ANNUAL REPORT 2018

EKSPORTKREDITT
Export Credit Norway

KEY FIGUREES 2018

61,220

TOTAL LENDING BALANCE (NOK MILLION)

19,213

PROBABILITY-ADJUSTED ORDER BOOK (NOK MILLION)

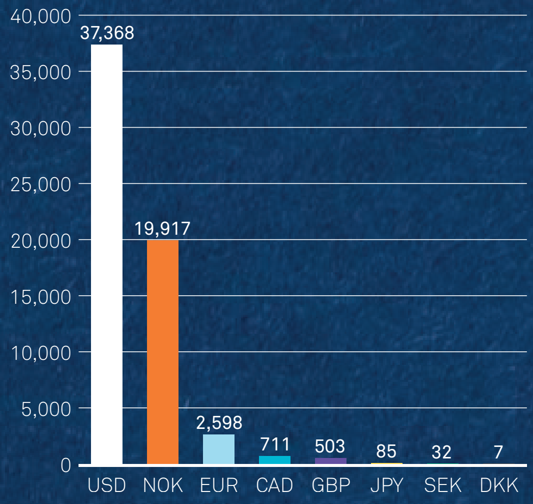
175,571

APPLICATION VOLUME (NOK MILLION)

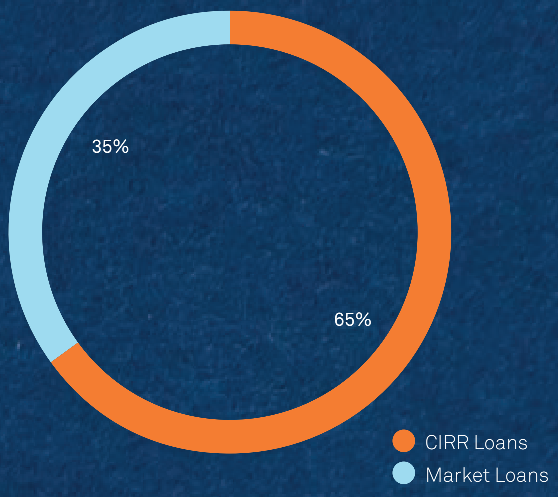
304/58

LOAN APPLICATIONS RECEIVED/NUMBER OF COUNTRIES

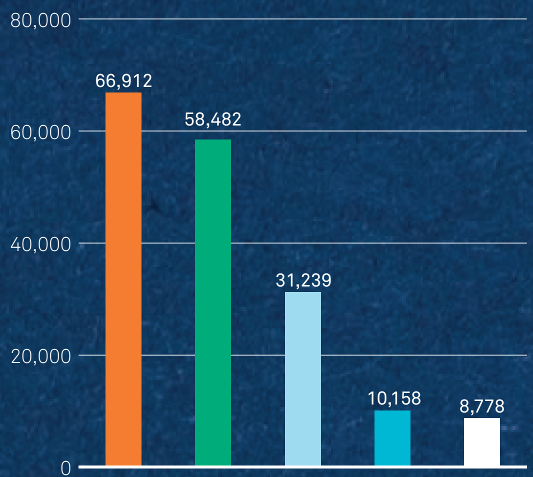
LENDING BALANCE – CURRENCY DISTRIBUTION (NOK MILLION)



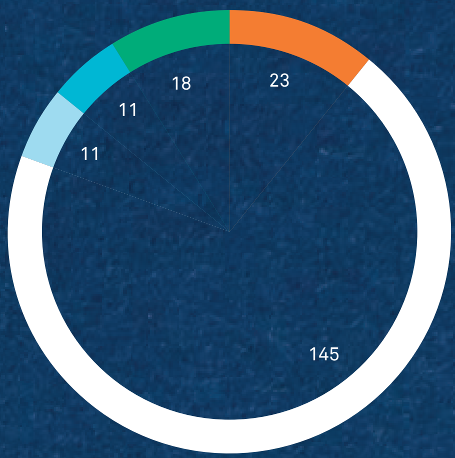
LENDING BALANCE – DISTRIBUTION BY INTEREST RATE



APPLICATION VOLUME BY INDUSTRY (NOK MILLION)



NUMBER OF LOANS BY INDUSTRY



- Oil and gas equipment
- Industry and renewable energy
- Passenger vessels and merchant shipping
- Fisheries and aquaculture
- Offshore ships

LENDING BALANCE BY INDUSTRY (NOK MILLION)

Oil and gas equipment	14,558
Offshore ships	41,569
Passenger vessels and merchant shipping	1,612
Fisheries and aquaculture	1,130
Industry and renewable energy	2,350
Total lending balance	**61,220**

DISTRIBUTION OF LENDING BALANCE BETWEEN CIRR LOANS AND MARKET LOANS (NOK MILLION)

CIRR Loans	39,507
Market Loans	21,713
Total lending balance	**61,220**

Totals in tables and figures may vary due to rounding.

1. Letter from CEO
Positive signs during uncertain times

Following a period of declining oil prices and lower growth in the Norwegian economy, these trends started to reverse a few years ago. Since then the economic outlook has become more optimistic and the forecasts indicate that this development will continue. However, there is some uncertainty associated with this optimism and the geopolitical situation will be the biggest element of uncertainty for the Norwegian export industry.

In January 2019, the World Bank estimated that global economic growth will be approximately 2.9 per cent for 2019 [1]. The growth estimate has been revised downwards since June 2018, which reflects increasing concerns about, among other things, trade conflicts, Brexit and lower growth in China.

GDP growth has been recorded by Norway and our most important trading partners, which are the USA, the Euro zone and the United Kingdom. On the whole, estimated GDP growth in mainland Norway is 2.7 per cent for 2019. This is higher than the growth trend in the Norwegian economy [2]. In other words, the Norwegian economy is experiencing a moderate upturn, aided by increased oil revenues and a good level of activity within ocean industries. Most analysts expect continued growth, provided that the world economy does not suffer an unexpected global downturn.

The United Kingdom is Norway's undisputed largest export market, with annual exports of more than NOK 200 billion. The Bank of England has prepared forecasts for the country's GDP in 2024 compared with the trend prior to Brexit becoming a reality and these indicate that a "hard exit" could have extremely negative consequences for the British economy. A hard exit may

[1] Source: World Bank Group, Global Economic Prospects – Darkening skies, 2019

[2] Source: State budget 2019

therefore also have negative consequences for the Norwegian economy.

Norway losing ground

If we disregard petroleum, Norway exported goods and services for approximately NOK 690 billion in 2017[3]. This represents significant value creation and thousands of jobs. However, there are some concerns associated with these figures. Firstly, we are vulnerable because the exports are extremely concentraded on a few sectors. One per cent of Norwegian companies account for 70 per cent of all exports. Of our 25 largest exporters of technology and services, only one does not supply to the offshore and maritime sectors[4]. This concentration is much higher than in countries which it is natural to compare Norway to. Norway will undoubtedly be better served by greater export diversity.

However, the biggest concern is that Norway is losing international market shares. When measured in terms in volume, Norwegian exports are roughly at the same level now as they were 20 years ago[5]. During the same period, countries that provide a natural comparison to Norway have experienced significant growth. The brutal truth about Norwegian exports is that our market share has halved since 1998 and we are the country within the OECD area that has experienced the weakest development.

Our role

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective export financing. We will continue to work towards improving the export financing solution through simplification and market-oriented activities. In 2018, we continued our considerable efforts on reaching out to potential exporters to ensure that our policy instruments can contribute to achieving export contracts. Customer surveys demonstrate that borrowers consider our terms to be competitive, that export financing makes a difference for them and thereby results in new exports, which in turn contributes to creating jobs in Norway.

We also work systematically to ensure that our financing schemes are effective – that they are adapted to the needs of the businesses. We have close contact with the market and have direct dialogue with the exporters and support and advise them in their work on achieving profitable growth in the export markets.

New times necessitate the use of new policy instruments

Based on the feedback we have received from the marked, we will work for an expanded mandate with better adapted financing solutions to the export industry, particularly for small and medium-sized businesses (SMBs). Companies in this segment employ the majority of the workforce and we believe that the export potential is much greater than what we are currently witnessing. The SMB segment currently requires a higher level of effort per krone disbursed, but the work on facilitating and assisting with cultivating new exporters and export industries is of major importance. Internationally we are also seeing the promotion of export financing for small and medium-sized businesses[6], where several countries are launching a series of tailored initiatives to meet the SMBs' need for fast, simple and predictable financing services.

Technological development is becoming increasingly more rapid and Norwegian industry must become greener and more innovative. Many exporters have business models that require different types of financing to long-term customer financing. This necessitates flexible financial solutions for exports, including beyond what is currently offered. The business sector of the future will look different to what it does today and this will require that we at Export Credit Norway adapt to the changing needs of our customers.

[3] Source: Menon Economics AS and Statistics Norway.
[4] Source: Capital 500, adapted by Export Credit Norge
[5] Sources: OECD Export Performance Index, adapted by Innovation Norway.
[6] Source: Assessment of export financing systems in other countries, October 2018, Menon/Export Credit Norway/ GIEK

Export Credit Norway has noted that the restructuring of the Norwegian economy has highlighted the need for improving the loans that are offered for financing the operations and investments of Norwegian exporters. Export Credit Norway has found that these types of financing solutions are sought after by the business sector in general and SMBs in particular.

A year of growth

To ensure activity at Norwegian shipyards, the Norwegian government introduced a new temporary financing scheme in 2018 which enables Export Credit Norway to approve loans to Norwegian shipping companies that will build vessels in Norway for use in Norwegian waters. The interest we have experienced thus far tells us that this was a successful initiative. It can serve as a good example of how we must always be flexible in our approach to new and effective policy instruments.

We received a total of 304 loan applications in 2018 – up from 241 in 2017. Compared with previous years, the growth in the number of new applications in 2018 was more evenly spread over more segments, including equipment for oil and gas, fisheries and aquaculture, industry, offshore vessels, passenger and merchant vessels and renewable energy. In terms of volume, industry and renewal energy, as well as passenger and merchant vessels, distinguish themselves as growth areas. SMB exporters accounted for 143 applications, which represented 47 per cent of the total number of loan applications received in 2018. In comparison, the company received 105 loan applications from SMBs in 2017. Export Credit Norway signed 21 new loan agreements in 2018, with a total lending volume of NOK 4.9 billion.

Room for improvement

The Ministry of Trade, Industry and Fisheries conducted an evaluation of Export Credit Norway and GIEK which was completed in 2017, and then conducted a round of consultations in 2018. The conclusion was that the policy instruments function as intended and that Export Credit Norway and GIEK are successful at achieving targets by contributing to increased Norwegian exports without displacing private financial operators. Feedback from the market is consistently positive, which correlates with our own customer surveys. However, it also identifies the potential for further simplification and this is something we are continually working with.

The Norwegian Government has now commenced a comprehensive review of the business-oriented public support system. This is something we welcome. Based on our experiences, we will contribute to the best possible transfer of knowledge to other parts of the public support system and be clear on how the "toolbox" can be developed to assist even more Norwegian companies to succeed in the outside world.

They say it is difficult to make predictions – particularly about the future. What we can say with certainty is that the pace of change and the need for restructuring will increase. The business sector of the future will look different to what it does today. It is demanded that public support system actors are flexible, efficient and able to adapt to the changing needs of customers and ensure that export financing remains a reliable tool for succeeding in the outside world. This is how we can best contribute to increasing Norwegian exports and ensuring value creation and jobs in Norway.

Otto Søberg
Chief Executive Officer

2. Introduction to the company and key figures

Small, open economies such as the Norwegian economy particularly benefit from effective international world trade. Norway only exports a few types of goods and services to the world market and has benefited from the opportunities that trade with other countries has provided.

After several decades of developing more open and liberal world trade, Brexit has created uncertainty in the world markets, and may prove to be the biggest setback to European integration in decades. Geopolitical unrest also characterized 2018, with a trade conflict between the USA and China that impairs value creation in two of the world's largest economies. Norwegian companies are part of global value chains, and even though no actions have been aimed directly at Norway, there may be ripple effects for the Norwegian economy.

Restructuring and innovation must originate from business and industry, and the government authorities must provide good framework conditions for the Norwegian economy to "have more than one leg to stand on". History has shown that the ability of Norwegian business sector to restructure is good. Many of the companies behind the current oil suppliers had a long history in other industries before they cast their eyes towards the opportunities represented by the oil sector.

Norway needs to achieve profitable growth both at home and abroad, and exports of capital goods and services are crucial for the Norwegian business sector. Export Credit Norway is of the view that it is especially important at the beginning of 2019 to ensure that Norwegian companies have competitive framework conditions to enable them to be well-equipped to face the challenges relating to restructuring and tough international competition in the export markets in which they operate.

The balance of trade for mainland Norway has weakened significantly in recent years. This is due

FIGURE 1 **INDEXED DEVELOPMENT IN IMPORTS AND EXPORTS, MAINLAND NORWAY (2008 = 100)**

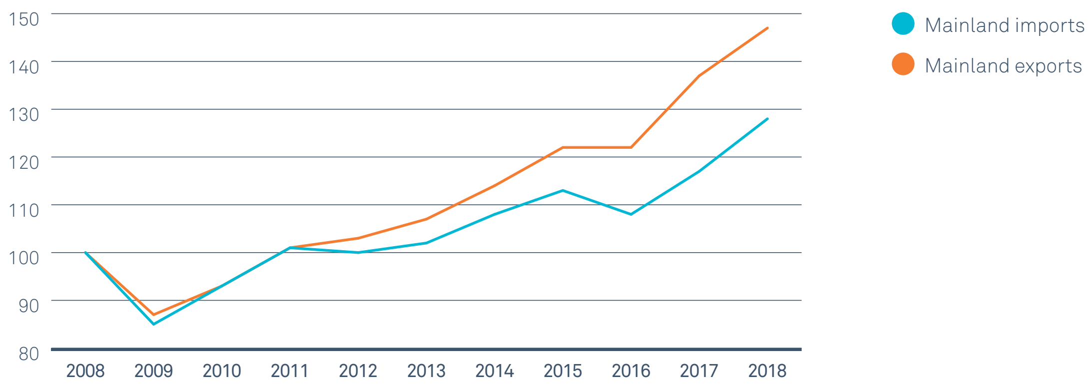
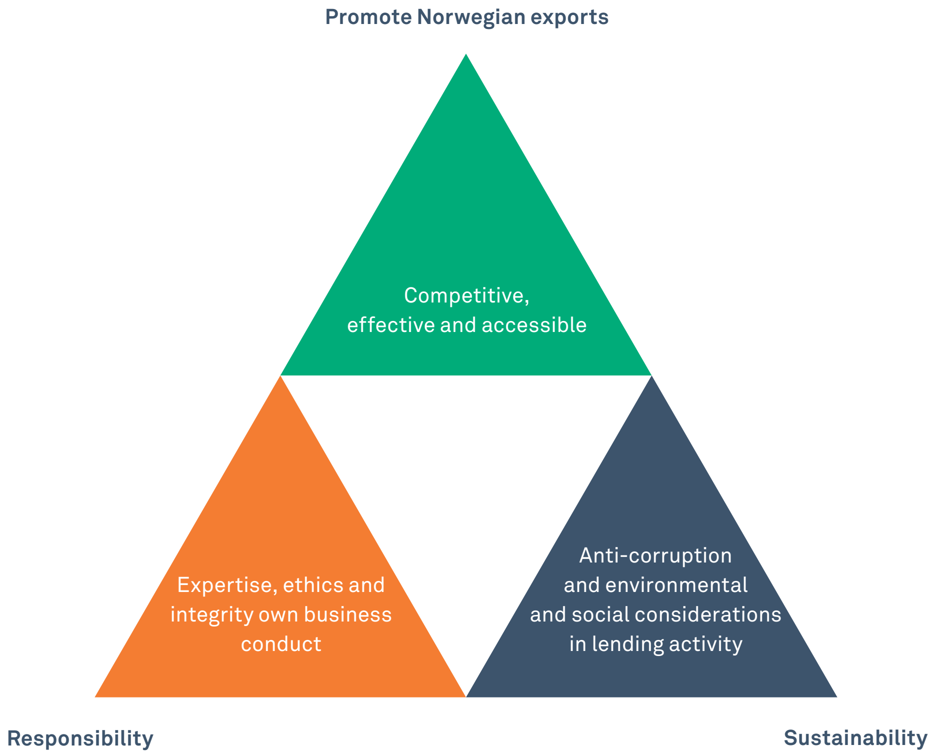


FIGURE 2 **EXPORT CREDIT NORWAY'S PUBLIC MANDATE AND CORPORATE SOCIAL RESPONSIBILITY**



to the fact that the increase in exports has failed to keep pace with rising imports. From 2008 to 2018, imports to mainland Norway [7] increased by 47 per cent, while exports increased by 28 per cent [8]. From 2017 to 2018, mainland exports increased by 10 per cent, while imports increased by 8 per cent. If Norway is to continue growing as an export nation, it will require a competitive export industry that develops goods and services demanded by export markets.

2.1. EXPORT CREDIT NORWAY'S OBJECTIVES AND PUBLIC MANDATE

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

Promoting Norwegian exports

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

Export Credit Norway also helps promote Norwegian exports and ensure the availability of robust export financing through close collaboration with the owner, GIEK, Innovation Norway, customers, banks, industry organisations, stakeholders and other public support system actors. This cooperation is key to the general success of the export credit scheme. Export Credit Norway's employees have a solid level of expertise on Norwegian exports and export financing, and the company operates as a resource centre for export financing for the owner, customers and partners.

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

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

Responsibility

Robust international guidelines are a fundamental prerequisite for responsible export financing. Export Credit Norway seeks to promote the adoption of sensible framework conditions by supporting international work relating to export financing. This particularly applies to work in the OECD. The OECD has developed Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence ("Common Approaches"), as well as the OECD Council Recommendation on Bribery and Officially Supported Export Credits ("Recommendation"). Export Credit Norway has also adopted the Equator Principles to support the work being done to advance responsible assessment and follow-up of project financing provided by major international banks [9].

[7] Imports excluding ships and oil platforms.

[8] Source: Statistics Norway – Foreign trade in goods

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

Sustainability

Export Credit Norway can make a difference and best exercise its corporate social responsibility in connection with the financing of individual transactions. When seeking to ensure sustainability, it is important to ask the right questions and impose requirements on the parties involved in lending transactions, thus enabling projects to be implemented responsibly. Breaches of conditions relating to environmental and social considerations constitute a substantial risk, and caution in this regard is integrated into both the assessments the company conducts when concluding new loan agreements and follow-up of the existing lending portfolio. Export Credit Norway's assignment includes raising awareness among exporters of the need to monitor their own supply chains with these matters in mind. The company also invests considerable resources in anti-corruption efforts and KYC (know your customer) initiatives to combat money laundering.

2.2. REGULATORY FRAMEWORK

Export Credit Norway's business is regulated by the Act relating to Eksportkreditt Norge AS (the Export Credit Act) and the Export Credit Regulations. Together with the OECD Arrangement on Officially Supported Export Credits (the "Arrangement") [10] and its subsidiary agreements, the Regulations determine which contracts may be financed and the terms included in loan agreements.

Export Credit Norway provides loans for export financing in the form of Commercial Interest Reference Rate (CIRR) loans and CIRR-qualified market loans on commercial terms. CIRR loans are fixed-rate loans approved in accordance with the Arrangement. The company also provides market loans to Norwegian buyers of ships that are built at Norwegian shipyards when the vessels are intended for use in Norway. This scheme formally became operational in June 2018 and is referred to as the ship financing scheme.

The company's credit guidelines state that all loans must be fully guaranteed by State export guarantee agencies and/or financial institutions with good credit ratings. All loans are recorded in the central government balance sheet, and the Norwegian State is liable for the obligations the company incurs in connection with its lending activities. The company advises its customers on all aspects of the financing process, including sales and marketing of products and services, application processing, and loan commitments, the implementation of loan agreements and loan documentation, and loan disbursement and follow-up. Export Credit Norway protects the State's assets by ensuring correct loan documentation, pricing and credit assessment, loan follow-up and compliance with applicable rules and regulations.

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

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

2.3. KEY FIGURES

In 2018, Export Credit Norway received a total of 304 applications, representing a combined application volume of NOK 175.6 billion. In comparison, the company received 241 applications amounting to an application volume of NOK 124.4 billion in 2017. Compared with previous years, the growth in the number of new applications in 2018 was more evenly spread over more segments, including equipment for oil and gas, fisheries and aquaculture, industry, passenger and merchant vessels and renewable energy. In terms of volume, industry and renewable energy, as well as passenger and merchant vessels, particularly distinguish themselves as growth areas. Of the applications received in 2018, 22 were linked to the new ship financing scheme and were valued at NOK 6.7 billion.

The company's best estimate of future loan disbursements is linked to loan applications received. Based on the gross number of applications received, a probability assessment is carried out in connection with potential future loan disbursements from the company. The probability-adjusted order book [11] as of 31 December 2018 was NOK 19.2 billion. The probability-adjusted order book as of the same date in 2017 was NOK 16.7 billion.

Export Credit Norway signed 21 new loan agreements with a combined lending volume of NOK 4.9 billion in 2018. In comparison, 22 loan agreements were signed in 2017 with a combined lending volume of NOK 9.8 billion. Just over 15 per cent of the volume was disbursed in 2018 and the remainder is expected to be disbursed in 2019 and 2020. Loans totalling NOK 2.9 billion were disbursed in 2018 compared with NOK 3.4 billion in 2017. The company had a lending balance of NOK 61.2 billion at the end of 2018.

The company received NOK 112.4 million in operating and investment grants from State in 2018. Of this amount, NOK 112.2 million was recognised as income. Operating expenses excluding depreciation and amortisation were NOK 107.2 million. The expenses primarily comprised payroll costs, administrative costs and purchases of external services. The annual result was a profit of NOK 4.5 million after tax, an increase from NOK 3.7 million in 2017. The profit made in 2018 was primarily due to cost savings in connection with vacant positions and lower than expected purchases of external services. The company has a strong equity position and little exposure to financial risk.

Export Credit Norway received NOK 1,727 million in interest income from its lending activities in 2018, as well as NOK 35 million in fee income. These figures are on a par with previous years. Repayments amounted to NOK 13.3 billion at actual rates. The 2018 financial result for lending activities was NOK 532 million, excluding the State's calculated borrowing costs and operating and investment grants paid to Export Credit Norway.

[11] Probability-adjusted order book: Export Credit Norway's best estimate of future loan disbursements is linked to an assessment of loan applications received. Based on applications received, a probability assessment is carried out in connection with potential future loan disbursements for projects in which an export contract has been entered into.

3. Promoting Norwegian exports

Norwegian shipyards and ship equipment suppliers have successfully identified new market segments in response to the downturn in offshore-related activity. This restructuring also characterized activity in 2018.

Shipyards and maritime suppliers have shifted their focus away from the construction of ships for oil and gas to the construction of ships such as passenger vessels, fishing vessels, wellboats and service vessels for the offshore wind industry. The overall order inflow of Norwegian shipyards in 2018 showed an increase in vessels under contract in both numerical and value terms when compared to previous years. In 2018, a total of 48 vessels valued at NOK 24.5 billion were ordered, compared to 47 vessels with a value of NOK 15.6 billion in 2017[12]. The average order value per ship increased by over 50 per cent from 2017 to 2018. The increase in the average price per ship reflects the number of orders at Norwegian shipyards that relate to expensive cruise and expedition vessels, as well as coastguard vessels.

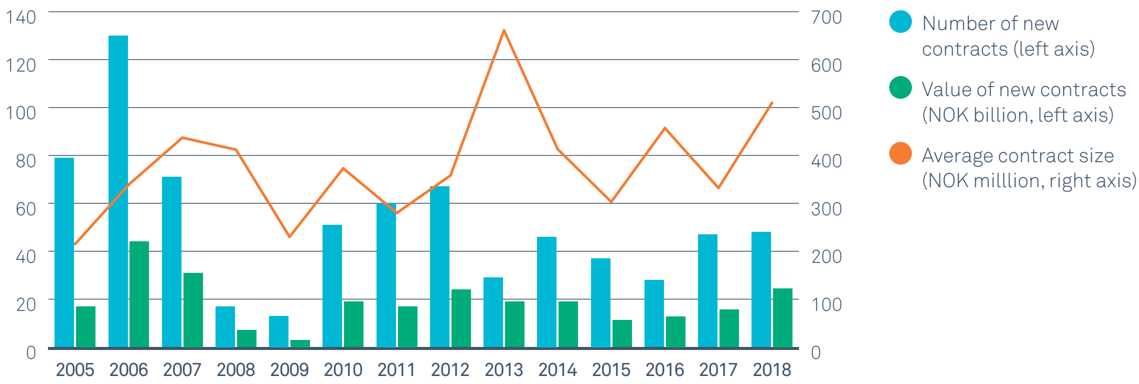
The restructuring at Norwegian shipyards and equipment suppliers is also reflected in Export Credit Norway's application figures. The company has recorded a larger proportion of applications within the cruise ship segment, expedition vessels, and within fisheries and aquaculture, compared with the period prior to the downturn in offshore related activities.

Export Credit Norway helps bolster the competitiveness of Norwegian shipyards by providing financing for vessels that qualifies for the export credit scheme. Of the 48 contracts that were entered into by Norwegian shipping companies at Norwegian shipyards in 2018, Export Credit Norway had financing dialogue involving just over half of these.

The volume of other capital-good exports from Norway is smaller, and stems from a range of different industries. The weaker Norwegian krone against the US dollar and Euro in particular has improved the competitiveness of Norwegian exporters. However, the supply of long-term financing is still considered limited in a number of industry segments. The impact this has on

[12] Source: Norwegian shipyards

FIGURE 3 **NEW CONTRACTS FOR NORWEGIAN SHIPYARDS 2005–2018**



the Norwegian export industry also influenced Export Credit Norway's activities and application figures throughout 2018.

To adapt to new market conditions and meet the needs of both larger and smaller exporters, Export Credit Norway identified several priorities in the strategy plan for 2017. The company's aim was to increase awareness of sales and business tools that can support and promote proper prioritisation of the company's resources. These efforts have resulted in more systematic and standardised follow-up of the company's customers (exporters and borrowers). The company also actively markets its products, services and activities through multiple digital channels.

Export Credit Norway revises its own strategy plans on an annual basis and at the end of 2018 the company approved a new strategy plan for the period from 2019 to 2021. The strategy builds upon previous plans, but safeguards specific priorities that are necessary for the coming period. Based on Export Credit Norway's targets, limits and market trends, during the next strategy period the company will particularly prioritise its work on:

- Further improving customer insight and market orientation
- Working towards a broader product range that is required for restructuring.
- Expanding and developing strategic alliances.
- Ensuring productive operations through efficient and digitalised processes and skilled staff.
- Complying with the company's corporate social responsibility

3.1. COMPETITIVE EXPORT FINANCING

3.1.1. INTRODUCTION

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

FIGURE 4 **DEVELOPMENT IN NUMBER OF ANNUAL APPLICATIONS BY INDUSTRY**

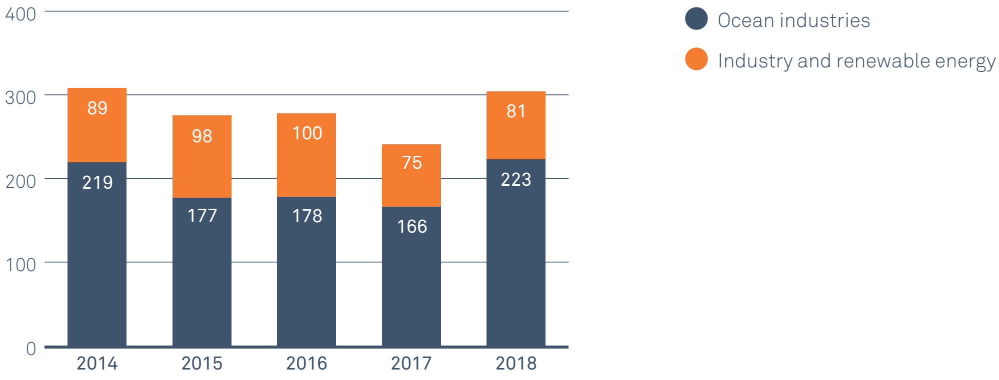
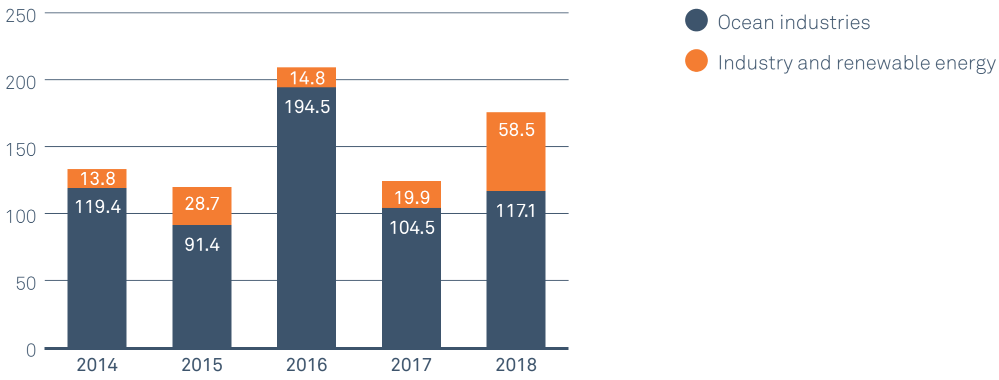


FIGURE 5 **DEVELOPMENT OF ANNUAL APPLICATION VOLUME BY INDUSTRY (NOK BILLION)**



3.1.2. APPLICATIONS

In 2018, Export Credit Norway received a total of 304 applications representing a combined application volume of NOK 175.6 billion. In comparison, the company received 241 applications amounting to an application volume of NOK 124.4 billion in 2017. The application inflow for the year showed a positive trend compared with previous years. For the long-term trend, see Figures 4 and 5.

For ocean industries, Export Credit Norway received 223 applications in 2018, with a total application volume of NOK 117.1 billion. In 2017, the company received 166 applications, representing a combined application volume of NOK 104.5 billion. The increase in the number of applications was due to more enquiries within oil and gas-related activities, primarily production units and field development, as well as restructuring within the maritime industry, with an increased focus on cruise ships, ferries, fishing vessels and wellboats. The increase in volume was principally due to applications within passenger and commercial vessels. For ocean industries there has been a shift in the applications the company receives, with non-offshore segments now dominating the order book. In 2018, Export Credit Norway targeted growth sectors such as cruise ships, fisheries and aquaculture and passenger and merchant vessels.

The number of applications within industry and renewable energy in 2018 was 81 and was

FIGURE 6 **NUMBER OF LOAN APPLICATIONS RECEIVED IN 2018 BY INDUSTRY**

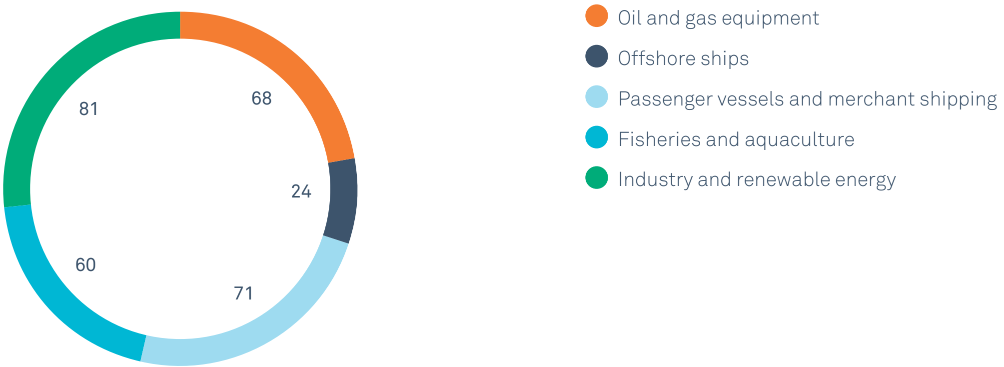
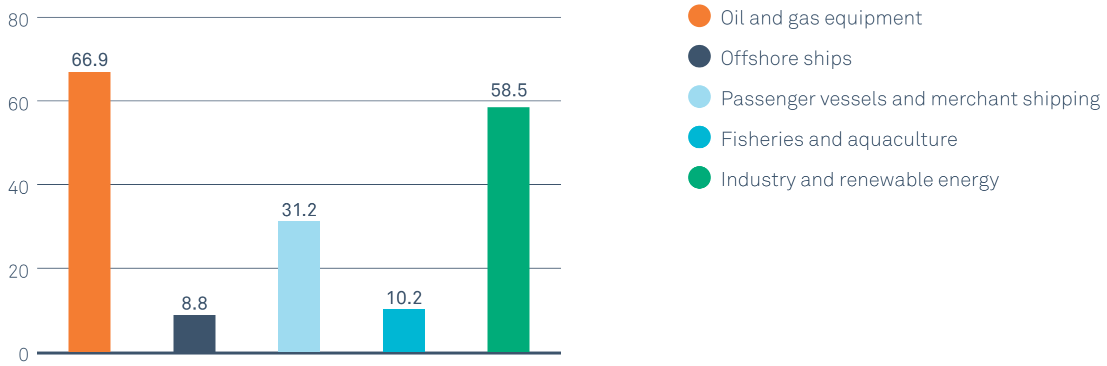


FIGURE 7 **APPLICATION VOLUME IN 2018 BY INDUSTRY (NOK BILLION)**



considered stable compared with 2017 when this number was 75. The application volume increased from NOK 19.9 billion to NOK 58.5 billion. The increase was primarily linked to projects within the defence industry. As regards mainland businesses (which are primarily involved in small and medium-sized export contracts) Export Credit Norway continued to market its SMB solution[13], among other though customer events in Norway and abroad and individual customer outreach.

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

3.1.3. ORDER BOOK AND LENDING BALANCE

Export Credit Norway's probability-adjusted order book[14] totalled NOK 19.2 billion at the end of 2018. This was an increase of more than 15 per cent compared with the end of 2017 when the company's probability-adjusted order book was NOK 16.7 billion.

[13] The SMB solution was launched in 2014 and is a simplified solution for loans totalling less than NOK 100 million.

[14] Probability-adjusted order book: Export Credit Norway's best estimate of future loan disbursements is linked to an assessment of loan applications received. Based on applications received, a probability assessment is carried out in connection with potential future loan disbursements for projects in which an export contract has been entered into.

FIGURE 8 **ANNUAL DEVELOPMENT OF THE PROBABILITY-ADJUSTED ORDER BOOK (NOK BILLION)**

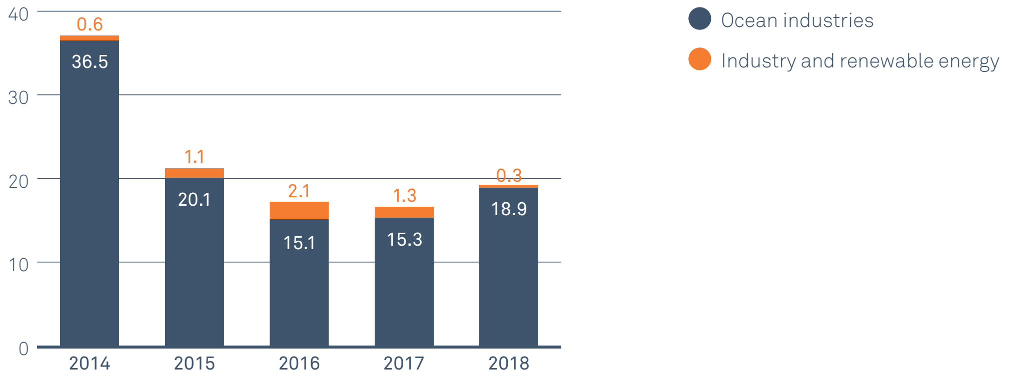


FIGURE 9 **PROBABILITY-ADJUSTED ORDER BOOK BY INDUSTRY AS OF 31 DECEMBER 2018 (NOK BILLION)**

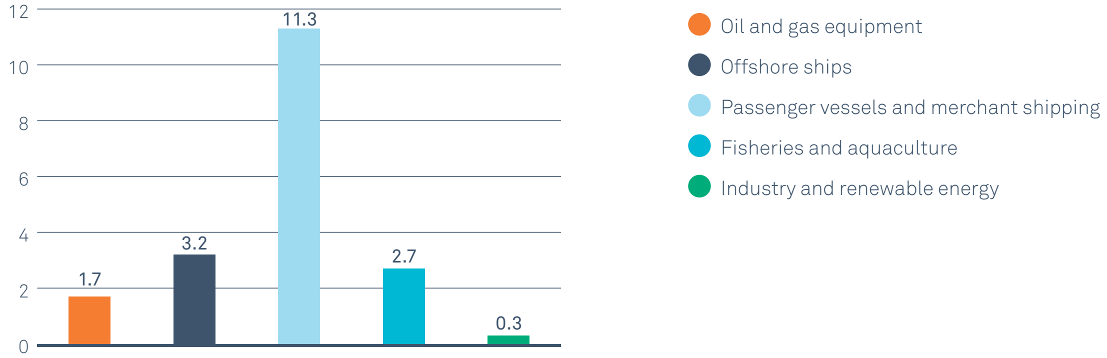


FIGURE 10 **PROBABILITY-ADJUSTED ORDER BOOK BY INDUSTRY AS OF 31 DECEMBER 2018 (NUMBER OF LOANS)**

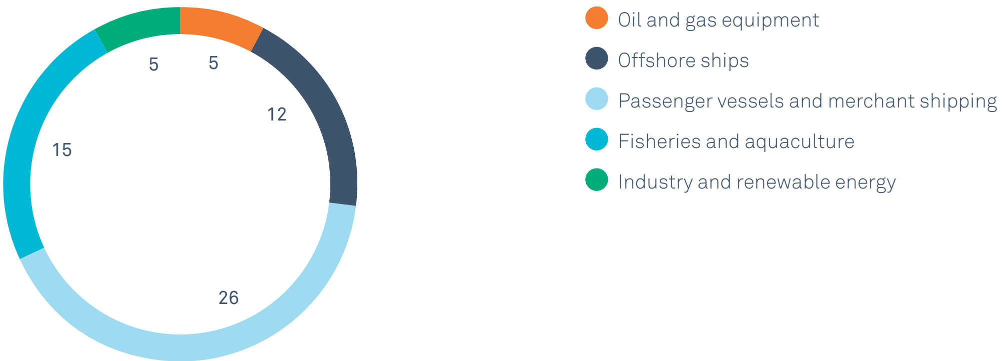


TABLE 1 **LENDING BALANCE AS OF 31 DECEMBER 2018 ACCORDING TO SUB-SEGMENT**

Sub-segment	Number of loans	Lending balance (NOK million)	Proportion of lending balance
	208	**61,220**	**100.00 %**
Construction vessels	32	15,760	25.74 %
Other offshore-related vessels and related equipment	25	10,066	16.44 %
Platform support vessels (PSV) and related equipment	56	8,958	14.63 %
Equipment for drill ships	7	7,324	11.96 %
Anchor handling tug supply vessels (AHTS) and related equipment	27	6,461	10.55 %
Equipment for semi-submersible rigs	7	3,801	6.21 %
Other equipment for the oil and gas industry	8	2,652	4.33 %
Equipment for jack-ups	1	782	1.28 %
Defence	1	690	1.13 %
Ferries and related equipment	3	746	1.22 %
Equipment for wind energy projects	2	525	0.86 %
Well boats and related equipment	5	600	0.98 %
Fishing boats and related equipment	3	461	0.75 %
Equipment for other ships	4	426	0.70 %
Cruise vessels	3	426	0.70 %
Water treatment systems	1	417	0.68 %
Equipment for solar power projects	1	377	0.62 %
Fish farming equipment	3	70	0.11 %
Offshore wind energy vessels	3	223	0.36 %
Energy and power	1	166	0.27 %
Clean technologies for offshore support vessels	2	101	0.17 %
ICT	5	74	0.12 %
Other industries	5	52	0.09 %
Infrastructure	2	49	0.08 %
Clean technologies for passenger vessels and merchant shipping	1	14	0.02 %

For ocean industries, the probability-adjusted order book was NOK 18.9 billion at year-end 2018, compared to NOK 15.3 billion at the end of 2017. The principal explanation for this increase was new projects within cruise and expedition vessels. For oil and gas equipment, the company experienced a decline in the probability-adjusted order book from NOK 3.2 billion at year-end 2017 compared to NOK 1.7 billion at the end of 2018. Among other things, the decline was due to higher disbursements during the year and the fact that some projects have been cancelled or postponed.

The probability-adjusted order book for industry and renewable energy was reduced to NOK 348 million at the end of 2018 compared with NOK 1.5 billion at the end of 2017.

The year-end lending balance for 2018 amounted to NOK 61.2 billion, compared to NOK 69.4 billion at the end of the preceding year. The decrease in the company's year-end lending balance was primarily due to higher early repayments for individual projects and a lower number of new disbursements in 2018 compared with the previous year. The lending portfolio at the end of 2018 showed that the three largest sub-segments account for more than 50 per cent of both the number of loans and lending balance. These three sub-segments were construction ships, other offshore-related vessels with related equipment

FIGURE 11 **ANNUAL DEVELOPMENT IN DISBURSEMENT TOTALS (NOK BILLION)**

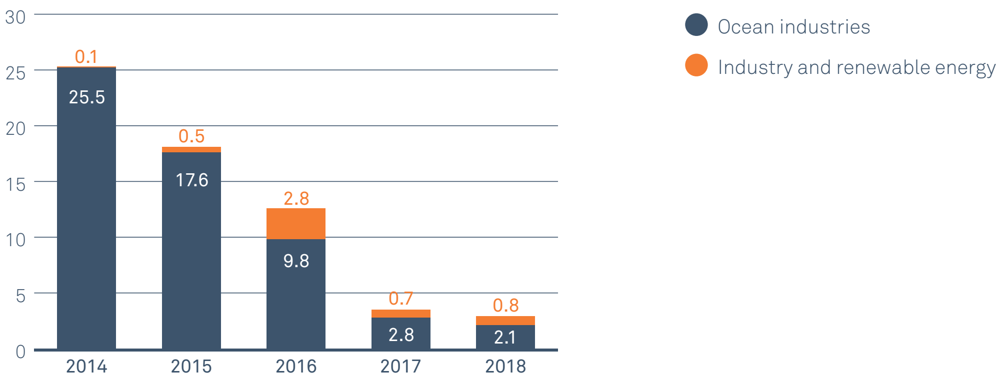
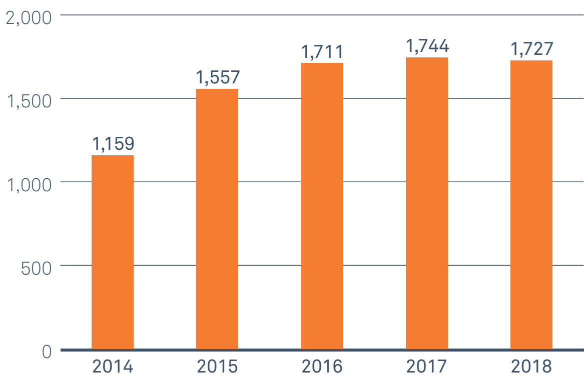


FIGURE 12 **GROSS INTEREST INCOME (NOK MILLION)**



and platform supply ships with related equipment. Table 1 shows the distribution of the loans by sub-segment in terms of volume and quantity.

3.1.4. CASH FLOWS

Export Credit Norway disbursed a total of NOK 2.9 billion in 2018. This is a decrease from 2017 when total disbursements for the company were NOK 3.4 billion. For ocean industries the company disbursed NOK 2.1 billion in 2018, compared with NOK 2.8 billion in 2017. The disbursement volume for industry and renewable energy increased from NOK 719 million in 2017 to NOK 815 million in 2018. Anticipated disbursements for 2019 are approximately NOK 8 billion. The decrease in the disbursement volume from 2014 to 2018 was primarily due to large disbursements to the oil sector prior to the decline in oil prices and that Export Credit Norway took over loans from Eksportfinans ASA in 2014.

The company received NOK 1,727 million in interest income from its lending activities in 2018, as well as NOK 35 million in fee income. These figures are on a par with previous years. Repayments during the year amounted to NOK 13.3 billion at actual rates. The 2018 financial result for lending activities was NOK 532 million, excluding the State's calculated borrowing costs and operating and investment grants paid to Export Credit Norway.

3.1.5. RESULTS OF CUSTOMER AND USER SURVEY

For the sixth year running, Export Credit Norway conducted a customer and user survey as part of its performance and effectiveness evaluation. For the past three years, Menon Economics has conducted the survey jointly on behalf of Export Credit Norway and GIEK.

The survey looks in more detail at three important aspect of Export Credit Norway's activities.

- ***The effect of the loans (including additionality):*** It is examined whether loans from Export Credit Norway, together with guarantees from GIEK, contribute to triggering exports that would otherwise not have been achieved if these policy instruments had not been available. It is further examined whether the loan from Export Credit Norway has other effects for the customer (both exporter and buyer).

- ***Quality of the product:*** In accordance with the assignment from the owner, Export Credit Norway shall offer competitive financing. It is examined as to how users and stakeholders consider the service offered in terms of accessibility and price.

- ***Service level and organisation:*** Export Credit Norway shall also be an efficient provider of export financing. The survey also reveals opinions regarding the level of service and expertise in the organisation, as well as issues regarding cooperation and organisation.

A total of 22 respondents were interviewed in connection with Export Credit Norway's customer surveys in 2018. Export Credit Norway had a total of 15 new loan cases for disbursement in 2018 [15]. The respondents represent 13 different cases. With two exceptions, Menon interviewed people affiliated with all new loan cases for which Export Credit Norway disbursed funds in 2018.

The actors include Norwegian exporters, foreign buyers, and commercial banks that have had a role in the cases linked to the financing. Among the respondents were seven borrowers, ten exporters and five banks.

In the customer survey the respondents were asked to assess the extent to which loans and guarantees were decisive for the export transaction being realised. The responses are used as a starting point for calculating Export Credit Norway and GIEK's additionality. Based on responses from previous years' effect surveys, the respondent is asked about the combined effect of Export Credit Norway and GIEK. The reason for this is that several respondents are unable to differentiate between the additional effect provided by Export Credit Norway and GIEK in the transactions in which both are involved. The operators are also asked to rank and comment on the service level, expertise and competitive terms of both Export Credit Norway and GIEK.

The calculations only use figures from companies that received loans from Export Credit Norway in 2018. GIEK is involved as guarantor in all loan cases.

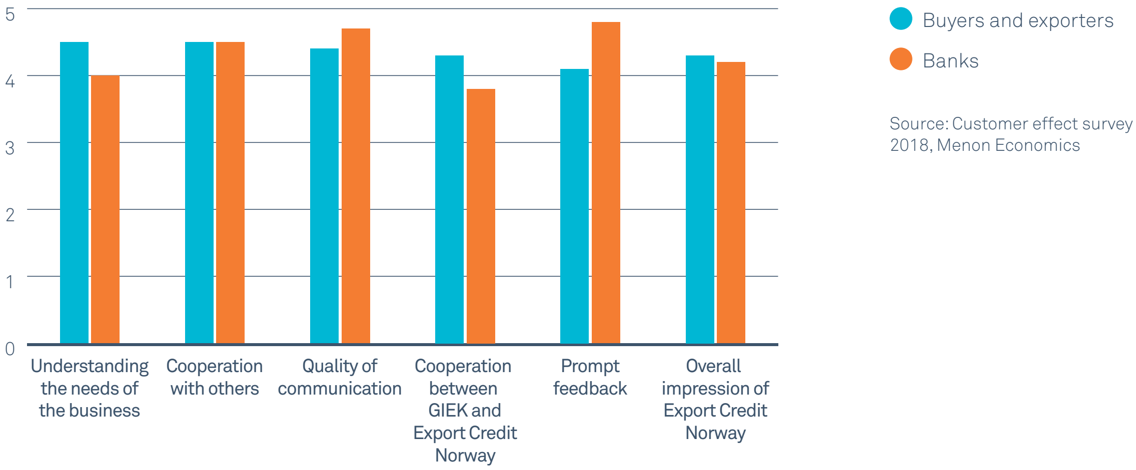
All interviews were conducted by telephone. Telephone interviews enable the respondents to provide more nuanced answers than what is possible in an electronic questionnaire. This also reduces the risk of misunderstanding and also allows the respondents to provide valuable additional information for use in own business development.

Quality of products, services and customer service

The survey shows that the users are very satisfied with Export Credit Norway's level of service and the company consistently received high scores for the level of service from all of the users. On a scale from 1 to 5, where 1 is very poor and 5 is excellent, the average score was between 4.1 and 4.5 for the five specific service questions asked

[15] The number of cases in which there were disbursements associated with a new export transaction (partial payments for existing loans are not included in the survey).

FIGURE 13 **AVERAGE SCORE FOR SERVICE QUESTIONS**



Source: Customer effect survey 2018, Menon Economics

to exporters and buyers (borrowers). The overall impression is high for both user groups, with a score of 4.3 for exporters and buyers and 4.2 for the banks.

As shown in Figure 13, the highest score given by the customers (exporters and buyers) was for understanding of the business' needs and the general cooperation. In response to the question regarding the quality of the company's communication, the exports and buyers (borrowers) gave a score of 4.4. The banks gave a score of 4.7 for the quality of the company's communication and cited good communication and prompt feedback as good qualities that Export Credit Norway possesses.

Of 22 respondents, seven were involved for the first time in transactions with Export Credit Norway. As shown in the figure below, the users were least satisfied with the cooperation between Export Credit Norway and GIEK, which had the lowest score among the banks and the second lowest score among exporters and buyers. The low score is attributed to a single project in which the parties considered the cooperation to be challenging.

Illustrated in Figure 14, the customer survey shows that the most important reasons for using Export Credit Norway are:

- opportunity to free up credit lines,
- that it is difficult to receive full financing elsewhere,
- total loan costs
- repayment plan and adjustments

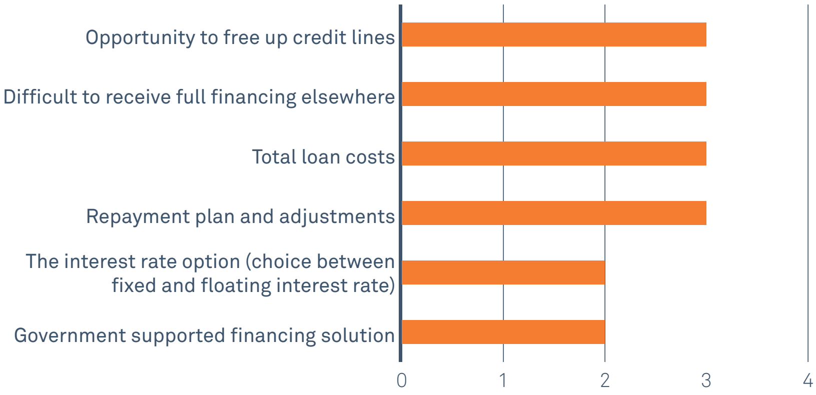
This is also confirmed by the feedback regarding Export Credit Norway's competitiveness. All respondents that had an opinion on the competitiveness of Export Credit Norway's terms stated that they considered the terms to be either as good (89 per cent) or more competitive (11 per cent) than banks and other private financial institutions. See Figure 15.

When compared with export credit institutions in other countries, the service is considered to be as good or weaker. Of the ten actors that had an opinion on this, half answered that Export Credit Norway's terms were about as good as similar institutions in other countries, but four of ten considered the terms to be not as good as in other countries. The countries listed as having better terms included Germany, Poland, Lithuania and China.

Additionality

Menon Economics quantifies the importance of Export Credit Norway's contribution to the promotion of Norwegian exports. The user survey looks more closely at whether Export Credit Norway and GIEK are involved in trig-

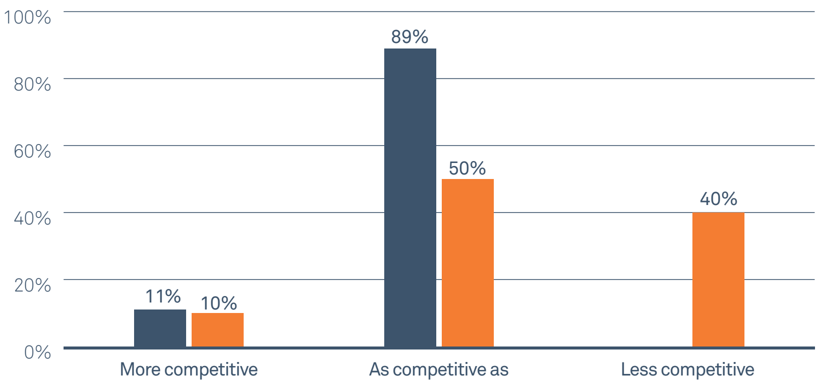
FIGURE 14 **WHY WAS THE FINANCING SOLUTIONS THROUGH GIEK AND EXPORT CREDIT NORWAY PREFERRED**



Responses in the customer survey to the question: **When the buyer selected the financing solution from Export Credit Norway and GIEK, how important do you think the following factors were** (scale: 1=not important, 4=most important)

Source: Customer effect survey 2018, Menon Economics

FIGURE 15 **HOW COMPETITIVE DO YOU CONSIDER EXPORT CREDIT NORWAY AND GIEKS TERMS TO BE IN COMPARISON TO..?**



Responses to the customer survey question: **How competitive do you consider Export Credit Norway and the GIEK's terms to be in comparison?**

- Commercial banks or other financial institutions
- Other ECAs

Source: Customer effect survey 2018, Menon Economics

gering activity that would otherwise not have occurred if the service was not available. If a loan contributes to creating sales for a customer that would not have occurred without the loan, the loan is defined as additional. The requirement for Export Credit Norway is that the loans directly trigger exports and the users of the scheme must apply for loans before commercial export contracts are potentially entered into [16]. The respondents were asked about the combined effect of Export Credit Norway and GIEK's services. Since it is probable that GIEK's guarantees account for some of the calculated additionality, the effect of Export Credit Norway's individual activities cannot be isolated. However, Menon's calculation only includes cases in which Export Credit Norway was involved.

The survey reveals that Export Credit Norway plays an important role in the promotion of Norwegian exports. The company's products and services have high additionality. This result is in line with surveys from previous years. The survey shows that 72 øre of every one krone financed by Export Credit Norway in 2018 would not have been realised without the State export financing solution that is made available through Export Credit Norway and GIEK [17]. Specifically, this means that the transactions in question would not have been completed without the assistance

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

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

Would the same contract have been realised if GIEK and Export Credit Norway had not issued a guarantee and the loan?

	Percentage of cases	Percentage of total disbursements
Yes, probably realised on the same scale and with the same timetable	33%	27.5%
Yes, probably realised on the same scale, but at a later date	0%	0%
Yes, probably realised on a smaller scale, but with the same timetable	0%	0%
Yes, probably realised on a smaller scale, but at a later date	8%	0.3%
No	58%	72%
Total	**100%**	**100%**

Source: Customer effect survey 2018, Menon Economics.

of Export Credit Norway and GIEK, or that the contracts would have been worth less without their assistance.

In the customer effect survey, the respondents were asked what they believed the outcome of the transaction would have been in the absence of Export Credit Norway and GIEK's export financing solution. Table 2 shows the percentage of cases associated with each response alternative, and the disbursement percentage attributable to each alternative reply. This illustrates that loans from Export Credit Norway trigger exports, i.e. that it is assumed that this would not have occurred without this financing in just under 58 per cent of the cases Export Credit Norway was involved in. If this additionality is calculated in accordance with disbursements we find that 72 per cent of disbursements from Export Credit Norway have gone towards transactions that would not have occurred without the export financing.

According to Menon Economics, there is thus reason to expect that Export Credit Norway's additionality is 72 per cent.

In addition to asking the actors involved in transactions with Export Credit Norway about the additionality of the loans, we have also obtained their more in-depth assessments of the effect of loans and guarantees from Export Credit Norway and GIEK. Among other things, the survey showed that 78 per cent of the Norwegian exporters Menon Economics was in contact with were of the opinion that Export Credit Norway and GIEK contributed to increased market opportunities. 60 per cent were also of the view that the use of Export Credit Norway and GIEK contributed to reducing their risk. These responses are evidence that Export Credit Norway and GIEK's financing products contribute to strengthening the competitiveness of Norwegian exporters.

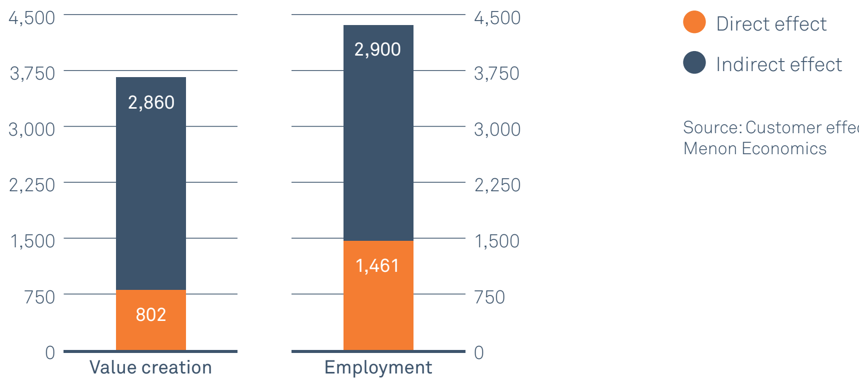
Export Credit Norway's ripple effects

The reasoning behind the ripple effect analyses is as follows:

- Loans from Export Credit Norway to buyers of Norwegian goods and services contribute to triggering ***export contracts with Norwegian companies.***
- These export contracts contribute to ***employment and value creation*** for Norwegian exporters.
- The exporters ***purchase goods and services from suppliers in Norway*** and therefore contribute to the maintaining employment and value creation throughout the entire country.

[17] 13 of the respondents who answered for seven transactions stated that the contract would not have been realised without the export financing. Another respondent assumed that the contract would have been concluded, but on a smaller scale and at a later date. The respondent further assumed that the contact would therefore have been more than halved and would probably have been delayed by 4–5 months. Eight respondents, who answered for four cases, stated that the export agreement would have been concluded on the same scale and on the same date.

FIGURE 16 **OVERALL EMPLOYMENT AND VALUE-CREATION EFFECT ATTRIBUTABLE TO ADDITIONAL EXPORTS TRIGGERED BY EXPORT CREDIT NORWAY**



Source: Customer effect survey 2018, Menon Economics

TABLE 3 **ADDITIONAL EFFECT ON NORWEGIAN BUSINESSES OF EXPORT CREDIT NORWAY'S TRANSACTIONS IN 2018**

	Direct effect	Indirect effect	Totalt
Increased exports	NOK 7.1 billion		
Employed persons	1,461	2,900	4,361
Value creation	NOK 802 million	NOK 2.9 billion	NOK 3.7 billion

Source: Customer effect survey 2018, Menon Economics

To calculate employment and value-creation effects, Manon links additionality data from each exporter to accounting data from the same company. This significantly reduces the uncertainty in the estimates which means that the estimates of the effect on value creation and employment are therefore relatively accurate.

Based on surveys of Norwegian exporters who use Export Credit Norway's services, Menon Economics has estimated the company's additional effect on Norwegian exports at NOK 7.1 billion in 2018. The overall employment and value-creation effects are shown in Figure 16.

The additional exports[18] achieved by Export Credit Norway can be directly linked to approximately 1,461 jobs in the affected export businesses. Correspondingly, the direct value-creation effect on the involved exporters totals approximately NOK 800 million.

Moreover, the additional exports have given a sales boost to a broad range of underlying Norwegian businesses. This activity has indirect employment and value-creation effects that are attributable to Export Credit Norway. In 2018, the indirect employment effect totalled 2,900 persons, while the indirect value-creation effect amounted to just under NOK 2.9 billion. These are also presented in Table 3.

The calculated effect was higher in 2018 than in 2017. This is primarily due to a higher underlying total value of the export contracts in 2018 compared with 2017.

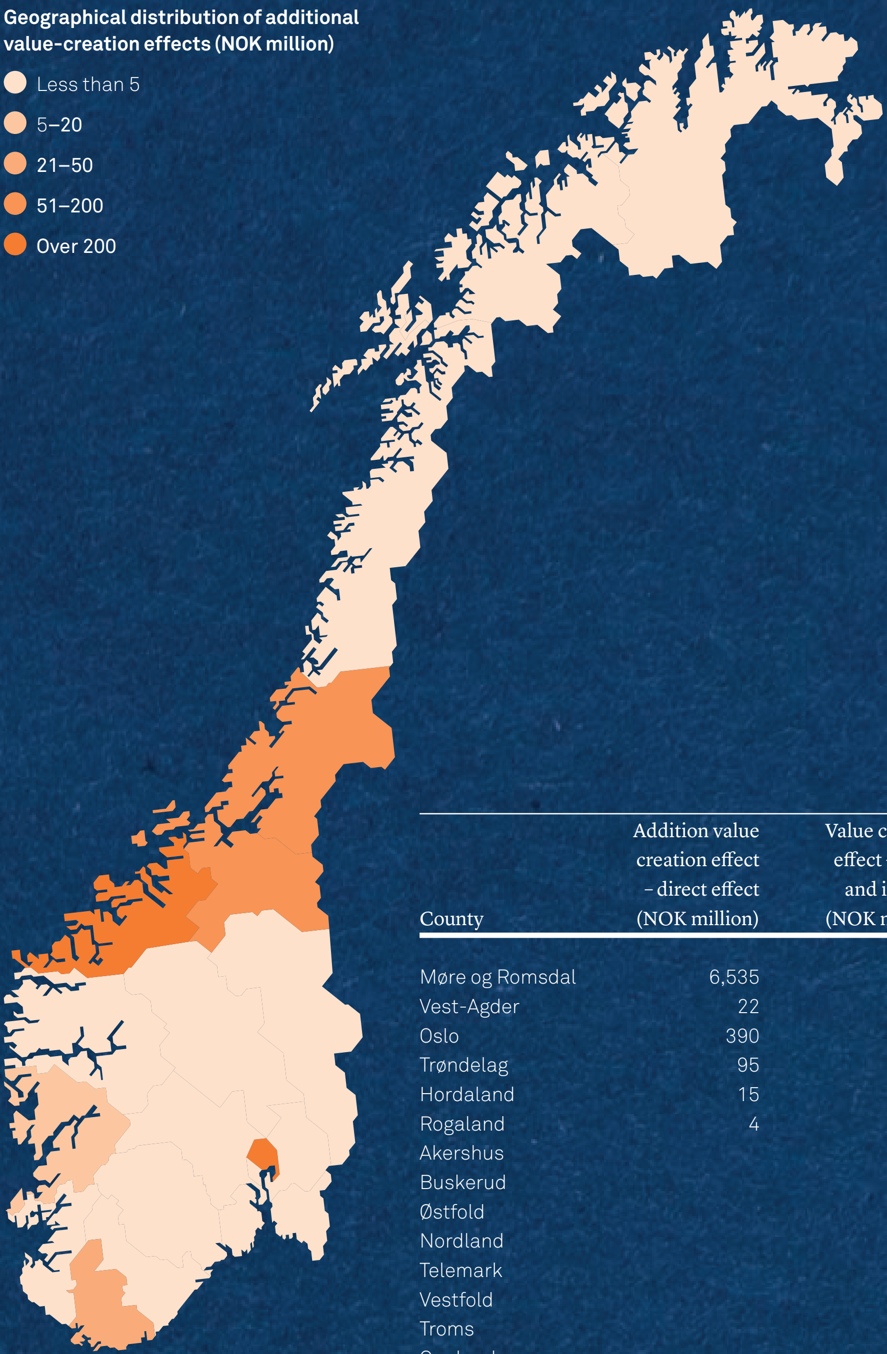
Figure 17 shows how the employment effect is spread among Norwegian counties . The greatest

[18] Additional exports are exports which Export Credit Norway has helped to realise and which it is assumed would not have occurred without financing from the company and, where relevant, guarantees from GIEK.

FIGURE 17 **GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT NORWAY'S OVERALL EMPLOYMENT AND VALUE-CREATION EFFECTS**

Geographical distribution of additional value-creation effects (NOK million)

- Less than 5
- 5–20
- 21–50
- 51–200
- Over 200



County	Addition value creation effect – direct effect (NOK million)	Value creation effect – direct and indirect (NOK million)	Employed persons – direct and indirect
Møre og Romsdal	6,535	1,828	2,630
Vest-Agder	22	180	319
Oslo	390	338	259
Trøndelag	95	179	162
Hordaland	15	164	168
Rogaland	4	142	141
Akershus		121	117
Buskerud		95	87
Østfold		89	80
Nordland		74	61
Telemark		71	60
Vestfold		65	50
Troms		59	44
Oppland		59	44
Hedmark		57	43
Aust-Agder		56	41
Sogn og Fjordane		45	29
Finnmark		41	25
Total	**7,061**	**3,663**	**4,360**

amount of activity is created in Møre og Romsdal. Vest-Agder, Oslo and Trøndelag are also high on the list. The rest of the country is also affected through underlying purchases of goods and services, but this effect is both smaller and less certain than the direct effects.

3.1.6. INTERNATIONAL CONTRIBUTION

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

During the year, Export Credit Norway assisted the Ministry of Trade, Industry and Fisheries with both the development of export financing instruments and, not least, the international negotiations mentioned above. OECD negotiations on revised interest-setting rules (fixed-rate CIRR) continued in 2018. Although the exact timetable is uncertain, Export Credit Norway expects the negotiations to enter the final stage in 2019. The purpose of revising the rules is to harmonise interest-setting practices between OECD countries and bring the pricing of fixed interest loans closer to market levels.

The company also assisted the Ministry with the planning of the International Working Group on Export Credits (IWG) meeting that was held in Oslo in January 2019.

3.1.7. ASSESSMENT OF EXPORT FINANCING SYSTEMS IN OTHER COUNTRIES

In April 2018, Export Credit Norway submitted a report to the Ministry of Trade, Industry and Fisheries which assessed export financing systems in 19 countries. The purpose of the report was to increase awareness about what countries competing with Norwegian exporters offer in terms of financing. The report will be used in the Ministry's work on developing the Norwegian policy instruments for exports and internationalisation.

Export Credit Norway's assessment showed that several countries offer a more extensive service to their own exporters than is the case in Norway. The services vary, but the authorities or institutions in several countries offer loan financing aimed at both working capital and investments in the domestic market and abroad. This can contribute to strengthening the competitiveness of exporters in these countries in comparison with Norwegian competitors.

There is a clear trend towards the expansion of services for SMB exporters. Many countries are focussing on enhancing the opportunities of small and medium-sized exporters in different markets and access to financing is important in that respect. Norway has a good offer of traditional export financing for foreign customers that purchase goods and services from Norwegian SMBs, but has a weaker offer for the SMB exporters themselves.

Another trend is that many countries are working to digitalise the financing service. This also applies to Norway and Export Credit Norway. It may be a challenge to digitalise the processes associated with export financing because the transactions are largely customized. There are thus not many specific results of digitalisation within the field that can be directly copied. At the same time, we acknowledge that we operate in a landscape in which the customers expect new and smart solutions in the customer interface by us being linked to the banking/finance industry. Export Credit Norway and GIEK are also working on digitalising their services in relation to banks, exporters and borrowers. Digitalisation of the financing service for SMBs is high on the agenda in the finance industry in general and Export Credit Norway intends to be part of this development.

3.1.8. DESCRIPTION OF EXPORT FINANCING FOR SMBS

In February 2019, Export Credit Norway submitted, in cooperation with GIEK, a report to the Ministry of Trade, Industry and Fisheries regarding the financing offered in other countries to SMBs, particularly from export financing institutions. The assessment confirmed the findings from the April 2018 report: Many countries have more extensive and flexible services for their SMBs than Norway.

The report had three key findings on the approaches in other countries:

- Several countries have presented and implement ambitious and uniform export strategies with increased SMB exports as the key goal. The strategies are largely commercially oriented and include specific and quantitative goals for, among other things, increased exports and more jobs, supported by a number of specific initiatives and resources Emphasis is placed on aligning and coordinating sales activities between foreign service offices, trade organisations, and financing funds.

- Similarly, in the past decade the export credit agencies (ECAs)/public support system actors have gone from being passive to becoming more proactive, flexible and sales-minded. Several ECAs have set specific and ambitious goals for expanding their services to small and medium-sized businesses. The ambitions are followed-up by a strategic approach to product development and marketing/sales, and several actors have established SMB departments. The actors have flexible frameworks and develop and test new products in the market with the goal of best serving customer needs.

- The ECAs/public support system actors generally consider short and long-term guarantees and loans to the country's own exporters to be most relevant to the SMBs. It is typically these types of products that drive the growth in the ECAs' SMB customers. Buyer financing is generally considered as a less suitable product. This is due to SMBs primarily being sub-contractors and that transaction costs for establishing loans are relatively high.

KEY FIGURES

In 2018, Export Credit Norway:

- Received 304 loan applications.
- The value of the probability-adjusted order book was NOK 19.2 billion at year-end.
- Signed 21 loan agreements valued at NOK 4.9 billion.
- Disbursed 15 new loans with a lending value of NOK 2.2 billion.
- Had a lending balance of NOK 61.2 billion at year-end.
- Was awarded a score of 4.3 from the company's customers (overall impression of the company's level of service).
- Achieved additionality of 72 øre per disbursed krone.
- Contributed to NOK 1.7 billion in increased sales by Norwegian exporters.
- Helped to create or preserve 1,461 jobs.

3.1.9. FUTURE PRIORITIES

The company's primary objective with regard to competitive export financing is to provide exporters with a relevant and competitive range of products and services. Export Credit Norway has noted that the restructuring of the Norwegian economy has highlighted the need for improving the loans that are offered for financing the operations and investments of Norwegian exporters. The company wants to continue the work on further improving the loans that are offered, particularly for SMBs. Customer and stakeholder surveys will also be conducted in 2019.

3.2. ACCESSIBLE EXPORT FINANCING

3.2.1. INTRODUCTION

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

3.2.2. TARGETED MARKETING

Export Credit Norway employs a combination of different sales and marketing channels in pursuit of its aim of providing accessible export financing to potential and existing customers. Direct relationships and activities concentrated on exporters and purchasers are currently the company's most important marketing channel. Direct dialogue with individual customers facilitates development of trust and identification of financing solutions for relevant contracts. Export Credit Norway has established best practice-based management tools for the prioritisation of activities and customer follow-up in connection with marketing efforts.

The company is also actively marketing the company's products, services and activity support through digital channels. In 2015 Export Credit Norway established a strategy for the marketing of the company's digital channels (website, newsletter, social media and targeted marketing campaigns). The continuous development of these channels is a high priority. The use of digital channels is vital for being able to increase knowledge about and familiarity with the export credit scheme, particularly at an early phase for new, potential customers.

Export Credit Norway continued its efforts to strengthen indirect sales channels and general marketing activities in 2018. Over the course of the year, 25 customer events were held in Norway and abroad in collaboration with partners. Many of these events were hosted or co-hosted by Innovation Norway. Customer events are generally well-attended by local exporters, and are an important forum for direct contact with companies. Banks, GIEK, Innovation Norway, the Norwegian foreign service, Norwegian Energy Partners, business associations, trade organisations and GIEK Kredittforsikring are further channels that communicate information about the export credit scheme to relevant purchasers and exporters. An important aspect of the company's distribution strategy is therefore to ensure that the company's partners have adequate knowledge of the export credit scheme. Export Credit Norway also makes active use of digital channels to present success stories and relevant news, including about the company's products and services. Other marketing materials, such as presentations and brochures, are updated on an ongoing basis.

Export Credit Norway also has country managers who maintain an overview of relevant Norwegian exporters in "their" countries and ensure that indirect "on-the-ground" sales channels like Innovation Norway, embassies/consulates general and Norwegian Energy Partners have sufficient knowledge and presentation materials to market the company's solutions wherever relevant. The country managers are regularly in touch with these contacts, and work with them to identify Norwegian exporters for whom financing may potentially be a relevant sales argument vis-á-vis international customers.

As well as reaching out to suppliers and purchasers, Export Credit Norway holds regular contact meetings with trade organisations and business associations relevant to the company's customers. In 2018, the company also arranged the "Export Conference" in cooperation with GIEK, GIEK Kredittforsikring and Innovation Norway. The conference is a meeting place for all parties with an interest in exports. The Export Award is also handed out at the conference.

In 2018, a new marketing department was established with a focus on industry and renewable energy, shipping and fisheries and aquaculture. A new department for strategy and business development was also established. The main thrust of the marketing work is linked to exporters and buyers in the aforementioned industry segments.

3.2.3. COOPERATION WITH OTHER ACTORS

Export Credit Norway expended considerable efforts in 2018 to make the combined financial policy instruments for exporters more easily available. An important objective has been to enable Innovation Norway to be a gateway to export financing and a better advisor to the companies. This is achieved by improving expertise relating to export financing at Innovation Norway and lowering the threshold for involving Export Credit Norway and GIEK in discussions with exporters. For example, the following initiatives have been implemented:

- An e-learning package has been developed for employees at Innovation Norway regarding Export Credit Norway and GIEK's products.
- A joint contact point has been created for GIEK and Export Credit Norway which Innovation Norway can use.
- Regular follow-up of appointed lighthouses (fyrtårn) has been established at Innovation Norway's district office.
- Regular reporting of transactions to Innovation Norway has been established in both Norway and abroad.

Export Credit Norway has continued its commitment to joint customer events with Innovation Norway, GIEK, GIEK Kredittforsikring and the banks. These events reach a number of existing and potential exporters and provide them with information on the entire range of policy instruments. 25 of these types of events were held in 2018. In addition, the four public support system actors have commenced planning on having a joint stand at Nor-Shipping in 2019 for the first time.

To ensure good cooperation between the public support system actors, regular meetings at board and executive management level have also been established. Coordination meetings are held at management level each quarter with the objective of sharing experiences and information.

In 2018, Export Credit Norway contributed to increased knowledge about export volumes and export opportunities within renewable energy and ICT. This company has done this together with actors such as Menon Economics and IKT Norge. Knowledge is necessary for further developing business policy and Export Credit Norway wants to build alliances and be a good premise provider for the Norwegian authorities.

3.2.4. EFFORTS TARGETING SMBS

For several years, Export Credit Norway has focussed its efforts on arranging financing for SMB export contracts. The company has a digital application process and simplified documentation requirements for SMBs that shall contribute to an easier transaction process. Moreover, Export Credit Norway has worked closely with GIEK to improve joint customer communications and the loan application process for export contracts valued at less than NOK 100 million. In 2018, Export Credit Norway focused on implementing new initiatives for more efficient execution of transactions, including new methodology and new tools for assessing transactions at an early stage.

In 2018, Export Credit Norway received 143 applications from SMBs, an increase from 2017 when the number of applications was 105. The company gives high priority to SMBs, and has allocated significant resources to efforts in this area. Customer segments in the SMB category are fragmented, and encompass a broad range of industries. This is also reflected in Export Credit Norway's SMB portfolio, which principally consists of suppliers in the ICT, maritime, wind power, aquaculture and other equipment segments. Most exporters who request export sales support from Export Credit Norway are SMBs.

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

SMBs and larger exporters have different export financing needs, and SMBs often require more support and closer follow-up by Export Credit Norway and GIEK. In terms of value, SMBs account for 3 per cent of the company's lending balance. This means that in 2 per cent of transactions, one or several SMBs constitute the main exporter. In terms of the number of cases that represent the total number of loans in the portfolio, the percentage is significantly higher and amounts to 14 per cent. The average repayment period for SMB transactions is considerably shorter than for the lending portfolio as a whole, something that reduces the proportion of SMB loans at any time. The same feature can be observed in the application figures. The SMB share of the 2018 application volume is 15 per cent, whereas SMBs account for 47 per cent of all loan applications. It should be noted that Export Credit Norway's financing solutions contribute to employment in more SMBs, albeit in their capacity as sub-contractors of larger exporters. Figures 18 and 19 do not take this into account.

3.2.5. FUTURE PRIORITIES

By organising marketing work into one unit and through active use of the customer service model, Export Credit Norway shall conduct more strategic and targeted marketing on a better analytical basis. The company shall continue to combine digital marketing channels and traditional customer meetings and events in the marketing work in order to give the company's products and services a wide reach in the market. Export Credit Norway will also continue its systematic marketing in cooperation with other public support system actors and trade organisations. In addition, the company will seek to establish close cooperation with banks that have good relations with the suppliers in the local markets, including by working to expand the guarantor portfolio. A focus area in 2019 will be to integrate the export financing as a sales support product with the most relevant suppliers.

KEY FIGURES

In 2018, Export Credit Norway:

- Received 68 loan applications related to oil and gas equipment.
- Received 24 loan applications related to offshore vessels.
- Received 71 loan applications related to passenger and merchant vessels.
- Received 60 loan applications related to fisheries and aquaculture.
- Received 81 loan applications related to industry and renewable energy.
- Received 143 loan applications from SMBs, representing 47 per cent of the total number of applications.
- Received 56 loan applications related to innovative projects, representing 18 per cent of the total number of applications.
- Arranged 25 customer events in collaboration with Innovation Norway, GIEK, chambers of commerce, banks and business associations.

FIGURE 18 **SMB SHARE OF LENDING BALANCE AND NUMBER OF LOANS AS OF 31 DECEMBER 2018 (%)**

SMB share of lending balance (%) **SMB share of number of loans (%)**

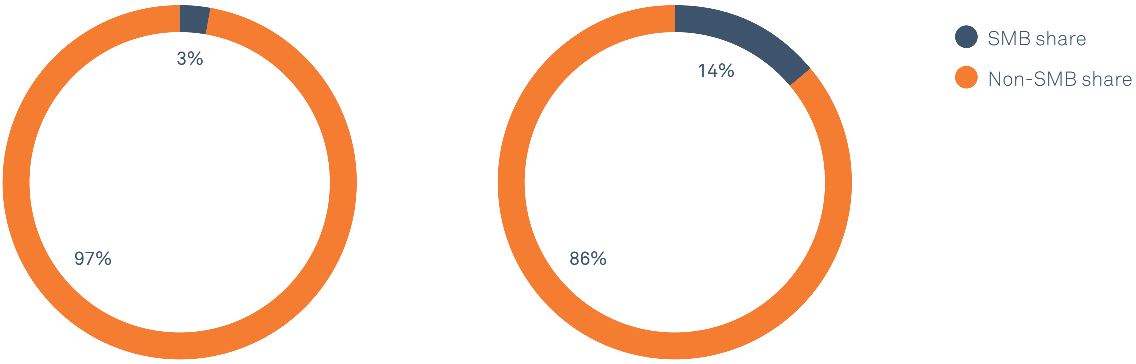


FIGURE 19 **SMB SHARE OF APPLICATION VOLUME AND APPLICATIONS RECEIVED IN 2018 (%)**

SMB share of application volume (%) **SMB share of applications received (%)**

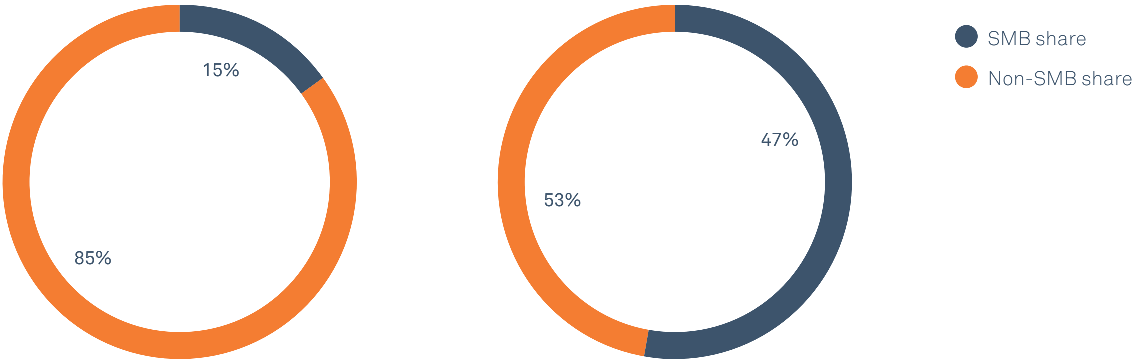
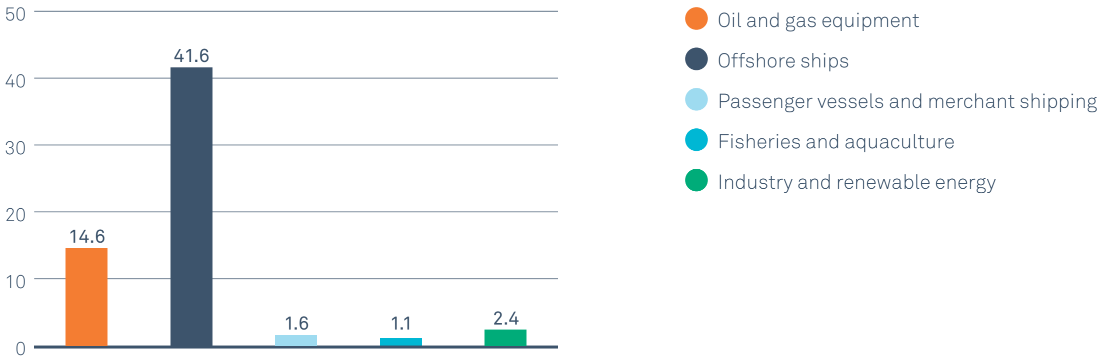


FIGURE 20 **VOLUME OF MANAGED LOANS BY INDUSTRY AS OF 31 DECEMBER 2018 (NOK BILLION)**



3.3. EFFECTIVE EXPORT FINANCING

3.3.1. INTRODUCTION

Effective export financing involves the effective organisation and management of the company's activities, including application processing, implementation of loan transactions and follow-up of the company's loan commitments. The company prioritises effective risk management, including the pricing, establishment and follow-up of loans.

3.3.2. THE LENDING PORTFOLIO

At the end of 2018, Export Credit Norway's lending portfolio of NOK 61.2 billion encompassed 208 loans. In comparison, the company's lending portfolio was NOK 69.4 billion at the end of 2017, divided among 214 loans. Some 64.5 per cent of the loans were CIRR loans, while 35.5 per cent were market loans. In terms of volume, the lending portfolio at the end of 2018 was dominated by loans to operators with earnings linked to the oil and gas sector. This has been the case for several years. Most of the loans relate to offshore vessels followed by equipment for the oil and gas sector, industry and renewable energy, passenger and merchant vessels and fisheries and aquaculture. Figures 20 and 21 show the distribution of the loans by industry in terms of volume and number.

The average amount of the loans varied considerably between the different sectors. The largest loan amounts are found within oil and gas equipment, with an average loan amount of just over NOK 600 million. The average amount per loan within offshore vessels was just under NOK 300 million, while the average amount per loan for passenger and merchant vessels was just under NOK 150 million. For fisheries and aquaculture, the average amount per loan was approximately NOK 100 million and was NOK 130 million within industry and renewable energy.

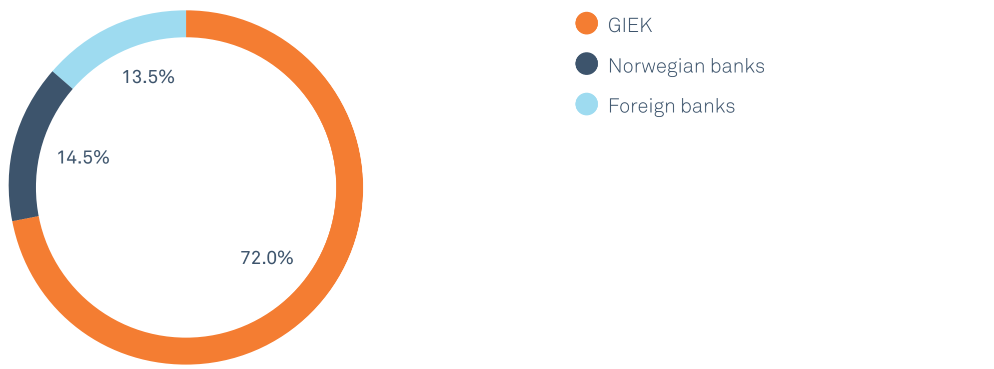
3.3.3. CREDIT AND RISK EXPOSURE

Under the export credit scheme, loans are recorded in the central government balance sheet, and the State assumes all related risk. Export Credit Norway does not engage in hedging or asset management. All loans must be fully guaranteed by financial institutions and/or state export credit agencies that satisfy the company's rating requirements.

Export Credit Norway is focused on applying strong risk management routines to avoid losses in connection with the export credit scheme. Several of the company's borrowers within the offshore segment have experienced and continue to experience financial challenges due to market developments. Export Credit Norway has worked actively with relevant borrowers in close cooperation with the guarantors to protect the State's assets. Close follow-up of borrowers

FIGURE 21 **NUMBER OF MANAGED LOANS BY INDUSTRY AS OF 31 DECEMBER 2018**

FIGURE 22 **GUARANTOR DISTRIBUTION OF THE LENDING AS OF 31 DECEMBER 2018 (%)**



in financial difficulties was also a priority task throughout 2018. The restructuring work is resource-demanding and in order to provide effective and good follow-up the company has a separate specialist group for at-risk loans that specialises in the follow-up of loans associated with a material risk of default.

No loan capital was lost in 2018. Export Credit Norway made claims under four of the guarantees provided for its loans in 2018.

Credit risk

At year-end, 72 per cent of the lending balance was guaranteed by GIEK. Of the remainder, 14 per cent was guaranteed by Norwegian banks and 14 per cent by foreign banks. At the end of 2018, all loans complied with the established credit risk limits.

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

FIGURE 23 **EXPOSURE WITHIN DIFFERENT RATING CATEGORIES AS OF 31 DECEMBER 2018 (NOK MILLION)**

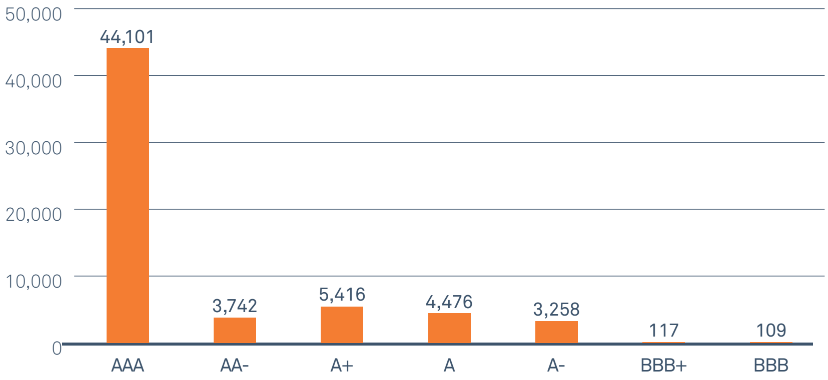
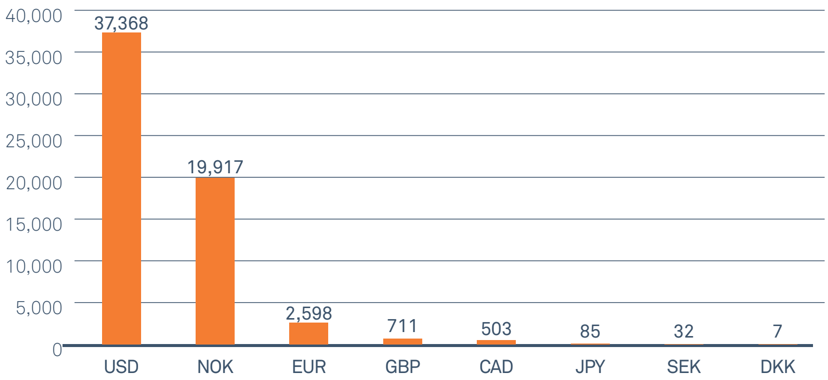


FIGURE 24 **CURRENCY DISTRIBUTION OF THE LENDING BALANCE AS OF 31 DECEMBER 2018 (NOK MILLION)**



Market risk

Pursuant to section 3 of the Export Credit Regulations on decision-making authority, Export Credit Norway may commit to loans denominated both in NOK and in foreign currencies. Some 67.5 per cent of all loans included in the lending balance at the end of 2018 were denominated in foreign currencies, including 61.0 per cent in USD. The company is not permitted to engage in hedging transactions, and the Norwegian State therefore manages foreign exchange risk linked to the loans in the company's portfolio along with the State's other exposure.

Operational risk

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

3.3.4. EFFICIENCY IN EXPORT CREDIT NORWAY'S OPERATIONS

The Norwegian parliament allocated Export Credit Norway an operating and investment

FIGURE 25 **OPERATING EXPENSES 2018 (NOK 1,000)**

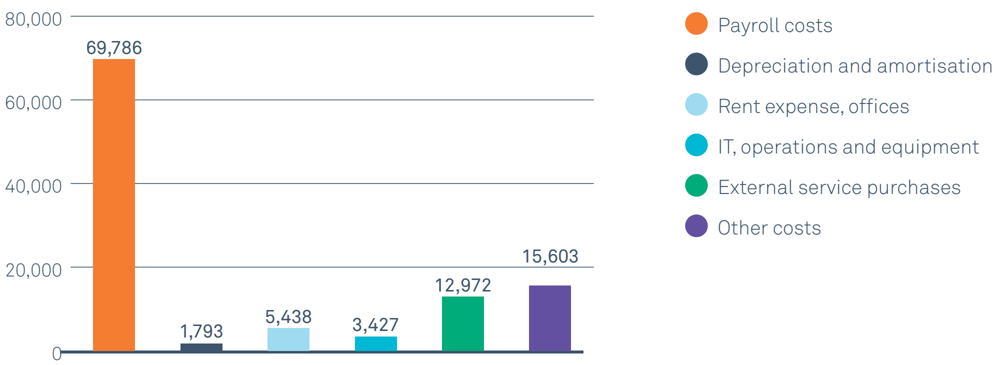
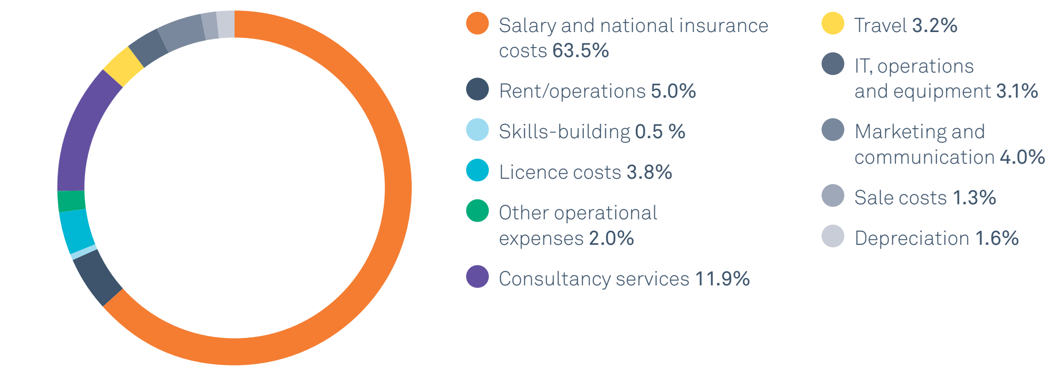


FIGURE 26 **OPERATING EXPENSES BY TYPE 2018 (%)**



grant of NOK 112.4 million for 2018. Operating expenses excluding depreciation and amortisation were NOK 107.2 million. The expenses primarily consisted of payroll costs, administrative costs and purchases of external services.

Export Credit Norway's result for the year 2018 was a profit of NOK 4.5 million after tax, compared to a post-tax profit of N OK 3.7 million in 2017. The company enjoys a strong equity position and robust liquidity, and has little exposure to financial risk.

Export Credit Norway's payroll and national insurance expenses accounted for 64 per cent of operating expenses in 2018. The second-largest item in the operational budget is purchases of external services, which amount to 12 per cent of the budget. Export Credit Norway's operational model is based on the outsourcing of certain services. Five per cent of operating expenses related to travel and marketing work. Rental expenses have remained unchanged for the past two years. Other operating expenses consist of office costs, telephony, membership contributions and insurance premiums.

The company's overall sick leave rate was 2.3 per cent in 2018, with short-term sick leave at 0.8 per cent and long-term sick leave at 1.5 per cent.

TABLE 4 **VOLUME FIGURES COSTS (1 000 NOK)**

	2018	2017	2016
Salary as percentage of operational expenses	63.5 %	65.6 %	64.3 %
Salary cost per full-time equivalent	1,489	1,477	1,500
Konsulentandel av driftskostnader	11.9 %	9.9 %	12.7 %

3.3.5. COST-BENEFIT ANALYSIS

The 2018 cost-benefit analysis for the export credit scheme has been drawn up in accordance with the same principles as the analysis for the previous year. The analysis shows that net interest income and fee income totalled NOK 532 million in 2018, after the deduction of Export Credit Norway's operating and investment grant. The CIRR scheme [19] contributed net interest income of NOK 333.6 million in 2018, while the marketing scheme [20] contributed net interest income of NOK 275.7 million. Export Credit Norway also received fee income of NOK 35 million. For detailed information on the cost-benefit analysis for the export credit scheme, see Annex 10.1.

3.3.6. FUTURE PRIORITIES

Export Credit Norway and GIEK invested substantially in the simplification of application processes and loan documentation for small and medium-sized businesses. Standardisation and simplification remain important objectives for 2019. Moreover, priority will be given to improving the overall range of products and services offered to Norwegian exporters by the public support system. Together with GIEK, Export Credit will in 2019 invest in the development of a digitalised customer interface. Work on the digitalisation of internal processes will also be prioritised going forward.

19) Loans at CIRR-rate (fixed rate)

20) Loans on market terms

KEY FIGURES

In 2018, Export Credit Norway:

- Had 208 managed loans at the end of the year.
- Managed 16 major changes in loans, including deferment of instalments, default and restructuring.
- Of the 16 restructurings, the company called in four guarantees.
- No breaches of credit or risk exposure limits.
- An acceptable risk profile for credit and risk exposure.
- An estimated financial lending result of NOK 532 million.
- An administration cost of 0.18 per cent of the lending portfolio.

3.4. SHIP FINANCING SCHEME

In autumn 2017, the Government proposed establishing a financing scheme that also includes financing of Norwegian buyers of ships that are built at Norwegian shipyards when the vessels are intended for use in Norway. This ship financing scheme formally became operational in June 2018 after a consultation process and subsequent

TABLE 5 **SHIP FINANCING SCHEME**

	2018	2017
Loan applications (number)	22	5
Value of loan applications (NOK million)	6,694	918
Probability-adjusted order reserve (NOK million)	1,433	303
Managed loans (number)	0	0
Value of managed loans (NOK million)	0	0

amendments to the Regulations relating to the Export Credit Scheme and Act relating to Export Credit Norway. The new financing scheme includes loans on market terms. Contracts for larger rebuilds of ships of more than 1,000 gross tonnes can also be financed.

In 2018, Export Credit Norway prioritised making this scheme known to shipping companies, banks and the maritime supplier industry. Interest in the scheme has generally been good. The first agreements and disbursements relating to the new ship financing scheme are expected to occur during 2019.

To ensure good and efficient implementation of the new scheme, an internal project group was established in 2018 to monitor this work. The project group attended to tasks relating to marketing of the financing scheme, establishment of digital application process for the scheme, preparation of associated marketing materials and of adapted loan documentation, as well as clarification of reporting to the Ministry of Trade, Industry and Fisheries. In connection with this work, the project team worked closely together with GIEK, Innovation Norway and commercial banks.

In 2018, Export Credit Norway received 22 applications relating to the ship financing scheme which was equivalent to a value of NOK 6.7 billion. The company received five applications in 2017, equivalent to a value of NOK 0.9 billion. As of the end of 2018, Export Credit Norway has made two offers of loans under the ship financing scheme. The company defines an offer for a loan as Export Credit Norway having made the customer a legally binding offer with certain conditions. About one year can pass from when an offer is made until disbursement.

Out of an estimated 25 contracts entered into by Norwegian shipping companies at Norwegian shipyards in 2018 where the ship is intended for use in Norway, there was a dialogue about using the ship financing scheme for about half of these. For the other contracts, the shipping companies chose to go with financing from other sources, primarily the banking or securities markets. The ship financing scheme is considered to be an important relief product for the relevant shipping companies and banks.

Ship deliveries normally include a high proportion of deliveries from SMBs. In this way, the scheme contributes to new contracts for SMBs that supply to the shipyards. Export Credit Norway expects stable demand for the ship financing scheme as the scheme is used and incorporated by the relevant market players.

FIGURE 27 **TOTAL NUMBER OF APPLICATIONS RECEIVED IN 2017 AND 2018 BY SHIP TYPE**

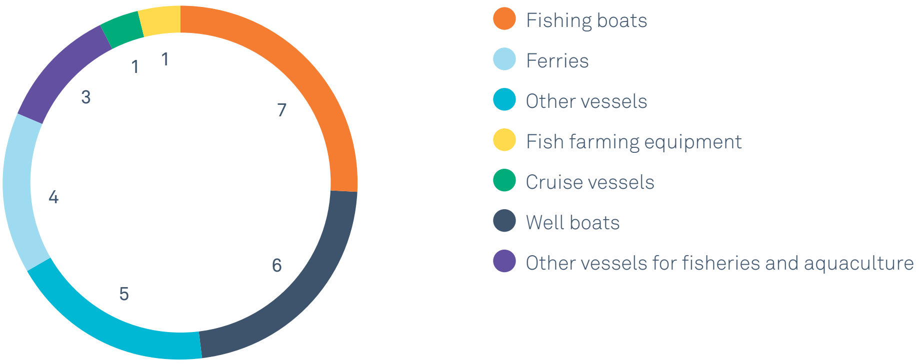


FIGURE 28 **APPLICATION VOLUME AND PROBABILITY-ADJUSTED ORDER BOOK [21] BY SHIP TYPE (NOK MILLION)**

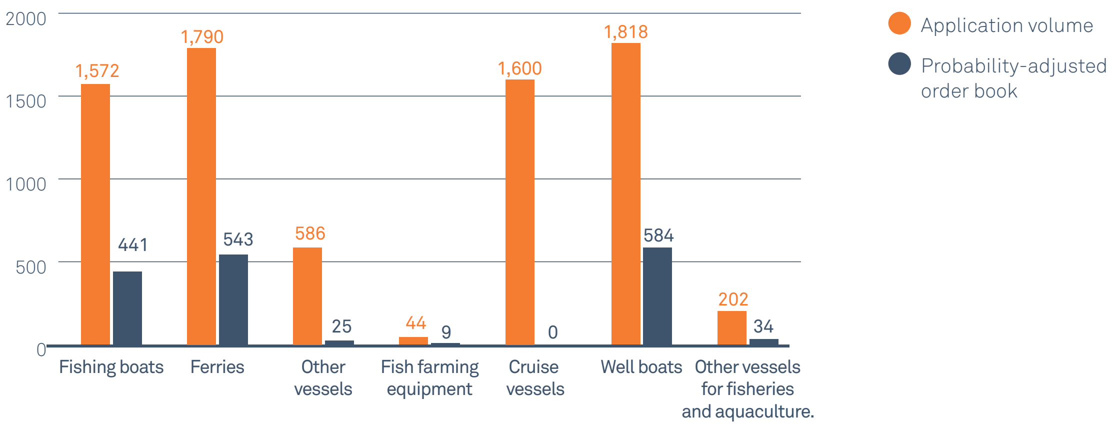
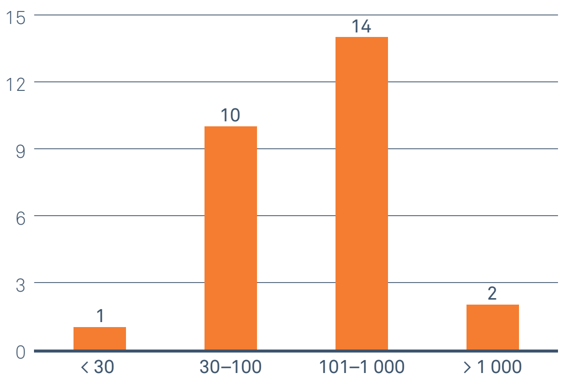
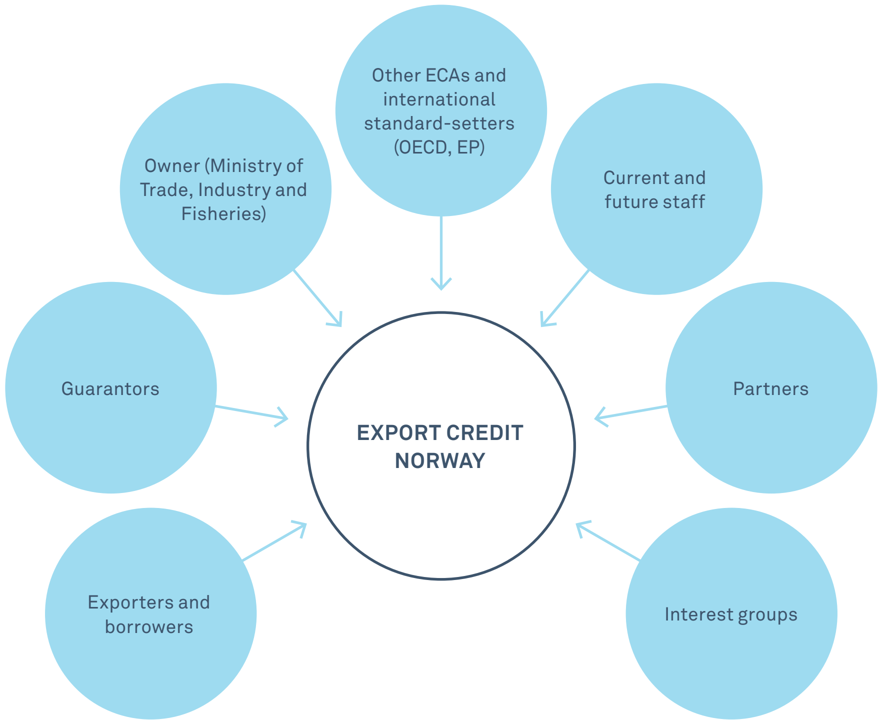


FIGURE 29 **NUMBER OF APPLICATIONS BY AMOUNT INTERVAL (NOK MILLION)**



[21] Probability-adjusted order book: Export Credit Norway's best estimate of future loan disbursements is linked to an assessment of loan applications received. Based on applications received, a probability assessment is carried out in connection with potential future loan disbursements for projects in which an export contract has been entered into.

FIGURE 30 **EXPORT CREDIT NORWAY'S STAKEHOLDERS**



Export Credit Norway will prioritise the continued marketing of the ship financing scheme in 2019. The company's goal is that all shipyards and shipping companies that can benefit from the ship financing scheme are aware of the scheme and are thus able to assess the relevance for appurtenant projects. Export Credit Norway also expects a good application inflow in 2019, particularly within the fisheries and aquaculture segment.

3.5. STAKEHOLDERS

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

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

Stakeholder dialogue is a key aspect of Export Credit Norway's continual operations. This dialogue takes a variety of forms, and serves different purposes, depending on the type of stakeholder. For example, meetings with banks and organisations focus on relationship-building, dialogue with businesses is mainly transactional and contact with the owner and other ECAs principally revolves around regulatory and product development. Over the past couple of years, the company has had a close dialogue with GIEK, Innovation Norway and GIEK Kredittforsikring regarding joint measures and initiatives. GIEK is an important stakeholder for the company and Export Credit Norway maintains close dialogue at all organisational levels. Export Credit Norway conducts an annual stakeholder survey; see the discussion in section 3.5.1.

3.5.1. STAKEHOLDER SURVEY

Menon Economics conducted in-depth interviews with 20 stakeholders to survey their views on Export Credit Norway's role in the Norwegian export financing apparatus. The surveyed stakeholders included financial institutions and guarantors, official bodies, including the Ministry of Trade, Industry and Fisheries, Innovation Norway, stakeholder organisations and representatives from the legal profession. These stakeholders view Export Credit Norway's activities from different standpoints, and therefore also have detailed knowledge in different areas. For example, banks and lawyers are often involved in the company's loan transactions, and thus have a better basis for discussing detailed procedural and product-related issues, whereas trade organisations and official bodies typically have a more general perspective.

The stakeholders are consistently of the view that Export Credit Norway triggers export activity and are well-satisfied with the work that is being done. The additionality is considered particularly significant within capital-intensive industries characterised by strong international competition. The company is considered to be a supplement to the commercial bank market and not a competitor.

The stakeholders generally consider the buyer financing to be well organised and that it meets the desired needs. The traditional buyer financing is frequently used and well known and the new ship financing scheme has been referred to as a valuable and in-demand financing solution. One specific scheme that is requested is a top-up financing scheme and associated guarantees (through GIEK) focussed on short-sea shipping. The purpose of this is to ensure more rapid renewal of the coastal fleet.

The company is generally considered to possess a high level of expertise on export financing and has a good reputation.

Effect

The stakeholders have different opinions about the additional effect of the export financing solution provided through Export Credit Norway and GIEK, however two reasons particularly stand out:

-"All other countries have it": Norwegian exporters primarily compete with exporters in other industrialised countries with equivalent export financing schemes to Norway (Export Credit Agencies=ECA). The frameworks for ECA financing are regulated through the OECD agreement and ensure that the rules relating to this type of financing are the same between countries. If Norway could not offer this type of financing, Norwegian exporters would therefore be less competitive. This is cited as the most important factor by the stakeholders.

-Stable framework conditions: Export Credit Norway is a stable source of capital during economic cycles. The stakeholders therefore consider the company to have the role as a "lender of last resort", which may be decisive when there is increased uncertainty in the financial markets and access to capital is otherwise limited.

Export Credit Norway and GIEK's additionality is considered particularly significant within capital-intensive industries characterised by strong international competition, typically projects within the maritime sector and associated supplier industry, which contributes to constructing offshore vessels or cruise ships.

The stakeholders have stated that both loans from Export Credit Norway and guarantees from GIEK are important. At the same time, it is clear that the demand for the different financing products fluctuates according to economic cycles. The export financing products and services provided by the State are regarded by the stakeholders as being a supplement to the commercial banks, not a competitor.

Market terms: Financing from Export Credit Norway and GIEK must be on market terms. This entails that buyers of Norwegian exports do not use the financing because it is a subsidy.

-"We use it as much as we can": Financing and the provision of liquidity are core activities for banks and other financial institutions. None of the banks stated that the agencies' activities restricted their earnings opportunities. On the contrary, the perception was that the banks use both GIEK and Export Credit Norway as frequently as they can.

Export financing from Export Credit Norway and GIEK also has an effect other than simply triggering new exports. Several of the respondents in the stakeholder survey emphasised that the export financing makes it possible for buyers of Norwegian export goods to free up credit lines at their own banks, something that was also highlighted in the customer survey (see Figure 14). This enables buyers to free up capital to make more investments.

Quality of products, services and customer service

Both the customers that use the scheme and the stakeholders identified the fixed-interest CIRR product as being especially important and in-demand. The company's variable rates are considered to be highly competitive, although views varied on this. Long repayment terms were highlighted as important and the fact that Export Credit Norway offers an option of fixed interest or market interest until the disbursement date (an interest option) was emphasised as being very important.

The respondents generally consider both Export Credit Norway and GIEK to be skilled, professional project execution partners. This particularly applies to projects governed by established, well-prepared procedures where internal work routines are followed, the parties supply documentation on time, and there is good sharing of information and coordination between the actors. The respondents who experience such transactions stated that they were very satisfied with the cooperation. Several of the stakeholders stated that they considered Export Credit Norway and GIEK's documentation requirements to be comprehensive. Some also stated that Export Credit Norway and GIEK could at times appear more bureaucratic than the commercial banks. This is feedback Export Credit Norway is aware of and the issue has also addressed over time by involving, for example, banks and/or lawyers when amendments are made to own documentation.

As regards cooperation between Export Credit Norway and GIEK, the impressions of the stakeholders were somewhat mixed. The issue of the organisation of the export financing scheme is something that a significant proportion of the stakeholders are concerned with. There are two clear groups among the stakeholders: (i) the group that advocates for the current model, and (ii) the group that wants a merger. Export Credit Norway is conscious of the fact that there are arguments for and against the current organisation and the company is also aware of the feedback from previous years.

Reputation

Export Credit Norway is generally considered to have a high level of expertise. The majority of the respondents stated that Export Credit Norway is a resource centre for Norwegian business in the field of export financing. This is supported by the fact that Export Credit Norway possesses a deep understanding and knowledge of relevant markets, development trends and country risks.

This is also supported from the user side, where several of the respondents stated that Export Credit Norway was professional and competent. They find that staff go to great lengths to assist in negotiations and contract preparations and familiarise themselves with new markets or industries if required. There was some feedback about specific industries where some expertise was lacking such as renewable energy and ICT.

As was the case in the previous year's survey, several respondents stated that Export Credit Norway appears to function better than the ECAs of other countries [22]. One foreign ECA described the resource centre as "state of the art" within export financing.

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

A.Skien-based **Made for Movement** has subsidiaries in Germany, Sweden, the United Kingdom and the Netherlands. The Company is a market leader in the development and delivery of dynamic standing, moving and walking devices for people with major physical disabilities. Export Credit Norway has contributed to financing a contract for the company valued at approximately NOK 2 million.
Photo: Made for Movement

4. Sustainability

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

4.1.1. INTRODUCTION

With a lending balance of NOK 61.2 billion and loans to 41 different project and debtor countries, Export Credit Norway has a responsibility to ensure that environmental and social conditions in the transactions that are financed are adequately safeguarded. The company seeks to exercise its corporate social responsibility by asking the relevant questions and setting the correct requirements in relation to environmental and social conditions in the transactions to enable the projects that are financed to be executed with the necessary level of care. The issue is environmental sustainability and corporate social responsibility. The correct management of Export Credit Norway's corporate social responsibility is a prerequisite for financing Norwegian exports. Follow-up of the company's corporate social responsibility is based on national laws and internationally recognised principles and guidelines.

In autumn 2018, Export Credit Norway conducted a study that assessed how the company should further develop the sustainability work and specifically what the company can do to contribute to the "green economy". The company will continue to work with initiatives for green structuring in 2019, and will focus on high risk areas where there is the greatest potential for making an impact. This primarily applies to aspects relating to environmental and social conditions and the company's work on preventing corruption and money laundering in connection with export contracts financed by Export Credit Norway. The company exercises its corporate social responsibility through sustainability in the loan transactions and responsibility in its own organisation. This underpins the company's public mandate to support Norwegian exports. Robust assessments of transactions, loan monitoring, and anti-corruption and anti-money laundering work are key measures in this regard. Together with expertise, ethics and integrity, these measures constitute the foundation for Export Credit Norway's corporate social responsibility.

4.1.2. INTERNATIONAL GUIDELINES

Export Credit Norway follows the OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (Common Approaches), the

COMMON APPROACHES

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

EQUATOR PRINCIPLES

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

THE RESPONSIBLE SHIP RECYCLING STANDARD (RSRS)

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

Equator Principles, and Responsible Ship Recycling Standard (RSRS). See further information in separate fact boxes.

The OECD's Common Approaches and Equator Principles are very similar, and employ the Performance Standards of the International Finance Corporation (IFC), in conjunction with the World Bank EHS Guidelines, as benchmarks and governance measures[23]. Performance levels and steps are generally deemed achievable for new projects based on existing technology and at a reasonable cost. Projects must always comply with national legislation and any international regulations and conventions. An important contribution to sustainable and responsible financing is good international guidelines. Export Credit Norway shall assist in ensuring there are sensible framework conditions. This applies to the work of the OECD, in the development of Common Approaches, "Recommendation on bribery and Officially Supported Export Credits" and the development of the Equator Principles and RSRS.

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

4.1.3. ASSESSMENT AND MONITORING OF THE TRANSACTIONS

All financing applications received by Export Credit Norway are classified, assessed and followed up on by reference to a risk assessment

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

EXPORT CREDIT NORWAY SUPPORTS THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals are the world's shared blueprint for eradicating poverty, combating inequality and stopping climate change. As a provider of export financing to customers throughout the entire world, Export Credit Norway can make a contribution and wishes to highlight goals 8 and 14, as these are the goals for which the company has the greatest ability to make a difference.

Goal 8 is to "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all." The company's objective of helping Norwegian exporters to succeed abroad and contribute to securing jobs here in Norway has a direct impact on this goal. All of the contracts Export Credit Norway is involved in financing assist in protecting jobs and contribute to economic growth. For several years the company has worked on assessing and contributing to improvements in working conditions at foreign shipyards. In recent years this work has shifted its focus from Asian shipyards that complete new ships and rigs to companies that supply hulls to Norwegian shipyards. This is done in close cooperation with the Norwegian shipyards. The Norwegian Government expects that Norwegian exporters will take responsibility for their subcontractors' environmental and social conditions and Export Credit Norway's work is founded on these expectations.

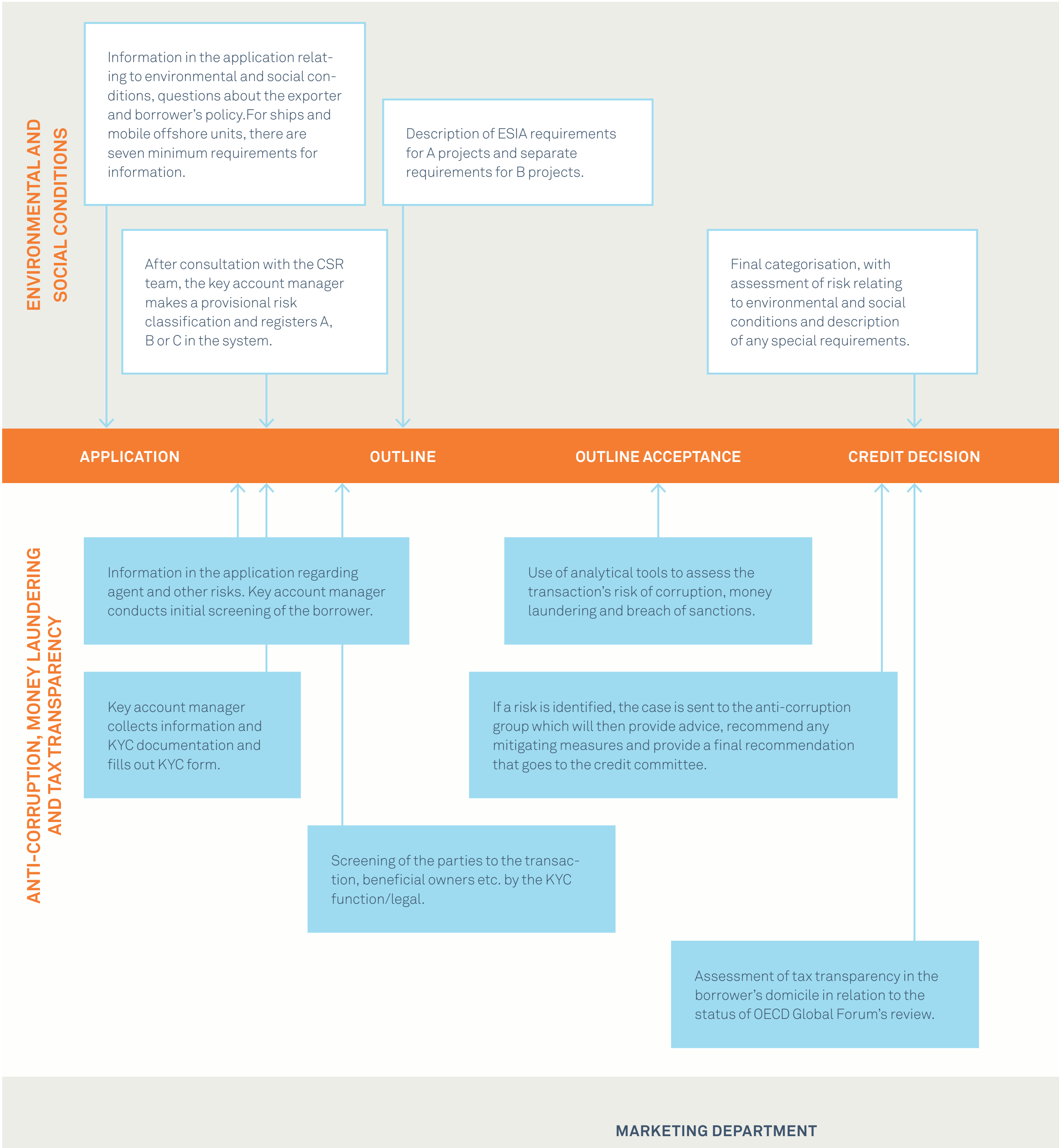
Goal 14 is "Conserve and sustainably use the oceans, seas and marine resources for sustainable development." Norwegian shipyards are currently building a large number of fishing vessels and well-boats, and Export Credit Norway has prioritised building up expertise relating to environmental conditions and regulations within fisheries and aquaculture. Documentation is required to ensure that fishing is sustainable, normally in the form of certification such as the MSC or similar. In 2017, work commenced on setting requirements for shipping companies regarding responsible ship breaking. By including the RSRS clause in all loan agreements for the financing of ships, Export Credit Norway seeks to encourage more of the industry players to commit to responsible recycling. In addition, steps are being taken to meet the market's response to changes in international emissions requirements, which have, for example, resulted in an increase in the number of applications relating to scrubbers and systems for cleaning ballast water.

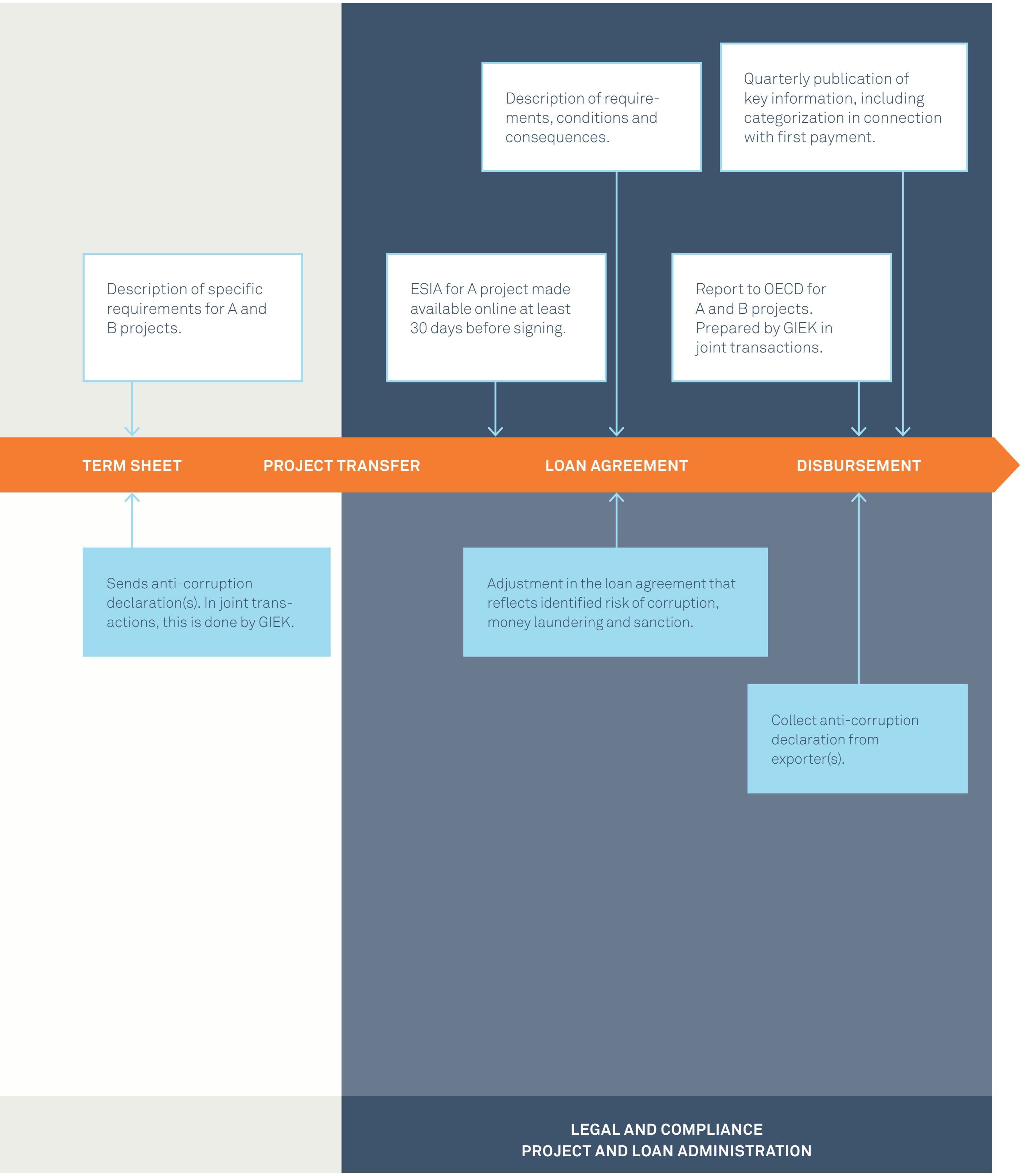
that covers corruption, money laundering, social conditions and environmental consequences. The aim is to ensure responsibility and sustainability in these fields in projects for which Export Credit Norway provides financing. See Figure 31 for a description of how Export Credit Norway safeguards environmental and social conditions, as well as the anti-money laundering and anti-corruption work, stage-by-stage in the transactions process.

GIEK is an important partner for Export Credit Norway in many areas, including environmental and social risk assessment. A separate cooperation agreement in this area grants Export Credit Norway access to GIEK's environmental and human rights specialists, including in the case of transactions not guaranteed by GIEK. All applications are classified as falling into one of three categories: A, B or C. These categories represent a risk assessment covering environmental consequences and/or social conditions in connection with project implementation. Projects deemed to present a high risk to the environment and/or a risk of negative social consequences are assigned to category A. Projects in category B are deemed to carry a medium risk, while category C represents a low risk of failure to safeguard environmental and social conditions.

In 2018, Export Credit Norway made no offers to finance transactions in category A. Offers were

FIGURE 31 **ENVIRONMENTAL AND SOCIAL CONDITIONS**




Description of require-ments, conditions and consequences.
Quarterly publication of key information, including categorization in connection with first payment.
Description of specific requirements for A and B projects.
ESIA for A project made available online at least 30 days before signing.
Report to OECD for A and B projects. Prepared by GIEK in joint transactions.
TERM SHEET
PROJECT TRANSFER
LOAN AGREEMENT
DISBURSEMENT
Sends anti-corruption declaration(s). In joint trans-actions, this is done by GIEK.
Adjustment in the loan agreement that reflects identified risk of corruption, money laundering and sanction.
Collect anti-corruption declaration from exporter(s).
LEGAL AND COMPLIANCE
PROJECT AND LOAN ADMINISTRATION

made to finance twelve transactions in category B and the remaining transactions were in category C.

During the loan disbursement and repayment periods, Export Credit Norway will take steps which are appropriate in view of the transaction's risk level. This will include the incorporation of conditions into loan documents and these may also include requirements for independent reports. Generally, all category A transactions, and some in category B, will be subject to specific follow-up requirements in connection with the loan agreement. A requirement to report on compliance with action plans to reduce environmental and social risk is particularly common during the construction phase, and is commonly linked to further loan disbursement. As during all other phases of the process, the estimated severity of negative effects will be a deciding factor in determining which measures will be appropriate to implement. If the risk of negative impacts is considered high, the loan agreement may require specific measures and remediation of non-conformances within a set period of time.

Export Credit Norway has adopted separate guidelines on the assessment of transactions involving non-transparent jurisdictions, i.e. tax havens. Important assessment criteria include openness and information-sharing. In principle,

KEY FIGURES

In 2018, Export Credit Norway carried out the following activities that have an impact on sustainability goals 8 and 14:

- Visited and assessed more than twelve foreign shipyards in collaboration with GIEK. Many of the shipyards have established action plans for improving working conditions. No loans were disbursed in connection with deliveries from yards that were not evaluated.
- Incorporated Responsible Ship Recycling Standard (RSRS) in all relevant loan agreements.
- Made offers of financing and disbursed loans for equipment and systems to reduce sulphur emissions from exhaust and battery packs on ships.

Export Credit Norway also carried out the following in 2018:

- Arranged seminar on risk assessment of working conditions at foreign shipyards in cooperation with GIEK and OECD's National Contact Point for Responsible Business for shipyards and other stakeholders in Sunnmøre
- Cancelled a transaction because the borrower considered the requirements relating to risks to environmental and social conditions to be excessive.
- Disbursed three new loans subject to specific requirements linked to environmental and/or social conditions.
- Disbursed one loan in category A related to an offshore oil and gas production project.
- Disbursed three loans in category C, all of which related to fisheries and aquaculture. The remaining transactions were in category C.
- At the end of 2018 there were a total of 11 A category cases, 19 B category cases and 178 C category cases in the portfolio.
- Arranged presentations for all employees at the company regarding climate risk, the OECD's National Contact Points for Responsible Business Conduct and the OECD Guidelines for Multinational Enterprises.
- Participated in two seminars of the OECD Environmental and Social Practitioners, a workshop with the OECD Practitioners and Equator Principles Financial Institutions, the annual meeting of Equator Principles signatories and the IFC Community of Learning, as well as several other seminars and presentations.
- Participated in cooperation with the other public support system actors to focus attention on corporate social responsibility.

the minimum requirement for offers of financing is that the involved parties must be established in a country that is rated “Largely compliant” or better in the OECD Global Forum overview and that has entered into an information-exchange agreement with Norway.

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

Materiality analysis

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

An assessment was conducted in autumn 2018 of how Export Credit Norway should further develop its sustainability work and what the company can specifically do to contribute to the green economy. International rules through the OECD agreement for export credits and state aid rules place some restrictions on being able to introduce green products, but work will continue on certain initiatives in 2019. It was affirmed that the work on the loan transactions is still the most important for the company and that it is through assessments of the risk to environment and social conditions in the transactions that Export Credit Norway can best exercise its corporate social responsibility.

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

4.1.4. FUTURE PRIORITIES

Export Credit Norways sustainability work focuses on the assesment of environmental and social conditions in the transactions. The development of better internal expertise and contributing to greater awareness among the Norwegian exporters will also be of key importance. Through the work with the OECD, Equator Principles and the forum for RSRS, Export Credit Norway will work towards a more equal assessment of risk and requirements relating to environmental and social conditions in connection with the construction and operation of ships. The work on promoting the green transition will continue in 2019 and Export Credit Norway will further assess the opportunities for introducing green products.

4.2. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING MEASURES

4.2.1. INTRODUCTION

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

Export Credit Norway takes a risk-based approach to the prevention of irregularities in the transactions it finances. The risk of corruption, money laundering, breach of sanctions and other irregularities is evaluated in all transactions involving the company. Export Credit Norway has implemented policies and procedures that describe how corruption shall be prevented and detected in the transactions. Through the company's anti-corruption procedures, Export Credit Norway has implemented the requirements of the OECD Recommendation on Bribery and Officially Supported Export Credits. Among other things, Export Credit Norway's procedures commit the company to providing information to customers, obtaining information and declarations from exporters and any other applicants, investigating involved parties and including anti-corruption and anti-money laundering conditions in loan agreements.

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

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

4.2.2. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING EFFORTS IN 2018

In 2018 the company developed and implemented new procedures and a new tool for assessing different integrity risks in the individual loan transactions. The aim is to improve risk analyses and achieve an integrated and uniform approach to diverse risks such as corruption, money laundering and other integrity risks. The basis for the system is an analysis of risk factors in transactions and a general business-oriented risk analysis.

The company's new KYC system analyses the risk in each transaction the company finances and the outcome of the analysis provides guidance for any further measures. Cases with an increased risk are processed by the company's anti-corruption group, which provides advice and recommendations to the Credit Committee. The anti-corruption group reviewed 25 cases in 2018.

In 2018, Export Credit Norway's employees received dilemma training focusing on various ethical problems, including internal and external corruption risk. The company established an external whistleblowing channel in 2016 to facilitate the submission of external reports. No whistleblowing reports were received in 2018.

4.2.3. FUTURE PRIORITIES

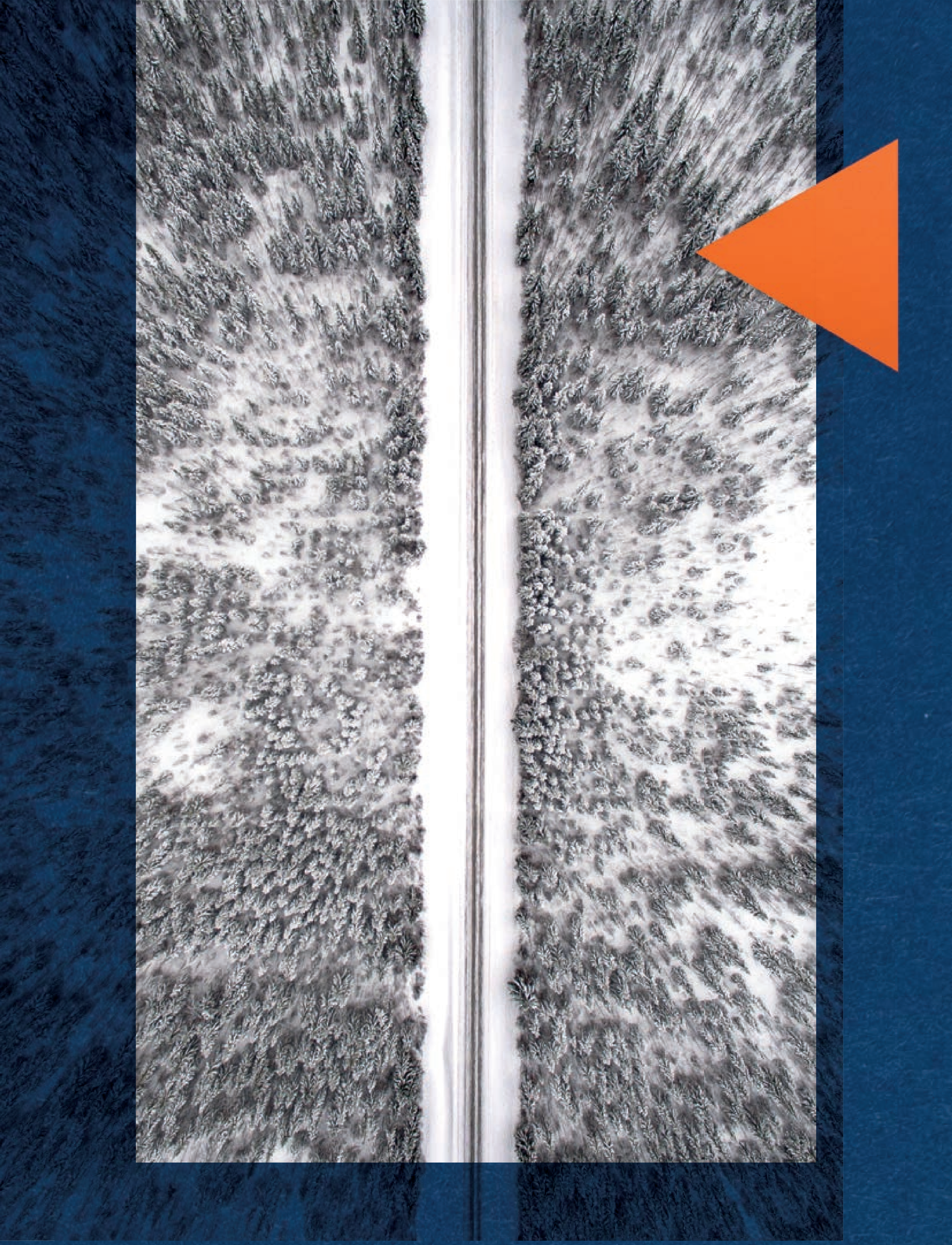
Export Credit Norway regards its anti-corruption and anti-money laundering efforts as an ongoing process, and will continue to focus on minimising the risk of corruption, money laundering and other irregularities in its loan transactions. In the coming year the company will work on further developing own routines and tools, including evaluating new measures for managing sanction risk. Export Credit Norway will continue the cooperation with GIEK and cooperative banks to share knowledge and experience and in doing so further develop the company's work in the area.

KEY FIGURES

In 2018, Export Credit Norway:

- Dealt with 25 cases submitted to the anti-corruption group for evaluation and advice.
- Arranged ten in-house gatherings to provide training or dilemma training on the topics of anti-corruption, anti-money laundering and sanctions.

B.The Norwegian-developed storage system **AutoStore** has become an international success by supplying automated storage systems that are sold to logistics companies, e-retailers and other end-users with large warehouses. The solution exclusively uses pallets and forklifts and therefore saves storage space. AutoStore uses different distributors in local markets, one of which is the Norwegian company Element Logic. Export Credit has assisted **Element Logic's** customers with financing on several occasions.



5. Responsibility

5.1. HIGH ETHICAL STANDARDS

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

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

Export Credit Norway revised its ethical principles in 2018, as well as all other policies and procedures that operationalise the overarching principles. The company's ethical principles encompass both ethical commitments in day-to-day operations and ethical commitments in financed transactions.

The company's strategy seminar in September 2018 included dilemma training for all employees. The topics covered and discussed included representation/gifts, external corruption, CSR, conflicts of interest, insider information, confidentiality obligations, impartiality, travel policy, transparency and whistleblowing.

In 2018, Export Credit Norway worked to implement new routines for personal trading and handling insider information. In addition to training, the company has improved its technical ability to protect documents and has improved practices for maintaining lists in situations involving inside information. The company has also worked on implementing new requirements for processing external and internal personal data as a result of new legislation in this area.

KEY FIGURES

In 2018, Export Credit Norway:

- Registered no breaches of ethical guidelines
- Received no internal or external whistleblowing reports
- Conducted 12 in-house ethics training seminars, focusing on topics such as the company's ethical principles, anti-corruption legislation, anti-money laundering rules, rules on the handling of inside information, and new data protection legislation.

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

Export Credit Norway provides officially supported financing, and is therefore subject to the OECD Arrangement on Officially Supported Export Credits for the export financing scheme. The principal agreement is "Arrangement on Officially Supported Export Credits", see further reference in section 3.1.6. The OECD has also adopted common guidelines on environmental and social due diligence and anti-corruption efforts in financed projects[24]. Export Credit Norway applies these guidelines in all project assessments.

[24] See further information about the agreement in section 4.1.

FIGURE 31 **OUR VALUES**

Responsible

We are experts in our field and are unafraid to make decisions

Dynamic

We are ahead of market developments, and are willing, even when we do not have to be

Enthusiastic

We support one another, we learn and we pursue personal development

Export Credit Norway is mandated to ensure responsible lending to low-income countries to avoid the accumulation of excessive foreign debt by those countries. This is also regulated by the OECD through "Recommendation on Sustainable Lending Practices and Officially Supported Export Credits" that stipulates guidelines for responsible lending. Further, the company seeks to improve awareness of the OECD Guidelines for Multinational Enterprises and the work done by Norway's national OECD contact point[25)].

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

In addition, Export Credit Norway contributes to the IWG, which has the objective of reaching an agreement on a joint set of rules for exporting financing that includes countries such as China, Brazil and India. Export Credit Norway is contributing by making preparations, developing background information, reporting, and attending international negotiation meetings and meetings of expert groups.

In its capacity as a specialist adviser to the Ministry of Trade, Industry and Fisheries, Export Credit Norway gives priority to collaboration with other relevant export credit agencies (ECAs) to keep its knowledge of the export credit schemes and products on offer in other countries up to date. In 2018, an assessment was carried out of the services offered in the relevant countries, cf. referred to in more detail in section 3.1.7.

As a specialist advisor to the Ministry of Trade, Industry and Fisheries, Export Credit Norway actively participates in preparing and conducting meetings. The company was part of the Norwegian delegation during negotiations and further development of international treaties negotiated in the OECD's Export Credit Groups and in the IWG.

KEY FIGURES

In 2018, Export Credit Norway:

- Participated in the OECD's three regular negotiation meetings and in meetings of the OECD's expert group on interest. In addition to the work on the revision of interest rates, in 2018 Export Credit Norway assigned high priority to the work with the OECD's anti-corruption guidelines through the revision of the OECD's Recommendation on Bribery and Officially Supported Export Credits.
- Attended three negotiation meetings connected to the work of the IWG as part of Norway's delegation.
- Gave priority to international relations in the form of separate meetings with other export credit agencies. The aim is to contribute to the exchange of information and experience in connection with the international work, ensure updated knowledge on products and services and generally facilitate productive cooperation.
- Received feedback from the Ministry of Trade, Industry and Fisheries expressing satisfaction with the company's services as a specialist adviser and contributor to international efforts in 2018.

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

Export Credit Norway shall be an attractive place to work and promote equality and diversity to create a dynamic, enthusiastic and responsible corporate culture. Export Credit Norway must seek to recruit skilled staff with strong academic abilities and positive attitudes, and with the capability and willingness to contribute to the development of an important company for the Norwegian export industry. Recruitment procedures must promote gender equality and diversity objectives. Before an appointment is made, the gender balance must be considered. Where a need for balancing exists, particular emphasis

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

must be given to attracting candidates from the under-represented gender group in connection with announcement and recruitment.

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

Export Credit Norway has a focus on expertise and staff development. All employees must be given the introduction, guidance and training they require to function optimally in their role. Staff development must be supported by an annual staff evaluation, and personal goals and skills-building plans must be adopted. Gender equality and diversity objectives must be met by planning and implementing skills-building measures in the organisation. Export Credit Norway must have a culture and tone that encourage staff to seek out responsibility and challenges. The company also seeks to enable there to be a balance between employees' private and professional lives.

Export Credit Norway worked on skills-building in 2018. In 2019, targeted and structured skills-building measures will be implemented across the company's departments to eliminate previously identified skill gaps. The further-education funding scheme for staff was maintained. The systems for assessing target achievement, employee performance and remuneration have been established to ensure that the right incentives are being provided for achievement of the desired culture and results in line with adopted targets and to ensure sufficient emphasis on skills-building measures.

Together with other public support system actors, the initiative was taken in 2017 and through 2018 to jointly develop skills relating to various schemes to support Norwegian exports and business development. The company will continue to work with this in 2019 with the objective of implementing specific measures across the public support system.

KEY FIGURES

At the end of 2018:

- 53 per cent of the company's employees were women.
- 57 per cent of the board members as a whole and 60 per cent of the shareholder-elected board members were women.
- 17 per cent of senior executives were women (increased to 29 per cent in the first quarter).
- The proportion of women in positions with direct customer contact is 40 per cent.
- 13 per cent of employees had a non-Nordic ethnic background

Gender equality and diversity efforts continued in 2018. Ongoing priority measures included ensuring an appropriate gender balance at all levels and in all units in connection with recruitment. In connection with the annual pay settlement, it was considered whether measures were needed to eliminate any unjustified imbalances, but no such need was identified. In the company's view, having clear gender equality and diversity objectives and making systematic efforts in this area are important factors in the development of a positive, attractive workplace.

Export Credit Norway has established five internal specialist groups to ensure appropriate inter-departmental coordination and cooperation on different topics of importance to the company. These are the anti-corruption group, the group for at-risk loans, the corporate social responsibility group and the OECD regulatory group and digitalisation group. With the exception of the digitalisation group, all groups are headed by female employees.

5.4. LABOUR MARKET CRIME

As buyers of goods and services, government bodies have a particular responsibility for counteracting labour market crime. It is expected that public enterprises take the lead in the work on promoting a serious labour market and ensuring that our suppliers comply with laws and rules.

Based on a risk assessment, Export Credit Norway makes it a requirement for procurements that a declaration is signed of compliance with laws relating to health, safety and the environment, as well as a declaration regarding social dumping to ensure that employees who are employed by the supplier are guaranteed normal pay and working conditions.

Export Credit Norway conducts periodic checks of our suppliers to ensure that these suppliers adhere to pay and working conditions for their employees. Pursuant to our responsibility as contracting authority, the company has obtained payslips for the staff who clean our premises and are otherwise linked to the provision of this service, as well as for canteen personnel. Checks are made that overall pay conditions are at a normal level for comparable work in the industry in the geographical area for 2018.

5.5. HSE FOR OWN EMPLOYEES

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

Management and staff must have an equal number of representatives on the committee. A representative from the occupational health service also participates. Chairmanship of the committee rotates between the management and staff representatives. Meetings are held when required and the agenda for the meetings must include monitoring of sick leave and injury reports. Prior to each meeting, staff are invited to submit suggestions and items they wish to be raised.

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

The overall sick leave rate was 2.3 per cent in 2018, compared to 5.9 per cent in 2017. The short-term sick leave rate was 0.8 per cent, while the long-term rate was 1.5 per cent. No occupational incidents or accidents resulting in personal injury or physical damage occurred or were reported during the year.

Export Credit Norway will continue to build a positive, fully satisfactory working environment. The company aims to keep its sick leave rate at a stable, low level.

6. Governance at Export Credit Norway

Else Bugge Fougner (b. 1944) has served as board chair since June 2012. She holds a law degree from the University of Oslo. Ms Bugge Fougner is an attorney admitted to the Supreme Court and partner at law firm Advokatfirmaet Hjort DA. She is a former Minister of Justice and has considerable board experience from service at a number of major Norwegian enterprises. Ms Bugge Fougner is a board member at Aker Kværner Holding AS and Protector Forsikring ASA. She participated in 12 board meetings in 2018.

Siri Hatlen (b. 1957) has been a board member since June 2012. She has a Master of Science degree from the Norwegian University of Science and Technology and an MBA from INSEAD. Ms Hatlen serves on the boards of such organisations as the Nobel Peace Center, Entra ASA, Bane NOR SF, the Norwegian Board of Technology, the joint board of the Norwegian University of Life Sciences (NMBU), and Lovisenberg Hospital. Ms Hatlen is a former managing director of Oslo University Hospital and executive vice president at Statkraft AS, and has additionally held various positions at Statoil ASA. She participated in 11 board meetings in 2018.

Finn Ivar Marum (b. 1967) has been a board member since June 2012. He holds a Master of International Affairs degree from Columbia University. Mr Marum is a division head for direct investments at Norfund. Mr Marum holds board positions at, among others, Nortek AS, Formuesforvaltning aktiv forvaltning and African Century Infrastructure Services. He was previously a senior partner at the investment company HitecVision, and has experience from Kistefos AS, Ernst & Young AS and Statoil ASA. He participated in 10 board meetings in 2018.

Ingelise Arntsen (b. 1966) has been a board member since May 2016. She was educated at South Denmark Business School. Ms Arntsen has extensive management experience from various energy companies, including Statkraft, REC ASA, Sway Turbine AS and Sogn og Fjordane Energiverk. She also spent seven years in the shipbuilding industry, working for Kværner Fjellstrand in Hardanger and Singapore. Ms Arntsen is boar chair at Asplan Viak and a board member at Statkraft ASA, Nammo AS, Sparebanken Sogn & Fjordane and Beerenberg. She participated in 11 board meetings in 2018.

6.1. BOARD OF DIRECTORS

Export Credit Norway's directors have a wide range of backgrounds from business, politics and the public sector. The board comprises of board chair Else Bugge Fougner, Siri Beate Hatlen, Ingelise Arntsen, Finn Ivar Marum, Øyvind Holte, Marie Sørli (employee-elected representative) and Jørgen Hauge (employee-elected deputy representative and observer). All board members are independent. The board met 12 times in 2018.

Øyvind Holte (b. 1949) has been a board member since May 2016. He holds a business degree from the Norwegian School of Economics and an MBA from the University of California, Berkeley. Mr Holte has run his own consultancy firm since February 2016, and additionally serves on the boards of Northcape Capital AS and TS Shipping Invest AS, among others. Mr Holte has experience from various financial institutions and shipping and industrial companies, most recently as managing director and head of the Norwegian market at DVB Bank. His previous board experience includes service as board chair of Stiftelsen Domkirkeboligene and as board member at Oslo Børs. He participated in 11 board meetings in 2018.

Marie Sørli (b. 1975) (employee-elected representative) has been a board member since August 2018. She holds a business degree from the Norwegian School of Economics. Her previous positions include posts at Eksportfinans ASA, Deloitte Consulting and the Norwegian Ministry of Petroleum and Energy. Ms Sørli works as a customer advisor at Export Credit Norway and is responsible for fisheries and aquaculture. She participated in 5 board meetings in 2018.

Jørgen Hauge (b. 1959) (employee-elected observer) has been an observer since June 2016. He holds a business degree from the Norwegian School of Economics. Mr Hauge works as a project manager in connection with the execution of transactions at Export Credit Norway. He previously worked at Eksportfinans ASA, and has additional experience from the Financial Supervisory Authority of Norway. He participated in 12 board meetings in 2018.

6.2. EXECUTIVE MANAGEMENT AND ADMINISTRATION

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

Otto Søberg is Export Credit Norway's CEO. Mr Søberg has more than 30 years of executive experience from export-focused industries. He also has extensive board experience from various exporters and trade organisations.

Cecilie Stadaas is Export Credit Norway's CFO. Ms Stadaas has extensive experience as a manager of financial and administrative functions in both private and public enterprises and her previous position was as finance director at the Norwegian Defence Estates Agency (Forsvarsbygg). She has also served as CFO at IT company Basefarm AS, finance manager at NRK and senior internal auditor at DnB. Ms Stadaas holds a business degree from BI Norwegian Business School and has completed a number of executive development programmes. She is also LEAN-certified.

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

Ivar Slengesol is Director of Lending for Industry and Environmental Technology. Mr Slengesol holds an MBA from IMD International (Switzerland), an MA in international politics and economics from Johns Hopkins University School of Advanced International Studies (SAIS) (USA) and a BA in journalism from the University of South Carolina (USA). Mr Slengesol was formerly Director Strategy and Business Development at Eksportfinans ASA and CEO of OceanWind AS. Mr Slengesol has also held various executive positions at Shell and the World Bank, based in the Netherlands, France and the USA.

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

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

Ellen B. Svaheim is Export Credit Norway's Head of Communication. Ms Svaheim holds a degree in business from Copenhagen Business School/Nord University Business School and also has education within communication and graphic design. Ms Svaheim has previously held communications positions with Eksportfinans ASA and Canon Norge. She has also worked for Gyro Gruppen and Norges Bank Investment Management.

At the end of 2018, Export Credit Norway had a total of 45 employees. The majority of the company's staff are economists and lawyers.

6.3. GOVERNANCE AND COMPANY MANAGEMENT

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

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

6.4. THREE LINES OF DEFENCE

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

Export Credit Norway has established three lines of defence in the area of risk management and internal control.

Internal control

Export Credit Norway's internal control and operational management systems are referred to as integrated management systems. The aim is to implement a system of internal controls and operational risk management procedures – and associated guidance documents, risk assessments and key controls – that reflects the company's size and complexity.

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

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

Compliance and controlling

Export Credit Norway's second line of defence comprises its compliance function – which monitors the company's risk of breaching laws, regulations and guidelines – and its controller function. In organisational and professional terms, the compliance function is part of the legal department, while the controller function is part of the finance department. Export Credit Norway emphasises good coordination of processes between the compliance and the control functions.

Internal auditing

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

6.5. RISK MANAGEMENT IN 2018

Export Credit Norway's updated risk assessment for 2018 was sent to the Ministry of Trade, Industry and Fisheries in the autumn of 2018. Risks are assessed by reference to probability and consequence. The colour codes green, yellow and red are used to indicate the degree of severity of a given risk, with red representing the most severe category. No risks were flagged red in the assessment.

6.6. EVENTS IN 2019

No events have occurred in 2019 that have materially altered the company's risk profile. Export Credit Norway's updated risk assessment for 2019 was sent to the Ministry of Trade, Industry and Fisheries in the spring of 2019.

7. Summary and overall performance assessment

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective financing. In an annex to the assignment letter for 2018, the Ministry of Trade, Industry and Fisheries has defined assessment parameters for each of the key terms in the company's primary objective. The company is expected to report on these parameters in its annual report. The assessment parameters are commented on in the annual report, and this section provides an overall assessment of the company's performance by reference to the stipulated assessment parameters.

Competitive export financing
In 2018, Export Credit Norway received 304 loan applications. The number of applications increased from 2017 and reflects a broader range of industries than in previous years. The lending balance at the end of 2018 amounted to NOK 61.2 billion. The drop from 2017 was due to lower disbursements and early repayments of loans. The foreign exchange movements alone increased the lending balance by approximately NOK 2.3 billion. The company's probability-adjusted order book totalled NOK 19.2 billion at the end of 2018, an increase of approximately 15 per cent on the previous year.

Menon Economics has calculated Export Credit Norway's additionality. The calculation shows that 72 øre of every one krone of exports financed by Export Credit Norway would not have been realised without the assistance of the company and GIEK. Additionality was at about the same level in comparison with 2017.

In 2018, Export Credit Norway participated in regular negotiation meetings of the OECD's export financing groups and in the OECD's expert group on interest. The company also attended negotiation meetings related to the work of the International Working Group on Export Credits

(IWG). Further, the company participated in the annual meeting of Equator Principle signatories, as well as workshops organised by the IFC focusing on discussion and development of IFC Performance Standards. The company has received positive feedback on its international efforts in this area, including from its owner, the Ministry of Trade, Industry and Fisheries.

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

Accessible export financing

The loan applications received by Export Credit Norway during 2018 were divided among the following sectors:

- 68 applications related to oil and gas equipment.
- 24 applications related to offshore vessels.
- 71 applications related to passenger and merchant vessels.
- 60 applications related to fisheries and aquaculture.
- 81 applications related to industry and renewable energy.

Some 56 of the 304 received applications were deemed to relate to innovative projects in 2018.

For several years, Export Credit Norway has focussed its efforts on arranging financing for SMB export contracts. The company has a digital application process and simplified documentation requirements for SMBs, and Export Credit Norway works closely with GIEK to improve joint customer communications and the loan application process for financing of export contracts valued at less than NOK 100 million. In 2018, Export Credit Norway focused on implementing new initiatives for more efficient execution of transactions, including new methodology and new tools for assessing transactions at an early stage. In total, 143 applications were received from SMBs.

Export Credit Norway and the other actors of the public support system, banks and stakeholders hosted 25 joint customer events in 2018.

In 2018, Menon Economics interviewed 20 stakeholders to survey their views on Export Credit Norway's role and reputation, its prominence in the market and the importance and quality of its products, services and customer service. The surveyed stakeholders included guarantors, financial institutions, government authorities, Innovation Norway, stakeholder organisations and lawyers. Export Credit Norway's stakeholders are generally well satisfied with the company's efforts, and believe that the company plays a key role in triggering export activity. This particularly applies within capital-intensive industries characterised by strong international competition, typically projects within the maritime sector and associated supplier industry, which contributes to constructing offshore vessels and cruise ships. Export Credit Norway's products and customer service are considered to be competitive. The company is considered to possess a high level of expertise on export financing and is seen to be professional and has a good reputation. Some respondents stated that processes could be simplified, particularly documentation procedures. Overall, the stakeholders were highly satisfied with their cooperation with Export Credit Norway.

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

Effective export financing

At the end of 2018, Export Credit Norway had 208 loans under management. The company's financial result was NOK 532 million, excluding grants received for 2018. The company's risk profile in 2018 with respect to credit and risk exposure was acceptable, and no breaches of adopted credit and risk exposure limits were registered in 2018. The company's administrative costs totalled 0.18 per cent of the lending portfolio balance [26].

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

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

Export Credit Norway carried out several internal projects in 2018, both independently and in co-operation with GIEK, to improve the customer interface and work more efficiently. Among other things, this includes the development of a digital customer interface together with GIEK and assessing and evaluating the reporting process internally in the company. The company has also further developed the work on digitalising the marketing work. Technology is enabling the company to reach more potential and existing customers, and thus to simplify its processes and make them more efficient.

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

Priorities in the assignment letter

The assignment letter identifies several priority areas. These are the new ship financing scheme, protecting the State's assets, cooperation with GIEK to increase Norwegian exports and corporate social responsibility, including anti-corruption.

In 2018, Export Credit Norway prioritised making the ship financing scheme known to shipping companies, banks and the maritime supplier industry. An internal project group has ensured that the scheme has been implemented in a good and effective manner, including marketing of the financing scheme, establishment of digital application process for the scheme, preparation of associated marketing materials and of adapted loan documentation, as well as clarification of reporting to the Ministry of Trade, Industry and Fisheries.

In 2018, Export Credit Norway invested extensively in protecting the State's assets. No loan capital has been lost since the company's launch in 2018. Coordination with GIEK is crucial in this regard.

Export Credit Norway expended considerable efforts in 2018 to make all financial policy instruments for exporters more easily available. An important objective has been to enable Innovation Norway to be a gateway to export financing and a better advisor to the companies. This is achieved by improving expertise relating to export financing at Innovation Norway and lowering the threshold for involving Export Credit Norway and GIEK in discussions with exporters. Furthermore, Export Credit Norway has continued its commitment to joint customer events with Innovation Norway, GIEK, GIEK Kredittforsikring and the banks.

Corporate social responsibility has had high priority, and emphasis has been given to having reliable system support in place for this work. 2018 also saw the implementation of a new tool for assessing different integrity risks in loan transactions.

8. Annual Accounts

8.1. ANNUAL REPORT OF THE BOARD OF DIRECTORS

Export Credit Norway administers Norway's export credit scheme on behalf of the Norwegian State, providing export financing in the form of fixed-rate CIRR loans and variable-rate CIRR-qualified market loans [8.1)]. The export credit scheme also includes financing services in the form of market loans for the purchase of ships constructed at shipyards in Norway for Norwegian buyers and intended for use in Norway, regulated through the ship financing scheme. The company operates from Oslo and also has a presence in Ålesund. For further information on the export credit scheme, see Export Credit Norway's annual report.

The company's objectives and strategy

Export Credit Norway's primary objective is to promote Norwegian exports by providing competitive, accessible and effective export financing. The Ministry of Trade, Industry and Fisheries has identified assessment parameters for each sub-objective under the primary objective. These parameters are intended to assist in the assessment of Export Credit Norway's performance. Export Credit Norway reports on the assessment parameters in its annual report.

Based on the Ministry's objectives and instructions, the company has defined a business strategy that is revised on an annual basis. In the strategy plan, Export Credit Norway has continued the priorities to

- promote restructuring in the Norwegian business sector through active, professional marketing measures,
- implement new, approved ship financing scheme,
- develop a broader product range that meets the financing needs of SMBs and larger enterprises,
- ensure productive operation by employing efficient processes and skilled staff,
- provide an accessible and effective range of products and services based on informative communications and digital tools,
- safeguard the company's corporate social responsibility,
- further development of the good cooperation with other actors.

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

TABLE 8.1 **LOAN APPLICATIONS**

Export Credit Norway's application volume for 2018 and 2017 was as follows [8.2]:

Amounts in NOK million	Number of applications 2018	Number of applications 2017	Application volume 2018	Application volume 2017
Oil and gas equipment	68	42	66,912	67,780
Offshore ships	24	27	8,778	8,103
Passenger and merchant vessels	71	47	31,239	18,204
Fisheries and aquaculture	60	50	10,158	10,445
Industry and renewable energy	81	75	58,482	19,886
Total	**304**	**241**	**175,571**	**124,418**

The board considers that in 2018 Export Credit Norway promoted Norwegian exports by providing competitive, accessible and effective export financing. The company has engaged in a high level of marketing activity to ensure that exporters and potential borrowers have a good level of awareness about the export credit scheme. Further, customer surveys show that users of the scheme regard the scheme's terms as competitive, and that export financing enjoys positive additionality, i.e. that it triggers new exports and contributes to employment in Norway.

Market and lending activity

2018 was an active year characterised by a large number of new loan applications relating to potential new deliveries from the Norwegian export industry. The market has been characterised by restructuring in the maritime supplier and oil and gas equipment industries. At the same time, fisheries and aquaculture have emerged as a more significant market area. Norwegian shipyards and ship equipment suppliers have successfully identified new customer segments in response to the downturn in offshore-related activity. This is reflected in the order books of Norwegian shipyards and in Export Credit Norway's application figures. The activity within industry and renewable energy has remained relatively stable compared with previous years. The export industry in general has benefited from the continuing weakness of the Norwegian krone against other currencies.

Export Credit Norway received 304 loan applications representing a total application volume of NOK 175.6 billion in 2018. In contrast, the company received 241 applications representing an application volume of NOK 124.4 billion in 2017. The growth in the number of new applications was spread amongst all market areas, but was especially significant for oil and gas equipment and passenger and merchant vessels. In terms of volume, industry and renewable energy, as well as passenger and merchant vessels, particularly distinguish themselves as growth areas. In the former category, growth is primarily related to some larger deliveries of defence equipment. The types of applications changed during 2018 and represent a greater cross-section of market areas than the company's total lending portfolio at year-end. In terms of value, the lending portfolio is still dominated by loans to the oil and gas sector and offshore vessels.

Historically, the majority of applications relating to the offshore sector have concerned financing for offshore ships and rigs. Since 2015, Export Credit Norway has experienced a shift in the types of applications, with an increase

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

TABLE 8.2 **PROBABILITY-ADJUSTED ORDER BOOK**

Export Credit Norway's probability-adjusted order book for 2018 and 2017 was as follows:

Amounts in NOK million	Number in 2018	Number in 2017	Volume 2018	Volume 2017
Oil and gas equipment	5	6	1,704	3,214
Offshore ships	12	19	3,154	2,559
Passenger and merchant vessels	26	16	11,323	7,963
Fisheries and aquaculture	15	7	2,685	1,594
Industry and renewable energy	5	12	348	1,344
Total	**63**	**60**	**19,213**	**16,674**

in enquiries regarding funding in the FPSO [8.3], subsea technology and field development segments. This trend also continued in 2018. The maritime sector's shift to segments other than offshore is reflected in the application figures. The introduction of the new ship financing scheme, with better access to ship financing for Norwegian shipping companies that build ships at Norwegian shipyards, has contributed to diversifying the applications received. The company works together with the shipyards at an early phase with a view to offering shipping companies long-term financing of vessels as a supplement to other financing opportunities in the market.

Within onshore industries, the company has worked extensively with offshore wind energy, solar energy, defence industry and water and sanitation. ICT has also been a focus area for future growth within this segment.

Export Credit Norway assesses requests for financing before an application is registered. This means that several requests for loan financing are not registered as applications. Experience indicates that less than 10 per cent of registered applications result in a disbursed loan. There are several reasons for applications not resulting i disbursement. In about half of such cases in 2018, the buyer selected alternative financing. In about 30 per cent of the cases, the exporter lost the contract, while in about 10 per cent of the cases it was the buyer that cancelled the project. About 10 per cent of the applications were not approved by Export Credit Norway or the guarantor and therefore fell away during the loan process. Export Credit Norway is conscious of the fact that the company's services and advice provided during the loan process have a triggering effect on export contracts, even if the company does not provide financing for the contract.

The total order book amounted to NOK 33.7 billion at the end of 2018, compared with NOK 25.9 billion at the end of 2017. The probability-adjusted order book increased compared to 2017, from NOK 16.7 billion to NOK 19.2 billion [8.4]. The increase in the probability-adjusted order book primarily relates to ocean industries, particularly passenger and merchant vessels, where smaller cruise and expedition vessels dominate.

Export Credit Norway signed 21 new loan agreements with a combined lending volume of NOK 4.9 billion in 2018. The number of signed loan agreements was at the same level as previous years, while the overall volume has fallen. This was principally due to a reduction in the average contract size within oil and gas and offshore vessels. 17 agreements were signed within ocean

8.3) FPSO, Floating Production Storage and Offloading.

8.4) Et lån inngår i den sannsynlighetsjusterte ordreboken når kunden har akseptert vilkårene i tilbudet.

TABLE 8.3 **SIGNED LOAN AGREEMENTS**

Export Credit Norway's development in signed loan agreements is as follows:

Beløp i millioner kroner	Number in 2018	Number in 2017	Volume 2018	Volume 2017
Oil and gas equipment	2	2	30	2,051
Offshore ships	2	4	37	1,029
Passenger and merchant vessels	6	6	4,078	4,494
Fisheries and aquaculture	7	3	463	1,251
Industry and renewable energy	4	7	310	933
Total	**21**	**22**	**4,919**	**9,758**

TABLE 8.4 **EKSPORTKREDITTORDNINGENS KONTANTSTRØMOPPSTILLING**

The export credit scheme's cash flows were as follows in 2017 and 2018:

Amounts in NOK million	2018	2017
New disbursements [8.6)]	2,880	3,418
Interest income	1,727	1,744
Repayments [8.5)]	13,328	8,275
Fee income	35	21

industries, with a total volume of NOK 4.6 billion. Four of the signed loan agreements related to industry and renewable energy, with a total volume of NOK 310 billion. Just over 15 per cent of the volume was disbursed in 2018 and the remainder is expected to be disbursed in 2019 and 2020.

Export Credit Norway disbursed NOK 2.9 billion in loans in 2018, compared to NOK 3.4 billion in 2017. New disbursements relating to ocean industries totalled NOK 2.0 billion, compared with NOK 2.7 billion in 2017. The disbursement volume for the industry and renewable energy sector increased from NOK 659 million in 2017 to NOK 815 million in 2018. Some 44 per cent of the 2018 disbursement volume comprised CIRR loans, whereas the figure for 2017 was slightly lower.

As of 31 December 2018, Export Credit Norway had a total of 208 managed loans, with a total volume of NOK 61.2 billion [8.6)]. In comparison, the company had 214 managed loans, with a total volume of NOK 69.4 billion at the end of 2017. The lending balance related to ocean industries accounts for 96 per cent of the total lending balance, while onshore industries account for 4 per cent. The lending balance principally consists of loans in USD and NOK because loans within oil and gas equipment and offshore vessels are dominated by these two currencies.

8.5) Repayments in foreign currencies received in 2018 were recorded at actual cost, i.e. at the exchange rate used when the repayments were received. The company does not hedge against exchange rate movements.

8.6) Based on Norges Bank's mid-rates on the final banking day of December 2018: USD:NOK 8.689, EUR:NOK 9.948, GBP:NOK 11.121, SEK:NOK 97.01, CAD:NOK 6.375, JPY:NOK 7.905, DKK:NOK 133.22.

TABLE 8.5 **LENDING BALANCE**

Export Credit Norway's lending balance at the end of 2018. distributed by currencies and industries. was as follows:

Amounts in NOK million	CAD	DKK	EUR	GBP	JPY	NOK	SEK	USD	Total
Oil and gas equipment	0	0	234	0	0	700	0	13,624	14,558
Offshore ships	503	7	148	401	0	18,537	0	21,973	41,569
Passenger and merchant vessels	0	0	958	0	0	327	0	327	1,612
Fisheries and aquaculture	0	0	359	0	85	353	0	333	1,130
Industry and renewable energy	0	0	899	309	0	0	32	1,111	2,350
Total	**503**	**7**	**2 598**	**711**	**85**	**19,917**	**32**	**37,368**	**61,220**
Share of total balance as a %	0.82	0.01	4.24	1.16	0.14	32.53	0.05	61.04	100.0

Protecting the State's assets

An important task for Export Credit Norway is to protect the State's assets, and this work is expected to continue into 2019. This work primarily involves loan restructuring and the deferment of borrowers' instalments. At the end of 2018, Export Credit Norway had 122 loans for which instalment deferments had been granted for 29 borrowers. Overall, instalment deferments granted amounted to NOK 33.8 billion at year-end. Export Credit Norway's loans are backed by robust guarantors, and the risk of losses is considered to be low.

Initiatives targeting small and medium-sized enterprises

Export Credit Norway's initiatives aimed at small and medium-sized enterprises (SMBs) with end-users that request long-term financing are a high priority for the board. Efforts to help these enterprises achieve international growth are prioritised and are a key focus in the company's marketing work. It is also from these companies that Export Credit Norway experiences the most demand for sales support for own work, as well as general advice relating to financing of export activities. Export Credit Norway has recognised that the company's advice contributes to and has a triggering effect for Norwegian exports, including for transactions which the company does not end up providing financing for.

143 applications were received from SMB exporters in 2018, which represented 47 per cent of the total number of loan applications received. In comparison, the company received 105 loan applications from SMBs in 2017, which amounted to 44 per cent of loan applications received. Customer segments in the SMB category are fragmented and encompass a broad range of industries. This is also reflected in the company's SMB portfolio, which is dominated by suppliers in the ICT, maritime, renewable energy, aquaculture and other equipment segments. In 2018, Export Credit Norway further intensified its efforts to arrange financing for small and medium-sized export contracts. A new method for screening potential transactions at an early phase has been introduced. This enables Export Credit Norway to provide better and faster advice to the exporters about the continued process and, together with GIEK, better target the resources at the exporters that have the greatest chance of success. For further information regarding Export Credit Norway's SMB-related work, see section 3.2 of the company's annual report.

Eksportkreditt Norge AS, single-entity financial statements

Export Credit Norway receives a grant under the fiscal budget to cover administration of the export credit scheme. In 2018, the grant amounted to

NOK 112.4 million, of which NOK 112.2 million was recognised as income. Operating expenses excluding depreciation and amortisation were NOK 107.2 million. The expenses primarily consisted of payroll costs, administrative costs and purchases of external services.

Export Credit Norway's result for the year 2018 was a profit of NOK 4.5 million after tax, compared to a post-tax profit of NOK 3.7 million in 2017. The company has NOK 51.4 million in equity before dividends and little exposure to financial risk. The company's cash flow statement shows that it enjoys strong liquidity. Differences between the operating result and cash flow are due to deferred recognition of the investment grant as income. The company's assets primarily consist of bank deposits, fixtures and intangible assets.

The Storting (Norwegian parliament) has approved an operating grant of NOK 115.1 million for Export Credit Norway for 2019.

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

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

Allocation of profit

The board has proposed to the general meeting that a dividend of NOK 22 million be paid for the 2018 financial year. The dividend consists of the profit for the year of NOK 4.5 million and transfer from other equity of NOK 17.5 million. The proposed dividend is considered appropriate based on Export Credit Norway's equity and liquidity.

Risk management and internal controls

Risk management guidelines are provided by law and instructions to the company. All loans are recorded in the central government balance sheet. The loans must be fully guaranteed by financial institutions and/or state export credit agencies that satisfy the company's rating requirements.

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

Export Credit Norway's operations entail counter-party risk relating to guarantors, market risk and operational risk. In 2018, Export Credit Norway further reinforced its risk management procedures by maintaining its integrated internal control and operational risk management framework. The system ensures a uniform approach to internal control and risk management work across the organisation, in the areas of risk assessment, governance principles, control activities, roles and responsibilities and reporting follow-up.

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

Counterparty risk

In the administration of the export credit scheme, the company monitors rating levels, key figures and limit utilisation in respect of all guarantors on an ongoing basis. At the end of 2018, all loans were well within the stipulated counterparty risk limits, and the export credit scheme's counterparty risk is considered to be low.

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

Market risk

Under the export credit scheme, 67 per cent of the lending balance at the end of 2018 was denominated in foreign currencies. In comparison, 69 per cent of all loans included in the lending balance at the end of 2017 were denominated in foreign currencies. 35 per cent of the lending balance comprised of loans on market terms, which was a similar level to 2017 (37 per cent). The company is not permitted to engage in hedging transactions, and the Norwegian State therefore handles currency risk linked to the loans in the company's portfolio along with the State's other exposure.

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

Liquidity risk

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

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

Operational risk, including CSR

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

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

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

Other company operations

The risks associated with other operations primarily relate to the successful implementation and continued development of critical systems, as well as compliance with the requirements imposed on the company by central government.

Research and development activities

Export Credit Norway does not have its own research and development (R&D) programme. The Ministry of Trade, Industry and Fisheries has asked the company to prioritise financing for projects that develop new knowledge and technology. Export Credit Norway evaluates the degree of innovation in the projects for which applications have been submitted in accordance with the OECD classification system. Of 304 project applications, 18 per cent were classified as "highly innovative" or "innovative" in 2018, compared to 16 per cent in 2017. Export Credit Norway has a continual focus on developing financing solutions to ensure relevance for the company's customers.

Governance and company management

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

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

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

Sustainability and corporate social responsibility

The board of directors gives priority to integrating Export Credit Norway's sustainability and corporate social responsibility efforts into its operations, strategy and role as advisor for the market. The focus is on areas in which the company is most exposed to risk and has the greatest opportunity to influence. This applies primarily to environmental and social considerations and anti-corruption efforts in the company's loan transactions. To comply with its public mandate, Export Credit Norway follows national and international laws and rules in the applicable area, including recognised international guidelines, when the company assesses social and environmental risks associated with project financing. The company endeavours to contribute to positive developments within CSR by setting requirements for exporters and borrowers when Export Credit Norway considers that improvements are needed for compliance with the company's guidelines. Export Credit Norway strives to ensure that improvements are made through conditions in the loan agreement and loan monitoring. Together with good and correct expertise, ethics and integrity, these measures constitute the foundation for Export Credit Norway's corporate social responsibility.

In 2018 the company introduced revised KYC (know your customer) processes and implemented a new tool for assessing different integrity risks in the individual loan transactions. The aim is to improve risk analyses and achieve an integrated and uniform approach to diverse risks such as corruption, money laundering and other integrity risks.

In recent years, Export Credit Norway has further developed efforts to assess social conditions, including human rights, at shipyards. In the past two years the company has shifted its focus from Asian shipyards that complete new ships and rigs to companies that supply hulls to Norwegian shipyards. This is done in close cooperation with the Norwegian shipyards. The Norwegian Government expects that Norwegian exporters will take responsibility for their subcontractors' environmental and social conditions and Export Credit Norway's work is founded on these expectations. Norwegian shipyards are currently building a large number of fishing vessels and wellboats, and in 2018 the company prioritised work on building up expertise relating to environmental conditions and regulations within fisheries and aquaculture. Export Credit Norway conducted a study in 2018 that also assessed how the company can best contribute to promoting the "green transition" and how the company should deal with climate risk in the portfolio. For more information about the company's public mandate and corporate social responsibility, see Export Credit Norway's annual report.

Export Credit Norway does not pollute the external environment other than through the effects of office operations and travel customary for a company of its size and type.

Equality and diversity

At the end of 2018, the company had a total of 45 employees, as well as four new members of staff due to start in the first quarter of 2019. The company has an almost even balance between women (53 per cent) and men (47 per cent). 60 per cent of the shareholder-elected board members were women, and women also made up 67 per cent of the board of directors as a whole. The proportion of women in the management group was 17 per cent at year-end and has increased to 29 per cent in the first quarter of 2019. For positions in the organisation involving responsibility for personnel (at the level below the management group) the gender distribution was 50 per cent women and 50 per cent men. For positions with specialist responsibility and/or industry responsibility within different market segments, the distribution at year-end was 63 per cent women and 37 per cent men.

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

Working environment and skills-building

Export Credit Norway is a knowledge-based organisation that aims to put the customer first. The company systematically promotes knowledge-sharing to improve its organisational robustness. In 2018, the company worked with skills-building across departments, within selected, prioritised areas.

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

The company's overall sick leave rate was 2.3 per cent in 2018, with short-term sick leave at 0.8 per cent and long-term sick leave at 1.5 per cent. No work-related accidents or incidents resulting in significant damage or personal injury occurred or were reported during the year. The company's working environment committee held one meeting in 2018.

Meetings of the board of directors and the remuneration committee

The board of directors held a total of 12 meetings in 2018 – seven ordinary meetings and five telephone/circulation meetings. The board has a remuneration committee which prepares remuneration, pension and HR-related matters for consideration by the board. The committee had three meetings in 2018, one of which was by circulation.

Future outlook

In January 2019, the World Bank estimated that global economic growth will be approximately 2.9 per cent for 2019 [8.7)]. The growth estimate has been revised downwards since June 2018, which reflects increasing concerns about, among other things, trade wars, Brexit and lower growth in China. Fears of increased interest rates, debt

[8.7)] World Bank Group, Global Economic Prospects – Darkening skies, 2019 accumulation and possible negative growth have increasingly started to influence the capital markets. The increased volatility has resulted in moderately higher borrowing costs for the banks and reduced access to the bond markets for borrowers at the end of 2018 and start of 2019. The growth outlook for Norway's most import export markets is therefore somewhat more uncertain in the first quarter of 2019.

The Norwegian economy is experiencing a moderate upturn and most analysts expect that the growth will continue provided that the world economy does not suffer an unexpected global downturn. The Norwegian krone was weak in the first quarter of 2019, which indicates that the Norwegian export industry will be more competitive.

Export Credit Norway expects that ocean industries will dominate new loans from the company in 2019 based on a positive trend within aquaculture and orders received by Norwegian shipyards, as well as increased activity within the oil and gas supplier industry.

According to market analyses conducted by the OECD, Norwegian exports are growing, but not fast enough to keep pace with the global export markets. Norway has lost market shares in the global export markets since 1998 and this negative trend is expected to continue into 2019. We will continue to work towards improving export financing products and services through simplification and market-oriented activities. Furthermore, the company will work for an expanded mandate, with better adapted financing to the export industry, particularly for small and medium-sized businesses.

Oslo, 15 March 2019

Else Bugge Fougner
Chairman of the Board

Siri Beate Hatlen
Board Member

Ingelise Arntsen
Board Member

Finn Ivar Marum
Board Member

Øyvind Holte
Board Member

Marie Sørli
Board Member

Otto Søberg
Chief Executive Officer

8.2. ANNUAL ACCOUNTS AND NOTES

INCOME STATEMENT

Amounts in NOK 1,000	Note	2018	2017
Other revenues	2	114,031	111,196
Total operating revenues		**114,031**	**111,196**
Salaries and payroll costs	3, 10, 12, 13	69,786	70,861
Depreciation and amortisation	5	1,793	2,693
Other operating expenses	14, 15	37,440	33,636
Total operating expenses		**109,019**	**107,190**
Operating profit		**5,013**	**4,006**
Financial income		1,271	1,400
Financial expenses		163	283
Net financial items		**1,108**	**1,117**
Profit/loss for the year before tax		**6,120**	**5,123**
Tax expense	4	1,606	1,414
Net profit/loss for the year		**4,515**	**3,709**
Allocated to dividend		22,000	0
Transferred from other equity		-17,485	0
Transferred to other equity			3,709
Total allocations	**9**	**4,515**	**3,709**

BALANCE SHEET

Amounts in NOK 1,000	Note	2018	2017
ASSETS			
Fixed assets			
Deferred tax asset	4	4,243	5,559
Intangible assets	5	266	1,597
Fixtures and computer equipment	5	232	497
Total fixed assets		**4,741**	**7,653**
Current assets			
Trade receivables	6	2,545	3,160
Other receivables	6	659	537
Deposit fund pensions	10	3,092	3,036
Bank deposits	7	73,908	71,182
Total current assets		**80,203**	**77,915**
TOTAL ASSETS		**84,944**	**85,568**
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	8	10,000	10,000
Share premium account	8	3,917	3,917
Total paid-in equity		**13,917**	**13,917**
Retained earnings			
Other equity	9	15,514	32,999
Total equity		**29,431**	**46,916**
Provisions for liabilities			
Pension liabilities	10	9,651	9,538
Investment grant not recognised as income	2	478	2,075
Other provision for liabilities	10, 12, 13	606	4,448
Total provision for liabilities		**10,736**	**16,061**
Current liabilities			
Allocated dividend		22,000	0
Trade payables		3,818	4,234
Tax payable	4	290	0
Payable public taxes and charges	4, 11	5,111	5,045
Other current liabilities	10, 11, 12, 13	13,559	13,312
Total current liabilities		**44,778**	**22,591**
Total liabilities		**55,513**	**38,652**
TOTAL EQUITY AND LIABILITIES		**84,944**	**85,568**

Oslo, 15 March 2019

Else Bugge Fougner
Chairman of the Board

Siri Beate Hatlen
Board Member

Ingelise Arntsen
Board Member

Finn Ivar Marum
Board Member

Øyvind Holte
Board Member

Marie Sørli
Board Member

Otto Søberg
Chief Executive Officer

CASH FLOW STATEMENT

Amounts in NOK 1,000	2018	2017
Cash flow from operations		
Grants	112,435	109,698
Interest income	1,284	1,172
Payments to operations	111,190	105,939
Net change in liquidity from operations	**2,529**	**4,931**
Cash flow from investments		
Investments in tangible fixed assets*	197	488
Payment from sale of business asset	0	0
Net change in liquidity from investments	**197**	**488**
Cash flow from financing activities		
Paid-in equity	0	0
Net change in liquidity from financing activities	**0**	**0**
Net change in liquidity during the year	2,726	5,419
Cash and cash equivalents as of 1 January	71,182	65,763
Cash and cash equivalents as of 31 December	**73,908**	**71,182**

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

NOTE 1 ACCOUNTING PRINCIPLES

General principles applicable to the annual accounts
The annual accounts for Export Credit Norway have been prepared in accordance with the provisions of the Norwegian Accounting Act and good accounting practices in Norway. The accounts are presented in Norwegian kroner.

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

Accounting estimates
Accounts prepared in accordance with the Accounting Act require the use of estimates. Furthermore, the application of the company's accounting principles requires that management must exercise discretion. The estimates are based on experience and an assessment of underlying factors. Areas that largely involve such discretionary assessments are described below in the overview of the different accounting principles. Estimates and assessments generally relate to depreciation, pensions and provisions.

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

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

The investment grant is recorded as a gross amount and entered in the balance sheet as deferred income to be recognised in the income statement in accordance with the amortisation period for the associated investment. Accrued grants are recognised as operating revenues in the income statement.

Pensions
Defined-contribution scheme:
In 2018, the company primarily operated a defined-contribution pension scheme. Contributions to the defined-contribution scheme are paid into a pension insurance plan. Once the contributions have been paid, there are no further liabilities. Payments into defined-contribution schemes are recognised in the income statement in the period to which a given payment relates.

Defined-benefit scheme:
The company has two individual defined-benefit schemes. The liability recognised in the balance sheet relates to an early-retirement pension scheme and two pension schemes for salary above 12G (G = the Norwegian national insurance scheme basic amount) for persons previously employed by Eksportfinans ASA.

Pension expenses and pension liabilities are calculated using a linear earnings method based on the expected final salary. The calculation is based on a number of assumptions, including the discount rate, future salary adjustments, pensions and National Insurance benefits, future return on pension assets and actuarial assumptions relating to mortality. The liabilities and expenses recognised in the balance sheet include employer's national insurance contributions and the financial transaction tax. Pension assets are appraised at fair value and presented as current assets in the balance sheet.

See also note 10 "Pensions".

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

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

Tangible fixed assets
Tangible fixed assets are recognised in the balance sheet and depreciated on a straight-line basis over their expected economic lifetime. Direct maintenance of such assets is expensed on an ongoing basis under operating expenses, while upgrades and improvements are added to the cost of the asset and depreciated in tandem with this. Tangible fixed assets are written down to the recoverable amount if the recoverable amount is less than the book value and if the impairment in value is not considered to be temporary. The recoverable amount is appraised at the higher of net sale value and value in use. Value in use is the present value of the future cash flows the asset is expected to generate.

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

Purchased software is recognised in the balance sheet at acquisition cost (including the cost of making software operational), and is depreciated over its expected useful life (up to five years). Costs relating to the development or maintenance of software are expensed as they arise. Impairment of intangible assets is assessed based on similar principles as for tangible fixed assets.

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

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

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

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

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

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

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

NOTE 2 GRANT AND OTHER INCOME

In 2018, the company received an operating/investment grant from the Ministry of Trade, Industry and Fisheries totalling NOK 112.4 million, excluding value added tax.

Amounts in NOK 1,000	2018	2017
Operating grant	112,435	109,698
Activated operating grant	-197	-488
Investment grant recognised in the income statement during the period	1,793	1,986
Total grant and other income	**114,031**	**111,196**

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

Amounts in NOK 1,000	2018	2017
Salaries	50,920	49,428
Employer's national insurance contributions and financial transaction tax	10,959	10,891
Pension expenses	4,838	7,746
Other personnel costs	3,070	2,796
Total salaries and payroll costs	**69,786**	**70,861**
Number of permanent employees as of 31 December	45	45
Number of temporary employees	0	0
Number of employees with signed employment agreements who had not yet started work as of 31 December	4	4
Average number of full-time equivalents	46	48

NOTE 4 TAX EXPENSE

Amounts in NOK 1,000	2018	2017
Calculation of tax payable		
Profit/loss on ordinary operations before tax expense	6,120	5,123
Permanent differences	302	532
Change in temporary differences	-4,939	-3,472
Basis for tax payable	1,158	2,183
Tax payable on the profit/loss for the year (25%)	**290**	**0**
Tax payable in the balance sheet comprises		
Tax payable on the profit/loss for the year	290	0
Total tax payable in the balance sheet	**290**	**0**
The tax expense for the year comprises		
Tax payable on the profit/loss for the year	290	0
Change in deferred tax asset	1,316	1,414
Tax expense for the year	**1,606**	**1,414**
Breakdown of the basis for deferred tax		
Operating assets	-1,083	-1,128
Net pension liabilities	-10,345	-14,735
Investment grant not recognised as income	-478	-2,075
Other temporary differences	-5,067	-3,975
Loss carry-forward	0	-325
Total temporary differences	-16,973	-22,238
Deferred tax (+)/deferred tax asset (-) as of 31 December	**-4,243**	**-5,559**
Reconciliation of nominal and actual tax rates		
Expected tax at nominal rate (25%)	1,530	1,281
Effect of permanent differences	76	133
Effect of change in tax rate (25%) on calculation of deferred tax/tax asset	0	0
Tax expense per income statement	**1,606**	**1,414**

Tax rate of 25% includes company tax of 23% and financial transaction tax of 2%.

NOTE 5 INTANGIBLE ASSETS AND FIXED ASSETS

Amounts in NOK 1,000	Intangible assets	Fixtures	ICT equipment	Art	Total 2018	Total 2017
Acquisition cost 1 January 2018	13,008	3,670	1,872	28	18,578	18,090
Acquisitions of operating assets	135	0	62	0	197	488
Disposals of operating assets	0	0	972	0	972	0
Acquisition cost 31 December 2018	13,143	3,670	962	28	17,803	18,578
Accumulated amortisations 1 January 2018	11,412	3,201	1,872	0	16,485	13,792
Amortisations for the year	**1,465**	**316**	**12**	**0**	**1,793**	**2,693**
Reversed amortisations on assets disposed of	0	0	972	0	972	0
Book value 31 December 2018	**266**	**154**	**50**	**28**	**498**	**2,094**
Useful life	4-5 years	5 years	3 years			
Depreciation schedule	Linear	Linear	Linear	Not depreciated		

NOTE 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Amounts in NOK 1,000	2018	2017
Trade receivables	1,929	1,894
Disbursements re-invoiced to borrowers	616	1,104
Claims to the State in respect of bad debts	0	162
Total trade receivables	**2,545**	**3,160**
Total pre-payments to suppliers	**659**	**537**

NOTE 7 BANK DEPOSITS

As of 31 December 2018, the company held NOK 73.9 million in bank deposits, including NOK 2.5 million in tax deducted at source.

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The Company's share capital amounted to NOK 10 million as of 31 December 2018, divided into 10,000 shares at NOK 1,000. All share are owned by the Norwegian State through the Ministry of Trade, Industry and Fisheries and all shares have equal rights.

NOTE 9 EQUITY

Amounts in NOK 1,000	Share capital	Share premium account	Other equity	Total
Equity 31 December 2017	10,000	3,917	32,999	46,916
Profit/loss for the year	0	0	4,515	4,515
Allocated to dividend	0	0	-22 000	-22 000
Equity 31 December 2018	**10,000**	**3,917**	**15,514**	**29,431**

NOTE 10 PENSION EXPENSES

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

Defined-contribution scheme:
The company has a defined-contribution scheme for salary below 12 G pursuant to the Act relating to Mandatory Occupational Pensions. This was introduced for all employees on 1 January 2017. The rates are 7% of the base pay between 0G and 7.1G and 18% of the base pay from 7.1G and up to 12G. The contribution is expensed as it is accrued.

Four senior executives have also been members of a defined-contribution scheme for salary above 12 Gs. This scheme was discontinued from 1 January 2018. Time-limited compensation will be paid for the discontinuation of the scheme which will end in December 2020. See notes 12 and 13 relating to executive salaries and remuneration

Defined-benefit scheme:
Employees transferred from Eksportfinans ASA were compensated when the transition was made to the defined-contribution scheme on 1 January 2017. This compensation is paid monthly and will end in December 2019. There are two existing defined-benefit pension agreements exceeding 12G that have been transferred from Eksportfinans ASA. These apply to a senior executive and another employee. The pension benefit from the defined-benefit scheme is determined based on the number of earning years and pay level. The expense is calculated by an actuary at the end of the year and recognised in the accounts. The pension expenses have been calculated by an actuary in accordance with the recommendations of NRS 6 (Norwegian accounting standard 6). Pension expenses and liabilities include employer's national insurance contributions and financial transaction tax.

Contractual early retirement (AFP) pension scheme
The scheme must be regarded as a defined-benefit, multi-enterprise scheme, but is treated as a defined-contribution scheme for accounting purposes.

Net pension expenses (defined-benefit) 2018

Amounts in NOK 1,000	Unfunded scheme
Present value of accrued pension entitlements for the year	128
Interest expense on pension liabilities	185
Expected yield on pension assets	0
Estimate deviations recognised in the income statement	0
Settlement of defined-benefit scheme for salary below 12 Gs	0
Employer's national insurance contributions and financial transaction tax	60
Net pension expense defined-benefit scheme	**372**

Liabilities recognised in the balance sheet (defined-benefit) 2018

Amounts in NOK 1,000	Unfunded scheme
Accrued pension liabilities	-8,864
Pension assets at market value	0
Estimate deviations not recognised in the income statement	-787
Net pension assets (+)/liabilities (-)	**-9,651**
Of which are employer's national insurance contributions/financial transaction tax	1,421

Assumptions

	2018	2017
Discount rate	2.60 %	2.40 %
Expected salary increases	2.75 %	2.50 %
Expected adjustment of the national insurance scheme basic amount (G)	2.50 %	2.25 %
Expected pension adjustment	1.35 %	1.35 %
Mortality table applied	K2013	K2013

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

Total net pension expense

Amounts in NOK 1,000	2018	2017
Net defined-benefit pension expenses	372	472
Employer's national insurance contributions and financial transaction tax on premiums paid into defined-benefit pension scheme	0	0
Expensed early retirement (AFP) pensions	796	580
Replacement of pension scheme	-740	1,945
Net defined-contribution pension expenses	4,410	4,749
Total net pension expense	**4,838**	**7,746**

NOTE 11 OTHER CURRENT LIABILITIES

Amounts in NOK 1,000	2018	2017
Provisions for liabilities	5,304	4,487
Provision for holiday pay	4,859	4,838
Pension compensation for discontinuation of pension schemes	3,179	3,785
Pre-payments received from customers	217	202
Total current liabilities	**13,560**	**13,312**

NOTE 12 DECLARATION REGARDING SPECIFICATION OF SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES

The board's declaration regarding salaries and other remuneration to senior executives.
The declaration regarding remuneration to the CEO and senior executives is in accordance with guidelines for state ownership. This includes "Guidelines for salary and other remuneration paid to senior executives in undertakings and companies in which the State has an ownership interest" (stipulated by the Ministry of Trade, Industry and Fisheries with effect from 13 February 2015). The board proposes that the guidelines described below are applied for 2019 and until the general meeting in 2020.

The key principles for the company's executive salary policy
Export Credit Norway has drawn up guidelines to ensure that salary policies and salary schemes are uniform throughout the company. The company aims to be a competitive, but not leading, salary payer compared to relevant companies. Each year, the board evaluates and approves the CEO's salary and conditions. The board's remuneration committee prepares the items for the board. The CEO determines the remuneration for other members of the management group after consultation with the board.

The compensation packages of senior executives must reflect the responsibilities and complexities involved in their position, the company's values and culture, each executive's conduct and performance, and the need to attract and retain key individuals. Moderation is emphasised for the executive salaries. The schemes are transparent and consistent with good governance principles. Export Credit Norway has no stock programmes or stock options because the Norwegian State owns 100% of the company's shares.

Elements in the executive salary
Fixed salary and variable benefits
The starting point for determining the salary is the overall level of fixed salary and variable benefits. Fixed salary consists of basic salary plus regular benefits-in-kind and pension and insurance schemes.

Fixed salary
The fixed salary will normally be the principal element in executive management salaries. The fixed salary is subject to annual review, and is set based on factors such as salary development in society in general and in the finance industry in particular. The review takes effect on 1 May of each year.

Performance-related remuneration
Export Credit Norway has a collective performance-related remuneration programme for all employees. Performance-related remuneration is subject to annual review, and the scale is set by the company's board on the basis of a recommendation from the remuneration committee. Performance-related remuneration is set based on both an overall assessment and criteria which the employee can influence. These criteria relate to the company's objectives, action plans and values in specific areas (as adopted at the beginning of each year). The company's objectives are operationalised in the form of scorecards intended to support the company's sector policy objectives as defined in the articles of association, as well as the objectives set by the owner. The performance-related remuneration scheme is the same for all employees, including senior executives, and is capped at 1.5 months' fixed salary, including holiday pay.

Pension schemes
Export Credit Norway's principal collective pension scheme is a defined-contribution scheme. The contributions are 7% of salary between 0G-7.1G and 18% of salary between 7.1G and 12G. The scheme also applies for the company's senior executives.

In accordance with the guidelines from the State, the company discontinued defined-benefit pensions over 12G for some executives from 1 January 2018. This is compensated for through a monthly payment for six years that is paid out over three years for as long as the person is working. Full compensation will have been paid in December 2020. In addition, some executives are compensated for previous discontinuation of a defined-benefit scheme of less than 12G, with a monthly payment for as long as they are working. Full compensation will have been paid in December 2019.

One senior executive transferred from Eksportfinans ASA has an individual agreement concerning a defined-benefit pension for salary above 12 Gs. See Note 10 for a complete overview of pension benefits.

Export Credit Norway does not enter into agreements for early retirement for senior executives. A previous early retirement agreement for someone in the management group (transferred from Eksportfinans) was redeemed in 2017.

Regular benefits-in-kind
Senior executives are normally provided with benefits-in-kind that are standard for comparable positions, such as car allowance, employer's liability insurance, telephone and communication arrangements and newspapers. Such benefits-in-kind are not material in size compared with an employee's fixed salary.

Severance pay schemes
The CEO has an agreement granting severance pay for up to one year after leaving the company. This arrangement is in accordance with State guidelines. One senior executive transferred from Eksportfinans ASA has maintained an individual agreement on severance pay.

Remuneration to the CEO
The current CEO took over the position on 1 December 2016. The CEO's remuneration consists of a fixed salary of NOK 2,973,000, performance-related remuneration capped at 1.5 times the regular monthly salary, car allowance, newspaper, telephone, broadband and reimbursement for exercise/training.

Report for the 2018 financial year
The executive salary policy was implemented for the 2018 financial year in accordance with the guidelines that were addressed at Export Credit Norway's ordinary general meeting in 2018.

Following the regular wage settlement on 1 May 2018, the CEO's basic salary was increased by 2.5% to NOK 2,973,000 per year (0% in 2017). For the management group as a whole, the basic salary was increased by an average of 2.72% on 1 May 2018 (2.38% in 2017). In addition to this is performance-related remuneration as described above and referred to in Note 13.

NOTE 13 REMUNERATION TO MANAGEMENT AND THE BOARD OF DIRECTORS

Senior Executive

Amounts in NOK 1,000	Year	Paid salary incl. holiday pay	Performance-related remuneration incl. holiday pay	Other remuneration	Pension earnings
Otto Søberg	2018	2,975	335	175	154
CEO	2017	2,605	233	177	157
Eli Skrøvset	2018	1,639	0	133	468
CFO until 30 September 2018	2017	1,887	164	174	377
Olav Einar Rygg	2018	1,583	178	174	605
Marketing Director	2017	1,545	135	174	2,665
Pension, incl. payment for replacement of pension					
Tobias Hvinden	2018	1,558	176	185	519
Legal Counsel – Head of Legal	2017	1,405	123	184	352
Ivar Slengesol	2018	1,451	163	178	416
Director of Strategy and Business Development	2017	1,416	124	177	323
Jostein Djupvik	2018	1,325	150	177	381
Director of Project and Loan Administration	2017	594	51	81	150
From 16 July 2017					
Ellen B. Svaheim	2018	1,163	133	31	227
Head of Communications	2017	970	38	28	171
Marie Sørli					
Deputy for Jostein Djupvik until 15 July 2017	2017	698	49	15	92

Board of Directors

Amounts in NOK 1,000	Year	Board remuneration	Number of board meetings
Else Bugge Fougner *)	2018	343	12
Chairman	2017	346	13
Siri Hatlen *)	2018	213	11
Board Member	2017	217	11
Finn Ivar Marum	2018	197	10
Board Member	2017	193	10
Ingelise Arntsen	2018	197	11
Board Member	2017	193	11
Øivind Holte	2018	197	11
Board Member	2017	193	10
Marie Sørli	2018	102	5
Employee board member from 25 June 2018			
Fanny Fabricius Bye *)	2018	108	7
Employee board member until 24 June 2018	2017	213	13
Jørgen Hauge	2018	38	12
Employee observer	2017	38	13

*) Includes fees for participation in the board of directors and the remuneration committee.

NOTE 14 REMUNERATION PAID TO THE AUDITOR

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

Amounts in NOK 1,000	2018	2017
Statutory audit	130	234
Tax advice	6	6
Other certification services	7	25
Other non-audit services	5	0
Total auditor's fees	**148**	**265**

NOTE 15 LEASES

The lease with PEC Hieronymus AS expires on 14 June 2019 and has not been renewed. The company has entered into a new lease with Entra Eiendom AS and will move into the new premises in Cort Adlers gate 30 at the start of May 2019. The new lease will run until 1 June 2029 with an option of an additional five years.

The rental expense for the year was NOK 4.6 million (2017: NOK 4.5 million), including operating expenses and joint costs.

NOTE 16 RELATED PARTIES

Export Credit Norway has no ownership interests in other companies.

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

At the end of 2018, 72 per cent of the lending portfolio under the export credit scheme was guaranteed by the Norwegian Guarantee Institute for Export Credits (GIEK). GIEK is an administrative body, and thus part of the Norwegian State's legal entity, whereas Export Credit Norway is an independent legal entity that is wholly-owned by the Norwegian State. An important principle is that the conditions that apply in transactions involving GIEK and Export Credit Norway must be determined on an independent basis. GIEK is not considered a related party.

NOTE 17 FINANCIAL MARKET RISK

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

NOTE 18 EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of events after the balance sheet date that would impact on the 2018 annual accounts.

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To the General Meeting of Eksportkreditt Norge AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eksportkreditt Norge AS showing a profit of NOK 4 515 000. The financial statements comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

Eksportkreditt Norge AS

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 25 March 2019
KPMG AS

Ole Christian Fongaard
State Authorised Public Accountant

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

9. Lending account

9.1. MANAGEMENT REMARKS TO THE 2018 ANNUAL ACCOUNTS

Export Credit Norway manages the export credit scheme on behalf of the Norwegian State and the Ministry of Trade, Industry and Fisheries (NFD). The company's primary objective is to promote Norwegian exports by providing competitive, accessible and effective financing. Under the export credit scheme, loans are recorded in the State balance sheet, and the State assumes all related risk. All loans must be fully guaranteed by financial institutions and/or state export credit agencies that satisfy the company's rating requirements.

Confirmation

The annual accounts have been prepared in accordance with the provisions relating to public sector financial management with the associated circular from the Ministry of Ministry and requirements from NFD. This is the first year in which Export Credit Norway has presented the lending account in accordance with these provisions based on new guidelines from NFD. Export Credit Norway considers the annual accounts to provide an accurate depiction of the enterprise's available grants and of recognised expenses, income, assets and liabilities.

Assessments of matters of significance

In 2018, new loans totalling NOK 2,839 were paid out under the export credit scheme. The disbursement volume was 25 per cent lower than the allocated budget authorisation of NOK 3,800 million. The difference was primarily due to cancellations and postponements of certain projects that had expected disbursements in 2018, but have now been moved forward in time.

NOK 13,328 million was paid in instalments on outstanding receivables in 2018. The instalments paid exceeded the NOK 10,500 million that was budgeted for. The difference was due to Export Credit Norway receiving early repayment of some loans that Export Credit Norway was not aware of when preparing the budget. This applies both to settlement from guarantors and borrowers, and most often in connection with restructuring and defaulted loans.

Interest from the export credit scheme was NOK 1,727 million, which is a relatively stable level in relation to the budget of NOK 1,680 million. Fee income was NOK 35 million, which was slightly higher than the budget of NOK 25 million. In 2018, total fee income was slightly higher than estimated when the budget was prepared due to more restructuring than expected at budget time.

The general ledger reporting pursuant to the cash basis for accounting shows net reported income, including investment and finance income, of NOK 15,090 million in 2018 compared with NOK 10,041 million in 2017. This mainly consists of instalments on outstanding receivables. Expenses reported to the appropriation account include disbursement of loans of NOK 2,839 million for 2018, compared with NOK 3,424 million in 2017.

The outstanding balance with the public treasury at the end of 2018 was NOK 4.9 million. This mainly consists of incorrectly paid interest and guarantee premium to the guarantor that was repaid at the start of January 2019.

Parts of the lending portfolio are undergoing a restructuring process due to a large proportion of the company's lending activities being related to oil and gas industry activities, which have experienced low earnings in recent years. At the end of 2018, Export Credit Norway had 122 loans for which instalment deferments had been granted for 29 borrowers. Overall, instalment deferments granted amounted to NOK 33.8 billion at year-end. The company has good guarantors behind the loans and the risk of loss is considered low. No loan capital was lost in 2018.

Additional information

The Office of the Auditor General of Norway audits and confirms Export Credit Norway's annual accounts. The auditor's report is published on Expert Credit Norway's website together with the annual accounts as soon as the report is available.

The board has engaged PwC to conduct the internal audit of Export Credit Norway's lending activities. PwC submits a written statement to the board of Export Credit Norway.

Oslo, 15 March 2019

Else Bugge Fougner.

Else Bugge Fougner
Chairman of the Board

9.2. ACCOUNTING PRINCIPLES FOR THE ANNUAL ACCOUNTS

The annual accounts for state-owned enterprises are prepared and presented in accordance with detailed guidelines stipulated in the provisions relating to public service financial management ("the Provisions"). The accounts accord with the requirements in Section 3.4.1 of the Provisions and more detailed provisions in Circular R-115 of November 2016 from the Ministry of Finance and any additional requirements stipulated by the principal ministry.

The presentation of reporting to the appropriation accounts and general ledger accounts is prepared on the basis of Section 3.4.2 of the Provisions – the basic principles for the annual accounts:

a) The accounts shall follow the calendar year.
b) The accounts shall contain all reported expenses and revenues for the financial year.
c) Gross expenses and revenues shall be entered in the accounts.
d) The accounts shall be prepared in accordance with the cash accounting principle.

The statements of the appropriation accounts and general ledger accounts are prepared according to the same principles, but are grouped in different charts of accounts. These principles correspond with requirements in Section 3.5 of the Provisions on how enterprises shall report to the central government accounts. The item "Net reported to appropriation account" is identical in both statements. Pursuant to the requirements in Section 3.7.1 of the Provisions, the enterprise is affiliated with the State's group account scheme at Norges Bank. Gross-budgeted enterprises are not given any funding during the year but are entitled to draw on their group account. At the year-end, the balance of the individual settlement account is set at zero.

Appropriation reporting

The presentation of reporting to the appropriation accounts comprises an upper section with the appropriation reporting and a lower section, which shows the balances listed for the enterprise in the capital accounts. The appropriation reporting presents accounting FIGUREes reported by the enterprise to the central government accounts. These are posted in accordance with the chapters and items in the appropriation accounts that the enterprise has at its disposal. The column "Total allocation" shows what the enterprise has at its disposal in the letter of assignment for each State account (chapter/item). The statement also shows all financial assets and liabilities entered against the enterprise in the State's capital accounts.

Authorisations received to debit another enterprise's chapter/item (debit authorisations) are not shown in the total allocations column but are referred to in note B to the appropriation reporting statement. The expenses relating to debit authorisations received are capitalised and reported to the central government accounts and shown in the column for accounts.

Debit authorisations granted to others are included in the total allocations column, but are not capitalised or reported to the central government accounts by the enterprise itself. Debit authorisations granted to others are capitalised and reported by the enterprise that has received the debit authorisation and are therefore not shown in the column for accounts. The authorisations granted to others are stated in note B to the appropriations reporting statement.

General ledger reporting

The statement on the reporting of the general ledger has an upper part showing what has been reported to the central government accounts in accordance with the standard chart of accounts for state-owned enterprises and a lower part showing assets and liabilities which are included in outstanding accounts with the public treasury. The statement on the reporting of the general ledger shows accounting FIGUREes that the enterprise has reported to the central government accounts in accordance with the standard chart of accounts for state-owned enterprises. The enterprise is entitled to draw on its group account with Norges Bank. The allocations are not taken to income and are therefore not shown as revenue in the statement.

Exchange rates

Disbursement of loans, payment of instalments and interest income and fee income are recorded in accordance with the actual exchange rate.

The opening and closing balance of the capital account (note c) are entered according to fair value and disbursements and instalments are entered according to the actual exchange rate. Loans in foreign currencies at year-end have been adjusted according to Norges Bank's exchange rates on the final banking day in 2018, an approach that necessitates a foreign exchange correction.

Guidelines from the Ministry of Trade, Industry and Fisheries

The Ministry of Trade, Industry and Fisheries does not expect an annual report for the Export Credit Scheme in 2018 pursuant to the requirements in section 2.3.3 of the provisions. The reason for this is that the Ministry has not previously set such a reporting requirement for Export Credit Norway.

9.3. APPROPRIATION REPORTING

The appropriation reporting shows accounting FIGUREes that Export Credit Norway has reported to the central government accounts. This is set up according to the chapters and items in the appropriation accounts that Export Credit Norway is authorised to administer. Export Credit Norway has not issued authorisations as outlined in the accounting principles.

Statement of appropriation reporting 31 December 2018.

Expense chapter	Chapter name	Item	Item text	Note	Total allocation	Accounts 2018	Additional expense (-) and reduced expense
2429	Eksportkreditt Norge AS	90	Lending	A, B	3,800,000,000	2,839,106,713	960,893,287
Total expensed						**3,800,000,000**	**2,839,106,713**

Income chapter	Chapter name	Item	Item text	Note	Total allocation	Accounts 2018	Additional income and reduced income (-)
5329	Eksportkreditt Norge AS	70	Fees etc.	A, B	25,000,000	34,585,947	9,585,947
		90	Instalments on outstanding receivables	A, B	10,500,000,000	13,327,769,207	2,827,769,207
5629	Interest from export credit scheme	80	Interest	A, B	1,680,000,000	1,727,052,972	47,052,972
5605	Interest on the public treasury's cash at hand and other receivables	83	Other Financial income	A, B		1,051,723	1,051,723
Total recognised as income					**12,205,000,000**	**15,090,459,849**	
Net reported to the appropriation account						**-12,251,353,136**	

Capital accounts

60093301	Norges Bank capital accounts/payments	15,228,685,130
60093302	Norges Bank capital accounts/disbursements	-2,973,509,932
709441	Change in outstanding balance with the public treasury	-3,822,062
Total reported		**0**

Reserves reported to the capital account (31 December)

Account	Text	Note	2018	2017	Change
709441	Outstanding balance with the public treasury		-4,883,561	-1,061,499	-3,822,062
63510901	Lending	C	61,219,823,078	69,359,370,817	-8,139,547,739

NOTE A EXPLANATION OF TOTAL ALLOCATIONS

Chapter and item	Transferred from previous year	Annual allocations	Total allocation
242990	0	3,800,000,000	3,800,000,000
532970	0	25,000,000	25,000,000
532990	0	10,500,000,000	10,500,000,000
562980	0	1,680,000,000	1,680,000,000

NOTE B AUTHORISATIONS USED AND CALCULATION OF POSSIBLE TRANSFERRABLE AMOUNTS TO THE FOLLOWING YEAR

Export Credit Norway is not permitted to transfer grants to the following year.

NOTE C CAPITAL ACCOUNT

	2018	2017
Opening balance 1 January	69,359,370,817	76,505,127,986
New disbursements	2,839,106,713	3,423,862,190
Instalments	-13,327,769,207	-8,275,487,105
Foreign exchange adjustment and other corrections	2,349,114,755	-2,294,132,254
Total change during the period	**-8,139,547,739**	**-7,145,757,169**
Closing balance 31 December	**61,219,823,078**	**69,359,370,817**

9.4. STATEMENT OF GENERAL LEDGER REPORTING AND NOTES

	Note	2018	2017
Operating revenues reported to appropriations account		0	0
Operating expenses reported to appropriations account		0	0
Net reported operating expenses		**0**	**0**
Investment and financial income reported to the appropriation account			
Other financial income		34,585,947	20,792,121
Lending (central government banks)	1	13,327,769,207	8,275,487,105
Interest income		1,727,052,972	1,744,161,823
Total investment and financial income		**15,089,408,125**	**10,040,441,049**
Investment and financial expenses reported to the appropriation account			
Lending (central government banks)	2	2,839,106,713	3,423,862,190
Total investment and financial expenses		**2,839,106,713**	**3,423,862,190**
Net reported investment and financial expenses		**-12,250,301,413**	**-6,616,578,859**
Debt collection activities and other transfers to the State		0	0
Grant management and other transfers from the State		0	0
Income reported in joint chapters		1,051,723	122,435
Net reported to the appropriation account		**-12,251,353,136**	**-6,616,701,294**
Overview of outstanding balance with the public treasury			
Assets and liabilities			
Bank accounts with State funds outside of Norwegian Bank		0	0
Other liabilities	3	-4,883,561	1,061,499
Total outstanding balance with the public treasury		**-4,883,561**	**1,061,499**

NOTE 1 PAYMENTS

Payments under lending consist of ordinary instalments on accounts receivables and early repayments.

NOTE 2 DISBURSEMENTS

Disbursements under lending consist of disbursements of new loans.

NOTE 3 CONNECTION BETWEEN SETTLEMENT WITH THE PUBLIC TREASURY AND OUTSTANDING BALANCE WITH THE PUBLIC TREASURY

The difference between settlement with the public treasury and outstanding balance with the public treasury 31 December 2018:

	Specification of recognised settlement with the public treasury	Specification of reported outstanding balance with the public treasury	Difference
Financial fixed assets			
Investments in shares and units	0	0	0
Bonds	0	0	0
Total financial fixed assets	**0**	**0**	**0**
Current assets			
Trade receivables	0	0	0
Other receivables	0	0	0
Bank deposits, cash etc.	0	0	0
Total current assets	**0**	**0**	**0**
Long-term liabilities			
Other long-term liabilities	0	0	0
Total long-term liabilities	**0**	**0**	**0**
Current liabilities			
Trade payables	0	0	0
Tax withholdings payable	0	0	0
Government taxes payable	0	0	0
Other current liabilities	-4,883,561	-4,883,561	0
Total current liabilities	**-4,883,561**	**-4,883,561**	**0**

Other current liabilities principally consist of incorrectly paid interest and guarantee premium to the guarantor that was repaid at the start of January 2019.

Riksrevisjonen

Our reference 2018/00619-10

EXPORT CREDIT NORWAY AS
Org. no.: 998544696

Report of the Office of the Auditor General

Lending account — Export Credit Norway AS

Statement regarding the audit of the annual account

Conclusion
The Office of the Auditor General has audited the Lending account's annual accounts for 2018. The annual account consists of management commentary and the presentation of appropriation and general ledger account reporting, including notes on the annual account for the financial year ending on 31 December 2018.

The appropriation and general ledger account reporting show that a net amount of NOK –12,251,353,136 was reported to the appropriation accounts.

In the opinion of the Office of the Auditor General, the Lending account's annual accounts present a comprehensive picture of the company's available appropriations, revenue and expenses in 2018 and of loans and outstanding balance with the Treasury as of 31 December 2018, in accordance with the regulations for financial management within the state.

Basis for the conclusion
We have carried out the audit in accordance with *the Office of the Auditor General Act*, *Instructions relating to the activities of the Office of the Auditor General* and international standards for public auditing (ISSAI 1000–2999). Our tasks and duties in relation to these standards are described under "Auditor's tasks and duties associated with the audit of the annual accounts". We are independent of the company as required by the Act and Instructions relating to the activities of the Office of the Auditor General and the ethical requirements of ISSAI 30 issued by the International Organisation of Supreme Audit Institutions (INTOSAI's Code of Ethics), and we have adhered to our other ethical obligations in accordance with these requirements and INTOSAI's Code of Ethics. In our view, the audit evidence we collected forms a sufficient and appropriate basis for our conclusion.

Other information in the annual report
The management is responsible for the annual report, which consists of the annual account and other information. The Office of the Auditor General's statement encompasses the audit of the annual account and the company's compliance with administrative regulations for financial management — not other information included in the annual report. We do not attest to the other information.

In connection with the audit of the annual account, we are required to read the other information included in the annual report. The purpose is to assess whether there are inconsistencies between the other information, the annual account and the knowledge we have acquired during the audit. We also evaluate whether the other information appears to contain significant inaccuracies. If we conclude that the other information contains significant inaccuracies, we are obligated to report this in the audit report.

The Lending account did not prepare a complete annual report for 2018. Other information has not been prepared. This is in accordance with an agreement with the Ministry of Trade, Industry and Fisheries.

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Responsibilities of the management, the board of directors and the supervisory ministry for the annual account

The management and the board of directors are responsible for preparing an annual account that presents a comprehensive picture, in accordance with the regulations for financial management within the state. The management and the board of directors are also responsible for establishing the internal controls that they feel are necessary to be able to prepare an annual account that does not contain significant inaccuracies, either as a result of irregularities or accidental errors.

The supervisory ministry and the board of directors have the overarching responsibility of ensuring that the company reports relevant, reliable results and accounting information and has appropriate internal controls.

The Office of the Auditor General's tasks and duties associated with the audit of the annual accounts

The aim of the audit is to achieve satisfactory assurance that the annual account as a whole does not contain significant inaccuracies, either as a result of irregularities or accidental errors, and to submit an audit report that presents the conclusions reached by the Office of the Auditor General. Satisfactory assurance is a high level of assurance, but there is no guarantee that an audit carried out in accordance with *the Office of the Auditor General Act*, *Instructions relating to the activities of the Office of the Auditor General* and international standards for public auditing (ISSAI 1000–2999) will always reveal any significant inaccuracies that may exist. Inaccuracies can occur as a result of irregularities or accidental errors. Inaccuracies are deemed significant if they, individually or collectively, could reasonably be expected to influence decisions made on the basis of the annual account.

We exercise professional judgement and demonstrate professional scepticism throughout the entire audit, in accordance with *the Office of the Auditor General Act*, *Instructions relating to the activities of the Office of the Auditor General* and ISSAI 1000–2999.

We identify and estimate the risks of significant inaccuracies in the annual account, whether these are due to irregularities or accidental errors. Furthermore, we formulate and carry out audit procedures to handle such risks and collect sufficient and appropriate audit evidence as a basis for our conclusions. The risk of significant inaccuracies being missed is higher for inaccuracies resulting from irregularities than for those resulting from accidental errors. The reason for this is that irregularities can entail conspiracy, forgery, deliberate omissions, misrepresentations or overriding of internal controls.

We also do the following:

- Develop an understanding of the internal control that is relevant to the audit in order to formulate audit procedures that are appropriate for the circumstances, but not to express an opinion on the effectiveness of the company's internal controls
- Evaluate whether the accruals principles used are appropriate, and whether the associated information prepared by the management is reasonable
- Evaluate the overall presentation, structure and content of the annual account, including the supplementary information
- Evaluate whether the annual account represents the underlying transactions and events in a way that provides a comprehensive picture, in accordance with the regulations for financial management within the state

We communicate with the management and the board of directors and inform the supervisory ministry of the planned scope of the audit and when the audit will be carried out. We will also address matters of importance that are revealed over the course of the audit, such as significant deficiencies in internal control.

Regarding matters that we discuss with the management and board of directors, and communicate to the supervisory ministry, we decide which matters are most important to the audit of the annual account and determine whether these are to be considered key factors in the audit. In such cases, these are described in a separate section of the audit report, unless laws or regulations prevent the information from being made public. Matters will not be discussed in the report if the Office of the Auditor General determines that it is reasonable to expect that the negative consequences of such information being made public would outweigh the public interest of discussing the matter. This will only be relevant in very rare cases.

If, during the audit of the annual account, we identify indications of significant breaches of administrative regulations relating to financial management within the state, we carry out selected audit procedures to be able to state whether or not there are significant breaches of such regulations.

Statement regarding other matters

Conclusion relating to administrative regulations for financial management
We state whether we are aware of conditions that indicate that the company has administered appropriations in a way that is in significant breach of administrative regulations relating to financial management within the state. The statement is made with moderate assurance and is based on the ISSAI 4000 series for compliance auditing. We achieve moderate assurance for the statement through the audit of the annual account as described above and through controls we deem necessary.

Based on the audit of the annual account and the controls we have deemed necessary in relation to the ISSAI 4000 series, we are not aware of any conditions that indicate that the company has administered appropriations in a way that conflicts with administrative regulations relating to financial management within the state.

This translation is an attachment to the original letter. Translation has been made for information purposes only.

10. Other enclosures

10.1. COST-BENEFIT ANALYSIS FOR THE EXPORT CREDIT SCHEME FOR 2018

The 2018 cost-benefit analysis has been drawn up under the same principles as the cost-benefit analyses for previous years.

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

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

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

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

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

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

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

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

The cost-benefit analysis for 2018 shows a lower result compared with 2017. Net interest income after administration costs was approximately NOK 240 million lower in 2018 than in 2017. The CIRR portfolio result was NOK 177 million lower, driven by a lower volume of loans denominated in NOK and USD, and lower interest margins for loans denominated in NOK, USD, GBP and EUR. The interest margins on USD-denominated loans is the principal reason for the reduction from 0.74% in 2017 to 0.23% in 2018.

The market portfolio result deceased by NOK 65 million from 2017 and 2018, driven by a lower interest margin for the most important currencies in the portfolio.

CIRR LOANS

Interest income

	NOK	USD	GBP	EUR
Weighted CIRR for the lending portfolios	**2.86%**	**2.39%**	**2.83%**	**1.59%**

Funding cost

Amounts in NOK million	NOK	USD	GBP	EUR
Funding cost	0.89%	2.01%	0.69%	-0.35%
Administration costs covered by the public treasury	0.15%	0.15%	0.15%	0.15%
Funding cost	**1.04%**	**2.16%**	**0.84%**	**-0.20%**
Net interest margin	**1.82%**	**0.23%**	**1.99%**	**1.79%**
Average portfolio – foreign exchange	13,618	31,081	24	161
Average portfolio – NOK	13,618	25,844	268	1,573
Net interest income	**248**	**60**	**5**	**28**
Loss provisions (2 bp)	3	5	0	0
Net interest income less loss provisions	**246**	**55**	**5**	**28**
Total net interest income CIRR loans	**334**			

MARKET LOANS

Interest income

	NOK		USD		GBP		EUR	
Amounts in NOK million	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M EURIBOR	6 M EURIBOR
Weighted average margin	**67.00**	**64.33**	**85.00**	**70.00**	**-**	**55.67**	**41.67**	**-**

Funding cost

	NOK		USD		GBP		EUR	
Amounts in NOK million	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M EURIBOR	6 M EURIBOR
NOK swap spread	-63.61	-63.61	-63.61	-63.61	-40.00	-40.00	-74.20	-74.20
FX swap			18.25	18.25	13.00	13.00	-8.88	-8.88
Basis swap (3M v. 6M)		-9.28		-11.13		-3.44		-5.55
Swapspread IBOR	**-63.61**	**-72.89**	**-45.36**	**-56.49**	**-27.00**	**-30.44**	**-83.08**	**-88.63**
Administration costs covered by the public treasury (bps)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Funding cost	**-48.61**	**-57.89**	**-30.36**	**-41.49**	**-12.00**	**-15.44**	**-68.08**	**-73.63**
Net interest margin (bps)	**115.61**	**122.22**	**115.36**	**111.49**	**12.00**	**71.11**	**109.75**	**73.63**
Average portfolio in foreign currencies	4,017	2,989	1,402	581	-	29	66	-
Average portfolio in NOK	4,017	2,989	11,655	4,832	-	313	640	-
Net interest income	**46**	**37**	**134**	**54**	**-**	**2**	**7**	**-**
Loss provisions – 2bp	1	1	2	1	-	0	0	-
Net interest income less loss provisions	**46**	**36**	**132**	**53**	**-**	**2**	**7**	**-**
Total net interest income market loans	**276**							

Amounts in NOK million	2018	2017
Total net interest income	609	851
Fee income	35	21
Total income	**644**	**872**
Administration costs	112	110
Result for the export credit scheme	**532**	**762**

The following maturities and exchange rates have been used in the calculations for 2018:

	NOK	USD	GBP	EUR
Average maturity (CIRR)	4 years	5 years	5 years	3 years
Average maturity (market)	3 years	3 years	1 year	2 years
Exchange rate (average)	1	8.32	10.95	9.75

10.2. JOINT INDUSTRY DISTRIBUTION WITH GIEK 2018

Lending balance as of 31 December 2018

Amounts in NOK million	Oil and gas	Renewable energy	Other industry	Total
Lending balance	55,803	1,226	4,191	61,220
- of which ships and ship equipment	48,568	325	2,742	51,635
Number of applications	163	8	37	208
- of which ships and ship equipment	147	5	22	174

Applications as of 31 December 2018

Amounts in NOK million	Oil and gas	Renewable energy	Other industry	Total
Lending balance	73,438	22,914	79,219	175,571
- of which ships and ship equipment	-47,649	2,253	41,398	91,299
Number of applications	83	35	186	304
- of which ships and ship equipment	36	9	131	176

10.3. STATEMENT ON GOVERNANCE AND COMPANY MANAGEMENT

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

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

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

1. Statement on governance and company management

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

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

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

2. Business

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

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

1. issue officially supported export credits in compliance with international agreements, and

2. issue loans on market terms.

If special circumstances so indicate, the loans may be issued in the name of the Norwegian State."

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

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

3. Equity and dividends

Export Credit Norway's equity totalled NOK 51.4 million as of 31 December 2018 before the proposed dividends. The board has presented a proposal to the general meeting regarding dividends because equity is considered to be high in relation to the company's needs The company's operational model requires that loans and loan-related items are recorded directly in the central government accounts, and the company accounts therefore include only grants from the State and costs relating to the company's ordinary operations.

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

4. Equal treatment of shareholders and transactions with related parties

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

Export Credit Norway does not engage in transactions with related parties.

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

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

5. Freely negotiable shares

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

6. General meetings

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

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

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

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

7. Nomination committee

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

8. Corporate assembly and board of directors, composition and independence

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

In 2018, the board consisted of five shareholder-elected members – three women and two men. An employee-elected board member and an employee-elected observer also attend board meetings. Overall, the board consists of four women and three men. The board members possess a broad range of business experience, and the board as a whole thus reflects the company's area of operation and strategic objectives.

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

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

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

9. The work of the board of directors

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

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

The board prepares a plan for its work every year which places particular emphasis on objectives, strategy and implementation. The board holds an annual strategy meeting. The CEO prepares background materials for these meetings.

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

In 2015, the board appointed a remuneration committee comprising the chairman and two other board members (including the employee-elected board member). The employee-elected board member is independent of company management. The committee deals with matters relating to remuneration and personnel, including gender equality and diversity, incentive schemes and pension conditions for both senior executives and other employees.

The board evaluates its performance and expertise annually.

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

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

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

11. Remuneration paid to the board
Board remuneration is set by the general meeting. Remuneration is not performance-linked. Board members, or companies with which they are associated, have not accepted specific assignments

for the company in addition to the board appointment. Separate remuneration has been set for work performed for the remuneration committee. The remuneration received by each board member is detailed in a note to the annual accounts.

12. Remuneration paid to senior executives

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

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

13. Information and communication

Export Credit Norway is wholly-owned by the Norwegian State. Securities legislation and other regulations relating to the equal treatment of participants in the securities market are thus not applicable. Accordingly, no financial calendar has been prepared for the company. Export Credit Norway publishes information on received applications, lending FIGUREEes and the order book quarterly on its website.

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

14. Take-overs

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

15. Auditor

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

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

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

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

Part of the process associated with node seismic systems involves placing seismic sensors or "nodes" in a pre-determined pattern on the seafloor. Export Credit Norway has contributed financing to **Axxxis Geo Solutions** for the purchase of newly developed node management systems from Kongsberg Evotec. The actual node management system is used to control the rope the nodes are attached to and winches are used to pull in the rope.

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