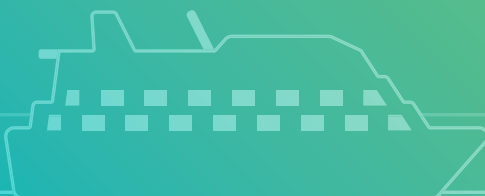
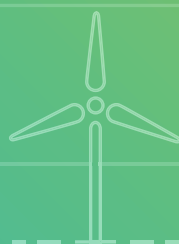
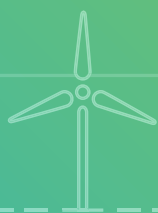
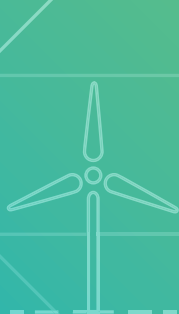


# GIEK



## Annual report 2018



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# GIEK is the Norwegian Export Credit Guarantee Agency (GIEK)

GIEK provides long-term guarantees that encourage Norwegian industry to take part in more international trade and export. On behalf of the Norwegian state, we provide guarantees on commercial terms for loans, investments and product deliveries. These guarantees are given to Norwegian companies, their international buyers and banks.

GIEK is a public-sector enterprise that reports to the Ministry of Trade, Industry and Fisheries (MTIF) and is also subject to international rules and agreements governing export credit agencies.

GIEK is a supplement to private financial institutions and is required to break even financially in the long run. GIEK issues export guarantees, power purchase guarantees, guarantees for shipbuilding at Norwegian yards and guarantees for the purchase of ships from Norwegian shipyards for use in Norway.

*This report is a translated and abbreviated version of GIEK's annual report to the MTIF.*

# Main figures

- 2018



**155**

new guarantees

**32**

countries

**14**

billion NOK

These are the overall main figures for 2018. Guarantees are issued under five separate guarantee schemes, see tabel 1 and the *Annual accounts*.



**1** billion NOK  
in profit

- as of 31.12.2018



**1.5**  
billion NOK  
in guarantee  
premiums and  
fee revenues all  
schemes



**8.4**  
billion NOK  
in provisions and  
impairments



**2.9**  
billion NOK  
paid out under the  
guarantee schemes



**88**  
billion NOK  
in outstanding  
guarantee  
liabilities



**181**  
offers of  
guarantees

**36**  
billion NOK

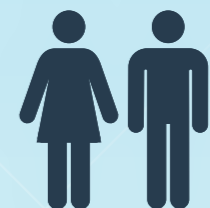


**445**  
current  
guarantees

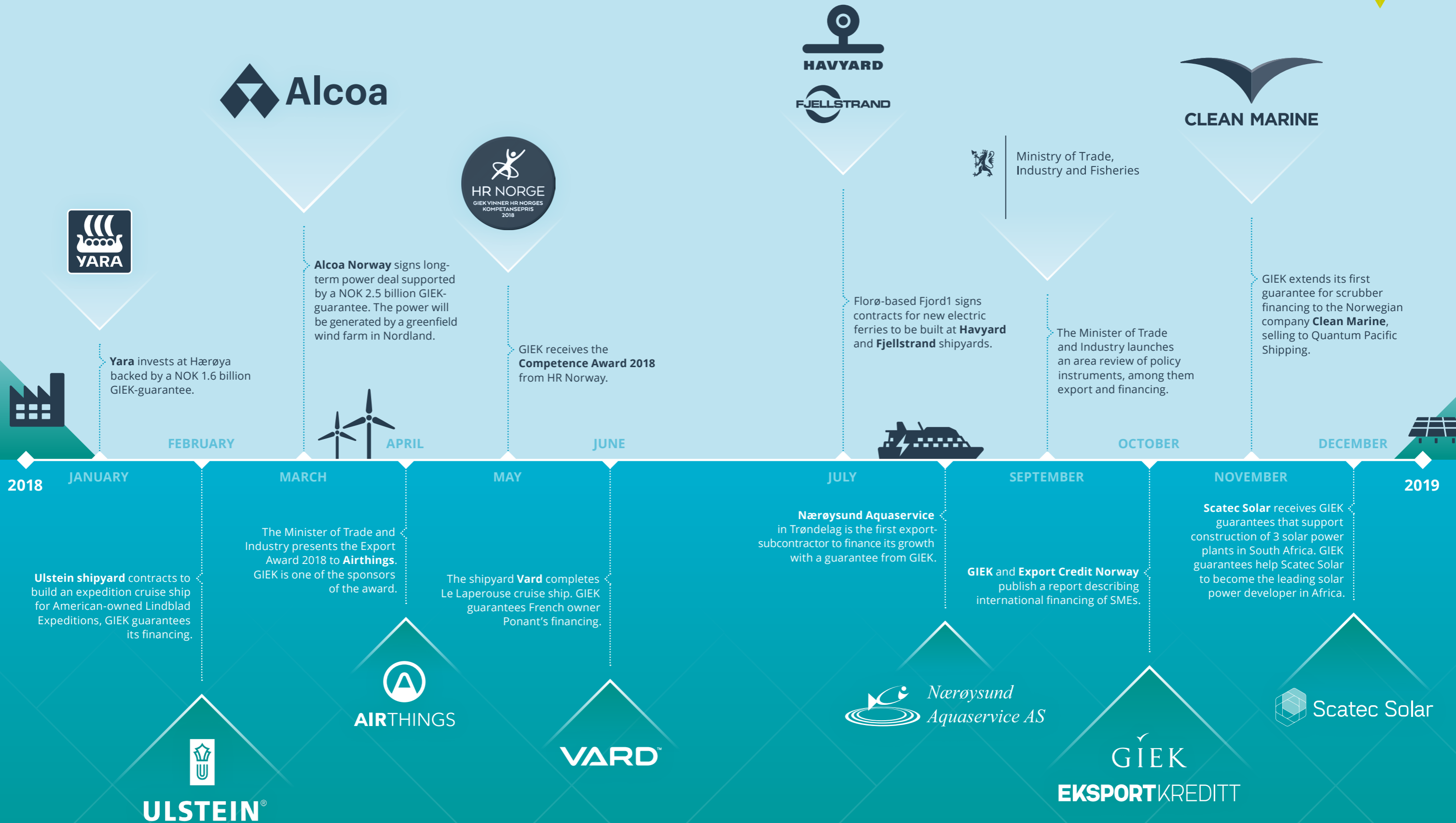


**177**  
applications  
for guarantees

**47**  
billion NOK



**94**  
employees





«We look forward to helping more enterprises throughout Norway in 2019!»

Photo: Sturlason

Chief Executive Officer's foreword:

## From Norway to the world

*Norway's industry is changing and GIEK is entering new markets together with Norwegian companies. New customers are using the wide range of guarantee solutions available from GIEK. Demand in 2018 was distributed on many industries, while remaining oil and gas export contracts comprise the largest segment in our guarantee portfolio.*

Nærøysund Aquaservice in Trøndelag county, together with its banking connection Sparebank 1 SMN, was a typical GIEK customer in 2018. The bank helped its corporate customer to buy two Norwegian-built workboats for the export-oriented aquaculture industry. GIEK's loan guarantee for export-related investments in Norway has increased the bank's lending capacity so that small and medium-sized enterprises can take steps leading to more Norwegian exports.

### **New markets and Norwegian exports**

In 2018, most of our work on new cases involved the maritime sector, such as the fisheries, cruise, aquaculture and green ship technology industries, and renewable energy sector, for example the solar and wind power industries. We expect these sectors to comprise a larger part of GIEK's guarantee portfolio in future. Some companies have come directly to us, while others have contacted us via their banks. GIEK prioritises collaboration with banks, since we are a supplement to, and share the risks with, these institutions. GIEK's guarantees mean that the banks can lend more money and are better able to help Norwegian companies.

GIEK sees that export financing is a normal part of the competition for contracts, especially in international shipbuilding. Over the past couple of years, specialised cruise ships and passenger vessels have become an important market for Norwegian shipyards, and GIEK, together with international banks, contributes to the long-term financing of the shipyards' customers in this segment. Our building-loan guarantees also play a key role in the shipyards' transition from the oil service industry to new markets.

### **Better known - more accessible**

GIEK is continuing to simplify and digitalise its customer service activities and make them more efficient. This is not least important due to the steadily increasing number of inquiries from small and medium-sized enterprises. GIEK and Export Credit Norway have submitted a report to the Ministry of Trade, Industry and Fisheries on the lessons learned from other countries' export financing institutions' work with small and medium-sized enterprises.

GIEK looks forward to contributing to the area review of the business-oriented policy instrument system that will be conducted in 2019. It is important that users, both large and small export companies, experience their contact with the many government agencies as clear, easily accessible and seamless.

The wide diversity of applications indicates that more and more enterprises know about GIEK and what we can do to promote exports, investments, value creation and employment. We have nonetheless increased our marketing in order to provide information about our entire range of guarantees and to attract the attention of even more enterprises that may benefit from using us.

### **GIEK's expertise**

Oil companies increased their investments from a low level in 2018, and over time that will mean a higher level of activity for shipowners, shipyards and the supplier industry. However, there are still considerable challenges relating to overcapacity and the poor debt-servicing ability of shipowners in the offshore-service sector.

We are continuing to work on restructurings and have gained a lot of expertise. As CEO, I am proud of how our employees have handled and learned from the restructurings that GIEK has been part of. Together with our board of directors, and in close dialogue with banks, financial institutions and law offices, we have undergone a learning process involving complex restructurings and active recovery work. We have obtained confirmation that our risk and credit assessments are of high quality.

HR Norge (an independent membership organisation) gave GIEK its Competence Award in 2018. We were rewarded for the journey developing our competence for the past 10 years in general, and especially the last four years in the wake of the oil downturn. The award shows the results of us placing expertise-development high on our agenda.

### **Sustainability**

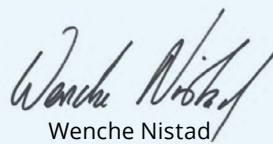
The projects' possible effects on environmental and social factors are important elements in GIEK's credit assessments, together with the issue of anti-corruption. In several areas, our sustainability principles and routines go further than our international obligations.

GIEK is a member of a group appointed by the UN to ensure sustainable industry in sea areas and to achieve Sustainable Development Goal 14 regarding life under water.

We contribute our own experience of setting and following up standards in the financial and shipyard sectors.

We look forward to helping more enterprises throughout Norway in 2019!

Oslo, 22nd of March, 2019



Wenche Nistad

Chief Executive Officer

# Report of the Board of Directors

*GIEK helped to trigger export contracts for many firms in 2018. GIEK's range of products is expanding and we see that the industries benefitting from GIEK to win export contracts are increasingly diverse. Collaboration with banks and the rest of the policy instrument system has been important and helped to make our products better known in the market.*

GIEK's objective is to contribute to Norwegian exports, value creation and employment. GIEK is one of several instruments for ensuring that the government achieves its objective of having the largest possible overall value creation in Norwegian economy within sustainable frameworks. In the Board's view, GIEK fulfilled its objective in 2018 and reached the aims and priorities set by the Ministry of Trade, Industry and Fisheries in the allocation letter.

## Competitive

International politics became more unpredictable in 2018 and this increases the risk involved in international trade. A state-run, predictable, export-financing service is an important tool for strengthening the exporters' competitive ability and thus triggering exports. GIEK's export guarantees are part of trade-promoting global regulations in which export credit agencies both collaborate and compete to increase exports. In many industries, public export financing is often crucial for bank financing, contracts and the realisation of projects.

The Board believes that GIEK's guarantees are competitive. Our products now cover a large part of the value chain – including loan guarantees linked to investments in means of production for the export of goods, building loans to the shipbuilding industry, contract guarantees and loan guarantees for export financing. We also provide guarantees for the fulfilment of power contracts. Our product range has widened over the past few years and we see that this meets our exporters' needs. A good example is our loan guarantee for export-related investments in Norway, introduced by the government in the summer of 2017. This guarantee covers the financing of a company's investments in means of production in Norway in order to increase the company's export capacity. GIEK's risk is shared with the banks. The guarantee is also suitable for subcontractors, which are often several small and medium-sized enterprises.

At the end of 2018, GIEK had outstanding guarantee liabilities of NOK 1.6 billion linked to loan guarantees for export-related investments in Norway. We also note that contract guarantees are increasingly a prerequisite for obtaining export contracts. GIEK takes part as a guarantor linked to advance payments and the fulfilment of contracts and during the guarantee period. Our participation increases the banks' risk capacity so that export contracts are not prevented by a lack of guarantees.

Guarantees for a total of NOK 14.4 billion were issued in 2018 (NOK 11.8 billion in 2017) and Norwegian exporters were given offers worth a total of NOK 36 billion (NOK 15.9 billion in 2017). We received new applications for a total of NOK 47 billion (NOK 38.6 billion in 2017).

Our product range has expanded and the demand for this shows it meets exporters' needs. Within the frameworks of international regulations, we will regularly assess how we can meet exporters' future needs too.

## A wider range of guarantees and broader guarantee portfolio

We see that more industries and a wider range of enterprises want our products. This is a result of targeted marketing work together with the other players in the policy instrument system – primarily Export Credit, GIEK Kredittforsikring and Innovation Norway. Closer collaboration with the banks has also helped our services to become known to more customers. Meetings have been held with banks throughout Norway. Clusters, business associations and other networks are also used to reach more company managers and bank advisors in order to ensure that our products are well known. This work will continue in 2019.



## 1. Report of the Board of Directors

An important example of new products is a temporary scheme involving guarantees for the purchase of ships built at shipyards in Norway for use in Norway, launched in 2018. The first guarantees under this domestic ship guarantee scheme were for building several battery-driven ferries. This scheme is particularly relevant when financing new environmentally friendly Norwegian ferries, fish carriers and fishing vessels, and is provided by both GIEK and Export Credit Norway.

The Norwegian parliament (Storting) increased the limit for the building loan guarantee scheme from NOK 5 billion to NOK 7 billion in connection with the revised national budget in 2018. This was important so that GIEK, together with the banks, could continue to help the shipyards in their transition to new vessel types. For example, Norwegian shipyards had cruise contracts worth more than NOK 10 billion at the last year-end. The building of new ship types has put pressure on the shipyards' profitability but is crucial in order to retain Norway's unique knowledge environment, including the large subcontractor industry's activities and expertise. At the year-end, the building loan guarantee scheme had outstanding liabilities of NOK 3.7 billion and applications for an additional NOK 1.2 billion.

The power purchase guarantee scheme was first used in 2017 and GIEK issued several guarantees in 2018. This scheme is indirectly linked to exports and in 2018 it ensured long-term contractual conditions for large, sustainable power developments. Long-term power contracts are important for power-intensive industries. Current contracts are linked to the development of wind power. At the year-end, the scheme had outstanding liabilities of NOK 4 billion.

GIEK's strategy is to be more willing to help projects involving an environmental/climate gain and renewable energy. We see positive developments in both applications and the portfolio. The financing of battery-driven ferries and solar and wind power is an important part of our portfolio. A prerequisite for us providing a guarantee is that the projects must meet our strict requirements regarding social factors and that we see no traces of corruption.

### Activities and results in 2018

The guarantee portfolio's main figures at the year-end show:

- ♦ outstanding guarantee liabilities of NOK 88 billion (*NOK 91 billion*)
- ♦ 177 new applications for guarantees totalling NOK 47 billion (*179 applications for NOK 39 billion*)
- ♦ 181 new offers of guarantees totalling NOK 36 billion (*160 offers of guarantees for NOK 16 billion*)
- ♦ 155 issued guarantees totalling NOK 14 billion (*158 guarantees for NOK 12 billion*)

At the year-end 2018, our guarantee portfolio had a lower concentration risk linked to oil and gas than before. The oil and gas exposure now equals 66 per cent of the outstanding liabilities, a reduction from 79 per cent in 2017. Changes to the Norwegian export industry and the fact that new guarantees are generally for industries other than oil and gas are the primary reasons for this. In addition, many loans and guarantees have been redeemed. New guarantees for the oil and gas industry equalled 76 per cent of the volume in 2016, 27 per cent in 2017 and zero per cent in 2018. New guarantees have been provided to the renewable energy, cruise, other shipping, seafood and process industries.

GIEK's risk assessments, loss provisions, recovery after amounts drawn on guarantees and liquidity forecasts indicate that all the guarantee schemes will break even over time. The board is therefore of the opinion that GIEK will not require the Norwegian state to contribute liquidity during the term of the portfolio.

GIEK's administrative expenses were NOK 184 million in 2018 compared to a budgeted NOK 188 million. The board focuses on GIEK managing its portfolio and making its offers known in an effective manner. In our view, the administration's use of resources is efficient and well suited to this public-sector enterprise's tasks and challenges. A comparison with similar Nordic export credit agencies confirms this.

### Loss provisions, restructurings and temporary ownership

GIEK's annual results are greatly affected by changes to the loss provisions for guarantee liabilities and receivables. The loss provisions are subject to half-yearly assessments by the Board. These assessments include both individual companies and groups of companies. The accumulated loss provisions at the end of 2018 equalled NOK 8.4 billion, an increase of NOK 734 million compared to 2017.

## 1. Report of the Board of Directors

In the Board's view, GIEK's loss assessments are conservative but realistic and the loss provisions reflect the level of risk in the guarantee and receivables portfolio. The loss assessments are partly based on various scenarios for the future cash flow to service underlying loans. Despite thorough assessments of both individual companies and groups of companies, there is a risk that the loss provisions may change over time. GIEK can use bank deposits and credit authorisations granted by the Norwegian parliament (Storting), see the balance sheet and note 6 to the guarantee scheme accounts. The total bank deposits were slightly reduced at the year-end 2018 as a result of payments under guarantees. In a few cases, GIEK has redeemed the entire loan as a loss-reducing measure. In 2018, one borrower paid a considerable receivable and this improved liquidity and had a positive effect on the general guarantee scheme's accounts as a result of the reversal of loss provisions.

GIEK carries out thorough work to monitor its portfolios, follow up defaulted-on commitments, implement restructurings and recover losses.

The Board is confident that, in future restructurings, GIEK will continue to be a solution-oriented party that does not unfairly discriminate. It is important that GIEK tries to minimise the state's losses and at the same time ensure long-term sustainable solutions for industry. GIEK wants restructurings to help safeguard Norwegian specialist expertise and systemic values and establish a better, robust market balance. In some cases, GIEK has become a temporary owner in order to safeguard the state's assets. This is described in chapter 3, and in the Board's comments on the guarantee schemes' accounts with notes in chapter 6.

### **GIEK is to mean more to more parties**

In order for GIEK to fulfil its social responsibilities, we want our offers to be well known in all relevant industries. In 2018, GIEK strengthened its work in the market. This will continue in 2019, with targeted marketing and a more systematic dialogue with exporters in various industries. GIEK is dependent on close cooperation with banks to make its offers known in an effective manner throughout Norway. GIEK will continue to analyse and assess new markets in order to support Norwegian investments and exports.

The Board wants GIEK to continue to exercise its social responsibilities and place emphasis on good sustainability analyses when considering the issuance of guarantees. In the same way, the Board is satisfied that GIEK has good corporate governance, internal controls and compliance. Routines, work processes and quality assurance are assessed regularly.

The guarantees mean a lot to the exporters and sub-contractors. The total benefit to society of GIEK's guarantees is discovered each year through customer surveys combined with public statistics and analyses. According to Menon Economics, GIEK's guarantees trigger economic activity and thus contribute to employment and value creation in Norway. Menon's surveys show that GIEK achieves a good level of customer satisfaction and that an important reason for using GIEK's guarantees is that they free up lines of credit with commercial banks.

The guarantees' effects on users and society was also a topic when GIEK and Export Credit Norway AS were evaluated in 2017/2018. These evaluations stated that GIEK's and Export Credit Norway's schemes make a significant contribution to increased Norwegian exports and act as a supplement to the private market. This is also the Board's view.

The Minister of Trade and Industry has stated that the overall policy instrument system for financing and exports should be clearer from a user perspective and more effective. In this context, an area review of the policy instrument system has been initiated and is expected to produce positive effects for users, especially small and medium-sized enterprises. The Board wants exporters to experience an adaptable and user-friendly GIEK and clearer policy instruments. Together with the other players, work is constantly being carried out to increase the understanding of, and simplify access to, the policy instruments. An overall review of the business-oriented policy instrument system and GIEK may further assist in this work and we will contribute resources to the review in 2019.

The Board is satisfied that GIEK is working on digital solutions that can simplify and improve collaboration with companies and banks and make it easier for small and medium-sized enterprises to contact GIEK. In addition, GIEK is trying to improve the efficiency of its internal operations by implementing digital solutions.

## 1. Report of the Board of Directors

The Board has a great focus on sustainability and anti-corruption issues being integral parts of GIEK's credit assessment and on GIEK actively working to achieve the UN Sustainable Development Goals.

The Board is responsible for the company's internal controls and regularly reviews compliance with legislation, guidelines, routines and internal-control reports. The internal auditor's review of processes helps the Board in its assessment of process quality, vulnerabilities and internal controls. The Board notes that the internal auditor has among other things reviewed compliance with the new schemes' regulations and routines, and in addition that the ethical rules are known, understood and complied with. The internal auditor's reviews confirmed that GIEK has robust processes and no serious non-conformances were revealed. The internal auditor's recommendations are followed up continuously.

The Board wishes to thank GIEK's employees, who do an important job to promote exports, value creation and employment in Norway. The Competence Award shows that purposeful efforts to develop expertise are being made in all key areas. We also see that our employees play an active role in the changes taking place in the oil and gas supplier industry. We want to find long-term, sustainable solutions that meet an important business-development need while also respecting creditors' rights.

2018 was an active year for GIEK's Board too, involving meetings with business partners in Paris, visits to clusters and companies at Raufoss and Gjøvik and meetings with customers in Austevoll. It is important to the Board to meet existing and new customers in order to hear about and learn from their views on challenges and opportunities and what GIEK can contribute. Through the administration and the Board's dialogue with customers, we make sure we meet exporters' needs and that developments also meet future requirements.

Oslo, 22nd of March, 2019



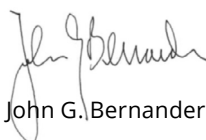
Karin Bing Orgland  
Chair



Torfinn Kildal  
Deputy chair



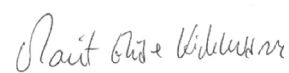
Arve Bakke



John G. Bernander



Nina Udnes Tronstad



Marit E. Kirkhusmo



Margrethe Hauge



Martin Sommerseth Jaer



Wenche Nistad  
Chief executive officer

# Introduction

## Guarantees

### Reduce risk and promote exports

GIEK's main purpose is on behalf of the Norwegian state to issue guarantees that promote exports and investments in Norwegian export companies. These guarantees reduce the risk for exporters, buyers or banks in connection with an export transaction. This strengthens the exporter's competitive ability and provides stronger incentives to enter into contracts.

### Adapted to Norwegian exporters

The guarantees are adapted to Norwegian export companies' and foreign buyers' needs, and are a supplement to the private finance market. GIEK can reduce both commercial and political risks. By commercial risk is meant the risk relating to a private buyer either going bankrupt or being unable to pay for other reasons.

By political risk is meant the risk of a public-sector buyer refusing to pay or of war, expropriation or other acts on the part of public authorities preventing payment.

Investment guarantees only cover political risk. GIEK has a duty of confidentiality regarding applications, offers of guarantees and developments in issued guarantees. Issued guarantees are published on [giek.no](http://giek.no).

### Competitive offers

GIEK is to provide offers that are competitive compared to those of foreign export credit agencies. Most countries that have capital goods exports of any size offer public guarantees that reduce the exporters' and financial institutions' risks involved in long-term export credits. GIEK provides guarantees for exports to countries worldwide.

## GIEK's role as a creditor

In 2018, there were still considerable challenges linked to overcapacity and a weak ability to service debt on the part of shipping companies in the oil-service ship and equipment sector, and GIEK took part in several restructurings.

GIEK has been assigned responsibility for safeguarding the state's assets subject to the mandate and authorisations granted by the Norwegian parliament (Storting) in the allocation letter from MTIF. GIEK participates in financing on the same terms as the banks. All owners and creditors must accept losses in relation to their positions and exposure.

Right from the start of the downturn in 2014, there has been strong concern about whether the restructurings of oil-service shipping companies would weaken the maritime cluster. GIEK is to be a solution-oriented party that, along with safeguarding the state's assets, works to find long-term and sustainable solutions for the industry.

In some cases, GIEK has become a temporary owner to safeguard the state's assets, but there were no new temporary ownerships in 2018, and on the contrary GIEK sold all its shares in some companies. In 2018, GIEK was bought out of a major commitment in connection with debt-settlement proceedings and this had a positive effect on the results.

## 2. Introduction

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

# The year's activities and results

## Overall assessment of the activities, results and use of resources

The Board considers that GIEK has fulfilled all the significant aims and performance requirements stipulated in the allocation letter.

- ♦ GIEK has a competitive range of guarantees and notices increased demand from new industries and for more of GIEK's guarantee solutions.
- ♦ GIEK conducts sound assessments of credit risks, environments and social and anti-corruption factors.
- ♦ GIEK's liquidity position is good and the Board believes the guarantee schemes will break even in the long run.
- ♦ GIEK's administration is competent and manages the guarantee schemes efficiently.

## Distribution of industries

Oil and gas is still the dominant industry in GIEK's guarantee portfolio, accounting for 66 per cent of the outstanding liabilities at the end of 2018 compared to 79 per cent in 2017, leading to a reduction in GIEK's concentration risk linked to oil and gas.

Applications to GIEK from other industries and for other guarantee solutions has increased, including for more guarantees for more types of ships and ship equipment. GIEK can provide guarantees for loans for ships bought from Norwegian shipyards and loans to shipping companies for ships built abroad with Norwegian equipment (buyer credit guarantees under the general guarantee scheme), loans to Norwegian shipyards to finance ships during the building period (building loan guarantee scheme) and loans to buy ships that are to be built and used in Norway (domestic ship guarantee scheme).

Table 1. Main figures for all schemes in 2018 (MNOK)

Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Outstanding guarantee liabilities	Unutilised bond exposure limit	Bound under the exposure limit	Guarantee exposure limit
General guarantee scheme	40,130	31,022	28,647	33,333	7,092	77,160	886	110,493	145,000
Old general guarantee scheme (being phased out)						4		4	
Reinsurance of GK under general guarantee scheme (AGO)						436		436	
<b>Total bound under the exposure limit for AGO</b>	<b>40,130</b>	<b>31,022</b>	<b>28,647</b>	<b>31,580</b>	<b>8,845</b>	<b>79,352</b>	<b>886</b>	<b>111,818</b>	<b>145,000</b>
Building loan guarantee scheme	2,782	1,204	1,578		1,790	3,695		3,695	7,000
Power purchase guarantee scheme	2,443		4,772		3,294	3,977		3,977	20,000
Developing countries guarantee scheme		632		235		540		775	3,150
Domestic ship guarantee scheme	1,283	129	1,154	683	471	471		1,154	10,000
<b>Total</b>	<b>46,638</b>	<b>32,987</b>	<b>36,151</b>	<b>32,498</b>	<b>14,400</b>	<b>88,035</b>	<b>886</b>	<b>121,419</b>	<b>185,150</b>

### 3. The year's activities and results

The Norwegian parliament increased the exposure limit for the building loan guarantee scheme from NOK 5 billion to NOK 7 billion in connection with the revised national budget in 2018. An important example of new products is the trial scheme for guarantees for the purchase of ships from shipyards in Norway for use in Norway, which was launched in 2018. The new scheme is particularly relevant for financing new, environmentally friendly Norwegian ferries, fish carriers and fishing vessels. The first guarantees under the domestic ship guarantee scheme were for the building of several battery-driven ferries.

GIEK's guarantee portfolio is linked to 286 offshore, shipping, fisheries and cruise vessels. Most, 248, are offshore vessels. GIEK also has receivables linked to seven vessels.

GIEK is seeing an increase in both the number of and amounts relating to applications from the seafood industry – regarding both the export of Norwegian capital goods and services used in the fish-farming and fisheries industries and financing for Norwegian exporters and their sub-contractors in Norway.

The power purchase guarantee scheme was first used in 2017, and several guarantees were issued in 2018. Power purchase guarantees ensure that contracts are won and have been a prerequisite for large sustainable power developments. Although this scheme is not directly export-oriented, we see that long-term power contracts are important for exporters. The outstanding liabilities under the scheme are linked to wind-power expansion.

GIEK's strategy means we go to greater lengths for sustainable and renewable-energy projects, as we did for guarantees for battery-driven ferries and bond guarantees for solar power in 2018.

### 3. The year's activities and results

#### The guarantee portfolio

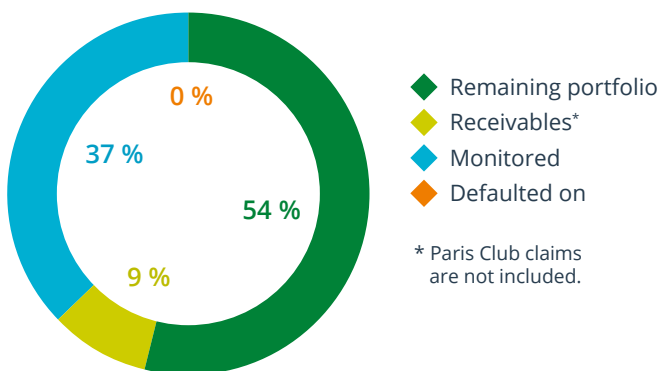
GIEK's guarantee schemes have separate accounts but the sum of the total outstanding guarantee liabilities and offers of guarantees (bound under the exposure limit) under the schemes is NOK 121 billion. Of this, 92 per cent are under the general guarantee scheme. The building loan guarantee scheme and power purchase guarantee scheme each comprise 3 per cent, while the developing countries guarantee scheme and domestic ship guarantee scheme each comprise 1 per cent.

#### Loss provisions

The loss provisions are balance-sheet items and consist of individual and group provisions for outstanding guarantee liabilities as well as impairments of receivables. Changes to these amounts affect the results of the guarantee schemes. See also note on principles (note 1) and note 10 regarding provisions in the fund accounts.

GIEK assesses its loss provisions every half-year based on its knowledge of the market, guarantee portfolio and receivables, as well as on the principles stipulated in the regulations governing the accounting treatment of loans and guarantees in financial enterprises (the Lending Regulations).

Figure 1. Monitored, defaulted on and receivables as a percentage of the guarantee portfolio as at 31 December 2018



GIEK takes a conservative approach to possible problems, and 46 per cent of GIEK's exposure is linked to risk items that are particularly monitored because either the GIEK-guaranteed loans have been defaulted on, there is a higher risk of default, or GIEK has made payments under the guarantees and is thus itself a creditor for the receivable due from the debtor.

If payments are made under the guarantee, the exposure is transferred from guarantee/default to receivables, see also note 12 to the fund accounts.

#### Loss-reducing measures

##### Credit risk

GIEK performs thorough credit and risk analyses of all transactions before issuing any guarantee. During the term of a guarantee, GIEK engages in close dialogue with the customers and banks concerned. Throughout the year, GIEK performs its own assessments of the risk in the portfolio's most vulnerable positions and in the portfolio as a whole. It also conducts separate analyses of trends in relevant segments and markets.

The risk of loss in each portfolio position is calculated using the ratio of the company's cash flow to commitments, the value of the collateral and the customer's ability to service its debt obligations. GIEK assesses the overall risk in the portfolio based on a wide range of research and sources of data.

##### At-risk commitments, defaults and receivables

Experience has shown that it is important to implement measures before the default occurs. Cases with a higher risk of default are therefore followed up at an early stage. An important part of GIEK's work is to clarify the risk and alternative solutions. In connection with this, GIEK takes part (either directly or via advisors) in the negotiations between various interested parties, including debtors, shareholders, potential investors, banks, bond owners and other creditors. GIEK places great emphasis on close collaboration with the banks. GIEK's work on arrear cases aims to ensure that the state avoids losses in so far as possible.

In some cases, however, it is impossible to find solutions that lead to the debtor being able to service the GIEK-guaranteed loans as originally agreed. GIEK must then normally make a full or partial payment under the guarantee. In these cases, too, GIEK actively works to clarify alternative solutions in order to recover amounts and thus safeguard the state's assets in the best way possible.

Relevant instruments are the securing of collateral, the sale of collateral, the conversion of guarantees and receivables into ownership stakes, and negotiations with involved parties in connection with this.

See the figure on last page.



### 3. The year's activities and results

#### Foreign exchange

The portfolio is heavily exposed to foreign currency. Changes in the Norwegian krone's exchange rate have an effect on revenues, outstanding liabilities and loss provisions. The guarantee schemes' direct currency exposure in USD and EUR is a function of value-assessed receivables, bank deposits and provisions made for guarantee liabilities, see note 5.

The currency reserves for guarantees under the general guarantee scheme are balanced if there are major changes in the portfolio, normally in connection with the end of the half-year. The current practice helps to reduce the risk. No corresponding mechanisms have been established for the other guarantee schemes.

#### Management of temporary ownership

GIEK is authorised to acquire and dispose of shares and options for the purpose of covering claims in default and recovery cases, see Roman numeral (budget) decision XV Proposition 1 S (2017–2018) for the Ministry of Trade, Industry and Fisheries. This ownership is to be temporary. The purpose of the authorisation is to give GIEK the freedom of action to safeguard the state's assets in default situations. Since GIEK is a public-sector enterprise and part of the state's legal entity, it is the state that owns shares and options acquired by GIEK in connection with default cases. GIEK has been authorised by the Ministry of Trade, Industry and Fisheries to manage the state's ownership interests in companies in which GIEK acquires shares as a result of default and recovery cases.

GIEK is also authorised to establish and operate a holding company, see Roman numeral (budget) authorisation XVII in Proposition 1 S (2017–2018). The purpose of this holding company is to manage ownership stakes resulting from default and recovery cases under GIEK's general guarantee scheme. However, the holding company must be temporary and is to be wound up when the market situation improves and there are few remaining companies in the portfolio.

These authorisations put GIEK on an equal footing with other parties to negotiations and can strengthen the group of creditors. The authorisations contribute to GIEK's work to safeguard the state's assets in default situations and to reach the aim of the guarantee schemes breaking even in the long run.

Temporary ownership is followed up in accordance with "guidelines for managing companies owned by the Norwegian state as a result of default and recovery cases in GIEK". GIEK organises the temporary ownership of shares in Box Topco AS, which GIEK manages on behalf of the state.

In 2018, Box Topco had full or part ownership of the following companies (ownership stake as at 31.12.2018 in brackets):

- ♦ Box Holdco AS (100 per cent)
- ♦ Skandi Aukra AS (25 per cent)
- ♦ FPSO Invest Designated Activity Company (40 per cent)
- ♦ Solstad Farstad ASA (now Solstad Offshore ASA, 0 per cent)
- ♦ Havila Shipping ASA (0 per cent)

Box Holdco AS also owns 51.75% of the shares in Chalfont Shipping Ltd, which is now an empty company that is to be wound up.

On 28 February 2019, Box Topco AS changed its name to Støperigata Holding AS, and Box Holdco AS changed its name to Støperigata Offshore AS.

# Management and control

*In the Board's opinion, GIEK's management and control system, including the established internal-control system, is satisfactory and contributes to GIEK being able to achieve the aims and priorities stated in the allocation letter. The Board supports the administration's level of ambition for the internal-control work and points out that this ambition must be regularly evaluated based on the prevailing framework conditions and market situation.*

## Measurement of risk

For the past few years, GIEK has actively worked to further develop and implement holistic operational risk management as an integral part of the other processes and in the management of aims and results.

GIEK's internal-audit function complied with the board-approved risk-based year plan for the internal audit in 2018. The projects included GIEK's main processes, such as the guarantee process, new guarantees, IT operations and continuity plans, and compliance with the ethical regulations. In addition, the internal-audit function supported GIEK in its work on credit risk and risk management, and issued independent statements on compliance with EFTA's regulations linked to the power purchase guarantee scheme. The internal-audit function assesses the quality of the risk-management process and the quality and efficiency of the design of routines/processes, and tests compliance with routines/processes. The internal-audit function did not find any significant weaknesses in the internal-control system in the audits it conducted in 2018, but has made some suggestions for improvements that the administration is following up.

The Office of the Auditor General of Norway audits the fund accounts and administrative accounts. The Office of the Auditor General of Norway also assesses GIEK's internal-control system in the audit of the annual accounts and directors' report. No serious weaknesses were identified in the audits of the interim reports or the annual accounts and directors' report for 2018, and the administration has taken note of the suggested improvements.

Based on the established risk-management and internal-control system, GIEK's own evaluation of the current and

future level of ambition and the internal-audit function's and Office of the Auditor General of Norway's assessment of the above, the Board is of the opinion that the internal controls and the administration's work on further developing and reinforcing the internal controls in GIEK are satisfactory.

## Restructuring and default cases

A debtor may be subject to special monitoring if the likelihood of default increases. Cases/debtors that are placed under special monitoring are followed up more closely than ordinary risk items.

Due to the weaker market outlook in the oil-service sector, many of GIEK's customers have requested deferments on their repayments and less severe conditions in the loan agreements. Several of the companies have carried out restructurings involving changes to their debt conditions and repayment structure.

Work on restructurings is demanding and usually involves negotiations with owners and bond investors. The cases vary and the solutions are individual. In the negotiations, GIEK must avoid unfair discrimination and adopts an approach in line with that of the other bank creditors with the aim of reducing the risk of loss through long-term solutions in which all parties to the capital structure contribute.

Although many of the guarantees are based on individual vessels, most of the ship-owning companies are vulnerable to developments in the group of companies as a whole. The guarantees are often linked to a special enterprise established to own the vessel for which a guarantee has been issued. The companies are often linked together through parent company guarantees, cross-security or other mechanisms, so it is natural to assess the companies together.

## 4. Management and control

### Sustainability (environmental and human rights assessment)

GIEK assesses the risk linked to environmental and social factors in the projects in order to ensure that standards and requirements are met. GIEK's policy and procedures are based on the OECD's guidelines for environmental and social due diligence (OECD Common Approaches) and the UN guiding principles for industry and human rights.

More attention is now paid to the enterprise itself considering the risk of a breach of human rights and GIEK has actively supported this. The focus has been on the enterprises' value chains and how best to use management systems to fulfil the requirement of compliance with both international and local laws, and how to limit and avoid any negative effect on the environment and human rights.

The due diligence of the transactions is assessed such that cases which are assumed to contain a high risk relating to the environment and social factors must document that they comply with international standards. These are mainly IFC Performance Standards. Information on these cases is published on [giek.no](http://giek.no).

GIEK stipulates requirements for the working conditions and HSE at foreign shipyards. GIEK conducts independent assessments in line with its owner's guidelines. These assessments are conducted by third-party consultants and/or GIEK. In some cases, GIEK stipulates that conditions at the shipyards must be improved, and that improvement measures must be identified and followed up. Emphasis is placed on a good dialogue with the customers, shipyards and other involved parties.

The risk of corruption is included in the assessment of all guarantee applications. Before the loan is disbursed, exporters and borrowers must provide declarations stating that, to the best of their knowledge, the commercial contract and all factors linked to it are free from corruption. The same applies to the financing of the contract. Other parties, as well as the exporter's and borrower's other commercial operations, may also be assessed and/or checked in order to reduce the risk of corruption existing in transactions in which GIEK is involved.

After a guarantee has been issued, major cases are followed up during the guarantee period.

GIEK complies with prevailing laws and regulations and the OECD Council Recommendation on Bribery and Officially Supported Export Credits, and the risk of a breach of relevant anti-corruption regulations is assessed both by the credit committee and, if relevant, at board meetings.

### Security and emergency preparedness

Thinking about emergency preparedness and work on civil protection are integrated into GIEK's organisation through education, training and communication. GIEK has established an emergency preparedness structure that paves the way for controls, follow-up and reporting. It is clear which function in the organisation is responsible for security and emergency preparedness. GIEK's emergency preparedness plan contains a description of roles and responsibilities and how to handle various emergency preparedness situations (measures card). This plan is updated annually. One emergency training drill was carried out in 2018.

GIEK's data security work is integrated into the corporate governance as part of the strategy work, risk assessments, internal routines, internal audits, regular information on the intranet and training. The data security management system is based on ISO 27001 and guidelines provided in the national data security strategy and action plan and the Agency for Public Management and eGovernment (DIFI) reference catalogue.

GIEK's systems, routines and risk assessments of the core processes are reviewed annually by the internal auditor and the Office of the Auditor General of Norway. The Norwegian National Security Authority (NSM) tested GIEK's penetration in the autumn of 2018 and the recommendations from this test will be used to make any improvements to GIEK's technical solutions and security culture in the years to come.

## 4. Management and control

### Work-related crime

As a public-sector principal and buyer of goods and services, GIEK has a responsibility to combat work-related crime. GIEK's tender documents contain requirements to prevent work-related crime.

In order to ensure that our suppliers comply with laws and regulations, it is stipulated in contracts that suppliers may not have worse pay and working conditions than those which following from prevailing General Application Regulations where such apply, or alternatively nationwide collective agreements. GIEK has assessed its contracts and found that it is relevant to follow this up in its cleaning contract. Our supplier is approved in the Register of Cleaning Companies. It is also contractually stipulated that GIEK is entitled to check working circumstances and conditions.

### Personnel and working environment

GIEK's administration consisted of 94 employees or 90.4 full-time equivalents at the end of 2018 (of whom two employees were on leave).

#### Adjustments to the organisation

With effect from 1 October, GIEK adjusted its organisation and redistributed responsibilities and tasks in the corporate staff and support functions. The guarantee departments were not affected by these organisational changes at this time.

The organisational changes were as follows:

- A strategy and risk advisory department and a department with responsibility for legal and regulatory affairs were established.
- The credit section was closed down and this section's tasks were divided between the research and finance sections.
- A new post was established to take care of digitalisation in GIEK.
- A new post was established to take care of temporary ownership.
- The Chief Credit Officer and corporate governance and compliance section will report directly to the CEO.

These changes were discussed and negotiated on with GIEK's elected employee representatives.

#### Health, safety and the working environment

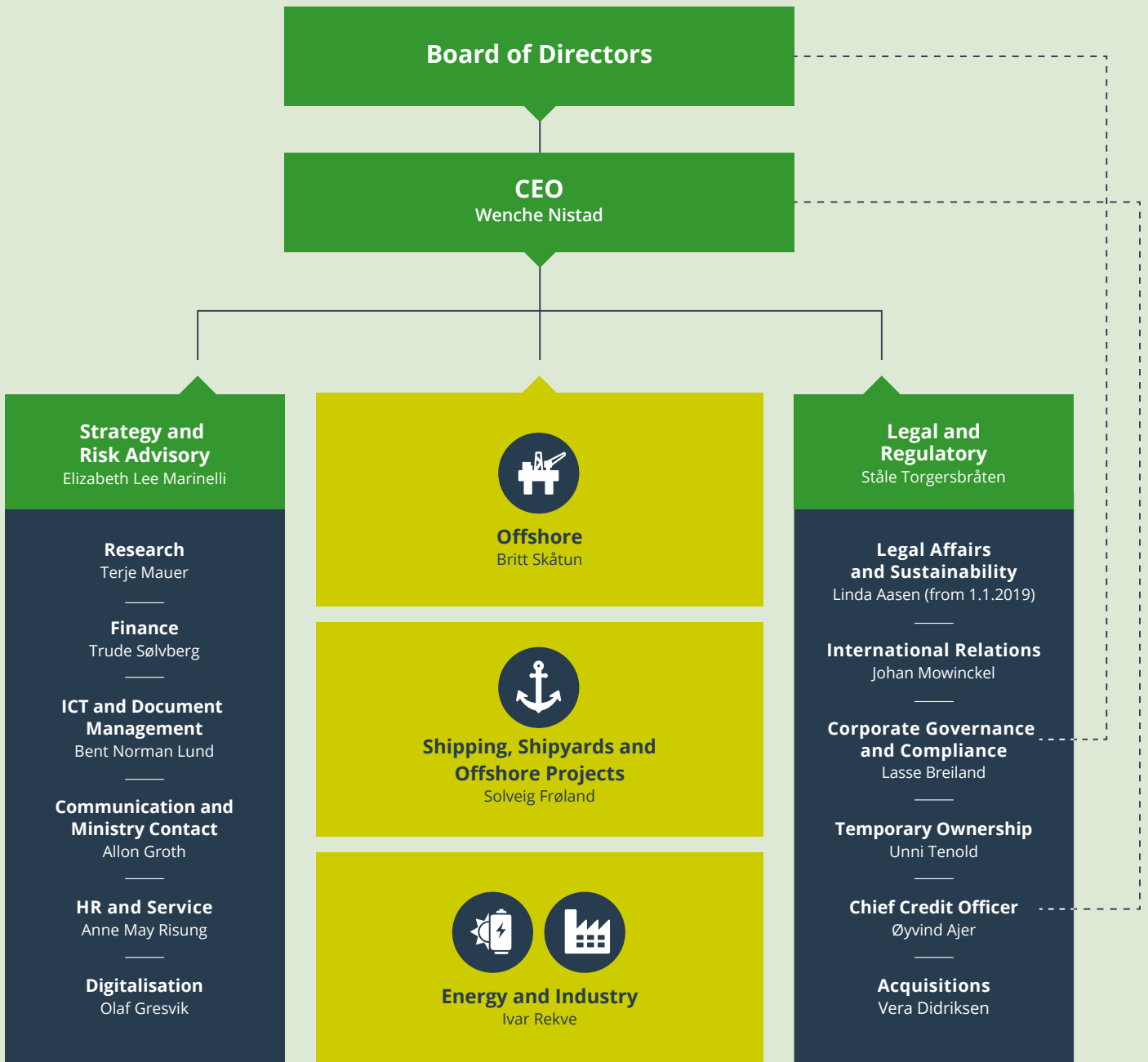
GIEK has safety representatives, a working environment committee, employees' elected representatives and an HR manager as channels to safeguard health, safety and the environment (HSE). We have an established HSE handbook and good notification routines which also include an external whistleblowing channel.

A safety inspection was conducted in the autumn of 2018 in cooperation with GIEK's occupational health service.

No job-related injuries or accidents were reported in 2018.

## 4. Management and control

Figure 2. Organizational chart as of 31.12.2018



# Outlook

*The oil and oil-service sector is still a main part of GIEK's outstanding guarantee liabilities, and developments in this sector will be of great importance to GIEK in the future. We expect increased activity but still an overcapacity of vessels in the oil-service sector. At the same time, we see that the shipyards have succeeded in new markets with battery ferries and specialised cruise ships. The percentage of applications, offers and guarantees outside the oil and gas sector increased in 2018 and is expected to increase further in 2019.*

## Market outlook

### Oil and gas

The oil price was volatile in the fourth quarter of 2018, starting the quarter at more than USD 80/barrel ending the year at USD 60/barrel. GIEK believes this cycle has bottomed out for the offshore service market and expects increased activity in most segments in future. Although the timing of an upturn is still uncertain, GIEK considers that offshore service ships and drilling vessels may see an improvement in their day rates from 2020 to 2022 in line with an increase in the utilisation level. However, one critical prerequisite for this is that the oversupply must be further reduced by phasing out/scrapping. If GIEK is correct about this, shipowners will gradually be able to service debt on the active part of their fleet, unlike in today's situation where they in many cases hardly cover their operating expenses.

The restructurings in the past few years have primarily been financial restructurings of ship-owning companies. As regards vessel values, several entities are now being sold and this is a positive sign. Values seem to have bottomed out and increased activity may be an expression of individual investors' faith in a possible upturn. However, one important factor in the assessment of an individual ship's market value is the need for investments to provide the necessary classification society documentation. This particularly applies to modern ships that have been laid up.

### Vessels and ship equipment

GIEK's outstanding liabilities relating to vessels and ship equipment are to a large extent linked to the oil-service sector, but the percentage of guarantees to other segments, such as ferries, fisheries vessels and cruise ships, increased in both 2017 and 2018.

Norwegian shipyards achieved a strong position in new passenger-ferry market segments, and among other things had cruise contracts worth more than NOK 10 billion at the year-end. The building of new types of vessels has put pressure on the shipyards' profitability, but is crucial in order to maintain Norway's unique competence environment and the level of activity in our large subcontractor industry.

At the same time, new battery ferries are being built and, with the new domestic ship guarantee scheme, GIEK can provide guarantees for loans to buy or carry out major modifications of ships, including the equipment and services for such, provided the ships are wholly or partly built at Norwegian shipyards and are to be used in Norway. This is a three-year trial scheme and GIEK expects increased interest in this and in its other guarantee solutions.

### Energy and industry

GIEK notices increased demand from the aquaculture and seafood industries and expects to issue several new guarantees in 2019 for boats, fish processing and fish-farming, among other things. GIEK has worked purposefully to make the offer of guarantees known through, for instance, meetings with banks and companies.

GIEK contributes to renewable energy through both bond guarantees for solar-power plants built by Scatec Solar and power purchase guarantees for wind-power plants for power-intensive industry. GIEK expects to receive more applications for power purchase guarantees, including in connection with new wind-power projects.

The loan guarantee for export-related investments in Norway, which was introduced in 2017, has proven to meet a need among Norwegian, mainland-based export companies. GIEK is continuing to increase knowledge about this guarantee solution among companies and banks throughout Norway.

### Plans and priorities

In future, GIEK will work purposefully to market GIEK and GIEK's range of guarantees – and thus increase the knowledge about various relevant guarantee solutions in more parts of Norwegian industry. GIEK will do this to achieve the vision in its strategy plan for 2017–2020 "From Norway to the world".

Common to GIEK's roles as an export trigger and creditor is the need for an organisation that is customer-oriented and has the necessary expertise at all times. In the work linked to the restructuring rounds in the oil-service industry, it is important that GIEK safeguards systemic values and the state's total assets and makes sure to retain the expertise built up in GIEK.

GIEK must be up-to-date on other countries' public export-financing services, assess the need for new products, further develop existing products, simplify application procedures and market the guarantees to new and existing customers and their banks. GIEK is actively contributing so that the area review of the industry-oriented policy instrument system will produce the best possible results for its users.

In restructurings, GIEK must be solution-oriented without undue differential treatment. It is important to try to minimise the state's losses and at the same time ensure long-term sustainable solutions for industry that maintain systemic values. GIEK believes it is important to reduce the supply side in the offshore service market in order to allow better earnings in this industry.

# Annual accounts

The Norwegian Export Credit Guarantee Agency (GIEK) achieved an overall good result in 2018. It made a profit of NOK 1 billion on the general guarantee scheme (which comprises 92 per cent of the total outstanding liabilities and granted offers of guarantees). The developing countries guarantee scheme made a profit of NOK 36 million. The building loan guarantee scheme made a loss of NOK 18 million. The power purchase guarantee scheme achieved a profit of NOK 14 million.

## The Board of Directors' comments

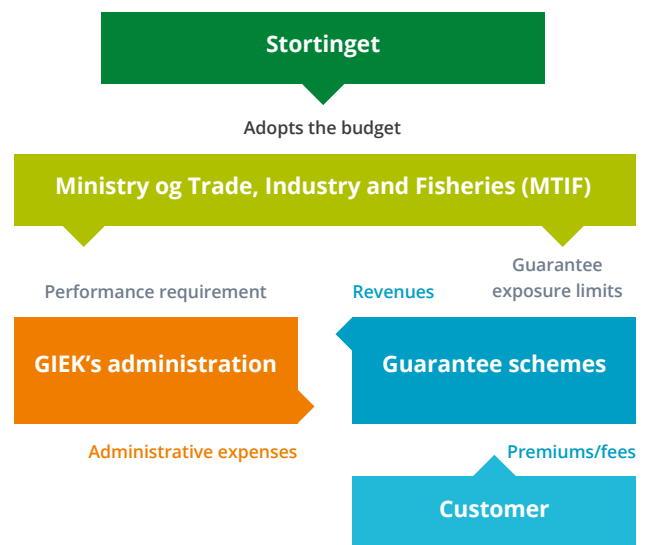
The operations were stable and GIEK has delivered good quality to exporters, buyers, banks and other financial institutions that have requested a broader range of guarantee solutions for more industries. The Board believes that GIEK fulfilled all the requirements stipulated in the allocation letter from the Ministry.

There are still more oil-service vessels in the market than are required, and this means that many of GIEK's customers in the oil-service sector continued to find it difficult to service debt in 2018. GIEK, together with other creditors and owners, participated in some restructuring operations. GIEK's main goal is to safeguard the Norwegian state's assets, avoid undue differential treatment and find long-term industrial solutions together with the enterprises and other financial institutions that are involved.

## Assessment

The annual accounts have been prepared in accordance with state financial management provisions, circulars from the Ministry of Finance and requirements set by the Ministry of Trade, Industry and Fisheries. In the Board's and CEO's view, the accounts provide an accurate picture of GIEK's financial situation and the results of GIEK's operations in 2018.

The administrative accounts show a result that is within the available appropriations and the administrative expenses and transactions that are debited to the guarantee schemes. The guarantee scheme accounts (fund accounts) show the result of the year's activities for the individual schemes and the follow-up of outstanding guarantees and receivables.



## The guarantee scheme accounts (fund accounts)

At the end of 2018, there were total outstanding guarantee liabilities of NOK 88 billion, divided among five active guarantee schemes and two guarantee schemes that are being phased out. The demand for guarantees stretches across a wide range of export market segments.

In GIEK's total outstanding portfolio, exposure to the oil and gas industry still comprises 66 per cent of GIEK's outstanding guarantee liabilities. The Board is pleased that the share of outstanding guarantee liabilities for other industries is growing.

In 2018, GIEK established a temporary scheme to provide guarantees for purchases of ships from shipyards in Norway for use in Norway.

GIEK's outstanding liabilities consist of 445 existing guarantees.



## GIEK's budget and accounts

The guarantee schemes' exposure limits for new and old offers of guarantees and guarantee liabilities are determined annually by the Norwegian Parliament (Storting).

The fund accounts show the various guarantee schemes' revenues and expenses in accordance with the Central Government Accounting Standards (SRS), shown in the accounting principles note for the fund accounts. The expenses of administering the guarantee schemes are debited to the individual guarantee scheme according to a distribution formula that is regularly updated.

Section 7 subsection 1 of the Appropriations Regulations applies to GIEK as a central government public-sector enterprise, and the operations are budgeted gross. The Norwegian Parliament (Storting) determines a limit for GIEK's administrative expenses which is granted over chapter 2460 of the central government budget.

The Office of the Auditor General of Norway is GIEK's external auditor and the auditor's reports are available at [giek.no](http://giek.no)

GIEK complies with the Central Government Accounting Standards (SRS). Since SRS does not have its own accounting principles for loans and guarantee operations, the principles stated in the Loan Regulations are complied with when calculating losses.

### General guarantee scheme

In 2018:

- 139 new guarantees for a total of NOK 9 billion were issued
- 157 guarantees for a total of NOK 29 billion were offered
- 149 new applications for a total of NOK 40 billion were received

As at 31 December 2018, the total outstanding guarantee liabilities and offers of guarantees made (bound under the exposure limit) were NOK 112 billion. 77 per cent of the exposure limit was utilised in 2018.

The scheme had guarantee revenues (guarantee premiums and fee revenues) of NOK 1.4 billion and made a profit of NOK 1 billion.

### *Paid out under the guarantees and receivables*

The way in which GIEK handled provisions for losses on guarantee liabilities and the impairment of receivables is described in the notes to the accounts (note 1).

A total of NOK 3 billion was paid out under guarantees in 2018.

As at 31 December 2018, GIEK had receivables and moratorium claims worth NOK 8 billion.

GIEK tries to reduce its losses using various means, but it is nonetheless likely that some of the receivables will result in a loss to GIEK. Future expected losses are recorded in the profit and loss account through impairments, see notes 12 and 13.

In the restructuring operations, GIEK may convert receivables, earned premiums and interest into shares in order to safeguard assets, the contract basis and, if relevant, operations when this is regarded as financially justifiable. In order to handle GIEK's temporary ownership, a separate holding company has been established, see note 14. GIEK has internal regulations for operationalising the Ministry of Trade, Industry and Fisheries' guidelines on temporary ownership.

GIEK was bought out of a major commitment in connection with debt-settlement negotiations. This improved the results by around NOK 360 million through both interest income and a reduction in the loss provisions.

### Developing countries guarantee scheme

No offers or new guarantees were issued in 2018. As at 31 December 2018, there are outstanding guarantee liabilities of NOK 540 million. A total of NOK 775 million is bound under the exposure limit, and 25 per cent of the exposure limit is utilised.

As at 31 December 2018, there were receivables and moratorium claims worth NOK 46 million.

The scheme made guarantee revenues (guarantee premiums) of NOK 20 million and a profit of NOK 36 million.

## 6. Annual accounts

### Building loan guarantee scheme

In 2018:

- ♦ 9 new guarantees for a total of NOK 1.8 billion were issued
- ♦ 8 guarantees for a total of NOK 1.6 billion were offered
- ♦ 12 new applications for a total of NOK 2.8 billion were received

As at 31 December 2018, the total outstanding guarantee liabilities and offers of guarantees made (bound under the exposure limit) were NOK 3.7 billion. The exposure limit for building loan guarantees was increased from NOK 5 billion to NOK 7 billion in the revised national budget in May 2018 and 53 per cent of the exposure limit (bound under the exposure limit) had been utilised by the end of 2018.

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As at 31 December 2018, the building loan guarantee scheme had receivables of NOK 62 million, see the references to receivables under the general guarantee scheme and in note 12. A total of NOK 78 million was paid out under this scheme's guarantees.

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 61 million and a loss of NOK 18 million.

### Power purchase guarantee scheme

In 2018:

- ♦ 2 new guarantees for a total of NOK 3.3 billion were issued
- ♦ 5 guarantees for a total of NOK 4.8 billion were offered
- ♦ 4 new applications for a total of NOK 2.4 billion were received

As at 31 December 2018, there were outstanding guarantee liabilities of NOK 4 billion, no outstanding offers of guarantees that were binding on the exposure limit, and 20 per cent of the exposure limit had been utilised.

The power purchase guarantee scheme has no outstanding receivables.

The scheme made guarantee revenues (guarantee premiums) of NOK 26 million and a profit of NOK 14 million.

### Domestic ship guarantee scheme

This is a three-year trial scheme with a guarantee exposure limit of NOK 10 billion. 2018 was the first year when GIEK could provide a guarantee for loans to purchase/carry out major modifications of ships that are entirely or partly built at a shipyard in Norway and are to be used in Norway.

In 2018:

- ♦ 5 new guarantees for a total of NOK 471 million were issued
- ♦ 11 guarantees for a total of NOK 1.2 billion were offered
- ♦ 12 applications for a total of NOK 1.3 billion were received

As at 31 December 2018, the total outstanding guarantee liabilities and offers of guarantees made (bound under the exposure limit) equalled NOK 1.2 billion. A total of 12 per cent of the exposure limit was utilised in 2018.

The domestic ship guarantee scheme has no outstanding receivables.

## 6. Annual accounts

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 4 million and a profit of NOK 3 million.

### Old general guarantee scheme (scheme being phased out)

This scheme still had outstanding liabilities of NOK 4 million. The scheme had receivables and moratorium claims worth NOK 179 million.

The scheme made guarantee revenues (guarantee premiums) of NOK 0.6 million and a loss of NOK 3 million.

### Old special scheme (scheme being phased out)

This scheme had receivables and moratorium claims worth NOK 280 million.

The scheme had no guarantee revenues and made a loss of NOK 7.5 million.

The CIS Baltic scheme 1999–2002 was phased out in 2017. In 2018, there was only the closing of accounts and transfer of money to the Ministry of Trade, Industry and Fisheries.

### Administration

GIEK's administrative accounts consist of expenditure on salaries, rent, purchases, etc. GIEK is self-funded in the sense that the individual guarantee schemes cover the administrative expenses in accordance with a pre-defined distribution formula that is regularly updated.

The accounts show administrative expenses of NOK 184 million, compared to a budget of NOK 188 million for 2018. The unspent NOK 3.6 million recorded in the accounts is to a large extent due to the unspent NOK 4.1 million on salaries and personnel expenses, which was offset by an overspend of NOK 0.5 million on operating expenses.

### Salary expenses

There has been an underspend on salary expenses, including overtime, and sick pay has been refunded. The lower salary and overtime expenses result in lower employer's national insurance contributions, pensions and financial activity tax.

Since 1 January 2018, GIEK has complied with the rules governing central government public-sector enterprises regarding the settlement of employer's national insurance contributions and financial activity tax.

### Other operating expenses

There was a total overspend of NOK 0.5 million. This included an underspend on IT operations and agreements, among other things due to the late start-up of the CRM solution. The overspend was especially linked to the marketing of new guarantee solutions and expert help in recruitment and the implementation of an HR system.

Oslo, 22nd of March, 2019



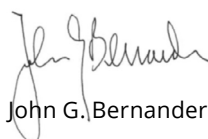
Karin Bing Orgland  
Chair



Torfinn Kildal  
Deputy chair



Arve Bakke



John G. Bernander



Nina Udnes Tronstad



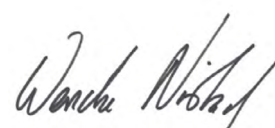
Marit E. Kirkhusmo



Margrethe Hauge



Martin Sommerseth Jaer



Wenche Nistad  
Chief executive officer

## Overview of fund accounts with notes (guarantee scheme accounts)

### Profit and loss account

Amounts in NOK 1 000	Note	General guarantee scheme		Developing countries guarantee scheme		Building loan guarantee scheme		Power purchase guarantee scheme		Domestic ship guarantee scheme		Old general guarantee scheme		Old special schemes		CIS Baltic scheme 1999-2002	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>OPERATING REVENUES</b>																	
Guarantee premiums	3,4,20	1,182,987	1,286,717	19,568	20,654	48,715	41,670	26,182	1,482	1,014	0	576	2,279	0	0	0	0
Fee revenues	3,4	177,594	116,977	0	0	12,324	9,040	0	0	2,905	0	0	0	0	0	0	0
Net change in value and foreign exchange gain/loss	5	24,792	5,231	516	-317	0	0	-351	-621	0	0	4,073	-3,434	241	-337	0	0
Net interest income	6	284,208	122,317	554	428	812	539	93	4	46	0	157	176	18	42	1	138
<b>TOTAL OPERATING REVENUES</b>		<b>1,669,581</b>	<b>1,531,241</b>	<b>20,638</b>	<b>20,766</b>	<b>61,850</b>	<b>51,248</b>	<b>25,924</b>	<b>865</b>	<b>3,964</b>	<b>0</b>	<b>4,806</b>	<b>-979</b>	<b>259</b>	<b>-295</b>	<b>1</b>	<b>138</b>
<b>OPERATING EXPENSES</b>																	
Administrative expenses	7	163,896	154,049	1,610	1,547	7,121	4,749	6,842	1,138	462	0	96	81	39	32	0	15
Reinsurance costs	8	56,934	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other operating expenses	9	2,868	3,421	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATING EXPENSES</b>		<b>223,698</b>	<b>157,470</b>	<b>1,610</b>	<b>1,547</b>	<b>7,121</b>	<b>4,749</b>	<b>6,842</b>	<b>1,138</b>	<b>462</b>	<b>0</b>	<b>96</b>	<b>81</b>	<b>39</b>	<b>32</b>	<b>0</b>	<b>15</b>
<b>PROFIT/LOSS BEFORE PROVISIONS AND IMPAIRMENTS</b>		<b>1,445,883</b>	<b>1,373,771</b>	<b>19,027</b>	<b>19,219</b>	<b>54,729</b>	<b>46,499</b>	<b>19,083</b>	<b>-273</b>	<b>3,502</b>	<b>0</b>	<b>4,710</b>	<b>-1,060</b>	<b>221</b>	<b>-326</b>	<b>1</b>	<b>122</b>
<b>PROVISIONS AND IMPAIRMENTS</b>																	
Net change in individual provisions for guarantee liabilities	10	338,073	1,052,894	0	0	7,150	46,600	0	0	0	0	-14,312	2,941	0	0	0	0
Net change in collective provisions for guarantee liabilities	10	-142,762	-400,474	-15,083	-46,620	0	-35,963	5,353	16,137	0	0	-170	-86	0	0	0	0
Net change in individual claim receivables	12	238,516	273,799	0	0	65,500	0	58	96	36	0	14,968	0	0	0	0	0
Net change in collective claim receivables	12	6,859	967	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in impairment of moratorium agreements	13	-3,886	-3,085	-1,505	-960	0	0	0	0	0	0	-3,640	-2,866	-319	-310	0	0
Net change in shares and temporary ownership	14	3,421	176,435	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>NET CHANGE IN PROVISIONS AND IMPAIRMENTS</b>		<b>440,221</b>	<b>1,100,536</b>	<b>-16,587</b>	<b>-47,581</b>	<b>72,650</b>	<b>10,637</b>	<b>5,411</b>	<b>16,233</b>	<b>36</b>	<b>0</b>	<b>-3,153</b>	<b>-11</b>	<b>-319</b>	<b>-310</b>	<b>0</b>	<b>0</b>
<b>PROFIT/LOSS BEFORE TRANSFERS TO/FROM THE NORWEGIAN STATE</b>	<b>16</b>	<b>1,005,662</b>	<b>273,235</b>	<b>35,614</b>	<b>66,800</b>	<b>-17,921</b>	<b>35,862</b>	<b>13,672</b>	<b>-16,506</b>	<b>3,466</b>	<b>0</b>	<b>7,863</b>	<b>-1,049</b>	<b>540</b>	<b>-16</b>	<b>1</b>	<b>122</b>
Public grants/transfers to the Norwegian state	16,20	-38	0	0	0	0	0	0	0	0	0	-10,900	-10,400	-8,000	-7,100	-32,394	0
<b>RESULTAT AV PERIODENS AKTIVITETER</b>		<b>1,005,624</b>	<b>273,235</b>	<b>35,614</b>	<b>66,800</b>	<b>-17,921</b>	<b>35,862</b>	<b>13,672</b>	<b>-16,506</b>	<b>3,466</b>	<b>0</b>	<b>-3,037</b>	<b>-11,449</b>	<b>-7,460</b>	<b>-7,116</b>	<b>-32,393</b>	<b>122</b>
<b>AVREGNING OG DISPONERING</b>																	
Transferred to/from accumulated capital		1,005,624	273,235	35,614	66,800	-17,921	35,862	13,672	-16,506	3,466	0	-3,037	-11,449	-7,460	-7,116	-32,393	122

## Balance sheet

Amounts in NOK 1 000	Note	General guarantee scheme		Developing countries guarantee scheme		Building loan guarantee scheme		Power purchase guarantee scheme		Domestic ship guarantee scheme		Old general guarantee scheme		Old special schemes		CIS Baltic scheme 1999-2002	
		31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
<b>FIXED FINANCIAL ASSETS</b>																	
Shares	14	46,602	50,024	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL FIXED FINANCIAL ASSETS</b>		<b>46,602</b>	<b>50,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RECEIVABLES</b>																	
Receivables in connection with payments under the guarantee	12	7,837,527	5,334,325	13,567	13,567	62,000	0	0	0	0	0	84,954	66,129	198,314	198,314	0	0
Individual impairment of receivables	12	-2,075,759	-1,779,918	-11,753	-11,753	-62,000	0	0	0	0	0	-50,543	-33,065	-195,544	-195,544	0	0
Collective impairment of receivables	12	-8,542	-983	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receivables, moratorium agreements	13,17	110,184	119,531	32,784	34,228	0	0	0	0	0	0	93,640	102,851	81,991	83,753	0	0
Impairment of moratorium claims	13	-18,184	-18,932	-6,899	-7,129	0	0	0	0	0	0	-17,673	-18,769	-76,857	-77,121	0	0
Other receivables	15	205,738	215,195	3,988	1,859	8,182	9,319	-1,424	8	2,046	0	4,996	1	0	0	0	0
<b>TOTAL RECEIVABLES</b>		<b>6,050,964</b>	<b>3,869,219</b>	<b>31,686</b>	<b>30,772</b>	<b>8,182</b>	<b>9,319</b>	<b>-1,424</b>	<b>8</b>	<b>2,046</b>	<b>0</b>	<b>115,374</b>	<b>117,147</b>	<b>7,904</b>	<b>9,402</b>	<b>0</b>	<b>0</b>
<b>BANK DEPOSITS</b>																	
Bank deposits in NOK		4,966,317	5,369,051	570,299	557,847	137,450	147,084	22,200	1,393	14,802	0	32,120	48,505	4,074	10,036	0	32,393
Bank deposits in foreign currency		523,830	996,644	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL BANK DEPOSITS</b>	<b>6</b>	<b>5,490,147</b>	<b>6,365,695</b>	<b>570,299</b>	<b>557,847</b>	<b>137,450</b>	<b>147,084</b>	<b>22,200</b>	<b>1,393</b>	<b>14,802</b>	<b>0</b>	<b>32,120</b>	<b>48,505</b>	<b>4,074</b>	<b>10,036</b>	<b>0</b>	<b>32,393</b>
<b>TOTAL ASSETS</b>		<b>11,587,713</b>	<b>10,284,937</b>	<b>601,985</b>	<b>588,618</b>	<b>145,632</b>	<b>156,403</b>	<b>20,776</b>	<b>1,401</b>	<b>16,848</b>	<b>0</b>	<b>147,494</b>	<b>165,652</b>	<b>11,978</b>	<b>19,439</b>	<b>0</b>	<b>32,393</b>
<b>ACCUMULATED CAPITAL</b>																	
Accumulated capital																	
Paid-in primary capital, developing countries guarantee scheme	20	0	0	450,000	450,000	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated capital		5,068,204	4,062,580	104,671	69,057	41,882	59,803	-11,685	-25,357	3,466	0	-682,512	-679,475	7,299	14,759	0	32,393
<b>TOTAL ACCUMULATED CAPITAL</b>	<b>16</b>	<b>5,068,204</b>	<b>4,062,580</b>	<b>554,671</b>	<b>519,057</b>	<b>41,882</b>	<b>59,803</b>	<b>-11,685</b>	<b>-25,357</b>	<b>3,466</b>	<b>0</b>	<b>-682,512</b>	<b>-679,475</b>	<b>7,299</b>	<b>14,759</b>	<b>0</b>	<b>32,393</b>
<b>PROVISIONS</b>																	
Individual provisions for guarantee liabilities	10	4,061,862	3,602,979	0	0	103,750	96,600	0	0	0	0	0	14,379	0	0	0	0
Collective provisions for guarantee liabilities	10	1,652,988	1,742,268	28,942	43,149	0	0	22,462	16,758	0	0	119	285	0	0	0	0
<b>TOTAL PROVISIONS</b>		<b>5,714,850</b>	<b>5,345,247</b>	<b>28,942</b>	<b>43,149</b>	<b>103,750</b>	<b>96,600</b>	<b>22,462</b>	<b>16,758</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>14,664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>																	
Debt relief plan, residual amount for settlement	17	0	0	0	0	0	0	0	0	0	0	829,685	829,685	4,080	4,080	0	0
Debt to the MTIF	18,20	0	0	0	0	0	0	10,000	10,000	10,000	0	0	0	0	0	0	0
Deferred income	4	795,447	850,860	18,372	26,413	0	0	0	0	3,382	0	203	779	0	0	0	0
Other liabilities	19,20	9,212	26,249	0	0	0	0	0	0	0	0	0	0	600	600	0	0
<b>TOTAL LIABILITIES</b>		<b>804,659</b>	<b>877,109</b>	<b>18,372</b>	<b>26,413</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>10,000</b>	<b>13,382</b>	<b>0</b>	<b>829,887</b>	<b>830,463</b>	<b>4,680</b>	<b>4,680</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND ACCUMULATED CAPITAL</b>		<b>11,587,713</b>	<b>10,284,937</b>	<b>601,985</b>	<b>588,618</b>	<b>145,632</b>	<b>156,403</b>	<b>20,776</b>	<b>1,401</b>	<b>16,848</b>	<b>0</b>	<b>147,494</b>	<b>165,652</b>	<b>11,978</b>	<b>19,439</b>	<b>0</b>	<b>32,393</b>

## 6. Annual accounts

### Cash flow statement

Cash flow from operations – 2018	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
<b>Receipts</b>								
Guarantee premium revenues	1,195,873	11,588	45,233	26,208	0	-133	0	0
Fee revenues received	129,454	0	12,324	0	6,287	0	0	0
Receivables paid in	544,687	0	12,000	0	0	0	0	0
Interest and dividend income	262,575	554	743	93	46	157	18	1
Other receipts	51,273	1,921	4,687	1,406	-1,032	9,292	2,058	0
<b>Total receipts</b>	<b>2,183,861</b>	<b>14,063</b>	<b>74,987</b>	<b>27,707</b>	<b>5,301</b>	<b>9,316</b>	<b>2,076</b>	<b>1</b>
<b>Payments</b>								
Administrative expenses	163,896	1,610	7,121	6,842	462	96	39	0
Reinsurance expenses	49,102	0	0	0	0	0	0	0
Guarantee costs	31,824	0	0	58	36	0	0	0
Claim receivables	2,771,584	-0	77,500	0	0	14,705	0	0
Claim receivables received in the form of shares	0	0	0	0	0	0	0	0
Other payments	35,758	0	0	0	0	0	0	0
<b>Total payments</b>	<b>3,052,164</b>	<b>1,610</b>	<b>84,621</b>	<b>6,900</b>	<b>498</b>	<b>14,801</b>	<b>39</b>	<b>0</b>
<b>Net cash flow from operations</b>	<b>-868,302</b>	<b>12,452</b>	<b>-9,634</b>	<b>20,807</b>	<b>4,802</b>	<b>-5,485</b>	<b>2,038</b>	<b>1</b>
<b>Cash flow from investment activities</b>								
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financial activities</b>								
<b>Net cash flow from financial activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow associated with transfers</b>								
Disbursals of grants and transfers to others	-38	0	0	0	10,000	-10,900	-8,000	-32,394
<b>Net cash flow associated with transfers</b>	<b>-38</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>-10,900</b>	<b>-8,000</b>	<b>-32,394</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>								
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-7 207</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>-875,548</b>	<b>12,452</b>	<b>-9,634</b>	<b>20,807</b>	<b>14,802</b>	<b>-16,385</b>	<b>-5,962</b>	<b>-32,393</b>
Cash and cash equivalents at start of period	6,365,695	557,847	147,084	1,393	0	48,505	10,036	32,393
<b>Cash and cash equivalents at end of period</b>	<b>5,490,147</b>	<b>570,299</b>	<b>137,450</b>	<b>22,200</b>	<b>14,802</b>	<b>32,120</b>	<b>4,074</b>	<b>0</b>
<b>Reconciliation</b>								
Allocation of profit/loss for the period (to accumulated capital)	1,005,624	35,614	-17,921	13,672	3,466	-3,037	-7,460	-32,393
Change in trade creditor liabilities	0	0	0	0	0	0	0	0
Effect of exchange rate changes	-24,792	-516	0	351	0	-4,073	-241	0
Items classified as cash flow associated with transfers	38	0	0	0	-10,000	10,900	8,000	32,394
Changes in other accrual items	-1,849,172	-22,646	8,287	6,785	11,336	-9,275	1,739	0
<b>Net cash flow from operations</b>	<b>-868,302</b>	<b>12,452</b>	<b>-9,634</b>	<b>20,807</b>	<b>4,802</b>	<b>-5,485</b>	<b>2,038</b>	<b>1</b>

## 6. Annual accounts

### Cash flow statement

Cash flow from operations – 2017	AGO	ULA	BYG	KRA	GAM	SÆR	SUB
<b>Receipts</b>							
Guarantee premium revenues	1,396,165	12,869	36,051	1,482	0	0	0
Fee revenues received	100,846	0	9,040	0	0	0	0
Receivables paid in	758,816	0	0	0	0	0	0
Interest and dividend income	119,879	428	539	4	176	42	138
Other receipts	16,511	3,477	-34	-8	12,511	2,028	0
<b>Total receipts</b>	<b>2,392,216</b>	<b>16,774</b>	<b>45,595</b>	<b>1,478</b>	<b>12,687</b>	<b>2,070</b>	<b>138</b>
<b>Payments</b>							
Administrative expenses	154,061	1,547	4,756	1,139	81	32	16
Guarantee costs	30,443	0	0	96	0	0	0
Claim receivables	2,051,281	0	0	0	0	0	0
Claim receivables received in the form of shares	192,271	0	0	0	0	0	0
Other payments	7,515	0	0	0	0	0	0
<b>Total payments</b>	<b>2,435,572</b>	<b>1,547</b>	<b>4,756</b>	<b>1,234</b>	<b>81</b>	<b>32</b>	<b>16</b>
<b>Net cash flow from operations</b>	<b>-43,356</b>	<b>15,227</b>	<b>40,839</b>	<b>244</b>	<b>12,606</b>	<b>2,038</b>	<b>122</b>
<b>Cash flow from investment activities</b>							
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financial activities</b>							
<b>Net cash flow from financial activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow associated with transfers</b>							
Disbursal of grants and transfers to others	0	0	0	0	-10,400	-7,100	0
<b>Net cash flow associated with transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,400</b>	<b>-7,100</b>	<b>0</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-30,921</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>-74,277</b>	<b>15,227</b>	<b>40,839</b>	<b>244</b>	<b>2,206</b>	<b>-5,062</b>	<b>122</b>
Cash and cash equivalents at start of period	6,439,972	542,619	106,245	1,149	46,299	15,098	32,271
<b>Cash and cash equivalents at end of period</b>	<b>6,365,695</b>	<b>557,847</b>	<b>147,084</b>	<b>1,393</b>	<b>48,505</b>	<b>10,036</b>	<b>32,393</b>

Reconciliation	AGO	ULA	BYG	KRA	GAM	SÆR	SUB
Allocation of profit/loss for the period (to accumulated capital)	273,235	66,800	35,862	-16,506	-11,449	-7,116	122
Change in trade creditor liabilities	12	0	6	0	0	0	0
Effect of exchange rate changes	-5,231	317	0	621	3,434	337	0
Items classified as cash flow associated with transfers	0	0	0	0	10,400	7,100	0
Changes in other accrual items	-311,372	-51,890	4,971	16,128	10,221	1,718	0
<b>Net cash flow from operations</b>	<b>-43,356</b>	<b>15,227</b>	<b>40,839</b>	<b>244</b>	<b>12,606</b>	<b>2,038</b>	<b>122</b>

## 6. Annual accounts

### Notes to the accounts

#### 1) Accounting principles

*GIEK is a public-sector enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) whose objective is to promote Norwegian exports and investments abroad. This is to be achieved by issuing guarantees on behalf of the Norwegian state. As a public-sector enterprise, GIEK submits a separate set of accounts (the administrative accounts) for all administrative and personnel expenses. The administrative accounts form part of the central government budget and accounts.*

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

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

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

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

The annual accounts for the fund schemes consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts.

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

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

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

The accounting treatment of individual items is explained below.

#### Revenues

##### Guarantee premiums

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

Up-front premiums are accrued on a straight-line basis over the term of the guarantee. Guarantee premiums that are regarded as unlikely to be received are not taken to income until payment is received.



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### **Fee revenues**

Fee revenues that exceed direct internal administrative expenses are recognised as income when earned.

The portion of fee revenues that covers administrative expenses is recognised directly.

### **Other revenues**

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

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

Interest income on receivables that are regarded as unlikely to be received are recognised at payment.

Other revenues are recognised when earned.

### **Operating expenses**

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

Reinsurance expenses are accrued over the period covered by the reinsurance. Expenses incurred in 2015-2017 were recognised in 2018, see note 8.

Other operating expenses are recognised when they are incurred.

### **Provisions for guarantee liabilities**

GIEK divides provisions for guarantee liabilities into two categories: individual and collective. Individual provisions reflect the best estimate of what the guarantee schemes could lose on specified individual commitments.

Collective provisions reflect known market conditions or other factors which could result in guarantee scheme losses but have yet to be identified in a particular commitment. The provisions reflect best estimates. The fund accounts adhere to the Lending Regulations' principles pertaining to the calculation of individual and collective provisions and

separate guidelines governing loss provisions for guarantees have been prepared. In GIEK's estimation, the credit risk associated with the guarantees and receivables issued by GIEK have identical characteristics to those of loans, so GIEK has chosen to apply section 2-5 of the Lending Regulations, which applies to loss provisions for loans, to provisions for guarantees instead of section 3-1 of the Lending Regulations, which applies to loss provisions for guarantees.

The criterion for calculating losses on individual guarantees is objective evidence that a guarantee has fallen in value. Objective evidence that a guarantee has fallen in value includes observable data known to GIEK, such as significant financial problems on the part of a debtor, a payment default or a payment deferral that has been granted. The calculations are simplified, among other things by using an average interest rate and no discounting when there are zero months until the default on payment is expected to take place.

Provisions are made for groups of guarantees when there is objective evidence of a fall in the value of groups of guarantees that share risk characteristics. In determining such collective provisions, guarantees are divided into groups with similar risk characteristics as regards the debtors' ability to fulfil their obligations to the financial institutions for which GIEK has provided a guarantee.

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

The probability of default is calculated using a proprietary default matrix tool supplied by Standard & Poor's. This matrix is employed because of the limited scope of GIEK's portfolio and because using its own portfolio's history provides a poor basis for estimating default probabilities.

Changes in the default matrix lead to changes in the collective provision. In the fiscal year 2017, GIEK used S&P's 2017 matrix. In 2018, an updated matrix (from 2018) was implemented for the collective model, and this had an effect on the loss provision that was similar in degree to the updating of other basis data, and is presented together with other estimate deviations in the 2018 financial results.

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Changes in macro-economic conditions may arise on the balance sheet date and not be fully reflected in the underlying portfolio calculations. If macro conditions change suddenly, an attempt should be made to have them reflected in the provision level using a macro factor. The macro factor is to be determined on the basis of an assessment of the market and may be market-, industry- or country-specific. When calculating loss provisions, account is also taken of the expected value of real security. This is calculated on the basis of updated information about the real security's value, minus an adjustment factor to take into account that asset disposal may occur in a challenging situation, and allowance is made for the fact that a vessel or other real security may be situated in jurisdictions where realising the security may prove challenging. The model also uses updated information on the discount rate (average interest rate) and portfolio term (average weighted term). GIEK's overall guarantee portfolio contains several major commitments (defined as commitments constituting more than 25 per cent of the guarantee scheme's bank holdings). In accordance with the regulations for large commitments, banks are not to have individual exposures exceeding 25 per cent of their core capital. The calculations of collective provisions in the fund accounts therefore include a special provision for exposure to large commitments.

In the collective provisions, no provision has been made relating to concentration risk for country and sector, as doing so is not a requirement of the Lending Regulations. Ordinary banks assess concentration risk by sector and country as part of their Pillar II calculations (equity needs assessments pursuant to Capital Adequacy Regulations) and present these assessments separately from their accounts.

The model for collective provisions is considered to be cautious and allows for losses that could arise anytime during the term of the guarantee (average weighted term). Basis data and assumptions are updated regularly, and the estimate is updated as basis data changes.

It has been decided to repeal the Lending Regulations with effect from 1 January 2020. GIEK is considering using the IFRS 9 principles to calculate individual and collective provisions with effect from the 2019 financial year, but this has not yet been decided on.

### **Payments under guarantees and the impairment of receivables**

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

Net receivables in the balance sheet represent the recoverable amounts estimated by GIEK for these receivables. Impairment is taken for the portion of a receivable that is considered unrecoverable at the end of each period. Impairments are evaluated in the same manner as provisions for current guarantees. Interest on receivables that are regarded as unlikely to be received by GIEK is recognised as income when paid. It is thus not included in the impairment assessment.

### **Claims under moratorium agreements**

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

### **Debt cancellation**

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

### **Debt relief plan**

The debt relief plan covers some moratorium claims and liabilities of certain countries that have not been addressed by the Paris Club.

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The Storting (Norway's Parliament) adopted the Norwegian plan in December 1997 along with the 1998 central government budget. The plan applies to claims under old schemes and was updated in 2004. Under the debt relief plan, guarantee scheme claims against countries included in the plan may be cancelled without new government appropriations by netting them against a specified limit.

The debt relief plan's limit was established on the basis of the claims' value at the time of the plan's adoption and classified as debt to the state. This debt, called the balance for settlement, decreases as claims are waived (and settled). The debt relief plan (the balance for settlement) is recorded as the amount granted less approved settlements. This debt relief plan is an estimated appropriation and does not represent an accounting obligation.

### Foreign exchange

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

### Currency hedging

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

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

### Reinsurance

GIEK reinsures guarantee liabilities for GIEK Kredittforsikring AS (GK) on market-based terms that are renegotiated annually.

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

In a few transactions, GIEK has a reinsurance agreement with other export guarantee agencies. Due to their minimal size, these are not taken into account when calculating loss provisions.

### Dividends

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

### Tax

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

### Shares

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

All the shares are in companies created with the intention of assuming temporary ownership of collateral. For that reason these companies' accounts are not consolidated into the guarantee scheme accounts.

### Accumulated capital

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

### Central government's group account system

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

### Self-insurance principle

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

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### 2) Changes in accounting principles

There were no changes in accounting principles in 2018.

### 3) Revenues from guarantees

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

Guarantee pricing also depends on other factors, such as project risk, bank participation and other conditions of guarantee issuance, as well as GIEK's opportunity to establish collateral in the form of deposits or other types of security. Guarantee premiums that are regarded as unlikely to be received are recognised at payment.

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

Guarantee premiums 2018	AGO	ULA	BYG	KRA	SKI	GAM	S/ER	SUB
Per annum premiums	1,086,206	11,528	48,715	26,182	1,014	0	0	0
Reinsurance premiums	8,133	0	0	0	0	0	0	0
Up-front accrued premiums	88,649	8,041	0	0	0	576	0	0
<b>Total guarantee premiums</b>	<b>1,182,987</b>	<b>19,568</b>	<b>48,715</b>	<b>26,182</b>	<b>1,014</b>	<b>576</b>	<b>0</b>	<b>0</b>

Guarantee premiums 2017	AGO	ULA	BYG	KRA	SKI	GAM	S/ER	SUB
Per annum premiums	1,200,318	12,614	41,670	1,482	-	0	0	0
Reinsurance premiums	7,435	0	0	0	-	0	0	0
Up-front accrued premiums	78,964	8,041	0	0	-	2,279	0	0
<b>Total guarantee premiums</b>	<b>1,286,717</b>	<b>20,654</b>	<b>41,670</b>	<b>1,482</b>	<b>-</b>	<b>2,279</b>	<b>0</b>	<b>0</b>

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Fee revenues 2018	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Processing fees	54,650	0	0	0	0	0	0	0
Commitment fees	46,946	0	12,324	0	0	0	0	0
Miscellaneous	75,997	0	0	0	2,905	0	0	0
<b>Total fee revenues</b>	<b>177,594</b>	<b>0</b>	<b>12,324</b>	<b>0</b>	<b>2,905</b>	<b>0</b>	<b>0</b>	<b>0</b>

Fee revenues 2017	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Processing fees	39,023	0	503	0	-	0	0	0
Commitment fees	33,794	0	10,212	0	-	0	0	0
Miscellaneous	44,160	0	-1,676	0	-	0	0	0
<b>Total fee revenues</b>	<b>116,977</b>	<b>0</b>	<b>9,040</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 4) Deferred revenues

As of 31 December 2018, the deferred revenues consisted of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Up-front premiums for accrual	479,018	18,372	0	0	0	203	0	0
Arrangement fees for accrual	176,977	0	0	0	3,382	0	0	0
Processing fees for accrual	116,214	0	0	0	0	0	0	0
Advance premiums	23,239	0	0	0	0	0	0	0
<b>Total deferred revenues</b>	<b>795,447</b>	<b>18,372</b>	<b>0</b>	<b>0</b>	<b>3,382</b>	<b>203</b>	<b>0</b>	<b>0</b>

Comparative figures as of 31 December 2017:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Up-front premiums for accrual	474,672	26,413	0	0	-	779	0	0
Arrangement fees for accrual	218,557	0	0	0	-	0	0	0
Processing fees for accrual	122,773	0	0	0	-	0	0	0
Advance premiums	34,858	0	0	0	-	0	0	0
<b>Total deferred revenues</b>	<b>850,860</b>	<b>26,413</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>779</b>	<b>0</b>	<b>0</b>

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### 5) Foreign exchange exposure

GIEK's guarantee portfolio contains guarantee liabilities in different currencies. The following table summarises the total foreign exchange exposure in Norwegian kroner by guarantee scheme.

Guarantee liabilities including reinsurance

NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
USD	48,364,205	460,646	0	0	0	4,053		
NOK	14,668,183	0	3,694,667	0	470,975	0		
EUR	15,207,640	79,417	0	3,976,654	0	0		
GBP	322,891	0	0	0	0	0		
Other	785,731	0	0	0	0	0		
<b>Total</b>	<b>79,348,651</b>	<b>540,063</b>	<b>3,694,667</b>	<b>3,976,654</b>	<b>470,975</b>	<b>4,053</b>	<b>0</b>	<b>0</b>

#### Matters specific to the general guarantee scheme

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

Exposure 31 December 2018:

Figures in USD 1 000 and EUR 1 000	USD	EUR
Value-assessed receivables	559,702	4,918
Bank deposits	48	52,632
Impairment on guarantee liabilities	-372,281	-54,954
<b>Total exposure</b>	<b>187,469</b>	<b>2,596</b>

#### Other guarantee schemes

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

Overview of currency effects for all schemes:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Realised foreign exchange gain/loss	-5,668	0	0	0	0	0	0	0
Unrealised foreign exchange gain/loss on receivables	211,959	1,392	0	0	0	4,010	241	0
Unrealised foreign exchange gain/loss on bank deposits	-7,207	0	0	0	0	0	0	0
Unrealised foreign exchange gain/loss on impairment of guarantee liabilities	-174,292	-876	0	-351	0	63	0	0
<b>Net foreign exchange gain/loss</b>	<b>24,792</b>	<b>516</b>	<b>0</b>	<b>-351</b>	<b>0</b>	<b>4,073</b>	<b>241</b>	<b>0</b>

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### 6) Bank deposits and interest

Each guarantee scheme has at least one bank account with the Central Bank (Norges Bank). A separate account has been set up for each scheme at DNB, along with separate currency accounts at Nordea for the general guarantee scheme. In addition, GIEK has a non-interest-bearing account with the Central Bank containing the primary capital of the developing countries guarantee scheme (ULA). As at 31 December 2018, GIEK's individual schemes had the following bank deposits, converted into NOK 1 000 at the exchange rate applicable on the balance sheet date:

Amounts in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Interest-bearing with Norges Bank	4,966,317	120,299	137,450	22,200	14,802	32,120	4,074	0
Non-interest-bearing with Norges Bank	0	450,000	0	0	0			0
USD deposits with Nordea	414							
EUR deposits with Nordea	523,415							
<b>Bank deposits 31 December 2018</b>	<b>5,490,147</b>	<b>570,299</b>	<b>137,450</b>	<b>22,200</b>	<b>14,802</b>	<b>32,120</b>	<b>4,074</b>	<b>0</b>

The accounts held with Norges Bank are included in the government's central group account system. In addition, the building loan guarantee scheme has a NOK 0.6 billion drawdown facility with MTIF. This was not utilised in 2018.

Net interest income is distributed as follows:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Interest income on bank deposits	26,987	554	743	93	46	157	18	1
Interest on receivables	257,221	0	69	0	0	0	0	0
Interest expenses	0	0	0	0	0	0	0	0
<b>Net interest income</b>	<b>284,208</b>	<b>554</b>	<b>812</b>	<b>93</b>	<b>46</b>	<b>157</b>	<b>18</b>	<b>1</b>

Interest rates are set on a semi-annual basis.

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

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### 7) Administrative expenses

The guarantee schemes have no employees. All services are provided by GIEK's administration and charged as administrative expenses. GIEK's administrative expenses and expenses relating to other tasks that GIEK performs

are debited to the various guarantee schemes according to a distribution formula that is regularly updated. The distribution formula reflects the underlying costs and workload.

Summary of GIEK's administrative expenses in 2018 with comparative figures for 2017:

	2018	2017
Wages and salaries	86,035	82,485
Employer's national insurance contributions and financial activity tax	18,604	17,552
Pension contributions	9,038	8,046
Personnel expenses, etc.	2,979	2,995
IT operations and contracts	14,606	13,308
Travel	7,648	5,232
Expert assistance	17,825	11,989
Building operations and furnishings	14,133	13,295
Misc. operating expenses (courses, meetings, offices, etc.)	9,061	8,432
<b>Total administrative expenses</b>	<b>179,928</b>	<b>163,334</b>
Administrative expenses related to other schemes *	4,499	2,187
<b>Total administrative expenses charged to administrative accounts</b>	<b>184,427</b>	<b>165,521</b>
Charged to general guarantee scheme	163,896	155,690
Charged to developing countries guarantee scheme	1,610	1,552
Charged to building loan guarantee scheme	7,121	4,818
Charged to power purchase guarantee scheme	6,842	1,143
Charged to domestic ship guarantee scheme	462	0
Charged to old general guarantee scheme	96	82
Charged to old special schemes	39	33
Charged to CIS Baltic scheme	0	16
Repayment relating to previous years	-	-1,722
<b>Adm.expenses allocated to guarantee schemes</b>	<b>180,066</b>	<b>161,612</b>
Too high on-account payment/repayment relating to previous years	-138	1,722
<b>Total administrative expenses</b>	<b>179,928</b>	<b>163,334</b>
Charged to other players *	4,499	2,187
<b>Total charged to administrative accounts</b>	<b>184,427</b>	<b>165,521</b>

\* GIEK's administration oversees the operation of the contingency scheme for war risk insurance of goods (BSV) and the tender guarantee scheme for Norfund as well as providing services on a commercial basis on behalf of Export Credit Norway AS. In 2018, the Norwegian Agency for Public Management and eGovernment allocated GIEK NOK 2.6 million for digitalisation. Box Topco paid NOK 0.3 million to cover administrative expenses. GIEK charges for this on commercial terms.

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



## 6. Annual accounts

### 8) Reinsurance expenses

In 2018, the results were debited by NOK 57 million. NOK 3 million should have been charged to the 2015 accounts, while NOK 9 million should have been charged to the 2016 accounts and NOK 21 million should have been charged to the 2017 accounts. As from 2018, reinsurance expenses are accrued over the period covered by the reinsurance.

### 9) Other operating expenses

Other operating expenses consist of the following:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
GK Ceding Commission (expenses relating to reinsurance)	2,868	0	0	0	0	0	0	0
Impairment of customer accounts receivable	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Comparative figures for 2017:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
GK Ceding Commission (expenses relating to reinsurance)	3,699	0	0	0	0	0	0	0
Impairment of customer accounts receivable	-278	0	0	0	0	0	0	0
<b>Total</b>	<b>3,421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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### 10) Provisions for guarantee liabilities

31 December 2018	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Liabilities	79,348,651	540,063	3,694,667	3,976,654	470,975	4,053	0	0
Provisions	5,714,850	28,942	103,750	22,462	0	119	0	0
%	7.2 %	5.4 %	2.8 %	0.6 %	0.0 %	2.9 %	0.0 %	0.0 %
Individual provisions	4,061,861	0	103,750	0	0	0	0	0
Collective provisions	1,652,988	28,942	0	22,462	0	119	0	0
<b>Total provisions</b>	<b>5,714,850</b>	<b>28,942</b>	<b>103,750</b>	<b>22,462</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>

31 December 2017	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Liabilities	86,828,627	624,125	3,038,967	549,339	0	30,934	0	0
Provisions	5,345,248	43,149	96,600	16,758	0	14,664	0	0
%	6.2 %	6.9 %	3.2 %	3.1 %	0.0 %	47.4 %	0.0 %	0.0 %
Individual provisions	3,602,979	0	96,600	0	0	14,379	0	0
Collective provisions	1,742,269	43,149	0	16,758	0	285	0	0
<b>Total provisions</b>	<b>5,345,248</b>	<b>43,149</b>	<b>96,600</b>	<b>16,758</b>	<b>0</b>	<b>14,664</b>	<b>0</b>	<b>0</b>

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

#### Individual provisions:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Provision for guarantee liabilities 1 Jan. 2018	3,602,979	0	96,600	0	0	14,379	0	0
Year's change in guarantee liability provisions	338,073	0	7,150	0	0	-14,312	0	0
Unrealised foreign exchange losses on provisions	120,810	0	0	0	0	-67	0	0
<b>Provision for guarantee liabilities 31 December 2018</b>	<b>4,061,861</b>	<b>0</b>	<b>103,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Collective provisions:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Provision for guarantee liabilities 1 Jan. 2018	1,742,269	43,149	0	16,758	0	285	0	0
Year's change in guarantee liability provisions	-142,762	-15,083	0	5,353	0	-170	0	0
Unrealised foreign exchange losses on provisions	53,482	876	0	351	0	4	0	0
<b>Provision for guarantee liabilities 31 Dec. 2018</b>	<b>1,652,988</b>	<b>28,942</b>	<b>0</b>	<b>22,462</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>

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

Individual provisions in the guarantee portfolio rose in 2018. The increase is due to several factors affecting individual cases deteriorating during the year. A large share of GIEK's portfolio is in industries where future earnings are highly uncertain, as reflected by lower market valuations of the collateral, among other things.

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Collective provisions for AGO and ULA declined in 2018 due to changes in several adjustment factors used in the model. The default probabilities derived from the default matrix that GIEK acquired have fallen compared with the data basis used in 2017. Loss provision calculations also take into account the jurisdiction where collateral is situated by downgrading the value of real security if warranted by its geographical location. Provisions have also been made due to high exposure to particular customers/business groups.

This is the case for exposures that would have exceeded banking regulatory limits for exposure to individual customers. The principles used in calculating provisions and impairments are also discussed in Note 1.

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

### 11) Composition of the guarantee portfolio

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

Total outstanding liabilities – 31 December 2018:

Figures in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Oil/gas	57,019,324	0	906,167	0	0	0	0	0
Shipping	10,943,814	0	2,788,500	0	470,975	0	0	0
Energy	4,179,510	540,063	0	0	0	4,053	0	0
Other	1,425,647	0	0	3,976,654	0	0	0	0
Manufacturing	845,068	0	0	0	0	0	0	0
Financial services	756,742	0	0	0	0	0	0	0
Fisheries	692,406	0	0	0	0	0	0	0
Water, sewage and waste management	423,061	0	0	0	0	0	0	0
Airline	3,063,080	0	0	0	0	0	0	0
<b>Total</b>	<b>79,348,650</b>	<b>540,063</b>	<b>3,694,667</b>	<b>3,976,654</b>	<b>470,975</b>	<b>4,053</b>	<b>0</b>	<b>0</b>

Total outstanding liabilities – 31 December 2017:

Figures in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Oil/gas	70,825,402	0	1,396,167	0	0	0	0	0
Shipping	7,141,607	0	1,642,800	0	0	0	0	0
Energy	3,726,152	624,125	0	0	0	19,759	0	0
Manufacturing	1,863,396	0	0	549,339	0	11,175	0	0
Other	1,092,934	0	0	0	0	0	0	0
Fisheries	1,022,679	0	0	0	0	0	0	0
Water, sewage and waste management	711,971	0	0	0	0	0	0	0
Financial services	389,238	0	0	0	0	0	0	0
Airline	55,245	0	0	0	0	0	0	0
<b>Total</b>	<b>86,828,627</b>	<b>624,125</b>	<b>3,038,967</b>	<b>549,339</b>	<b>0</b>	<b>30,934</b>	<b>0</b>	<b>0</b>

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### Total outstanding guarantee liabilities – 31 December 2018:

Distribution by product	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Lender guarantee	73,637,592	540,063	0	0	470,975	4,053	0	0
Bond guarantee	2,316,435	0	0	0	0	0	0	0
Supplier credit guarantee	0	0	0	0	0	0	0	0
Letter of credit guarantee	845,068	0	0	0	0	0	0	0
Investment guarantee	341,209	0	0	0	0	0	0	0
Internationalisation guarantee	1,635,565	0	0	0	0	0	0	0
Power purchase guarantee	0	0	0	3,976,654	0	0	0	0
Building loan guarantee	0	0	3,694,667	0	0	0	0	0
Reinsurance GK	435,881	0	0	0	0	0	0	0
Other	136,900	0	0	0	0	0	0	0
<b>Total</b>	<b>79,348,650</b>	<b>540,063</b>	<b>3,694,667</b>	<b>3,976,654</b>	<b>470,975</b>	<b>4,053</b>	<b>0</b>	<b>0</b>
<b>Collateralised</b>	<b>72 %</b>	<b>100 %</b>	<b>100 %</b>	<b>0 %</b>	<b>100 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>

Of the unsecured guarantee recipients, 24 % have investment-grade rating or state risk.

### Total outstanding guarantee liabilities – 31 December 2017:

Distribution by product	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Lender guarantee	84,481,824	624,125	0	0	0	30,934	0	0
Bond guarantee	1,125,741	0	0	0	0	0	0	0
Supplier credit guarantee	2,086	0	0	0	0	0	0	0
Letter of credit guarantee	374,238	0	0	0	0	0	0	0
Investment guarantee	344,935	0	0	0	0	0	0	0
Internationalisation guarantee	30,000	0	0	0	0	0	0	0
Power purchase guarantee	0	0	0	549,339	0	0	0	0
Building loan guarantee	0	0	3,038,967	0	0	0	0	0
Reinsurance GK	317,723	0	0	0	0	0	0	0
Other	152,081	0	0	0	0	0	0	0
<b>Total</b>	<b>86,828,628</b>	<b>624,125</b>	<b>3,038,967</b>	<b>549,339</b>	<b>0</b>	<b>30,934</b>	<b>0</b>	<b>0</b>
<b>Collateralised</b>	<b>76 %</b>	<b>100 %</b>	<b>100 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>	<b>0 %</b>

Of the unsecured guarantee recipients, 40 % have investment-grade rating or state risk.

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### 12) Receivables related to payments under guarantees and associated impairments

Upon pay-out under a guarantee, GIEK is subrogated to the guarantee recipient's claim against the debtor. This receivable is recognised on the balance sheet at the time of pay-out. Measures are taken to collect receivables. Recoveries related to reinsurance are also included in this accounting item.

Net receivables on the balance sheet represent the recoverable value that GIEK has estimated for these receivables. The receivables on the balance sheet are assessed in the same way and at the same time that the guarantee portfolio is risk assessed. This assessment is done every six months.

Receivables connected to payments under guarantees break down as follows:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
<b>Value of receivables connected to payments under guarantees 1 Jan. 2018</b>	<b>3,553,425</b>	<b>1,814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,064</b>	<b>2,770</b>	<b>0</b>
Net addition/repayment of receivables	2,229,804	-	65,500	-	-	14,706	-	-
Year's change in impairment of receivables	-237,623	0	-65,500	0	0	-14,968	0	0
Foreign exchange gains	207,620	0	0	0	0	1,610	0	0
<b>Value of receivables 31 December 2018</b>	<b>5,753,226</b>	<b>1,814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,411</b>	<b>2,770</b>	<b>0</b>
Degree of impairment	26,6 %	86,6 %	100,0 %	0,0 %	0,0 %	59,5 %	98,6 %	0,0 %
Receivables connected to payments under guarantees	7,837,527	13,567	62,000	0	0	84,954	198,314	0
Individual impairments of receivables	-2,075,759	-11,753	-62,000	0	0	-50,543	-195,544	0
Collective impairments of receivables	-8,542	0	0	0	0	0	0	0
<b>Value of receivables 31 December 2018</b>	<b>5,753,226</b>	<b>1,814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,411</b>	<b>2,770</b>	<b>0</b>

The following table provides an overview of changes in the impairment of receivables, payments under guarantees in 2018 and payments received on impaired ordinary receivables (recovery).

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Write-offs	15,634	0	3,500	0	0	0	0	0
GK change in impairment of ordinary receivables	-2,608	0	0	0	0	0	0	0
Change in individual impairment of ordinary receivables	217,739	0	62,000	0	0	14,968	0	0
Change in collective impairment of ordinary receivables	6,859	0	0	0	0	0	0	0
<b>Loss and change in impairment of receivables</b>	<b>237,623</b>	<b>0</b>	<b>65,500</b>	<b>0</b>	<b>0</b>	<b>14,968</b>	<b>0</b>	<b>0</b>
Change in value of receivables and expensing of new receivables	0	0	0	0	0	0	0	0
Expenses incurred in relation to payment of claims	31,824	0	0	58	36	0	0	0
GK recognition of previous write-offs	-539	0	0	0	0	0	0	0
Recognition of previous write-offs	-23,533	0	0	0	0	0	0	0
<b>Other changes in receivables and related costs</b>	<b>7,752</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in claim receivables</b>	<b>245,375</b>	<b>0</b>	<b>65,500</b>	<b>58</b>	<b>36</b>	<b>14,968</b>	<b>0</b>	<b>0</b>
Net change in individual claim receivables	238,516	0	65,500	58	36	14,968	0	0
Net change in collective claim receivables	6,859	0	0	0	0	0	0	0
<b>Other changes in receivables and related costs</b>	<b>245,375</b>	<b>0</b>	<b>65,500</b>	<b>58</b>	<b>36</b>	<b>14,968</b>	<b>0</b>	<b>0</b>

Payments under guarantees amounted to NOK 2.772 million for AGO, NOK 78 million for BYG and NOK 15 million for GAM.

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### 13) Claims under moratorium agreements

Moratorium agreements are debt repayment agreements with five countries achieved through international creditor collaboration in the Paris Club. Claims arise from payments made under the guarantees on grounds of political risk. In new agreements, the principal amount is classified as a claim, and all claims are value-assessed. The value of claims is also affected by changes in current agreements, such as accrual of contractual interest, payment of interest

on arrears, consolidation of agreements, debt cancellation, realised foreign exchange gains/losses and floating interest rates. For moratorium agreements covered by Norway's debt relief plan, the plan has stipulated expectations about debt relief and hence the value of the claims, as well as compensation in the form of reduced debt to the Norwegian state. Please see Note 17 for a description of the debt relief plan.

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

	AGO	ULA	GAM	SÆR
<b>Value of claims under moratorium agreements 1 January 2018</b>	<b>100,600</b>	<b>27,099</b>	<b>84,082</b>	<b>6,633</b>
Net addition to/repayment of claims under moratorium agreements	-14,467	-3,186	-12,060	-2,045
Foreign exchange gains	4,338	1,392	2,400	241
Year's change in impairments of claims under moratorium agreements	1,529	581	1,545	307
Change in debt relief plan	0	0	0	0
<b>Value of claims under moratorium agreements 31 December 2018</b>	<b>92,000</b>	<b>25,885</b>	<b>75,967</b>	<b>5,135</b>
Claims under moratorium agreements	110,184	32,784	93,640	81,991
Impairment of claims under moratorium agreements	-18,184	-6,899	-17,673	-76,857
<b>Value of claims under moratorium agreements 31 December 2018</b>	<b>92,000</b>	<b>25,885</b>	<b>75,967</b>	<b>5,135</b>

### 14) Shares

Company	Acquisition date	Ownership share	Voting share	Company profit/loss for the year	Company's balance sheet equity	Balance sheet value (in capital accounts)	Balance sheet value (in enterprise accounts)
Box Topco AS	22.12.2015	100 %	100 %	-3,328	46,602	46,602	46,602

Box Topco AS changed its name to Støperigata Holding AS on 28 February 2019.

The company did not distribute any dividend in 2018.

The accounts of AGO and Box Topco AS are not consolidated, as these companies are intended to assume temporary ownership of collateral.

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### 15) Other receivables

As at 31 December 2018, other receivables consist of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Accrued, not received, revenues from guarantees	208,866	1,788	12,835	-26	1,014	133	0	0
Other receivables and outstanding amounts	-3,128	2,200	-4,653	-1,398	1,032	4,863	0	0
<b>Total other receivables</b>	<b>205,738</b>	<b>3,988</b>	<b>8,182</b>	<b>-1,424</b>	<b>2,046</b>	<b>4,996</b>	<b>0</b>	<b>0</b>

Comparative figures as at 31 December 2017:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Accrued, not received, revenues from guarantees	212,026	1,848	9,285	0	0	0	0	0
Other receivables and outstanding amounts	3,169	11	34	8	0	1	0	0
<b>Total other receivables</b>	<b>215,195</b>	<b>1,859</b>	<b>9,319</b>	<b>8</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>

### 16) Accumulated capital

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Paid-in primary capital 31 Dec. 2018	0	450,000	0	0	0	0	0	0
Accumulated capital 31 Dec. 2018	4,062,580	69,057	59,803	-25,357	0	-679,475	14,759	32,393
Profit/loss 2018	1,005,662	35,614	-17,921	13,672	3,466	7,863	540	1
State transfers	-38	0	0	0	0	-10,900	-8,000	-32,394
<b>Accumulated capital 31 Dec. 2018</b>	<b>5,068,204</b>	<b>554,671</b>	<b>41,882</b>	<b>-11,685</b>	<b>3,466</b>	<b>-682,512</b>	<b>7,299</b>	<b>0</b>

#### Transfers to the Norwegian state

The old general guarantee scheme and old special schemes annually pay to the Treasury a sum determined by the Norwegian Parliament and this was NOK 18.9 million for 2018. From 2009 through 2018, accumulated transfers have amounted to NOK 1.299 million.

Beyond short-term needs and annually estimated administrative costs, up to NOK 450 million of the developing countries guarantee scheme's funds are to be held in the primary capital fund. This guarantee scheme regulates its liquidity through transfers to/from this fund. The fund is shown with paid-in primary capital of NOK 450 million on the balance sheet for the developing countries guarantee scheme. The primary capital fund is non-interest-bearing.

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

The guarantee scheme SUS Baltikum 1999-2002 ends in 2017 and there have not been any activity in 2018. The remaining amount of NOK 32 million was transferred from the accounts to NFD. In addition accrued interest of NOK 0,04 million was transferred to the general guarantee scheme in accordance with NFD.

## 6. Annual accounts

### 17) Debt relief plan

The Norwegian debt relief plan was adopted by the Norwegian Parliament in December 1997 along with the central government budget for 1998. Under the debt relief plan, GIEK's claims against certain countries may be cancelled, without new appropriations being made, by netting the claims against a specified limit. The debt relief plan was updated in 2004. Note 13 discusses claims under moratorium agreements.

The debt relief plan was utilised as follows in 2018:

	GAM	SÆR
Remaining debt relief plan limit 1 Jan. 2018	829,685	4,080
Debt relief	-	-
<b>Remaining debt relief plan limit 31 Dec. 2018</b>	<b>829,685</b>	<b>4,080</b>

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

### 18) Debt to the Ministry of Trade, Industry and Fisheries

GIEK has received NOK 10 million to establish the power purchase guarantee scheme. In addition, the MTIF has provided a grant of NOK 10 million for the domestic ship guarantee scheme. These are recorded as debt to MTIF.

### 19) Other liabilities

As at 31 December 2018, other liabilities consist of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Unpaid reinsurance	9,067	0	0	0	0	0	0	0
Other ledger entries	146	0	0	0	0	0	600	0
<b>Total other liabilities</b>	<b>9,212</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>0</b>

Comparative figures as at 31 December 2017:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR	SUB
Unpaid administrative expenses	0	0	0	0	-	-	-	0
Other ledger entries	26,249	0	0	0	-	-	600	0
<b>Total other liabilities</b>	<b>26,249</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>0</b>



### 20) Related parties

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

Relationships of significant importance are described below.

#### Export Credit Norway AS

Export Credit Norway is a company wholly owned by MTIF and administers export financing on behalf of the Norwegian state. The guarantee schemes guarantee NOK 47.1 billion (NOK 57.7 billion) of Export Credit Norway's lending portfolio. For this, GIEK receives premiums and fee revenues from the borrowers on market terms, which in 2018 amounted to NOK 832 million (NOK 976 million) in premiums and NOK 87 million (NOK 90 million) in fee revenues. In addition, Export Credit Norway pays NOK 850,000 (NOK 850,000) for various services in the area of sustainability.

#### Ministry of Trade, Industry and Fisheries

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

- 1 A primary capital fund of NOK 450 million has been established for the developing countries guarantee scheme. The exposure limit for this scheme is seven times the primary capital fund (NOK 3.150 million). In 2008, management of the primary capital fund was transferred from MTIF to GIEK, with NOK 300 million then in the fund. An additional NOK 150 million was transferred to the primary capital fund in 2009.
- 2 Transfer of bank deposits. For the old general guarantee scheme and old special schemes, annual transfers equivalent to the bank deposits at the beginning of the year minus NOK 25 million are made to MTIF. In 2018, this amounted to NOK 18.9 million.
- 3 The guarantee scheme SUS Baltikum 1999-2002 ends in 2017 and there have not been any activity in 2018. The remaining amount of NOK 32 million was transferred from the accounts to NFD. In addition accrued interest of NOK 0,04 million was transferred to the general guarantee scheme in accordance with NFD.
- 4 The power purchase guarantee scheme has a debt of NOK 10 million to MTIF.

The domestic ship guarantee scheme has received a grant of NOK 10 million from MTIF. This grant is to be repaid when this is regarded as expedient based on the liquidity in the scheme.

The exposure limits for GIEK's guarantee schemes are determined by the Norwegian Parliament when dealing with the central government budget.

## 6. Annual accounts

### 21) Liquidity risk

GIEK issues guarantees on behalf of the Norwegian state.

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

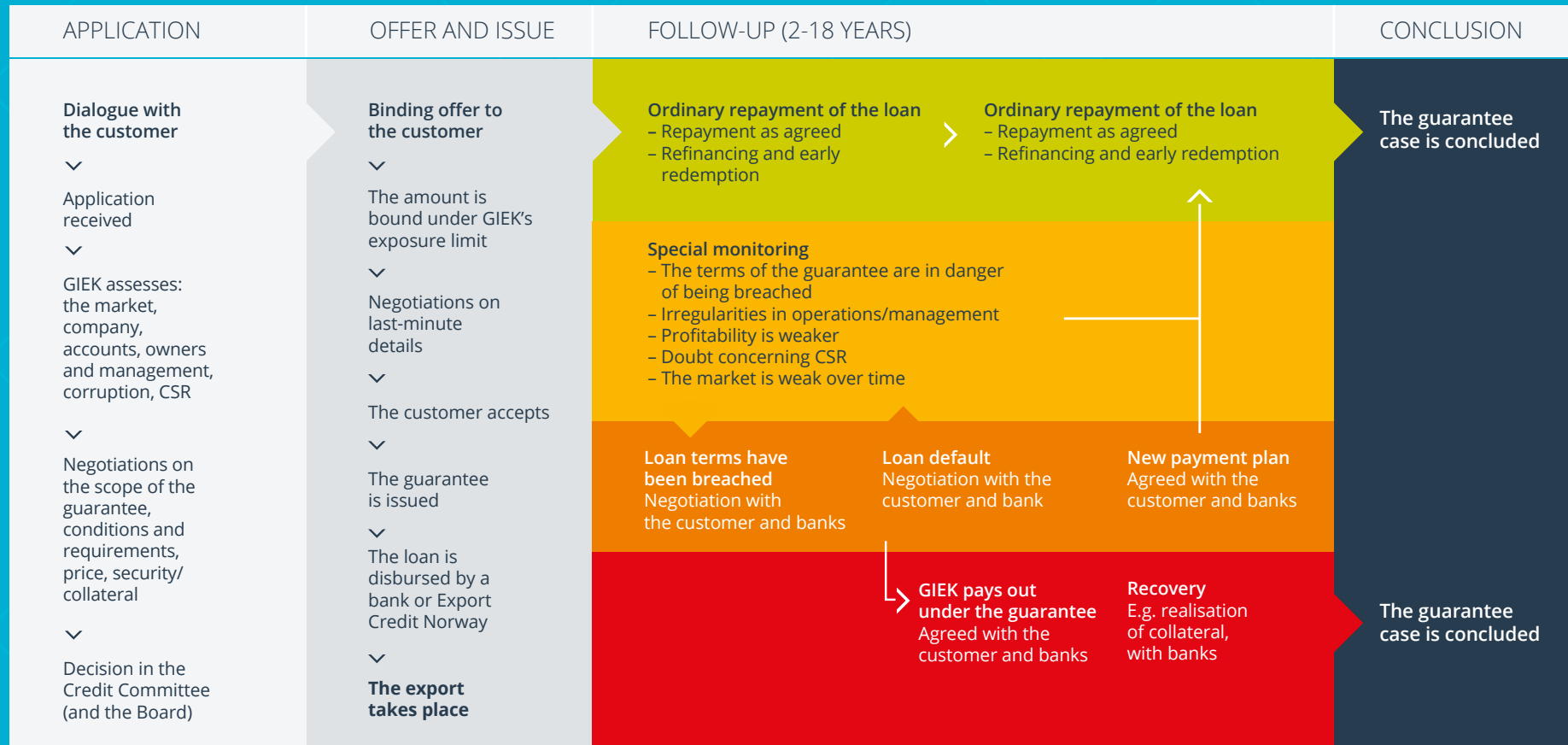
The table sets out the maturities for the underlying loans that GIEK has guaranteed:

	< 1 month	1-3 months	3 months-1 year	1-5 years	> 5 years
AGO	18,169	194,329	3,233,360	17,411,635	58,491,158
GAM	0	0	0	4,053	0
BYG	213,000	700,000	2,481,667	300,000	0
KRA	0	0	0	0	3,976,654
SKI	0	0	0	0	470,975
ULA	0	0	0	162,871	377,192
<b>Total</b>	<b>231,169</b>	<b>894,329</b>	<b>5,715,027</b>	<b>17,878,558</b>	<b>63,315,978</b>

### 22) Events after the balance sheet date

On the date when the accounts were presented, there was no information on significant factors that affect the 2018 accounts.

# The Guarantees: Careful preparation, close follow-up





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