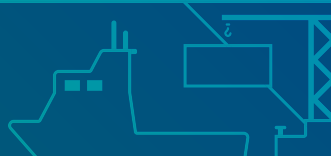
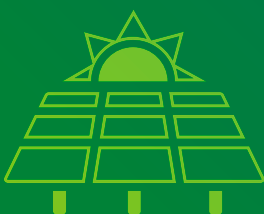


GIEK



# Annual Report 2019

From Norway to the world



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Chief Executive Officer's foreword:

## From Norway to the world

*2019 was characterised by commercial policy uncertainty, and 2020 has got off to a difficult start. In a challenging business policy climate, GIEK is even more important to exporters as a reliable and stable tool.*

During the year, we provided new guarantees for NOK 22 billion; the highest activity in one individual year since 2013. These figures show that industry has a renewed desire to invest and ability to adapt.

GIEK's guarantees benefit the maritime value chain in particular. GIEK assists Norwegian shipyards and their subcontractors by providing building and long-term financing for cruise ships, fishing vessels, ferries, and cable-laying vessels, for instance, as well as direct assistance to ship-equipment suppliers when they reorganise and start to deliver to shipyards in other countries.

GIEK is actively contributing to the green shift. Aibel's Tenne T and Doggerbank offshore-wind contracts, Scatec Solar's new solar power plant in Ukraine, Color Lines' first hybrid "plug in" passenger ferry and Fjord1's electric ferry building programme are examples of how Norwegian exporters are contributing to a more sustainable future worldwide through the sale of high-tech products.

Power purchase guarantees issued by GIEK have contributed to long-term contracts to deliver renewable wind power at a predictable cost level for power-intensive industry, which is an important export industry in Norway.

Loan guarantees for export-related investments in Norway have become important for upscaling seafood companies. Villa Smolt's new plant at Moltustranda and Nordlaks' sea farm are examples of how a new guarantee product gives companies and industries that have not previously used GIEK better access to financing for fixed investments in Norway. Such financing takes place in close collaboration between GIEK and the banks.

Last year, GIEK entered into a large frame agreement with Brazil's oil company Petrobras. This agreement immediately had a positive effect and ensures financing when the company chooses to buy capital goods and services from Norwegian exporters. In this way, GIEK expects to support Norwegian suppliers' positions in the Brazilian offshore market.

Norwegian suppliers to the ship industry see increased export potential in the cruise ship market. The general guarantee scheme used for the long-term financing of cruise ships built at Norwegian shipyards is well known to shipyards and often utilised.

In 2019, GIEK also made active efforts to make equipment suppliers in this market more familiar with the opportunities for financing Norwegian deliveries to cruise ships built outside Norway.

Together with Export Credit Norway, Innovation Norway and GIEK Kredittforsikring, GIEK chooses the winner of the Export Award each year.

In 2019, the award went to Cambi Group AS, a company that treats sewage sludge and converts it into useful products for use in agriculture, such as biogas or bio-fertiliser. GIEK congratulates this high-tech and innovative company for winning the award!

Offshore shipping companies have undergone drastic restructuring since 2015. Unfortunately, the market outlook is still weak and further restructuring and debt cuts are necessary. GIEK is continuing to try to find the best possible way of limiting falls in value and losses. GIEK has highly skilled employees who carry out these complex, difficult negotiations in close dialogue with banks, financial institutions and law firms. We have received confirmation that our risk and credit assessments are of high quality.

The Employee Survey for 2019 showed a very high score for internal cooperation, information sharing, colleague support and management quality. Based on the past few challenging years, the organisation's performance and willingness to contribute make me proud of my colleagues. A continued focus on a high skills level is crucial to our continued success.

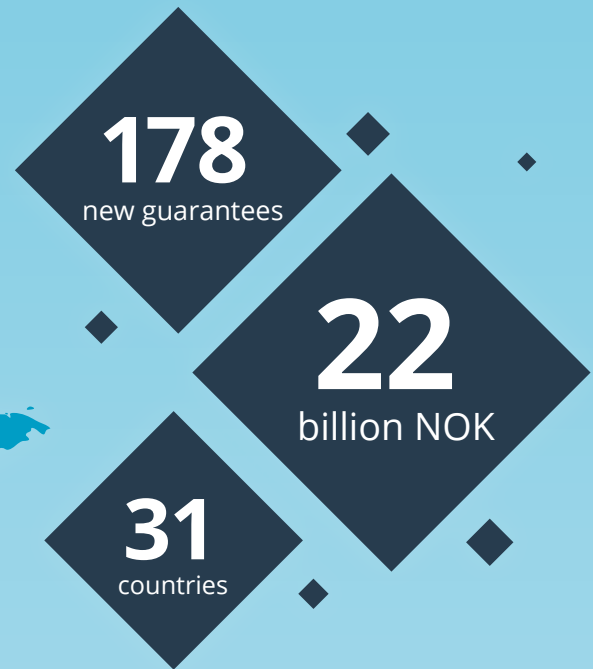
I look forward to further collaboration with companies throughout Norway, and am certain that GIEK can contribute to the further growth and restructuring of our export industries!

  
Wenche Nistad  
Administerende direktør

# Main figures

– for 2019

These are the overall main figures for 2019. Guarantees are issued under five separate guarantee schemes, see chapter 3 *The year's activities and results* and chapter 6 *Annual accounts*.



billion NOK  
in guarantee premiums  
and fee revenues  
for all schemes



billion NOK  
paid out under the  
guarantee schemes



billion NOK  
in loss provisions



billion NOK  
in profit





*«GIEK being there provides considerable support to Norwegian industry in a tough European market»*

—————  
Mads Andersen,  
CEO of Aibel



*«We're very pleased to have been given long-term financing by GIEK for our newest shuttle tankers, which almost halve the CO2 emissions compared to existing ships»*

—————  
Ingvild Sæther,  
President & CEO of Teekay Offshore Group Ltd.



*«GIEK has been crucial to us now being in a position to deliver to Aker Biomarin»*

—————  
Per-Arne Rindarøy,  
CEO of Aukre Maritime



*«Our long-term partnership with GIEK makes us more competitive and has been important to our success abroad»*

—————  
Raymond Carlsen,  
CEO of Scatec Solar



*«GIEK enables us to join export projects that we could not otherwise have joined»*

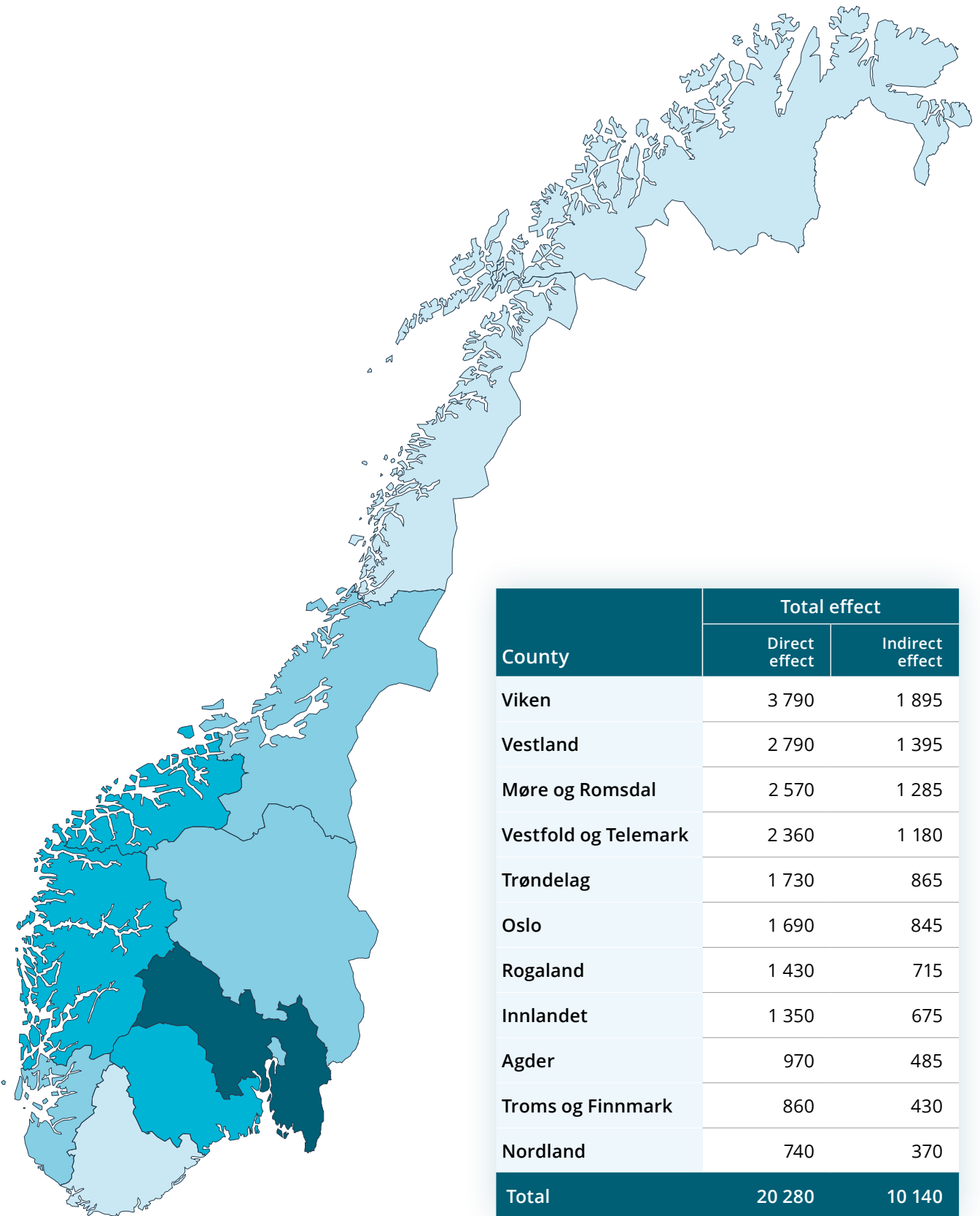
—————  
Liv-Karin Lyslo,  
Corporate advisor at DNB Molde



*«Without GIEK's solution, we wouldn't have been able to sign the contract with Equinor»*

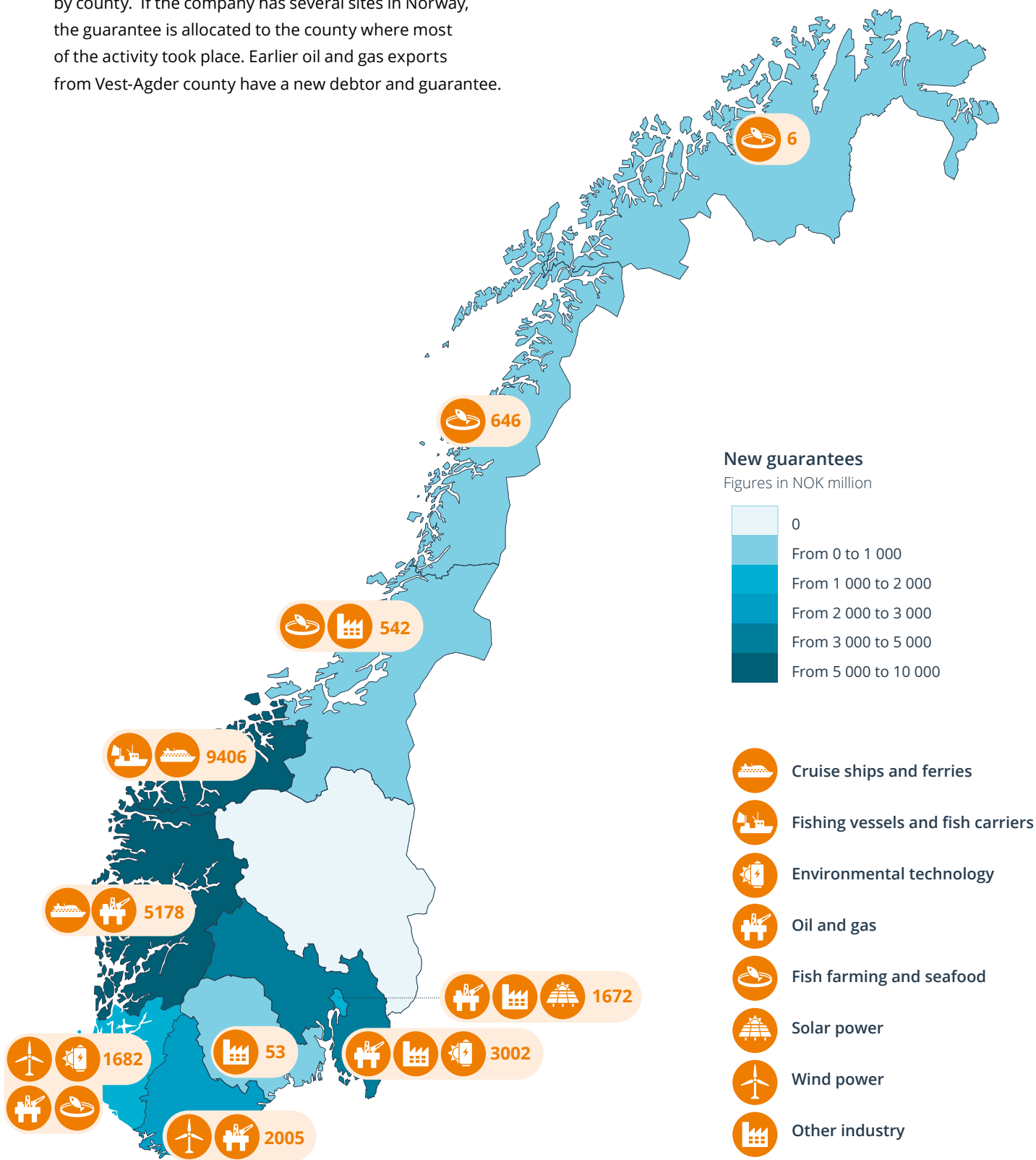
—————  
Svein Helge Pettersen,  
CEO of Techouse

Map 1. The effect of new guarantees on employment in 2019 (source: Menon)



Map 2. New guarantees in 2019

The map shows the number of guarantees issued in 2019 by county. If the company has several sites in Norway, the guarantee is allocated to the county where most of the activity took place. Earlier oil and gas exports from Vest-Agder county have a new debtor and guarantee.



# Report of the Board of Directors: GIEK makes Norway more competitive

*Norway's exports (excluding oil and gas) increased by 4 per cent in 2019. Norwegian industry has played an active role in the change needed to reach sustainability. Products and services have been developed that now follow in the path of historically large deliveries to the oil and gas sector. GIEK's new guarantees show that exporters are managing to grow and restructure their operations.*

GIEK's objective is to contribute to increased Norwegian exports, value creation and employment. GIEK guarantees are an instrument for reaching the government's goal of having the largest possible overall value creation in the Norwegian economy within sustainable frameworks. Offering long-term, predictable credit guarantees to exporters' customers abroad makes Norwegian exporters more competitive. In recent years, we have also contributed to exporters' growth by providing guarantees for loans to export-related investments in Norway. In the Board's view, GIEK fulfilled its objective in 2019 and reached the goals and priorities set by the Ministry of Trade, Industry and Fisheries in the allocation letter.

At the end of the year, GIEK had a total portfolio of outstanding guarantee liabilities of NOK 89 billion, on a level with that for 2018. GIEK had receivables of NOK 12.6 billion, an increase of NOK 4.4 billion in 2019 compared to 2018, mainly linked to compensation payments but a small part is due to the transition to IFRS 9 - financial reporting standard, and the principle governing the recognition of interest. GIEK's operating revenues come from guarantee premiums, fee revenues and interest income. These revenues cover both the costs of running the scheme and losses. The total operating revenues in 2019 were NOK 1.7 billion, which is in line with the previous year. In 2019, too, there were considerable loss provisions linked to outstanding guarantee liabilities relating to oil-service ships and equipment. In 2019, the loss provisions and impairments increased by NOK 1.2 billion. GIEK made a profit of NOK 177 million in 2019. All the active guarantee schemes made a profit.

## **Competitiveness and sustainability**

GIEK's schemes contribute to export-oriented companies finding it profitable to invest in Norway. In the Board's opinion, GIEK provides competitive export-guarantee products compared at a par with other countries' guarantee agencies. The commercial banks share the risk with GIEK and thus expand their financial capacity relating to both individual companies and countries.

In total, this contributes to more capital being available to companies. Good collaboration with Norwegian banks, especially local and regional ones, has led to our guarantee products being used by more and more small and medium-sized companies.

Together with environmental and social factors, anti-corruption is part of GIEK's credit assessments and the Board also focuses on this. Our principles and routines covering sustainability are stricter in several areas than our international obligations. In the past year and as part of its sustainability assessments, GIEK has also included assessments relating to the UN Sustainable Development Goals. Norway have a strong maritime sector and GIEK is a member of the UN Action Platform on Sustainable Ocean Business, where sustainability goal 14, Life below water, is particularly relevant due to Norway's strong maritime sector. GIEK aims to be a driving force here, while also continuing to provide products that are on a par with other countries' guarantee agencies.

The Board point out that renewable energy comprised 10 per cent of the new guarantee liabilities in 2019, divided more or less equally between solar power and wind power.



Several guarantees were issued for electric or hybrid ferries in 2019. In addition, GIEK provided a guarantee for the building of new shuttle tankers with fuel technology that reduces CO2 emissions by about 50 per cent compared to the existing fleet.

In recent years, shipyards have undergone considerable restructuring. From previously mainly selling to the oil and offshore sector, shipyards are now focusing on cruise ships, fisheries-related vessels and ferries. GIEK provides guarantees for the purchase of ships and equipment produced at shipyards in Norway, and guarantees for building loans to ships built at Norwegian shipyards.

The restructuring process has challenged the profitability of several shipyards. We are following developments in this sector closely, and GIEK recorded losses in this sector related to the guarantee scheme for building-loans in 2019.

#### **Customer-oriented and useful to society**

Throughout 2019, GIEK cooperated extensively with other agencies, clusters and business associations. In addition, GIEK organised and attended many trade fairs, conferences and company meetings. GIEK also provided information about its products and new guarantees in digital channels, the press and advertisements.

It is therefore a pleasure to see the increased demand for guarantees from a wider range of companies and from more industries and banks than before. Especially the loan guarantee for export-related investments in Norway has proven useful in helping a larger part of the value chain to export goods. Together with Export Credit Norway and the other government agencies, the marketing of GIEK's guarantees is continuing. GIEK also cooperates extensively with the commercial banks in both Norway and the rest of the world.

The Board wants GIEK to be customer-friendly and accessible to users. The Board focuses on the development of new digital solutions that simplify the application process and cooperation with other players. Customer surveys conducted during the year show that Norwegian companies, banks and buyers of Norwegian goods and services were satisfied with GIEK's work and guarantee products in 2019 and believe that GIEK has been a direct trigger

for economic activity and contributed to employment and value-creation in Norway. The surveys show that GIEK's guarantees expand the banks' lending capacity. The Board believes there is a need for continued efforts to make GIEK and its guarantee products better known.

#### **Overall results for 2019**

The main figures for the guarantee portfolio at the year-end show (comparison with 2018 figures in brackets):

- ♦ Outstanding guarantee liabilities of NOK 89 billion (NOK 88 billion)
- ♦ 160 new applications for guarantees for NOK 26 billion (177 for NOK 47 billion)
- ♦ 171 new offers of guarantees for NOK 23 billion (181 for NOK 36 billion)
- ♦ 178 guarantees issued for NOK 22 billion (155 for NOK 14 billion)
- ♦ New guarantee liabilities issued to 31 countries, divided into Europe 55 per cent, South America 22 per cent, Asia 8 per cent, both Oceania and North America 7 per cent and Africa less than 0.5 per cent.

New guarantees relating to solar and offshore wind power, shipbuilding and seafood have resulted in a broader portfolio and contribute to a lower overall risk level.

There were some new guarantees for oil companies and offshore oil and gas service providers in 2019 too. At the end of 2019, GIEK's exposure to oil-service ships and equipment was 60 per cent of the total outstanding liabilities, a reduction from 66 per cent in 2018 and 79 per cent in 2017. This reduction is partly a result of ordinary repayments but is also due to increases in other sectors.

GIEK shares the risk relating to export financing with export credit organisations in other countries, and with Norwegian and international banks. The access to co-guarantors did not change significantly in 2019, but does vary by sector. In our experience, our total range of export financing products is attractive and helps to make Norwegian companies more competitive.

As a result of less demand and low rates in the oil and gas sector, this industry accounts for most of the defaulted-on loans and payments under the guarantees, and thus also accounts for most of the outstanding receivables.

## 1. Report of the Board of Directors

### **Loss provisions, restructuring and amounts recovered**

GIEK's annual result is to a large extent affected by changes to the loss provisions for guarantee liabilities and receivables. The loss provisions are subject to half-yearly assessments by the Board. The assessment of loss provisions is based on extensive facts regarding industries, the change in the value of security provided, and individual companies' ability to service debt. These assessments are based on various scenarios regarding the future cash-flow for servicing underlying loans. GIEK's loss assessments are the Board's best estimate of the risk of loss in the guarantee and receivables portfolio on the balance-sheet date. Despite assessments of both individual companies and groups of companies, there is always a risk that events and market developments will affect the loss provisions over time. Thus the Board emphasises that these calculations are uncertain.

As from the 2019 financial year, the calculation of loss provisions for individual companies and groups of companies is based on IFRS 9 principles. The total loss provisions at the end of 2019 equalled NOK 10 billion, compared to NOK 8 billion at 1 January 2019.

Offshore shipping companies accounted for most of GIEK's outstanding receivables at the end of 2019. The market situation means that shipping companies still have too much debt and too little earnings, and a more sustainable debt level must be established so that new investors will want to contribute new capital. The green shift is also creating uncertainty about future demand and may affect the market balance.

Going forward, GIEK expects relatively large payments under guarantees relating to oil-service ships and equipment. This may mean limited liquidity in the next few years. GIEK is therefore holding a dialogue with the Ministry of Trade, Industry and Fisheries regarding the need for a drawdown facility for the general guarantee scheme too.

GIEK is actively involved in negotiations on the restructuring of debt related to our vulnerable positions. We are actively pursuing solutions that contribute to the phasing out of old and obsolete tonnage, and will also be a professional and solution-oriented party in the ongoing and future restructuring of the industry. GIEK wants to both help an important export industry and minimise the state's losses through sustainable restructuring or the sale of assets and receivables.

When necessary to safeguard the state's assets, GIEK is authorised to become a temporary owner of shares or assets. This is also referred to in chapter 3 and in the Board's comments on the guarantee schemes' accounts and notes in chapter 6.

GIEK's five active guarantee schemes must all break-even over time. For the general guarantee scheme, breaking even will in the long term depend on good restructuring and recovery solutions. The Board believes that GIEK does thorough work on difficult cases and expects solutions that meet the break-even requirement. Projections have been prepared that support this.

GIEK's risk assessments, loss provisions, amounts recovered after guarantees have been drawn on, and liquidity forecasts indicate that the other guarantee schemes will break even in the long term, including the domestic ship guarantee scheme if this is continued after 2020.

### **Competence and resources**

The Board is very satisfied with the work that GIEK's 94 employees do to promote exports, value creation and employment. The organisation has managed the difficult balancing act of on the one hand meeting the requirements for successful export financing to new markets and on the other being a constructive and professional party in challenging restructuring negotiations.

GIEK is to deal with guarantee cases, manage the portfolio and make its guarantee products known in an effective manner, and the Board considers that the administration's use of resources have matched these tasks and challenges well. This year's administrative costs came to NOK 193.9 million, compared to the budgeted NOK 193.5 million. The operating expenses are regularly followed up by the Board.

GIEK has good corporate governance and internal controls. Reviews by the internal auditor confirmed that legislation and guidelines, routines and internal-control reports have been complied to without any significant non-conformances.

The Board meet existing and new customers to hear about, and learn from, their views on challenges and opportunities, as well as what GIEK can contribute. In 2019, the Board visited important business partners in Trondheim and Italy. In addition, the Board obtains relevant insight by inviting external speakers to some board meetings.

The user feedback and dialogue with customers help ensure that we can meet exporters' needs in the future too.

**Outlook**

International markets are changing and are characterised by political uncertainty, and the economic outlook worsened considerably at the beginning of 2020. The effects of the coronavirus have increased, and the fall in the oil price has depreciated the Norwegian krone against the US dollar and euro. It is difficult to predict the duration and thus consequences of this. It is clear that both the growth outlook for Norwegian industry and GIEK's commitments relating to the oil-service and equipment industry will be affected. Increasing volatility in the stock markets may make it challenging to raise new capital, and this may make it more difficult to find restructuring solutions for offshore shipping companies.

This is exactly why GIEK's predictable and internationally competitive export-financing products are important for Norwegian companies.

The Board believes the guarantee schemes are good instruments for paving the way for restructuring, investments and growth in Norwegian industry, and that the exposure limits for guarantees are sufficient to meet the demand in 2020.

In order to reduce the concentration risk linked to especially large commitments in future, GIEK is working on a reinsurance frame agreement that will extend the access to private risk cover in excess of the banks we traditionally work with.

The government has taken the initiative to review the entire business-oriented policy instrument system, of which GIEK is also a part. In its comments on the consultation documents, the Board has supported the consultancy company's finding that simplifying this system will make it more accessible to users. An efficient and effective policy instrument system benefits a wide range of Norwegian industry. The Board therefore supports the recommendation to merge GIEK and Export Credit Norway. We are convinced that the competence and experience of these two organisations will complement each other and that the total range of products can be maintained and made more efficient. A common export credit organisation will have the potential to simplify the application processes, make the products better known and attract and retain specialist expertise in export financing. We believe a new joint entity will help to make Norwegian industry more competitive

Oslo, March 20, 2020



**Karin Bing Orgland**  
*Chair*



**Torfinn Kildal**  
*Deputy chair*



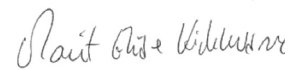
**Shahzad Abid**  
*Board member*



**John G. Bernander**  
*Board member*



**Margrethe Hauge**  
*Board member*



**Marit E. Kirkhusmo**  
*Board member*



**Nina Udnes Tronstad**  
*Board member*



**Hans Melandsø**  
*Employee representative*



**Wenche Nistad**  
*Chief executive officer*

# Introduction to GIEK

*The Norwegian Export Credit Guarantee Agency (GIEK) is a public-sector enterprise that reports to the Ministry of Trade, Industry and Fisheries (MTIF). GIEK's purpose is to promote Norwegian exports and investments by providing guarantees on behalf of the Norwegian state. At the same time, GIEK is required to break even in the long term.*

## The operations and social mandate

GIEK is part of the government's efforts to ensure competitive workplaces and as much value-creation as possible in Norway's economy within sustainable frameworks. It is especially important that Norwegian companies succeed internationally. Competitive financing conditions have been shown to be very important for whether or not Norwegian companies win contracts.

GIEK's frameworks for 2019 were adopted by the Norwegian parliament (Storting) when allocating the national budget for 2019, which was passed by the parliament on 11 and 19 December 2018, see Proposition 1 S (2018–2019) (MTIF) and Recommendations 5 and 8 S (2018–2019).

The allocation letter stipulates goals, priorities and performance requirements for GIEK in 2019 and states some professional guidelines and specific assignments. GIEK's authority and responsibilities are regulated by the Main Instructions for Governing GIEK and the regulations concerning GIEK's guarantee schemes.

## GIEK – we provide guarantees for Norwegian exports

### **Reduces risk and promotes exports**

GIEK reduces the risk for exporters, buyers or banks in connection with an export transaction by providing guarantees for loans, investments or deliveries. This strengthens the exporter's competitive ability and provides stronger incentives to enter into contracts.

political risk. GIEK has a duty of confidentiality regarding applications, offers of guarantees and developments in issued guarantees. Key information on issued guarantees is published on [giek.no](http://giek.no).

### **Services adapted to Norwegian exporters**

The guarantees are adapted to Norwegian export companies' and foreign buyers' needs, and are a supplement to the private finance market. GIEK can reduce both commercial and political risks. Commercial risk is the risk relating to a private buyer either going bankrupt or being unable to pay for other reasons, and political risk is the risk of a public-sector buyer refusing to pay or of war, expropriation or other acts on the part of public authorities that prevent payment. Investment guarantees only cover

### **Competitive coverage**

GIEK is to offer guarantees that are comparative to those of foreign guarantee agencies. Most countries that have capital goods exports of any size offer public guarantees that reduce exporters' and financial institutions' risks relating to long-term export credit.

NAME OF THE GUARANTEE	PURPOSE
<b>Tender guarantee</b>	Guarantees the partial payment of outlays in connection with a tender for a development-aid-financed project if the company fails to win the job.
<b>Building loan guarantee</b>	Provides a guarantee for a building loan from banks to a Norwegian shipyard for a specific building contract.
<b>Contract guarantee</b>	Guarantees that the exporter will not suffer loss during the production period in the event of the non-performance of a contract by a foreign purchaser.
<b>Unfair calling guarantee</b>	Protects an exporter from unfair calling on bank guarantees provided for the exporter's performance of the contract.
<b>Loan guarantee for export-related investments in Norway</b>	Guarantees loans from a bank to finance investments in Norway that promote exports.
<b>Investment guarantee</b>	Protects an investor from loss on investments in countries with high political risk. The investor's lender may obtain coverage against losses on loans to the investment object resulting from political risk.
<b>Counter-guarantee (previously bond guarantee)</b>	Provides a counter-guarantee to the bank when the bank guarantees a Norwegian exporter's performance of a contract.
<b>Power purchase guarantee</b>	Guarantees payment to a power supplier if a power-intensive company defaults on its power purchase contract.
<b>Supplier credit guarantee</b>	Guarantees that the exporter will receive payment for sales on credit to a foreign buyer. Can also be given to an exporter's bank that discounts the receivable.
<b>Buyer credit guarantee</b>	Provides a guarantee for loans given by banks/lenders to foreign buyers of Norwegian capital goods and services.
<b>Production loan guarantee</b>	Provides a guarantee for loans from a bank to finance production costs related to a specific export contract.
<b>Letter of credit guarantee</b>	Guarantees that the money transfer between the buyer's and exporter's banks will be carried out as agreed.
<b>Domestic ship guarantee scheme</b>	Guarantees bank loans to buy vessels from/substantially modify vessels at shipyards in Norway for use in Norway.

For a full explanation of each guarantee, see [giek.no/guarantees](http://giek.no/guarantees)

## 2. Introduction to GIEK

### GIEK's role as a creditor and temporary owner

In 2019, there were still considerable challenges due to the overcapacity of oil-service vessels and a weak ability to service debt on the part of shipping companies in the oil-service ship and equipment sector, and GIEK was part in several financial restructuring operations.

GIEK have responsibility for safeguarding the state's assets subject to the mandate and authorisations granted by the Norwegian parliament (Storting) in the allocation letter from Ministry of Trade, Industry and Fisheries (MTIF). GIEK participates in financing on the same terms as the banks, where any losses must be divided among the various parties in accordance with the parties' positions and exposure.

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

GIEK is authorised to acquire, manage and dispose of shares and options as a result of default cases in GIEK's portfolio, with the objective of minimising the state's losses in these default and recovery cases, by budget decision XIII Proposition 1 S (2018–2019) for the MTIF. This ownership is to be temporary. The purpose of the authorisation is to give GIEK the freedom of action to safeguard the state's assets in default situations. Since GIEK is a public-sector enterprise and part of the state's legal entity, it is the state that owns shares and options acquired by GIEK in connection with default cases.

GIEK is also authorised to establish and operate a holding company, by budget decision XVI in Proposition 1 S (2018–2019). The purpose of this holding company is to manage ownership stakes resulting from default and recovery cases under GIEK's guarantee schemes. The holding company must be temporary until the market situation improves.

### The organisation

The organisation tries to be in tune with the needs of Norwegian industries and to maintain a broad interface with banks, new industries and markets.

At the end of 2019, GIEK's administration consisted of 94 employees in 89.4 full-time equivalent positions, with the same number of male and female employees. At the end of 2019, GIEK had 15 employees with an immigrant background.

The organisation chart shows GIEK's three guarantee departments, which are responsible for:

- ♦ Energy and industry aimed at mainland industries, energy and aquaculture
- ♦ Offshore
- ♦ Shipping, shipyards and offshore projects

These departments are responsible for contact with customers and for processing guarantee cases in teams that include representatives of the Research and Legal departments.

As from 1 September 2019, one job as Ministry contact person was moved from the Communication and Ministry Contact Section in the Strategy and Risk Advisory Department to the International Relations Section in the Legal and Regulatory Department. The Communication and Ministry Contact Section has been renamed the Communication and Marketing Section.

The compliance function reports to the Board of Directors. The Chief Credit Officer has an independent position and reports directly to the CEO. The Chief Credit Officer is the chair of GIEK's Credit Committee, which deals with guarantee cases. More information on the staff and working environment is provided in chapter 4.

#### GIEKs styre

**Karin Bing Orgland** (b. 1959)

*Chair of the board, since 2013*

**Torfinn Kildal** (f. 1954)

*Vice-chair, board member since 2011*

**Arve Bakke** (f. 1952)

*Board member since 2009\**

**John G. Bernander** (f. 1957)

*Board member since 2013*

**Marit E. Kirkhusmo** (f. 1970)

*Board member since 2014*

**Nina Udnes Tronstad** (f. 1959)

*Board member since 2015*

**Margrethe Hauge** (f. 1971)

*Board member since 2017*

**Shahzad Abid** (f. 1969)

*Board member since 2019\*\**

**Martin Sommereth Jaer** (f. 1982)

*Employee-elected representative since 2018\*\**

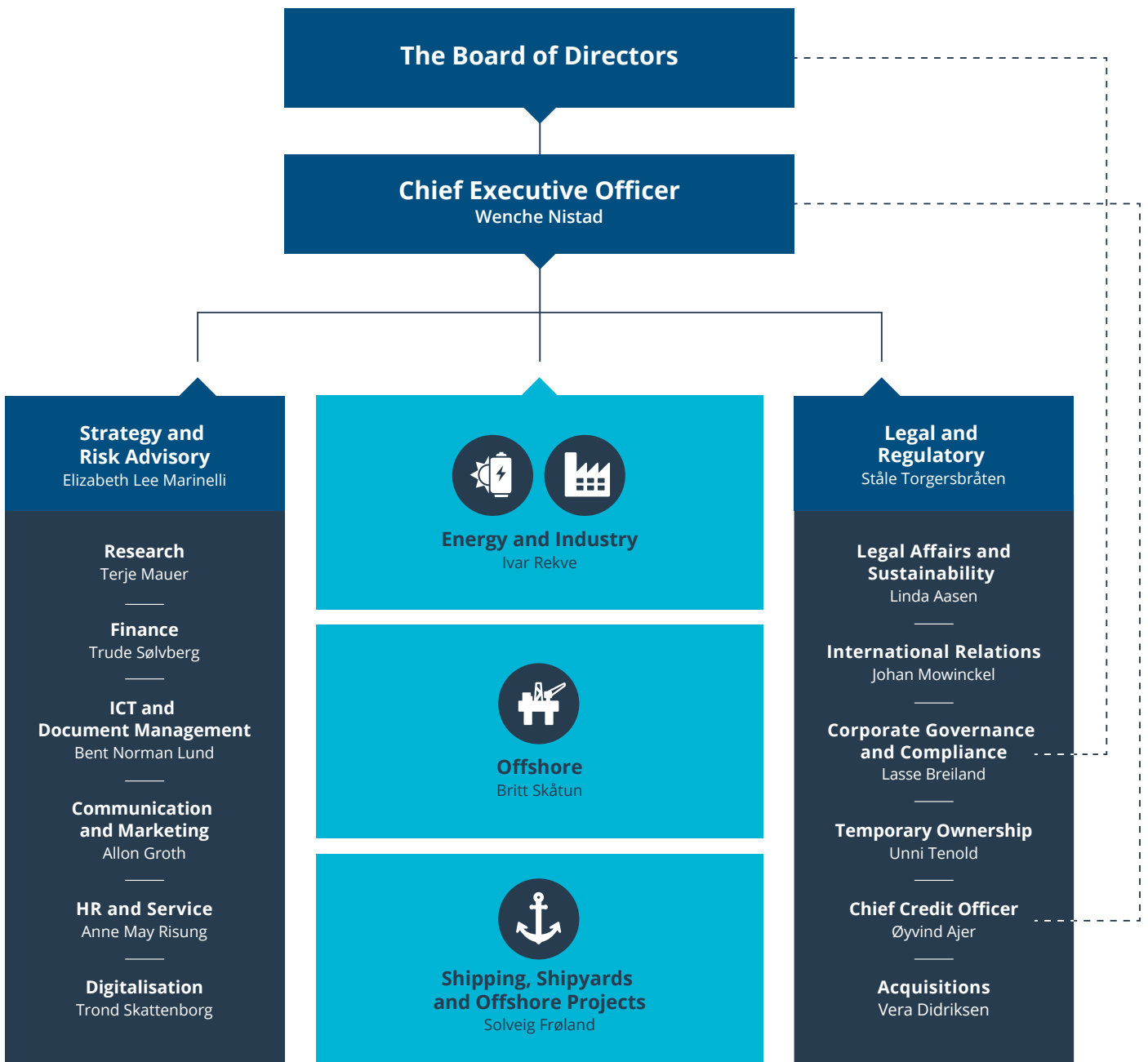
**Morten Calfeldt** (f. 1961)

*Observer since 2016\*\**

\* Arve Bakke left the board in 2019 and Shahzad Abid is a new board member as from August.

\*\* With effect from January 2020, Hans Melandsø is the new employee representative and Kamil Zabielski is the board observer. For more information on the Board, see [giek.no](http://giek.no).

Figure 1. Organisation chart as per 31 December 2019



# The year's activities and results

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

The Board considers that GIEK has fulfilled its aims and performance requirements stipulated in the allocation letter for 2019.

The entire range of guarantee schemes and guarantee solutions is increasingly in demand and in total provides a wide offering to Norwegian industry. In the Board's view, GIEK's guarantees increase the market's capacity to finance export contracts and are thus a supplement to private financing. With the new loan guarantee for export-related investments in Norway and removal of the lower monetary limit for production loans, the Board believes that GIEK's guarantee solutions are competitive compared to those of other countries it is natural for Norway to compare itself to.

Under these aims GIEK has a competitive range of guarantees and notices increased demand from new industries and for more of GIEK's guarantee solutions:

1. Contribute to export contracts by providing competitive export guarantee offers and acting as a supplement to the market.
2. Help secure building loans on commercial terms.
3. Help secure long-term power agreements on commercial terms.
4. Contribute to the financing on market terms of ships built at shipyards in Norway for use in Norway.
5. Meet the requirement that each scheme must break even in the long run, including any loss funds.

In the Board's opinion, the guarantee schemes will break even in the long term. In large individual commitments that are being restructured, GIEK expects relatively large payouts in the future. This will mean that the cash holdings may be limited in the next few years.

GIEK conducts sound assessments of credit risks, environments and social and anti-corruption factors.

GIEK's administration is competent and manages the guarantee schemes efficiently.

In order to reach GIEK's aims, the strategy plan for 2017–2020 contains a vision that we are to contribute to exports from Norway to the world. The strategy plan is based on the result chains prepared together with the Ministry of Trade, Industry and Fisheries.



Table 1. Overview of the various guarantee schemes

Name of the guarantee scheme	Brief description
<b>General guarantee scheme</b>	GIEK's largest and most used guarantee scheme. The buyer credit guarantee is the most important type of guarantee issued under the scheme, but most other types of guarantees can be provided under this scheme. The objective of the scheme is to promote Norwegian exports and investments in all industries.
<b>Developing countries guarantee scheme</b>	This can be used if the exports promote the development of the country and the transaction is too risky for the general guarantee scheme. Guarantees under the scheme are not applied for as GIEK considers whether a guarantee is to be issued under the general guarantee scheme or the developing countries guarantee scheme. Most types of guarantees can be issued under this scheme. The exposure limit must at all times equal seven times the primary capital.
<b>Building loan guarantee scheme</b>	This is to help provide a guarantee for bank loans for the building of ships and offshore installations at Norwegian shipyards. There is no requirement that the ship must be exported. Only a building loan guarantee can be issued under this scheme.
<b>Power purchase guarantee scheme</b>	This is to help give Norwegian industry long-term power purchase contracts. Only power purchase guarantees can be issued under this scheme. The power purchase guarantee scheme can help companies to achieve favourable power contracts in the market.
<b>Domestic ship guarantee scheme</b>	GIEK can provide a guarantee for loans to buy/make major modifications to ships that are to be entirely or partly built at shipyards in Norway and used in Norway. This is a three-year temporary scheme.

Table 2. Main figures for all schemes in 2019 (NOK million Guarantee scheme)

Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantee liabilities	Outstanding guarantee liabilities	Unutilised bond exposure limit	Bound under the exposure limit	Guarantee exposure limit
General guarantee scheme	22 830	33 497	19 806	20 720	20 161	80 244	963	101 927	145 000
<i>Reinsurance of GK under general guarantee scheme (AGO)</i>						584		584	
<b>Total bound under the exposure limit for AGO</b>	<b>22 830</b>	<b>33 497</b>	<b>19 806</b>	<b>20 720</b>	<b>20 161</b>	<b>80 828</b>	<b>963</b>	<b>102 511</b>	<b>145 000</b>
Old general scheme (being phased out)						2		2	
Domestic ship guarantee scheme	821	360	594		1 016	1 303		1 303	10 000
Building loan guarantee scheme	547		572	117	455	1 300		1 418	7 000
Power purchase guarantee scheme	549		549		549	4 500		4 500	20 000
Developing countries guarantee scheme	774	247	1 252	1 111	141	572		1 682	3 150
<b>Total</b>	<b>25 520</b>	<b>34 104</b>	<b>22 773</b>	<b>21 948</b>	<b>22 322</b>	<b>88 506</b>	<b>963</b>	<b>111 418</b>	<b>185 150</b>

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

**Table 3. Number of applications, offers of guarantees and guarantee liabilities in 2019**

Guarantee scheme	New applications	Current applications	New guarantee offers	Current offers	New guarantees	Current guarantees
General guarantee scheme						
Reinsurance of GK under general guarantee scheme (AGO)						
<b>Total bound under the exposure limit for AGO</b>	<b>134</b>	<b>23</b>	<b>145</b>	<b>37</b>	<b>158</b>	<b>433</b>
Old general scheme (being phased out)						1
Domestic ship guarantee scheme	5	2	4		8	12
Building loan guarantee scheme	9		10	1	9	11
Power purchase guarantee scheme	2		2		2	6
Developing countries guarantee scheme	10	1	10	9	1	5
<b>Total</b>	<b>160</b>	<b>26</b>	<b>171</b>	<b>47</b>	<b>178</b>	<b>468</b>

#### The guarantee products' competitiveness

GIEK must be able to provide just as good financing terms and conditions as guarantee agencies in other OECD countries. Through international cooperation and agreements, a number of standards have been set for all guarantee agencies as regards conditions, interest rates and premiums, as well as procedures for environmental assessments and combatting corruption.

##### Customer and business partner surveys by Menon

Menon has conducted customer-effect surveys for GIEK and Export Credit and these show that a clear majority of the users believe that Export Credit's and GIEK's conditions are competitive compared to those of banks and other countries' lending and guarantee agencies.

The total borrowing costs appear to be the most important reason for buyers choosing financing from Export Credit and GIEK, followed by the opportunity to free-up lines of credit with banks.

Despite the fact that 100 per cent financing now appears to be more easily available than before, two out of three exporters still believe that export financing (loans and guarantees) is important for realising export contracts.

The findings of the business partner survey indicate that GIEK's role as a party that increases capacity and shoulders some of the risk burden is important. Banks have internal guidelines governing how much exposure they can have

to an individual customer or industry. GIEK's support frees up capacity, so that the bank can help these customers in more cases.

##### International comparison

At the request of GIEK, International Financial Consulting Ltd. prepared a Benchmark Report in 2018. This report points out a high level of sector knowledge, competent management and flexible and attractive loan and guarantee products. The report mentions the range of products available to small and medium-sized companies and the high sector concentration as challenges, as well as the "low level of productivity" when GIEK and Export Credit are viewed as one.

In the TXF Export Finance Industry Report 2019, GIEK on the whole achieves a mid-level score on what the respondents perceive to be important factors: risk appetite, flexibility and ability to execute. GIEK obtained a high score for industry knowledge, while pricing is considered expensive.

An overview prepared in 2018 by the Spanish guarantee agency shows that GIEK's product range and scope of cover are standard for most countries' guarantee agencies. Since then, GIEK has expanded its product range and reached out to more industries and markets. It can now cover more types of loans to export companies and their subcontractors, and allow a cautious increase in its scope of cover and risk appetite in the renewables sector.

#### **National industry differences, international cooperation and competition**

The negotiations aimed at including new countries that export capital goods, primarily China, in international agreements have not been successful. People increasingly see the OECD Arrangement on Officially Supported Export Credits as an obstacle rather than protection against accusations of subsidies.

There therefore seems to be a clear trend towards guarantee agencies making more aggressive offers. US Eximbank has reported to Congress that it sees a trend towards the "weaponisation of export credits", which means that competing guarantee agencies offer new products, greater scope and financing mixed with development aid. There is greater competition and the international regulations are under pressure.

Different industry structures will lead to different needs in different countries, so that the same measure may have different effects on and relevance to the users. Even within the same industry, there are differences. The shipyard industries in Norway and Finland operate in different market segments and the financing conditions are very different, despite common rules and requirements.

The decline in demand for oil-service ships and equipment after 2014 came as a shock to the Norwegian supplier industry and shipping companies in this industry, and has necessitated a considerable restructuring of the maritime industry. As a result, the policy instrument system in general has also had to adapt in order to maintain Norway's competitiveness abroad.

A static comparison of the guarantee institutions' products and conditions across countries therefore does not provide a complete picture of GIEK's competitiveness compared to other countries. User surveys are often a good indicator, especially when the users are international companies that use several guarantee agencies and thus have a basis for comparison. GIEK has few such users and this weakens the confidence in such surveys.

#### **GIEK's contribution to industry and society**

GIEK contributes to society in three fundamental ways: it is more likely that enterprises will win contracts and obtain financing; society achieves higher levels of employment and value creation; and the banks have more capacity to invest in industry. Menon Economics<sup>1</sup> conducts effect surveys in parallel for GIEK and Export Credit Norway.

Guarantees are issued on market terms and conditions and GIEK is usually a co-guarantor with a bank or financial player. This helps to ensure that the guarantees trigger (additional) contracts. In principle, all state financing should trigger the project that is financed, because if the state funds do not trigger the project, then the funds would achieve a higher return in other areas. This is why an additionality assessment is key to evaluations of any state instrument. Menon has found that the sum of additionality in individual transactions does not reflect the total additional effect of Export Credit's and GIEK's instruments. This is substantiated by the findings of the survey of business partners, where the respondents' replies clearly point in the direction of Export Credit and GIEK being important even in transactions where they do not trigger contracts.

#### **Companies**

Around 80 per cent of the exporters in the survey believe that the use of GIEK and Export Credit has to some or to a large extent led to them having greater market opportunities. Almost half of the respondents point out that the increase in capacity is most important to them, not the reduction in risk.

GIEK helps existing export companies to transition to new industries. It is pointed out that GIEK is a counter-cyclical instrument. And that risk mitigation is relatively more important in downturn periods. At the same time, the survey shows that GIEK and Export Credit Norway are expected to help support new export industries, especially offshore wind and fish farming.

[1] The analyses are based on the customers' own assessments and on static models. Additionality means that the state's services trigger more business for the customers than the customers would otherwise have had. The additionality of Export Credit Norway and GIEK cannot be added together because several transactions are included in the calculations of both Export Credit Norway's and GIEK's additionality. This report contains GIEK's additionality irrespective of whether the lender was state-owned or private bank.

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

An important part of the transitioning is about attracting new customers, both for Norwegian exporters and for Export Credit and GIEK. Out of buyers from Norwegian exporters, 44 per cent are first-time users of GIEK. For many of the new buyers, commercial banks, brokers or other third parties were the sources of their contact with GIEK.

#### Effect on society

Menon estimates that almost 60 per cent of the export contracts' value accrues to Norwegian subcontractors. This equals just over NOK 25 billion. This includes the share of the contract value that is generated by Norwegian subcontractors in each case. Two thirds of the Norwegian sub-deliveries are carried out by small or medium-sized enterprises. This equals almost NOK 16.5 billion.

GIEK provides guarantees that help to lower the banks' risk, so that the banks increase their financing capacity. Menon shows that the banks' current practice indicates that this increased capacity is mainly used to service the corporate market. Based on the interviews, it appears that the increase in capacity is mainly used to provide new financing to the same customer/company, same owner or group, or to the same industry or customer portfolio.

There is therefore reason to assume that state loans and guarantees from Export Credit and GIEK increase the banks' capacity to service the same markets as those that have traditionally dominated their portfolios, namely the seafood and maritime industries and suppliers to the oil-service ship and equipment industry.

#### Ripple effects

Menon measures value-creation and employment effects for exporters and their subcontractors. For those cases where GIEK has in 2019 provided guarantees, Menon estimates that the export contracts' total effects on employment equalled around 20 000 employees in Norwegian companies. Of these, 6 000 were employed by the Norwegian export companies with deliveries to GIEK-guaranteed projects (direct effects), while 14 000 were employed by Norwegian subcontractors to the projects (indirect effects).

The total value-creation effects of the same export contracts equalled around NOK 25 billion. This equals a Norwegian value-creation share of 60 per cent. NOK 11 billion in value was created in the Norwegian export companies (direct effects), while NOK 14 billion in value was created in the Norwegian subcontractors to the projects (indirect effects).

Menon calculates the total value-creation as the sum of the operating profit (EBITDA) and salary costs. The direct value-creation effects comprise a larger share of the total ripple effects for value-creation than for employment. The reason for this is that export companies have high salaries. This also means that the total productivity effects (value-creation divided by employment) are NOK 1.3 million, which is around 30 per cent higher than in Norwegian industry in general.

#### The guarantee portfolio

GIEK's guarantee schemes have separate accounts but the sum of the total outstanding guarantee liabilities and offers of guarantees (bound under the exposure limit) under the schemes is NOK 111 billion. Of this, 92 per cent relate to the general guarantee scheme and 1.5 per cent relate to the developing countries guarantee scheme. The power purchase guarantee scheme comprises 4 per cent. The building loan guarantee scheme and domestic ship guarantee scheme each comprise just over 1 per cent.

#### Loss provisions

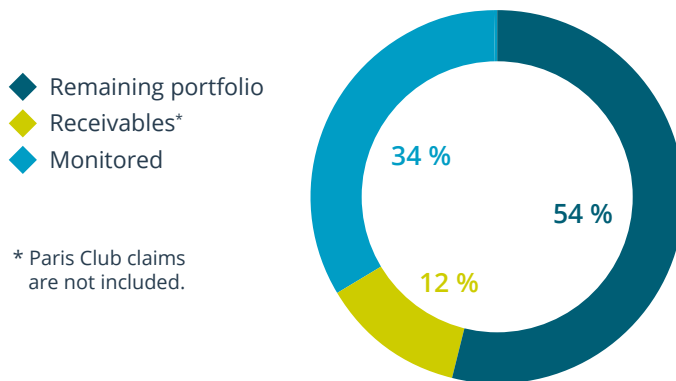
The loss provisions are balance-sheet items for outstanding guarantee liabilities as well as impairments of receivables. Changes to these amounts affect the results of the guarantee schemes, see the note on principles (note 1) and note 10 and note 12 regarding the fund accounts.

When calculating provisions for loans and guarantee activities, the guarantee schemes have previously adopted the principles stipulated in the Lending Regulations (regulations of 21 December 2004 no. 1740). The Lending Regulations have been repealed as from 1 January 2020, and GIEK chose to implement IFRS 9 in 2019. The change to accounting principles entails a more expectation-based recording of losses.

The implementation effect of NOK 362 million has been charged to the accumulated capital as at 1 January 2019.

When a payment is made under a guarantee, the exposure is transferred from the guarantee to receivables, see also note 12 of the fund accounts.

Figure 2. Amounts monitored and defaulted on and receivables as percentages of the guarantee portfolio as at 31 December 2019



## Loss-reducing measures

### Credit risk

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

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

### Defaults and receivables

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

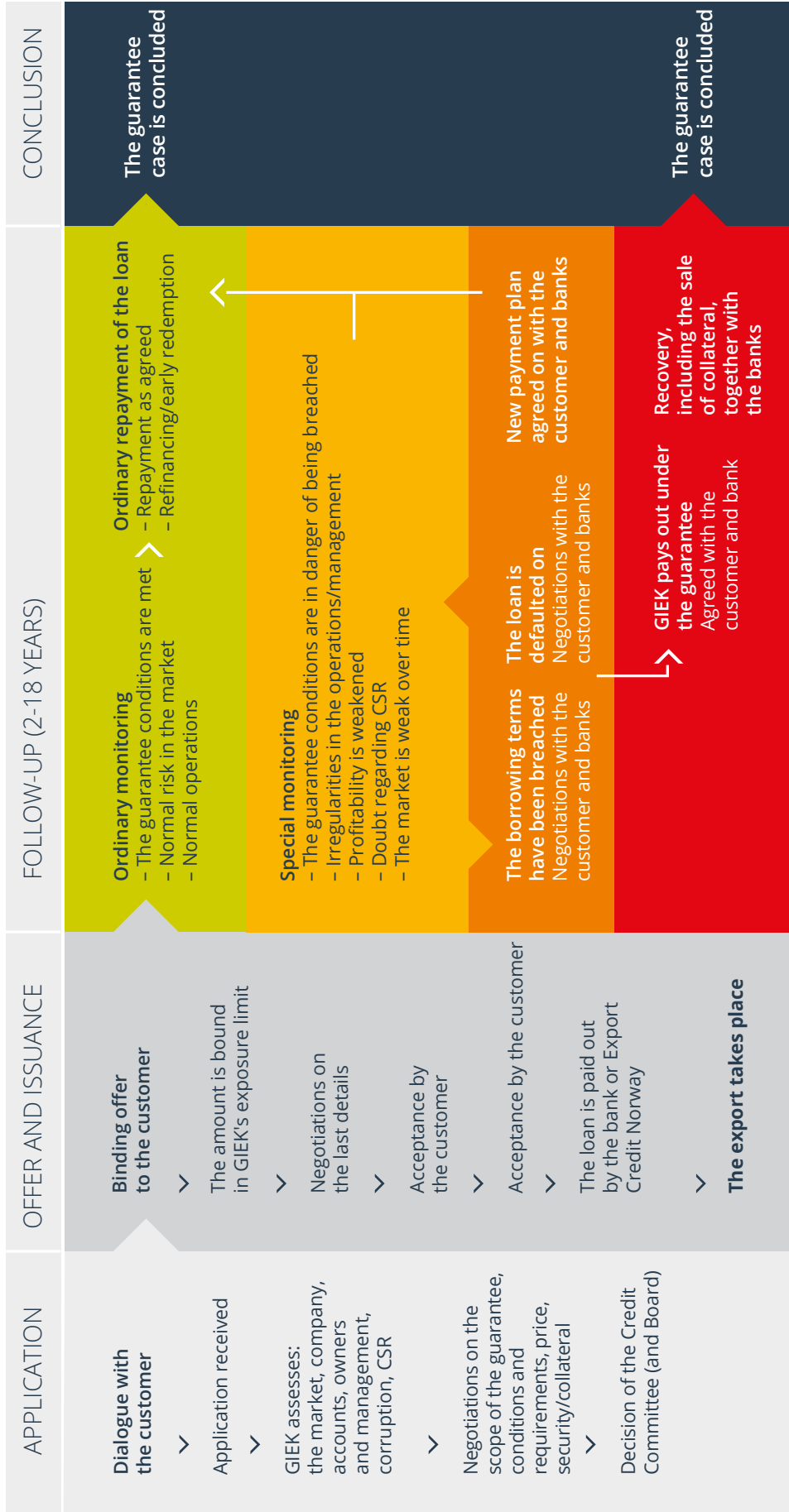
In some cases it is impossible to find solutions that lead to the debtor being able to service the GIEK-guaranteed loans as originally agreed. GIEK must then normally make a full or partial payment under the guarantee. As a creditor, GIEK actively works to clarify alternative ways of recovering amounts. Relevant instruments are the securing of collateral, the sale of collateral, and the conversion of loans and receivables into ownership stakes. However, GIEK takes part in loan syndicates and must comply with the decision-making rules which apply to these. See the figure showing the work on guarantees on the next page

### Foreign exchange

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

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

# The guarantees: thorough preparations, close follow-up



### Temporary ownership

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

As at 31 December 2019, Støperigata Holding AS owned shares in the following companies (ownership stake as at 31.12.2019 in brackets):

- Støperigata Offshore AS (100 per cent)
- Skandi Aukra AS (25 per cent)
- FPSO Invest Designated Activity Company (40 per cent)

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

### GIEK's importance to small and medium-sized enterprises

GIEK's guarantees are used for both large companies and small and medium-sized enterprises (SMEs). SMEs are defined as "Enterprises with fewer than 250 employees, revenue of less than Euro 50 million and a balance sheet of less than Euro 43 million", which is the EU's definition.

GIEK has traditionally issued most guarantees to large companies to which SMEs are subcontractors, see Menon's survey of the effect on society. In 2019, 15 per cent of the NOK value of new guarantee liabilities and 34 per cent of the number of guarantees were based on cases where the exporter was an SME, see table 4.

The project size is the total amount that an (export) project costs. A percentage of this is linked to Norwegian contracts and, for this percentage, GIEK guarantees a part of the debt financing for the contract.

That which is not clearly shown here is how small and medium-sized enterprises provide crucial components and efforts to large projects. Menon has surveyed subcontractors in the building of a ship and calculates that SMEs deliver more than a quarter of the contract value.

The statistics are based on observations of the companies' sizes.

In 2019, Export Credit Norway and GIEK provided an overview of other countries' export financing products aimed at SMEs. The development of SMEs is a political priority in Norway, and the aim was to examine how other countries' guarantee agencies follow up similar prioritisations. One common feature is that the long-term financing of the buyer is less suitable for SMEs with small transactions. Guarantee agencies that have flexible mandates and short-term products aimed at their own country's exporters are most relevant for SMEs

Table 4. New guarantees issued in 2019

Exporter:	MNOK	Percentage	Quantity	Percentage
SME	3 345	15 %	60	34 %
Large	18 977	85 %	118	66 %
<b>Total</b>	<b>22 322</b>	<b>100 %</b>	<b>178</b>	<b>100 %</b>

Table 5. Project size for new guarantee liabilities in 2019

Table 5 shows small and medium-sized enterprises' (SMEs) share of the volume of issued guarantees for projects, divided into various monetary sizes.

Project size	<30 MNOK	30-100 MNOK	100-1000 MNOK	>1000 MNOK
Quantity	61	32	47	38
Amount MNOK	386	1 343	7 061	13 532

Of this: SME				
Quantity	28	10	20	2
Percentage of the quantity	46 %	31 %	43 %	5 %
Amount in MNOK	125	196	1 931	1 092
Percentage of the amount	32 %	15 %	27 %	8 %



# Management and control of the operations

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

## Internal controls and risk handling

GIEK issues guarantees on behalf of the state in financial transactions. Good management and control are important for ensuring that the enterprise has satisfactory operations and is managed in line with goals and priorities stipulated by the Ministry of Trade, Industry and Fisheries. Risk management and internal controls are important for ensuring the achievement of goals and for revealing and handling risks that GIEK is exposed to.

GIEK's risk management comprises routines and procedures that are carried out by GIEK employees at all levels in their day-to-day work. In addition, the internal auditor independently checks whether the risk management is targeted and efficient and functions as expected. The main instructions give the board the main responsibility for GIEK having appropriate risk-management and internal-control systems. GIEK's risk management must comply with the Finance Regulations' instructions and the Norwegian Government Agency for Financial Management's guidance, and provide reasonable certainty that GIEK will achieve its stipulated goals and priorities, have efficient, reliable operations and comply with laws and regulations.

In addition to the operational and commercial risk management, a holistic approach to risk management includes all risk-related work at all levels and areas in GIEK. The risk management is to support goals and performance requirements such as reliable accounting reports and finance management and compliance with laws and regulations.

In developing appropriate and efficient management and controls in GIEK, emphasis has been placed on these being adapted to GIEK's risks, responsibilities and size.

### **Risk management and internal controls**

GIEK complies with the state's finance regulations, which stipulate requirements for the enterprise's internal controls. The enterprise must establish systems and routines with in-built internal controls. GIEK is also subject to a duty to comply with other laws and regulations, and this means additional requirements for internal controls that are a process carried out by GIEK's board, management and employees. The internal controls must be adjusted regularly and updated in line with changes in assumptions, risks and frameworks

### **Measurement of risk**

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

In the autumn of 2018, GIEK conducted a self-evaluation of the maturity of its management and controls. This evaluation examined both the current maturity and the level of ambition for management and internal controls. The evaluation is based on a tool developed by the Norwegian Government Agency for Financial Management (DFØ), which in turn is based on the COSO<sup>2</sup> framework and requirements stipulated in the Finance Regulations. GIEK has adapted the tool to include elements from Finanstilsynet's (the Financial Supervisory Authority of Norway's) management and control module. This evaluation is conducted every three years.

[2] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has published the Internal Control Integrated Framework (COSO Report) with an internal-control framework



The results show that, since the previous evaluation in 2015, GIEK has moved towards the goal defined at that time. The future ambition is only marginally higher, but will be evaluated if the operating parameters change. Over the past few years, a number of activities have been initiated to strengthen management and control.

Many of these have been completed and implemented, while some are planned to be implemented in 2020. The implementation of the planned measures will further improve the management and control. In order to ensure long-term good management and control, work on evaluations and improvements must be carried out continuously.

GIEK's internal-audit function complied with the board-approved risk-based year plan for the internal audit in 2019. The projects included GIEK's main processes, such as the guarantee process, new guarantees, IT operations and continuity plans, and compliance with the ethical regulations. In addition, the internal-audit function supported GIEK in its work on credit risk and risk management, and issued independent statements on compliance with the stipulated framework for ESA's guarantee scheme. The internal-audit function assesses the quality of the risk-management process and the quality and efficiency of the design of routines/processes, and tests compliance with routines/processes. The internal-audit function did not find any significant weaknesses in the internal-control system in the audits it conducted in 2019, but has made some suggestions for improvements that the administration is following up.

The Office of the Auditor General of Norway audits the fund accounts and administrative accounts. The Office of the Auditor General of Norway also assesses GIEK's internal-control system in this audit. No serious weaknesses were identified in the audits of the interim reports or the annual accounts and directors' report for 2019, and the administration has taken note of the suggested improvements.

Based on the established risk-management and internal-control system, GIEK's own evaluation of the current and future level of ambition and the internal-audit function's and Office of the Auditor General of Norway's assessment of the above, the Board is of the opinion that the internal controls and administration's work on further developing and strengthening the internal controls in GIEK are satisfactory.

GIEK's work on the risk linked to restructuring and default cases is described under loss-reducing measures in the reference to goal 5 (the balance sheet requirement) in chapter 3.

### Sustainability (anti-corruption, environmental and human rights assessment)

GIEK tries to be a driving force in promoting sustainable solutions and wants to encourage financing that also serves society and the environment. As part of this, GIEK's transactions are also compared to the UN Sustainability Goals in order to be able to determine if the individual projects have a positive effect in a sustainability perspective. In 2019, GIEK started to develop a tool for evaluating cases compared to the UN's Sustainability Goals. This work will continue in 2020.

GIEK's outstanding liabilities reflect Norwegian industry, where shipping and oil & gas still play a major part. There is increased activity in the aquaculture and fisheries industries and in the renewable energy industry, especially offshore wind and solar power. Renewable energy represented around 10 per cent of the total guarantee liability for 2019. The renewable energy portfolio mainly consisted of solar power and wind power, with solar power comprising 5.5 per cent of the total guarantee liability, while wind power comprised 4.5 per cent. The portfolio also contained some hydropower.

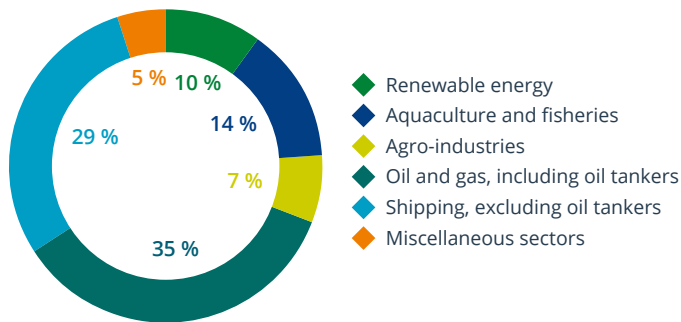
In 2019, GIEK dealt with one case (representing five new guarantees) in which a company is to install 25 new scrubbers on tankers. These scrubbers remove sulphur content and particles from the exhaust gas and thus reduce the negative effect on local air quality.

Several guarantees were issued for electric or hybrid ferries in 2019. GIEK reduced a Turkish bank's risk relating to the building of two electric ferries, and provided a guarantee for the building of 16 hybrid or electric ferries. This represents around 4.5 per cent of the total guarantee amount for 2019.

## 4. Management and control of the operations

**Figure 3. Composition of new guarantees**

Figure 3 shows the aggregate composition of new guarantees in 2019



In 2019, GIEK also issued guarantees to a project to develop offshore aquaculture. This is new technology that, among other things, aims to make offshore aquaculture more sustainable.

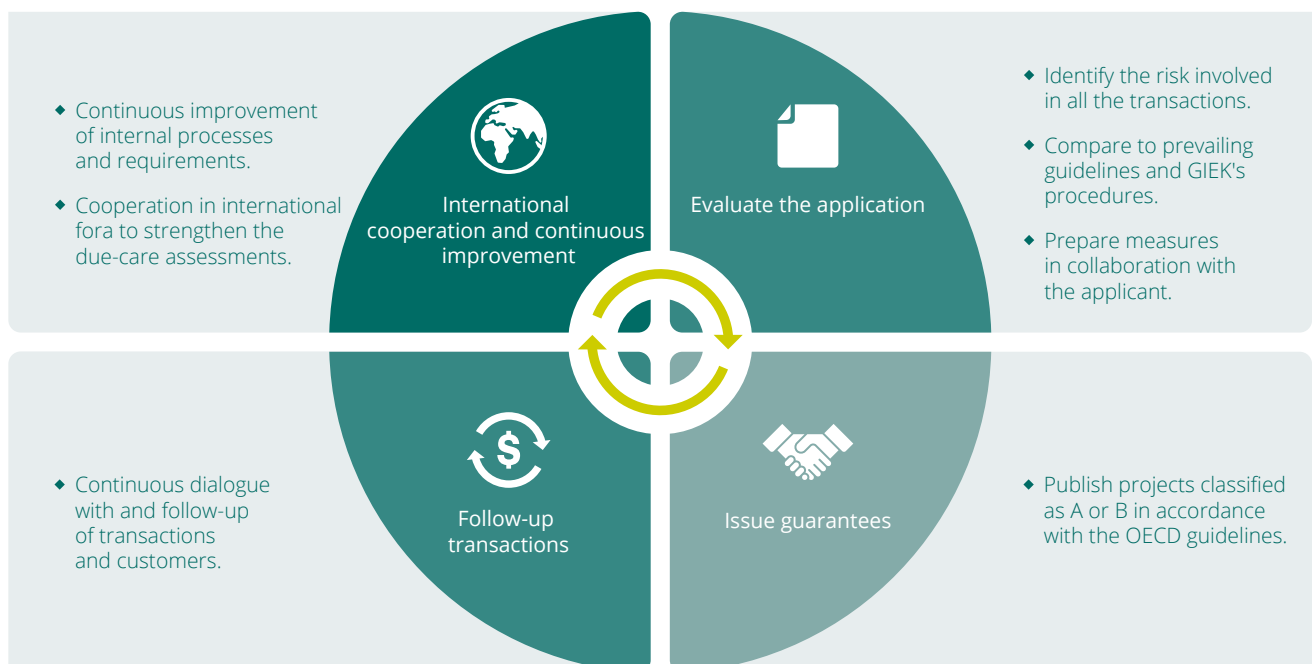
GIEK's sustainability policy and procedures reflect Norway's national and international obligations, as well as the expectations of the Ministry of Trade, Industry and Fisheries (MTIF). GIEK carries out its operations in accordance with several frameworks and regulations, and ensures that its customers also understand and fulfil their obligations. GIEK's governing documents relating to sustainability are GIEK's sustainability policy and the due-care assessment procedure. These are published on our website.

The framework listed below is governing for GIEK when assessing the sustainability of transactions:

- ♦ OECD guidelines (Common Approaches on Environmental and Social Due Diligence)
- ♦ IFC standards for sustainability, environmental and social factors (IFC Performance Standards), and the World Bank guidelines on health, safety and the environment
- ♦ UN Guiding Principles (UNGP) on Business and Human Rights
- ♦ UN Global Compact and its 10 principles for the environment, human rights and anti-corruption work
- ♦ OECD Guidelines for Multinational Enterprises (MNE Guidelines)
- ♦ OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits
- ♦ The G20 recommendations for sustainable financing, UNCTAD's Principles of Responsible Sovereign Lending and Borrowing, and the World Bank's and IMF's common sustainability framework for low-income countries.

In 2019, GIEK became a member of the UN Global Compact and the UN Global Compact Sustainable Ocean Business Action Platform, and signed the Sustainable Ocean Principles. As a result, GIEK will especially assess both the risk and opportunities in the oceans and ocean-related transactions.

**Figure 4. Due-care assessments of possible transactions**



### Due-care assessments

GIEK assesses the risk linked to environmental and social factors in customers' projects in order to ensure that recognised minimum standards and requirements are met. GIEK's work on due-care assessments complies with the OECD's guidelines, the UN guiding principles for business and human rights and the OECD's guidelines for multinational enterprises.

GIEK takes a risk-based approach in its due-care assessments of possible transactions. Figure 4 shows GIEK's work process when conducting due-care assessments.

Each possible transaction is risk-assessed with regard to environmental and human rights. All the projects covered by the OECD guidelines are risk-categorised as either category A (high risk), category B (medium risk), or category C (low risk). Transactions that must be published according to the OECD guidelines are those which are in category A, have a project amount in excess of NOK 100 million and an identified project location, and which are relevant for a buyer credit guarantee from GIEK. Both category A and category B projects that are covered by the OECD guidelines are published on GIEK's website.

**Table 6. Risk assessment of guarantees issued in 2019**

Risk assessment of transactions	Quantity
A	0
B	55
C	123

Table 6 shows the total number of guarantees issued in 2019, with their associated risk assessment.

Of the guarantee cases assessed to be risk level B, only one project is covered by the OECD guidelines. Information on this project is published on our website.

GIEK's sustainability work is closely linked to the sustainability challenges that our exporters may be involved in. Based on several transactions linked to the building of ship hulls at foreign shipyards, GIEK has accrued a wide knowledge of these shipyards' circumstances and therefore stipulates requirements regarding working conditions and HSE at foreign shipyards in relevant transactions.

In addition to close cooperation with the buyer of the ships/hulls or the Norwegian outfitting shipyard, GIEK conducts independent assessments of the shipyards in accordance with instructions from MTIF. These assessments are conducted by third-party consultants and/or GIEK's experts. In some cases, GIEK stipulates that conditions at the shipyards must be improved and that improvement measures must be identified and followed up. When doing so, great emphasis is placed on having a good dialogue with the customers, shipyards and other involved parties, and that improvement efforts take place over time.

### Anti-corruption

Anti-corruption is part of the assessment of guarantee applications received by GIEK. GIEK complies with prevailing laws and regulations and the OECD Council Recommendation on Bribery and Officially Supported Export Credits. The risk of a breach of relevant corruption regulations is considered by the credit committee and, when relevant, at board meetings.

Before the loan is paid out, the exporter and borrower must provide declarations stating that the commercial contract and all important factors linked to this are free of corruption. The same requirement applies to the financing of the export contract. Other parties, as well as the exporter and borrower's other business operations, may also be assessed and/or checked to reduce the risk of corruption in transactions in which GIEK is involved. All cases are followed up in accordance with the anti-corruption routine throughout the guarantee period, which lasts for several years.

## 4. Management and control of the operations

### Important aspects

GIEK's portfolio is mainly related to exports concerning shipping, oil & gas, fisheries and aquaculture, as well as renewable energy. These sectors provide a pointer to the sustainability aspects that are important to GIEK's operations.

GIEK has paid particular attention to human and labour rights and to the ocean.

### Human and labour rights

GIEK supports and seeks to safeguard international, recognised human rights in accordance with the UN Guiding Principles for Business and Human Rights. In 2019, we among other things followed up 10 shipyards. GIEK gave a talk at Nor-Shipping and took part in the "Mind the Gap Tour" organised by the RAFTO Foundation in Tromsø, Bergen and Oslo, and also attended a Rafto-organised seminar on human rights in the aquaculture sector, as well as the United Nations Association of Norway's town hall meeting in Tromsø.

### Oceans

GIEK's guarantee portfolio is largely concerns exports from Norway's ocean industries. GIEK therefore partakes in the UN Global Compact and the nine principles for sustainable oceans. These nine principles relate to the state of the ocean and business activity linked to the oceans, controlling mechanisms and communication, as well as openness and the sharing of data regarding this that is relevant to research. In connection with this, GIEK has been involved in developing the nine principles for sustainable oceans and the ongoing preparation of guidance memos for several maritime-related sectors.

In addition, GIEK was a member of the reference group for the Fish Farming Project run by the Scandinavian Institute of Maritime Law.

### Security and emergency preparedness

Thinking about emergency preparedness and work on civil protection are integrated into GIEK's organisation through education, training and internal communication. GIEK has established an emergency preparedness structure that paves the way for good controls, follow-up and reporting. It is clear which function in the organisation is responsible for security and emergency preparedness. GIEK's emergency preparedness plan contains a description of roles and responsibilities and how to handle various emergency preparedness situations (measures card). This plan is updated annually. Emergency training drills are held annually, most recently in the autumn of 2019.

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

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

### Work-related crime

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

In order to ensure that our suppliers comply with laws and regulations, it is stipulated in contracts that suppliers may not have worse pay and working conditions than those which follow from prevailing General Application Regulations where such apply, or alternatively nationwide collective agreements. It is also contractually stipulated that GIEK is entitled to check working relationships and conditions.

### Personnel and working environment



#### Employees and sickness absence

At the end of 2019, GIEK had 94 employees. The number of full-time equivalents in 2019 was 89.4 (89.0 in 2018).

The workforce consists of 50 per cent women and 50 per cent men. At the end of 2019, GIEK had 15 employees with an immigrant background. Salary determination is gender-neutral.

The average age is 48.6 years, and employees spend an average of 8.5 years with GIEK.

We experienced an increase in the total sickness absence rate (women and men) from 4.2 per cent in 2018 to 5.1 per cent in 2019. This increase is not due to illness that can be related to the employees' work for GIEK.

Seven employees (7.8 per cent) left GIEK in 2019. Two of these retired.

GIEK is an apprenticeship company and has two full-time apprentices and one part-time apprentice who work in IT operations.

#### Adjustments to the organisation

As from 1 September 2019, one position as contact person for the Ministry was moved from the Communication and Ministry Contact Section in the Strategy and Risk Advisory Department to the International Relations Section in the Legal and Regulatory Department. The Communication and Ministry Contact Section has been renamed the Communication and Marketing Section.

The compliance function reports to the Board of Directors. The Chief Credit Officer has an independent position and reports directly to the CEO. The Chief Credit Officer is the chair of GIEK's Credit Committee, which deals with guarantee cases.

#### HSE and the working environment

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

An employee survey was conducted in the autumn of 2019. This mapped the working environment, cooperation, development opportunities and management, among other things. A similar survey was conducted in 2017. The 2019 results showed improvements, especially in the areas of autonomy/independent work, collegial support and internal cooperation.

No job-related injuries or accidents at work were reported in 2019.

#### Inclusiveness work

The Norwegian government's inclusiveness work aims for at least 5 per cent of new employees to be persons with disabilities or gaps in their CV. The application process allows applicants to define themselves as an applicant with disabilities, and when examining the application, any gaps in the CV and disabilities are especially looked for. In 2019, GIEK used an external recruitment service. This service was also well informed about the inclusiveness work and bore this in mind when assessing each application.

There were a total of 173 applicants for seven jobs in 2019. None of the applicants was in the target group for the inclusiveness work. In GIEK's experience, it is difficult to attract candidates in the target group for the inclusiveness work. At the same time, it is uncertain whether there are candidates that have not revealed that they have a disability. GIEK complies with the qualification principle when recruiting, but it may be relevant to adjust the wording on the inclusiveness work in job adverts in order to further stress the focus GIEK has on an inclusive working life.

GIEK's goal is to adapt the workplace so that employees who require an adapted work situation can in so far as possible work in our premises.

# Assessment of the outlook

*The international markets are changing and are characterised by political uncertainty.*

*This is exactly why GIEK's predictable and internationally competitive export-financing products are important to industry.*

Guarantees for loans to oil-service shipping companies and oil companies still comprise most of the outstanding guarantee liabilities, and market developments in this sector are very important for GIEK going forward. The greater interest in guarantees in other sectors, such as the renewable energy, seafood, cruise ship, ferry and power industries, leads GIEK to expect the portfolio to be more diversified in time.

In 2019, the government conducted an area review of the entire business-oriented policy instrument system including GIEK. In 2020, we will follow up any instructions and changes which result from this work.

## Market outlook

In a longer time perspective, western economies have suffered several shocks, such as China's colossal growth in exports, radical new business models enabled by technological developments, and financial crises. There are fears that the USA will aim its commercial-policy weapons at Europe. The spread of artificial intelligence solutions is expected to create new upheavals in economies and working life. The climate challenges come on top of all this.

Norwegian industry has grown in the shadow of high oil prices and high levels of investment in the oil sector, especially in oil-service ships and equipment for the offshore oil and gas industry, and this has to a large extent shielded Norway from external shocks. The oil-price fall in 2014 encouraged political attention to be focused on restructuring in order to gradually reduce Norway's dependence on oil. The persistently weak Norwegian currency should really encourage foreign investments and Norwegian exports, but trade statistics show a steadily growing oil-corrected deficit.

### Aquaculture

GIEK has marketed its guarantee products to the seafood and supplier industries. There was a sharp increase in new guarantees and outstanding liabilities in 2019.

Through outstanding guarantees linked to salmon farming, GIEK is to a certain extent exposed to the price of salmon. This has been high (NOK 50-70/kg) for the past 3-4 years, and has given Norwegian fish-farming companies a very good return. Prices are expected to be good in future too, but there may be global variations in the price depending on the fish's size, country of origin and buyer country.

Salmon lice are a difficult and price-driving element for salmon farmers with open net pens in the sea. The cost of a kilo of fish has risen considerably in the past decade, driven partly by the feed price but mainly due to the more frequent treatment of illnesses and lice. Among other things, the industry is trying to reduce the time fish spend in the sea by investing in greater smolt capacity onshore. This involves large investments that are increasingly debt-financed, and a continued rise in costs may result in future pressure on the margins.

### Renewable energy

The market for renewable energy is growing and, due to the declining unit costs for wind and solar power, renewable energy is becoming more competitive with conventional power sources. GIEK expects new Norwegian deliveries linked to this segment to lead to demand for guarantees, and that this will comprise a larger share of the outstanding guarantee liabilities than at present.

GIEK regularly receives inquiries about guarantees under the power purchase guarantee scheme, and more such guarantees are expected to be issued in the future.

### Oil and gas

The market balance for oil has been delicate. In recent years, OPEC, Russia and other players have reduced their production volume to bolster the oil price. The breakdown in negotiations between OPEC and Russia at the beginning of 2020 has led to an oil-price war and a declining oil price. This has reinforced the oil-price fall, which was a reaction to the uncertainty linked to the coronavirus and the assumptions regarding the effect this will have on the global economy and the demand for oil.



A persistently low oil price may lead to a greater risk of the oil companies' investment projects being postponed even further. This in turn may reduce the demand for service ships and equipment for the offshore oil and gas industry. It takes time to rebalance the supply of and demand for vessels. This process is still not finished, but there were signs of improvement in some sectors.

The focus on sustainability in the energy sector is helping to turn investments away from oil and gas, and is weakening the market values of non-renewable-energy companies. In addition, it is making future growth in demand in this sector more uncertain, and thus helping to lessen hopes of increased day rates for the various oil-service vessels and better opportunities for ordinary debt servicing linked to GIEK's current guarantees or receivables.

#### **Oil service**

The past few years have been characterised by the financial restructuring of oil-service companies. This work will continue in future. The value of the vessels is assumed to have bottomed out, and there has been slightly more investment activity related especially to new units, in particular for modern ships that have been laid up. An important matter to consider when assessing the market value of ships is the need for investments in connection with necessary upgrades and documentation linked to classification societies. In order to achieve a market balance in time, GIEK believes it is important to reduce the overcapacity in the oil-service ship market by scrapping old tonnage.

In the restructuring negotiations, GIEK is to be a solution-oriented party and avoid arbitrary discrimination. GIEK will work to minimise the state's losses and at the same time ensure long-term, sustainable solutions for the industry – such as maintaining system values.

#### **Ships and ship equipment**

GIEK's outstanding liabilities relating to ships and ship equipment are to a large extent linked to the oil-service sector, but the share of guarantees for other segments, such as ferries, fisheries and other seafood, as well as cruise ships, increased from 2017 until the end of 2019.

Norwegian shipyards have built a strong international position in new market segments relating to passenger ferries and expedition and luxury cruises, but the building of new prototypes has put pressure on their profitability.

The reduction in building loans offered by Norwegian banks has led to fewer applications to GIEK for building loan guarantees. The financing needs of the largest shipyards are now to a greater extent met by higher advance payments from buyers, some of which have shipyard loans from foreign banks.

The market for cruise ships that can be built in Norway shows no signs of overcapacity, despite considerable capacity growth and order books. Based on available estimates and calculations, balanced to strong market developments are still expected up to 2022. This is supported by demographics, income developments, and a general shift in travellers' preferences towards unique experiences and so-called adventure destinations. In addition, there is limited shipyard capacity for further growth in excess of the ships already being built until 2023/2024. Another factor that reduces the risk of overcapacity is a significant percentage of older ships in the fleet that will potentially exit the market.

The ship guarantee scheme is relevant for the Norwegian ferry market, but the ferry companies have recently ordered new environmentally friendly ships following large tendering rounds. We therefore do not expect any significant growth in new ferry contracts going forward.

#### **Plans and priorities**

GIEK is to live up to its vision in the strategy plan for 2017–2020: "From Norway to the world". In order to do this and fulfil the objective, goals and priorities set by the MTIF, GIEK must make the industry more familiar with its different, relevant guarantee solutions.

GIEK has commented on the area review of the business-oriented policy instrument system and will follow up future measures and changes to provide the best possible service to our users.

GIEK is to be well informed about other countries' public export-financing services, consider the need for new products, further develop existing products, simplify application procedures and market the guarantees to new and existing customers and their banks.

As an export-triggering agency and creditor, GIEK requires an organisation that is customer-oriented and has the necessary competence at all times.

# Annual accounts

## The Board of Directors' comments:

*The Norwegian Export Credit Guarantee Agency (GIEK) achieved positive results for all the five active guarantee schemes in 2019. For some of the outstanding guarantee liability under the general guarantee scheme, the situation is difficult due to the continued supply and demand imbalance for oil-service vessels and thus the offshore shipping companies' weak ability to service debt.*

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

## Assessment

The annual accounts have been prepared in accordance with state financial management provisions, circulars from the Ministry of Finance and requirements set by the Ministry of Trade, Industry and Fisheries. In the Board's and CEO's view, the accounts provide an accurate picture of GIEK's financial situation and the results of GIEK's operations in 2019.

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

## The guarantee scheme accounts (fund accounts)

At the end of 2019, there were total outstanding guarantee liabilities and offers of guarantees (bound under the exposure limit) of NOK 111 billion, divided among five active guarantee schemes and two guarantee schemes that are being phased out. The demand for guarantees stretches across a wider range of industries than before.

The oil-service and equipment industry continues to account for 60 per cent of GIEK's total outstanding guarantee liabilities. The Board is pleased that the share of outstanding guarantee liabilities for other industries is growing.

The effects of the coronavirus have increased and the fall in the oil price has weakened the Norwegian krone against the US dollar and euro. Increasing volatility in the stock markets may make it difficult to raise new capital and more difficult to find restructuring solutions for oil-service shipping companies. The Board believes the market reactions to the coronavirus to be within the variation and uncertainty levels assumed in the loss-review assessments. GIEK's outstanding liabilities consisted of 468 current guarantees at the year-end.

## General guarantee scheme

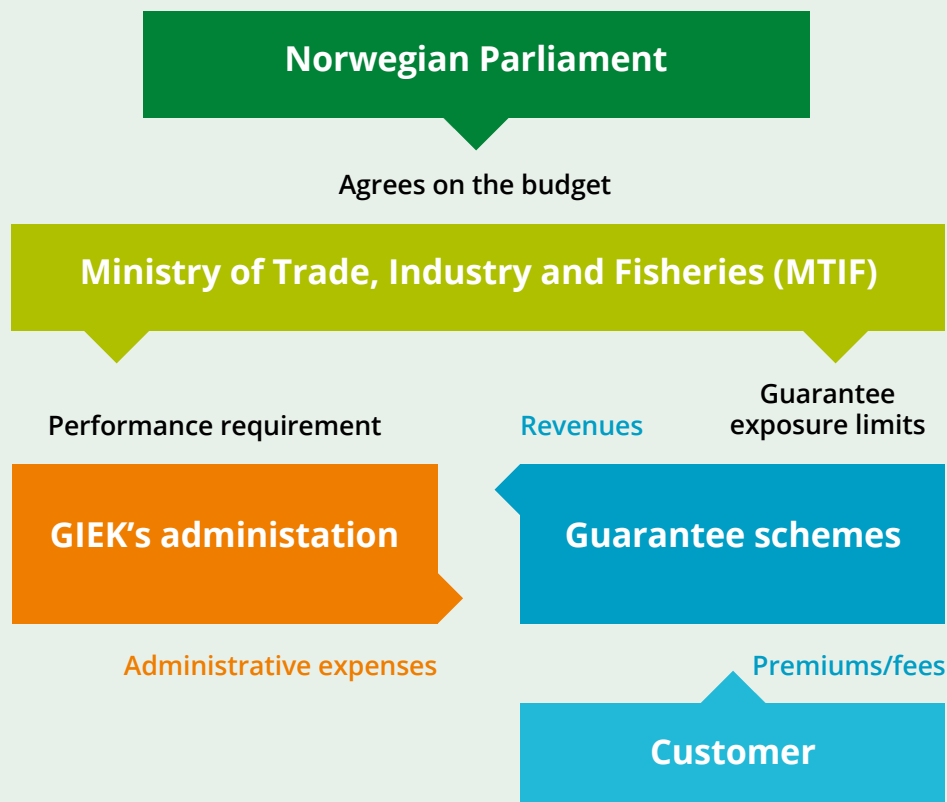
In 2019:

- ♦ 158 new guarantees for a total of NOK 20.2 billion were issued
- ♦ Offers of 145 guarantees for a total of NOK 19.8 billion were made
- ♦ 134 new applications for a total of NOK 22.8 billion were received

As at 31 December 2019, there were total outstanding guarantee liabilities and offers of guarantees (bound under the exposure limit) of NOK 102.5 billion. A total of 71 per cent of the exposure limit was utilised in 2019.

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 1.2 billion and a profit of NOK 42 million.





### GIEK's budget and accounts

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

The fund accounts show the guarantee schemes' revenues and expenses in accordance with the Central Government Accounting Standards (SRS). Since SRS does not have accounting principles for loans and guarantee operations, GIEK complies with the principles stated in IFRS 9 when calculating individual and collective provisions as from the 2019 financial year. This is stated in the note on principle in the fund accounts.

The revenues from the guarantee schemes cover the administrative expenses according to a pre-defined distribution formula.

Section 7 (1) of the Appropriations Regulations applies to GIEK as a public enterprise, and the operations are budgeted gross. The Norwegian parliament determines a limit for GIEK's administrative expenses which is granted over chapter 2460 of the central government budget. The Office of the Auditor General of Norway is GIEK's external auditor and the auditor's reports are available at [giek.no](http://giek.no)

## 6. Annual accounts

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

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

A total of NOK 3.6 billion was paid out under guarantees in 2019 (for claim receivables).

As at 31 December 2019, GIEK had receivables and moratorium agreement claims worth NOK 12.3 billion.

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

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

### **Developing countries guarantee scheme**

In 2019:

- ♦ one new guarantee was issued for NOK 141 million
- ♦ 10 offers of guarantees were made for a total of NOK 1.3 billion
- ♦ 10 new applications were received for a total of NOK 0.8 billion

As at 31 December 2019, there were total outstanding guarantee liabilities and offers of guarantees (bound under the exposure limit) of NOK 1.7 billion. In total, 53 per cent of the exposure limit was utilised in 2019.

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 22 million and a profit of NOK 1.4 million.

As at 31 December 2019, there were receivables and moratorium claims worth NOK 43 million.

### **Building loan guarantee scheme**

In 2019:

- ♦ nine new guarantees for a total of NOK 0.5 billion were issued
- ♦ ten offers of guarantees for a total of NOK 0.6 billion were made
- ♦ nine new applications for a total of NOK 0.5 billion were received

As at 31 December 2019, there were total outstanding guarantee liabilities and offers of guarantees made (bound under the exposure limit) of NOK 1.4 billion, and 20 per cent of the exposure limit had been utilised.

As at 31 December 2019, the building loan guarantee scheme had receivables of NOK 95 million, see the references to receivables under the general guarantee scheme and in note 12. A total of NOK 37 million was paid out under this scheme's guarantees.

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 42 million and a loss of NOK 89 million.

### **Power purchase guarantee scheme**

In 2019:

- ♦ two new guarantees for a total of NOK 0.5 billion were issued
- ♦ two offers of guarantees for a total of NOK 0.5 billion were made
- ♦ two new applications for a total of NOK 0.5 billion were received

As at 31 December 2019, the outstanding guarantee liabilities were NOK 4.5 billion, there were no outstanding offers of guarantees that were binding on the exposure limit, and 23 per cent of the exposure limit had been utilised.

The power purchase guarantee scheme had no outstanding receivables.

The scheme made guarantee revenues (guarantee premiums) of NOK 32 million and a profit of NOK 26 million.

**Domestic ship guarantee scheme**

This is a three-year trial scheme (2018-2020) with a guarantee exposure limit of NOK 10 billion, according to which GIEK can provide a guarantee for loans to purchase/carry out major modifications of ships that are entirely or partly built at a shipyard in Norway and are to be used in Norway

In 2019:

- ♦ eight new guarantees for a total of NOK 1 billion were issued
- ♦ four offers of guarantees for a total of NOK 0.6 billion were made
- ♦ five applications for a total of NOK 0.8 billion were received

As at 31 December 2019, there were total outstanding guarantee liabilities and offers of guarantees made (bound under the exposure limit) of NOK 1.3 billion. A total of 13 per cent of the exposure limit was utilised in 2019.

There were no receivables linked to payments under the domestic ship guarantee scheme.

The scheme made guarantee revenues (guarantee premiums and fee revenues) of NOK 21 million and a profit of NOK 19.4 million.

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

This scheme still had outstanding liabilities of NOK 2 million. There were receivables and moratorium claims worth NOK 167 million. The scheme made guarantee revenues (guarantee premiums) of NOK 87,000 and a profit of NOK 0.9 million.

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

This scheme had receivables and moratorium claims worth NOK 278 million. It had no guarantee revenues and made a loss of NOK 1.6 million.

**Accounts relating to GIEK's administration**

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

GIEK's operating budget is a preliminary allocation and was NOK 193.5 million for 2019. The accounts show administrative expenses of NOK 193.9 million, which is NOK 0.4 million over budget. The result does not include NOK 0.5 million allocated by the Agency for Public Management and eGovernment (DIFI), which has been recorded as revenue. If this allocation is included, the total difference from the budget for 2019 is an underspend of NOK 27,000.

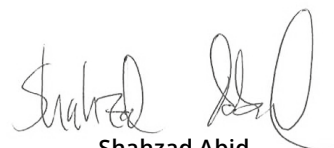
Oslo, March 20, 2020



**Karin Bing Orgland**  
Chair



**Torfinn Kildal**  
Deputy chair



**Shahzad Abid**  
Board member



**John G. Bernander**  
Board member



**Margrethe Hauge**  
Board member



**Marit E. Kirkhusmo**  
Board member



**Nina Udnes Tronstad**  
Board member



**Hans Melandsø**  
Employee representative



**Wenche Nistad**  
Chief executive officer

## Appropriation reporting and general ledger accounts reporting statements with notes

### a) Note on the accounting principles used in the annual accounts

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

The statements on the appropriation reporting and general ledger accounts reporting are based on chapter 3.4.2 of the provisions - the basic principles for annual accounts:

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

The statements on the appropriation reporting and general ledger accounts reporting have been prepared according to the same principles, but are grouped in different charts of accounts. These principles correspond to requirements in chapter 3.5 of the provisions regarding how enterprises are to report to the central government accounts. The item "Net reported to the appropriation accounts" is identical in both statements.

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

### Appropriation reporting

The appropriation reporting statement consists of an upper part containing the appropriation reporting and a lower part showing holdings entered for the enterprise in the capital accounts. The appropriation reporting presents accounting figures reported by the enterprise to the central government accounts. These are arranged in accordance with the chapters and items in the appropriation accounts which the enterprise is authorised to use. The total allocation column shows the amount made available to the enterprise in the allocation letter for each central government account (chapter/item). The statement also shows all the financial assets and liabilities entered for the enterprise in the state capital accounts.

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

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

**General ledger accounts reporting**

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

**b) Appropriation reporting**

The appropriation reporting presents the accounting figures that GIEK has reported to the central government accounts. These are presented according to the chapters and items in the appropriation accounts that GIEK has authority to utilise. As outlined in the note on the principles used, GIEK has not granted any authorisations.

Appropriation reporting statement – 31 December 2019

Expense chapter	Chapter name	Item	Description	Note	Total allocation	Accounts 2019	Increase (-) / decrease in		
2460	Ministry of Trade, Industry and Fisheries	24.1	Grant to Contingency Scheme for War Risk Insurance of Goods (BSV)		400 000	0			
2460	Norwegian Export Credit Guarantee Agency (GIEK)	24.1	Grant from other state agencies		0	1 679 820			
		24.1	Operating revenues, reimbursement from fund accounts		193 500 000	192 267 704			
		24.2	Operating expenses, preliminary allocation		193 500 000	193 947 524			
		24.2	Operating expenses, BSV		400 000	0			
2460	Total item 24 Operating profit (loss)	24	Operating profit (loss)		0	0			
<b>Total expensed</b>									
Revenue chapter	Chapter name	Item	Description		Total allocation	Accounts 2019	Increase/decrease (-) in revenue		
5502	Financial activity tax	70			0	5 021 684			
5700	Employer's national insurance contributions	72			0	14 164 227			
<b>Total revenues recorded</b>									
<b>Net reported to appropriation accounts</b>									
<b>Capital accounts</b>									
60064001	Central Bank group accounts system/paid in				0	204 714 695			
60064002	Central Bank group accounts system/paid out				0	-187 140 108			
724070	Changes in open accounts with the Treasury				0	1 611 324			
<b>Total reported</b>									
						<b>0</b>	<b>0</b>		
<b>Holdings reported to the capital accounts (31.12)</b>									
						<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Change</b>	
0						Open accounts with the Treasury	-6 170 029	-7 781 353	1 611 324

**Note A – Explanation of the total allocation: expenses**

Chapter and item	Transferred from last year	The year's allocations	Total allocation
90072		400 000	400 000
246024		193 500 000	193 500 000

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

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



## 6. Annual accounts

### c) General ledger accounts reporting statement with notes – 31 December 2019

	Note	2019	2018
<b>Operating revenues reported to the appropriation accounts</b>			
Fee revenues received	1	0	0
Grants and transfers received	1	1 679 820	4 499 000
Sales and lease revenues	1	192 267 704	179 928 269
Other receipts	1	0	0
<b>Total operating receipts</b>		<b>193 947 524</b>	<b>184 427 269</b>
<b>Operating expenses reported to the appropriation accounts</b>			
Payroll expenses	2	121 135 780	116 655 921
Other operating expenses	3	70 772 251	64 012 435
<b>Total operating expenses</b>		<b>191 908 031</b>	<b>180 668 357</b>
<b>Net reported operating expenses</b>		<b>-2 039 492</b>	<b>-3 758 912</b>
<b>Investment and financial income reported to the appropriation accounts</b>			
Financial income received	4	0	0
<b>Total investment and financial income</b>		<b>0</b>	<b>0</b>
<b>Investment and financial expenses reported to the appropriation accounts</b>			
Investment expenses	5	2 039 492	3 758 912
Share purchase expenses	5,8B	0	0
Financial expenses	4	0	0
<b>Total investment and financial expenses</b>		<b>2 039 492</b>	<b>3 758 912</b>
<b>Net reported investment and financial expenses</b>		<b>2 039 492</b>	<b>3 758 912</b>
<b>Collection activity and other transfers to the Norwegian state</b>			
Taxes, fees, charges, etc	6	0	0
<b>Total collection activity and other transfers to the Norwegian state</b>		<b>0</b>	<b>0</b>
<b>Grant administration and other transfers from the Norwegian state</b>			
Grant and benefit payments	7	0	0
<b>Total grant administration and other transfers from the Norwegian state</b>		<b>0</b>	<b>0</b>
<b>Revenues and expenses reported under common chapters</b>			
Group life insurance account 1985 (ref. chapter 5309, revenue)		0	0
Financial activity tax account 1988 (ref. chapter 5502, revenue)		5 021 684	4 870 094
Employer's national insurance contributions account 1986 (ref. chapter 5700, revenue)		14 164 227	13 733 649
Net accounting scheme for VAT account 1987 (ref. chapter 1633, expense)		0	0
<b>Net reported expenses under common chapters</b>		<b>-19 185 911</b>	<b>-18 603 743</b>
<b>Net reported to appropriations accounts</b>		<b>-19 185 911</b>	<b>-18 603 743</b>
<b>Statement of open accounts with the Treasury</b>			
<b>Assets and liabilities</b>		<b>2019</b>	<b>2018</b>
Receivables		2 390	-137 735
Cash		0	0
Bank accounts containing state funds outside of the Central Bank		0	0
Unpaid tax deducted at source		-5 364 484	-5 330 996
Public fees/taxes owed		-900 151	-727 828
Other liabilities		92 217	-1 584 795
<b>Total open accounts with the Treasury</b>	<b>8</b>	<b>-6 170 029</b>	<b>-7 781 353</b>

## Note 1 – Receipts

	2019	2018
<b>Fee revenues received</b>		
Total fee revenues received	0	0
<b>Grant and transfer receipts</b>		
Export Credit Norway	895 000	850 000
Norfund	310 000	420 000
Agency for Public Management and eGovernment (DIFI)	474 820	2 559 000
Box Topco <sup>1</sup>		270 000
BSV <sup>2</sup>		400 000
<b>Total grant and transfer receipts</b>	<b>1 679 820</b>	<b>4 499 000</b>
<b>Sales and lease revenues received</b>		
Accrued, uninvoiced revenues, exempt from tax	192 267 704	179 928 269
<b>Total sales and lease revenues received</b>	<b>192 267 704</b>	<b>179 928 269</b>
<b>Other receipts</b>		
Total other receipts	0	0
<b>Total receipts from operations</b>	<b>193 947 524</b>	<b>184 427 269</b>

<sup>1</sup> Box Topco AS changed its name to Støperigata Holding AS on 28 February 2019. This amount relates to the hiring of personnel.

<sup>2</sup> The grant to BSV for 2019 was mistakenly not paid in until in 2020.

## Note 2 – Payroll expenses

	2019	2018
Wages and salaries	88 766 320	86 034 936
Employer's national insurance contributions	14 164 227	13 733 649
Pension expenses	9 844 985	9 038 005
Sickness benefits and other reimbursements (-)	-1 811 982	-1 845 696
Other benefits	10 172 231	9 695 027
<b>Total payroll expenses</b>	<b>121 135 780</b>	<b>116 655 921</b>
<b>No. of full-time equivalents*</b>	<b>89,4</b>	<b>89,0</b>

\* The number of full-time equivalents is defined in a new way by the Ministry of Local Government and Modernisation. This means we look at the whole year and deduct leaves of absence and sickness absences.

## Note 3 – Other operating expenses

	2019	2018
Building rental expenses	12 484 078	11 561 095
Maintenance of own buildings and facilities	0	0
Maintenance and renovation of leased premises	2 803	38 543
Other operating expenses for property and premises	829 647	827 559
Repair and maintenance of machines and equipment, etc	0	0
Minor equipment purchases	532 842	280 690
Rental of machines, furnishings, etc.	2 616 595	1 466 554
Purchase of consultancy services*	9 239 850	
Purchase of external services	20 650 962	26 924 451
Travel and travel allowances	7 940 558	7 647 550
Other operating expenses	16 474 918	15 265 993
<b>Total other operating expenses</b>	<b>70 772 251</b>	<b>64 012 435</b>

\* As from 2019, consultancy services and other external services are presented separately. In the comparison figures for 2018, the purchase of external services is presented in total in the line purchase of external services.

## 6. Annual accounts

### Note 4 – Financial income and financial expenses

	2019	2018
<b>Financial income</b>		
Interest income	0	0
Foreign exchange gain	0	0
Other financial income	0	0
<b>Total financial income</b>	<b>0</b>	<b>0</b>
<b>Financial expenses</b>		
Interest expenses	0	0
Foreign exchange loss	0	0
Other financial expenses	0	0
<b>Total financial expenses</b>	<b>0</b>	<b>0</b>

### Note 5 – Investment and share purchase expenses

	2019	2018
<b>Investment expenses</b>		
Intangible assets, etc	465 425	2 334 323
Land, buildings and other immovable property	0	0
Infrastructure assets	0	0
Machines and means of transport	0	0
Miscellaneous operating assets, furnishings, tools, etc	1 574 067	1 424 589
<b>Total investment expenses</b>	<b>2 039 492</b>	<b>3 758 912</b>

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

	2019	2018
<b>Total collection activity and other transfers to the Norwegian state</b>	<b>0</b>	<b>0</b>

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

	2019	2018
<b>Total grant administration and other transfers from the Norwegian state</b>	<b>0</b>	<b>0</b>

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

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

	31.12.2019	31.12.2019	Difference
	Specification of <u>recorded</u> settled accounts with the Treasury	Specification of <u>reported</u> open accounts with the Treasury	
<b>Fixed financial assets</b>			
Investments in shares and company units	0	0	0
Bonds	0	0	0
<b>Total fixed financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>			
Customer accounts receivable	0	0	0
Other receivables	2 390	2 390	0
Bank deposits, cash, etc	0	0	0
<b>Total current assets</b>	<b>2 390</b>	<b>2 390</b>	<b>0</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	0	0	0
<b>Total long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Short-term liabilities</b>			
Trade creditors	-5 198 049	0	-5 198 049
Unpaid tax deducted at source	-5 101 420	-5 364 484	263 064
Unpaid public fees/taxes	-900 151	-900 151	0
Other short-term liabilities	1 709 839	92 217	1 617 622
<b>Total short-term liabilities</b>	<b>-9 489 782</b>	<b>-6 172 419</b>	<b>-3 317 363</b>
<b>Total</b>	<b>-9 487 392</b>	<b>-6 170 029</b>	<b>-3 317 363</b>

## Part B Specification of investments in shares and company units

	Acquisition date	Number of shares	Ownership share	Voting share	Company's profit/loss for the year	Company's balance-sheet equity	Carrying amount in the accounts
<b>Shares</b>							
Carrying amount 31.12.2019							0

## 6. Annual accounts

### Appropriation reporting statement with notes

#### Note on accounting principles

The annual appropriation reporting is based on information in the bank statement from the Central Bank (Norges Bank). The annual allocation letter describes the transfer of surplus liquidity.

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

Specified opening balance	Amount:	Comment:		
General guarantee scheme	-4 966 317 365,32			
Old general guarantee scheme	-32 119 975,33			
Old special schemes	-4 073 934,64			
Developing countries guarantee scheme	-120 299 216,78			
Building loan guarantee scheme	-137 449 766,43			
Primary capital, developing countries guarantee scheme	-450 000 000,00			
Power purchase guarantee scheme	-22 200 042,21			
Domestic ship guarantee scheme	-14 802 320,84			
<b>Total opening balance of the settlement account with the Central Bank</b>	<b>-5 747 262 621,55</b>			
Changes during the period	Amount:	Registered to chapter and item:	Authority:	
<b>Changes during the period:</b>				
General guarantee scheme	1 714 604 692,25	Changes during 2019		
Old general guarantee scheme	-8 617 270,59	Changes during 2019		
Old special schemes	305 301,51	Changes during 2019		
Developing countries guarantee scheme	-21 503 684,90	Changes during 2019		
Building loan guarantee scheme	-5 313 030,56	Changes during 2019		
Power purchase guarantee scheme	-23 711 011,19	Changes during 2019		
Domestic ship guarantee scheme	-15 113 131,10	Changes during 2019		
<b>Total changes during the period</b>	<b>1 640 651 865,42</b>			
<b>Of which changes entered in the appropriation accounts:</b>				
Old general guarantee scheme	12 600 000,00	Chapter 5460, item 71		
Old special schemes	2 000 000,00	Chapter 5460, item 72		
Specified closing balance in the period, sub-group				
General guarantee scheme	-3 251 712 673,07			
Old general guarantee scheme	-40 737 245,92			
Old special schemes	-3 768 633,13			
Developing countries guarantee scheme	-141 802 901,68			
Building loan guarantee scheme	-142 762 796,99			
Power purchase guarantee scheme	-45 911 053,40			
Domestic ship guarantee scheme	-29 915 451,94			
<b>Total closing balance of the settlement account with the Central Bank</b>	<b>-3 656 610 756,13</b>			
Sub-group: 81.09.09 Primary capital ULA				
Developing countries guarantee scheme, primary capital	-450 000 000,00			
<b>Total closing balance for the period</b>	<b>-450 000 000,00</b>			
<b>Total closing balance of the settlement account with the Central Bank</b>	<b>-4 106 610 756,13</b>			
Holdings reported to the capital accounts (31.12)	2019	2018	Change	
Ordinary funds (assets)				
Holdings in accounts with the Central Bank (negative figures are deposits)	-4 106 610 756,13	-5 747 262 621,55	1 640 651 865,42	
Holdings in currency accounts with Nordea in NOK	31.12.2019	31.12.2018	Ending	Hvorav renter 2019
EUR (AGO)	-117 499 403	-523 415 241	405 915 838	800 654
USD (AGO)	-3 042	-414 386	411 345	-5 532

**Fund account statement with notes (guarantee scheme accounts)  
Profit and loss account**

Amounts in NOK '1 000	Note	General guarantee scheme		Developing countries guarantee scheme		Building loan guarantee scheme		Power purchase guarantee scheme		Domestic ship guarantee scheme		Old general guarantee scheme		Old special schemes	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>OPERATING REVENUES</b>															
	3,4,20	1 040 986	1 182 987	21 375	19 568	30 535	48 715	32 223	26 182	14 087	1 014	87	576	0	0
	3,4,20	138 660	177 594	657	0	11 867	12 324	0	0	7 064	2 905	0	0	0	0
	5	64 931	24 792	564	516	0	0	298	-351	0	0	1 372	4 073	19	241
	6	359 636	284 208	1 250	554	3 735	812	474	93	209	46	290	157	36	18
		<b>1 604 212</b>	<b>1 669 581</b>	<b>23 846</b>	<b>20 638</b>	<b>46 137</b>	<b>61 850</b>	<b>32 996</b>	<b>25 924</b>	<b>21 360</b>	<b>3 964</b>	<b>1 749</b>	<b>4 806</b>	<b>55</b>	<b>259</b>
<b>OPERATING EXPENSES</b>															
	7	174 494	163 896	1 691	1 610	5 415	7 121	8 185	6 842	2 199	462	103	96	41	39
	8	20 657	56 934	0	0	0	0	0	0	0	0	0	0	0	0
	9	4 618	2 868	0	0	0	0	0	0	0	0	0	0	0	0
		<b>199 769</b>	<b>223 698</b>	<b>1 691</b>	<b>1 610</b>	<b>5 415</b>	<b>7 121</b>	<b>8 185</b>	<b>6 842</b>	<b>2 199</b>	<b>462</b>	<b>103</b>	<b>96</b>	<b>41</b>	<b>39</b>
		<b>1 404 444</b>	<b>1 445 883</b>	<b>22 155</b>	<b>19 027</b>	<b>40 722</b>	<b>54 729</b>	<b>24 811</b>	<b>19 083</b>	<b>19 161</b>	<b>3 502</b>	<b>1 646</b>	<b>4 710</b>	<b>13</b>	<b>221</b>
<b>PROVISIONS AND IMPAIRMENTS</b>															
	10	159 139	338 073	0	0	-86 583	7 150	0	0	0	0	0	-14 312	0	0
	10	-466 658	-142 762	22 341	-15 083	1 271	0	-1 705	5 353	-194	0	-55	-170	0	0
	12	1 906 138	238 516	199	0	37 527	65 500	202	58	0	36	-7 828	14 968	0	0
	12	-232 450	6 859	0	0	0	0	0	0	0	0	0	0	0	0
	13	-4 520	-3 886	-1 799	-1 505	0	0	0	0	0	0	-3 946	-3 640	-360	-319
	14	580	3 421	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1 362 228</b>	<b>440 221</b>	<b>20 742</b>	<b>-16 587</b>	<b>-47 786</b>	<b>72 650</b>	<b>-1 502</b>	<b>5 411</b>	<b>-194</b>	<b>36</b>	<b>-11 829</b>	<b>-3 153</b>	<b>-360</b>	<b>-319</b>
	16	42 215	1 005 662	1 413	35 614	88 508	-17 921	26 313	13 672	19 355	3 466	13 474	7 863	374	540
	16,20	0	-38	0	0	0	0	0	0	0	0	-12 600	-10 900	-2 000	-8 000
		<b>42 215</b>	<b>1 005 624</b>	<b>1 413</b>	<b>35 614</b>	<b>88 508</b>	<b>-17 921</b>	<b>26 313</b>	<b>13 672</b>	<b>19 355</b>	<b>3 466</b>	<b>874</b>	<b>-3 037</b>	<b>-1 626</b>	<b>-7 460</b>
<b>SETTLEMENTS AND TRANSFERS</b>															
		42 215	1 005 624	1 413	35 614	88 508	-17 921	26 313	13 672	19 355	3 466	874	-3 037	-1 626	-7 460

## Balance sheet

	Note	General guarantee scheme		Developing countries guarantee scheme		Building loan guarantee scheme		Power purchase guarantee scheme		Domestic ship guarantee scheme		Old general guarantee scheme		Old special schemes	
		31.12.19	01.01.19	31.12.19	01.01.19	31.12.19	01.01.19	31.12.19	01.01.19	31.12.19	01.01.19	31.12.19	01.01.19	31.12.19	01.01.19
<b>Amounts in NOK 1 000</b>															
<b>FIXED FINANCIAL ASSETS</b>															
Shares	14	46 023	46 602	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL FIXED FINANCIAL ASSETS</b>		<b>46 023</b>	<b>46 602</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RECEIVABLES</b>															
Receivables in connection with payments under the guarantee	12	12 204 460	7 837 527	13 567	13 567	95 000	62 000	0	0	0	0	86 273	84 954	198 314	198 314
Individual impairment of receivables	12	-4 652 670	-2 075 759	-11 753	-11 753	-94 527	-62 000	0	0	0	0	-43 136	-50 543	-195 544	-195 544
Collective impairment of receivables	12	-2 260	-231 094	0	0	0	0	0	0	0	0	0	0	0	0
Receivables, moratorium agreements	13,17	94 261	110 184	29 414	32 784	0	0	0	0	0	0	80 296	93 640	79 732	81 991
Impairment of moratorium claims	13	-16 496	-18 184	-6 280	-6 899	0	0	0	0	0	0	-15 962	-17 673	-76 518	-76 857
Other receivables	15	283 238	205 738	1 631	3 988	5 656	8 182	28	-1 424	3 527	2 046	20	4 996	0	0
<b>TOTAL RECEIVABLES</b>		<b>7 910 533</b>	<b>5 828 412</b>	<b>26 578</b>	<b>31 686</b>	<b>6 129</b>	<b>8 182</b>	<b>28</b>	<b>-1 424</b>	<b>3 527</b>	<b>2 046</b>	<b>107 491</b>	<b>115 374</b>	<b>5 984</b>	<b>7 904</b>
<b>BANK DEPOSITS</b>															
Bank deposits in NOK		3 251 713	4 966 317	591 803	570 299	142 763	137 450	45 911	22 200	29 915	14 802	40 737	32 120	3 769	4 074
Bank deposits in foreign currency		117 502	523 830	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL BANK DEPOSITS</b>	<b>6</b>	<b>3 369 215</b>	<b>5 490 147</b>	<b>591 803</b>	<b>570 299</b>	<b>142 763</b>	<b>137 450</b>	<b>45 911</b>	<b>22 200</b>	<b>29 915</b>	<b>14 802</b>	<b>40 737</b>	<b>32 120</b>	<b>3 769</b>	<b>4 074</b>
<b>TOTAL ASSETS</b>		<b>11 325 771</b>	<b>11 365 161</b>	<b>618 381</b>	<b>601 985</b>	<b>148 892</b>	<b>145 632</b>	<b>45 939</b>	<b>20 776</b>	<b>33 443</b>	<b>16 848</b>	<b>148 228</b>	<b>147 494</b>	<b>9 752</b>	<b>11 978</b>
<b>ACCUMULATED CAPITAL</b>															
Accumulated capital															
Paid-in primary capital, developing countries guarantee scheme	20	0	0	450 000	450 000	0	0	0	0	0	0	0	0	0	0
Accumulated capital		5 447 553	5 405 338	120 137	118 724	130 182	41 674	27 728	1 415	20 698	1 344	-681 600	-682 474	5 672	7 299
<b>TOTAL ACCUMULATED CAPITAL</b>	<b>16</b>	<b>5 447 553</b>	<b>5 405 338</b>	<b>570 137</b>	<b>568 724</b>	<b>130 182</b>	<b>41 674</b>	<b>27 728</b>	<b>1 415</b>	<b>20 698</b>	<b>1 344</b>	<b>-681 600</b>	<b>-682 474</b>	<b>5 672</b>	<b>7 299</b>
<b>PROVISIONS</b>															
Individual provisions for guarantee liabilities	10	4 225 398	4 061 862	0	0	17 167	103 750	0	0	0	0	0	0	0	0
Collective provisions for guarantee liabilities	10	635 142	1 093 302	37 102	14 889	1 479	208	7 359	9 362	1 928	2 122	27	81	0	0
<b>TOTAL PROVISIONS</b>		<b>4 860 540</b>	<b>5 155 164</b>	<b>37 102</b>	<b>14 889</b>	<b>18 645</b>	<b>103 958</b>	<b>7 359</b>	<b>9 362</b>	<b>1 928</b>	<b>2 122</b>	<b>27</b>	<b>81</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>															
Debt relief plan, residual amount for settlement	17	0	0	0	0	0	0	0	0	0	0	829 685	829 685	4 080	4 080
Debt to the MTIF	18,20	0	0	0	0	0	0	10 000	10 000	10 000	10 000	0	0	0	0
Deferred income	4	1 007 500	795 447	11 127	18 372	0	0	0	0	812	3 382	116	203	0	0
Other liabilities	19	10 178	9 212	14	0	64	0	852	0	4	0	1	0	0	600
<b>TOTAL LIABILITIES</b>		<b>1 017 678</b>	<b>804 659</b>	<b>11 141</b>	<b>18 372</b>	<b>64</b>	<b>0</b>	<b>10 852</b>	<b>10 000</b>	<b>10 816</b>	<b>13 382</b>	<b>829 801</b>	<b>829 887</b>	<b>4 080</b>	<b>4 680</b>
<b>TOTAL LIABILITIES AND ACCUMULATED CAPITAL</b>		<b>11 325 771</b>	<b>11 365 161</b>	<b>618 381</b>	<b>601 985</b>	<b>148 892</b>	<b>145 632</b>	<b>45 939</b>	<b>20 776</b>	<b>33 443</b>	<b>16 848</b>	<b>148 228</b>	<b>147 494</b>	<b>9 752</b>	<b>11 978</b>

Comparable figures are dated 01.01.19 due to the incorporation of the implementation effect, see note 2 changes to accounting principles.

## 6. Annual accounts

### Cash flow statement

Cash flow from operations – 2019 Amounts in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
<b>Receipts</b>							
Guarantee premium revenues	1 286 821	13 491	42 211	32 169	11 004	113	0
Fee revenues received	108 542	1 453	6 804	0	4 493	0	0
Receivables paid in	15 401	0	0	0	0	0	0
Interest and dividend income	230 153	1 250	3 369	474	209	290	36
Other receipts	12 494	7 185	-3 720	-1 398	1 602	21 253	2 299
<b>Total receipts</b>	<b>1 653 411</b>	<b>23 379</b>	<b>48 664</b>	<b>31 246</b>	<b>17 308</b>	<b>21 656</b>	<b>2 335</b>
<b>Payments</b>							
Administrative expenses	173 023	1 677	5 351	8 124	2 195	102	41
Reinsurance expenses	20 546	0	0	0	0	0	0
Guarantee costs	27 430	199	0	202	0	0	0
Payments for claim receivables	3 643 879	0	37 250	0	0	337	0
Payments for claim receivables received in the form of shares	0	0	0	0	0	0	0
Other payments	-89 605	0	750	-791	-0	0	600
<b>Total payments</b>	<b>3 775 273</b>	<b>1 876</b>	<b>43 351</b>	<b>7 535</b>	<b>2 195</b>	<b>439</b>	<b>641</b>
<b>Net cash flow from operations</b>	<b>-2 121 862</b>	<b>21 504</b>	<b>5 313</b>	<b>23 711</b>	<b>15 113</b>	<b>21 217</b>	<b>1 695</b>
<b>Cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financial activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash flow from financial activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow associated with transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Disbursals of grants and transfers to others	0	0	0	0	0	-12 600	-2 000
<b>Net cash flow associated with transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-12 600</b>	<b>-2 000</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>930</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>-2 120 932</b>	<b>21 504</b>	<b>5 313</b>	<b>23 711</b>	<b>15 113</b>	<b>8 617</b>	<b>-305</b>
Cash and cash equivalents at start of period	5 490 147	570 299	137 450	22 200	14 802	32 120	4 074
<b>Cash and cash equivalents at end of period</b>	<b>3 369 215</b>	<b>591 803</b>	<b>142 763</b>	<b>45 911</b>	<b>29 915</b>	<b>40 737</b>	<b>3 769</b>
<b>Reconciliation</b>							
Allocation of profit/loss for the period (to accumulated capital)	42 215	1 413	88 508	26 313	19 355	874	-1 626
Change in trade creditor liabilities	-308	0	0	0	0	0	0
Effect of exchange rate changes	-64 931	-564	0	-298	0	-1 372	-19
Items classified as cash flow associated with transfers	0	0	0	0	0	12 600	2 000
Changes in other accrual items	-2 098 839	20 654	-83 195	-2 304	-4 242	9 115	1 340
<b>Net cash flow from operations</b>	<b>-2 121 862</b>	<b>21 504</b>	<b>5 313</b>	<b>23 711</b>	<b>15 113</b>	<b>21 217</b>	<b>1 695</b>



## Cash flow statement

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

## 6. Annual accounts

### Notes to the accounts

#### 1) Accounting principles

*GIEK is a public-sector enterprise under the Ministry of Trade, Industry and Fisheries (MTIF) whose objective is to promote Norwegian exports and investments abroad. This is to be achieved by issuing guarantees on behalf of the Norwegian state. As a public-sector enterprise, GIEK submits a separate set of accounts (the administrative accounts) for all administrative and personnel expenses, see chapter VI of part 1 of the Annual Accounts. The administrative accounts form part*

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

The annual accounts are configured in accordance with Central Government Accounting Standards (SRS). Since these standards do not include special accounting principles for lending and guarantee activities, GIEK follows the principles contained in IFRS 9 when calculating individual and collective provisions as from and including the 2019 financial year. Authorisation to comply with IFRS 9 has been granted by the Norwegian Government Agency for Financial Management (DFØ). Refer to note 2 for a description of the change in principles. Separate guidelines have been prepared for loss provisions tied to guarantees and claim receivables. Guarantee premiums that are regarded as unlikely to be received are not taken to income until they are paid. They are therefore not included when calculating impairments of receivables.

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

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

All figures are presented in thousands of Norwegian kroner (NOK 1 000) unless otherwise stated in the notes. In several notes, the most practical way to identify the schemes is by initials. The following abbreviations are used for the seven guarantee schemes that GIEK administers:

General guarantee scheme	AGO
Developing countries guarantee scheme	ULA
Building loan guarantee scheme	BYG
Power purchase guarantee scheme	KRA
Domestic ship guarantee scheme	SKI
Old general guarantee scheme	GAM
Old special schemes	SÆR

The accounting treatment of individual items is explained below.

#### Revenues

##### Guarantee premiums

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

Up-front premiums are accrued on a straight-line basis over the term of the guarantee. Guarantee premiums that are regarded as unlikely to be received are not taken to income until payment is received, in accordance with the Central Government Accounting Standards' prudence principle.

**Fee revenues**

Fee revenues that exceed direct internal administrative expenses are recognised as income when earned. The portion of fee revenues that covers administrative expenses is recognised as income directly.

**Other revenues**

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

Interest income and interest expenses tied to bank deposits and borrowings (use of drawdown facility) are recognised in the profit and loss account when earned or incurred. Interest income on receivables is calculated based on the effective interest method in accordance with IFRS 9, with the following adaptations: the receivables are not assessed individually, but are divided into groups – receivables in USD and NOK. For receivables in other currencies, the interest rate for receivables in NOK is used. The interest rate does not include any individual risk margin, but the same percentage rate is used for all receivables. The funding margin is set at one rate for each currency group.

Other revenues are recognised in the accounts when earned.

**Operating expenses**

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

Reinsurance expenses are accrued over the period covered by the reinsurance.

Other operating expenses are recognised when they are incurred.

**Provisions for guarantee liabilities**

The Lending Regulations are repealed as from 1 January 2020. As from the 2019 financial year, GIEK applies the principles stated in IFRS 9 when calculating individual and group provisions.

GIEK divides provisions for guarantee liabilities into two categories: individual and collective. Individual provisions reflect the best estimate of what the guarantee schemes might lose on individual commitments. Collective provisions reflect known market conditions or other factors which could result in guarantee scheme losses but have yet to be identified in a particular commitment. The provisions reflect best estimates and are based on expectations regarding future market developments in the categories "Offshore" (service vessels) and "Other" (i.e. everything other than Offshore). The fund accounts adhere to the IFRS 9 principles pertaining to the calculation of individual and collective provisions and separate guidelines governing provisions for losses on guarantees and receivables have been prepared. In GIEK's view, the credit risk associated with the guarantees and receivables issued by GIEK has characteristics identical to those of loans.

The criterion for calculating losses on individual guarantees is objective evidence that a guarantee has fallen in value. Such evidence includes observable data known to GIEK, for example significant financial problems on the part of a debtor, a payment default or a payment deferral that has been granted.

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

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

## 6. Annual accounts

The probability of default is calculated using a default matrix tool supplied by Standard & Poor's. This matrix is employed because GIEK's portfolio has limited scope and a default matrix based on GIEK's own portfolio's history would not provide good enough estimates. Changes in the default matrix lead to changes in the collective provision. In the 2018 financial year, GIEK used S&P's 2018 matrix. In the 2019 financial year, an updated matrix (from 2019) was implemented for the collective model and affected the loss provision in the same way as the updating of other basic data, and the assumptions are presented together with other estimate deviations in the 2019 financial results.

When calculating loss provisions, the expected value of real security is also taken into account. This is calculated on the basis of updated information on the real security's value, minus a time-horizon adjustment factor to take into account that a sale may take place in a demanding situation, and it is also taken into consideration that a vessel/real security may be located in jurisdictions where it may be difficult to sell the security. The model also uses updated information on the discount rate and term to maturity for each commitment.

The collective provisions model is considered to be in accordance with the IFRS regulations and allows for losses that could arise at any time during the term of the guarantee for provisions in stage 2. Basic data and assumptions are updated twice a year, and the estimate is updated as basic data and expectations regarding market developments change.

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

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

Net receivables in the balance sheet represent the recoverable amounts estimated by GIEK for these receivables. The portion of a receivable that is considered unrecoverable at the closing of accounts is written down (impaired). Impairments are evaluated in the same manner as provisions for current guarantees.

### **Claims under moratorium agreements**

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

### **Debt cancellation**

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

### **Debt relief plan**

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

**Foreign exchange**

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

**Currency hedging**

Bank accounts are set up in US dollars and euros to reduce the General Guarantee Scheme's foreign exchange risk. The guarantee scheme's direct exposure is a function of the estimated value of receivables, bank deposits and provisions for guarantee liabilities. The purpose of having various currency accounts is to reduce the foreign exchange risk by balancing receivables and bank deposits against loss provisions.

This balancing is done every half-year, though with the ability to buy and sell in conjunction with major portfolio changes independently of the end of the half-year. Due to infrequent trading in foreign currencies, the guarantee scheme is exposed to currency fluctuations at all times. Current practice, however, helps reduce the risk significantly.

No similar currency hedging mechanisms have been established for the other guarantee schemes.

**Reinsurance**

GIEK reinsures guarantee liabilities for GIEK Kredittforsikring AS (GK) on market-based terms that are renegotiated annually. The guarantee schemes receive a share of the insurance premium and at the same time pay a fee ("ceding commission") to GK as compensation for GK's work on GIEK's behalf. Provisions for guarantee liabilities and the estimated value of any relevant claims are based on information GK provides in addition to GIEK's own assessments. In some transactions, GIEK has a reinsurance agreement with other export guarantee agencies. Due to their minimal size, these are only taken into account when calculating individual loss provisions.

**Dividends**

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

**Tax**

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

**Shares**

Shares are recorded at cost. If their value falls below cost price, it is written down to the fair value unless the drop in value is considered temporary.

All share acquisitions are linked to defaulted-on commitments and will be owned temporarily. For that reason, these companies are not consolidated into the guarantee schemes' accounts

**Accumulated capital**

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

**The Norwegian state's group account system**

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

**Self-insurance principle**

The Norwegian state acts as a self-insurer. Accordingly, no items intended to reflect alternative net insurance costs or obligations are included in the balance sheet or profit and loss account.

## 2) Changes in accounting principles

When calculating provisions for loans and guarantee operations, the guarantee schemes have adopted the principles stated in the Lending Regulations (regulations of 21.12.2004 no. 1740). The Lending Regulations were repealed as from 1 January 2020, and GIEK has chosen to implement IFRS 9 early on, as a replacement for the Lending Regulations. The change in accounting principles means a more expectation-based recognition of losses.

As a result of loss assessments being based on IFRS 9, interest calculations will apply the effective interest method in IFRS 9, as this is described in the second paragraph on provisions for guarantee liabilities in note 1. Interest receivables are recognised and considered for impairment in the same way as claim receivables.

The implementation effect of NOK 362 million has been recognised in the accumulated capital as at 1 January 2019, as stated in note 16.

In accordance with Central Government Accounting Standards (SRS) item 6, no comparable figures have been prepared for 2018. The implementation effect has been incorporated into the opening balance, and the balance sheet therefore shows figures as at 1 January 2019 and 31 December 2019.

## 3) Revenues from guarantees

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

Guarantee pricing also depends on other factors, such as project risk, bank participation and other conditions for providing the guarantee, as well as GIEK's opportunity to establish collateral in the form of deposits or other types of security. Processing fees, commitment fees and other types of fees may also be charged. These fees often reflect the business models of banks and/or other financial institutions that work with GIEK in connection with issuing the guarantees. Fee revenues are accrued over the term of the guarantee.

Guarantee premiums 2019	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Per annum premiums	923 433	13 334	30 535	32 223	14 087	-	-
Reinsurance premiums	11 411	-	-	-	-	-	-
Up-front accrued premiums	106 142	8 041	-	-	-	87	-
<b>Total guarantee premiums</b>	<b>1 040 986</b>	<b>21 375</b>	<b>30 535</b>	<b>32 223</b>	<b>14 087</b>	<b>87</b>	<b>-</b>

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

Fee revenues 2019	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Processing fees	40 328	28			43	-	-
Commitment fees	70 362	-	11 667	-	3 751	-	-
Miscellaneous	27 970	630	200	-	3 269	-	-
<b>Total fee revenues</b>	<b>138 660</b>	<b>657</b>	<b>11 867</b>	<b>-</b>	<b>7 064</b>	<b>-</b>	<b>-</b>

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

#### 4) Deferred revenues

As at 31 December 2019, the deferred revenues consist of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
One-off premiums for accrual	732 808	10 332	0	0	0	116	0
Arrangement fees for accrual	179 344	795	0	0	812	0	0
Processing fees for accrual	83 728	0	0	0	0	0	0
Up-front premiums	11 619	0	0	0	0	0	0
<b>Total deferred revenues</b>	<b>1 007 500</b>	<b>11 127</b>	<b>0</b>	<b>0</b>	<b>812</b>	<b>116</b>	<b>0</b>

The comparable figures as at 31 December 2018 are:

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

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### 5) Foreign exchange exposure

GIEK has guarantee liabilities in various currencies. The following table summarises the total foreign exchange exposure in NOK by guarantee scheme.

Guarantee liabilities including reinsurance

Amounts in NOK i 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
USD	46 673 750	390 039	0	0	0	2 467	0
NOK	16 096 537	0	1 300 405	0	1 303 469	0	0
EUR	16 637 903	181 625	0	4 500 299	0	0	0
GBP	747 248	0	0	0	0	0	0
Other	672 631	0	0	0	0	0	0
<b>Total</b>	<b>80 828 070</b>	<b>571 665</b>	<b>1 300 405</b>	<b>4 500 299</b>	<b>1 303 469</b>	<b>2 467</b>	<b>0</b>

#### Matters specific to the general guarantee scheme

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

Exposure as at 31 December 2019:

Figures in USD 1 000 and EUR 1 000	USD	EUR
Value-assessed receivables	683 417	9 957
Bank deposits	0	11 892
Impairment of guarantee liabilities	-331 078	-16 928
<b>Total exposure</b>	<b>352 339</b>	<b>4 921</b>

#### Other guarantee schemes

No similar mechanisms to reduce the foreign exchange risk have been established for the other guarantee schemes.

Overview of the foreign exchange effects on all schemes:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Realised foreign exchange loss/gain	-16 695	0	0	0	0	0	0
Unrealised foreign exchange loss/gain on receivables	93 590	436	0	0	0	1 372	19
Unrealised foreign exchange loss/gain on bank deposits	930	0	0	0	0	0	0
Unrealised foreign exchange loss/gain on impairment of guarantee liabilities	-12 895	128	0	298	0	0	0
<b>Net agio/disagio</b>	<b>64 931</b>	<b>564</b>	<b>0</b>	<b>298</b>	<b>0</b>	<b>1 372</b>	<b>19</b>



## 6) Bank deposits and interest

Each guarantee scheme has at least one bank account with the Central Bank (Norges Bank). A separate account has been set up for each scheme with DNB, along with separate currency accounts with DNB for the general guarantee scheme. In addition, GIEK has a non-interest-bearing account with the Central Bank containing the primary capital of the developing countries guarantee scheme (ULA). As at 31 December 2019, GIEK's individual schemes had the following bank deposits, converted into NOK 1 000 at the exchange rate applicable on the balance sheet date:

Amounts in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Interest-bearing with Norges Bank	3 251 713	141 803	142 763	45 911	29 915	40 737	3 769
Non-interest-bearing with Norges Bank	0	450 000	0	0	0		
USD deposits with Nordea	3						
EUR deposits with Nordea	117 499						
<b>Bank deposits 31.12.2019</b>	<b>3 369 215</b>	<b>591 803</b>	<b>142 763</b>	<b>45 911</b>	<b>29 915</b>	<b>40 737</b>	<b>3 769</b>

The Norges Bank accounts are included in the state's group account system.

In addition, the building loan guarantee scheme has a NOK 600 million drawdown facility and the domestic ship guarantee scheme has a NOK 150 million drawdown facility with MTIF. These were not utilised in 2019.

Net interest income is distributed as follows:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Interest income on bank deposits	34 261	1 250	1 242	474	209	290	36
Interest on receivables	325 375	0	2 493	0	0	0	0
<b>Net interest income</b>	<b>359 636</b>	<b>1 250</b>	<b>3 735</b>	<b>474</b>	<b>209</b>	<b>290</b>	<b>36</b>

Interest rates are set on a semi-annual basis.

Bank deposits related to paid-in primary capital for the developing countries guarantee scheme are kept in a non-interest-bearing account with Norges Bank.

Interest income on receivables is calculated based on the effective-interest method with the adaptations described in the note on principles, note 1.

## 6. Annual accounts

### 7) Administrative expenses

The guarantee schemes do not have any employees. All services are provided by GIEK's administration and charged as administrative expenses. GIEK's administrative expenses and expenses relating to other tasks that GIEK

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

Summary of GIEK's administrative expenses in 2019, with comparative figures for 2018:

	2019	2018
Wages and salaries	88 766	86 035
Employer's national insurance contributions and financial activity tax	19 186	18 604
Pension contributions	9 845	9 038
Personnel expenses, etc	3 339	2 979
IT operations and contracts	15 363	14 606
Travel	7 941	7 648
Expert assistance	19 738	17 825
Building operations and furnishings	14 456	14 133
Misc. operating expenses (courses, meetings, offices, etc.)	13 635	9 061
<b>Total administrative expenses</b>	<b>192 268</b>	<b>179 928</b>
Administrative expenses relating to other players*	1 680	4 499
<b>Total administrative expenses charged to administrative accounts</b>	<b>193 948</b>	<b>184 427</b>
Charged to general guarantee scheme	174 494	163 896
Charged to developing countries guarantee scheme	1 691	1 610
Charged to building loan guarantee scheme	5 415	7 121
Charged to power purchase guarantee scheme	8 185	6 842
Charged to domestic ship guarantee scheme	2 199	462
Charged to old general guarantee scheme	103	96
Charged to old special schemes	41	39
Repayment relating to previous years	138	
<b>Administrative expenses allocated to guarantee schemes</b>	<b>192 266</b>	<b>180 066</b>
Excessive on-account payment/repayment relating to previous years	2	-138
<b>Total administrative expenses</b>	<b>192 268</b>	<b>179 928</b>
Charged to other players *	1 680	4 499
<b>Total charged to administrative accounts</b>	<b>193 948</b>	<b>184 427</b>

\* GIEK's administration oversees the operation of the contingency scheme for war risk insurance of goods (BSV) and the tender guarantee scheme for Norfund as well as providing services on a commercial basis for Export Credit Norway AS. In 2019, the Norwegian Agency for Public Management and eGovernment allocated GIEK NOK 0.475 million for digitalisation work. The grant to BSV for 2019 was mistakenly not paid in until 2020.

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

## 8) Reinsurance expenses

In 2018, the result was debited for NOK 57 million, NOK 33 million of which related to the 2015 to 2017 years.

## 9) Other operating expenses

Other operating expenses consist of the following:

Other operating expenses 2019	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
GK Ceding Commission (reinsurance-related expenses)	4 615	0	0	0	0	0	0
Bank charges and small differences	3	0	0	0	0	0	0
<b>Total</b>	<b>4 618</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Comparable figures for 2018:

Other operating expenses 2018	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
GK Ceding Commission (reinsurance-related expenses)	2 868	0	0	0	0	0	0
<b>Total</b>	<b>2 868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 10) Provisions for guarantee liabilities

31.12.2019	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Liabilities	80 828 070	571 665	1 300 405	4 500 299	1 303 469	2 467	0
Provisions	4 860 540	37 102	18 645	7 359	1 928	27	0
%	6,0 %	6,5 %	1,4 %	0,2 %	0,1 %	1,1 %	-
Individual provisions (stage 3)	4 225 398	0	17 167	0	0	0	0
Collective provisions	635 142	37 102	1 479	7 359	1 928	27	0
- Stage 1	332 856	36 808	69	7 359	1 928	0	
- Stage 2	302 286	294	1 409	0	0	27	
<b>Total provisions</b>	<b>4 860 540</b>	<b>37 102</b>	<b>18 645</b>	<b>7 359</b>	<b>1 928</b>	<b>27</b>	<b>0</b>

## 6. Annual accounts

1.1.2019	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Liabilities	79 348 651	540 063	3 694 667	3 976 654	470 975	4 053	0
Provisions	5 155 164	14 889	103 958	9 362	2 122	81	0
%	6,5 %	2,8 %	2,8 %	0,2 %	0,5 %	2,0 %	0,0 %
Individual provisions	4 061 861	0	103 750	0	0	0	0
Collective provisions	1 093 302	14 889	208	9 362	2 122	81	0
- Stage 1	327 901	9 538	208	9 362	2 122	0	0
- Stage 2	765 402	5 351	0	0	0	81	0
<b>Total provisions</b>	<b>5 155 163</b>	<b>14 889</b>	<b>103 958</b>	<b>9 362</b>	<b>2 122</b>	<b>81</b>	<b>0</b>

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

### Individual provisions:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Provision for guarantee liabilities 1 Jan. 2019	4 061 862	0	103 750	0	0	0	0
Year's change in provisions for guarantee liabilities	159 139	0	-86 583	0	0	0	0
Unrealised foreign exchange losses on provisions	4 398						
<b>Provision for guarantee liabilities 31 Dec.2019</b>	<b>4 225 398</b>	<b>0</b>	<b>17 167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Collective provisions:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Provision for guarantee liabilities 1 Jan.2019	1 093 302	14 889	208	9 362	2 122	81	0
Year's change in provisions for guarantee liabilities	-466 658	22 341	1 271	-1 705	-194	-55	0
Unrealised foreign exchange losses on provisions	8 497	-128	0	-298	0	0	
<b>Provision for guarantee liabilities 31 Dec.2019</b>	<b>635 142</b>	<b>37 102</b>	<b>1 479</b>	<b>7 359</b>	<b>1 928</b>	<b>27</b>	<b>0</b>

Changes in the provisions are attributable both to changes in guarantee liabilities and to re-estimations, by country and/or case, of the risk of loss. Following the introduction of IFRS 9 for the 2019 financial year, provisions are made for offers.

Individual provisions in the guarantee portfolio rose for the general guarantee scheme in 2019. The increase is due to several factors in individual cases having deteriorated during the year. In addition, several large cases have been assessed under stage 3. A large share of GIEK's portfolio is in industries where future earnings and the ability to repay are very uncertain.

Collective provisions declined in 2019 due to several large vulnerable commitments entering stage 3. The default probabilities derived from S&P's default matrix for 2019 fell compared with the data used in 2018. Loss provision calculations also take into account the jurisdiction where collateral is situated by downgrading the value of real security if warranted by its geographical location. The principles used in calculating provisions and impairments are also discussed in note 1.

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

## 11) The composition of the guarantee portfolio

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

Total outstanding liabilities – 31 December 2019:

Figures in NOK 1 000	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Oil and gas	52 939 374	0	0	0	0	0	0
Shipping	14 433 821	0	1 208 000	0	842 752	0	0
Energy	3 352 479	226 381	0	0	0	2 467	0
Manufacturing	2 030 276	345 284	0	4 500 299	0	0	0
Financial services	1 214 876	0	0	0	0	0	0
Fisheries	2 018 494	0	92 405	0	460 717	0	0
Water, sewage and waste management	644 775	0	0	0	0	0	0
Airlines	348 738	0	0	0	0	0	0
Other	3 845 236	0	0	0	0	0	0
<b>Total</b>	<b>80 828 070</b>	<b>571 665</b>	<b>1 300 405</b>	<b>4 500 299</b>	<b>1 303 469</b>	<b>2 467</b>	<b>0</b>

Total outstanding liabilities – 1 January 2019:

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

## 6. Annual accounts

Total outstanding guarantee liabilities – 31 December 2019:

Distribution by product	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Buyer credit guarantee	73 337 470	571 665	0	0	1 303 469	2 467	0
Counter-guarantee	2 993 194	0	0	0	0	0	0
Supplier credit guarantee	19 708	0	0	0	0	0	0
Letter of credit guarantee	1 214 876	0	0	0	0	0	0
Investment guarantee	321 243	0	0	0	0	0	0
Loan guarantee for export-related investments in Norway	2 316 314	0	0	0	0	0	0
Power purchase guarantee	0	0	0	4 500 299	0	0	0
Building loan guarantee	0	0	1 300 405	0	0	0	0
Reinsurance GK	584 000	0	0	0	0	0	0
Other	41 265	0	0	0	0	0	0
<b>Total</b>	<b>80 828 070</b>	<b>571 665</b>	<b>1 300 405</b>	<b>4 500 299</b>	<b>1 303 469</b>	<b>2 467</b>	<b>0</b>
<b>Collateralised</b>	<b>64 %</b>	<b>100 %</b>	<b>100 %</b>	<b>0 %</b>	<b>100 %</b>	<b>0 %</b>	<b>0 %</b>

Of the recipients of uncollateralised guarantees, 17 per cent have investment-grade or state-risk rating.

Total outstanding guarantee liabilities – 1 January 2019:

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

Of the recipients of uncollateralised guarantees, 24 per cent have investment-grade or state-risk rating.

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

Upon pay-out under a guarantee, GIEK is subrogated to the guarantee recipient's claim against the debtor. This receivable is recognised on the balance sheet at the time of pay-out. Measures are taken to collect receivables. Recoveries related to reinsurance are also included in this accounting item. As from 2019, receivables relating to capitalised interest are recognised gross. This is part

of the reason for the large increase in both receivables and impairments. Net receivables on the balance sheet represent the recoverable value that GIEK has estimated for these receivables. The receivables on the balance sheet are assessed in the same way and at the same time that the guarantee portfolio is risk assessed. This assessment is done every half-year.

Receivables connected to payments under guarantees break down as follows:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Value of receivables connected to payments under guarantees 1 January 2019	5 530 674	1 814	0	0	0	34 411	2 770
Net addition/payment of receivables	3 574 675		38 000			337	
Year's change in impairment of receivables	-1 648 119	0	-37 527	0	0	7 828	0
Foreign exchange gain	92 300	0	0	0	0	561	0
<b>Value of receivables 31 December 2019</b>	<b>7 549 530</b>	<b>1 814</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>43 136</b>	<b>2 770</b>
Degree of impairment	38,1%	86,6 %	99,5 %	0,0 %	0,0 %	50,0 %	98,6 %
Receivables connected to payments under guarantees	12 204 460	13 567	95 000	0	0	86 273	198 314
Individual impairments of receivables	-4 652 670	-11 753	-94 527	0	0	-43 136	-195 544
Collective impairments of receivables	-2 260	0	0	0	0	0	0
- Stage 1	0						
- Stage 2	-2 260						
<b>Value of receivables 31 December 2019</b>	<b>7 549 530</b>	<b>1 814</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>43 136</b>	<b>2 770</b>

The following table provides an overview of changes in the impairment of receivables, payments under guarantees in 2019 and payments received on impaired ordinary receivables (recovery).

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Write-offs	53 266	0	5 000	0	0	0	0
GK change in impairments of ordinary receivables	-6 941	0	0	0	0	0	0
Change in individual impairments of ordinary receivables	1 834 244	0	32 527	0	0	-7 828	0
Change in collective impairments of ordinary receivables	-232 450	0	0	0	0	0	0
<b>Loss and change in impairments of receivables</b>	<b>1 648 119</b>	<b>0</b>	<b>37 527</b>	<b>0</b>	<b>0</b>	<b>-7 828</b>	<b>0</b>
Change in value of receivables and expensing of new receivables	0	0	0	0	0	0	0
Expenses relating to payment of claims	27 430	199	0	202	0	0	0
GK's recognition of previous write-offs as revenue	-111	0	0	0	0	0	0
Recognition of previous write-offs as revenue	-1 750	0	0	0	0	0	0
<b>Other changes in receivables and related costs</b>	<b>25 569</b>	<b>199</b>	<b>0</b>	<b>202</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in claim receivables</b>	<b>1 673 688</b>	<b>199</b>	<b>37 527</b>	<b>202</b>	<b>0</b>	<b>-7 828</b>	<b>0</b>
Net change in individual claim receivables	1 906 138	199	37 527	202	0	-7 828	0
Net change in collective claim receivables	-232 450	0	0	0	0	0	0
<b>Other changes in receivables and related costs</b>	<b>1 673 688</b>	<b>199</b>	<b>37 527</b>	<b>202</b>	<b>0</b>	<b>-7 828</b>	<b>0</b>

Payments under guarantees amounted to NOK 3,644 million for AGO, NOK 37 million for BYG and NOK 0.3 million for GAM.

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### 13) Claims under moratorium agreements

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

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

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

	AGO	ULA	GAM	SÆR
<b>Value of claims under moratorium agreements 1 January 2019</b>	<b>92 000</b>	<b>25 885</b>	<b>75 967</b>	<b>5 135</b>
Net addition to/repayment of claims under moratorium agreements	-17 436	-3 905	-14 282	-2 291
Foreign exchange gains	1 290	436	811	19
Year's change in impairments of claims under moratorium agreements	1 910	719	1 839	351
Change in debt relief plan	0	0	0	0
<b>Value of claims under moratorium agreements 31 December 2019</b>	<b>77 765</b>	<b>23 134</b>	<b>64 335</b>	<b>3 214</b>
Claims under moratorium agreements	94 261	29 414	80 296	79 732
Impairment of claims under moratorium agreements	-16 496	-6 280	-15 962	-76 518
<b>Value of claims under moratorium agreements 31 December 2019</b>	<b>77 765</b>	<b>23 134</b>	<b>64 335</b>	<b>3 214</b>

### 14) Shares

Company	Acquisition date	Ownership share	Voting share	Company's profit/loss for the year	Company's balance sheet equity	Balance sheet value (in capital accounts)	Balance sheet value (in enterprise accounts)
Støperigata Holding AS	22.12.2015	100 %	100 %	-580	46 023	46 023	46 023
<b>Total</b>				<b>-580</b>	<b>46 023</b>	<b>46 023</b>	<b>46 023</b>

Støperigata Holding AS was called Box Topco AS until 28 February 2019.

The company did not pay any dividend in 2019.

The accounts of AGO and Støperigata Holding AS are not consolidated, since this company is intended to own shares temporarily.



## 15) Other receivables

As at 31 December 2019, other receivables consisted of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Accrued income from guarantees	311 652	1 631	6 588	28	4 097	20	0
Other receivables and outstanding amounts	-28 414	0	-932	0	-570	0	0
<b>Total other receivables</b>	<b>283 238</b>	<b>1 631</b>	<b>5 656</b>	<b>28</b>	<b>3 527</b>	<b>20</b>	<b>0</b>

Comparable figures as at 1 January 2019:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Accrued income from guarantees	208 866	1 788	12 835	-26	1 014	133	0
Other receivables and outstanding amounts	-3 128	2 200	-4 653	-1 398	1 032	4 863	0
<b>Total other receivables</b>	<b>205 738</b>	<b>3 988</b>	<b>8 182</b>	<b>-1 424</b>	<b>2 046</b>	<b>4 996</b>	<b>0</b>

## 16) Accumulated capital

The calculation of impairments of claim receivables and provisions for commitments in the guarantee portfolio complies with the principles stated in IFRS 9 as from the

2019 financial year. The implementation effect linked to the transition from the Lending Regulations to IFRS 9 has been charged to accumulated capital as at 1 January 2019.

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Paid-in primary capital 31 December 2018		450 000					
Accrued capital 31 December 2018	5 068 204	104 671	41 882	-11 685	3 466	-682 512	7 299
<b>Total accumulated capital 31 Dec. 2018</b>	<b>5 068 204</b>	<b>554 671</b>	<b>41 882</b>	<b>-11 685</b>	<b>3 466</b>	<b>-682 512</b>	<b>7 299</b>
Implementation effect IFRS 9	337 134	14 053	-208	13 100	-2 122	38	
<b>Accumulated capital 1 January 2019</b>	<b>5 405 338</b>	<b>568 724</b>	<b>41 674</b>	<b>1 415</b>	<b>1 344</b>	<b>-682 474</b>	<b>7 299</b>
Profit 2019 before transfer to the state	42 215	1 413	88 508	26 313	19 355	13 474	374
State transfers						-12 600	-2 000
<b>Accumulated capital 31 December 2019</b>	<b>5 447 553</b>	<b>570 137</b>	<b>130 182</b>	<b>27 728</b>	<b>20 698</b>	<b>-681 600</b>	<b>5 672</b>

### Transfers to the Norwegian state

The old general guarantee scheme and old special schemes annually pay to the Treasury a sum determined by the Norwegian Parliament, and this was NOK 14.6 million for 2019. From 2010 through 2019, accumulated transfers amounted to NOK 722 million.

Beyond short-term needs and annually estimated administrative costs, up to NOK 450 million of the developing countries guarantee scheme's funds are to be held in the primary capital fund.

This guarantee scheme regulates its liquidity through transfers to/from this fund. The fund is shown as a paid-in primary capital fund of NOK 450 million on the balance sheet for the developing countries guarantee scheme. The primary capital fund is non-interest-bearing.

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

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### 17) Debt relief plan

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

	GAM	SÆR
Remaining debt relief plan limit 1 Jan. 2019	829 685	4 080
Debt relief		
<b>Remaining debt relief plan limit 31 Dec. 2019</b>	<b>829 685</b>	<b>4 080</b>

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

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

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

## 19) Other liabilities

As at 31 December 2019, other liabilities consist of:

	AGO	ULA	BYG	KRA	SKI	GAM	SÆR
Unpaid administrative expenses	1 470	14	64	61	4	61	0
Unpaid reinsurance	8 400	0	0	0	0	0	0
Other ledger entries	308	0	0	791	0	0	0
<b>Total other liabilities</b>	<b>10 178</b>	<b>14</b>	<b>64</b>	<b>852</b>	<b>4</b>	<b>61</b>	<b>0</b>

Comparable figures as at 1 January 2019:

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

## 20) Related parties

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

Relationships of significant importance are described below.

### Export Credit Norway AS

Export Credit Norway is a company wholly owned by MTIF and administers export financing on behalf of the Norwegian state. The guarantee schemes guarantee NOK 49.2 billion (NOK 47.1 billion) of Export Credit Norway's lending portfolio. For this, GIEK receives premiums and fee revenues from the borrowers on market terms, which in 2019 amounted to NOK 735 million (NOK 832 million) in premiums and NOK 150 million (NOK 87 million) in fee revenues. In addition, Export Credit Norway pays NOK 900 000 (NOK 850 000) for various sustainability services.

### Ministry of Trade, Industry and Fisheries

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

1. A primary capital fund of NOK 450 million has been established for the developing countries guarantee scheme. The guarantee exposure limit for this scheme is seven times the primary capital fund (NOK 3,150 million). In 2008, management of the primary capital fund was transferred from MTIF to GIEK, with NOK 300 million then in the fund. An additional NOK 150 million was transferred to the primary capital fund in 2009.
2. Transfer of bank deposits. For the old general guarantee scheme and old special schemes, annual transfers equivalent to the bank deposits at the beginning of the year minus NOK 5 million are made to MTIF. In 2019, this amounted to NOK 14.6 million.
3. The power purchase guarantee scheme has a debt of NOK 10 million to MTIF.
4. The domestic ship guarantee scheme has received a grant of NOK 10 million from MTIF. This grant is to be repaid when this is regarded as expedient based on the liquidity in the scheme.

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

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### 21) Liquidity risk

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

The table below sets out the maturity dates for the underlying loans that GIEK has guaranteed:

	< 1 month	1–3 months	3 months–1 year	1–5 years	> 5 years
AGO	117 910	316 000	2 499 000	23 197 657	54 697 503
GAM				2 467	
BYG	50 000	989 000	261 405		
KRA					4 500 299
SKI					1 303 469
ULA			11 690	73 397	486 578
<b>Total</b>	<b>167 910</b>	<b>1 305 000</b>	<b>2 772 095</b>	<b>23 273 520</b>	<b>60 987 848</b>

### 22) Events after the balance sheet date

On the date when the accounts were presented, there was no information on significant factors that affect the 2019 accounts.

The effects of the coronavirus have increased and the fall in the oil price has weakened the Norwegian krone against the US dollar and euro. Increasing volatility in the stock markets may make it difficult to raise new capital and more challenging to find restructuring solutions for oil- service shipping companies. The Board considers the market's reactions to the coronavirus to be within the levels of variation and uncertainty that were assumed in the loss-review assessments.





The Norwegian Export Credit  
Guarantee Agency

**Postal address:**

Postboks 1763 Vika,  
N-0122 Oslo, Norway

**Visiting address:**

Støperigata 1  
0250 Oslo, Norway

Tlf.: +47 22 87 62 00  
postmottak@giek.no

[www.giek.no](http://www.giek.no)

## GIEK is the Norwegian Export Credit Guarantee Agency

GIEK is a public-sector enterprise that reports to the Ministry of Trade, Industry and Fisheries (MTIF).

GIEK provides long-term guarantees that encourage Norwegian industry to carry out more international trade and exports. On behalf of the Norwegian state, GIEK provides guarantees for loans, investments and product deliveries on commercial terms. The guarantees are given to Norwegian companies, their international buyers and banks.