EKSPORTKREDITT
Export Credit Norway

ANNUAL REPORT 2019

KEY FIGURES 2019

LENDING BALANCE:
65.0 NOK billion

APPLICATION VOLUME:
128.2 NOK billion

NEWLY SIGNED CONTRACTS:
7.9 NOK billion

WELL-SATISFIED CUSTOMERS (SCORE):
4.3/5

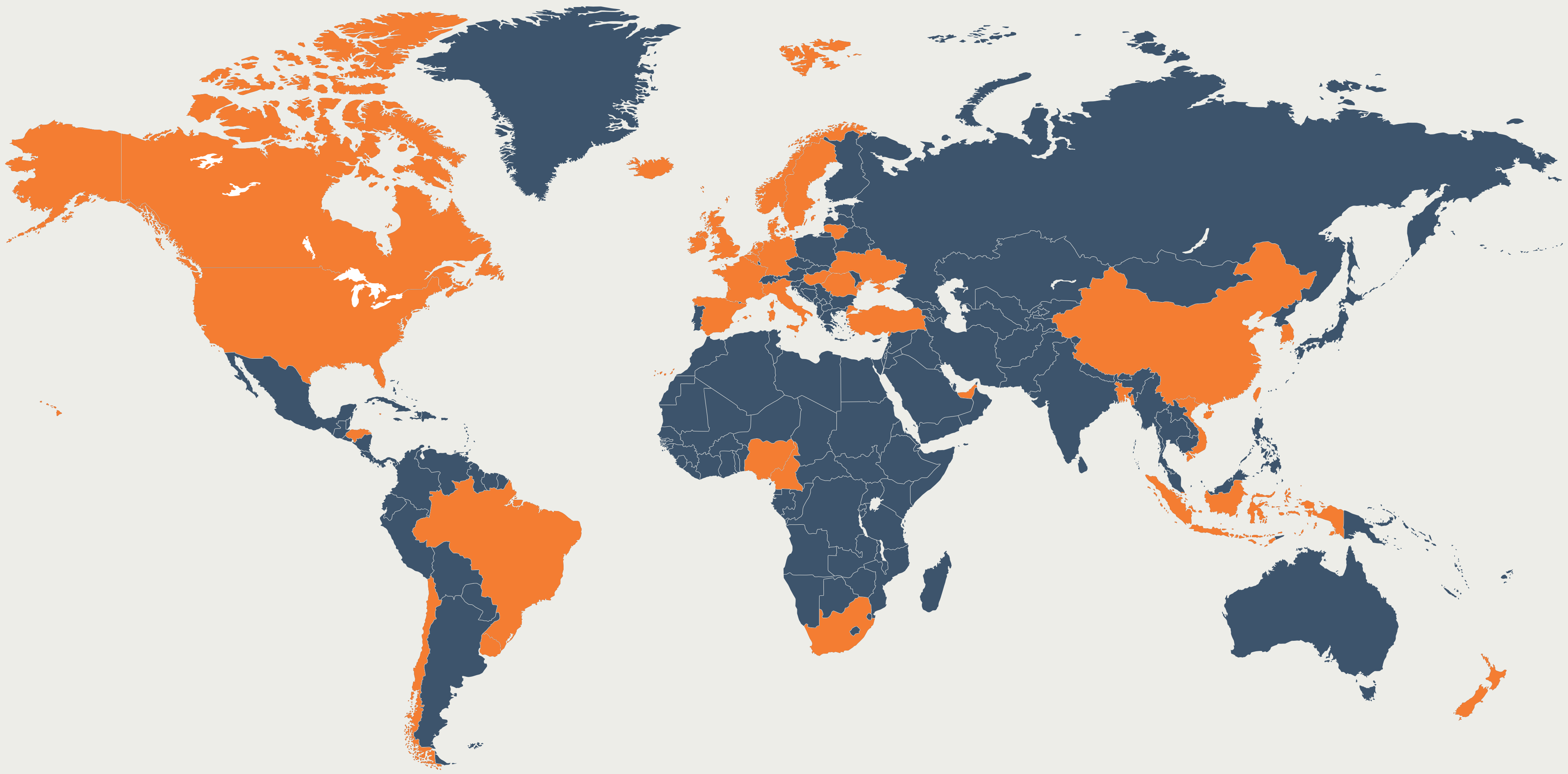
MANAGED LOANS:
217

NEW APPLICATIONS:
282

DISBURSEMENT VOLUME:
11.4 NOK billion

EMPLOYEES:
49

THE COMPANY HAS PROJECT AND CONTRACT EXPERIENCE IN
42 different jurisdictions



CONTENTS

IMPORTANT EVENTS 2019

JANUARY

Export Credit Norway disburses a loan to Aker BioMarine for a specially designed krill fishing vessel which will be used in the Southern Ocean near the South Pole. The ship was built by Vard for Aker BioMarine, and Export Credit Norway contributes financing of USD 113 million.

FEBRUARY

Export Credit Norway, Norwegian Energy Partners (NORWEP) and the Norwegian Solar Energy Cluster present an assessment of the solar energy industry during International Solar Day in Oslo.

MARCH

The Fosnavåg based company RS Systems AS supplies high-tech laboratory equipment for core samples from oil drilling. The buyer is the English company Petricore Ltd and the delivery is financed through loan from Export Credit Norway.

APRIL

The annual Export Conference kicks off, and Cambi Group wins the prestigious Export Prize for 2019.

MAY

The first loan agreement under the new ship financing scheme is signed. The contract applies to a loan to the Nergård Group for delivering of a boat from Vard Brattvåg.

JUNE

Nor-Shipping 2019 kicks off, and Export Credit Norway participates with a stand and joint "MINI-TALKS" in cooperation with GIEK, GIEK Credit Insurance and Innovation Norway.

JULY

The passenger ship "MS Roald Amundsen" is delivered from Kleven Verft shipyard in Ulsteinvik, and Export Credit Norway contributes with financing to the buyer Hurtigruten AS. The ship has diesel-electric transmission and navigation systems for dynamic positioning.

AUGUST

Together with Enova, NCE Maritime Clean Tech, the Norwegian Shipowners' Association and Menon Economics, Export Credit Norway presents an assessment of sales, exports and investments in the green maritime industry.

"Color Hybrid", the world's largest plug-in hybrid ship, is delivered from Ulstein Verft AS to Color Group AS and is financed with a loan from Export Credit Norway.

SEPTEMBER

The potential value creation from the development of a Norwegian-based offshore wind industry is assessed for the first time. The report, which will be presented in connection with the Offshore Wind Conference in Oslo, was prepared by Menon Economics on assignment for, among others, the Norwegian Offshore Wind Cluster, Federation of Norwegian Industries, Norwegian Shipowners' Association and Export Credit Norway.

A loan is disbursed to the Brazilian company Dofcon Navegacao Ltda. for financing of Norwegian deliveries to a cable laying vessel delivered from Vard Promar in Brazil.

OCTOBER

The stern trawler "ASKELL" is delivered from Vard to the Icelandic shipping company Gjögur. The ship is part of a series of seven ships to be delivered to four Icelandic shipping companies, and Export Credit Norway is financing six of the ships.

NOVEMBER

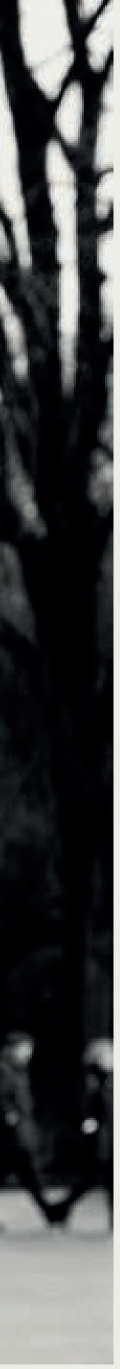
Export Credit Norway presents the report "Climate change in the Norwegian business sector – Status and opportunities for green, profitable and export-oriented growth", together with ZERO at their conference in Oslo. The report is the first of its kind to assess the status and potential industry by industry in relation to the criteria of low greenhouse gas emissions, high profitability and strong international competitiveness.

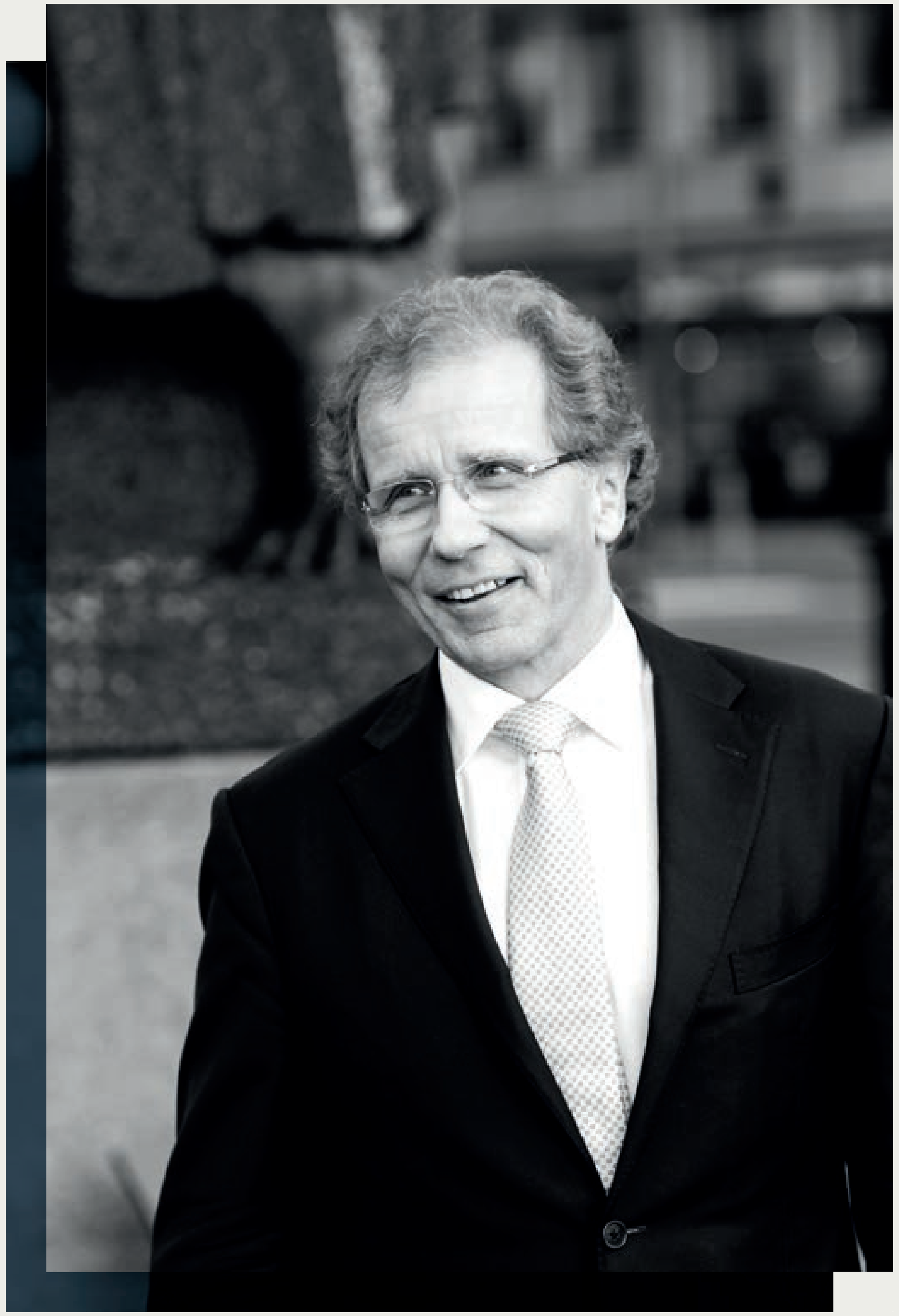
Export Credit Norway is certified as a great workplace by Great Place to Work. The certification demonstrates that employees at Export Credit Norway consider both the workplace and opportunities for personal and professional development to be excellent.

DECEMBER

Export Credit Norway is the first state-owned financing stakeholder to sign the Poseidon Principles, an international framework for measuring the carbon footprint in ship finance portfolios.

Multi Pump Innovation AS supplies a cleaning robot for fish farm cages to Chilean company Yagan Chile SpA. The cleaning robot is financed with a loan from Export Credit Norway.





1 Letter from the CEO and Board of Directors' report

1.1 LETTER FROM THE CEO

Positive development in Norway, but we face challenges

There is no doubt that Norway is in good condition. The country is experiencing growth, unemployment is low, the Government Pension Fund of Norway is increasing, and the short-term economic outlook is positive. However, there is also uncertainty at the start of 2020, and trade and geopolitical conflicts and an ongoing virus outbreak represent risk factors for both Norwegian and global growth.

Export Credit Norway's objective is to promote Norwegian exports. Exports ensure that our country has growth, jobs and income. In his annual speech in January 2020 , the governor of the Norwegian Central Bank (Norges Bank) cautioned against a growing balance of trade deficit and said that the current trend cannot continue. In our view, the warning from the Central Bank is both good and timely. The export situation in Norway is starting to become critical if we wish to continue to maintain the present level of welfare.

Norway is losing ground and must increase exports by NOK 800 billion

Historically, Norway has done well in the export markets within our four main industries: processing, maritime, oil and gas and seafood. Norwegian business is still dominated by oil and gas, which account for almost 50 per cent of Norwegian exports. Moving forward, we know that revenues from the oil and gas industry will decrease and the forecasts on the Norwegian Continental Shelf show a marked decline after 2024. Norway is also the country in the OECD that has lost the most market share when measured in terms of export volume in the past 20 years. Market shares have more than halved since 1998. We have a large export gap when the opposite is what we need. If Norway is to close this gap, exports other than oil and gas will have to double from approximately NOK 800 billion in 2018 to approximately NOK 1,600 billion by 2040. This means that mainland exports must increase by a staggering NOK 800 billion[1]. 2040 may seem far away, but is still very close.

Increased contact giving results

During 2019, Export Credit Norway worked on a broad front that included both the market and Norwegian exporters. Export Credit Norway made targeted efforts towards small and medium-sized enterprises (SMEs) and worked intensively with renewable energy and exports of green technology during the year. We believe that we succeeded in significantly widening our network of both existing and potential exporters during the previous year. These activities resulted in up to 300 applications, more than half of which were

[1] 2015 NOK

applications from SME exporters. We disbursed an additional NOK 11.4 billion, and during the year signed 19 new loan agreements with a total lending volume of NOK 7.9 billion.

During 2019 we carried out extensive work in obtaining facts and analyses in cooperation with a number of operators. The work has resulted in several reports that assess industries, volumes, export shares and future prospects within, among other things, green maritime, offshore wind and solar energy. All reports are published, and knowledge and facts enable us to be better equipped to understand, discuss and prioritise the needs of the business sector of the future. Export Credit Norway envisages that this work will continue into 2020 and beyond.

Good advice works

Knowledge of Norwegian business, potential export opportunities, industries, countries and market opportunities come with natural knowledge about financing export contracts. Each year, Export Credit Norway receives approximately 300 loan applications, but also has dialogue with hundreds of exporters. The continual interaction between the organisation and customers naturally involves a significant element of advice, not only in relation to a loan transaction, but also focused on the exporters and their operationalisation of strategies for scaling and Internationalisation. We see that the expertise the company has acquired is considered very valuable to the exporters in several phases of their work. Our own feedback is also supported by surveys conducted by a third party, in which the exporters themselves emphasised that the dialogue with Export Credit Norway resulted in exports, even in cases where loan financing was obtained elsewhere.[2]

Policy instruments for future exports

In 2019–2020, the Norwegian Government will conduct a comprehensive review of the entire business-oriented public support system. Export Credit Norway is also part of the review, and we look forward to our owner deciding on the necessary changes in 2020 in order to create an effective and future-oriented public support system.

A future-oriented public support system will require better organisation and an increased focus on commercialisation, scaling and internationalisation. We are good at product innovation, but Norwegian companies are less adept at commercialisation and scaling – selling goods and services internationally. We also see a need in the market for providing financing to the exporters themselves, ensuring that they secure operating capital and support for investments aimed at the internationalisation that is necessary for increasing Norwegian exports. The review of the public support system is a unique opportunity to organise a support apparatus with internationally competitive products, and this type of export initiative should be linked to clear sustainability and climate goals.

We will contribute

Norway has always lived off international trade. We have demonstrated a strong ability to restructure and are in full swing with the "green transition" within oil, shipping, transport and other industries. However, we are losing ground and the international competition is tougher than ever. We need to combine our efforts to reverse a negative development and close the export gap. This will require a multifaceted action plan in which the business sector, government and the public support system come together. At Export Credit Norway we are ready to contribute – an increase in exports of NOK 800 billion will not happen by itself.

Otto Søberg
Chief Executive Officer

[2] Customer and impact survey, Menon Economics 2019

1.2 BOARD OF DIRECTORS' REPORT

Export Credit Norway administers Norway's export credit scheme on behalf of the Norwegian State by providing export financing in the form of fixed-rate CIRR loans and variable-rate CIRR-qualified market loans to customers of Norwegian exporters. [3]The export credit scheme has also been expanded to include financing services in the form of market loans for the purchase of ships constructed at shipyards in Norway for Norwegian buyers and intended for use in Norway, regulated through the ship financing scheme. The company operates from Oslo and also has a presence in Ålesund. For further information on the export credit scheme, see *Chapter 2 Introduction and key figures*.

According to the Board's assessment, Export Credit Norway promoted Norwegian exports by providing competitive, accessible and effective export financing. The company has engaged in a high level of marketing activity to ensure that exporters and potential borrowers have a good level of awareness about the export credit scheme. Export Credit Norway provides extensive advice to the export industry through interaction with customers, potential customers and the market in general. Furthermore, customer surveys show that users of the scheme regard the export credit scheme's terms as competitive, and that export financing enjoys positive additionality, i.e. that it triggers new exports and contributes to employment in Norway.

Market and lending activity

In 2019, Export Credit Norway received 282 loan applications, which represented a total application volume of NOK 128.2 billion. In contrast, the company received 304 applications representing an application volume of NOK 175.6 billion in 2018. The decrease in the number of new applications was divided among the segments of energy and industry and shipping. The change in application volume between 2018 and 2019 was primarily due to a small number of individual applications of significant size in 2018 that increased the application volume for that year.

The types of applications have changed in recent years and represent a greater cross-section of market areas than the company's total lending portfolio at year-end. In terms of value, the lending portfolio is still dominated by loans to offshore vessels and the oil and gas sector.

Historically, the majority of applications relating to the offshore sector have concerned financing for offshore vessels and rigs. Since 2015, Export Credit Norway has seen a shift in the types of applications, with an increase in enquiries and applications regarding funding in the FPSO

TABLE 1 **LOAN APPLICATIONS**

Export Credit Norway's application volume for 2019 and 2018 was as follows:[4]

Amounts in NOK million	Number of applications 2019	Number of applications 2018	Application volume 2019	Application volume 2018
Energy and industry	133	149	74,371	125,395
Shipping	80	95	40,400	40,018
Fisheries and aquaculture	69	60	13,447	10,158
Total	**282**	**304**	**128,218**	**175,571**

[3] CIRR (Commercial Interest Reference Rate) loans are fixed-rate loans made in accordance with the OECD agreement on officially supported export credits. The interest rate is based on the rate on government bonds in a given currency, and is set by the OECD. CIRR loans may be made in all OECD currencies. Repayment periods vary from 2 to 12 years. Loans made for certain purposes may have repayment periods of up to 18 years.

[4] Experience has shown that projects are lost in such a way that expected disbursements will be significantly lower.

(Floating production storage and offloading) and field development segments. This trend also continued in 2019 and is reflected in the application figures within energy and industry. The market development within shipping is particularly positive in the segments for cruise boats, ferries and offshore wind vessels. The company received a high number of applications from these segments in both 2019 and 2018. The company registered a high level of activity within fisheries and aquaculture, which was primarily related to fish farming and equipment for fish farming, and which was also reflected in the application figures.

Export Credit Norway assesses requests for financing before an application is registered. This means that several requests for loan financing are not registered as applications. In a number of instances, the company will be in dialogue with and advise exporters at an early stage without this being registered in the company's application figures. In the assignment letter from the Ministry of Trade, Industry and Fisheries, Export Credit Norway was asked to document the effect that the offer of loans has on exports.[5] The results of the survey concluded that the export financing system and the associated dialogue with Export Credit Norway triggered or contributed to increased exports for over 40 per cent of exporters who were offered loans. This emphasises that advice relating to the financing process provides market opportunities and has a triggering effect on export contracts, even when Export Credit Norway itself does not end up assisting with financing for the specific export contract. For example, the company's advisory activities contribute to customers' strategy processes and planning of future scaling in the export market.

Experience indicates that less than 10 per cent of registered applications result in a disbursed loan. There are several reasons for applications not resulting in disbursement. Of the applications that did not result in loans in 2019, 38 per cent were due to the buyer selecting alternative financing. In 32 per cent of the cases, the exporter lost the contract, while in 20 per cent of the cases it was the buyer that cancelled the project. 10 per cent of the applications were not approved by Export Credit Norway or the guarantor and therefore fell away during the loan process.

The probability-adjusted order book decreased compared to 2018, and ended at NOK 12.9 billion.[7] The reduction in the probability-adjusted order book was primarily related to disbursements within shipping due to the delivery of finished cruise ships from Norwegian shipyards.

Export Credit Norway signed 19 new loan agreements with a combined lending volume of NOK 7.9 billion in 2019. The number of signed loan agreements was at the same level as previous years, while the overall volume is higher. This was principally due to an increase in the average size of the agreements, particularly within shipping. Just over 35 per cent of the volume was disbursed in 2019 and the remainder is expected to be disbursed in 2020 and 2021.

Export Credit Norway disbursed NOK 11.4 billion in loans in 2019, compared to NOK 2.9 billion in 2018. The increase in the disbursement volume was principally related to shipping in connection with the delivery of finished cruise ships from Norwegian shipyards, as well as equipment for oil and gas. 63 per cent of the disbursement volume in 2019 was linked to CIRR loans.

As at 31 December 2019, Export Credit Norway had a total of 217 managed loans, with a total volume of NOK 65 billion.[8] In comparison, the company had 208 managed loans, with a total volume of NOK 61.2 billion at the end of 2018. The lending balance related to shipping accounts for 70 per cent of the total lending balance, while energy and industry account for 26 per cent and the figure for fisheries and aquaculture is 3 per cent. The distribution by segment is at the same level as the previous year. The lending balance principally consists of loans in USD and NOK because loans within offshore vessels and oil and gas equipment are dominated by these two currencies.

TABLE 2 **PROBABILITY-ADJUSTED ORDER BOOK**

Export Credit Norway's probability-adjusted order book at the end of 2019 and 2018 was as follows:[6]

Amounts in NOK million	Number in 2019	Number in 2018	Volume 2019	Volume 2018
Energy and industry	6	10	3,205	2,052
Shipping	17	38	6,872	14,476
Fisheries and aquaculture	13	15	2,836	2,685
Total	**36**	**63**	**12,913**	**19,213**

TABLE 3 **CASH FLOW STATEMENT FOR THE EXPORT CREDIT SCHEME**

The export credit scheme's cash flows were as follows in 2018 and 2019:

Amounts in NOK million	2019	2018
New disbursements [9]	11,360	2,880
Interest income	1,527	1,727
Repayments [10]	7,045	11,687
Fee income	38	35

TABLE 4 **LENDING BALANCE**

Export Credit Norway's lending balance at the end of 2019, distributed by currencies and segment, was as follows:

Amounts in NOK million	CAD	DKK	EUR	GBP	JPY	NOK	SEK	USD	Total
Energy and industry	0	0	2,741	297	0	613	22	13,280	16,953
Shipping	497	6	5,303	320	0	18,366	0	21,436	45,928
Fisheries and aquaculture	0	0	926	0	79	146	0	1,007	2,158
Total	497	6	8,970	617	79	19,125	22	35,722	65,039
Share of total balance as a %	0.8	0.01	13.8	0.9	0.1	29.4	0.03	54.9	

[5] The survey is included in the annual customer and impact survey for Export Credit Norway.

[6] Best estimate for future loan disbursements. Based on applications received, a probability assessment is carried out in connection with potential future loan disbursement.

[7] A loan is entered in the probability-adjusted order book once the customer has accepted the terms in the offer.

[8] Based on Norges Bank's mid-rates on the final banking day of December 2019. USD:NOK 8.7803, EUR:NOK 9.8638, GBP:NOK 11.5936, SEK:NOK 94.42, CAD:NOK 6.757, JPY:NOK 8.0891, DKK:NOK 132.02.

[9] New disbursements in foreign currency are presented based on the exchange rate as of the most recent bank day in December 2019.

[10] The repayments in foreign currencies in 2019 are recorded at historical cost, i.e. at the exchange rate on the original disbursement date.

As at 31 December 2019, GIEK guaranteed for 72 per cent of Export Credit Norway's lending portfolio. Of the remainder, 14 per cent is guaranteed by Norwegian banks and 14 per cent by foreign banks. In other words, NOK 18 billion is guaranteed by financial institutions other than GIEK.

Protecting the State's assets

Export Credit Norway is focused on applying strong risk management routines to avoid losses in connection with the export credit scheme. A key part of creating and securing assets for the state is ensuring quality in the transaction processes and in the work with loan restructuring and the deferment of borrowers' instalments. At the end of 2019, Export Credit Norway had 106 loans for which instalment deferments had been granted for 27 borrowers. Overall, instalment deferments granted amounted to NOK 4.6 billion at year-end. Export Credit Norway's loans are backed by robust guarantors, and the risk of losses is considered to be low.

Initiatives targeting small and medium-sized enterprises

Export Credit Norway's initiatives aimed at small and medium-sized enterprises (SMEs) with end-users that request long-term financing are a high priority for the company. It is from these companies that Export Credit Norway experiences the most demand for sales support for own work, and demand for general advice relating to financing of export activities. Export Credit Norway has recognised that the company's advice significantly contributes to and has a triggering effect for Norwegian exports, including for transactions which the company does not end up providing financing for. See *Chapter 3 – Activities and results for the year.*

Export Credit Norway received 151 applications from SME exporters in 2019. This corresponds to 54 per cent of total loan applications received during the year. In comparison, the company received 143 loan applications from SMEs in 2018, which amounted to 47 per cent of loan applications received. The SME applications represent a broad range of industries. This is also reflected in the company's SME loan portfolio, which is dominated by suppliers in the ICT, maritime, renewable energy, aquaculture and other equipment segments. In the SME portfolio, the share of the total lending balance to non-OECD countries is higher than for the rest of the company's portfolio, and amounts to 57 per cent. These are demanding markets and accessible advice for exporters is particularly important.

The customer and impact survey conducted by Menon Economics revealed that financing from Export Credit Norway indirectly assists Norwegian SMEs, because major export contracts depend on deliveries from SMEs. Transactions in 2019 that were financed by Export Credit Norway secured more than NOK 10 billion in sales to Norwegian SMEs.

Eksportkreditt Norge AS (Export Credit Norway), single-entity financial statements

Export Credit Norway receives a grant under the fiscal budget to cover administration of the export credit scheme. In 2019, the grant amounted to NOK 115.1 million, of which N OK 111.4 million was recognised as income. Operating expenses excluding depreciation and amortisation were NOK 107.6 million. The expenses primarily consisted of payroll costs, administrative costs and purchases of external services.

Export Credit Norway's result for 2019 was a profit of NOK 4.1 million after tax, compared to a post-tax profit of NOK 4.5 million in 2018. The company has NOK 33.5 million in equity, and little exposure to financial risk. The company's cash flow statement shows that it enjoys strong liquidity. Differences between the operating result and cash flow are due to deferred recognition of the investment grant as income. The company's assets primarily consist of bank deposits, fixtures and intangible assets.

The Board proposes that the profit of NOK 4.1 million be transferred to other equity.

The Storting (Norwegian parliament) has approved an operating grant of NOK 118.2 million for Export Credit Norway for 2020.

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

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

Research and development activities

Export Credit Norway has no research and development (R&D) programme.

Working environment and competence building

Export Credit Norway is a knowledge-based organisation that aims to put the customer first. The company's employees are highly educated and have international experience. 76 per cent of employees have a master's degree, 56 per cent have at least one year of higher education from a university abroad and 25 per cent have more than one year of international work experience. The company works systematically with strategic competence building and the company's business strategy sets guidelines for the development activities that are carried out. In 2019, Export Credit Norway carried out a major competence building project which developed a model for competence management. The objective of this work has been to establish a good framework for necessary learning and competence building. The framework will also contribute to follow-up on agreed measures, as well as provide a clearer overview in terms of existing competence status and future needs in the company.

Export Credit Norway's leaders aim to manage by clear objectives, promote productive information-sharing and provide feedback on completed work. The company expects its staff to take responsibility, give each other constructive and clear feedback, be flexible and contribute to a positive work environment. An employee satisfaction survey was carried out by Great Place to Work in the autumn of 2019. The results from the survey showed that 91 per cent of the employees considered Export Credit Norway to be a great place to work.

The company's overall sick leave rate was 2.3 per cent in 2019, with short-term sick leave at 0.9 per cent and long-term sick leave at 1.4 per cent. No work-related accidents or incidents resulting in significant damage or personal injury occurred or were reported during the year. In accordance with the company's routines, the company's working environment committee met twice in 2019. In compliance with the working environment committee's assessment there was no need for additional meetings.

Equality and diversity

Export credit Norway has long worked to ensure equality and diversity, which has resulted in a good gender balance at company level. At the end of 2019, the company had a total of 49 employees, 57 per cent of whom were women and 43 per cent of whom were men. 60 per cent of the shareholder-elected board members were women, and women also made up 67 per cent of the Board of Directors as a whole. The proportion of women in the management group was 29 per cent. In positions that involve personnel management in the organisation (at the level below the management group), the gender distribution was 67 per cent women and 33 per cent men. For positions as heads of the company's five specialist groups, the distribution at year-end was 80 per cent women and 20 per cent men.

Export Credit Norway has adopted guidelines and taken steps to ensure that targeted, planned gender equality and diversity efforts are pursued in the company. The company is focused on ensuring a gender balance when recruiting new staff, offering equal opportunities to all employees in terms of competence development, and adjusting pay and remuneration levels to eliminate any unfounded gender differentials.

Export Credit Norway practices zero tolerance for all forms of psychological, sexual and other harassment. The company works to prevent discrimination on the basis of ethnicity, skin colour, language, religion and beliefs.

Sustainability and corporate social responsibility

The Board of Directors gives priority to integrating Export Credit Norway's sustainability and corporate social responsibility efforts into its operations, strategy and role as advisor for the market. Export Credit Norway assesses all transactions that are financed with respect to the risk to the environment and social conditions, as well as factors relating to corruption, money laundering, and other integrity risks. The company's assessment are carried out in accordance with national and international laws and regulations in the applicable area, in addition to recognised international guidelines.

Export Credit Norway has a risk-based approach in its due diligence assessments and focuses on areas in which the company is most at risk and has the greatest opportunity to influence. The company endeavours to contribute to positive developments within CSR by setting requirements for exporters and borrowers when the company considers that improvements are needed for compliance with the company's guidelines. Export Credit Norway works to ensure that improvements are made through conditions in the loan agreements and loan monitoring. A fundamental principle of the CSR work is to strive to contribute to improvements over time.

In 2019, Export Credit Norway continued to work on raising awareness about accountability in the supply chains of the Norwegian exporters. Among other things, the company has updated the exporter declaration, which is obtained in all transactions that are financed, to clarify our expectations that companies carry out their own due diligence assessments of potential risks to humans, the environmental and society.

In order to contribute to a greater focus on climate change and the mapping of greenhouse gas emissions in ship financing, Export Credit Norway signed the Poseidon Principles in 2019. These principles were developed by a number of leading international shipping banks, international industry stakeholders and academic institutions, and are an international framework for measuring the carbon footprint in ship finance portfolios.

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

Risk management and internal controls

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

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

Export Credit Norway's operations entail counterparty risk relating to guarantors, market risk and operational risk. In 2019, Export Credit Norway further reinforced its risk management procedures by maintaining its integrated internal control and operational risk management framework. The system ensures a uniform approach to internal control and risk management work across the organisation, within the areas of risk assessment, governance principles, control activities, roles and responsibilities and reporting follow-up.

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

Counterparty risk: In the administration of the export credit scheme, the company monitors ongoing rating levels, key figures and credit limit utilisation in respect of all guarantors. At the end of 2019, all loans were well within the stipulated counterparty risk limits, and the export credit scheme's counter-party risk is considered to be low. Export Credit Norway's counterparty risk is considered to be limited.

Market risk: Under the export credit scheme, 71 per cent of the lending balance at the end of 2019 was denominated in foreign currencies. In comparison, 67 per cent of all loans included in the lending balance at the end of 2018 were denominated in foreign currencies. 34 per cent of the lending balance comprised of loans on market terms, which was a similar level to 2018 (35 per cent). The company is not permitted to engage in hedging transactions, and the Norwegian State therefore manages foreign exchange risk linked to the loans in the company's portfolio along with the State's other exposure. Export Credit Norway's financial market risk relates to the operation of the company, and is deemed to be limited.

Liquidity risk: The liquidity risk of the export credit scheme is limited, as the scheme has direct access to funds from Norges Bank in connection with loan disbursement. Export Credit Norway's liquidity risk is limited, as the company receives the operating and investment grants in quarterly instalments.

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

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

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

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

Meetings of the Board of Directors and the remuneration committee

The Board of Directors held a total of 11 meetings in 2019, seven of which were ordinary meetings and four telephone/circulation meetings. The Board has a remuneration committee which prepares remuneration, pension and HR-related matters for consideration by the Board. The committee had two meetings in 2019, one of which was by circulation.

Governance and company management

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

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

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

Future outlook

Global growth indicators have been trending slightly upwards at the start of 2020. The IMF estimates (January 2020) that global GDP growth in 2020 will be 3.3 percent, up from 2.9 per cent in 2019. Growth in 2019 was at it its lowest level since the 2008–2009 financial crisis. There are uncertainties in the international macroeconomic picture, including developments in trade and geopolitical conflicts and the United Kingdom's exit from the EU. The outbreak of the Coronavirus has created uncertainty and is a risk to trade and business. Therefore, at the end of February 2020, the IMF reduced its estimate for global growth in 2020 by 0.1 per cent. Export Credit Norway expects that the development of the Coronavirus will impact on Norwegian business and thereby also the company's activities in 2020.

Growth in oil investments, low interest rates and a weak Norwegian krone have been among the drivers of moderate growth in the Norwegian economy in the past three years. This growth is in the process of slowing down somewhat. GDP growth in mainland Norway is expected to be 1.9 per cent in 2020 and drop to 1.4 per cent in 2021–2022.[11]

During 2019, Export Credit Norway and its partners assessed and analysed a number of industries. Developments are positive in several segments. For example, "green revenue" in the maritime industry, such as battery ferries and equipment deliveries, have tripled in the last five years. One third of the total revenue of NOK 28 billion in 2018 were exports. Exports of technology and services for renewable energy increased from NOK 6 billion in 2017 to NOK 9 billion in 2018. Offshore wind experienced the biggest increase, and Norwegian offshore wind contracts of at least NOK 10 billion in value were signed in 2019. Export Credit Norway expects strong growth within a number of climate-related technologies and solutions in the coming years. Norwegian companies are well-positioned in several segments and new technologies.

[11] Norges Bank Monetary Policy Report 4/2019

At the same time, Export Credit Norway is concerned about the so-called "export gap". Norway is losing its share of the export market internationally. No country other than Norway has lost greater market share in terms of volume in the past 20 years. China and India have been the winners, but Norway is also losing against comparable countries such as Sweden and Denmark. The sustained industry concentration is strong in the oil and gas, maritime and offshore industries, the processing industry and seafood. The "big four" export industries make up around 80 per cent of Norwegian exports. All other industries together account for only 20 per cent. Furthermore, Norwegian exports are primarily from industries with high greenhouse gas emissions. The industries with the highest emission intensity (80 per cent of emissions) account for 10 per cent of employment, 30 per cent of value creation, and 60 per cent of exports. This was shown in a report on climate restructuring in Norwegian business that Menon Economics prepared for Export Credit Norway and ZERO in November 2019. Restructuring represents a major challenge, both in terms of the export gap, industry concentration and climate. It is therefore in Export Credit Norway's opinion that a joint mobilisation by government and business is needed for a new, comprehensive initiative for strengthening export growth. A green export shift must be created, and if green industries are to continue to grow and create new jobs, Norway must significantly strengthen its export initiatives. Norway should therefore set a national target of doubling exports other than oil and gas by 2040. This export initiative should also be linked to clear sustainability and climate goals.

The Government is conducting a comprehensive review of the business-oriented public support system with the objective of making services more straightforward, user-friendly and effective. Deloitte was given the review assignment, and four sub-reports were submitted in 2019. Among other things, it has been noted that exports are important for developing value-creating jobs, ensuring the restructuring of the Norwegian business sector and that success in the export field should be assigned greater emphasis in the public support system. Export Credit Norway shares this view and emphasises the importance of taking the export challenge seriously, including assessing the need for new policy instruments.

Among other things, Deloitte proposed to create a new export financing agency based on the consolidation of Export Credit Norway and GIEK. Export Credit Norway is positive to the consultant's recommendation.

The review of the public support system is a unique opportunity to organise a support system with internationally competitive products which ensure that Norway has green competitiveness by facilitating growth, scaling and internationalisation for Norwegian companies. The company has provided input during the process and has had close dialogue with its owner. It is expected that 2020 will be influenced by decisions made in relation to the overall review.

Oslo, 10 March 2020

Else Bugge Fougner
Chairman of the Board

Siri Beate Hatlen
Board Member

Ingelise Arntsen
Board Member

Finn Ivar Marum
Board Member

Øyvind Holte
Board Member

Marie Sørli
Board Member

Otto Søberg
Chief Executive Officer

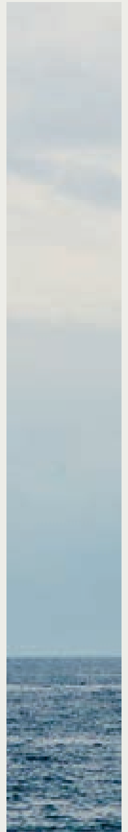
2 Introduction and key figures

Export Credit Norway is a limited liability company, wholly owned by the Norwegian government, which manages the export credit scheme on behalf of the Norwegian State and the Ministry of Trade, Industry and Fisheries. The export credit scheme is a state scheme for the provision of financial services in connection with Norwegian exports of capital goods and services, for which the intention is to offer export credits to customers of Norwegian exports at internationally competitive terms. The scheme also includes financing services in the form of market loans for the purchase of ships constructed at shipyards in Norway intended for use in Norway.

ILLUSTRATION 1 **OWNERSHIP STRUCTURE**

2.1 SOCIAL MANDATE

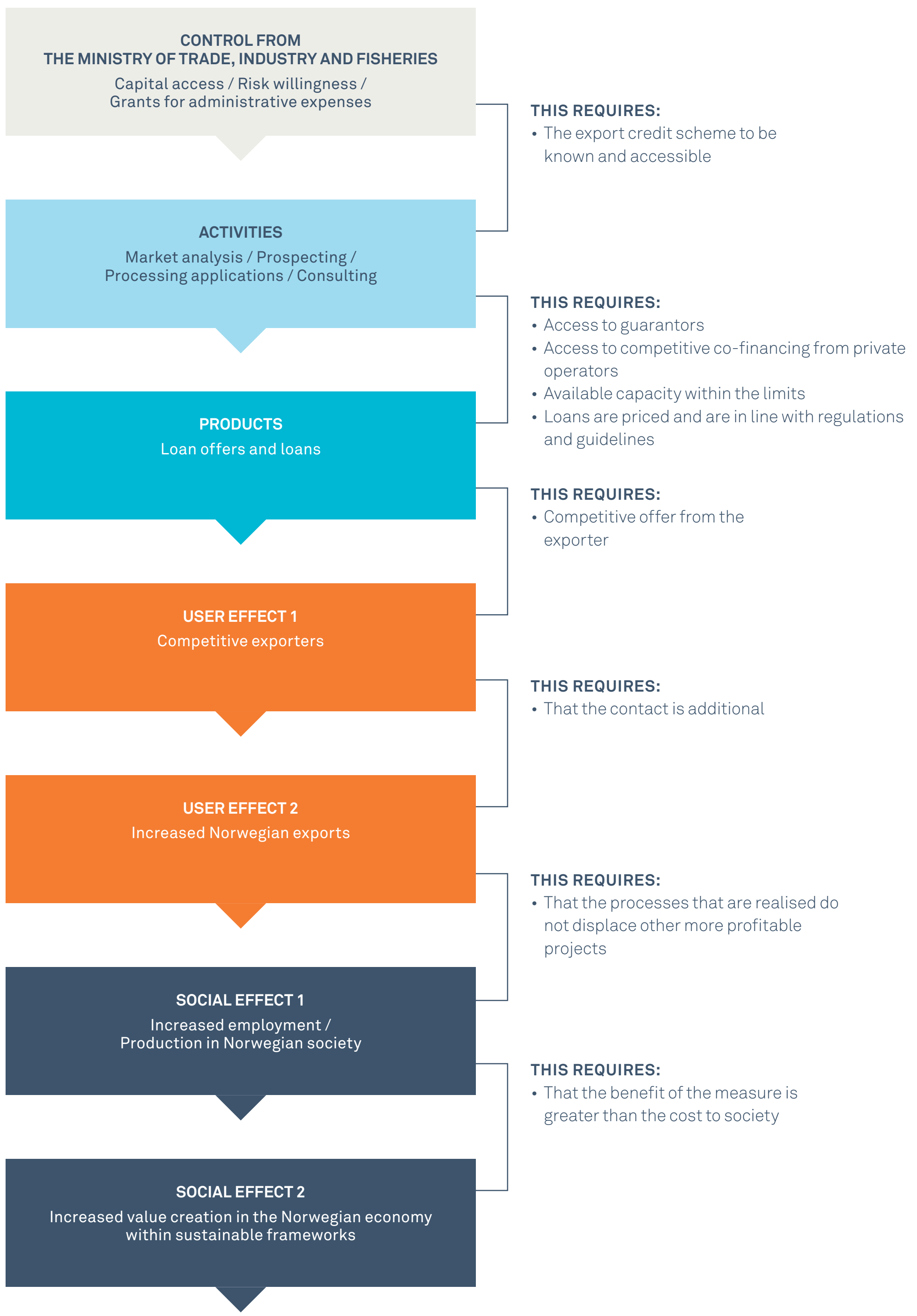
By assisting Norwegian exporters to win contracts abroad, Export Credit Norway helps to boost investment and secure jobs in Norway. This is done by ensuring that export credit is available on terms as favourable as those offered by competing countries, subject to compliance with international agreements. Ensuring that customers and partners are sufficiently familiar with the company's products and services is vital in this regard.



Providing advice to Norwegian exporters is an important part of Export Credit Norway's social mission.

The profit chain for the export credit scheme illustrates the link between input factors, activities, products and services, and the effects for users and society. User and impact surveys have been conducted, which highlight the social effects of this scheme, and the results are presented in *Chapter 3 – Activities and results for the year.*

ILLUSTRATION 2 **THE EXPORT CREDIT SCHEME'S PROFIT CHAIN**



2.2 COOPERATION WITH OTHERS

Export Credit Norway cooperates with a wide range of Norwegian and international players to ensure good export financing. Cooperation with others is an important success factor for the export credit scheme. Export Credit Norway's employees have a solid level of expertise in Norwegian exports and export financing, and the company operates as a resource centre for export financing for the owner, customers and partners.

> Export Credit Norway's objective is to promote Norwegian exports by providing competitive, acces-sible and effective financing.

2.3 EXPORT CREDIT NORWAY'S SERVICES

Export Credit Norway coordinates the entire lending process associated with marketing, application processing, assessment of risk factors in projects, approvals and disbursement of loans.

Furthermore, the company is in close dialogue with and provides advice to customers both in the early stages and during the transaction process. The advice is valuable for the businesses and has a positive effect on export financing, internation-alisation and growth, as well as customer and market conditions.

ILLUSTRATION 3 **EXPORT CREDIT NORWAY'S PARTNERS**

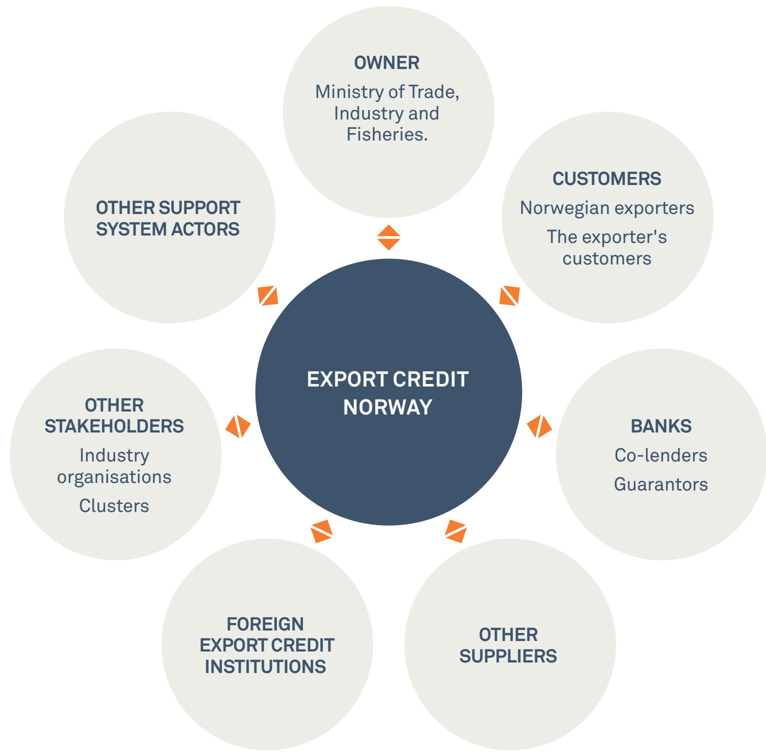
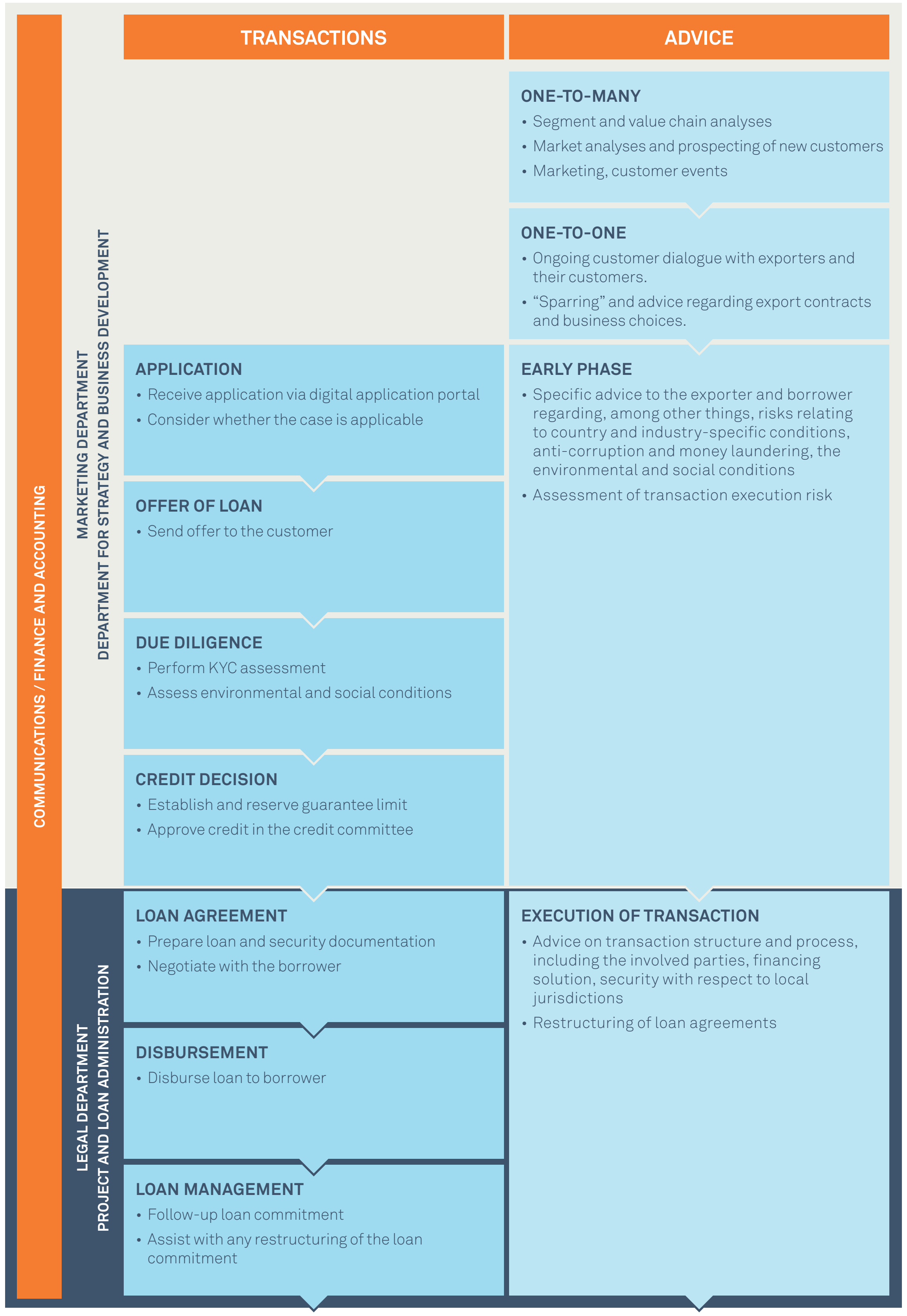


FIGURE 4 **EXPORT CREDIT NORWAY'S LENDING PROCESS AND ROLE AS ADVISOR**



2.4 CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The company's corporate social responsibility is defined as being to promote Norwegian exports in a responsible and sustainable manner. By assisting Norwegian exporters to win contracts abroad, the company helps to boost investment and secure jobs in Norway. Export Credit Norway has therefore chosen to focus on UN Sustainable Development Goal number eight: "Decent work and economic growth", which is directly linked to the company's objective. Furthermore, for several years Export Credit Norway has focused on the importance of responsible working conditions in the transactions that the company finances and the follow-up of the UN Guiding Principles on Business and Human Rights. Particular focus has been on working conditions at shipyards, which is a labour-intensive industry. The clear majority of Export Credit Norway's Norwegian portfolio consists of loans to the maritime sector. Export Credit Norway therefore also focuses on how the company can contribute towards "life below water", which is UN Sustainable Development Goal number 14.

It is in the individual transactions that Export Credit Norway has the greatest opportunity to contribute to sustainable development. Important aspects of the company's sustainability work are risks related to the environment, social conditions and corruption in the transactions. The company has a risk-based approach to assessing this. There is an increased focus on climate change in the finance sector, and in 2019 the company became a member of the Poseidon Principles, an international framework for measuring the carbon footprint in ship finance portfolios.

2.5 REGULATORY FRAMEWORK

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

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

The company's credit guidelines state that all loans must be fully guaranteed by State export guarantee agencies and/or financial institutions with good credit rating, in accordance with the company's credit policy. All loans are recorded in the central government balance sheet, and the Norwegian State is liable for the obligations the company incurs in connection with its lending activities.

2.6 ORGANISATION AND MANAGEMENT

The company had 49 employees at the end of 2019 and the company operates from Oslo and also has a presence in Ålesund.

Board of Directors
Export Credit Norway's directors have a wide range of backgrounds from business, politics and the public sector. All board members are independent. The Board met 11 times in 2019.

POSEIDON PRINCIPLES
Poseidon Principles is an international framework for measuring the carbon footprint in ship finance portfolios. The framework has been developed by a number of international shipping banks, including DNB, Citi, Societe Generale and a number of other international banks, industry stakeholders and academic institutions. Poseidon Principles can assist in making climate assessments an integrated part of lending decisions and providing a better understanding of emissions risk.

THE BOARD OF DIRECTORS OF EXPORT CREDIT NORWAY

Else Bugge Fougner (b. 1944) has served as board chair since June 2012. Ms Bugge Fougner is an attorney admitted to the Supreme Court and partner at law firm Advokatfirmaet Hjort DA. She is a former Minister of Justice and has considerable board experience from service at a number of major Norwegian enterprises. Ms Bugge Fougner is a board member at Aker Kværner Holding AS and Protector Forsikring ASA. She participated in 11 board meetings in 2019.

Siri Hatlen (b. 1957) has been a board member since June 2012. Ms Hatlen serves on the boards of such organisations as Entra ASA, Bane NOR SF and the joint board of the Norwegian University of Life Sciences (NMBU). Ms Hatlen is a former managing director of Oslo University Hospital and executive vice president at Statkraft AS, and has additionally held various positions at Statoil ASA. She participated in 10 board meetings in 2019.

Finn Ivar Marum (b. 1967) has been a board member since June 2012. Mr Marum is CEO of Nortek AS. He was previously a senior partner at the investment company HitecVision, and has experience from Kistefos AS, Ernst & Young AS and Statoil ASA. He participated in 9 board meetings in 2019.

Øyvind Holte (b. 1949) has been a board member since May 2016. Mr Holte has his own consultancy firm and serves on the boards of Northcape Capital AS and TS Shipping Invest AS, among others. Mr Holte has experience from various financial institutions and shipping and industrial companies, most recently as managing director and head of the Norwegian market at DVB Bank. His previous board experience includes service as board chair of Stiftelsen Domkirkeboligene and as board member at Oslo Børs. He participated in 11 board meetings in 2019.

Ingelise Arntsen (b. 1966) has been a board member since May 2016. Ms Arntsen has extensive management experience from various energy companies, including Statkraft, REC ASA, Sway Turbine AS and Sogn og Fjordane Energiverk. She also spent seven years in the shipbuilding industry, working for Kværner Fjellstrand in Hardanger and Singapore. Ms Arntsen is board chair at Asplan Viak and a board member at Statkraft ASA, Sparebanken Sogn & Fjordane and Beerenberg. She participated in 10 board meetings in 2019.

Marie Sørli (b 1975) (employee-elected representative) has been a board member since August 2018. Her previous positions include posts at Eksportfinans ASA, Deloitte Consulting and the Norwegian Ministry of Petroleum and Energy. Ms Sørli works as a customer advisor at Export Credit Norway and is responsible for fisheries and aquaculture. She participated in 11 board meetings in 2019.

Jørgen Hauge (b. 1959) (employee-elected observer) has been an observer since June 2016. Mr Hauge works as a project manager in connection with the execution of transactions at Export Credit Norway. He previously worked at Eksportfinans ASA, and has additional experience from the Financial Supervisory Authority of Norway. He participated in 11 board meetings in 2019.

ILLUSTRATION 5 **EXPORT CREDIT NORWAY'S ORGANISATIONAL CHART**

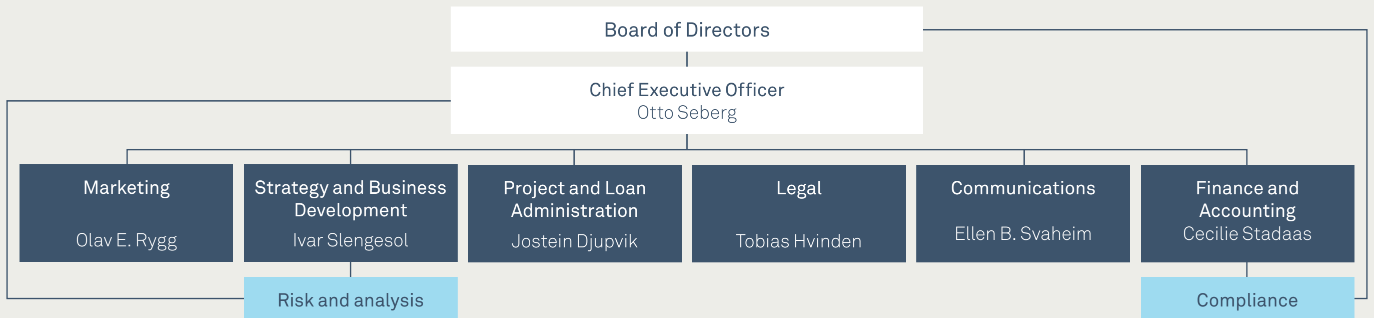
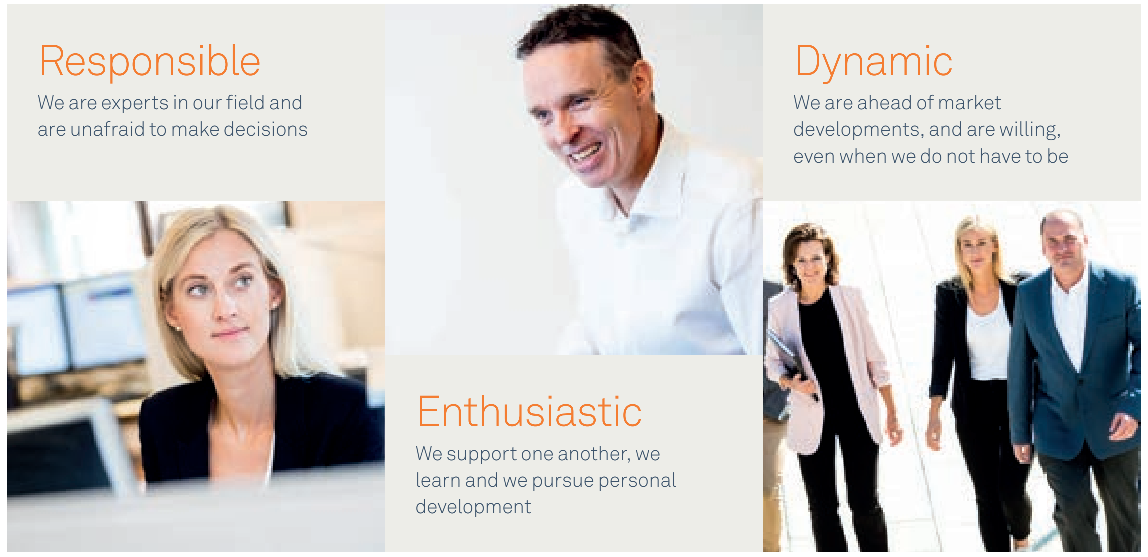


FIGURE 6 **EXPORT CREDIT NORWAY'S VALUES**



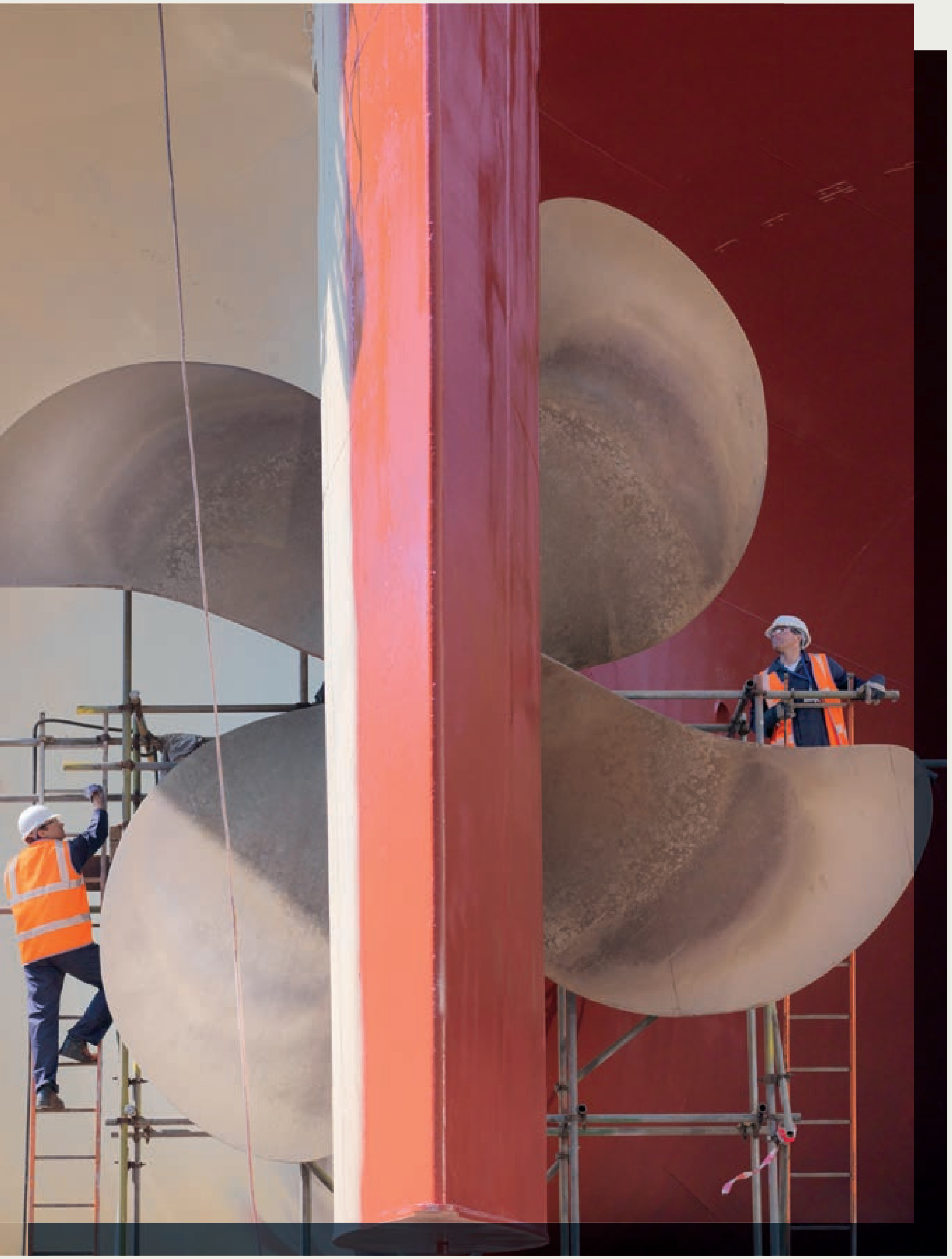
2.7 KEY FIGURES

The company received NOK 115.1 million in operating and investment grants from the State in 2019. Of this amount, NOK 112.4 million was recognised as income. Operating expenses excluding depreciation and amortisation were NOK 107.6 million. The expenses primarily consisted of payroll costs, administrative costs and purchases of external services. Export Credit Norway's result for the year was a profit of NOK 4.1 million after tax, compared to a post-tax profit of NOK 4.5 million in 2018.

Export Credit Norway received NOK 1,527 million in interest income from its lending activities in 2019, as well as NOK 38 million in fee income. These figures are on a par with previous years. Repayments amounted to NOK 7.0 billion at historical exchange rates. The 2019 financial result for lending activities was NOK 323 million, excluding the State's calculated borrowing costs and operating and investment grants paid to Export Credit Norway. See *Appendix 7.1 – Cost-benefit analysis*. The expected disbursement volume in 2020 is approximately NOK 5 billion.

TABLE 5 **KEY FIGURES 2019**

	2017	2018	2019
Lending portfolios			
Number	214	208	217
Volume (NOK million)	69,359	61,220	65,039
Applications			
Number	241	304	282
Volume (NOK million)	124,418	175,571	128,218
Probability-adjusted order book (NOK million)	16,675	19,213	12,913
Newly signed contracts (NOK billion)	9.8	4.9	7.9
Disbursements (NOK million)	3,418	2,880	11,360



3 Activities and results for the year

The Board considers Export Credit Norway to have achieved all significant goals and performance requirements from the 2019 assignment letter.

- The export credit scheme appears competitive in comparison with other banks and foreign export credit institutions.
- Stakeholders and users of the export credit scheme are well-satisfied with the service and service level offered.
- Export Credit Norway's employees are competent and effectively manage the export credit scheme.

Export Credit Norway has divided its portfolio into three main segments. These are energy and industry, shipping, and fisheries and aquaculture. These three main segments were used from the second quarter of 2019 and this arrangement is therefore different to the previous division into five segments.[12] Historical results are restated, but are therefore not directly comparable to previous annual reports.

Export Credit Norway's financing scheme and the associated dialogue have triggered or contributed to increased exports for 43 per cent of exporters.

[12] Previous classification system: Equipment for the oil and gas industry, ships, ship equipment, renewable energy and environmental technology and other industry.

TABLE 6 **KEY FIGURES 2019**

	2017	2018	2019
Lending balance (NOK million)	**69,359**	**61,220**	**65,039**
CIRR	43,503	39,507	42,746
Market Loans	25,856	21,713	22,294
Lending balance (NOK million)	**69,359**	**61,220**	**65,039**
Energy and industry	22,339	16,909	16,953
Shipping	46,002	43,180	45,928
Fisheries and aquaculture	1,018	1,130	2,158
Disbursements (NOK million)	**3,418**	**2,880**	**11,360**
CIRR	2,677	1,268	7,126
Market Loans	742	1,612	4,235
Disbursements (NOK million)	**3,418**	**2,880**	**11,360**
Energy and industry	1,534	2,023	1,965
Shipping	1,400	563	7,367
Fisheries and aquaculture	484	294	2,028
Probability-adjusted order book (NOK million)	**16,675**	**19,213**	**12,913**
Energy and industry	5,720	2,052	3,205
Shipping	9,353	14,476	6,872
Fisheries and aquaculture	1,602	2,685	2,836
Applications			
Number (total and by industry)	**241**	**304**	**282**
Energy and industry	119	149	133
Shipping	73	95	80
Fisheries and aquaculture	49	60	69
Volume (total and by industry, NOK million)	**124,418**	**175,571**	**128,218**
Energy and industry	87,715	125,395	74,371
Shipping	26,128	40,018	40,400
Fisheries and aquaculture	10,575	10,158	13,447
SME number of applications share of total applications (industry)	**105**	**143**	**151**
Energy and industry	62	89	80
Shipping	29	28	36
Fisheries and aquaculture	14	26	35
SME share of total applications volume in (NOK million)	**16,174**	**25,651**	**21,206**
Energy and industry	12,535	20,829	12,726
Shipping	2,960	1,916	3,396
Fisheries and aquaculture	679	2,906	5,084
Newly signed contracts (NOK billion)	**9.8**	**4.9**	**7.9**
Guarantors (% of portfolio)			
GIEK	73%	72 %	72 %
Norwegian banks	14%	14%	14%
Foreign banks	13%	14%	14%
Gross interest income (NOK million)	**1,744**	**1,727**	**1,527**
Repayments (NOK million)	**7,174**	**11,687**	**7,045**

3.1 ENERGY AND INDUSTRY

The portfolio for energy and industry covers financing of both renewable energy and equipment for the oil and gas industry in the energy field. The portfolio also covers funding for infrastructure, ICT, biotechnology, water and sanitation equipment, defence technology and environmental technology.

Application inflow

In 2019, Export Credit Norway received 133 applications with a total application volume of NOK 74.4 billion that related to financing within energy and industry. The application volume decreased in comparison with 2018 and this can largely be attributed to Export Credit Norway having received some individual applications with particularly large volumes in 2018.

Portfolio

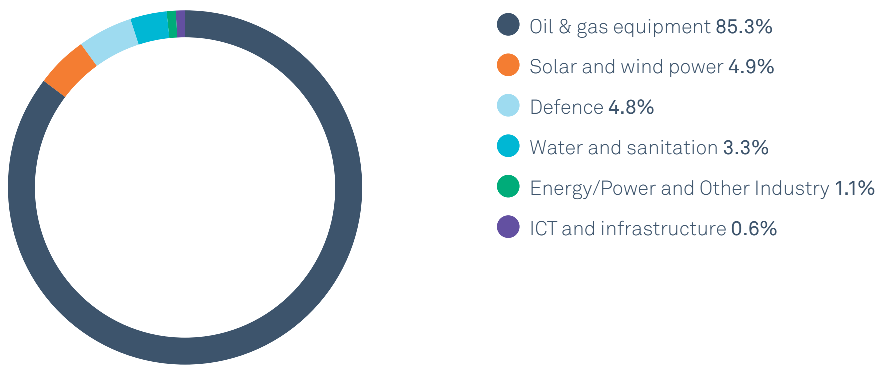
At the end of the year, Energy and Industry accounted for 26.1 per cent of Export Credit Norway's total lending portfolio. Figure 7 shows a further breakdown of the lending portfolio into sub-segments. Equipment for oil and gas, with rig financing as the main source, accounts for 85 per cent of the segment's lending balance. The disbursement volume in 2019 was NOK 2 billion, the same level as in 2018.

Market outlook

For oil and gas, there is demand for a high degree of export financing in projects related to major field developments and FPSO projects, but most projects and investment decisions are postponed. These are projects with long lead times, where it can often take up to 4–5 years from application to disbursement. In the long-term, Export Credit Norway expects increasing demand for financing of equipment and vessels for LNG transport and storage, as well as for other gas infrastructure.

The market outlook remains positive for renewable energy, including offshore wind. Some large projects are being arranged within the defence sector and the company expects defence deliveries to represent a growing segment. Other onshore industry constitutes a stable share of the applications and includes a number of different sectors.

ILLUSTRATION 7 **LENDING BALANCE BY SUB-SEGMENT AS OF 31 DECEMBER 2019 (%)**



3.2 SHIPPING

Export Credit Norway's shipping portfolio covers financing of all types of vessels, except those related to fisheries and aquaculture. The largest segments are within different offshore vessels, smaller cruise ships, passenger and merchant vessels.

Application inflow

In 2019, Export Credit Norway received 80 applications with a total application volume of NOK 40.4 billion that related to financing within shipping. This this is on level with the application inflow in 2018.

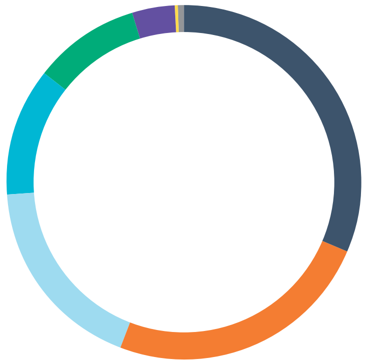
Portfolio

At the end of 2019, shipping accounted for 70.6 per cent of Export Credit Norway's total lending portfolio. Illustration 8 shows a further breakdown of the lending portfolio into sub-segments. The shipping segment shows a greater variation in the portfolio than the company's other two segments. In 2019, Export Credit Norway disbursed NOK 7.4 billion within the segment, of which disbursements for cruise ships dominated the disbursement volume. The disbursement volume increased significantly from 2018.

Market outlook

Export Credit Norway also expects a high disbursement volume within shipping in 2020. Support vessels for offshore wind power show a positive development and there may be more projects in the long-term. However, the other offshore segments remain demanding, especially in offshore supply and anchor handling related to oil and gas. There are many new ferries and high-speed craft on order and more new builds are expected in the future. The ferry operators largely prefer foreign shipyards to Norwegian shipyards. In such cases, it may be relevant to finance exports of Norwegian ship equipment for these ferries. Norwegian shipyards are leaders in battery operation and other environmentally friendly solutions and Export Credit Norway expects that this will constitute a competitive advantage going forward. Equipment for upgrading ships ("retrofit") is also expected to become a growing segment into the future.

ILLUSTRATION 8 **LENDING BALANCE BY SUB-SEGMENT AS OF 31 DECEMBER 2019 (%)**



- Construction vessels 31.0%
- Other types of construction vessels and equipment 25.0%
- Platform Support Vessels and Equipment (PSV) 18.0%
- Anchor Handling Tug Supply Vessels (AHTS) and Equipment 12.0%
- Cruise vessels 10.0%
- Ferries and equipment 4.0%
- Offshore wind vessels 0.4%
- Clean new technology associated with offshore and passenger vessels 0.3%

3.3 FISHERIES AND AQUACULTURE

The portfolio for fisheries and aquaculture includes financing of fishing vessels and equipment for the fisheries industry. The portfolio also covers equipment and vessels for the aquaculture industry, such as net pens, wellboats and workboats.

Application inflow

In 2019, Export Credit Norway received 69 applications with a total application volume of NOK 13.4 billion that related to financing within fisheries and aquaculture. The application inflow was higher in terms of both number and volume compared with 2018.

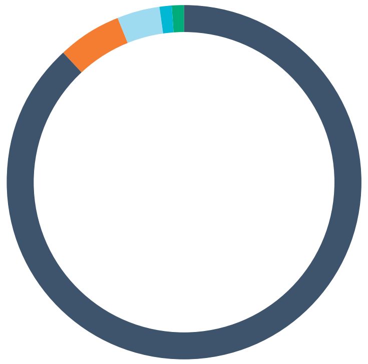
Portfolio

At the end of 2019, fisheries and aquaculture accounted for 3.3 per cent of Export Credit Norway's total lending portfolio. Illustration 9 shows a further breakdown of the lending portfolio into sub-segments. Fishing vessels dominate the portfolio with 89 per cent of the segment's lending balance. NOK 2.0 billion was disbursed in this segment in 2019, an increase compared to 2018.

Market outlook

Fisheries and aquaculture is a growing segment in which Export Credit Norway expects significant investments in the future. In 2019, Norwegian seafood exports exceeded NOK 100 billion, and the Norwegian Seafood Council predicts further revenue growth.[13] The market for wellboats remains positive and has been driven by high demand for the transport of fish and delousing services. Export Credit Norway expects more contracts in the future, but notes that Norwegian shipyards are experiencing strong competition from foreign shipyards, for example Turkey, Spain and Poland. Countries such as Chile, Iceland, Japan and Scotland will continue to be important markets in 2020. Emerging economies such as Vietnam and Indonesia are interested in Norwegian technology and expertise, which represents new market opportunities for the supplier industry to the aquaculture industry. Export Credit Norway also expects increased interest in onshore aquaculture.

ILLUSTRATION 9 **LENDING BALANCE BY SUB-SEGMENT AS OF 31 DECEMBER 2019 (%)**



- Fishing Vessels 89.0%
- Other types of vessels for fisheries and aquaculture 6.0%
- Fish farming and equipment 4.0%
- Equipment for fishing vessels 1.0%
- Equipment for wellboats 1.0%

[13] Norwegian Seafood Council

3.4 SHIP FINANCING SCHEME

The domestic ship financing scheme is fully operational. The scheme enables Export Credit Norway to finance vessels built at Norwegian shipyards for Norwegian shipping companies, even if these are not destined for foreign trade or have earnings from offshore operations. Fishing vessels, wellboats and ferries are the most relevant types of vessels.

In 2019, Export Credit Norway received 22 applications relating to the ship financing scheme, which was equivalent to a value of NOK 3.3 billion. At the end of 2019, a total of 50 applications had been received in connection with the scheme, with a value of NOK 11.0 billion. The applications received represent several different types of vessels, with the majority being ferries, wellboats and fishing vessels. Export Credit Norway has offered 25 loan commitments under the ship financing scheme. A loan commitment is defined as Export Credit Norway presenting the customer with a legally binding offer with specific conditions.

As of the end of 2019, Export Credit Norway had disbursed two loans under the ship financing scheme at a value of NOK 304 million. One of the loans was repaid during 2019. At the end of 2019, the company had one managed loan under the ship financing scheme worth NOK 133 million. 70 per cent of the loan is guaranteed by GIEK and the remaining 30 per cent is guaranteed by a Norwegian bank. The disbursements relate to two contracts equivalent to NOK 400 million in contract value.

At present, Export Credit Norway has approximately 30 potential loans under consideration, and is experiencing a good application inflow in relation to the supply of contracts at Norwegian shipyards. Export Credit Norway's work with the ship financing scheme has long lead times. In most cases, it takes about two years from the contract with the shipyard until the vessel is completed and the loan is disbursed.

Ship deliveries normally include a high proportion of deliveries from SMEs. The scheme therefore contributes to new contracts for SMEs that supply to the shipyards. The goal of the company is that shipyards and shipping companies for which the scheme is relevant, has knowledge of the scheme and are able to assess the relevance for their projects. Export Credit Norway also expects a good application inflow in 2020. Out of 27 contracts signed at Norwegian shipyards in 2019, 22 of these qualified for the ship financing scheme. Export Credit Norway has received applications for 12 of the 22 contracts and the company aims to contribute financing in three of the cases. These have a corresponding contract value of approximately NOK 2 billion.

The ship financing scheme is a temporary three-year scheme, and in the autumn of 2019 and Export Credit Norway contributed to an evaluation of the scheme conducted by the Ministry of Trade, Industry and Fisheries during the autumn of 2019. The ship financing scheme became operational on 1 July 2018, and has therefore been available to customers for just over one and a half years. The general impression among users and stakeholders is that the establishment of the scheme has been positive for the Norwegian shipyard industry.[14] The results of the evaluation of the ship financing scheme are expected to be in place during 2020 and Export Credit Norway has recommended that the scheme is made permanent.

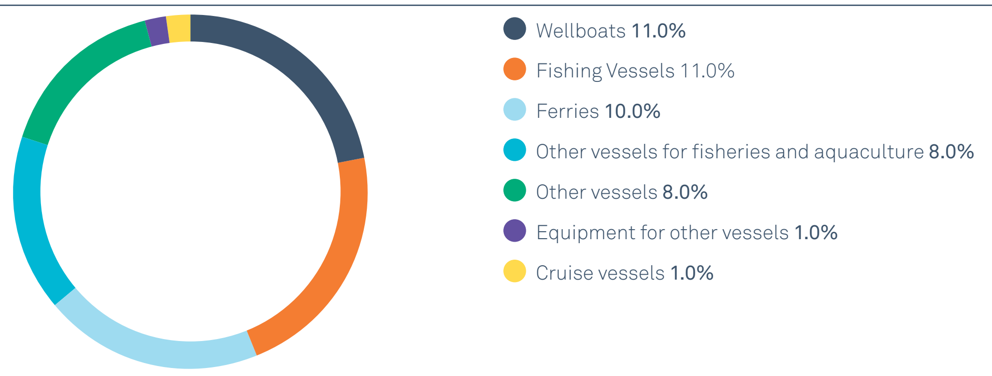
3.5 APPLICATIONS THAT DO NOT RESULT IN LOANS

Experience indicates that less than 10 per cent of registered applications result in loan disbursement. There are several reasons why cases lapse between application and loan disbursement. Of the applications that did not result in loans in 2019, 38 per cent were due to the buyer selecting alternative financing. In 32 per cent of the cases, the exporter lost the contract, whereas the buyer cancelled the project in 20 per cent of the cases. 10 per cent of the applications were not approved by Export Credit Norway or the guarantor and therefore fell away during the loan process. The breakdown of lapse causes was about the same in 2018. Through the annual user and stakeholder survey, Export Credit Norway demonstrate that its services and advice have a triggering effect on export contracts, even if the company does not provide financing for the contract. Small and medium-sized exporters request expanded financing solutions, which highlights the need for new financing products and policy instruments.

TABLE 7 **DEVELOPMENT IN LOAN APPLICATIONS AND PROBABILITY-ADJUSTED ORDER BOOK UNDER THE SHIP FINANCING SCHEME PER YEAR**

	2019	2018	2017	Total
Loan applications (number)	22	22	6	50
Value of loan applications (NOK million)	3,330	6,611	1,093	11,034
Probability-adjusted order reserve (NOK million)	1,701	1,433	303	

ILLUSTRATION 10 **THE TOTAL NUMBER OF APPLICATIONS UNDER THE SHIP FINANCING SCHEME FROM 2017 TO 2019 BY VESSEL TYPE**



[14] Menon Economics 2019

3.6 SOCIAL AND USER EFFECTS OF THE EXPORT CREDIT SCHEME

On assignment from Export Credit Norway, Menon Economics conducted analyses and surveys to calculate the overall social and user effects from the export credit scheme.

The following analyses were conducted in 2019:

- *User and effect analysis:* Survey of effect and satisfaction among users (buyers, exporters) and banks for transactions completed in the present year.
- *Stakeholder survey:* Survey on organisation of the export credit scheme among a wide range of stakeholders.
- *Ripple effects:* Calculation of the financial ripple effects related to the export contracts that Export Credit Norway is involved in. Value creation and employment effects are measured for exporters and their subcontractors.
- *Analysis of the advisory function ("loan offer"):* Study that documents the effect of Export Credit Norway's dialogue with Norwegian exporters.
- *Evaluation of the ship financing scheme:* Study of the competitiveness of the ship financing scheme and the effects for the shipyard industry.
- *Measuring effect ("Diff-in-diff"):* Calculating the effect of export financing by comparing the development of companies that have received export financing to companies that have not received financing from Export Credit Norway.

Some of the studies were conducted jointly for Export Credit Norway and GIEK, as several transactions are joint. The studies cover new transactions where first disbursement was in 2019. Export Credit Norway granted loans in 19 new cases in 2019, divided into 23 disbursements. The total lending volume for new first-time disbursements was NOK 8.9 billion (the company disbursed a total of NOK 11.4 billion in 2019).

The studies show that the export credit scheme has positive social and user effects. By assisting Norwegian exporters to win contracts abroad, Export Credit Norway helps boost investment and secure jobs in Norway. The results reinforce the importance of the export credit scheme for Norwegian exporters.

The results are compiled in tables eight and nine. The full report is available on Export Credit Norway's website.

TABLE 8 **SOCIAL EFFECTS**

CATEGORY	DESCRIPTION
Assessment and estimation of the effects of loans on employment and value creation (adjusted for displacement).	Export Credit Norway's lending supports 15,000 Norwegian jobs. 3,000 are employed by the Norwegian exporters that supply to transactions financed by Export Credit Norway (direct effects) and 12,000 by the employment effects from Norwegian subcontractors to the projects (indirect projects).
Assessment and estimation of the effect that loan offers and loans for the purchase of ships from shipyards in Norway for use in Norway have on the order inflow (additionality).	Almost two-thirds of the shipping companies (65 per cent) believe that the ship financing scheme has, to a great extent or to some extent, made it more attractive to contract ships at Norwegian shipyards.

TABLE 9 **USER EFFECTS**

CATEGORY	DESCRIPTION
Additionality [15]: Assessment and estimation of the effect of loans on exports.	Export Credit Norway principally offers financing for export contracts (with the exception of ship financing). Export Credit Norway's effect on exports therefore largely depends on the lending volume, which varies considerably from year to year. Export Credit Norway offers liquidity to buyers, which frees up financing capacity for banks. The banks primarily use this increased capacity to serve the same industry or owner group. These are industries that are very export intensive by Norwegian standards.
Additionality: Assessment and estimation of loan offer effect on exports.	The financing scheme and the associated dialogue have triggered or contributed to increased exports for 43 per cent of exporters. It is emphasised that the export financing promotes sales because the financing solution has a low risk and favourable terms. Improved knowledge of the financing scheme, as well as the requirements for obtaining loans are factors that promote sales. The exporters note that it is the dialogue in combination with the actual financing scheme that has a positive effect on exports, not the dialogue alone.
Export contracts related to the export credit scheme. [16]	At the end of 2019, Export Credit Norway had 217 managed loans, with a total lending volume of NOK 65 billion. Related export contracts for outstanding loans are estimated at approximately NOK 120 billion. Estimation of related export contracts assume Export Credit Norway finance 80% of contract value. The number of export contracts generally corresponds to the number of loans, but in some segments, for instance equipment deliveries, there may be several export contracts associated with a loan. Export credit Norway made approximately 200 loan offers during 2019. The company defines a loan offer as Export Credit Norway having made the customer a legally binding offer with specific conditions. The export contracts related to the loan offers are estimated at NOK 170 billion, assuming that Export Credit Norway finance 80% of contract value and that application volume corresponds to expected disbursement.
Comparing development of companies that use the export credit scheme to equivalent companies that do not.	The overall results of export financing indicate higher revenue growth in the year of delivery. The overall results of export financing indicate higher revenue growth in the delivery year for Norwegian exporters that use financing from Export Credit Norway than for comparable enterprises that do not make use of the offer. This is followed by a decrease or moderation in subsequent years. This is followed by a decrease or moderation in subsequent years. The results are not significant and are therefore not robust enough for strong conclusions to be drawn.
Possibility of displacement: Assessment of pressure levels in other sectors/ companies that use the same labour and resources as companies that use the export credit scheme – probability of displacement.	**The banking market** Loans from Export Credit Norway do not contribute to displacing private capital from the commercial banking market. Our analyses have determined that Export Credit Norway does not compete with the commercial finance market. **Labour market** Menon Economics's overall assessment is that it is improbable that Export Credit Norway contributes to displacement in the labour market. Export Credit Norway contributes to some extent in maintaining employment in companies that are highly vulnerable to cyclical fluctuations. Maintaining these enterprises has positive cluster effects for the maritime industry. At the same time, the loans also prevent other companies from utilising this labour force, even though these companies would benefit greatly from accessing these resources. It is unclear whether maintaining this employment is socio-economically profitable. It depends on the ability of shipyards to quickly return to a normal situation with significantly improved profitability and the extent of the cluster effects.

[15] In autumn 2019, the method for calculating total additionality was revised. The calculation of total additionality is carried out at an annual meeting with the banks, where Menon Economics reviews their portfolios and assesses what freed-up capacity is used for.

[16] The estimates are not part of Menon Economics's investigations. The figures are estimated by Export Credit Norway.

ONE SHIP – 377 SUPPLIERS

A large number of Norwegian subcontractors were involved in the construction of "Color Hybrid". A clear majority of these were SMEs.

In February 2017, Color Line entered into a contract with Ulstein Verft to build the world's largest plug-in hybrid ship. This ship, known as the "Color Hybrid", was delivered in mid-August 2019, and was put into service on the route between Sandefjord and Strømstad. The maiden voyage in August generated significant attention both in Norway and internationally.

In addition to being more climate-friendly, the ship created clear ripple effects for local business development and jobs. An analysis conducted by Menon Economics clearly demonstrates the kinds of ripple effects the construction of one ship can create, and illustrates how large export deliveries depend on the deliveries from the small and medium-sized enterprises. Among the main findings were:

- Ulstein had deliveries from 377 different companies in connection with the construction of the ship.
- More than 60 per cent of the total subcontractors were SMEs (Norwegian and foreign).
- 26 per cent of the shipyard's sub-deliveries were from Norwegian SMEs.
- The Norwegian suppliers provided services and products such as main engines, propellers, navigation system, gears, batteries, switchboards and electronics.

FIGURE 14 **SUBCONTRACTORS FOR THE CONSTRUCTION OF "COLOR HYBRID" SOURCE: MENON ECONOMICS 2019**

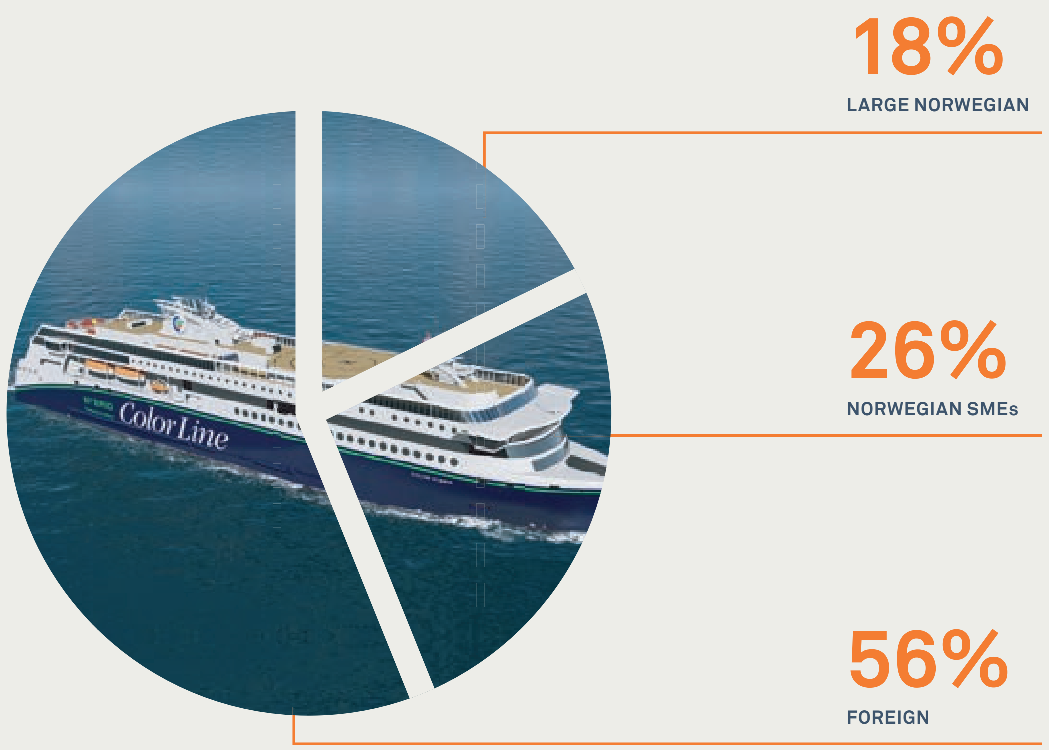


Photo: Ulstein Verft. Color Line, https://imageshop.no/no/colorlinepress/Detail/1071164.

3.7 COMPETITIVE EXPORT FINANCING

The stakeholder survey shows that Export Credit Norway appears competitive compared to banks and foreign export credit institutions. Norwegian companies (customers and banks) find the terms of the export credit scheme to be as good as what is offered by the banks and other export credit institutions, while foreign companies consider the terms to be better. The opportunity to select between market and CIRR loans was particularly highlighted as beneficial and an opportunity that highlighted as beneficial differentiating factor compared to commercial banks.

The total loan costs appear to be the most important factor when buyers select financing from Export Credit Norway, followed by the opportunity to free up lines of credit.

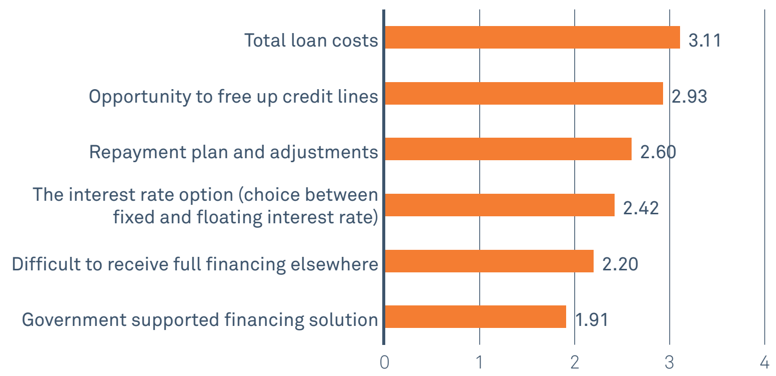
For the ship financing scheme, one-third of the shipping companies that had applied for financing stated that the scheme offered more favorable terms than what they could have received in the commercial market. This can trigger investments in Norway due to reduced financing costs.

> Export Credit Norway appears competitive compared to banks and foreign export credit institutions.

3.8 ACCESSIBLE EXPORT FINANCING

Targeted marketing
Export Credit Norway targets Norwegian exporters, potential and existing customers, banks and other partners to improve awareness and knowledge of the export credit scheme. Direct relationships and activities concentrated on exporters and purchasers are currently the most important marketing channel. Trust is established through close dialogue with the individual customers, and Export Credit Norway can for instance provide advice related to financing solutions adapted to the relevant contract, the export market and internationalisation.

ILLUSTRATION 11 **WHY A FINANCING SOLUTION THROUGH EXPORT CREDIT NORWAY AND GIEK WAS SELECTED**



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

Source: Menon Economics 2019

Menon Economics's customer and impact survey shows that three out of four exporters have gained a better insight into export finance from Export Credit Norway. Several exporters highlighted the value of the advice concerning financial products. It was noted that Export Credit Norway presented the products in a simple, clear and insightful manner. The results of the survey relating to questions regarding internationalisation and growth also show that Export Credit Norway has contributed to one in seven exporters having participated in several international tender processes. One in three exporters also stated that Export Credit Norway's loan product contributed to them winning tender processes for international contracts.

Export Credit Norway also actively works with indirect sales channels to make the export credit scheme available. Banks, GIEK, Innovation Norway, the Norwegian foreign service, Norwegian Energy Partners as well as business and trade organisations are examples of institutions that provide information about the export credit scheme to relevant purchasers and exporters. Therefore, an important aspect of the company's distribution strategy is to ensure that these partners have adequate knowledge of the export credit scheme.

Export Credit Norway organised around 40 customer events in Norway and abroad in collaboration with its partners during 2019. Several of these hosted in cooperation with GIEK and Innovation Norway. These events are generally well-attended by local exporters, and are important forums for direct contact with companies. They are also valuable for informing SMEs about the scheme.

Export Credit Norway and GIEK are cooperating on a project to develop a digital customer interface to improve usability and customer communication. This will also ensure better coordination and cooperation between the parties in export financing transactions.

> Close to 70 per cent of the contract value financed by Export Credit Norway will be spent on Norwegian suppliers, of which SMEs make up more than 60 per cent.

The annual Export Conference, which is jointly arranged by Export Credit Norway, GIEK, GIEK Kredittforsikring and Innovation Norway, is a meeting place for the export industry. The Export Award is handed out at the conference. From the 69 nominated companies, Cambi Group was announced the award winner. The company treats sewage sludge and converts it into useful products such as biogas or biofertilizer for use in agriculture.

Strengthen knowledge for new export growth

Export Credit Norway works in strategic alliances to strengthen knowledge for new export growth. During 2019, Export Credit Norway was the contracting authority for five comprehensive reports on market opportunities within a variety of industries. Among other things, the company initiated Norway's first assessments and analyses of exports and internationalisation of Norwegian solar energy and green activity in the maritime industry. In the past year, Export Credit Norway collaborated with several stakeholders on these reports, for example Enova, ICT-Norway, NORWEP, NCE Maritime CleanTech, Norwegian Offshore Wind Cluster, Norwegian Industry, Norwegian Shipowners Association, Norwegian Solar Energy Cluster, Ministry of Petroleum and Energy and Zero. These initiatives facilitate experience and advice sharing between Export Credit Norway and the clusters, industry stakeholders and individual companies, as well as establishing networks and customer relationships.

Awareness of the export credit scheme

Ensuring awareness and knowledge of the export credit scheme is an ongoing process that demands active marketing work and various marketing initiatives. Informing new potential users about the export credit scheme is a priority for Export Credit Norway. To support marketing efforts in reaching potential users of the scheme, the company has, among other things, increased its digital marketing initiatives. This has resulted in an increase in traffic to the company's website, sign-ups for newsletters and contact inquiries, which indicates that an increasing number of companies are becoming aware of Export Credit Norway and how the company can contribute to promote Norwegian exports.

Quality of products, services and customer service

The customer and user survey shows that the users are very satisfied with Export Credit Norway's level of service and the company consistently received high scores for the level of service from all of the users. On a scale from 1 to 5, where 1 is very poor and 5 is excellent, the average score was between 4.1 and 4.4 for the five specific service questions asked to exporters and purchasers (borrowers). For the question regarding the respondent's overall impression, Export Credit Norway scored an average of 4.3.

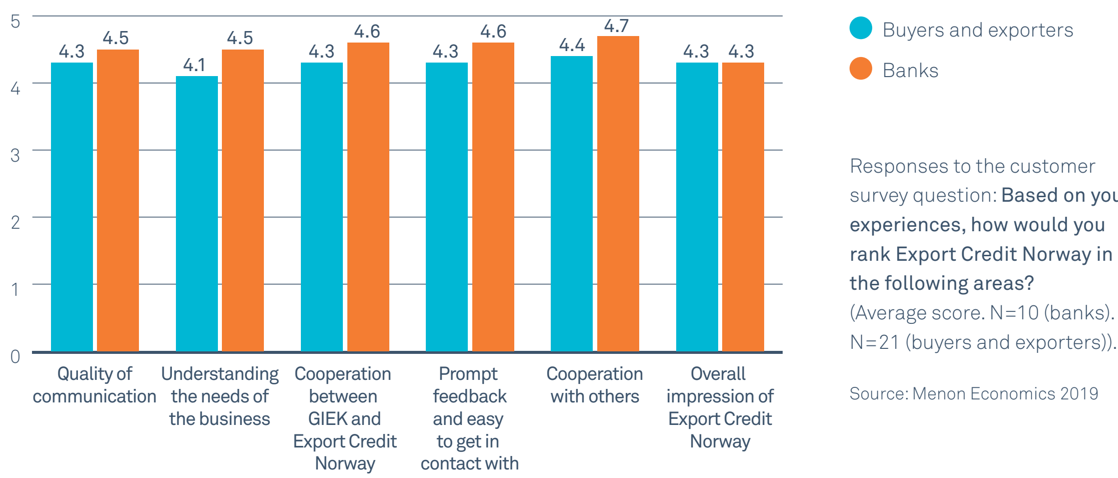
The importance of the scheme for projects that develop new knowledge and technology

The export credit scheme makes a contribution towards financing projects that develop new knowledge and technology. Projects financed by Export Credit Norway mainly use existing technology, but there are examples both where technology used was new in the Norwegian market while known abroad and projects using technology that was brand new in the market altogether. Transactions involving the use of new technology were within shipping.[17]

The scheme's contribution to Norwegian exports for SMEs

The company gives high priority to SMEs, and has allocated significant resources to efforts directed towards these companies. Customer segments in the SME category are fragmented, and encompass a broad range of industries. This is also reflected in Export Credit Norway's SME portfolio, which

ILLUSTRATION 12 **AVERAGE SCORE FOR SERVICE QUESTIONS**



Responses to the customer survey question: **Based on your experiences, how would you rank Export Credit Norway in the following areas?** (Average score. N=10 (banks). N=21 (buyers and exporters)).

Source: Menon Economics 2019

[17] Menon Economics 2019

principally consists of suppliers in the ICT, maritime and aquaculture segments and other suppliers of capital goods and services. Most exporters who request export sales support from Export Credit Norway are SMEs. It is also from these companies that Export Credit Norway experiences the highest demand for general and specific advice relating to its export activities. This also includes advice and guidance within corporate social responsibility and anti-corruption. SMEs and larger exporters have different export financing needs, and SMEs often require more support and closer follow-up by Export Credit Norway and GIEK.

In February 2019, Export Credit Norway in cooperation with GIEK, submitted a report to the Ministry of Trade, Industry and Fisheries regarding the financing offered to SMEs in other countries, particularly from export financing institutions. The assessment showed that many countries have more extensive and flexible services for their SMEs than Norway. There has been no change from February until the present date.

The customer and impact survey conducted by Menon Economics revealed that financing from Export Credit Norway indirectly assists Norwegian SMEs, because major export contracts depend on deliveries from SMEs. Transactions financed by Export Credit Norway in 2019 secured revenue of more than NOK 10 billion to Norwegian SMEs. Export Credit Norway primarily finances large operators directly, and only six out of 23 loans in 2019 were transactions in which the Norwegian exporter was classified as SME. However, close to 70 per cent of the contract value is spent on Norwegian subcontractors, of which SMEs make up more than 60 per cent.

Assessment of companies' access to financing in the market

Export Credit Norway has found that Norwegian companies have had satisfactory access to loan capital in recent years. Banks are open to growth after strengthening their capitalisation, larger companies have access to the bond market, and credit spreads are at low levels. However, the growth of the banks has been selective in terms of them focusing on selected segments and good customers. SMEs face greater challenges than larger companies in accessing capital, particularly when developing new technology or entering new markets. Within our main segments, there is considerable demand for loans for larger projects, and preferably for ships. This is due to the fact that banks need the liquidity relief that Export Credit Norway can offer.

Aquaculture and renewable energy are growth segments where capital is accessible. The same applies to renewable energy. Offshore shipping does not attract lenders to the same degree, both because the upturn in the markets has yet to occur and because the banks' increased focus on climate change has started to impact capital access in this segment.

Companies and projects generally experience less capital access, and banks are more reluctant to offer long-term financing, in countries with less developed financial markets. This is where Export Credit Norway fills a role as lender for projects with Norwegian deliveries that would not have eventuated without our financing.

3.9 EFFECTIVE EXPORT FINANCING

Credit and risk exposure

The company's credit risk is governed by an overall expected-loss limit for the entire lending portfolio, and by detailed limits for guarantors.

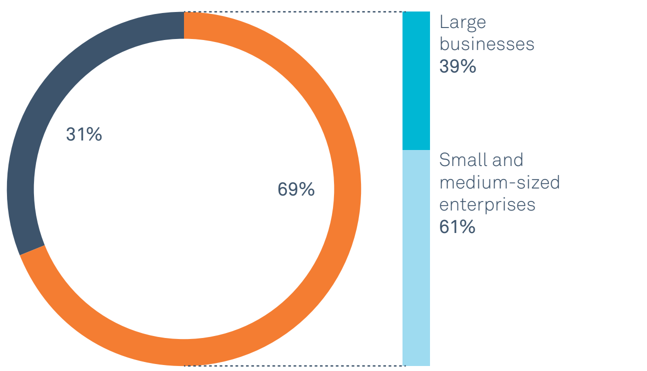
Export Credit Norway experienced no loss on principal amount in 2019.

The total limit is allocated to rating classes and expressed as a nominal limit denominated in NOK. All financial institutions that guarantee the company's loans are monitored closely. Regular reports are made to the company's Board of Directors on limit utilisation for all guarantors.

At year-end, 72 per cent of the lending balance was guaranteed by GIEK. Of the remainder, 14 per cent was guaranteed by Norwegian banks and 14 per cent by foreign banks. At the end of 2019, all loans complied with the established credit risk limits.

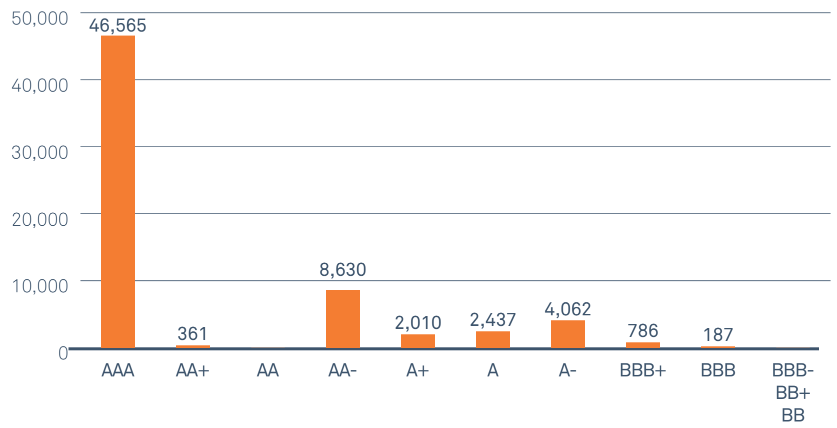
Export Credit Norway is focused on applying strong risk management routines to avoid losses in connection with the export credit scheme. Several of the company's borrowers within the

ILLUSTRATION 13 **THE PROPORTION OF THE CONTRACT VALUE THAT WILL BE USED FOR NORWEGIAN SUBCONTRACTORS**



Average per case. N=17 (number of cases)
The proportion of these (Norwegian subcontractors) that constitute deliveries from small and medium-sized enterprises.
N=8 Average per case

ILLUSTRATION 15 **EXPOSURE PER RATING CLASS AS OF 31 DECEMBER 2019 (NOK MILLION)**



offshore segment have experienced and continue to experience financial challenges due to market development. Export Credit Norway has worked actively with relevant borrowers in close cooperation with the guarantors to protect the State's assets. Close follow-up of borrowers in financial difficulties was also a priority task throughout 2019. The restructuring work is resource-demanding. In order to provide effective and high quality follow-up, the company has a separate specialist group for at-risk loans that specialises in the follow-up of loans associated with substantial risk of default.

No principal amount was lost in 2019. Export Credit Norway made claims under five of the guarantees provided for its loans in 2019.

Cost-benefit analysis for lending activities

Each year, Export Credit Norway conducts a cost-benefit analysis of lending activities. The cost-benefit analysis for 2019 was arranged in accordance with similar principles to the previous year and was based on estimates. The calculation shows a positive result for the export credit scheme.

Net interest income and fee income totalled NOK 323 million in 2019, after the deduction of Export Credit Norway's operating and investment grant. The corresponding calculation in 2018 showed a profit of NOK 532 million. The reduction was primarily due to lower margins on loans in USD. The CIRR scheme[18] contributed net interest income of NOK 246 million in 2019, while the marketing scheme[19] contributed net interest income of NOK 153 million. Export Credit Norway also received fee income of NOK 38 million. For detailed information on the cost-benefit analysis for the export credit scheme, *see Appendix 7.1.*

3.10 EXPORT CREDIT NORWAY'S MANAGEMENT OF THE EXPORT CREDIT SCHEME

Efficiency in the operation of the export credit scheme

Export Credit Norway is organised according to the lending process flow with support functions. See Illustration 4 in *Chapter 2 – Introduction and key figures*. The company also has five specialist groups to ensure high standards of work, including anti-corruption, corporate social responsibility, at-risk loans, OECD rules and digitalisation.

The company measures user and social effects, but Export Credit Norway does not record the hours spent on these activities. Documentation of efficient use of resources in the operation of the company is therefore more qualitative.

Export Credit Norway has outsourced services such as IT operations and payroll with the aim of achieving efficient operations and management. Furthermore, in connection with natural retirements, the company has looked at opportunities for achieving synergies and coordinating functions with a view to being able to utilise existing manpower as optimally and efficiently as possible.

> Export Credit Norway effectively manages the export credit scheme and the use of resources is well adapted to the company's assignments and challenges.

The departments Market and Strategy and Business Development primarily work with raising awareness about the export credit scheme, customer follow-up, market analyses and grant loan offers. The work also largely involves providing advice to Norwegian exporters. These departments account for approximately 40 per cent of Export Credit Norway's payroll expenditure. The Project and Loan Management and Legal departments work with the processes relating to loan agreements, negotiating loan documentation and managing Export Credit Norway's lending portfolio. These departments account for approximately 35 per cent of Export Credit Norway's payroll expenditure. The Communications department assists with both early-stage work and throughout the entire transaction process. Communications is responsible for external and internal communication as well as digital marketing. Among other things, Finance and Accounting work with IT, reporting, corporate governance and risk management, compliance, accounting and HR. Communications and Finance and Accounting account for 25 per cent of Export Credit Norway's payroll expenditure.

Operating expenses

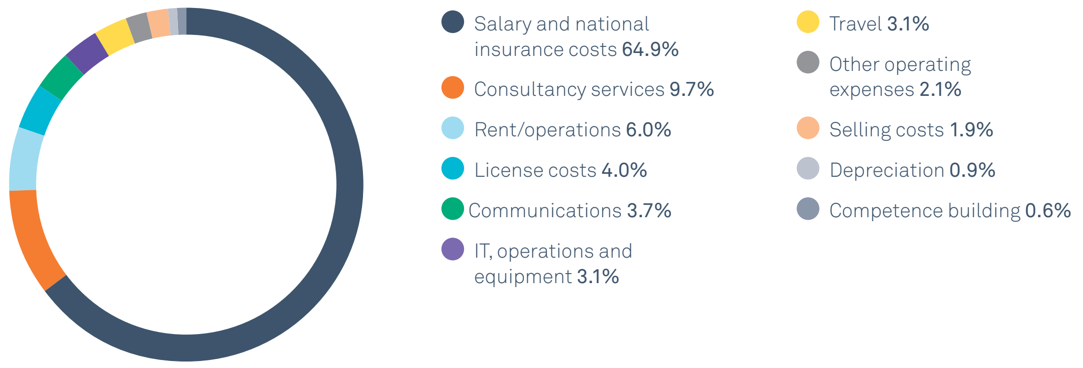
Export Credit Norway receives an operating and investment grant under Norway's National Budget to cover administration of the export credit scheme. The Storting (Norwegian parliament) allocated a grant of NOK 115.1 million for 2019. Operating expenses excluding depreciation and amortisation were NOK 107.6 million. The expenses primarily consisted of payroll costs, administrative costs and acquiring external services.

Export Credit Norway's result for 2019 was a profit of NOK 4.1 million after tax, compared to a post-tax profit of NOK 4.5 million in 2018. Among other things, the profit was the result of lower

TABLE 10 **VOLUME FIGURES COSTS (NOK 1,000)**

	2019	2018	2017
Payroll as a proportion of operating expenses	65.5%	63.5%	65.6%
Payroll expenditure per full-time equivalent	1,451	1,489	1,477
Consultants as a proportion of operating expenses	9.7%	11.9%	9.9%

ILLUSTRATION 16 **OPERATING EXPENSES BY TYPE 2019**



[18] Loans at CIRR-rate (fixed rate).
[19] Loans on market terms.

payroll costs due to positions that were not immediately refilled. Furthermore, travel costs were lower than budgeted and acquisition of external services were also under budget. The company enjoys a strong equity position and robust liquidity, and has little exposure to financial risk.

Export Credit Norway's operating expenses primarily consist of costs related to salaries and national insurance costs, which accounted for 65 per cent of total costs in 2019. Costs relating to the purchase of external services accounted for ten per cent of the costs. This is the result of Export Credit Norway's operational model being based on the outsourcing of certain services. Six per cent of the costs go towards the rental of premises and five per cent of the operating expenses is used for travel and sales costs. Among other things, other operating expenses consist of office costs, telephony, membership contributions and insurance premiums.

International contribution

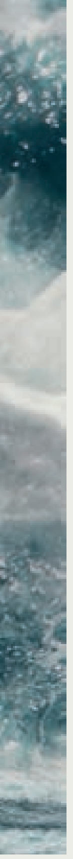
Export Credit Norway aims to be a skilled contributor on Norway's behalf to international export financing negotiations under the auspices of the OECD and the International Working Group on Export Credits (IWG). These negotiations are led by the Ministry of Trade, Industry and Fisheries, while Export Credit Norway is involved as specialist advisor. As a specialist advisor to the Ministry of Trade, Industry and Fisheries, Export Credit Norway actively participates in preparing and conducting meetings. The company was part of the Norwegian delegation during negotiations and the development of international treaties negotiated in the OECD's Export Credit Groups and in the IWG.

During the year, Export Credit Norway assisted the Ministry of Trade, Industry and Fisheries with the development of export financing instruments, evaluating loan schemes and with the international negotiations for export financing in the OECD and IWG that were referred to above. In 2019, the negotiations that took place in direction of OECD's export credit groups for revised interest-setting rules (fixed-rate CIRR) held firm. The purpose of revising the rules is to harmonise interest-setting practices between OECD countries and bring the pricing of fixed interest loans closer to market levels. Negotiations have yet to be completed, but Export Credit Norway expects a possible conclusion during 2020.

Export Credit Norway also gives priority to collaboration with other relevant export credit agencies to keep its knowledge of the export credit schemes and products in other countries up to date. The aim is to contributing to share information and experience in connection with the international work, ensure updated knowledge on products and services and generally facilitate productive cooperation between the export financing institutions.

3.11 PRIORITIES

It is the assessment of the Executive Management and Board of Directors that Export Credit Norway completed the assignments and achieved the priorities set by the Ministry of Trade, Industry and Fisheries in the assignment letter for 2019. Export Credit Norway must raise awareness about the service it offers and collaborate with GIEK and Innovation Norway. An overview is provided in Section *3.8 Accessible export financing*. The company must also follow up the lending portfolio in a manner than protects the assets of the Norwegian State. This is discussed in Section *1.2 Annual Report of the Board of Directors* and in *Chapter 4 Management and control*. Export Credit Norway is also responsible for the ship financing scheme. An overview of this is provided in Section *3.4 Ship financing scheme* and Section *3.8 Accessible export financing*.



4 Management and control

4.1 ENVIRONMENT AND SOCIAL CONSIDERATIONS IN THE TRANSACTIONS

The company's goal of promoting Norwegian exports is supported by efforts to ensure sustainability by integrating environmental and social considerations into the company's lending assessments and loan follow-up. Emphasis is also given to focusing on responsibility in Export Credit Norway's own business conduct and operations.

Export Credit Norway can make a difference and best exercise its corporate social responsibility in the financing of individual transactions. When seeking to ensure sustainability, it is important to ask the right questions and imposing the right requirements on the parties involved in lending transactions, thus enabling projects to be implemented responsibly. Money laundering, corruption and breaches of conditions relating to environmental and social considerations constitute a substantial risk, and caution in this regard is integrated into both the assessments the company conducts for potential new loans and follow-up of the existing lending portfolio. Export Credit Norway's assignment also includes raising awareness among Norwegian exporters of the need to monitor their own supply chains with these matters in mind. For the transactions that the company finances, exporters must issue a declaration (exporter declaration) confirming, among other things, that the company is familiar with the OECD Guidelines for Multinational Enterprises and guide for how best to conduct due diligence assessments, and the UN Guiding Principles on Business and Human Rights. The exporter declaration was updated in 2019 and the expectations were clarified.

Export Credit Norway has the objective of assessing any social and environmental risks as early as possible in the process and all transactions are classified into category A, B or C based on the risk of negative consequences linked to environmental and/or social conditions. In line with the OECD's Common Approaches[20] and Equator Principles, the projects are evaluated in accordance with the International Finance Corporations Performance Standards (IFCs Performance Standards) and World Bank Environmental, Health and Safety Guidelines (EHS Guidelines[21]). Projects must also always comply with national legislation and any international regulations and conventions. Export Credit Norway has the objective of contributing to improvements over time and if there are deviations from the assessment standards, action plans will be established to ensure that projects are

[20] The Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (OECD's Common Approaches).
[21] Performance levels and steps are generally deemed achievable for new projects based on existing technology and at a reasonable cost.

ILLUSTRATION 17 **EXPORT CREDIT NORWAY'S PUBLIC MANDATE AND CORPORATE SOCIAL RESPONSIBILITY**

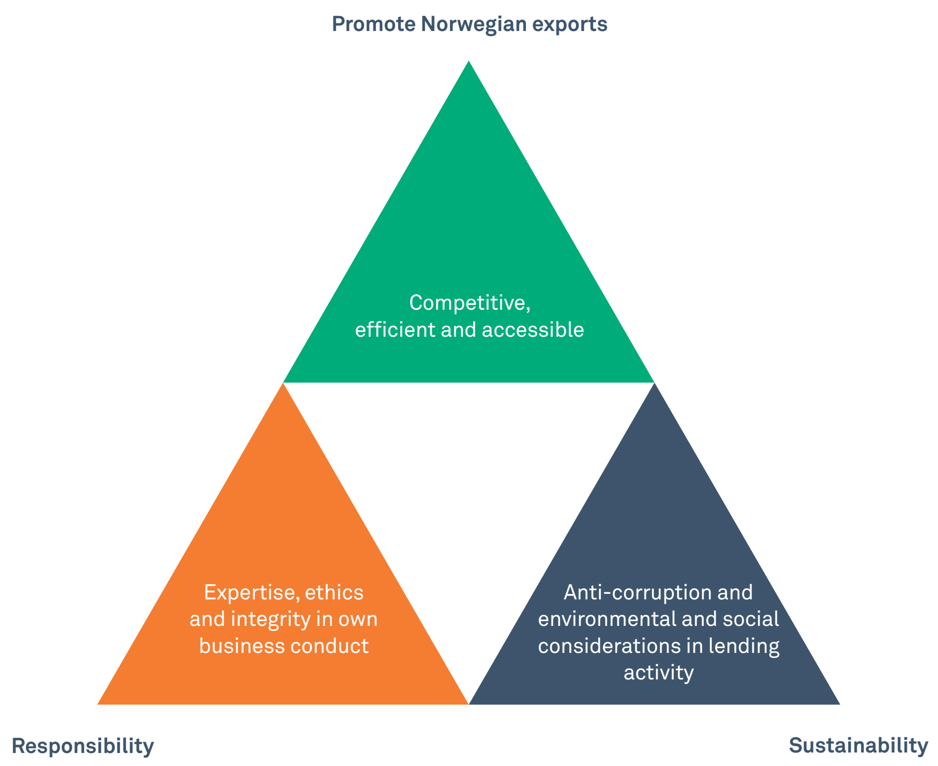


TABLE 11 **CLASSIFICATION OF LOANS IN RELATION TO THE ENVIRONMENT AND SOCIAL CONDITIONS**

CATEGORY	DESCRIPTION	NUMBER OF LOANS
A	Projects that involve significant negative, and perhaps irreversible, environmental and social consequences. Some of the consequences may be difficult to remedy and may impact on a larger area than the actual construction area/facilities themselves.	11
B	Projects that have less potential negative environmental and social consequences than an A-project. There will typically be fewer consequences associated with a defined area. Few/none of the consequences are irreversible and remedial measures are more readily available.	27
C	Projects that have little or potentially no impact on the environment and social conditions.	179

implemented in accordance with the standards. Clear and agreed action plans are the principal tools of reducing the risk to environmental and social conditions associated with the project and will be an important element in the loan agreement.

An important contribution to sustainable and responsible financing is good international guidelines. Export Credit Norway shall be a driving force in ensuring there are sensible frameworks. This applies to the work of the OECD, in the development of Common Approaches, "Recommendation on bribery and Officially Supported Export Credits" and the development of the Equator Principles and Responsible Ship Recycling Standards (RSRS).

Export Credit Norway has adopted the Equator Principles to support the work being done to advance responsible assessment and follow-up of project financing provided by major international banks. These guidelines are also based on IFC's Performance Standards and are almost identical to the OECD Common Approaches. Ship financing constitutes a significant share of the company's portfolio and Export Credit Norway has signed on to the RSRS which provide guidelines for proper dismantling of ships.

In order to ensure good and effective risk assessments of environmental and social conditions, an extensive review and update of the processes relating to sustainability assessments were carried out in 2019. A separate cooperation agreement in this area grants Export Credit Norway access to GIEK's environmental and human rights specialists, including in the case of transactions not guaranteed by GIEK. However, good internal knowledge is still important, and several training initiatives have been implemented, including the use of the Equator Principles' e-learning tools and external presentations on relevant topics pertaining to sustainability.

In 2019 there was an increased focus on climate and climate risk. Export credit Norway signed up to the Poseidon Principles, which is an international framework for measuring the carbon footprint in ship finance portfolios. Through better information and transparency, the objective is to contribute to climate assessments becoming an integrated part of the lending decisions. The company has also continued to look at the opportunities for offering green loans, but this work has not yet concluded and will be continued in 2020.

4.2 ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING

Corruption undermines economic and social development, and combating corruption is therefore an important sustainability aspect. Many of the transactions financed by Export Credit Norway involve markets that have a significant risk of corruption. The company has a clear zero-tolerance policy towards corruption associated with the projects that are financed.

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

The company applies the "Know Your Customer" (KYC) money laundering principle in its evaluation of borrowers pursuant to the Norwegian Money Laundering Act. The company's KYC system analyses the risk in each transaction the company finances and the outcome of the analysis provides guidance for any further measures. Cases with an increased risk are processed by the company's anti-corruption group, which provides advice and recommendations to the Credit Committee. The anti-corruption group reviewed 27 cases in 2019.

4.3 MANAGEMENT BY OBJECTIVES AND RESULTS

Each year, Export Credit receives an assignment letter from the Ministry of Trade, Industry and Fisheries. The assignment letter guides the company's strategy plan, which is revised annually. The link between achieving objectives, risk and reporting are communicated and followed-up in a systematic and structured manner through balanced performance management.

Based on Export Credit Norway's objectives, frameworks and development trends in the market, the company must prioritise the following during this strategy period:

- Increase Norwegian exports by optimising customer value for exporters within the present framework.
- Develop and expand strategic alliances and partnerships.
- Improvements in processes, digitisation and competence building.
- Ensure deliveries and continuity in parallel with ongoing review process.

4.4 ETHICS

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

In 2019, Export Credit Norway's employees took part in dilemma training that focused on ethical problems. The company established an external whistleblowing channel in 2016. No whistleblowing reports were received in 2019.

4.5 SPECIALIST GROUPS

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

4.6 EQUALITY AND DIVERSITY

Export Credit Norway has long worked to ensure equality and diversity, which has resulted in a healthy gender balance at company level. At the end of 2019, the company had a total of 49 employees, 57 per cent were women and 43 per cent were men. 60 per cent of the shareholder-elected board members were women, and women also made up 67 per cent of the Board of Directors as a whole. The proportion of women in the management group was 29 per cent. In positions that involve personnel management in the organisation (at the level below the management group), the gender distribution was 67 per cent women and 33 per cent men. For positions as heads of the company's five specialist groups, the distribution at year-end was 80 per cent women and 20 per cent men.

Export Credit Norway has adopted guidelines and taken steps to ensure that targeted, planned gender equality and diversity efforts are pursued in the company. The company is focused on ensuring a gender balance when recruiting new staff, offering equal opportunities to all employees in terms of competence development, and adjusting pay and remuneration levels to eliminate any unfounded gender differentials.

Export Credit Norway practices zero tolerance for all forms of psychological, sexual and other harassment. The company works to prevent discrimination on the basis of ethnicity, skin colour, language, religion and beliefs.

4.7 WORKING ENVIRONMENT AND SICK LEAVE

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

An employee satisfaction survey was carried out by Great Place to Work in the autumn of 2019. The results from the survey showed that 91 per cent of the employees considered Export Credit Norway to be a great place to work. The survey is trust-based, and Great Place To Work issues certificates to those that meet the requirements set for being a good workplace. Export Credit Norway can demonstrate great results and has received certification demonstrating that the company has met the defined requirements.

The company's overall sick leave rate was 2.3 per cent in 2019, with short-term sick leave at 0.9 per cent and long-term sick leave at 1.4 per cent. No work-related accidents or incidents resulting in significant damage or personal injury occurred or were reported during the year. In accordance with the company's routines, the company's working environment committee met twice in 2019. The working environment committee did not consider need for additional meetings.

4.8 RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management is an important strategic tool within all parts of the business and major emphasis is placed on having a good and effective risk management and internal control system. Export Credit Norway handles large cash flows, and has a very low tolerance for errors with serious consequences. The company submits two risk assessments per year to the Ministry of Trade, Industry and Fisheries.

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

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

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

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

Compliance and controlling: Export Credit Norway's second line of defence comprises its compliance function, monitoring the company's risk of breaching laws, regulations and guidelines, and its controller function. In organisational terms, compliance and controlling are the responsibility of the finance department. Export Credit Norway emphasises the importance of coordinating processes between compliance and legal department.

Internal auditing: The company's third line of defence is the internal audit function, an independent and objective audit and advisory unit. The internal audit function is mandated to help the company to achieve its aims by ensuring that it adopts a systematic, disciplined approach to evaluating and improving the effectiveness of its risk management, control and management processes.

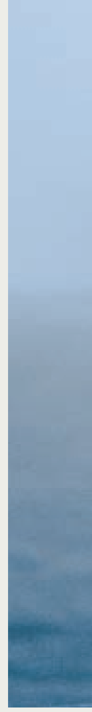
The work of the internal audit function is guided by a risk-based annual audit plan approved by the company's Board of Directors. The results of completed audit activities and related improvement proposals must be reported in a timely fashion to management, the control functions and the Board. The internal audit function reports directly to the Board, and is functionally independent of the administration. Export Credit Norway's internal audit function was established in the spring of 2013, and is currently outsourced to PwC AS.

4.9 RISK MANAGEMENT IN 2019

Export Credit Norway updates its risk assessments twice a year. The company submitted its 2019 risk assessments to the Ministry of Trade, Industry and Fisheries. Risks are assessed with reference to probability and consequence. The colour codes green, yellow and red are used to indicate the degree of severity of a given risk, with red representing the most severe category. Two risks were found to be in the red category in this assessment.

4.10 EVENTS IN 2020

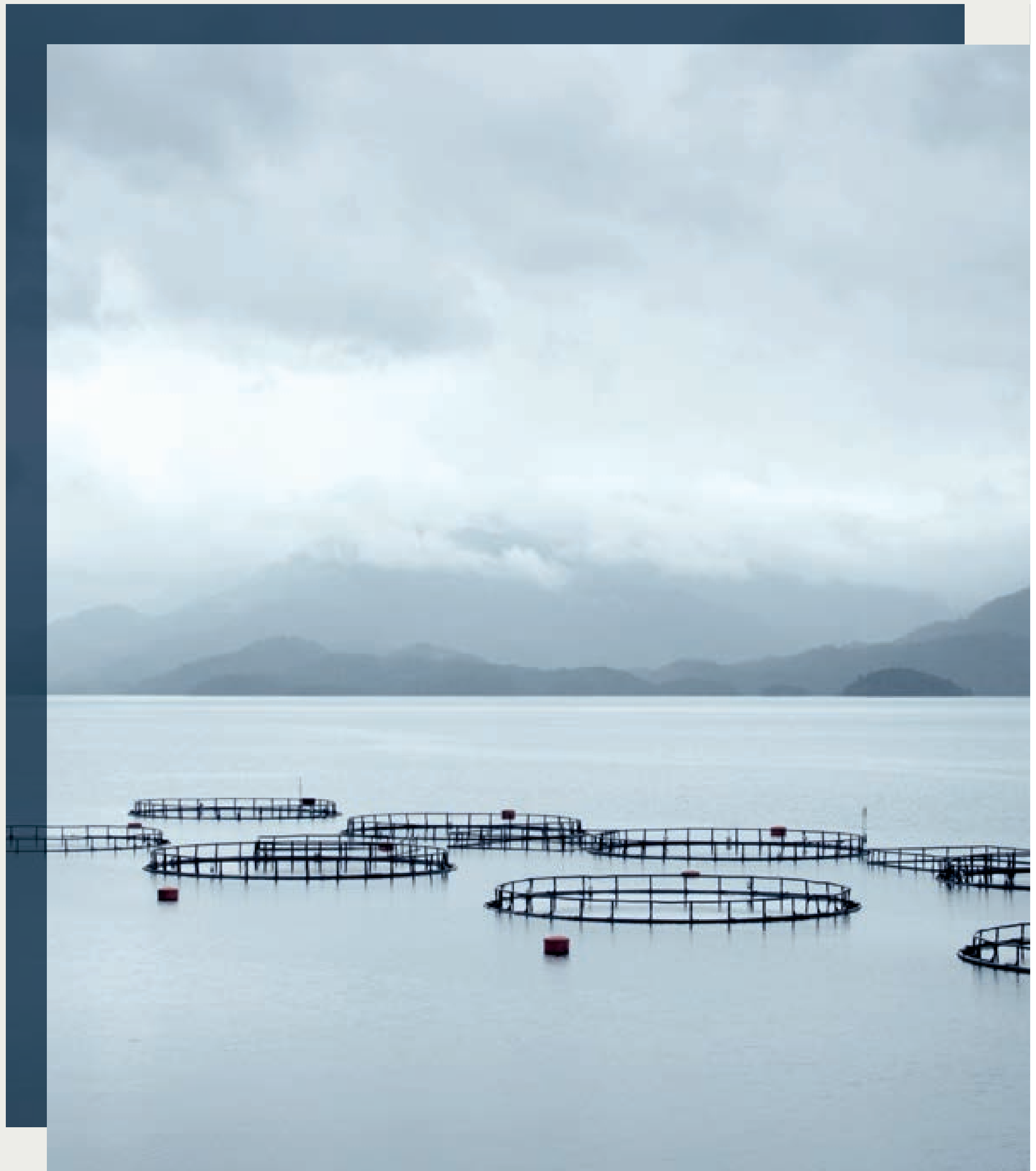
No events have occurred in 2020 that have materially altered the company's risk profile. Export Credit Norway's updated risk assessment for 2020 was sent to the Ministry of Trade, Industry and Fisheries in the spring of 2020.



5 Assessment of future outlook

We refer to the section on future outlook on page 14 of the Annual Report of the Board of Directors.

6 Annual Accounts



6.1 ANNUAL ACCOUNTS FOR EKSPORTKREDITT NORGE AS (EXPORT CREDIT NORWAY)

INCOME STATEMENT

Amounts in NOK 1,000	Notes	2019	2018
Other revenues	2	112,440	114,031
Total operating revenues		**112,440**	**114,031**
Salaries and payroll costs	3, 10, 12, 13	71,030	69,786
Depreciation and amortisation	5	954	1,793
Other operating expenses	14, 15	36,541	37,440
Total operating expenses		**108,525**	**109,019**
Operating profit		**3,915**	**5,013**
Financial income		1,643	1,271
Financial expenses		52	163
Net financial items		**1,591**	**1,108**
Profit/loss for the year before tax		**5,506**	**6,120**
Tax expense	4	1,431	1,606
Net profit/loss for the year		**4,075**	**4,515**

The net profit for the year of NOK 4,075 thousand has been transferred to other equity, see Note 9.

BALANCE SHEET

Amounts in NOK 1,000	Notes	2019	2018
ASSETS			
Fixed assets			
Deferred tax asset	4	4,074	4,243
Intangible assets	5	544	266
Fixtures and computer equipment	5	2,701	232
Total fixed assets		**7,319**	**4,741**
Current assets			
Trade receivables	6	1,218	2,545
Other receivables	6	1,120	659
Deposit fund pensions	10	3,138	3,092
Bank deposits	7	57,012	73,908
Total current assets		**62,488**	**80,203**
TOTAL ASSETS		**69,807**	**84,944**
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	8	10,000	10,000
Share premium account	9	3,917	3,917
Total paid-in equity		**13,917**	**13,917**
Retained earnings			
Other equity	9	19,589	15,514
Total equity		**33,506**	**29,431**
Provisions for liabilities			
Pension liabilities	10	9,741	9,651
Activated investment grants	2	3,226	478
Other provision for liabilities	10, 12, 13	0	606
Total provision for liabilities		**12,967**	**10,736**
Current liabilities			
Allocated dividend		0	22,000
Trade payables		4,472	3,818
Tax payable	4	1,261	290
Payable public taxes and charges		5,761	5,111
Other current liabilities	10, 11, 12, 13	11,840	13,559
Total current liabilities		**23,334**	**44,778**
Total liabilities		**36,301**	**55,513**
TOTAL EQUITY AND LIABILITIES		**69,807**	**84,944**

Oslo, 10 March 2020

Else Bugge Fougner
Chairman of the Board

Siri Beate Hatlen
Board Member

Ingelise Arntsen
Board Member

Finn Ivar Marum
Board Member

Øyvind Holte
Board Member

Marie Sørli
Board Member

Otto Søberg
Chief Executive Officer

CASH FLOW STATEMENT

Amounts in NOK 1,000	2019	2018
Cash flow from operating activities		
Profit/loss before tax expense	5,506	6,120
Tax paid for the period	-290	0
Profit/loss on sale of fixed assets	-21	0
Ordinary depreciation and amortisation	954	1,793
Change in trade receivables	1,327	615
Change in trade payables	654	-416
Change in difference between expensed pensions and contributions to/disbursements from pension schemes.	-46	-56
Change in accrual accounting items	1,306	-1,292
Net change in liquidity from operations	**9,390**	**6,764**
Cash flows from investing activities.		
Proceeds from the sale of tangible fixed assets	80	0
Disbursements from the purchase of tangible fixed assets	-3,760	-197
Net cash flow from investment activities	**-3,680**	**-197**
Net cash flow from financing activities		
Disbursements when repaying long-term liabilities.	-606	-3,841
Payment of dividend	-22 000	0
Net cash flow from financing activities	**-22 606**	**-3,841**
Net change in bank deposits	**-16,896**	**2,726**
Holdings of bank deposits		
Bank deposits 01.01	**73,908**	**71,182**
Bank deposits 31.12	**57,012**	**73,908**

The cash flow statement changed from the direct to indirect method in 2019. The cash flow statement for 2018 has been restated to make this comparable.

NOTE 1 ACCOUNTING PRINCIPLES

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

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

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

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

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

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

Pensions
Defined-contribution scheme: The company has a defined-contribution scheme for salary below 12 G pursuant to the Act relating to Mandatory Occupational Pensions. This was introduced for all employees on 1 January 2017. The rates are 7% of the base pay between 0G and 7.1G and 18% of the base pay from 7.1G and up to 12G. Contributions to the defined-contribution scheme are paid into a pension insurance plan. Once the contributions have been paid, there are no further liabilities. Payments into defined-contribution schemes are recognised in the income statement in the period to which a given payment relates.

Defined-benefit scheme: The company has two individual agreements for defined-benefit pensions that have been continued from Eksportfinans ASA. The agreements apply for one senior executive and a retired employee who wanted to continue the individual agreements. The liability recognised in the balance sheet relates to an early-retirement pension scheme and two pension schemes for salary above 12 G.

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

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

See also note 10 "Pensions".

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 GRANT AND OTHER INCOME

In 2019, the company received an operating/investment grant from the Ministry of Trade, Industry and Fisheries totalling NOK 115.1 million, excluding value added tax.

Amounts in NOK 1,000	2019	2018
Operating grant	115,117	112,435
Profit on sale of fixed assets	70	0
Activated operating grant	-3,701	-197
Investment grant recognised in the income statement during the period	954	1,793
Total grant and other income	**112,440**	**114,031**

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

Amounts in NOK 1,000	2019	2018
Salaries	51,788	50,920
Employer's national insurance contributions and financial transaction tax	11,018	10,959
Pension expenses	5,436	4,838
Other personnel costs	2,788	3,070
Total salaries and payroll costs	**71,030**	**69,786**
Number of permanent employees as of 31 December	49	45
Number of temporary employees	0	0
Number of employees with signed employment agreements who had not yet started work as of 31 December.	1	4
Average number of full-time equivalents	45	46

NOTE 4 TAX EXPENSE

Amounts in NOK 1,000	2019	2018
Calculation of tax payable		
Profit/loss on ordinary operations before tax expense	5,506	6,120
Permanent differences	217	302
Change in temporary differences	-677	-4,939
Basis for tax payable	5,046	1,158
Tax payable on the profit/loss for the year (25%)	**1,261**	**290**
Tax payable in the balance sheet comprises		
Tax payable on the profit/loss for the year	1,261	290
Total tax payable in the balance sheet	**1,261**	**290**
The tax expense for the year comprises		
Tax payable on the profit/loss for the year	1,261	290
Change in deferred tax asset	169	1,316
Tax expense for the year	**1,431**	**1,606**
Breakdown of the basis for deferred tax		
Operating assets	-770	-1,083
Net pension liabilities	-7,209	-10,345
Investment grant not recognised as income	-3,226	-478
Other temporary differences	-5,091	-5,067
Loss carry-forward	0	0
Total temporary differences	-16,296	-16,973
Deferred tax (+)/deferred tax asset (-) as of 31 December	**-4,074**	**-4,243**
Reconciliation from nominal to actual tax rate		
Expected tax at nominal rate (25%)	1,376	1,530
Effect of permanent differences	54	76
Effect of change in tax rate (25%) on calculation of deferred tax/tax asset	0	0
Tax expense per income statement	**1,431**	**1,606**

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

NOTE 5 INTANGIBLE ASSETS AND FIXED ASSETS

Amounts in NOK 1,000	Intangible assets	Fixtures	ICT equipment	Art	Total 2019	Total 2018
Acquisition cost 1 January 2019	13,143	3,670	962	28	17,803	18,578
Acquisitions of operating assets *)	538	1,687	1,473	63	3,760	197
Disposals of operating assets	0	3,267	401	0	3,668	972
Acquisition cost 31 December 2019	13,681	2,090	2,034	91	17,895	17,803
Accumulated amortisations 1 January 2019	12,877	3,517	912	0	17,306	16,485
Amortisations for the year	**261**	**362**	**331**	**0**	**954**	**1,793**
Reversed amortisations on operating assets disposed of	0	3,209	401	0	3,610	972
Book value 31 December 2019	**544**	**1,419**	**1,192**	**91**	**3,245**	**498**
Useful life	4–5 years	5 years	3 years			
Depreciation schedule	Linear	Linear	Linear	Not depreciated		

*) Facility under construction, no depreciation for 2019.

NOTE 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Amounts in NOK 1,000	2019	2018
Trade receivables	199	1,929
Disbursements re-invoiced to borrowers	1,019	616
Claims to the State in respect of bad debts	0	0
Total trade receivables	**1,218**	**2,545**
Pre-payments to suppliers	1,120	659
Total other receivables	**1,120**	**659**

NOTE 7 BANK DEPOSITS

As at 31 December 2019, the company held NOK 57.0 million in bank deposits, including NOK 2.7 million in tax deducted at source.

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company's share capital amounted to NOK 10 million as of 31 December 2019, divided into 10,000 shares at NOK 1,000. All shares are owned by the Norwegian State through the Ministry of Trade, Industry and Fisheries and all shares have equal rights.

NOTE 9 EQUITY

Amounts in NOK 1,000	Share capital	Share premium account	Other equity	Total
Equity 31 December 2018	10,000	3,917	15,514	29,431
Profit/loss for the year	0	0	4,075	4,075
Equity 31 December 2019	**10,000**	**3,917**	**19,589**	**33,506**

NOTE 10 PENSION EXPENSES

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

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

Three senior executives have also been members of a defined-contribution scheme for salary above 12 Gs. This scheme was discontinued from 1 January 2018 in line with the State's guidelines. Time-limited compensation will be paid over 6 years for the discontinuation of the scheme, provided that the employee's employment arrangement has not been terminated. Final payment of the compensation will be in December 2020. See Notes 12 and 13 relating to executive salaries and remuneration.

Defined-benefit scheme
The company has two individual agreements for defined-benefit pensions that have been continued from Eksportfinans ASA. The agreements apply for one senior executive and a retired employee who wanted to continue the individual agreements from the period in which they were employed at Eksportfinans ASA. The liability recognised in the balance sheet relates to an early-retirement pension scheme and two pension schemes for salary above 12 G. The expense is calculated by an actuary at the end of the year and recognised in the accounts according to the accounting principles described in Note 1. The pension expenses have been prepared in accordance with NRS 6 (Norwegian accounting standard 6). Pension expenses and liabilities include employer's national insurance contributions and financial transaction tax.

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

Net pension expenses (defined-benefit) 2019

Amounts in NOK 1,000	Unfunded scheme
Present value of accrued pension entitlements for the year	111
Interest expense on pension liabilities	191
Expected yield on pension assets	0
Estimate deviations recognised in the income statement	0
Settlement of defined-benefit scheme for salary below 12 G	0
Employer's national insurance contributions and financial transaction tax	58
Net pension expense defined-benefit scheme	**359**

Liabilities recognised in the balance sheet (defined-benefit) 2019

Amounts in NOK 1,000	Unfunded scheme
Accrued pension liabilities	-8,271
Pension assets at market value	0
Estimate deviations not recognised in the income statement	1,469
Net pension assets (+)/liabilities (-)	**-9,741**
Of which are employer's national insurance contributions/financial transaction tax	1,326

Assumptions

	2019	2018
Discount rate	2.30%	2.60 %
Expected salary increases	2.25 %	2.75%
Expected adjustment of the national insurance scheme basic amount (G)	2.00 %	2.50 %
Expected pension adjustment	1.35 %	1.35 %
Mortality table applied	K2013	K2013

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

Total net pension expense

Amounts in NOK 1,000	2019	2018
Net defined-benefit pension expenses	359	372
Employer's national insurance contributions and financial transaction tax on premiums paid into defined-benefit pension scheme	0	0
Expensed early retirement (AFP) pensions	464	796
Replacement of pension scheme	0	-740
Net defined-contribution pension expenses	4,613	4,410
Total net pension expense	**5,436**	**4,838**

NOTE 11 OTHER CURRENT LIABILITIES

Amounts in NOK 1,000	2019	2018
Provisions for liabilities	5,465	5,304
Provision for holiday pay	5,448	4,859
Pension compensation for discontinuation of pension schemes	606	3,179
Pre-payments received from customers	321	217
Total other current liabilities	**11,840**	**13,560**

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

The Board's declaration regarding salaries and other remuneration to senior executives
The declaration regarding remuneration to the CEO and senior executives is in accordance with guidelines for state ownership. This includes "Guidelines for salary and other remuneration paid to senior executives in undertakings and companies in which the State has an ownership interest" (stipulated by the Ministry of Trade, Industry and Fisheries with effect from 13 February 2015). The Board proposes that the guidelines described below are applied for 2020 and until the general meeting in 2021.

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

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

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

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

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

owner. The performance-related remuneration scheme is the same for all employees, including senior executives, and is capped at 1.5 months' fixed salary, including holiday pay.

Pension schemes
The company has a defined-contribution scheme for salary below 12 G pursuant to the Act relating to Mandatory Occupational Pensions. This was introduced for all employees on 1 January 2017. The rates are 7% of the base pay between 0G and 7.1G and 18% of the base pay from 7.1G and up to 12G. The scheme also applies for the company's senior executives.

Five senior executives have received compensation for the discontinuation of the defined-benefit scheme for salary below 12 G. Final payment of this compensation occurred in 2019. Three senior executives were also members of a defined-contribution scheme for salary above 12 G. This scheme was discontinued from 1 January 2018 in line with the State's guidelines. Time-limited compensation will be paid over 6 years for the discontinuation of the scheme, provided that the employee's employment arrangement has not been terminated. Final payment of the compensation will be in December 2020. See Note 13 – Executive salaries and remuneration.

One senior executive transferred from Eksportfinans ASA has an individual agreement concerning a defined-benefit pension for salary above 12 G. The employee requested to continue with the individual agreement. See Note 10 for a complete overview of pension benefits.

Export Credit Norway does not enter into agreements for early retirement for senior executives.

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

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

Remuneration to the CEO
The current CEO took over the position on 1 December 2016. The CEO's remuneration consists of a fixed salary of NOK 3,056,000, performance-related remuneration capped at 1.5 times the regular monthly salary. Other remuneration consists of car allowance and broadband.

Like other employees, the CEO also receives a newspaper, telephone and reimbursement for exercise/training.

Report for the 2019 financial year
The executive salary policy was implemented for the 2019 financial year in accordance with the guidelines that were addressed at Export Credit Norway's ordinary general meeting in 2019.

Following the regular wage settlement on 1 May 2019, the CEO's basic salary was increased by 2.8% to NOK 3,056,000 per year (2.5% in 2018). For the management group as a whole, the basic salary was increased by an average of 3.13% on 1 May 2019 (2.72% in 2018). In addition to this is performance-related remuneration as described above and referred to in Note 13.

NOTE 13 REMUNERATION TO MANAGEMENT AND THE BOARD OF DIRECTORS

Senior Executive

Amounts in NOK 1,000	Year	Salaries paid, including holiday pay	Variable compensation incl. holiday pay	Other remuneration	Total remuneration excluding pension entitlements	Pension entitlements *)	
Otto Søberg	2019	3,054	267	174	3,495	Defined-contribution:	136
CEO	2018	2,975	335	175	3,485	Defined-contribution:	132
Cecilie Stadaas	2019	1,259	124	23	1,406	Defined-contribution:	125
CFO from 1 February 2019							
Eli Skrøvset	2018	1,639		133	1,772	Defined-contribution:	98
CFO until 30 September 2018						Compensation:	339
Olav Einar Rygg	2019	1,627	142	175	1,944	Defined-contribution:	136
Marketing Director						Individual agreement:	218
						Compensation:	224
	2018	1,583	178	174	1,935	Defined-contribution:	132
						Individual agreement:	232
						Compensation:	224

Amounts in NOK 1,000	Year	Salaries paid, including holiday pay	Variable compensation incl. holiday pay	Other remuneration	Total remuneration excluding pension entitlements	Pension entitlements *)	
Tobias Hvinden	2019	1,615	141	180	1,936	Defined-contribution:	136
Legal Counsel						Compensation:	374
– Head of Legal	2018	1,558	176	185	1,919	Defined-contribution:	132
						Compensation:	374
Ivar Slengesol	2019	1,491	131	176	1,798	Defined-contribution:	136
Director of Strategy and						Compensation:	275
Business Development	2018	1,451	163	178	1,792	Defined-contribution:	132
						Compensation:	275
Jostein Djupvik	2019	1,372	120	174	1,666	Defined-contribution:	136
Director of Project and						Compensation:	236
Loan Administration	2018	1,325	150	177	1,652	Defined-contribution:	132
						Compensation:	236
Ellen B. Svaheim	2019	1,227	108	24	1,359	Defined-contribution:	136
Head of Communications						Compensation	65
	2018	1,163	133	31	1,327	Defined-contribution:	132
						Compensation:	65

*) The defined-contribution scheme is Export Credit Norway's collective scheme. Compensation relates to the discontinuation of previous pension schemes from Eksportfinans ASA, including a defined-benefit scheme for salary below 12 G and a defined-contribution scheme for salary above 12 G. The defined-benefit scheme for salary below 12 G will be fully compensated in 2019 and the defined-contribution scheme for salary above 12 G will be fully compensated in 2020. The individual agreement is a defined-benefit pension for salary above 12 G that was transferred from Eksportfinans ASA.

Board of Directors

Amounts in NOK 1,000	Year	Board remuneration	Number of board meetings
Else Bugge Fougner **)	2019	342	11
Chairman	2018	343	12
Siri Hatlen **)	2019	210	10
Board Member	2018	213	11
Finn Ivar Marum	2019	202	9
Board Member	2018	197	10
Ingelise Arntsen	2019	202	10
Board Member	2018	197	11
Øivind Holte	2019	202	11
Board Member	2018	197	11
Marie Sørli **)	2019	210	11
Employee board member from 25 June 2018	2018	102	5
Fanny Fabricius Bye **)			
Employee board member until 24 June 2018	2018	108	7
Jørgen Hauge	2019	39	11
Employee observer	2018	38	12

**) Includes fees for participation in the Board of Directors and the remuneration committee.

NOTE 14 REMUNERATION PAID TO THE AUDITOR

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

Amounts in NOK 1,000	2019	2018
Statutory audit	194	130
Tax advice	16	6
Other certification services	20	7
Other non-audit services	0	5
Total auditor's fees	**230**	**148**

NOTE 15 LEASES

The company moved into new premises in Cort Adelers gate 30 at the start of May 2019. A new lease with Entra Eiendom AS will run until 1 June 2029 with an option of an additional five years.

The rental expense for the year was NOK 5.4 million (2018: NOK 4.6 million), including operating expenses and joint costs.

NOTE 16 RELATED PARTIES

Export Credit Norway has no ownership interests in other companies.

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

At the end of 2019, 72 per cent of the lending portfolio under the export credit scheme was guaranteed by the Norwegian Guarantee Institute for Export Credits (GIEK). GIEK is an administrative body, and thus part of the Norwegian State's legal entity, whereas Export Credit Norway is an independent legal entity that is wholly-owned by the Norwegian State. An important principle is that the conditions that apply in transactions involving GIEK and Export Credit Norway must be determined on an independent basis. GIEK is not considered a related party.

NOTE 17 FINANCIAL MARKET RISK

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

NOTE 18 EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of events after the balance sheet date that would impact on the 2019 annual accounts.

6.2 AUDITOR'S REPORT

KPMG

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

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

To the General Meeting of Eksportkreditt Norge AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eksportkreditt Norge AS showing a profit of NOK 4 075 000. The financial statements comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 12 March 2020
KPMG AS

Ole Christian Fongaard
State Authorised Public Accountant

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

6.3 ANNUAL ACCOUNTS FOR THE EXPORT CREDIT SCHEME

MANAGEMENT REMARKS TO THE 2019 ANNUAL ACCOUNTS

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

Confirmation

The annual accounts have been prepared in accordance with the provisions relating to public sector financial management with the associated circular from the Ministry of Finance and requirements from the Ministry of Trade, Industry and Fisheries, with the exceptions granted for the export credit scheme. Export Credit Norway considers the annual accounts to provide an accurate depiction of the enterprise's available grants and of recognised expenses, income, assets and liabilities.

Assessments of matters of significance

In 2019, new loans totalling NOK 11,440 million were paid out under the export credit scheme. The disbursement volume was 27 per cent higher than the appropriated grant of NOK 9,000 million, but was in accordance with the applicable parliamentary resolution of an upper limit for total loan disbursements of NOK 38 billion. The difference between the budget and accounts was primarily due to higher disbursements at the end of the year that were unexpected when preparing the budget.

NOK 7,993 million was paid in instalments on outstanding receivables in 2019. The instalments paid were lower than the budgeted NOK 9,000 million due to new deferments of instalments on certain larger lending structures in 2019 that were not expected when preparing the budget. A large part of Export Credit Norway's lending portfolio consists of restructured loans which, because of market conditions, the customer has had difficulties servicing according to the stipulated payment terms in the original contract. Net exchange rate gains included in instalments paid were NOK 948 million. Export Credit Norway is not permitted to engage in hedging transactions, and the Norwegian State therefore manages foreign exchange risk linked to the loans in the company's portfolio along with the State's other exposure.

Interest from the export credit scheme was NOK 1,527 million, which was slightly higher in relation to the budget of NOK 1,460 million. This is due to a combination of volatility in the foreign exchange market and restructuring. Fee income was NOK 38 million, which was slightly higher than the budget of NOK 30 million. This was primarily due to a higher commitment fee on some loans due to delays on the part of borrowers, which in turn resulted in delayed payment to the customer.

The general ledger reporting pursuant to the cash basis for accounting shows new reported income, including investment and finance income, of NOK 9,558 million in 2019 compared with NOK 15,090 million in 2018. This principally consists of instalments on outstanding receivables. Expenses reported to the appropriation account include disbursement of loans of NOK 11,440 million for 2019, compared with NOK 2,839 million in 2018.

The outstanding balance with the public treasury at the end of 2019 was NOK 6.2 million. The change in the outstanding balance for the year (NOK 11.1 million) was primarily due to bank deposits outside the State's group account, as well as interest and guarantee premiums to the guarantor which were in the interim account as of 31 December 2019 and were transferred in January 2020.

Parts of the lending portfolio are undergoing a restructuring process due to a large proportion of the company's lending activities being related to offshore oil and gas activities, which have experienced low earnings in recent years. At the end of 2019, the export credit scheme had 106 loans for which instalment deferments had been granted for 27 borrowers. Overall, instalment deferments granted amounted to NOK 4.6 billion at year-end. There are good guarantors behind the loans and the risk of loss is considered low. No loan capital was lost in 2019.

Additional information

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

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

Oslo, 10 March 2020

Else Bugge Fougner
Chairman of the Board

Otto Søberg
Chief Executive Officer

ACCOUNTING PRINCIPLES FOR THE ANNUAL ACCOUNTS

The annual accounts for state-owned enterprises are prepared and presented in accordance with detailed guidelines stipulated in the provisions relating to public service financial management ("the Provisions"). The accounts accord with the requirements in Section 3.4.1 of the Provisions and more detailed provisions in Circular R-115 of December 2019 from the Ministry of Finance and any additional requirements stipulated by the principal ministry.

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

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

The statements of the appropriation accounts and general ledger accounts are prepared according to the same principles, but are grouped in different charts of accounts. These principles correspond with requirements in Section 3.5 of the Provisions on how enterprises shall report to the central government accounts. The item "Net reported to appropriation account" is identical in both statements.

Pursuant to the requirements in Section 3.7.1 of the Provisions, the enterprise is affiliated with the State's group account scheme at Norges Bank. Gross-budgeted enterprises are not given any funding during the year but are entitled to draw on their group account. At the year-end, the balance of the individual settlement account is set at zero.

Appropriation reporting

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

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

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

General ledger reporting

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

Exchange rates

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

The opening and closing balance of the capital account (note c) are entered according to fair value and disbursements and instalments are entered according to the actual exchange rate. Loans in foreign currencies at year-end have been adjusted according to Norges Bank's exchange rates on the final banking day in 2019, an approach that necessitates a foreign exchange correction.

Exemptions from provisions relating to public sector financial management – requirement to submit annual report

Based on an application from the Ministry of Trade, Industry and Fisheries, the Norwegian Agency for Public and Financial Management has granted Eksportkreditt Norway AS the following exemptions from provisions relating to public sector financial management:

- permanent exemption from the requirement for a separate annual report for the export credit scheme, cf. Section 2.3.3, paragraph two of the Provisions.

- permanent exemption from the requirement for designations in parts I, II and IV of the joint annual report that will be prepared for Eksportkreditt Norge AS and the export credit scheme, cf. Section 1.5.1, paragraph three of the Provisions.

- permanent exemption from the requirement that the annual report must consist of six parts, and permits the joint annual report to contain a part VII entitled Enclosures.

APPROPRIATION REPORTING

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

Statement of appropriation reporting 31 December 2019.

Expense chapter	Chapter name	Item	Item text	Note	Total allocation	Accounts 2019	Additional expense (-) and reduced expense
2429	Eksportkreditt Norge AS	90	Lending	A, B, D	9,000,000,000	11,439,939,679	-2,439,939,679
Total expensed					**9,000,000,000**	**11,439,939,679**	

Expense chapter	Chapter name	Item	Item text	Note	Total allocation	Accounts 2019	Additional expense (-) and reduced expense
5329	Eksportkreditt Norge AS	70	Fees etc.	A, B	30,000,000	37,719,966	7,719,966
		90	Repayments on outstanding receivables	A, B, E	9,000,000,000	7,993,335,173	-1,006,664,827
5629	Interest from the export credit scheme	80	Interest	A, B	1,460,000,000	1,526,697,573	66,697,573
5605	Interest on the public treasury's cash at hand and other receivables	83	Other financial income	A, B		117,913	117,913
Total recognised as income					**10,490,000,000**	**9,557,870,625**	
Net reported to the appropriation account						**1,882,069,054**	
Capital accounts							
60093301	Norges Bank capital accounts/payments					9,635,240,280	
60093302	Norges Bank capital accounts/disbursements					-11,528,433,230	
709441	Change in outstanding balance with the public treasury					11,123,896	
Total reported						**0**	

Reserves reported to the capital account (31 December)

Account	Text	Note	2019	2018	Change
709441	Outstanding balance with the public treasury		6,240,335	-4,883,561	11,123,896
63510901	Lending	C	65,039,296,407	61,219,823,078	3,819,473,329

NOTE A EXPLANATION OF TOTAL ALLOCATIONS

Chapter and item	Transferred from previous year	Annual allocations	Total allocation
242990	0	9,000,000,000	9,000,000,000
532970	0	30,000,000	30,000,000
532990	0	9,000,000,000	9,000,000,000
562980	0	1,460,000,000	1,460,000,000

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

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

NOTE C CAPITAL ACCOUNT

	2019	2018
Opening balance 1 January	61,219,823,078	69,359,370,817
New disbursements	11,439,939,679	2,839,106,713
Instalments	-7,993,335,173	-13,327,769,207
Foreign exchange adjustment, capitalised interest and other corrections	372,868,823	2,349,114,755
Total change during the period	**3,819,473,329**	**-8,139,547,739**
Closing balance 31 December	**65,039,296,407**	**61,219,823,078**

NOTE D BUDGET AUTHORISATION

The Storting has decided that Export Credit Norway will be permitted to exceed grants under Chapter 2429 The Export Credit Scheme, Item 90 Lending, but that total loan disbursements under the export credit scheme in 2019 must not exceed NOK 38 billion, cf. the Storting's budget resolutions for 2019 on. 11 and 19 December 2018.

NOTE E INSTALMENTS

	2019
Instalments at exchange rate as of disbursement date	7,044,860,281
Net exchange rate gain/loss	948,474,891
Instalments at exchange rate as of payment date	**7,993,335,173**

STATEMENT OF GENERAL LEDGER REPORTING AND NOTES

	Note	2019	2018
Operating revenues reported to appropriations account		0	0
Operating expenses reported to appropriations account		0	0
Net reported operating expenses		**0**	**0**
Investment and financial income reported to the appropriation account			
Other financial income		37,719,966	34,585,947
Lending (central government banks)	1	7,993,335,173	13,327,769,207
Interest income		1,526,697,573	1,727,052,972
Total investment and financial income		**9,557,752,712**	**15,089,408,125**
Investment and financial expenses reported to the appropriation account			
Lending (central government banks)	2	11,439,939,679	2,839,106,713
Total investment and financial expenses		**11,439,939,679**	**2,839,106,713**
Net reported investment and financial expenses		**1,882,186,967**	**-12,250,301,413**
Debt collection activities and other transfers to the State		0	0
Grant management and other transfers from the State		0	0
Income reported in joint chapters		117,913	1,051,723
Net reported to the appropriation account		**1,882,069,054**	**-12,251,353,136**
Overview of outstanding balance with the public treasury			
Assets and liabilities			
Bank accounts with State funds outside of Norwegian Bank	3	9,397,336	0
Other liabilities	3	-3,157,000	-4,883,561
Total outstanding balance with the public treasury		**6,240,335**	**-4,883,561**

NOTE 1 PAYMENTS

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

NOTE 2 DISBURSEMENTS

Disbursements under lending consist of disbursements of new loans. Due to the cash accounting principle, capitalised interest does not appear in the accounts.

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

The difference between settlement with the public treasury and outstanding balance with the public treasury

	31 December 2019 Specification of recognised settlement with the public treasury	31 December 2019 Specification of reported outstanding balance with the public treasury	Difference
Financial fixed assets			
Investments in shares and units	0	0	0
Bonds	0	0	0
Total financial fixed assets	**0**	**0**	**0**
Current assets			
Trade receivables	0	0	0
Other receivables	0	0	0
Bank deposits, cash etc.	9,397,336	9,397,336	0
Total current assets	**9,397,336**	**9,397,336**	**0**
Long-term liabilities			
Other long-term liabilities	0	0	0
Total long-term liabilities	**0**	**0**	**0**
Current liabilities			
Trade payables	0	0	0
Tax withholdings payable	0	0	0
Government taxes payable	0	0	0
Other current liabilities	-3,157,000	-3,157,000	0
Total current liabilities	**-3,157,000**	**-3,157,000**	**0**
Total	**6,240,335**	**6,240,335**	**0**

Other current liabilities principally consist of the guarantee premium/interest to the guarantor that was repaid in January 2020.

6.4 AUDITOR'S REPORT FROM THE OFFICE OF THE AUDITOR GENERAL OF NORWAY

Riksrevisjonen

EXPORT CREDIT NORWAY
Org. no.: 998544696

Report of the Office of the Auditor General

Export credit scheme — Export Credit Norway

Statement regarding the audit of the annual accounts

Conclusion

The Office of the Auditor General has audited the export credit scheme's annual accounts for 2019. The annual accounts consist of management commentary and the presentation of appropriation and general ledger account reporting, including notes on the annual accounts for the financial year ending on 31 December 2019.

The appropriation and general ledger account reporting show that a net amount of NOK 1,882,069,054 was reported to the appropriation account.

In the opinion of the Office of the Auditor General, the export credit scheme's annual accounts present a comprehensive picture of the scheme's available appropriations, revenue and expenses in 2019 and of capital accounts as of 31 December 2019, in accordance with the regulations for financial management within the state.

Basis for the conclusion

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

Other matters

A joint annual report has been prepared for the export credit scheme and Export Credit Norway. The Office of the Auditor General's statement encompasses only the export credit scheme. The export credit scheme's annual accounts are set out in Part 6.3 of the annual report. Export Credit Norway' annual accounts (Part 6.1 of the Annual Report) are audited by KPMG, which reports on 31 December 2019.

Other information in the annual report

The management is responsible for the annual report, which consists of the annual accounts (Part VI) and other information (Parts I–V). The Office of the Auditor General's statement encompasses the audit of the annual accounts (Part 6.3 of the annual report) and the company's compliance with administrative regulations for financial management — not other information included in the annual report (Parts I–V). We do not attest to the other information.

Postal address Postboks 6835 St Olavs plass 0130 Oslo
Office address Storgata 16
Telephone +47 22 24 10 00
Email postmottak@riksrevisjonen.no
Website www.riksrevisjonen.no
Bank account 7694 05 06774
Org. no. 974760843

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

There is nothing to report to this effect.

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

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

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

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

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

We exercise professional judgement and demonstrate professional scepticism throughout the entire audit, in accordance with the *Office of the Auditor General Act, Instructions relating to the activities of the Office of the Auditor General* and international standards for public financial auditing.

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

We also do the following:

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

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

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

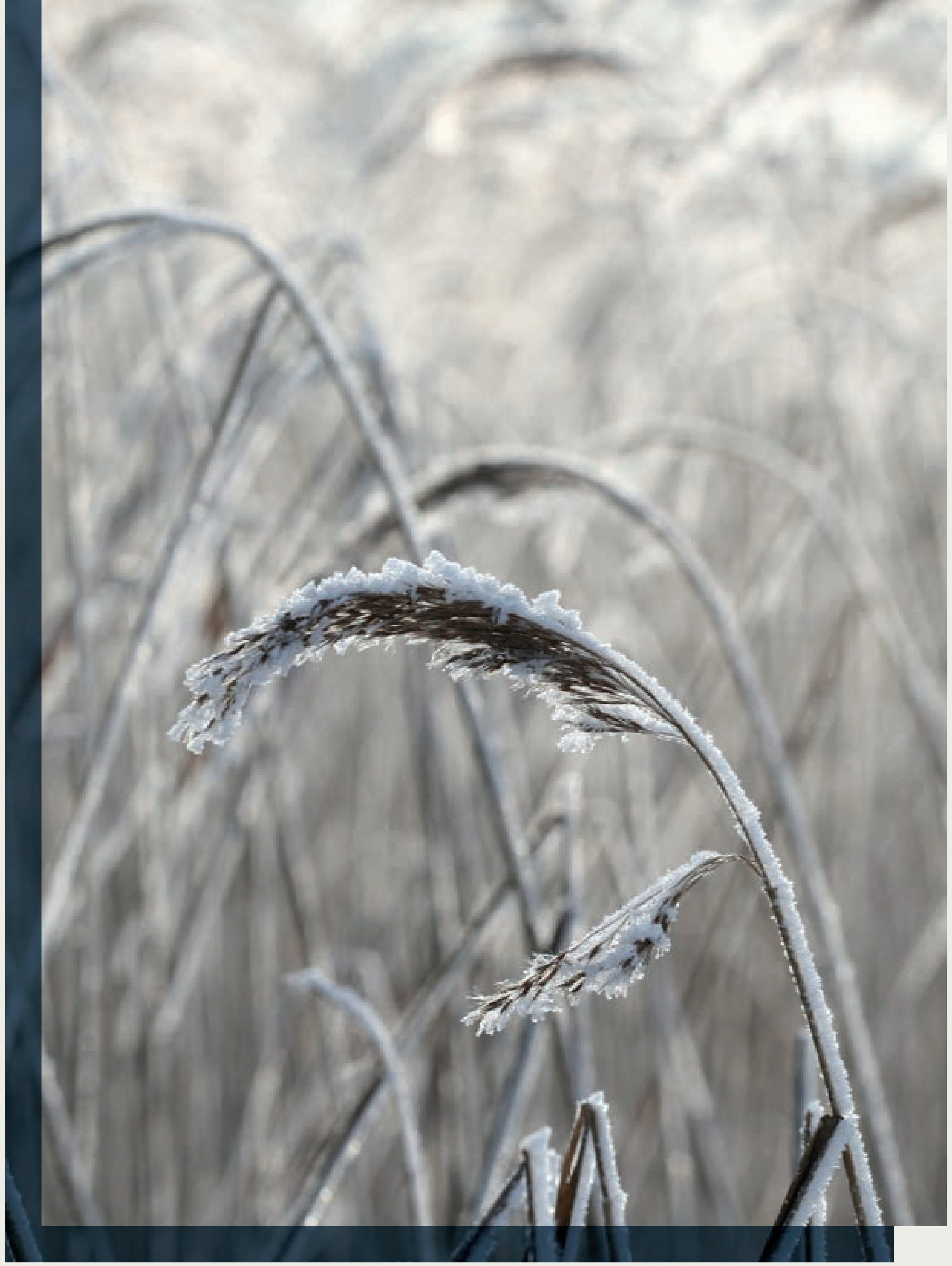
Statement regarding other matters

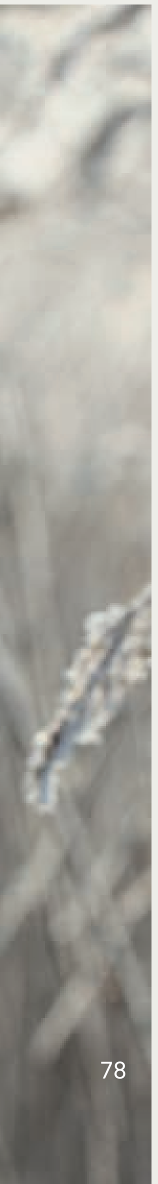
Conclusion relating to administrative regulations for financial management

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

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

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





7 Enclosures

7.1 COST-BENEFIT ANALYSIS FOR THE EXPORT CREDIT SCHEME FOR 2019

The 2019 cost-benefit analysis is conducted by the same principles as the cost-benefit analyses for previous years.

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

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

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

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

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

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

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

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

The cost-benefit analysis for 2019 shows a lower result compared with 2018. Net interest income after administration costs was approximately NOK 200 million lower in 2019 than in 2018. The result from the CIRR portfolio was NOK 87 million lower and the result from market loans was NOK 122 million lower. The reduction was primarily driven by lower interest margins for loans in USD.

CIRR LOANS

Interest income

	NOK	USD	GBP	EUR
Weighted CIRR for the lending portfolios	**2.89%**	**2.46%**	**2.81%**	**1.19%**

Funding cost

Amounts in NOK million	NOK	USD	GBP	EUR
Funding cost	1.31%	2.23%	0.95%	-0.50 %
Administration costs covered by the public treasury	0.15%	0.15%	0.15%	0.15%
Funding cost	**1.46%**	**2.38%**	**1.10%**	**-0.35%**
Net interest margin	**1.43%**	**0.08%**	**1.71%**	**1.54%**
Average portfolio – foreign exchange	12,657	2,727	22	334
Average portfolio – NOK	12,657	23,632	244	3,279
Net interest income	**181**	**19**	**4**	**50**
Loss provisions (2 bp)	3	5	0	0
Net interest income less loss provisions	**178**	**14**	**4**	**50**
Total net interest income CIRR loans	**246**			

MARKET LOANS

Interest income

	NOK		USD		GBP		EUR		CAD
	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M EURIBOR	6 M EURIBOR	3 M LIBOR
Weighted average margin	**61.30**	**65.20**	**79.47**	**65.97**		**51.57**	**38.10**	**29.95**	**98.00**

Funding cost

	NOK		USD		GBP		EUR		CAD
Amounts in NOK million	3 M NIBOR	6 M NIBOR	3 M LIBOR	6 M LIBOR	3 M LIBOR	6 M LIBOR	3 M EURIBOR	6 M EURIBOR	3 M LIBOR
NOK swap spread	-7.36	-7.36	-21.04	-21.04	-7.36	-7.36	-27.50	-27.50	-24.04
FX swap			3.00	3.00	13.00	13.00	-2.63	-2.63	3.00
Basis swap (3M v. 6M)		-7.36		-10.00		-8.28		-6.40	
Swapspread IBOR	**-7.36**	**-14.72**	**-18.04**	**-28.04**	**5.64**	**-2.64**	**-30.13**	**-36.53**	**-21.04**
Administration costs covered by the public treasury (bps)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Funding cost	**7.64**	**0.28**	**-3.04**	**-13.04**	**20.64**	**12.36**	**-15.13**	**-21.53**	**-6.04**
Net interest margin (bps)	**53.66**	**64.92**	**82.51**	**79.01**	**-20.64**	**39.21**	**53.23**	**51.48**	**104.04**
Average portfolio in foreign currencies	3,956	2,815	948	510	-	36	162	84	18
Average portfolio in NOK	3,956	2,815	8,210	4,420	-	398	1,594	822	119
Net interest income	**21**	**18**	**68**	**35**	**-**	**2**	**8**	**4**	**1**
Loss provisions - 2bp	1	1	2	1	-	0	0	0	0
Net interest income less loss provisions	**20**	**18**	**66**	**34**	**-**	**1**	**8**	**4**	**1**
Total net interest income market loans	**153**								

Amounts in NOK million	2019	2018
Total net interest income	400	609
Fee income	38	35
Total income	**438**	**644**
Administration costs	115	112
Result for the export credit scheme	**323**	**532**

The following maturities and exchange rates have been used in the calculations for 2019:

	NOK	USD	GBP	EUR	CAD
Average maturity (CIRR)	4 years	4 years	4 years	5 years	
Average maturity (market)	2 years	3 years	2 years	1 year	3 years
Exchange rate (average)	1	8.6649	11.6009	9.8228	6.5469

7.2 JOINT INDUSTRY DISTRIBUTION WITH GIEK 2019

Lending balance as of 31 December 2019

Amounts in NOK million	Oil and gas	Renewable energy	Other industries	Total
Lending balance	52,453	1,066	11,521	65,039
- Share maritime	44,797	235	9,867	54,899
Number of managed loans	162	8	47	217
- Share maritime	147	5	32	184

Applications as of 31 December 2019

Amounts in NOK million	Oil and gas	Renewable energy	Other industries	Total
Application volume	50,347	10,077	67,794	128,218
- Share maritime	28,121	5,132	43,390	76,643
Number of applications	51	47	184	282
- Share maritime	21	16	120	157

7.3 STATEMENT ON GOVERNANCE AND COMPANY MANAGEMENT

Eksportkreditt Norge AS (Export Credit Norway) is wholly owned by the Norwegian State. Section 10.7 of the Report to the Storting (white paper) on the State's direct ownership of companies (Report to the Storting no. 8 (2019–2020)) states that there is an expectation that the company complies with the Norwegian Code of Practice for Corporate Governance (NUES) wherever this is relevant and adapted to the company's activities, and as part thereof provide an overall statement on their governance and company management, including an account of any non-conformances with the code.

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

1. Statement on governance and company management

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

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

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

2. Business

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

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

1. issue officially supported export credits in compliance with international agreements, and
2. issue loans on market terms.

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

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

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

3. Equity and dividends

Export Credit Norway's equity totalled NOK 33.5 million as of 31 December 2019. The company's operational model requires that loans and loan-related items are recorded directly in the central government accounts, and the company accounts therefore include only grants from the State and costs relating to the company's ordinary operations.

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

4. Equal treatment of shareholders and transactions with close associates

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

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

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

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

5. Freely negotiable shares

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

6. General meetings

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

A general meeting is held by the end of June each year. The company's auditor attends the general meeting. A representative of the Office of the Auditor General of Norway is also invited to attend. The Board Chair and the CEO also attend. The other board members are invited and attend at their choice.

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

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

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

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

In 2019, the Board consisted of five shareholder-elected members – three women and two men. An employee-elected board member and an employee-elected observer also attend board meetings. Overall, the Board consists of four women and three men. The board members possess a broad range of business experience, and the Board as a whole thus reflects the company's area of operation and strategic objectives.

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

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

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

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

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

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

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

In 2015, the Board appointed a remuneration committee comprising the Chairman and two other board members (including the employee-elected board member). The employee-elected board member is independent of company management. The committee is an advisory body for the Board and considers matters relating to remuneration and personnel, including gender equality and diversity, incentive schemes and pension conditions for both senior executives and other employees, and issues relating to HR and organisation.

The Board evaluates its performance and expertise annually.

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

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

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

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

12. Remuneration paid to senior executives
Export Credit Norway follows the state guidelines of 15 February 2015 relating to salary and other remuneration paid to senior executives in undertakings and companies in which the State has an

ownership interest. Pursuant to article 9 of the statutes, the Board prepares an executive remuneration statement as required by Section 6-16a of the Public Limited Liability Companies Act, which is considered at the company's ordinary general meeting. A detailed overview of remuneration paid to senior executives is provided in a note to the annual accounts.

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

13. Information and communication

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

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

14. Take-overs

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

15. Auditor

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

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

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

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

Photo:
franckreporter
Sturlason
jimiknightley
Monty Rakusen
Miguel Navarro
Drew Graham

Visiting address
Cort Adelers gate 30
0254 Oslo

+47 22 31 35 00
eksportkreditt.no

Postal address
Eksportkreditt Norge AS
P.O. Box 1315, Vika
NO-0112 Oslo, Norway