hatlen [13]	217	205
Finn Ivar Marum	193	190
Ingelise Arntsen [14]	193	111
Øivind Holte [14]	193	111
Trude Husevåg [14]	0	79
Arild Vik [14] [15]	0	79
Fanny Fabricius Bye [13] [16]	213	114
Jørgen Hauge (observer) [16] [17]	38	112
Laila Johnsen (observer) [17]	0	13
Marie Sørli (observer) [17]	0	3

[13] Includes fees for participation in the board of directors and the remuneration committee.
[14] Ingelise Arntsen and Øivind Holte replaced Trude Husevåg and Arild Vik on the board after the general meeting on 6 June 2016. forsamling 6. juni 2016.
[15] Arild Vik took over the post of board member from Øivind Kristian Rue on 22 May 2015.
[16] Fanny Fabricius Bye replaced Jørgen Hauge as employee-elected board member as of 6 June 2016.
[17] The board remuneration for observers was NOK 38 thousand in 2017 and NOK 37 thousand in 2016.
Jørgen Hauge has been an observer since 6 June 2016.
Laila Johnsen was an observer from 1 February to 6 June 2016.
Marie Sørli was an observer from 1 January to 1 February 2016.

NOTE 13 | REMUNERATION PAID TO THE AUDITOR

Expensed fees linked to the auditing of the company's accounts, excluding value added tax.

Amounts in NOK '000	2017	2016
Statutory audit	234	212
Tax advice	6	24
Other certification services	25	21
Other non-audit services	0	0
Total auditor's fees	**265**	**257**

NOTE 14 | LEASES

In 2012, the company signed an agreement to lease office space from Bendixen Eiendom AS. The lease period ran until 14 June 2017, and contained an option to extend by five years. The company signed a new lease with Bendixen Eiendom AS in 2014 for additional space on the same floor as the company's offices. The lease periods under the old and new leases were synchronised so that both leases run until 14 June 2019, with an option to extend by five years. In 2016, the building in which the offices are located was sold to PEC Hieronymous AS. The existing leases have been transferred to the new owner in full.

The rental cost totalled NOK 4.5 million for the year (2016: NOK 4.3 million), including running and shared costs.

NOTE 15 | RELATED PARTIES

Export Credit Norway has no ownership interests in other companies.

Members of the board of directors and senior executives may not participate in the consideration or determination of matters in which they or parties related to them must be considered to have a direct or indirect personal or financial interest. Directors and executives have a personal duty to ensure that they are not disqualified from participating in the consideration of a given matter.

Pursuant to the authorisation granted by the Storting, the Norwegian State takes over loans from Eksportfinans ASA in connection with margin renewal, through the export credit scheme. Export Credit Norway's mandate gives it responsibility for the practical transfer and subsequent follow-up of such loans. Loans are taken over in accordance with the same principle as applied to loans taken over by the State before Export Credit Norway was established. Eksportfinans ASA is not considered a related party.

At the end of 2017, 73 per cent of the lending portfolio under the export credit scheme was guaranteed by GIEK. GIEK is an administrative body, and thus part of the Norwegian State's legal person, whereas Export Credit Norway is an independent legal person wholly-owned by the Norwegian State. An important principle is that the conditions that apply in transactions involving GIEK and Export Credit Norway must be determined on an independent basis. GIEK is not considered a related party.

NOTE 16 | FINANCIAL MARKET RISK

Export Credit Norway's financial market risk is limited. The company re-invoices expenses related to external assistance to borrowers. Agreement has been reached with the company's owner, the Ministry of Trade, Industry and Fisheries, that losses associated with such re-invoicing will be covered by central government the year after the losses arise.

NOTE 17 | EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of events after the balance sheet date that affect the 2017 annual accounts.

Annual Report 2017

KPMG

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Eksportkreditt Norge AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eksportkreditt Norge AS showing a profit of NOK 3 709 000. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 March 2018
KPMG AS

Ole Christian Fongaard
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

9 Lending account

Cash flow statement for the export credit scheme

Amounts in NOK million	Note	2017	2016
New disbursements	1	3,424	10,121
Interest income	1	1,744	1,711
Fee income	1	21	20
Repayments	1	8,276	8,922
Outstanding balance with the State (closing balance)	3	-1	-63

Capital account – accounts receivable

Amounts in NOK million	Note	2017	2016
Opening balance 1 January	2	76,505	63,831
New disbursements	2	3,424	10,121
Repayments	2	-8,276	-8,922
Corrections	1,2	-2,294	11,474
Total changes during the period	2	-7,146	12,674
Closing balance 31 December	**2**	**69,359**	**76,505**

SPECIFICATION OF THE LENDING ACCOUNT

NOTE 1 | CASH FLOW STATEMENT

Disbursements, interest income and fee income have been recorded in accordance with the actual exchange rate. Repayments were previously recorded at historical cost, i.e. at the exchange rates used when the loans were disbursed. This was changed with effect from 2016, and repayments are now also recorded in accordance with the actual exchange rate.

NOTE 2 | CAPITAL ACCOUNT

The opening balance for 2016 has been recorded in accordance with historical rates, while the opening and closing balances for 2017 have been recorded in accordance with actual value. Disbursements and repayments are recorded in accordance with the actual exchange rates. Loans in foreign currencies at year-end have been adjusted according to Norges Bank's exchange rates on the final banking day in 2017, an approach that necessitates a correction.

NOTE 3 | OUTSTANDING BALANCE WITH THE STATE

The outstanding balance with the State comprises the net total of receivables and liabilities the company has reported to the central government accounts in the state account for outstanding balances with the State.

Riksrevisjonen
Office of the Auditor General

Executive officer
Sigurd Aamodt +47 21540907

Our date	Our reference
20.03.2018	2017/00799-13
Your date	Your reference

Postboks 1315 Vika

0112 OSLO

Norge

Audit of the loan scheme 2017

The Act relating to Eksportkreditt Norge AS (the Export Credit Act) states in Article 4 that Riksrevisjonen - The Office of the Audit General of Norway - shall be responsible for the audit of the loan scheme. On this basis, and as part of the 2017 annual accounts of the Ministry of Trade and Fisheries, Riksrevisjonen has audited the loan accounts, including management of the loan scheme by Eksportkreditt Norge AS.

No report or other written statement concerning the loan scheme or the loan accounts 2017 will be issued by our office.

By authority

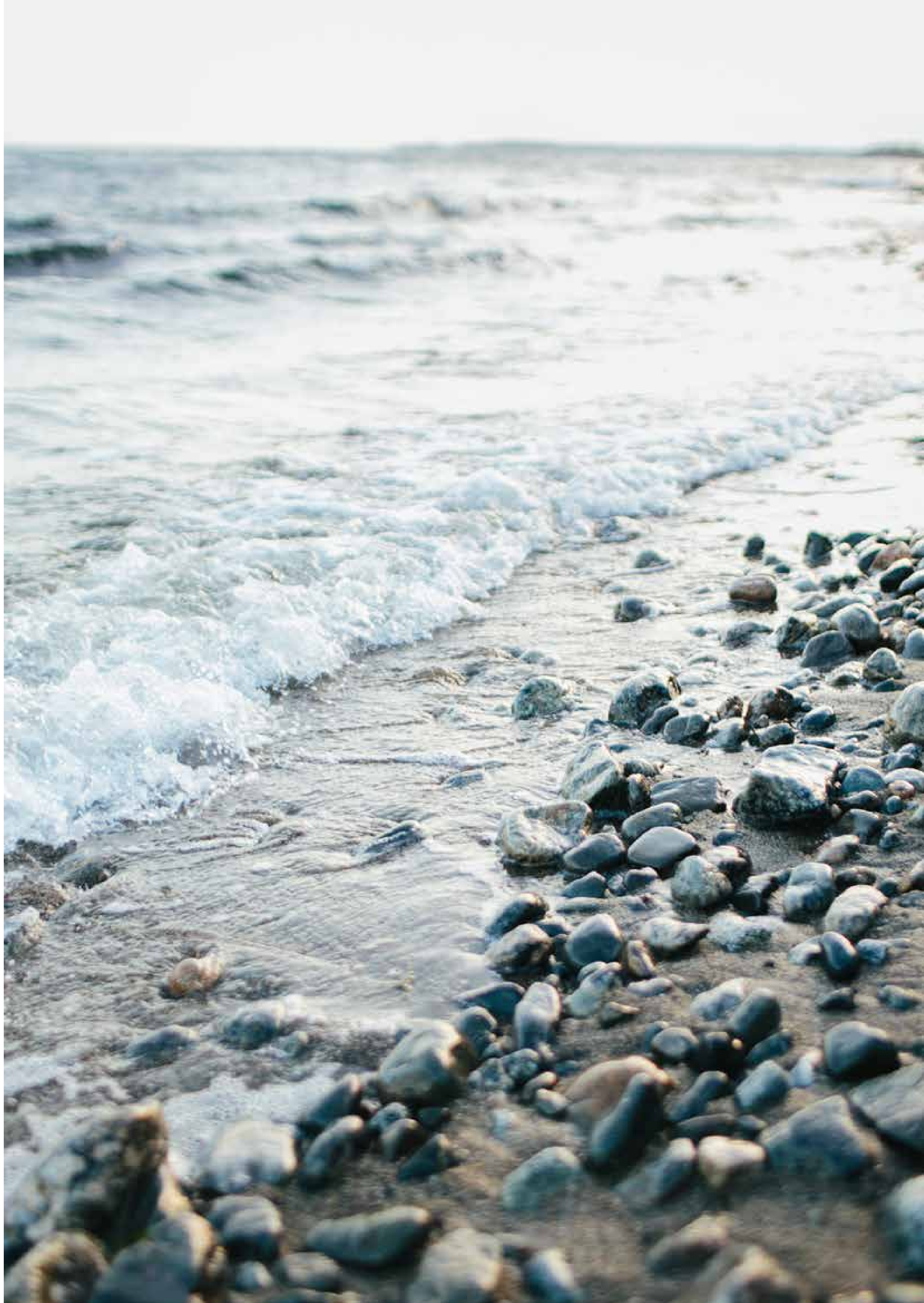
Erna Jørgensen Lea
director general

Elisabeth Slaatbråten Farr
deputy director general

This document has been approved and dispatched electronically, hence no signatures.

Copy: THE MINISTRY OF TRADE AND FISHERIES

Postal address	Office address	Telephone	E-mail	Internet	Bank acc. no	Org.no.
Postboks 8130 Dep NO-0032 Oslo	Storgata 16 NO-0184 Oslo	+47 22 24 10 00	postmottak@riksrevisjonen.no	www.riksrevisjonen.no	7694 05 06774	974760843



10 Other enclosures

10.1. COST-BENEFIT ANALYSIS FOR THE EXPORT CREDIT SCHEME 2017

The 2017 cost-benefit analysis has been drawn up under the same principles as the cost-benefit analyses for previous years.

The State's financing cost is set at the beginning of the year for which the cost-benefit analysis is to be prepared. The aim is to reflect the fact that the State provides annual funding. The starting point is the government bond rate with an almost identical average maturity (duration) to the respective lending portfolio. When financing costs are specified in a foreign currency, the interest cost in that currency is calculated by making an adjustment, by means of an interest/currency swap, to reflect the interest rate level of that currency.

› The different portfolios are defined as CIRR loans and market loans. These in turn are categorised as loans in NOK and loans in foreign currencies, and according to the different interest-fixing periods for market loans (3M and 6M IBOR).

› Average maturity is defined as the weighted average maturity of the portfolio from the beginning of the year of calculation until the maturity date.

› The average portfolio size is calculated as follows: (opening balance + closing balance)/2. The balances on 1 January, 30 June and 31 December are used to calculate the average.

› Interest income in foreign currencies will be converted into NOK using the average exchange rates on the first and last banking days of the year. The balances on 1 January, 30 June and 31 December are used to calculate the average.

› A supplement is included in respect of the State's administration costs connected to financing. This is set at 15 bp, which equals the administration cost notified to ESA in connection with the market pricing of loans.

› A loan loss provision is deducted. This is set at 2 bp, in accordance with the adopted credit policy.

› The administration costs equal the amount of the grant received by Export Credit Norway from the State for the administration of the export credit scheme.

The cost-benefit analysis for 2017 shows approximately the same result as in 2016. Net interest income after administration costs was NOK 6 million lower than last year, with the contributions made by the CIRR and market loan portfolios largely cancelling one another out. The CIRR portfolio result was NOK 59 million lower, driven by a lower volume of NOK-denominated loans and lower interest margins on USD-denominated loans.

The market portfolio result increased by NOK 52 million, driven by reduced funding cost and improved interest margins. The interest margins (over IBOR) of the most important currencies in the market portfolio remained largely unchanged.

CIRR LOANS

INTEREST INCOME (NOK MILLION)	NOK	USD	GBP	EUR
Weighted CIRR for the lending portfolios	2.89%	2.39%	2.90%	1.96%

FUNDING COST	NOK	USD	GBP	EUR
Funding cost	0.94%	1.50%	0.23%	-1.09%
Administration costs covered by the State	0.15%	0.15%	0.15%	0.15%
Funding cost	**1.09%**	**1.65%**	**0.38%**	**-0.94%**

Net interest margin	**1.80%**	**0.74%**	**2.52%**	**2.90%**
Average portfolio – foreign currencies	14,710	3,461	26	120
Average portfolio – NOK	14,710	29,126	286	1,140
Net interest income	**266**	**214**	**7**	**33**
Loss provisions (2 bp)	3	6	0	0
Net interest income less loss provisions	**263**	**208**	**7**	**33**
Total net interest income CIRR loans	**511**			

MARKET LOANS

INTEREST INCOME (NOK MILLION)	NOK		USD		GBP		EUR	
	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR
Weighted average margin	66.11	74.08	88.54	77.45	-	73.56	-	40.34

FUNDING COST	NOK		USD		GBP		EUR	
	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M EURIBOR	6 M EUIBOR
NOK s wap spread	-65.40	-65.40	-65.40	-65.40	-68.42	-68.42	-68.42	-68.42
FX swap	-	-	18.25	18.25	4.95	4.95	-17.75	-17.75
Basis swap (3M v. 6M)	-	-16.11	-	-21.60	-	-13.46	-	-11.00
Swapspread IBOR	**-65.40**	**-81.51**	**-47.15**	**-68.75**	**-63.47**	**-76.93**	**-86.17**	**-97.17**
Administration costs covered by the State (bps)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Funding cost	**-50.40**	**-66.51**	**-32.15**	**-53.75**	**-48.47**	**-61.93**	**-71.17**	**-82.17**
NET INTEREST MARGIN (bps)	**116.51**	**140.59**	**120.69**	**131.20**	**48.47**	**135.49**	**71.17**	**122.51**
Average portfolio – foreign currencies	5,005	2,432	1,608	715	-	19	-	64
Average portfolio – NOK	5,005	2,432	13,532	6,018	-	206	-	606
Net interest income	**58**	**34**	**164**	**79**	**-**	**3**	**-**	**7**
Loss provisions - 2bp	1	0	3	1	-	0	-	0
Net interest income less loss provisions	**57**	**34**	**161**	**78**	**-**	**3**	**-**	**7**
Total net interest income market loans	**340**							

(NOK MILLION)	2017	2016
Total net interest income	851	857
Fee income	21	20
Total income	**872**	**877**
Administration costs	110	101
Result for the export credit scheme	**762**	**776**

The following maturities and exchange rates have been used in the calculations for 2017:

	NOK	USD	GBP	EUR
Average maturity (CIRR)	5 years	5 years	5 years	3 years
Average maturity (market)	3 years	3 years	2 years	2 years
Exchange rate (average)	1	8.4147	10.8703	9.4886

Annual Report 2017

10.2. JOINT INDUSTRY DISTRIBUTION WITH GIEK 2017*

LENDING BALANCE AS AT 31 DECEMBER 2017

Industry	Oil and gas	Renewable energy	Other industries	Total
Lending balance (NOK MILLION)	64,606	1,021	3,733	69,359
- of which ships and ship equipment	56,409	367	2,790	59,565
Number of loans under management	170	6	38	214
- of which ships and ship equipment	154	4	20	178

Applications 2017

Industry	Oil and gas	Renewable energy	Other industries	Total
Application volume (NOK MILLION)	75,118	5,095	44,205	124,418
- of which ships and ship equipment	24,241	3,246	26,168	53,655
Number of applications	63	35	143	241
- of which ships and ship equipment	32	20	83	135

* The distribution shows the lending balance and applications received in 2017 in a joint presentation agreed with GIEK at the request of the Ministry of Trade, Industry and Fisheries.

10.3. STATEMENT ON GOVERNANCE AND COMPANY MANAGEMENT

Export Credit Norway is wholly owned by the Norwegian State. Section 8.2.3 of the white paper Diverse and value-creating ownership (Meld. St. 27 (2013–2014)) states that all wholly state-owned companies should comply with the Norwegian Code of Practice for Corporate Governance (NUES) wherever applicable, and as part thereof provide an overall statement on their governance and company management, including an account of any non-conformances with the code.

Export Credit Norway follows the State's principles for good governance and company management, and has prepared a statement on its compliance with NUES.

Sections 1 to 15 below describe the company's observance of the individual parts of NUES. The statement provides a general account of fulfilment of the principles, the reasons for any non-conformances and the steps taken by Export Credit Norway in response to non-conformances.

1. Implementation and reporting on corporate governance

Export Credit Norway was established pursuant to the Export Credit Act. The company is wholly owned by the Norwegian State as represented by the Ministry of Trade, Industry and Fisheries. Good governance and company management help Export Credit Norway to concentrate on its primary objective of promoting Norwegian exports by providing competitive, accessible and effective export financing.

The company's board of directors ensures that Export Credit Norway engages in good governance and company management, not least by adopting a risk management and internal control framework. The board has clarified the company's values through annual review of the company's strategy document and approval of the company's ethical guidelines and social responsibility policy. The board has also adopted board instructions and instructions for the CEO. Export Credit Norway's ethical guidelines and social responsibility policy are published on its website.

Export Credit Norway has developed an integrated framework for risk management and internal control. The company's aim is for all employees to have an awareness of internal control and operational risk management as an integral part of their daily routines.

2. Business

Export Credit Norway's activities and purpose are described in Article 3 of its articles of association, which states that:

"The purpose of the company shall be to manage a state scheme for the provision of financial services in connection with Norwegian exports of capital goods and services. To promote this purpose, the company may, in its own name

> *1. issue officially supported export credits in compliance with international agreements, and*
> *2. issue loans on market terms as an alternative to loans as mentioned in sub-paragraph 1. If special circumstances so indicate, the loans may be issued in the name of the Norwegian State."*

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective export financing. The company's assignment and objectives are specified in annual assignment letters the company receives from its owner. The company's board adopts a strategy plan for the company every year. The strategy is discussed in the company's annual report.

Export Credit Norway receives annual grants for the administration of the export credit scheme via the fiscal budget.

3. Equity and dividends

Export Credit Norway's equity totalled NOK 46.9 million as at 31 December 2017, and is considered sufficient in view of the company's needs. The company's operational model requires that loans and loan-related items are recorded directly in the central government accounts, and the company accounts therefore include only grants from the State and costs relating to the company's ordinary operations.

The company's operational model is based on annual grants from the company's owner that are adjusted to the company's cost level, and thus no dividends are normally paid. The general meeting must resolve any dividend distribution, but is not bound by board proposals in this regard; see section 20-4(1)(4) of the Limited Liability Companies Act.

4. Equal treatment of shareholders and transactions with close associates

The company has only one share class. All shares in the company are owned by the Norwegian State and are administered by the Ministry of Trade, Industry and Fisheries.

Annual Report 2017

Export Credit Norway does not engage in transactions with close associates.

The company's board instructions state that board members are subject to the disqualification rules in the Limited Liability Companies Act and the Public Administration Act. Board members are required to notify, on their own initiative, matters which may entail disqualification.

Since all shares in the company are owned by the State, the NUES recommendations in the second and third paragraphs of this section are deemed inapplicable to the company.

5. Freely negotiable shares
Pursuant to section 2 of the Export Credit Act and Article 5 of the company's articles of association, all shares in the company must be owned by the State as represented by the Ministry of Trade, Industry and Fisheries. Accordingly, the NUES recommendation in this section is deemed inapplicable to the company.

6. General meetings
The Norwegian State as represented by the Ministry of Trade, Industry and Fisheries constitutes the general meeting of Export Credit Norway.

A general meeting is held by the end of June each year. The company's auditor attends the general meeting. A representative of the Office of the Auditor General of Norway is also invited to attend. The board chair and the CEO also attend. Other board members are invited and attend if they wish.

The minutes of ordinary general meetings are published on the company's website.

Pursuant to section 20-5(1) of the Limited Liability Companies Act, the Ministry of Trade, Industry and Fisheries gives notice of both ordinary and extraordinary general meetings, and decides the form of notice. Accordingly, the NUES recommendations relating to the giving of notice of general meetings are deemed inapplicable to the company.

7. Nomination committee
The company has no nomination committee. The selection of board members complies with the procedures adopted by the Ministry of Trade, Industry and Fisheries for the composition of the boards of wholly-owned companies. The board is elected by the general meeting in accordance with section 20-4(1) of the Limited Liability Companies Act. One board member and one observer are elected by and from among the employees pursuant to the provisions of the Limited LiabilityCompanies Act. Accordingly, the NUES recommendations in this section are deemed inapplicable to the company.

8. Corporate assembly and board of directors: composition and independence
Export Credit Norway has no corporate assembly. Pursuant to Article 6 of the company's articles of association, the company's board shall consist of at least five and no more than seven members, as decided by the general meeting. Members elected by and from among the employees are elected in accordance with the Limited Liability Companies Act and regulations issued pursuant to the provisions of the Limited Liability Companies Act on employees' right to board representation. Other members, including the board chair, are elected by the general meeting. Board members are elected for up to two years at a time.

In 2017, the board consisted of five shareholder-elected members – three women and two men. An employee-elected board member and an employee-elected observer also attend board meetings. Overall, the board consists of four women and three men. The board members possess a broad range of business experience, and the board as a whole thus reflects the company's area of operation and strategic objectives.

The CEO and senior executives at Export Credit Norway are not members of the board. With the exception of representatives elected by and from the employees, all board members are independent of the company and its owner.

The backgrounds of the board members are described in the annual report and on the company's website.

Since the State owns all shares in the company, the NUES recommendation in this section that board members should be encouraged to own shares in the company is deemed inapplicable to Export Credit Norway.

9. The work of the board of directors
The management of Export Credit Norway is the responsibility of the board of directors. The board is mandated to ensure that the company is run in accordance with provisions laid down in or pursuant to legislation, the company's articles of association and general guidelines adopted by the general meeting.

The board normally meets nine times a year. Additional meetings are arranged as needed. Board instructions have been adopted which define, among other things, the respective roles and responsibilities of the board and the CEO and ensure impartiality in the consideration of matters. The board has adopted instructions for the CEO.

The board prepares a plan for its work every year which gives particular emphasis to objectives, strategy and implementation. The board holds an annual strategy gathering. The CEO prepares background materials for these gatherings.

Export Credit Norway has considered establishing an audit committee. The company holds no listed securities and is not required to engage in external reporting other than to the Ministry of Trade, Industry and Fisheries as owner and through the issuance of annual accounts in accordance with the Accounting Act. Moreover, the lending scheme administered by the company is subject to the jurisdiction of the Office of the Auditor General of Norway. The company has also established an internal audit function covering both the lending scheme and the company's operations. The board has therefore concluded that no audit committee is required, and decided that none should be established.

In 2015, the board appointed a remuneration committee comprising the board chair and two other board members (including the employee-elected board member). The employee-elected

Annual Report 2017

board member is independent of company management. The committee deals with matters relating to remuneration and personnel, including gender equality and diversity, incentive schemes and pension conditions for both senior executives and other employees.

The board evaluates its performance and expertise annually.

10. Risk management and internal control
The board has overall responsibility for ensuring that Export Credit Norway has appropriate, effective risk management and internal control systems in place. The company's internal control and risk management system is based on the internationally recognised COSO framework. The company has established a governance model under which the board issues guidance on matters of principle in the area of risk management and internal control. The board defines risk appetite and principles for dealing with risk. Together with risk-adapted internal controls, these measures are designed to provide adequate assurance of target achievement in the following areas, and to minimise the risk of errors:

› Focused, efficient operations
› Reliable financial management
› Compliance with laws and regulations

Detailed policies on implementation of the board's guidance are approved by the CEO and implemented in each individual unit. The risk management and internal control framework divides the company's operations into difference process areas, each of which has its own policies, procedures and guidelines setting out framework conditions for risk management and internal control in the process area in accordance with board guidance. The board adopts ethical principles, including the company's values and guidelines on ethical conduct and social responsibility. The board also adopts risk management principles, including board guidance on internal control, risk management and compliance.

11. Remuneration of the board of directors
Board remuneration is set by the general meeting. Remuneration is not performance-linked. Board members, and companies with which they are associated, have not accepted specific assignments for the company in addition to the board appointment. Separate remuneration has been set for work done for the remuneration committee. The remuneration received by each board member is detailed in a note to the annual accounts.

12. Remuneration of executive personnel
Export Credit Norway follows the state guidelines of 15 February 2015 relating to salary and other remuneration paid to senior executives in undertakings and companies in which the State has an ownership interest. Pursuant to Article 9 of the articles of association, the board prepares an executive remuneration statement as required by section 6-16a of the Public Limited Liability Companies Act, which is considered at the company's ordinary general meeting. A detailed overview of remuneration paid to senior executives is provided in a note to the annual accounts.

Export Credit Norway has a performance-related remuneration programme for all employees. The programme is not linked to value creation for shareholders or the company's earnings performance, since the company does not generate ordinary revenues. The maximum achievable individual payment is capped at 1.5 times the regular monthly salary. The performance-related remuneration programme is subject to annual review, and the cap is set by the company's board. Performance-related remuneration is set based on an overall assessment and criteria which an employee can influence and which relate to the company's objectives, performance and conduct in specific areas (as defined at the beginning of each year). The company's objectives are operationalised in the form of scorecards intended to support the objectives set by the owner. The scheme is the same for all employees.

13. Information and communications
Export Credit Norway is wholly owned by the Norwegian State. Securities legislation and other regulations relating to the equal treatment of participants in the securities market are thus inapplicable. Accordingly, no financial calendar has been prepared for the company. Export Credit Norway publishes information on received applications, lending figures and the order book quarterly on its website.

The NUES recommendation concerning guidelines on company contact with shareholders other than through general meetings is deemed inapplicable to Export Credit Norway.

14. Take-overs
Export Credit Norway's articles of association provide that the shares in the company may only be owned by the Norwegian State as represented by the Ministry of Trade, Industry and Fisheries. Accordingly, the NUES recommendations in this section are deemed inapplicable to the company.

15. Auditor
Export Credit Norway has an independent external auditor elected by the general meeting. The auditor attends board meetings at which the board considers the annual accounts and reviews any material changes to the company's accounting principles, accounting estimates and any material points of disagreement between the auditor and the administration.

The board and the auditor hold at least one meeting a year which is not attended by the CEO or other members of the company's executive management.

The board has adopted guidelines on the ability of the company's executive management to engage the auditor to perform non-audit services.

The board informs the general meeting of the auditor's remuneration, split into fees for audit and non-audit services.

Visiting address
Hierornymus Heyerdahls gate 1
Fifth floor, 0160 Oslo, Norway
Entrance in Otto Sverdrups gate

+47 22 31 35 00
eksportkreditt.no

Postal address
Export Credit Norway AS
P.O. Box 1315 Vika
0112 Oslo, Norway